

보 고 서
연구 97-3-11

Korea's Efforts in Official Development Assistance

1997. 5.

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Introduction

Over the last 50 years, advanced countries have provided significant resources to developing countries in the spirit of international cooperation. These efforts have produced many successes. For example, population growth rates have decreased, basic infrastructure has been improved, and the prevalence of disease has been diminished.

Despite these achievements, continued international cooperation efforts will be required to answer the challenges facing the global community as we enter the new millennium. "Shaping the 21st Century", published by the Organization for Economic Cooperation and Development (OECD), indicates that developing countries will face many difficulties. In fact, the year 2000 will bring with it a growing number of people living in poverty and despair. At that time, four-fifths of globe's population will be citizens of developing countries. Indeed, further strides must be made in order to assist those living in poverty.

Korea has been called upon by the international community to do its share and provide larger volumes of international development assistance. Based on its own development experience, Korea understands well the necessity of and benefits from cooperative international efforts. Rising from the ashes of the Korean War, Korea has achieved great economic success. This was based not only on the Korean people's self-reliance and Korean Government's aggressive leadership, but also on aid provided by the international community. Today, Korea has moved from being a 'recipient country' of international aid to a 'donor country' and serves as a model of how ODA can play a crucial role in overcoming the hurdles of development.

Last year, Korea became a member of the Organization for Economic Cooperation and Development (OECD) and is committed to meeting the OECD guidelines for providing aid to developing countries. As an emerging donor country, Korea is progressively increasing its ODA volume and is applying lessons learned from its experiences as a recipient country. Its ODA programs utilize creative approaches that are somewhat different from that of traditional DAC countries.

The purpose of this paper is to describe Korea's ODA efforts. For this purpose, this paper will explain the following:

- Korea's ODA Experience
- Korea's Main ODA Activities
- Korea's Development Assistance in the 21st Century

I. Korea's ODA Experience

1. From Recipient to Donor Country

Korea's experience as an aid recipient began at the close of World War II. After independence in 1945, the US Military Administration in south Korea provided assistance for economic stabilization in the form of Government and Relief in Occupied Area (GARIOA). When the Korea government was officially established in 1948, this aid was replaced by the Economic Cooperation Administration (ECA) whose purpose was to promote economic recovery by providing equipment investment. The outbreak of war on the Korean Peninsula ended ECA activities and postponed any chance for economic recovery.

By 1960, Korea had received grant aid equivalent to US\$3.1 billion(cumulative base) from the international community. This inflow of support played a critical role in Korea's survival, but unfortunately did not help Korea develop economically or socially because much of this aid was composed of goods for consumption, not with the means of production.

Figure 1. International Development Assistance Provided To Korea

(unit : US\$ million)

Year	Sum	USA				Other	
		GARIOA	ECA/SEC	PL480	ICA/AID	CRIC	UNKRA
1945-50	667.95	502.11	165.84				
1951-55	862.02		36.03		293.82	457.05	75.12
1956-60	1,493.44			157.72	1,288.47	0.31	46.94
1961-70	1,424.79			604.31	820.48		
1971-80	64.1			33.65	30.46		
Total	4,512.31	502.11	201.87	795.68	2,433.23	457.36	122.06

In the 1960s, a five year plan was launched that focused on developing Korea's economy, causing changes in the composition of development assistance Korea requested and received. Grant aid was reduced to US\$1.76 billion in the 1960s while credit loans designed to build a solid economic foundation began pouring into Korea. Korea's development strategy was to obtain concessional foreign loans to be used for the construction of social overhead capital (SOC) and industrial development. In the 1970s, Korea built upon its economic foundation and achieved rapid economic growth by pursuing an export-oriented policy. At the same time, the funding sources for economic development changed from official loans to private loans.

Based on its history as a recipient, Korea knows that aid does not always produce immediate economic growth. Korea achieved rapid growth in 1970's, based partially on international aid concentrated in 1950's.

While still in an early stage of development itself, Korea began supporting other developing nations. In 1963, Korea's first development cooperation program was launched with the support of the USAID in the form of an international training programs. Next, in 1965, the Korean government began providing its own funding for the invitation of trainees. Then, in 1967, the Korean government launched a program dispatching experts overseas. A decade later, the Ministry of Foreign Affairs allocated a budget of 900 million won (US\$1.9 million) to provide Korean-made equipment. This was Korea's first grant aid program.

In the 1980's, Korea's assistance programs were further expanded. The Korea Development Institute (KDI) established the International Development Exchange Program (IDEP), and the Ministry of Construction began to participate in international cooperation by inviting construction technicians and engineers from developing countries for training in Korea and by offering technical cooperation. In addition, the Ministry of Labor supported the establishment of a vocational training center in Indonesia. In 1987, Korea recorded a sizable balance of payments surplus, allowing the government to set aside a budget of 30 billion won (US\$38.7 million) for the establishment of the Economic Development Cooperation Fund (EDCF). The EDCF's purpose was to provide bilateral loans to assist developing countries.

Korea's international cooperation program reached a milestone in the early 1990s. In April 1991, the Korean government set up the Korea International Cooperation Agency (KOICA) to serve as the government's central provider of grant and technical aid to developing countries.

Figure 2. Chronicle of Korea's ODA

1963	First invitation of trainees from developing countries under USAID planning & funding
1965	First invitation of trainees at Korean government's expense
1967	First dispatch of experts at Korean government's expense First invitation of trainees in cooperation with UN & other int'l organizations
1969	First project-type cooperation with government capital
1975	First training of skilled workers
1977	Initiation of grant aid
1981	Initiation of joint project study
1982	Initiation of Int'l Development Exchange Program
1983	First invitation of construction technical training
1984	Initiation of construction technical grant assistance Support for construction of vocational training center
1987	Establishment of EDCF Commission of the Int'l Technical Cooperation Program to Korea Science & Engineering Foundation
1989	Initiation of Korea Overseas Volunteers Program Initiation of development study
1991	Establishment of KOICA

2. Establishment of an ODA Management System

Due to the increase of its ODA budget, the Korean government began deliberating the creation of an effective and efficient system to manage Korea's aid programs. On June 1, 1987, the Economic Development Cooperation Fund (EDCF) was established for the purpose of promoting Korea's economic cooperation with developing countries. EDCF was (and continues to be) handled by the Export-Import Bank of Korea under the Ministry of Finance and Economy.

The Ex-Im Bank was entrusted with the management and operation of EDCF in accordance with Article 4 of the EDCF Enforcement Decree. As a commissioned institution, Ex-Im Bank manages EDCF's funds, appraises requested projects, signs loan agreements, makes disbursements, and is responsible for post-management of loans. Within the Ex-Im Bank, the EDCF Department is responsible for project appraisal and administration of disbursements. The top decision-making entity in the EDCF operational structure is the EDCF Management Council. It is composed of 10 members including the Minister of Finance and Economy who serves as the Council's chairman.

At that time, various other international cooperation programs were being carried out by a number of different government departments. This gave rise to a lack of coordination, resulting in several problems, including a shortage of experts and inappropriate allocations of funds. The relevant departments of the government, aware of the need for the establishment of a single, centralized organization to implement and oversee Korea's international assistance programs, began full discussions to create a unified agency.

In January 1991, the Korea International Cooperation Act was promulgated as Law 4313. Based on this law, on April 1, 1991, the Korea International Cooperation Agency (KOICA) was founded under the Ministry of Foreign Affairs to oversee grant aid and technical cooperation. The establishment of KOICA allowed Korea to better coordinate its ODA programs in an effective and systematic manner.

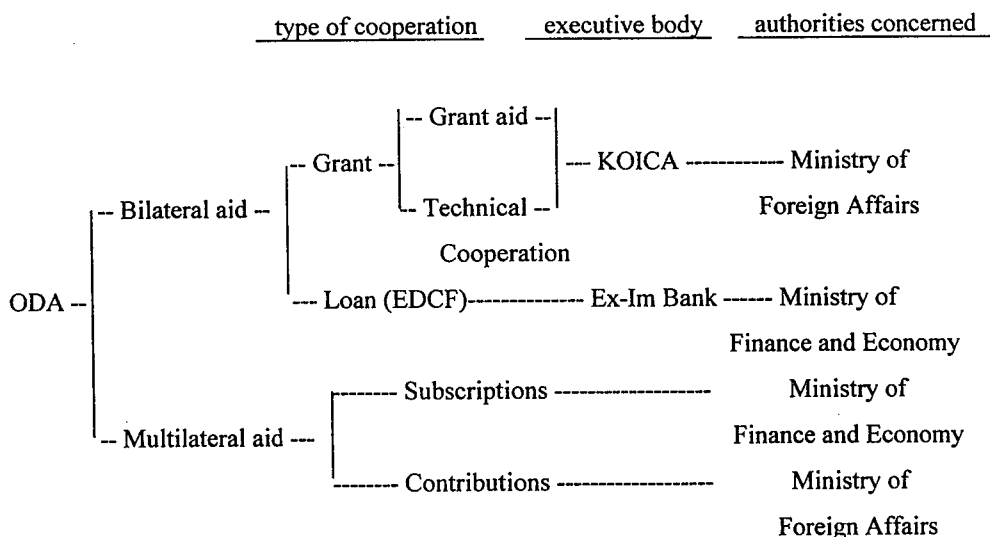
As of January 1, 1997, KOICA's consists of a central headquarters and 15 overseas offices. The headquarters is overseen by a President, who is supported by a Vice President, an Auditor, three Executive Directors, and two Director Generals. In

addition, KOICA's is organized into five offices, six departments, and 31 divisions. KOICA operates 10 regional offices (one each in Indonesia, Thailand, the Philippines, Vietnam, China, Uzbekistan, Ethiopia, Bangladesh, Fiji and Paraguay) and five representative offices (one each in Mongolia, Kazakhstan, Sri Lanka, Papua New Guinea, and Nepal). KOICA has a total of 249 employees, including five government officials dispatched to KOICA from several ministries.

According to the OECD, there are three types of international cooperation:

- Official Development Assistance (ODA);
- Other Official Flows (OOF); and
- Private Flows (PF), including aid from non-government organizations (NGOs).

Figure 3. Korea's ODA System



ODA is further divided into bilateral and multilateral aid. The former, composed of grants and concessional loans, is assistance provided directly to the recipient country. Multilateral aid is a form of indirect assistance to developing countries through contributions and subscriptions to multilateral organizations. KOICA is responsible for grant aid and technical cooperation, while the Ex-Im Bank of Korea is in charge of the implementation of EDCF loans. As a result, EDCF and KOICA play central roles in Korea's ODA. The Korean ODA system is displayed in Figure 2.

For multilateral aid, the Ministry of Foreign Affairs is in charge of contributions to UN, UNDP etc., while the Ministry of Finance and Economy oversees subscriptions to IBRD, IDA, ADF, AfDF, EBRD etc. In addition, KOICA provides a limited amount of program-specific funding to multilateral development agencies.

3. Korea's ODA Patterns

The total annual volumes of Korea's ODA in US dollars are shown in Figure 4. In 1995, Korea provided US\$116 million, equivalent to 0.03% of Korea's GNP. This was well below the OECD average rate of 0.3 percent because of Korea's short history as a donor country. However, Korea has increased its ODA very rapidly and will continue to do so. The volume of ODA in 1995 was approximate 5 times larger than in 1987. Further, Korea's ODA is expected to increase steadily due to government policies calling for increased outlays of ODA commensurate with Korea's economy status.

Of note is the increase of grants and loans compared with that of multilateral aid. Since Korea's ODA system was organized in 1991, the volume of bilateral aid had been

Figure 4. Korea's ODA Volumes

(Unit : US\$ million)

Type	1987	1988	1989	1990	1991	1992	1993	1994	1995
-Bilateral Aid	1.42	2.10	5.05	12.25	31.52	45.22	60.12	60.07	71.46
o Grant	1.42	2.10	3.27	3.26	25.04	30.99	32.68	38.45	50.11
Grant Aid	-	-	-	-	10.32	9.42	10.03	13.64	16.71
Technical Cooperation	1.14	1.71	2.25	2.18	6.19	8.53	10.51	12.28	16.89
Administrative Costs	0.28	0.39	1.02	1.08	7.60	11.57	11.15	11.36	14.49
Other	-	-	-	-	0.93	1.47	0.99	1.17	2.02
o Loans	-	-	1.78	8.99	6.48	14.23	27.44	21.62	21.35
-Multilateral Aid	22.08	31.90	28.75	48.91	25.96	31.58	51.44	80.15	44.53
o Contribution to UN Organization	3.20	3.62	3.74	4.67	5.78	8.01	10.25	12.88	14.82
o Subscription to int'l institution	18.88	28.28	16.24	44.24	11.82	21.47	25.67	25.65	22.68
o Other	-	-	8.77	-	8.36	2.10	15.52	41.62	7.03
ODA	23.50	34.0	33.80	61.16	57.48	76.80	111.56	140.22	115.99
ODA/GNP(%)	0.02	0.02	0.02	0.02	0.02	0.03	0.03	0.04	0.03

source : Ministry of Finance and Economy

steadily increasing. Until 1992, multilateral aid accounted for more than 50% of Korea's total aid. But recently, bilateral aid surpassed multilateral aid. As a result in 1995, bilateral aid accounted for US\$71.46 million, equivalent to 61.6% of total volume of ODA. At the same time, multilateral aid was US\$44.53 million, equivalent to 28.5% of total ODA.

A breakdown of Korea's bilateral ODA in 1995 by geographic region is shown in Figure 5. Asian countries received US\$30.5 million, equivalent to 53.5% of total ODA. The Asian region is the largest recipient, due to the fact that Korea has close historic, geographical, political and economic ties with the region. At the same time, the Asian region as a whole is attaining dynamic economic growth, creating substantial demand for development funds, particularly loan aid, for the purpose of improving economic and social infrastructure. As for other regions, aid is contributed as follows: Africa 26.7% (US\$15.2 million), Europe 8.4% (US\$4.8 million), Latin America 6.5% (US\$3.7 million), Oceania 2.4% (US\$1.4 million).

In terms of number of recipient countries, Africa is the largest recipient region. Forty-eight countries in Africa received bilateral aid or loans from Korea in 1995.

Figure 5. Korea's Bilateral ODA by Region (in 1995)

(Unit : US\$ million)

	Grants	Loans	Sum
Europe		4.6(1)	4.8
Africa	8.5(48)	6.7(2)	15.2
Latin America	0.2(4)	-	3.7
Asia	20.4(32)	10.1(5)	30.5
Oceania	1.4(10)		1.4
Other Region	1.5		1.5
Adm. Cost	14.5		14.5
Total	50.1(121)	21.4(8)	71.5

* (Numbers of countries)

source : Ministry of Finance and Economy

II. Main Activities in Korea

1. KOICA's Activities

KOICA's basic objectives are to help create an affluent human society and to build a human society in which we can all live better together. It is now Korea's turn to assist those in need and the Korean Government established KOICA in order to share the fruits of Korea's economic development with other developing countries.

The major activities of KOICA include technical cooperation, human resources cooperation, grant aid, development studies, public relations, research and surveys, and cooperation with international organizations. The purpose and results of each type of activity are as follows (1995 statistics in parentheses.) :

(1) Project-type Cooperation

KOICA conducts project-type cooperation programs which combine material support, such as providing equipment and necessary components for construction projects, and human cooperation, such as inviting trainees and dispatching experts. Project aid covers the well-planned and comprehensive processes of selecting, planning implementing, and evaluating. This process generally lasts from two to five years in accordance with the project proposed by the host countries. During the project period, a developing country comes to improve its technology, advance its research abilities and expand necessary facilities in ways befitting the country's situation.

Project-type cooperation is classified into three forms:

- ① Facilities-only support -- helps a host country construct buildings and facilities.
- ② Role-sharing support -- a host country is in charge of constructing and renovating a particular building and the donor country provides the necessary human and material resources.
- ③ Comprehensive support -- a project in which the donor country provides all the necessary resources.

KOICA provides assistance for the construction of hospitals, schools, and vocational training institutes - the very types of facilities which developing countries most need to improve public health and sanitation and eradicate illiteracy and poverty. (30 countries, 43 projects, US\$10.0 million)

(2) Provision of Equipment

KOICA provides developing countries with a variety of equipment and materials without obligation of repayment. These activities come in two forms:

- ① Providing equipment and materials for public development projects underway in developing countries as well as other materials required to meet basic human needs.
- ② Providing relief materials and funds for disaster relief aid when a developing country is hit by natural disaster, war or disease.

For socioeconomic development and the improvement of general welfare, KOICA provides equipment, such as ambulances, tractors, and computers. Emergency relief aid materials are also provided under this program in cases where developing countries have been seriously affected by natural disasters.

(114 countries, US\$10.2 million)

(3) Development Studies

This program provides technical assistance for studying possible public development projects in developing countries. KOICA strives to provide assistance when a developing nation is attempting to carry out important public development projects that are essential for economic and social development. KOICA's Development Studies program helps recipient countries assess proposals for the construction and expansion of infrastructure such as roads, airports and ports, the development of regional, urban, agricultural, and fishery regions, and the conservation of energy resources and the environment.

This type of aid entails technical assistance for developing countries to complete public development studies which are in the planning stage or are actually under way.

(6 countries, 12 projects, US\$3.1 million)

(4) Invitation of Trainees

KOICA invites people from developing countries to Korea and offers them training courses that teach skills needed for the development of their countries. This is a program which transfers Korea's expertise and technology to developing countries by inviting and training their government officials, technicians, researchers, and policy makers.

KOICA's Trainee Invitation program provides four types of training:

- ① General training is conducted at the request of a host country.
- ② National training is carried out in accordance with an agreement of a country.
- ③ International organization training is conducted by agreement with an international organization.
- ④ Third country training is carried in joint cooperation with a third country.

(92 countries, 870 persons, US\$4.4 million)

(5) Dispatch of Experts

KOICA also dispatches experts to developing countries for a specific period of time in order to transfer Korea's accumulated knowledge and experience. Through the Korean experts, the developing countries may have the opportunity to learn from Korea's development experiences and expertise. The experts specialize in many fields, including agriculture, forestry, fisheries, and electronics. They also provide assistance in the form of consultations, guidance, research, counseling, survey activities, and training.

(42 countries, 77 persons, US\$1.3 million)

(6) Dispatch of Korea Overseas Volunteers (KOV)

Based on the spirit of "Share and Respect", KOICA dispatches highly motivated volunteers to developing countries in order to help local residents increase their income and improve their living and social conditions. The KOVs live and work with local people and share knowledge and technical skills.

These well-trained volunteers contribute to a better life by helping local people improve social welfare services and by assisting with development in rural areas. The Korean Overseas Volunteers Program also provides medical services in the fields of nursing and public health, training of engineers or technicians as required for economic development, and support in fields as diverse as vehicle maintenance, computers, agriculture, and livestock.

(15 countries, 188 persons, US\$3.3 million)

(7) Dispatch of International Cooperation Personnel

Young Korean men of conscription age may elect to fulfill their military service requirements by working as international cooperation personnel. Selected personnel are dispatched by KOICA as either KOVs or, in the case of those in the medical profession, as medical doctors. The period of dispatch is equivalent to each individual's required military service.

(13 countries, 28 persons, US\$0.5 million)

(8) Dispatch of Medical Doctors

KOICA dispatches Korean medical doctors to Africa, Asia, the Pacific region, and South Africa where medical service are most needed. This program started in 1968 with the dispatch of doctors to Africa and has expanded so that Korean medical doctors are now serving around the world. Korean doctors serve in special fields such as internal medicine, external medicine, obstetrics and gynecology, and pediatrics. These doctors serve in the spirit of humanitarianism and philanthropy with self-sacrifice in providing medical services to local residents.

(19 countries, 22 persons, US\$1.8 million)

(9) Dispatch of Taekwondo Instructors

KOICA dispatches Taekwondo instructors to help people in developing countries maintain physical and mental fitness and lead healthier lives. Taekwondo instructors contribute to healthier lives for local people through exercise while at the same time providing them with access to Korean culture. More and more people have

become interest in this martial art, because Taekwondo has been adopted as an official Olympic event beginning at the Sydney Olympics.

(12 countries, 13 persons, US\$0.6 million)

(10) Assistance to NGOs

Non-governmental organizations (NGOs) can, in some cases, provide aid more efficiently than government agencies. They are therefore assuming an increasingly important roles in international cooperation as the efficiency and impact of aid projects are becoming of greater concern. Aid through NGOs can be of great help in satisfying basic human needs, including medical and educational needs, improving housing conditions, and raising income levels of local people.

KOICA provides subsidies and consultations to Korean NGOs engaged in socioeconomic development projects in developing countries. Accordingly in 1994, KOICA established an NGO division, consolidating the system for providing aid to non-governmental organizations in Korea.

(19 institutes, US\$0.6 million)

Overall, in 1995, provision of equipment (including emergency aid, distress relief, and aid to refugees) was the most important form of KOICA's assistance. It accounted for 28.4% of KOICA's total assistance budget. This was followed by project-type cooperation which accounted for 27.9%. Aid through the dispatch of Korea Overseas Volunteers and the dispatch of medical doctors increased substantially over the year before, accounting for 9.1% and 5.0% of the total respectively. The invitation of trainees and the dispatch of experts and Taekwondo instructors accounted for about the same percentages as during the previous year, while support for development studies decrease over the same period. KOICA's program for assistance for NGOs was launched in 1995 and received 489 million won (US\$635,000). Although this accounted for only 1.8% of KOICA's total budget outlays, assistance for NGOs is expected to increase steadily in the future.

In 1995, KOICA provided support to 139 countries, with a focus in the Asian region. China received US\$3.9 million accounting for 10.9%, the largest portion of Korea's total aid. The next nine recipient countries by volume were : Vietnam (8.8%), Indonesia (3.4%), Sri Lanka (3.1%), Russia (3.0%), Bangladesh (2.9%), Sudan (2.8%), Philippines (2.3%), Nepal (2.2%), Jordan (2.2%).

Figure 6. Overall Performance in 1995

(Unit : US\$ million)

Type of Cooperation	Number of recipient countries (organizations, cases, persons)	Amount	%
Provision of Equipment	114 (9 int'l organizations)	10,239	28.4
Project-type Cooperation	30 (43 cases)	10,040	27.9
Development Study	6 (12 cases)	3,138	8.7
Invitation of Trainees	92 (870 persons)	4,435	12.3
Dispatch of Experts	42 (4 int'l organizations, 77 persons)	1,250	3.5
Dispatch of KOVs	15 (188 persons)	3,322	9.2
Dispatch of Medical Doctors	19 (22 persons)	1,819	5.1
Dispatch of Taekwondo Instructors	12 (13 persons)	630	1.8
Dispatch of Int'l Coop. Personnel	13 (28 persons)	499	1.4
Assistance for NGOs	N/A (19 organizations)	635	1.8
Total	139 (31 orgs., 55 cases, 1,198 persons)	36,006	100.0

source : KOICA

2. EDCF's Activities

The Economic Development Cooperation Fund (EDCF) was established by the Korean Government in 1987 for the purpose of promoting Korea's economic cooperation with developing countries. The EDCF is designed to provide funds needed for the industrial development and economic stability of these countries.

(1) Funding Sources of EDCF

Pursuant to the Economic Development Cooperation Fund Act (Law No.3863, Promulgated on December 26, 1986), EDCF is permitted to utilize the following financial sources:

- Contributions from the Korean government
- Contributions from government-sponsored institutions or industrial associations
- Contributions from other government funds
- Long-term borrowings pursuant to Article 5, EDCF Act
- Deposits from the National Bond Management Fund
- Profit earned from the operation of the fund

The major funding sources of EDCF since its establishment have been contributions from the government's general budget account and borrowings from the government's special budget account.

An initial contribution of 30.0 billion won (US\$38.7 million) from the government was made in 1987, and the government provided additional contributions of 39.4 billion won (US\$50.9 million) on average per year between 1988 and 1995.

By dramatically increasing its contribution level to 120.0 billion won (US\$154.9 million) for 1995, the government demonstrated its intention to increase

ODA in preparation for becoming a member of the OECD.

An initial borrowing of 40.0 billion won from the government's special budget account was made in 1989, and an additional 160 billion won (US\$206.5 million) was borrowed from 1991 through the end of 1995.

As of end of 1995, the accumulated total of the EDCF had reached 797.2 billion won (US\$1,029 million). Total contributions from the government amounted to 344.9 billion won (US\$445.2 million) and accounted for about 43% of the total fund. At the same time, cumulative borrowings from the government reached 197.3 billion won (US\$254.7 million) and total reserves were 254.9 billion won (US\$329.1 million).

Figure 7. Growth of Fund

(Unit : billion won)

	Contribution from Government	Borrowing from Gov't Special Account	Reserves	Total	Cumulative Total
1987	30.0	-	0.8	30.8	30.8
1988	20.0	-	4.8	24.8	55.6
1989	50.0	40.0	4.8	99.3	154.9
1990	10.0	-	9.3	35.7	190.6
1991	10.0	50.0	25.7	99.5	290.1
1992	-	10.0	39.5	74.1	364.2
1993	19.9	10.0	64.1	63.1	427.3
1994	85.0	20.0	33.2	138.6	565.9
1995	120.0	67.3	33.6	231.3	797.2
Total	344.9 (US\$445.2 mil.)	197.3 (US\$254.7 mil.)	254.0 (US\$329.1 mil.)	797.2 (US\$1,029.0 mil.)	

source : Ex-Im Bank of Korea

(2) Commitments and Disbursements

EDCF offers two types of loans : (1) loans to foreign governments, government agencies, or other eligible organizations to support the economic development of developing countries and (2) loans to Korean firms for overseas investment projects. Thus far, most of the loans have been extended to foreign governments for their development projects.

Although EDCF does not have a long history, significant progress has been made in a relatively short time. In tandem with the expansion of its size, efforts have also been made to improve the quality of its operations. EDCF has so far paid relatively little attention to social sector development which is essential for sustained economic development in many developing countries. EDCF will eventually need to pay more attention to this area, and hence will prepare itself by accumulating expertise in the field.

The EDCF Department began operations in June 1987. The First Exchange of Note (E/N) concerning an EDCF loan was signed between the Korean and Indonesian governments in November 1988, and the first EDCF loan agreement was signed for the

Figure 8. Annual Commitments and Disbursements

(Unit : Cases, US\$ million)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	Total
Commitment										
Cases	1	1	1	4	6	7	2	11	12	46
US\$/million	23.5	9.8	6.2	33.8	80.0	98.7	64.0	127.7	194.0	637.7
Loan Agreements										
Signed										
Cases			2		4	3	6	2	11	28
US\$/million			23.5		57.9	32.5	102.0	64.4	157.2	437.5
Disbursements										
US\$/million			1.6	9.2	6.3	15.8	72.5	39.0	44.5	188.9

source : Ex-Im Bank of Korea

Padang By-Pass Project in Indonesia in September 1989. Even though the E/N and loan agreement were signed first for this Indonesia project, the first disbursement was made for the Nigerian Passenger Coach Purchase Project in November 1989.

Beginning in 1994, EDCF became more active. In 1994, total commitments exceeded 100 billion won (US\$127.7 million) for 11 projects, and in 1995 the total was over 148 billion won (US\$194.0 million) for 12 projects. As a result, the total commitment of EDCF loans amounted to 488.8 billion won (US\$637.7 million) for 46 projects in 24 countries by the end of 1995.

As commitments increased, disbursements also increased, although with some lag. Starting with the disbursement for the Nigerian Passenger Coach Purchase project in 1989, disbursements increased steadily. In the first two years, disbursements were more than 8.3 billion won (US\$10.7 million). By 1992, the fourth year of disbursements, the total had increased to over 12 billion won (US\$15.5 million). In 1993, disbursements reached a peak, exceeding 56 billion won (US\$72.3 million). By the end of 1995, total disbursements were approximately 146.3 billion won (US\$188.8 million), accounting for approximately 30% of total commitments.

Loan disbursement for 1995 amounted to 34.5 billion won (US\$44.5 million) for ten projects in ten countries. Of the ten, first-time disbursements were made for two projects in 1995, while disbursements for three projects were completed. As a result, the outstanding balance of EDCF loans at the end of 1995 was 145.5 billion won (US\$187.8 million), up 30.1% from 1994. The amount disbursed in 1995 increased somewhat from the previous year's 30.2 billion won (US\$39.0 million), recording the second highest figure since EDCF's establishment. However, this level has yet to achieve the government's expectations, in light of both the accumulated commitments and the credit capacity of EDCF.

Of the total accumulated commitments of 488.8 billion won (US\$637.7 million) at the end of 1995, including 1.6 billion won (US\$2.0 million) in loans to private Korean firms for projects in developing countries, more than half were made within Asia (57.7%). Eastern Europe ranked second with 20.6%, followed by Africa with 12.8%. The distribution of commitments by sector was lead by the

telecommunications sector which received a 27.7% share, followed by transportation (27.6%), and energy (12.5%). As the figures indicate The loans for economic Infrastructure dominated, with two-thirds of the total.

EDCF also observed a large increase in loan commitments in 1995. US\$194.0 million was pledged to finance twelve projects in five countries, as shown in Figure 9. The number of loan agreements signed also increased to eleven, amounting to US\$157.2 million. EDCF signed its first loan agreements with China, Papua New Guinea and Vietnam, totaling US\$95.5 million

Figure 9. Loan for Foreign Government in 1995(Commitment)

(Unit : US\$ million)

Project Name	Country	Amount	Type of Loan
Telecommunication Network Modernization Project	Ecuador	15.0	Development Project Loan
Highway No.18 Improvement Project	Vietnam	24.0	Development Project Loan
Thien Tan Water Supply Project	Vietnam	26.0	Development Project Loan
Construction of Water Supply of Yanji City Project	China	9.0	Equipment Loan
Liaoning Sino-Korea Int'l Exchange Ctr. Project	China	5.0	Equipment Loan
Viaduct between Xi-Yuan-Zhauang and Liu-Ting Section of Jiquing Highway Project	China	20.0	Equipment Loan
Second Stage of Beihai Port's Extension Project	China	10.0	Equipment Loan
Hunan Province Telecommunication Project	China	30.0	Equipment Loan
Dunaferr Steel Modernization Project	Hungary	25.0	Equipment Loan
Manado By-Pass Project	Indonesia	20.0	Development Project Loan
Engineering Design of Isal-2 Hydro Power Plant and Associated Transmission Line Project	Indonesia	6.5	Project Preparation Loan
Engineering Design of Sibolga Steam Coal Power Plant and Associated Transmission Line Project	Indonesia	3.5	Project Preparation Loan

source : Ex-Im Bank of Korea

III. Korea's Development Assistance in the 21st Century

1. Redefining Korea's ODA Philosophy

Korea's straightforward ODA philosophy has been stated since the inception of EDCF and KOICA. In Article 1 of the EDCF Act of October 1986, the objectives of EDCF are "to support industrial development and help developing countries to achieve economic stability, at the same time foster economic cooperation between Korea and recipient countries through expended economic exchanges." Article 1 of the KOICA Act promulgated in January 1991 similarly explains KOICA's the objectives as: "Its purpose is to improve cooperative relations with developing countries and assist their economic and social development." KOICA emphasizes a philosophy of "Building a human society in which we can live better together." In fact, this is KOICA's motto and serves as a succinct description of Korea's ODA philosophy.

KOICA's annual report indicates that Korea's international cooperation has three objectives: (1) political and diplomatic concerns, (2) economic concerns, (3) humanitarian concerns. In the initial stage of ODA, Korea was far more interested in building a strong political and diplomatic base in the international community. Gradually the focus of Korea's cooperation policy has shifted toward economics coupled with humanitarian considerations. Today, the spirit of humanitarianism is basically held above all else in Korea's ODA.

As a member of the OECD, Korea believes that it has an obligation to play an even more positive role in international relations. As a result, Korea is studying new Korean -type approaches to international cooperation and is redefining the objectives of its ODA. From Korea's own experiences as a recipient country, Korea realizes that "escape from the vicious circle of poverty" is the most important target of ODA. Korea believes that teaching how to catch a fish is better assistance than giving the fish itself. Further, Korea has the confidence that these humanitarian principles matched with Korean cooperation efforts and, perhaps most importantly, the will and action of those living in developing countries will help improve the welfare level of whole peoples. As a result, Korea's new philosophy will stress a self-supporting spirit, and we will assist

developing countries to learn how to escape from poverty and stand independently and sustainably.

Figure 10. Traditional aid pattern : vicious circle of poverty

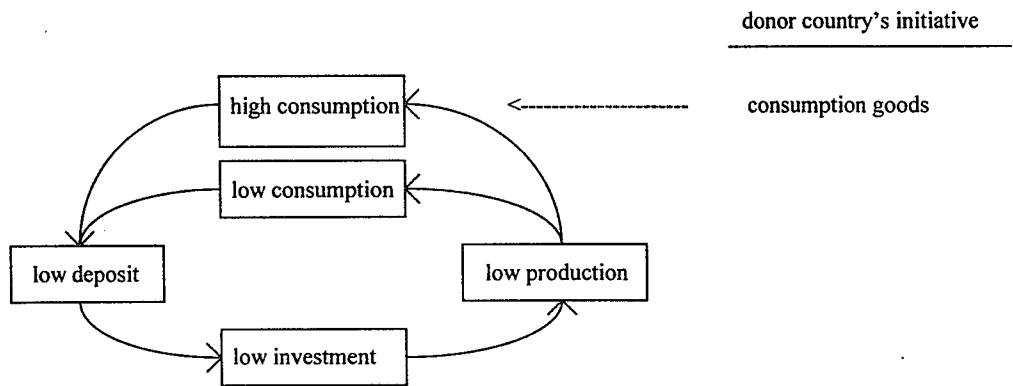
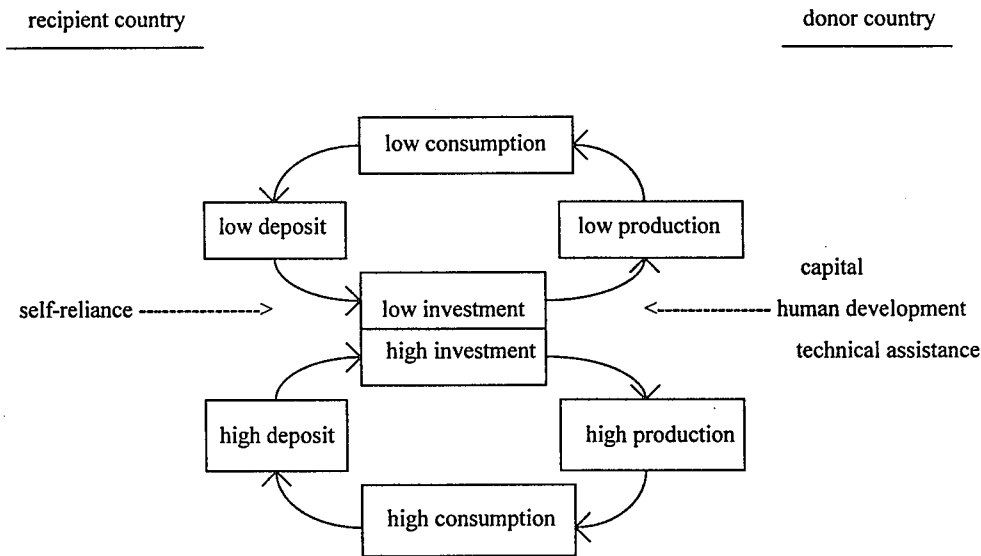


Figure 11. Korean Type aid pattern : escape from poverty



In the past, some advanced countries have assisted developing countries by offering many consumption goods. The efforts did increase the welfare level in developing countries, but recipient countries could not escape from poverty because the aid changed the consumption level while doing little to improve production or investment levels. This traditional pattern is presented in Figure 10.

Based on its philosophy, Korea will continue to assist recipient countries in their efforts to move from low to high levels of investment and production. Korea will do this by stimulating self reliance movement in developing countries while also offering capital, human development and technical assistance. A model of Korean-type cooperation is presented in Figure 11.

2. Clarifying “Korean-type” International Cooperation

While continuing to build upon our basic philosophy, Korea is developing a Korean Model of ODA. There are several policy orientations included in this model, with three being the most significant.

First, Korea is adopting strategies that depend on the stage of economic development of the recipient that takes into account Korea's limited ODA resources. As a newly emerging donor country, Korea's ODA is growing, but remains limited and therefore must be allocated in the most efficient and effective manner possible. As a result the differing needs of recipients and the constraints on Korea's level of contribution, Korea is adopting the following assistance guideline and strategy:

(1) Least less developed countries (under US\$100 per capita annual income) -- Korea will principally provide assistance for basic human needs through NGO activities and multilateral aid instead of via direct assistance. For this purpose, Korea has strengthened its cooperative relationship with NGOs and international organizations.

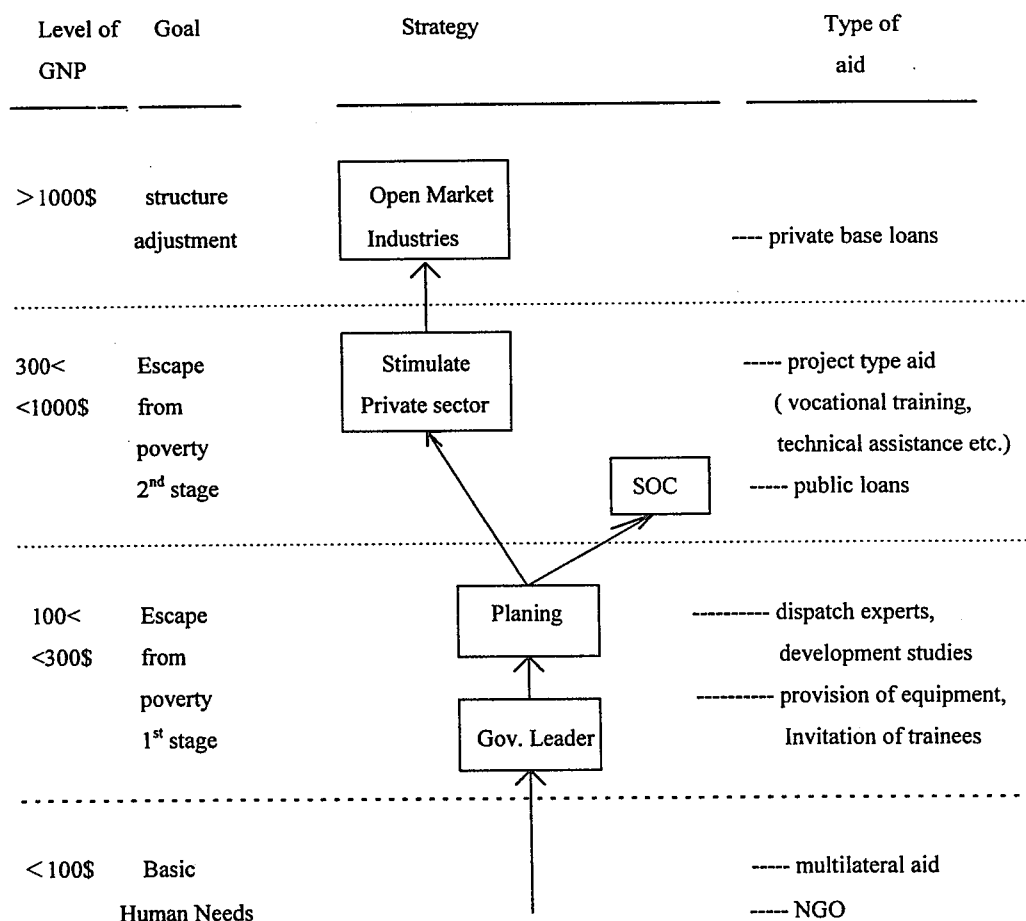
(2) Countries with annual per capita income from US\$100 to US\$1,000 -- Korea will specialize in and focus on assisting low income countries in this income range. This is because countries in this category very much want to learn from Korean's experience of economic development and hope to follow Korea's economic growth by utilizing Korea's mid-level technologies.

(3) Countries with annual per capita income above \$1,000 -- For the countries with annual income of more than US\$1,000 per capita, we encourage close private-level cooperation. When these developing countries want to undertake structural adjustments toward industrialized society, the Korean government restricts intervention by the public sector and promotes private sector activities as far as possible.

The second policy orientation is that Korea executes assistance programs in a continuous, comprehensive and concentrate method. As seen in Figure 12, the first stage of Korean assistance includes training the leaders of government sectors through the invitation of trainees to Korea. We also provide assistance for self-reliance efforts by providing equipment, for example, computers and vehicles. In this stage, Korea may provide assistance for development plans by dispatching experts to provide advice and

consultations. Through the development studies program, we also provide technical assistance for their developing projects. In the second stage of Korea government assistance, Korea works to continuously promote the development of social overhead capital (SOC), such as roads, telecommunication facilities, and power plants, by offering public loans. At the same time, KOICA provides project type aid of vocational training and technical cooperation for the private sector. In particular, Korea strives to positively assist them with Human Resource Development (HRD).

Figure 12. Chart of Korean Type International Cooperation



The third significant policy orientation is an emphasis on partnership with recipient countries. Korea believes that self-reliance efforts of the people in developing countries is the most important factor for success in combating poverty. As a result, development cooperation is viewed as a joint undertaking between a donor and a recipient, and is based on a broad agreement of views by both parties. Korea will honor the recipient country's opinions through dialogues and cooperation activities with a spirit of "share and respect."

3. Expansion of Scale and Improvement of Quality

Korea's ODA was 0.03% of its GNP in 1995, which is relatively small when compared with that of other advanced countries. The international community is increasingly calling on Korea to play a larger role in international affairs and specifically in international cooperative efforts. At the same time, requests from developing countries for our development experience and cooperation are also increasing rapidly. The expansion of Korea's ODA activities has a special meaning because Korea can now repay the assistance we received in the past by taking part in activities to help other developing countries. Domestically, the Korean government is pursuing a policy of globalization and supports the expansion of international cooperation activities. Korea is committed to more actively participate in international efforts to solve global problems and to bring about better social development.

The Korean government's commitment to increase its ODA budget is already occurring. As displayed in Figure 13, the government's short and medium-term program has already started to increase ODA to 0.1% of GNP by the year 2000. Furthermore, the Korea government will make efforts to improve the quality of ODA by expanding substantially grant aid and by adopting better terms and conditions for EDCF. As a part of these efforts, the procedures of EDCF were stream lined in March, 1996. The terms of EDCF also reached OECD standards: the minimum annual interest rate is 1.0%, the maximum repayment period is 30 years. In addition, KOICA is preparing a mid-term plan for grant aid that will allocate ODA resources even more rationally and efficiently.

Figure 13. Estimated Increase in ODA

(Unit: a : billion won, b: trillion won)

	1995	1996	1997	1998	2000	Average(%)
ODA(a)	128.6	170.0	231.3	339.9	614.7	36.7
GNP(b)	348	390	433	485	594	11.3
a/b(%)	0.04	0.04	0.06	0.08	0.1	

Conclusion

From the devastation of the war, Korea has grown into an economic success story based on the hard work of the Korean people and assistance from the international community. Now that Korea is entering the ranks of the OECD, it wants to repay the benefits which it received during its difficult period by transferring successful experiences to currently developing countries. A number of less developing countries regard Korea as a model to emulate and are seeking more cooperation with Korea. What they desire most from Korea is not large-scale financial support or transfers of advanced technology, but the benefit of Korea's development experience and international technology. Korea is assuming this new role and by relaying her experiences, hope, and development assistance to developing countries.

For this purpose, Korea's ODA philosophy is evolving and being clarified, ODA volumes are increasing, and the quality of ODA is being improved using a Korean-type model of international cooperation. Korea assists developing countries' self-support efforts with targeted programs to help them "escape from the vicious circle of poverty." Korea's continuous, comprehensive, and concentrated strategy in each of its partner nations depends on the development stage of the partner and requests from the recipient's side.

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