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Research Report

Moving away from aid: The experience of the Republic of Korea

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Report

Moving away from aid

The experience of the Republic of Korea

Rachael Calleja and Annalisa Prizzon

December 2019



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Cover photo: Dolsan Bridge in Yeosu, South Jeolla Province, Republic of Korea. Credit: Bjoern Steinz/Panos Pictures.

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Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
ASEAN	Association of Southeast Asian Nations
CEB	Combined Economic Board
CIDC	Committee for International Development Cooperation
DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
EDCF	Economic Development Cooperation Fund
EPB	Economic Planning Board
FDI	foreign direct investment
GCF	Green Climate Fund
GDP	gross domestic product
GEF	Global Environmental Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	gross national income
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	international financial institution
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KAIST	The Korean Advanced Institute of Science and Technology
KDI	Korea Development Institute
KOICA	Korea International Cooperation Agency
KSP	Knowledge-sharing Program
MIKTA	Mexico, India, Korea, Turkey and Australia (group of middle powers)
MOFA	Ministry of Foreign Affairs
MOPAN	Multilateral Organization Performance Assessment Network
NGO	non-governmental organisation
ODA	official development assistance
OEC	Office of the Economic Coordinator
OECD	Organisation for Economic Co-operation and Development
OECS	Overseas Economic Cooperation Fund
OOF	other official flow

SDG	Sustainable Development Goal
UMIC	upper-middle-income country
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
US	United States
USAID	United States Agency for International Development

Executive summary

This case study analyses how the Republic of Korea managed its transition from aid and beyond. It looks at the types of cooperation the country received and expected from its development partners from the end of the second world war until its graduation from aid in 2000, as well as the future of development cooperation beyond aid. It is one in a series of four case studies that form part of a larger project that set out to investigate and learn from countries' experiences during the transition from aid and graduation from official development assistance (ODA). Calleja and Prizzon (2019) summarise the findings and lessons from this and the other three country studies – Botswana, Chile and Mexico – in the report *Moving away from aid: lessons from country studies*.

A country graduates from the list of ODA-eligible countries when its annual income per capita exceeds approximately \$12,000 for three consecutive years. After this, every aspect of its international development cooperation is likely to change. In 2014, the OECD estimated that 29 countries will graduate from the list of ODA recipients by 2030. Although ODA may become less important (and accessible) over time, countries still seek development cooperation in other forms to help them to achieve their development aims and to contribute to the global agenda.

This report looks at what we can learn from the experience of the Republic of Korea. The Republic of Korea is one of the few countries to have gone from ODA recipient (in this case, until 2000) to joining the OECD Development Assistance Committee (DAC) (which it did in 2010). The Republic of Korea is 'an exemplary case of post-conflict development ... showing how to use foreign aid in order to escape successfully from the poverty trap' (Lee, 2014: 27). As the Republic of Korea's transition and

graduation from ODA was completed about 20 years ago, we are able to review the entire path from an aid recipient to donor and analyse the evolution of modalities from development to international cooperation.

This case study focuses on two aspects. First, it distils the lessons from the Republic of Korea's remarkable strategy for poverty eradication and sustainable growth, which maximised the impact of assistance flows received from bilateral and multilateral partners. Second, the study reviews the approaches that the Republic of Korea deployed to expand and strengthen its positioning in global dialogue and international affairs, including with former development partners.

This report is informed by a combination of data analysis, literature of main academic and policy documents, and semi-structured interviews with government officials and experts conducted in person in Seoul and Sejong (June 2019) and by phone.

Our analysis was not intended to evaluate the overall approach of the government of the Republic of Korea and of its development partners. Rather, we sought to identify lessons from their experience that might inform other countries 'in transition' and their development partners in the articulation of their own strategies to sustain development outcomes and foster policy dialogue within a renewed type of partnership.

Lessons from the experience of the Republic of Korea and of its development partners

The Republic of Korea's economic miracle took place under specific factors that cannot be replicated. These factors include favourable trade rules, sustained global economic growth and high

global demand, fewer competitors and a small pool of development partners to coordinate, the country's geostrategic relevance and position for the United States and the country's colonial past with Japan. However, the experience of the Republic of Korea offers lessons on how to maximise the effectiveness of development assistance, reduce dependency on aid, forge new relations with former development partners and reshape global relations to become a middle-size power and a donor.

Managing the transition from aid

To reduce dependency on aid, countries should strategically align development assistance flows with national priorities, including economic development. The Republic of Korea decided on the 'ultimate uses and beneficiaries' of inward aid, which were 'largely determined within the framework of the economic policies' of the government. The government tactically took advantage of aid flows when other financing options – notably foreign direct investment (FDI) – were not available, progressively lifting capital account restrictions and opening to foreign investment over time.

Countries should build a strong knowledge base and boost the education system. The Republic of Korea developed technical expertise alongside its developmental performance since the end of the second world war. The result of the deliberate investment in education was a well-trained and capable Korean civil service, which could chart its own development trajectory over the long term. This reduced the need for continued technical assistance that has been observed in other countries in the transition from ODA.

Cooperation with development partners

Countries and development partners should use knowledge-sharing as a tool to maintain relations with former development partners and to forge new ones with other developing countries. Funded by the United States Agency for International Development (USAID) as part of their triangular cooperation programme, the

Republic of Korea's earliest outward cooperation was in training programmes throughout the 1960s. These programmes provided the basis for the Republic of Korea's engagement as a donor, and by the end of the decade the Korean government was self-funding its own training programmes. USAID also contributed to the creation of the Korea Development Institute (KDI) in 1971, the main platform for sharing the Republic of Korea's development experience. The Japanese aid model served as a natural guide for the Republic of Korea's development cooperation programme due to the countries' cultural, linguistic and legal affinities, as well as their similar economic development trajectories.

Cooperation beyond aid

Countries should take advantage of the multilateral system to become a hub and leader in the region for selected agendas. The Republic of Korea's relationship with multilateral organisations has changed throughout its transition process, as it has moved from net recipient of multilateral funding to net contributor. With the United Nations Development Programme (UNDP), the Republic of Korea shifted from being a recipient and beneficiary of aid programmes, to a contributor and partner in the global development agenda. It also hosts country offices of the OECD and World Bank, among others, which serve as hubs for knowledge-sharing activities (the former on international taxation, competition, public governance and social policy sectors and the latter on financial sector reforms).

Countries should leverage international organisations for peer learning. The Republic of Korea has pursued peer learning through increased participation in international organisations including the OECD, the DAC, the Multilateral Organization Performance Assessment Network (MOPAN) and the UN system, to name a few. Interviewees from government were clear that the G20 was the most important global forum for Korean engagement and that the Republic of Korea was proud to be counted among the group of large economies. Beyond global arenas, there are other forums that help to deepen regional economic

and diplomatic linkages, as with the Association of Southeast Asian Nations (ASEAN), and that offer the opportunity to join forces on global issues of mutual interest, as with the MIKTA (Mexico, India, Korea, Turkey and Australia) group of middle powers.

Countries should shift modalities, moving from a recipient to a hub for knowledge-sharing with other developing countries. In 2004, KDI launched its Knowledge-sharing Program (KSP), which aimed to draw both on the Republic of

Korea's experience and on international best practices to help developing countries address key challenges. Beyond the KSP, the country has also engaged in other knowledge-sharing initiatives. Among others, these have included programmes run by the Korea International Cooperation Agency (KOICA), including the Development Experience Exchange Program, as well as knowledge transfer programmes operated by the UNDP Seoul Policy Centre and the Asia Foundation.

1 Introduction

1.1 Why this report

Over the past decade most developing economies have achieved strong and sustained economic growth. Some have moved rapidly up the income per capita ladder, particularly into the upper-middle-income country (UMIC) bracket (above \$4,000 annual income per capita).¹ Typically, these are economies that have strengthened their macroeconomic management, played a stronger and more visible role in global policy, diversified their financing sources and received less and less external development assistance (or ceased to benefit materially from it).

When a country's income per capita² exceeds approximately \$12,000 for three consecutive years, it is removed from the list of countries eligible for official development assistance (ODA), as per the policy set out by the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC). While this 'ODA graduation' does not mean that donors must no longer provide development support to these countries, it does mean that their programmes cannot be counted towards ODA targets. At the same time, against a backdrop of growing scrutiny on public spending – particularly in relation to the provision of development assistance to wealthier countries – aid budgets in several donor countries have been cut and sometimes reprioritised towards poorer countries.

Several countries are expected to graduate from ODA. The OECD estimates that 29 countries will graduate from the list of ODA recipients by 2030 (OECD, 2014). However,

we know little about how countries that have experienced or have started the transition and graduation process have managed it, particularly in terms of planning, implementation and financing of development projects, to ensure development results are sustained and expanded when ODA declines or is no longer provided. We also have little evidence about how development partners should support countries that are in transition from aid to maximise the effectiveness of falling resources and how these countries could engage in global dialogue when ODA falls or is no longer an option.

This report answers these questions by looking at the experience of the Republic of Korea, one of four country case studies. The other three countries studied are Botswana, Chile and Mexico. Findings and lessons from across all four case studies are included in the summary report (Calleja and Prizzon, 2019).

The Republic of Korea is 'an exemplary case of post-conflict development ... showing how to use foreign aid in order to escape successfully from the poverty trap' (Lee, 2014: 27). In the 2010s, the 'Global Korea' strategy – with strong leadership and active participation in several international cooperation forums, global affairs and agendas – aimed to position the Republic of Korea as a 'middle power' (Cha and Dumond, 2017). The period of remarkable economic growth that took place in the Republic of Korea – the 'economic miracle' – was driven by specific factors that cannot be replicated. However, the country offers a particular opportunity to investigate the entire path of transition from an aid recipient to a donor country, and also

1 The number of UMICs has risen: in 2005, 39 countries were classified as UMICs; in 2017, this number rose to 56 (World Bank, 2019).

2 Calculated using the World Bank Atlas method.

to analyse the evolution of modalities from development to international cooperation over the past 20 years.

1.2 What we mean by transition from aid and graduation from official development assistance

Throughout this report, we use the terms ‘transition’ from aid and ‘graduation’ from ODA. ‘Transition’ from aid is used to describe the period during which donors start reducing their programmes in a recipient country because that country is considered less in need of aid. This is often associated with higher per capita income, rather than being a decision to withdraw

from a country because of political or security reasons (see Jalles d’Orey and Prizzon, 2019). ‘Graduation’ from ODA, which happens in the late stages of the transition from aid, refers to the point at which a country is no longer included in the DAC list of ODA-eligible countries.

Three points are worth noting. First, graduation from the list of ODA-eligible countries does not mean that a country no longer receives international development assistance. Donors may choose to continue allocating funds to countries after graduation. It does mean, however, that a donor cannot count these funds against their ODA as a proportion of gross national income (ODA/GNI) target.

Box 1 Different conceptualisations of ‘graduation’ and funding eligibility criteria

Each organisation usually sets its own criteria triggering and defining eligibility for and graduation from funding. The policy that informs graduation from the list of ODA-eligible countries is the only one that is based solely on income per capita – i.e. when a country’s income per capita meets the high threshold for three consecutive years.

Multilateral development banks. The Inter-American Development Bank does not have a policy of graduation from its assistance. This decision reflects the institution’s cooperative nature and the largest voting power in the hands of regional borrowing countries. In the case of the non-concessional arm of the World Bank, the International Bank for Reconstruction and Development (IBRD), the current policy on graduation is highly flexible, in part because it is widely recognised that the income threshold is an imperfect proxy for a country’s economic and social development.

Two substantive criteria were introduced to assess and quantify these conditions: (1) a country’s ability to access external capital markets on reasonable terms; and (2) a country’s progress in establishing key institutions for economic and social development (Prizzon, 2016a). Eligibility for IBRD funding also determines if a country can receive assistance from the Global Environmental Facility.

The graduation policy from regular assistance (or non-concessional lending) from multilateral development banks should not be confused with changes of the analytical classification (i.e. low income, middle income and high income). This classification reflects income per capita only and does not affect (at least, not directly) eligibility for funding and its terms and conditions.

Vertical health funds, like the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), have specific eligibility criteria largely based on income per capita, usually focusing on low-income countries, but with exceptions for UMICs whose disease burden is high.

Other institutions have loose criteria – that is, eligibility may be based on the recipient being a developing country as defined by, for example, the Green Climate Fund.

Note: As this report focuses on UMICs, this box reviews the approaches to graduation from non-concessional assistance. For a review of bilateral donors and European Union (EU) approaches to transition and graduation see Jalles d’Orey and Prizzon (2019).

Second, graduation from the list of ODA-eligible countries is only one conceptualisation of ‘graduation’. Graduation from multilateral development banks and vertical (climate and health) funds are driven by criteria other than only income per capita (Box 1).

Finally, we refer to transition from aid and graduation from the list of ODA-eligible countries primarily from the perspective of recipient country governments and not from those of civil society organisations.

1.3 About this case study

1.3.1 Research questions

With many countries moving away from aid and edging closer to graduation from the list of ODA-eligible countries, governments should

learn from the experience of other countries that already went through this trajectory to ensure development results are maintained and sustained. Furthermore, development partners should review the type of approaches that countries ‘in transition’ would demand during the phase, again to maximise the impact and results of falling aid resources. Finally, with ODA flows declining and often no longer being an option after graduation, governments and development partners should map expectations and modalities regarding future bilateral and multilateral cooperation to continue engaging in global policy dialogue.

Box 2 sets out the research questions that guided this project and the country case studies. We respond to these in turn in Chapter 5 of this report.

Box 2 Detailed research questions

1. Managing the transition from development assistance, i.e. when development partners are phasing out their development assistance
 - a. How did the Republic of Korea manage the transition from aid when development partners phased out their development assistance?
 - b. How did the Republic of Korea manage to sustain and broaden development results achieved before graduation?
2. Cooperation with transition countries
 - a. How did transition affect well-established relations with former development partners (bilateral and multilateral donors)?
 - b. What were the Republic of Korea’s needs and requirements to manage its sustainable development independently from development assistance, e.g. with respect to planning, implementation and financing? What kind of donor support was or would have been considered helpful to successfully manage their phase of graduation and beyond?
 - c. How did the Republic of Korea build up capacity to become a donor and to share lessons from its (transition) experience? What were useful means of support to these processes for international (former development) cooperation partners?
3. Cooperation beyond aid
 - a. Which forums of global exchange and cooperation does the Republic of Korea consider relevant? Which global policy areas and global public goods appear most suitable for increased cooperation, and how can joint support for global agendas be maximised?
 - b. How did transition influence modalities of international (development) cooperation?
 - c. Given current global challenges of sustainable development and following the universal logic of the 2030 Agenda, how can we jointly manage the transformation from traditional development to international cooperation? Which paths of cooperation beyond development assistance do we already find in existing cooperation with emerging countries?

1.3.2 Case study selection: why the Republic of Korea?

We chose the Republic of Korea as one of our four case studies for two main reasons. First, it illustrates a full trajectory and transformation from recipient to donor. After the second world war and the Korean war, the Republic of Korea was one of the poorest countries in the world. Decades later, the Republic of Korea became one of the few countries to date to have graduated from the list of ODA-eligible countries (in 2000) and become a full member of the DAC, in November 2009. This case study therefore offered the opportunity to set out in detail and assess the history of the Korean approach to aid management and international relations since the mid-20th century – a far longer time horizon than that of the other three case studies.

The longer time frame presented a challenge to our project: we had to rely largely on existing contributions to the literature rather than on our own interviews, and inevitably institutional memory is fading. However, it also allowed us to investigate the entire path of transition from an aid recipient to a donor country and to analyse the evolution of modalities from development to international cooperation over the past 20 years.

Second, it is an exemplary case study of the effectiveness of development cooperation – an agenda later championed as a donor and undertaken with other developing countries. The Republic of Korea is one of the few undisputed examples of countries that strategically used external assistance to boost investment and economic growth, taking advantage of it when it was the only option and then leveraging it to diversify financing sources, with a clear purpose and allocation solely towards the government's priorities. The Korean government has always been keen to share knowledge and expertise with other developing countries, which is still a pillar of its outward development cooperation programmes. The government also prioritises the development agenda in international dialogues, such as the case of the development track introduced in the G20 process under the Korean Presidency in 2010.

1.3.3 Methodology

We applied a combination of quantitative and qualitative data analysis and qualitative methods to tackle the main research questions of this project.

We first analysed the wide body of literature, produced by Korean scholars, think tanks and international organisations, that evaluates the Republic of Korea's role as both a recipient and a donor. We also summarised assessments and policy reports of the OECD DAC (notably special peer reviews and standard peer reviews) and of government agencies – KOICA in particular. Next, we compiled and analysed data on inward and outward development assistance.

Finally, we conducted semi-structured interviews with 26 informants across government agencies, civil society organisations, think tanks and academia to fill any gaps in our desk-based review and to triangulate information. The number of interviews is far lower than for the other case studies in this project. This is for several reasons. First, the institutional memory is fading when it comes to the period of the Republic of Korea's transition from aid and early role as a donor; this meant we had to rely more heavily on academic and policy literature. Second, interviews with government officials concentrated on central rather than line agencies and those with a development mandate. Third, we did not meet with former development partners as they had either left the country or we were unable to reach out to former officials. Interviews were conducted either in person, in Seoul and Sejong during a four-day visit in the Republic of Korea in July 2019, or over the phone. See Annex 1 for a list of those interviewees who agreed to their names being published.

1.4 Structure of the report

The report is composed of five main sections:

- Chapter 2 reviews the main elements of the economic, political and social context of the Republic of Korea influencing decisions on aid volumes and allocation based on

a framework developed in Prizzon et al. (2016b).

- Chapter 3 outlines the institutional arrangements for aid management in the Republic of Korea and their evolution over time, both as a recipient and as a provider of external development assistance.
- Chapter 4 first analyses the evolution of aid flows to the Republic of Korea across three phases: the emergency relief and reconstruction in the post second world war period (1945–1961); the economic take-off and the transition from ODA; and the graduation from ODA in the 1980s and 1990s. Second, it reviews the Republic of Korea’s role as a donor, including the main elements of its South–South cooperation and triangular cooperation strategies, priorities and allocation, and of its aid programme as a DAC member (November 2009–present day).
- Chapter 5 builds on this extensive analysis by distilling lessons on the transition from aid based on the case of the Republic of Korea to address the three main groups of research questions identified for this project. We focus in particular on modalities and lessons of cooperation beyond aid with former development partners.
- Chapter 6 concludes by summarising the main findings of the analysis and lessons from the experience of the government of the Republic of Korea in the transition from being a recipient to a provider of development assistance and a proactive actor in global affairs.

2 Factors shaping aid volumes and modalities in the Republic of Korea

A country's economic, governance and social and development context can influence decisions about aid volumes, allocations and modalities – from the perspective of both the host government and its development partners – and this certainly was the case in the Republic of Korea. In this chapter, we review the factors shaping aid in the Republic of Korea, applying the political economy framework detailed in Prizzon et al. (2016b) and Prizzon and Rogerson (2017).

This chapter also reviews changes of priorities in the national development strategies of the Korean government over time, especially of its foreign policy, driving the transformation of the country's approach to development and international cooperation.

Analysis of what these elements, and their evolution since the 1940s, have meant for the volumes and allocation of aid – both to and from the Republic of Korea – is detailed in Chapter 4.

2.1 Economic context

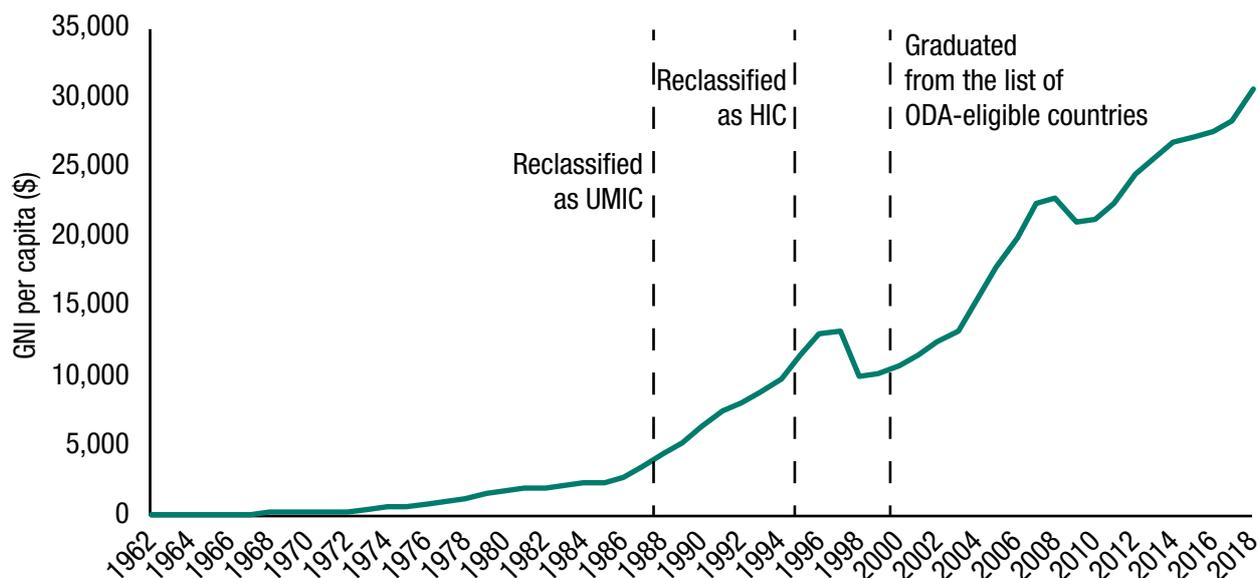
The Republic of Korea has achieved outstanding and sustained economic growth, going from one of the poorest countries after the second world war to one of the world's richest economies. A comparison of GNI per capita since 1962 (the first year for which data from the World Bank's World Development Indicators are available) until 2018 could not provide a more staggering

picture of the Republic of Korea's economic growth (Figure 1). In 1962, the country's GNI per capita was the 14th lowest globally, at about \$120, and on par with the average figures in sub-Saharan Africa. Now, the country is the 34th richest in the world. The financial crisis in 1997 meant GNI per capita fell that year but it recovered rapidly, tripling in nominal terms by 2018. Figure 2 shows the rapid and sustained GDP growth rates by decade, which started falling in the early 1990s (the decade of the financial crisis) and has slowed down since the early 2000s. Box 3 elaborates on the implications for eligibility to multilateral lending based on changes in income per capita.

In the Republic of Korea, economic development has been fuelled by import substitution, export-led growth and progressive liberalisation and innovation. Many scholars have described the factors and the strategies that fuelled the outstanding growth performance of the Korean economy since the end of the Korean war in 1953 in detail (Stiglitz and Yusuf, 2001; Connolly and Yi, 2015). We do not repeat these analyses here but will highlight several points worth considering, especially to explain the trends in aid flows outlined in Chapter 4.

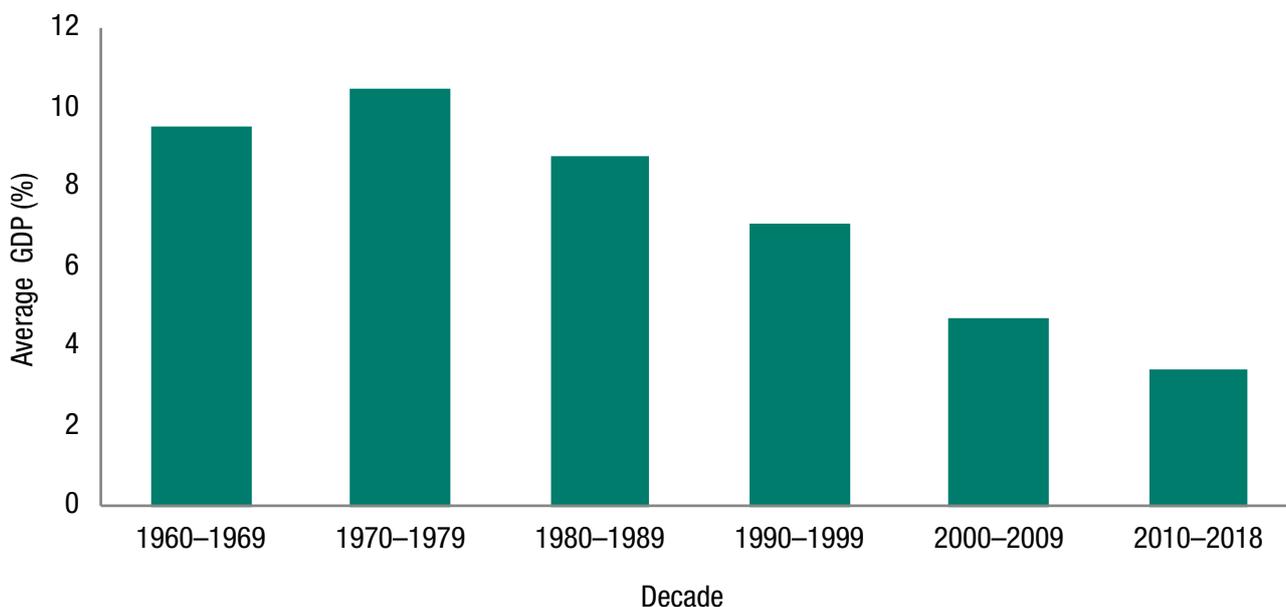
We identify three main phases in – and three main strategies for – the Republic of Korea's economic growth (Kim, 1991).

Figure 1 The Republic of Korea's gross national income per capita, 1962–2017



Note: GNI per capita calculated based on World Bank data, according to the World Bank's Atlas method, and given in US\$, values as at October 2019. UMIC, upper-middle-income country; HIC, high-income country.
Source: World Bank (2019), accessed July 2019.

Figure 2 The Republic of Korea's average gross domestic product growth



Source: World Bank (2019). Authors' elaboration.

Reconstruction and import substitution (1953 to early 1960s). After the end of the Korean war, the country was left 'war-torn, divided, and devastated' and had suffered massive social and economic damage, 'leaving nearly 43 percent of residential homes and industrial facilities damaged' (Woo, 2015: 13). This decade is one of 'slow recovery, financed by

massive foreign aid, primarily from the United States' (Collins and Park, 1989: 122) and of an import-substitution trade strategy (Kim, 1991). The import-substitution strategy was meant to protect the nascent manufacturing industry but it led to a shortage of foreign exchange (heavily protected industries were not competitive in the global markets). Foreign aid by the US was the

main source to fill this gap and purchase foreign capital equipment (see also section 4.1).

Export-led strategy and economic take-off (1961–1979). By the 1960s, the Republic of Korea had shifted towards an export-oriented development strategy. This period marked a turning point for its economy and the beginning of its economic ‘take-off’. Exports grew by between 40% and 50% per year between 1960 and 1973, while output grew by more than 10% between 1965 and 1973 (Collins and Park, 1989: 123).

The early period of the Republic of Korea’s shift to export-oriented growth (1960s) prioritised light industries like textiles, garments and plywood. However, this gradually gave way to the expansion of heavier industries including ‘basic material like iron and steel, petrochemicals, nonferrous metals, and refined oil’ (Kim, 1991: 7). At the time, the government saw these sectors as the backbone of a modern industrial economy and invested heavily in industrial growth. According to Collins and Park, ‘during the 1960s, Korean growth was

Box 3 The Republic of Korea’s eligibility for multilateral lending and international organisation membership

The Republic of Korea has been an OECD country since 1996 and stably classified as a high-income country since 2001. The country was first reclassified in 1995 (but then slipped back because of the negative effect on income per capita of the 1997 financial crisis). It graduated from the list of ODA-eligible countries in 2000 – a matter of national pride (Watson, 2011).

The Republic of Korea has not been eligible for borrowing from multilateral development banks for development projects for at least 20 years. More specifically, the Republic of Korea graduated from the concessional window of the World Bank (IDA) in 1971 and from non-concessional terms (IBRD) for the first time in 1995 (the country’s last loan was about 10 years earlier (see Prizzon, 2016a)). The Republic of Korea’s graduation from regular assistance from the Asian Development Bank (ADB) happened in 1988 (the country received emergency lending from the ADB but without revisiting its classification and eligibility).

The financial crisis that erupted in 1997 meant the Republic of Korea had to fall back into IBRD eligibility – the sole country that has graduated from the IBRD twice so far – as it was the only way to benefit from emergency lending (ibid.). The country’s prior graduation from IBRD in 1995 meant the response from the World Bank was delayed (IEG, 2012). The Republic of Korea ceased to be eligible for World Bank lending once again in July 2017, but a country office, opened in late 2013 and funded by the Korean government, was created to provide a structure for sharing the country’s experience in economic growth strategies and provision of equitable social service. Areas for cooperation of the World Bank office in Seoul include joint work on regional financial sector projects as well as training programmes for bank and financial regulators in Asia.

The Republic of Korea’s membership of UN organisations dates back to 1991. UN offices in the Republic of Korea changed from country-level functions to hubs for knowledge-sharing. Permanent Members of the UN Security Council opposed the recognition of both the Republic of Korea and the Democratic People’s Republic of Korea until the end of the Cold War and this meant that both countries joined the UN only in the early 1990s. Country offices followed but, in the case of the Republic of Korea, they soon evolved into a different function. The UNDP Seoul Policy Centre is an example (see Chapter 5). Established in 2011 after the Korean country office was closed in 2009, the vast majority of the programmes managed by the office consist of knowledge-sharing activities benefiting developing countries.

attributable to a combination of increased factor accumulation, improved resource allocation, economies of scale, and technological improvement' (1989: 13).³ General Park's administration strongly supported the rural development Saemaul Undong programme with 'people's participation in efforts to end poverty and hunger in rural areas' (Kim, 2016: 84).

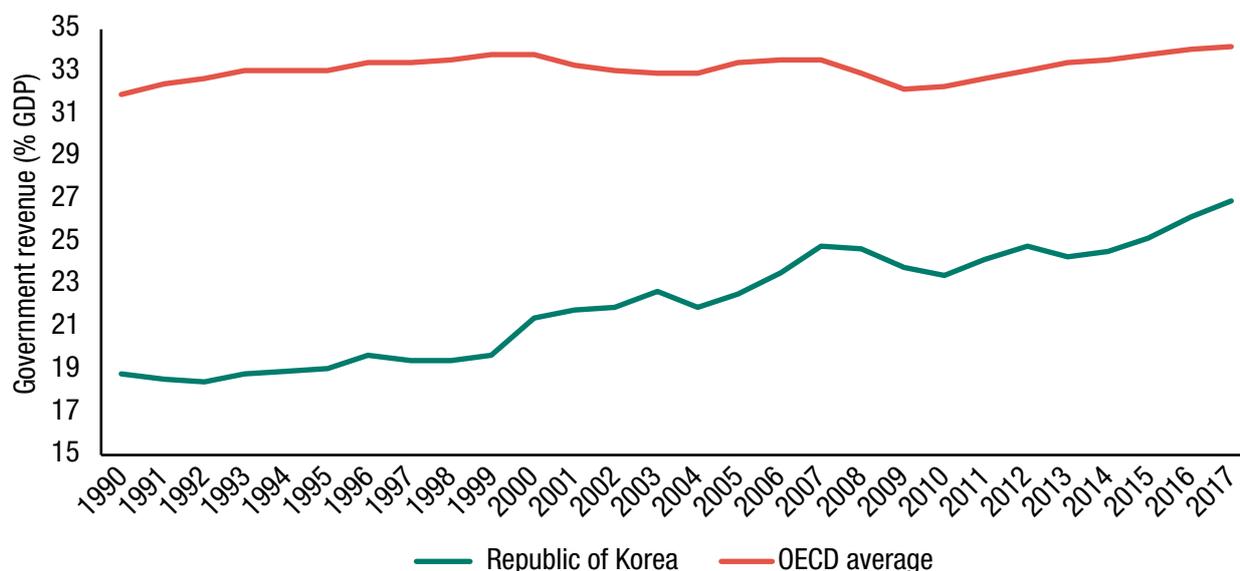
In the first half of the 1960s, the Korean government also undertook three reforms with the ultimate objective of boosting capital needed to support the export-led strategy and the progressive shift from light to heavy industry (investment shifted from labour-intensive and low-technology industries – in part, due to rising labour costs – towards heavy and chemical industries (Kim and Hwang, 2000)). The first reform was the Strengthened Foreign Capital Promotion Law in 1962, which 'encouraged foreign direct investment and promoted private sector borrowing overseas supported by government guarantees' (Woo, 2015: 16). The second set of reforms were to taxes, in 1965, which were also intended to curb corruption. Finally, there was the interest rate reform, which

doubled rates from 15% to 30% on an annual basis to boost domestic savings.

Full liberalisation of the economy (post-1980). The Korean economy matured during the 1980s. Exports were expanding further as a result of the progressive opening of the economy and so too were volumes of foreign capital flowing into the country after the liberalisation of the financial sector. However, economic conditions had begun to deteriorate and, in 1980, the country recorded negative growth for the first time since the Korean war. External finance to support the Republic of Korea's rapid industrialisation meant that it had become the fourth largest debtor country in the world (Collins and Park, 1989: 121). The rise in foreign debt, especially short term, left the economy vulnerable to a sudden foreign capital outflow. The bankruptcy of some major conglomerates in 1997 caused panic among foreign investors, sparking capital flight. The International Monetary Fund (IMF) responded with a bailout package; the World Bank and the ADB provided emergency lending.

As a final note, and relevant for the discussion in Chapter 5, the Republic of Korea has

Figure 3 The Republic of Korea's government revenues as a share of gross domestic product



Source: OECD, Global Revenue Statistics Database (accessed June 2019). Data availability starts in 1990.

3 An expanding workforce also played a role over the period: 'the average work week increased throughout the period to 54.8 hours, placing Korea at the top of the International Labour Organization's list' (Collins and Park, 1989: 130).

developed globally competitive and innovative multinationals and has excelled in areas like research and development and technology. Since data have been available, the Republic of Korea has always spent more in these areas than the world average and, since 2012, this has risen to twice as much (World Bank, 2019).

The Korean government revenue mobilisation efforts expanded substantially from the early 1990s onwards: the government revenue-to-GDP ratio increased by nearly 50% between 1990 and 2017. While the Republic of Korea's revenue-to-GDP ratio has consistently been below the OECD average, the gap has been narrowing over time (Figure 3). The country's revenue-to-GDP ratio is currently at a similar rate to that of the US (27.1%) and Australia (28.5%) (OECD, 2018a). In 1965, the Korean government undertook a major tax reform to increase revenues (see previous paragraph) also as a result of falling aid flows from the US (and Japan).

Foreign direct investment inflows to the Republic of Korea contributed to the country's economic development (Kim and Hwang, 2000). In 1960 the government started progressively liberalising its capital account enacting the Foreign Capital Inducement Act to attract FDI to ease balance-of-payments deficits, and to increase supply of technology and expertise (*ibid.*). While FDI inflows funded the expansion of the light manufacturing export sector, they were discouraged in sectors that remained protected by import substitution measures 'because the Korean government feared that otherwise the economy would become dominated by foreign firms' (Kim and Hwang, 2000: 268). As a result, FDI inflows remained relatively small in the 1960s and 1970s, with the government preferring foreign aid and borrowing instead. The 1980s saw a shift in policy, when the country needed to upgrade its industrial sector. Kim and Hwang credit much of the Republic of Korea's development to inward FDI, stating that 'despite the small amount of FDI in Korea relative to the size of its economy, it was foreign firms that brought the key technology and constructed the basis for such industries as electronics and pharmaceuticals' (2000: 272).

2.2 Political and governance context

The Republic of Korea was the stronghold of capitalism in the East Asian region and a geostrategically relevant country for the US during the Cold War. At the end of the second world war, the Korean peninsula was divided at the 38th parallel – with the north (the Democratic People's Republic of Korea) occupied by the Soviet Union and the south (the Republic of Korea), by the US. As such, the Korean peninsula became a geostrategic region for both the US and Soviet powers during the Cold War (which coincided with the Republic of Korea's transition from aid) and continued to be until the late 1980s. The US in particular saw the Republic of Korea as the stronghold of capitalism and an ally in the region. To a certain extent, the Republic of Korea remains a key diplomatic partner for similar reasons: it shares its history and a border with one of the world's last few socialist countries. The US largely funded the transition from Japanese colonial rule in the aftermath of the second world war as well as the reconstruction after the Korean war (1950–1953). Furthermore, the Republic of Korea's participation in the Viet Nam war alongside the US resulted in an increase in direct transfers to the government; it is estimated that this arrangement annually accounted for between 7% and 8% of Korean GDP in the period 1966–1969, and for as much as 19% of its total foreign earnings (Cumings, 2005: 321). Section 4.1 elaborates on the volume and contribution of US assistance to the Republic of Korea and the factors affecting its evolution.

Japan has been a model for the Republic of Korea in its transition from aid. As well as their physical proximity in East Asia, the Republic of Korea and Japan share cultural and historic affinities and close ties. The Republic of Korea has referred to Japan in relation to its approaches to development cooperation (see section 4.2). For example, when US assistance to the Republic of Korea plummeted in the late 1950s following the budget cuts of the US administration, Korean President Park Chung Hee actively

sought and negotiated assistance directly with the Japanese government (Kim, 2013). This was part of a Reparation Fund following the end of the colonial rule (section 4.1 will delve further into the implications for the volume and type of development assistance to the Republic of Korea).

Because of its history of becoming a donor, the Republic of Korea considers itself a bridge between developed and developing countries. As mentioned in the introduction, so far the Republic of Korea is one of the few countries to be first a large recipient country and then a fully fledged donor, with a sizeable aid budget and DAC membership. This trajectory gives the Republic of Korea a rare position, having experienced and understood the challenges and priorities of both recipient and advanced economies. In international forums, the Republic of Korea has taken a neutral position, not allying itself with the non-aligned movement or G77, or with the advanced economies.

The Republic of Korea prioritised multilateral relations as part of its strategy to become a ‘middle power’. From the late 1980s, the Republic of Korea sought to expand its role and visibility at the global level. Events such as the Olympic Games in 1988 and the 2002 FIFA World Cup (the latter together with Japan) were part of these efforts. The Republic of Korea joined the UN system as a member state only in 1991, initially excluded because of the veto among permanent members of the Security Council, which lessened the opposition at the end of the Cold War. A few years later, in 1996, the Republic of Korea also became a member of the OECD.

In the 2010s, President Lee Myung-bak’s ‘Global Korea’ strategy, combined with strong leadership and active participation in several international cooperation forums, global affairs and agendas, aimed to position the Republic of Korea as a ‘middle power’ (Cha and Dumond, 2017). Early in the decade, the Republic of Korea hosted and led various international forums, including the G20 Summit in 2010, the largest international gathering in the Republic of Korea to date, during which it also introduced the G20 Development Working Group. These forums also included the Fourth High-level Forum

on Aid Effectiveness in November 2011 (the second largest international meeting hosted in the Republic of Korea) and the 2012 Nuclear Security Summit.

President Lee Myung-bak championed the climate change and green growth agendas during his tenure (2008–2013), establishing the Global Green Growth Institute and contributing to the creation of the Green Climate Fund, both in 2010 and both hosted in the Republic of Korea. However, since President Lee Myung-bak’s administration, priorities on foreign policy had changed, concentrating relatively more on domestic issues under President Park Geun-hye (2013–2017) and on the Korean Peninsula under the current administration of Moon Jae-in (2017–present).

2.3 Social and human development context

The Republic of Korea has seen a rapid reduction in poverty rates (from 41% of the population in 1965 to 8% in 1991). While we do not have full time series mapping trends since the 1960s, academic research is widely in agreement about the sheer scale of poverty eradication in the Republic of Korea since the mid-1960s (Kwon and Yi define it as one of the most dramatic poverty declines the world has ever seen (2009: 2)). Poverty eradication was largely driven by the strong and sustained economic performance and job creation that accompanied the Korean growth miracle and by targeted government policies including land reform and the stabilisation of the price of rice (Kwon and Yi, 2009). In 1965, 41% of households in the Republic of Korea lived below the national absolute poverty line – 36% in rural areas and 55% in urban areas. By 1980, the share of households living below the national absolute line had fallen below 10% (with a similar share for rural and urban dwellers) and then to 7.6% in 1991.

Furthermore, and especially in comparison to the other three countries reviewed for this project (Botswana, Chile and Mexico), income inequality is relatively low in the Republic of Korea, and it has not changed over time. Based on the World Bank’s World Development Indicators figures in

2019, it ranked among the top 30 countries with the most ‘even’ income distribution. This level of inequality has changed little over time: in 1965, the Gini coefficient was 0.344 (the closer the number to 1, the greater the degree of income inequality), which fell to 0.310 in 1993 (Kwon and Yi, 2009).

Life expectancy at birth in the Republic of Korea is now higher than the OECD average. In 1969, life expectancy at birth in the Republic of Korea⁴ was more or less in line with the average figure across East Asia and Pacific (about 60 years). However, since the mid-1980s, this number has risen faster in the Republic of Korea than in East Asia and Pacific, with a widening difference that was as much as seven years in 2017 (World Bank, 2019). Life expectancy at birth in the Republic of Korea was estimated at 82.6 years in 2017, higher than the OECD average (80.6 years) and higher than countries considered to have ‘very high human development’ (79.5 years) (see UNDP, 2019).

The Republic of Korea has high and sustained investment in higher education. Academic literature has widely analysed the large investment in higher education in the Republic of Korea, a case study in itself (see Sorensen, 1994; Lee et al., 2018 for a more recent analysis). Figures for the expected years of schooling in the Republic of Korea are above the OECD average and other developed economies (UNDP, 2019).⁵ Furthermore, students in the Republic of Korea usually achieve a high score on the Programme for International Student Assessment (PISA) Index. In 2015 (latest data available), Korean students scored above average on each

of the main categories: science, reading and mathematics (OECD, 2016).

The fight against the causes and consequences of climate change used to be among government priorities. The Republic of Korea prioritised actions to address the causes and the effects of climate change within its government agenda under President Lee Myung-bak. First, in 2009, the Republic of Korea announced its national strategy and five-year implementation plan, along with its voluntary mitigation target to reduce by 2020 its greenhouse gas emissions by 30% from business-as-usual levels. Furthermore, the Framework Act on Low Carbon, Green Growth was introduced in 2011 to provide the legal basis for climate policies and actions, as one of the policy areas the Lee Myung-bak administration championed. As mentioned, during the same administration, the Republic of Korea established the Global Green Growth Institute and contributed to the creation of (and hosted) the Green Climate Fund. However, the latest OECD Environmental Performance Review for the Republic of Korea (OECD, 2017) pointed out that the country’s growth in greenhouse gas emissions outpaced that of any other OECD country (the Republic of Korea is now the fifth-largest greenhouse gas emitter among OECD countries). The review also noted that the Republic of Korea has the lowest share of renewable energy sources among OECD countries, and stressed that green-growth policies were no longer among government priorities, despite the challenges facing the country as a result of rising air pollution and infrastructure development.

4 Based on data availability of the World Bank World Development Indicators since 1965.

5 Figures are: Republic of Korea, 16.5 years; OECD average, 16.2 years; ‘very high human development’ countries, 16.4 years; France, 16.4 years; and Japan, 15.2 years.

3 Management structures of development cooperation: a historical overview

This chapter maps the evolution (primarily since the 1960s) of the institutions responsible for managing the Republic of Korea's development cooperation. We identify the main institutions responsible for managing its *inward* cooperation – notably the Combined Economic Board, the Economic Planning Board – and its *outward* cooperation – the Economic Development Cooperation Fund, the Korea International Cooperation Agency and the Committee for International Development Cooperation. We outline the economic and political context surrounding the development of each institution, and their main responsibilities, priorities and objectives over time.

3.1 The Republic of Korea as a recipient

From the late 1940s to the 1950s, inward ODA was managed primarily by structures established with or led by its donors, the US and the UN, because of low capacity within Korean institutions. The Republic of Korea's earliest structures for managing inward aid were set up in 1949, when the country began receiving aid from the US. The Korean government established the Office of Planning and the Office of Procurement to coordinate aid flows with national development projects, both under the Prime Minister's Office. However, the US administration in Washington DC made

many of the key decisions around development programmes, including final approval on aid spending proposals. In the early part of Syngman Rhee's rule, 'due to a lack of capacity, the main role of the Korean government was collecting the basic economic data and preparing annual aid programmes in close consultation with the US aid mission' (Kim and Kim, 2014: 55).

Throughout the 1950s, the Republic of Korea's inward aid was managed by the Office of the Economic Coordinator (OEC) and the Combined Economic Board (CEB) – both established by donors, but with the aim of supporting the country's own institutional capacity. The OEC and CEB were both created after the outbreak of the Korean war and as a result of increasing aid flows from the US under the Rhee government. The OEC 'coordinated between the US and Korean governments and other aid agencies' and, in consultation with the US ambassador in Seoul, was responsible for designing, implementing and supervising the Republic of Korea's economic policies, including for economic development and financial stabilisation, as well as foreign aid (Kim and Kim, 2014).

While the OEC was primarily managed by US officials, the CEB was designed to 'foster participation of Korean government officials in policy-making decisions in order to improve their administrative competence', including on issues of aid policy and management (Kim and Kim, 2014: 56). The CEB was responsible

for setting the direction of the Republic of Korea's economic and financial policies and for monitoring aid programmes implemented by the OEC. It functioned as a 'bridge between Korea and donors such as the UN and the US' (Kim and Kim, 2014: 58).

The CEB and OEC systems have been described as somewhat ineffectual, with the US administration in Washington continuing to make key aid policy decisions from afar. However, these early institutions created the space for engaging more Korean actors in aid planning decisions and helped to build the country's policy capacity throughout the decade (Kim and Kim, 2014).⁶

Since 1961, the Republic of Korea's inward ODA has been centrally managed by the Economic Planning Board (EPB), a 'super-agency' created by General Park to lead economic development. Unlike its predecessors, the EPB was established as a Korean-supported institution. The EPB was designed to be an institutional powerhouse responsible for developing, implementing and managing the Republic of Korea's national development plans for rapid economic growth (KDI, 2014). The EPB was at the heart of Park's developmental state apparatus and was responsible for developing and implementing the Republic of Korea's Five-Year Economic Development Plans. By that time, the country had a large and well-educated workforce, and the creation of the EPB itself was viewed as 'increased capacity of the state' under the Park administration (KDI, 2014; Kim and Kim, 2014). While Kim and Kim (2014) note that 'American tutelage' continued during the

early years of the EPB, the Korean government's growing capacity had by the end of the period made it capable of 'rejecting American guidance and implementing its own visions of economic development' (Kim and Kim, 2014: 60).

Under the EPB's management, inward foreign aid was positioned as a tool of the state and was used primarily 'to support various state-led economic development projects' (Kim, 2011: 282). The EPB was responsible for shaping the main policy direction of aid over the period, with aid resources becoming key inputs for the implementation of plans to advance the Republic of Korea's economic development.⁷ The EPB was considered to be relatively free from corruption and unsusceptible to external pressure, which enabled 'foreign assistance to South Korea to be effectively utilized to support national economic development, instead of being wasted or ill-used in pursuit of individual ministerial interest or corruption' (Kim, 2011: 282). The Material Resource Mobilization Planning Bureau⁸ of the EPB coordinated economic cooperation sourced from foreign entities and was responsible for attracting and using foreign resources (including, but not limited to foreign aid) to support the government's economic development plans (KDI, 2014).

The EPB remained in charge of inward cooperation until 1994, when it was merged with the Ministry of Finance to create the Board of Finance and Economy (Kim, 2003). By that time, levels of inward assistance had fallen dramatically as development partners left the country and the Republic of Korea started to become a net donor (see section 4.2).

6 Indeed, Kim and Kim (2014: 54) report that at one point, the OEC had 900 Korean employees, 'who were developing their own capacity to manage Korea's economic take-off over the next decade'.

7 Indeed, Kim (2011) notes that 'the fact that the EPB was in charge of managing foreign assistance suggests the Park government was well aware of the critical importance of foreign loans in successful implementation of its economic development plans' (2011: 282).

8 This was one of four bureaux established in the EPB; others included the Overall Planning Bureau, Budget Bureau and the Bureau of Statistics.

3.2 The Republic of Korea as a donor

The EPB and the Ministry of Foreign Affairs (MOFA) initially managed the earliest activities of the Republic of Korea's outward cooperation programme, which began in earnest in the late 1970s and expanded throughout the 1980s.⁹ The EPB was responsible for providing broad policy direction and for allocating the cooperation budget. Meanwhile, MOFA primarily engaged with issues and decisions related to programming and implementation of outward development cooperation programmes. The International Economic Policy and Coordination Office at EPB provided major policy directions for the country's outward assistance including, 'restructuring the ratio between bilateral and multilateral [flows], grants and concessional loans, technical and capital assistance', setting the outward cooperation budget, part of which was allocated to MOFA, and taking decisions regarding bilateral concessional loans (Kim, 2003: 59).

In parallel, MOFA was in charge of programming, implementing and managing aid budgets allocated for grants and technical assistance (Kim, 2003). While funding was allocated by the EPB, MOFA had 'absolute discretionary power' over grant funding once allocated by the EPB (Kim, 2003: 59). This included decisions over the geographic distribution of funds and programming in partner countries. MOFA was the main implementor of the Republic of Korea's outward cooperation, along with other line ministries such as the Ministry of Labour and the Ministry of Construction, which contributed to programme implementation in key areas of expertise.

In the 1980s and early 1990s the Korean aid management system underwent a substantive organisational change with the creation of two

new agencies – the Economic Development Cooperation Fund (EDCF) and the Korean International Cooperation Agency (KOICA). This was part of the government's efforts to establish an 'effective and efficient system' for managing the Republic of Korea's growing development engagement (Lee, 1997: 5). The Korean government modelled its new aid administration on the Japanese example and experience, largely because of cultural and institutional parallels as well as their similar development trajectories and commercial motivations for providing development assistance (Kim and Seddon, 2005).¹⁰ At the time, both Japan and the Republic of Korea prioritised commercial interests over the political and diplomatic drivers of aid, with the Korean government seeking to emphasise 'the promotion of economic cooperation with developing countries to reduce its economic vulnerabilities and to strengthen its international competitiveness' (Kim and Seddon, 2005: 161).

In this context, in 1987 the creation of the EDCF as part of the country's new aid administration reflected the commercial drivers of foreign assistance. The EDCF was established as a fund entrusted to the Export-Import Bank of Korea (KEXIM), in turn managed by the Ministry of Finance. The EDCF was created with the purpose of 'promoting economic cooperation between Korea and developing countries' through the provision of concessional loans for industrial development and economic stabilisation (Lee, 1997: 4; Kim and Seddon, 2005).¹¹ EDCF loans were typically tied to the procurement of Korean goods and services, promoting domestic commercial benefits through development cooperation (Kim, 2003: 58; Kim and Seddon, 2005).

The Republic of Korea's new aid management system was solidified in 1991 with the creation of KOICA as an agency under MOFA (Kim,

9 Between 1998 and 2013, MOFA was renamed the Ministry of Foreign Affairs and Trade, before being changed back to MOFA. However, for ease of reference, we refer to the agency as MOFA throughout this report.

10 The Republic of Korea's domestic development trajectory over the period had led many to claim that the country 'would emerge during the 1990s as a major global economic power, much as Japan had during the 1970s' (Kim and Seddon, 2005: 163).

11 The EDCF was initially funded using a balance of payments surplus incurred that year (Lee, 1997).

2003; Kim and Seddon, 2005; Government of Korea, 2017). KOICA had responsibility for implementing and coordinating ODA grant programmes. The lack of coordination in programme implementation by MOFA and a series of line ministries resulted in several problems including a 'shortage of experts and inappropriate allocation of funds' (Lee, 1997: 6). Aware of the problem, the Korean government sought to establish a single, centralised organisation to implement the Republic of Korea's ODA to 'better coordinate its ODA programmes in an effective and systematic manner' (Lee, 1997: 6). KOICA was created to manage the implementation of its ODA grants and technical cooperation.

Like the EDCF, KOICA was modelled on its Japanese counterpart, the Japan International Cooperation Agency (JICA), both in terms of structure and function (Kim, 2003). Interviewees for this project noted that, around the time of KOICA's establishment, the Korean government sent missions to Tokyo to learn from JICA policies and practices. Despite these similarities, KOICA had considerably more discretionary power over the allocation of its budget than JICA, which tends to be influenced more directly by funding ministries and agencies (Kim, 2003; Kim and Seddon, 2005).

The creation of EDCF and KOICA as specialised aid agencies 'crystallized the legitimacy of [the Ministry of Finance] ... and MOFA to take the lead in the development policy sphere and eventually gave rise to a dualistic power structure' in place today (Yi, 2015: 25). Both MOFA and the Ministry of Finance, with their respective implementing agencies, have continued to be the bureaucratic actors in the Republic of Korea's development management system. These institutions exert 'discretion over ODA policy-making' as authorised by national law and as 'culturally accepted by the president and other

related ministries' (Yi, 2015: 25). Despite this strong mandate, poor coordination and inter-ministerial disagreement between MOFA and the Ministry of Finance on the goals and policies of Korea's ODA and Korea's aid management system sparked further reforms that aimed to improve the coherence of its aid programme across government agencies.

In 2006, the administration of Roh Moo-Hyun created the Committee for International Development Cooperation (CIDC) to strengthen policy coherence and coordination within the Republic of Korea's ODA activities (Government of Korea, 2017). Within the Prime Minister's Office, the CIDC was charged with developing and setting both the vision and overarching objectives of the country's ODA policy, as well as coordinating across the MOFA, the Ministry of Finance and other ministries (Kim et al., 2014). Via its 25-member committee,¹² chaired by the Prime Minister, the CIDC acts as the 'highest level government body charged with determining Korea's ODA policies' (Government of Korea, 2017: 49).

Despite intentions for the CIDC to serve as the coordinating mechanism for the Republic of Korea's fragmented aid system, it has sometimes struggled to fulfil its role. The CIDC coordinated the Republic of Korea's first ever ODA strategy in 2008, partly in preparation for the country joining the DAC, and has since been responsible for providing strategic direction for the Republic of Korea's aid programme as a whole. However, the CIDC 'has not always played a strong role in defining policy priorities and arbitrating between different ministries' interests' (OECD, 2018b: 58). To remedy this, the Korean government has been working to expand CIDC's powers, including through broadening the committee's mandate beyond coordinating development activities to play a stronger role in policy formation.

12 Committee includes the Prime Minister, ministers of related ministries, heads of ODA implementing agencies (KOICA and the Export-Import Bank of Korea) and civilian experts.

4 Development assistance: from recipient to donor

The Republic of Korea's transition from ODA recipient in the 1950s to net donor by the 1990s makes it a useful case from which to extract lessons on strategies to reduce ODA dependency and to become a provider of development cooperation (and a member of the DAC). The Republic of Korea was one of the first countries to make such a transition, and the Korean example has often been highlighted as one where aid was effectively harnessed to support economic development and, ultimately, the graduation from ODA altogether.

This chapter maps the changes to the Republic of Korea's development cooperation landscape since the 1950s to understand, contextualise and learn from the country's experience of moving away from aid and towards becoming a net donor. We focus on changes related to donor engagement in terms of volume,

sectors, instruments and types of development cooperation provided by donors and demanded by the Korean government.

The first section of this chapter describes the Republic of Korea's history as a recipient and the role of ODA in supporting Korean development. We do this in three parts (Table 1): first, we highlight the role of ODA in funding the Republic of Korea's reconstruction following the second world war and the Korean war; second, we show how ODA was used to fund national development plans in the early 1960s, with ODA declining during the country's economic take-off (1970–1979); and third, we describe the further decline of ODA throughout the 1980s and early 1990s, and the impact of the Asian financial crisis in the lead-up to the Republic of Korea's graduation from the list of ODA-eligible countries in 2000.

Table 1 The Republic of Korea's history as an official development assistance recipient

Time span	ODA purpose	ODA forms	ODA sectors	Donors
1945–1961	Emergency relief (1945–1952) Military defence (1950s) Stabilisation Reconstruction	Grants, relief supplies, technical cooperation	Education and land reform (1940s) Agricultural development, food supply, military aid, consumer and intermediate goods	US UN
1962–1979	Transition Growth and investment	Concessional loans	Import substitution and export project Project-type aid and intermediate goods	US Japan
1980–2000	High debt Stabilisation and balanced growth Financial crisis	Non-concessional loans IMF bailout	Sectoral loans Structural adjustment	Japan Germany IMF IBRD

Source: Adapted from Government of Korea (2017).

The second section of this chapter then maps the beginning and the consolidation of the Republic of Korea's outward cooperation programme and its transformation into a net donor.

4.1 The Republic of Korea as a recipient

4.1.1 Emergency relief and reconstruction (1945–1961)

The country began receiving ODA in 1945 following its liberation from Japan, when it was facing a severe humanitarian crisis, and aid flows – particularly from the US – provided emergency relief. The second world war and the Japanese occupation devastated the country and left it one of the poorest economies in the world. During the US Army Military Government in Korea (established in 1945) and throughout the Korean war (1950–1953), the bulk of inward aid flows were provided by the US as grants for emergency relief (Kim and Kim, 2012; Woo, 2015; Government of Korea, 2017).¹³

In the aftermath of the Korean war, foreign aid was a key resource for funding reconstruction at a time when the Republic of Korea was unable to attract private sector investment (Government of Korea, 2017; Kim, 2011). The period following the Korean war until the early 1960s can be considered one of 'slow recovery, financed by massive foreign aid, primarily from the US' (Collins and Park, 1989: 122). After the Korean war, the Republic of Korea had been left 'war-torn, divided, and devastated', with massive damage sustained to homes and key industrial facilities (Woo, 2015: 13). In this context, aid played a key role in supporting relief efforts and in financing the country's post-war reconstruction; the Republic of Korea received approximately \$2.3 billion¹⁴ in ODA for

emergency relief and reconstruction throughout the 1950s, which 'accounted for about 74% of total government revenues and 85% of total imports between 1953 and 1961' (Woo, 2015: 13).

In addition to the US, the UN system started providing assistance to the Republic of Korea in the 1950s. In particular, two UN agencies – the Civil Relief in Korea and the UN Korea Reconstruction Agency – were responsible for around 20% of total ODA to the country throughout this decade (Woo, 2015: 13). The bulk of this UN-allocated inward assistance was wartime relief, reconstruction and loans for small and medium-sized enterprises in the manufacturing and mining industries (Woo, 2015: 14).

Beyond reconstruction, aid resources in the 1950s funded programmes in the education sector to support the development of the Republic of Korea's human capital. Education was a key priority for both the Korean government and its major donors, the UN and the US. Under Japanese rule, access to education for Koreans had been limited, leaving a skills vacuum after the repatriation of Japanese expats post-occupation (Woo, 2015). Bolstering education was therefore a top priority to support the Republic of Korea's economic development, and there was particular emphasis on training teachers, expanding higher education and research, and providing secondary vocational training. While the absolute value of aid spending on education was relatively low at \$30 million throughout the 1950s (1.5% of total ODA received), these aid-funded programmes helped provide a skills base to support the Republic of Korea's economic development throughout the following decade. The US would later provide support for the development of two higher learning institutes – KDI and the

13 US assistance was mainly provided by the US Army Military Government in Korea and the Economic Cooperative Administration, a US government foreign assistance agency (prior to USAID), which provided support to the Republic of Korea via two programmes: the Government Appropriations for Relief in Occupied Areas (GARIOA) and the Economic Rehabilitation in Occupied Areas. Under these two programmes, which jointly provided emergency relief and support for infrastructure, US support to the Republic of Korea totalled \$704.2 million in grant aid between 1945 and 1952 (Woo, 2015: 12).

14 Kim and Kim (2012) state that aid reached a cumulative total of \$3.1 billion between 1945 and 1960 (\$60 billion in 2010 prices) (2012: 78).

Korean Advanced Institute of Science and Technology (KAIST).

4.1.2 Economic take-off and the beginning of the transition from ODA (1962–1979)

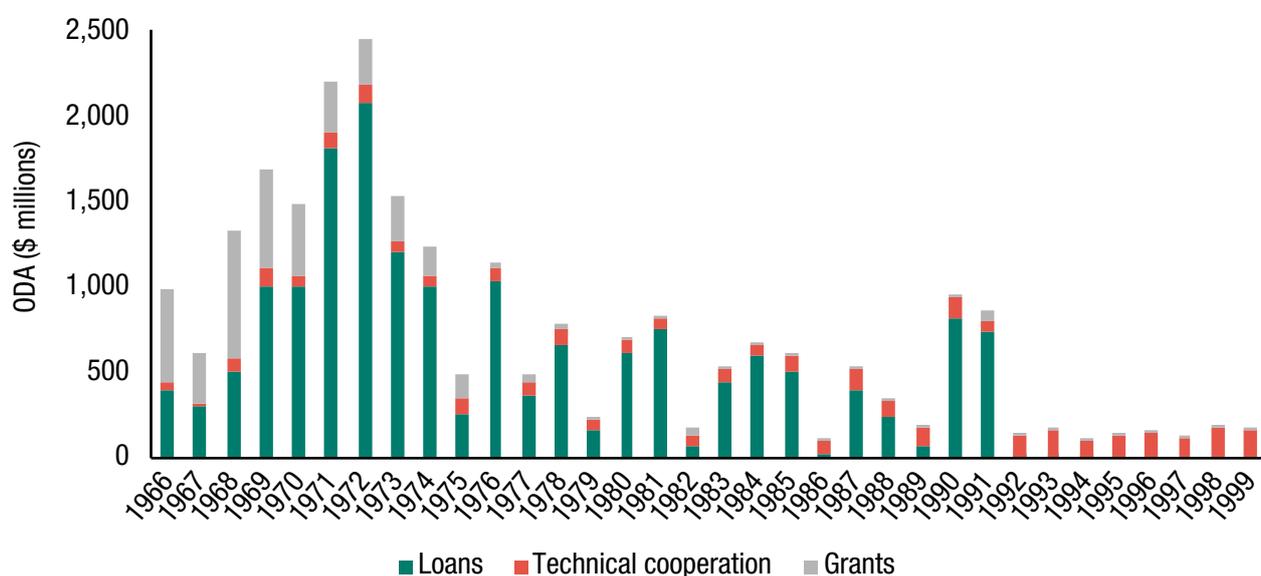
Throughout the 1960s, the scale of aid to the Republic of Korea increased and it played a key role in supporting the country's economic take-off. Led by the new Park government, in the 1960s the Republic of Korea embarked on a period of economic development and industrialisation.¹⁵ The government ‘based its assistance requests on its five-year economic development plans’ and used growing ODA flows¹⁶ to support its economic development (Woo, 2015: 17; OECD, n.d.a).¹⁷

ODA was increasingly provided in the form of concessional loans rather than as grants. By the end of the 1950s, the Republic of Korea had essentially ‘graduated’ from grant aid; ODA was provided more as concessional loans in the 1960s (Kim and Kim, 2012: 78; Figure 4). These

loans provided a cheap and accessible financing source for a government seeking to fund domestic investment. Interviewees from academia noted that part of the Republic of Korea’s shift towards loans was based on efforts to support the development of domestic technology without foreign capital.

From the donor side, the shift from grants to loan financing reflected both changes in US policy and in the main donors operating in the Republic of Korea. In the US, the Foreign Assistance Act of 1961 shifted the country’s cooperation policy towards developing countries from grants to loans and emphasised the responsibility of recipients for repayments. At the same time, budget constraints in the US also meant it had to scale down its ODA outflows. The US remained present in the Republic of Korea due to the country’s geostrategic importance, but they lost influence relative to Japan and multilateral banks including the World Bank (first IDA, then IBRD) and the ADB. Between 1960 and 1975, Japan’s

Figure 4 Official development assistance commitments by aid type, 1966–1999



Note: Constant 2016 prices, US\$ millions. Data available only since 1966.
Source: OECD (n.d.a), accessed May 2019.

15 According to interviewees, there was some debate around foreign aid during the 1963 Presidential election. In the context of declining ODA from the US, General Park wanted to build a ‘self-reliant economy’, while candidate Yun Posun thought the country should ask the US for further assistance.

16 ODA inflows quadrupled from around \$600 million in 1967 to a peak of \$2.4 billion by 1972.

17 Data on ODA commitments to the Republic of Korea are not available before 1966.

aid to the Republic of Korea was scaled up. This was partly due to reparation payments and in response to efforts by then-President General Park, who ‘normalized relations with Japan and invited their assistance’, despite popular protests (Kim, 2013: 20). By the mid-1970s, Japan had become the largest donor to the Republic of Korea, with assistance increasingly provided as concessional loans.

The Republic of Korea’s economic growth continued and gained momentum throughout the 1970s, and the country transitioned from aid as ODA-eligible concessional flows began to be replaced by non-concessional loans. The 1970s saw the solidification of the Republic of Korea’s economic growth miracle, and ODA inflows ‘fell dramatically’ throughout the decade (Collins and Park, 1989: 123). Indeed, from its peak in 1972 (\$2.4 billion), ODA had fallen by 90% to \$0.24 billion by 1979. This remaining ODA was allocated to support economic infrastructure and services, and manufacturing sectors.

Falling concessional aid was replaced by non-concessional loans as the Republic of Korea sought to reduce dependence on aid and invested loans in domestic industrial development. In terms of volumes, other official flows (OOFs) already outstripped ODA from the mid-1970s onward, exceeding \$2 billion per year. The bulk of these OOFs were provided by Japan, the UK, the US and the World Bank, which together accounted for roughly 70% of total OOFs to the Republic of Korea throughout the 1970s and 1980s (OECD, 2019). The US was the largest cumulative provider over the period, disbursing a total of \$7.6 billion in OOFs throughout the 1970s, followed by the World Bank, which provided \$5.5 billion.¹⁸

According to Collins and Park (1989), the Republic of Korea’s rising FDI was part of efforts to finance investment for the country’s shift from an import-substitution to export-promotion strategy. They note that to finance the investment required, ‘declining foreign aid flows were replaced by increased reliance on external borrowing and by increased domestic savings’ (Collins and Park, 1989: 123).

4.1.3 The Republic of Korea’s graduation from ODA and the economic crisis (1980s and 1990s)

By the 1980s, the Republic of Korea’s sustained development led to an almost total phase-out of ODA grants (Figure 4). During this decade, ODA inflows (both grants and concessional loans) to the Republic of Korea fell from an average of \$628 million per year between 1975 and 1979 and to an average of \$344 million between 1985 and 1989 (OECD, n.d.a). Of the ODA flows that were still committed, the Republic of Korea received no more than \$10 million in ODA grants in each year after 1982 due to the country’s increasing level of development (and donor reprioritisation of grant financing towards poorer economies). While most of the remaining grants were provided as technical assistance, the Republic of Korea had already developed a strong and capable civil service as a result of early investments in education, making its demand for additional technical support relatively low.

Non-concessional official loans were still the main source of international public finance to the Republic of Korea throughout the 1980s, but they expanded at a faster rate than in the previous decade. Non-concessional loans were increasingly provided by a more diversified group of providers, including Japan, Germany, the IBRD and the ABD (Government of Korea, 2017). By the second half of the decade, the Republic of Korea’s domestic savings rate was steadily rising, which meant that it was high enough to cover the total investment rate, reducing the need for ODA loans (Woo, 2015).

In the early 1990s, the Republic of Korea moved further away from aid, with both ODA flows and OOFs declining further throughout the decade. The country’s strong economic performance throughout the early part of the 1990s was facilitated by the opening of its capital markets to foreign investors. The Republic of Korea’s liberalisation policy advanced further once the country joined the OECD in 1996 (Woo, 2015: 21). The Republic of Korea’s economic success over the period led to its

18 Japan and the UK provided a cumulative total of \$4.9 billion and \$4.5 billion in the 1970s, with flows falling to \$2.8 billion and \$1.8 billion, respectively, throughout the 1980s.

graduation from the IBRD borrowing window after paying off its prior structural adjustment loan in 1995.

However, the Republic of Korea saw a sharp increase in OOFs as part of an emergency response to the Asian Financial Crisis. The crisis in the Republic of Korea was sparked by the bankruptcy of several government-backed conglomerates (called *chaebol*) in 1997, which caused capital flight and resulted in a currency and financial crisis.¹⁹

In response, the IMF issued a \$57 billion bailout package to the Republic of Korea – then the largest bailout in the IMF’s history – to support emergency macroeconomic restructuring of the Korean economy (Cho, 1998). The World Bank also provided emergency finance for the restructuring of the Republic of Korea’s financial sector in the wake of the crisis, via a series of adjustment loans valued at around \$7 billion (World Bank, 2013). The ADB provided its single largest loan to date (\$4 billion) as emergency lending in 1997. However, the Korean economy rebounded quickly from the crisis and, in 2000, the Republic of Korea officially graduated from the OECD DAC’s list of ODA-eligible countries.

4.2 The Republic of Korea as a donor

4.2.1 The Republic of Korea’s early outward cooperation

The Republic of Korea’s outward cooperation programme began in the 1960s, with early cooperation activities designed to support the country’s political and economic priorities amid its economic transformation. Notably, the Republic of Korea’s early outward cooperation was considered part of the efforts to increase its international profile in the context of the Cold War and its tense relations with the Democratic People’s Republic of Korea (DPRK) in the north. While the Republic of Korea was still a net recipient of ODA, Kim (2016) argues that the country’s early South–South cooperation was

designed to compete with the DPRK, which had clearer ties with many Southern partners at the time, and to advance political priorities, including Seoul’s desire for UN membership.

In 1965, the Korean government initiated its own invitational training programmes, using its own financing. This was the first instance of the Republic of Korea’s outward cooperation (Government of Korea, 2017). Its early outward cooperation consisted of medical experts sent abroad to Niger and Uganda, with technical cooperation projects launched in 1969, and it was deeply steeped in the principles of equality and mutual benefit (see Kim, 2003; Marx and Soares, 2013; Kim, 2016).

The Republic of Korea’s South–South cooperation programme expanded throughout the 1960s and 1970s to deepen economic linkages with the South. Towards the late 1960s, economic cooperation was particularly emphasised in the Republic of Korea’s growing South–South cooperation programme. Trade cooperation with Southern partners was considered ‘pivotal’ to improving market access and advancing the Republic of Korea’s economic interests, and South–South cooperation generally was ‘seen as an effective tool to promote Korea’s business’ (Kim, 2016: 94–95). This increasing emphasis on economic cooperation was happening in parallel to the country’s push towards export-oriented industrialisation, from a labour-intensive to a capital-intensive growth model. In 1977, amid rapid economic growth, MOFA secured its first aid budget ‘in an effort to respond to the rising demands for ODA from developing countries’ (Government of Korea, 2017).

In the 1980s, the Republic of Korea’s outward ODA ‘took off’ with the creation of new technical assistance and knowledge transfer programmes, driven by efforts to advance the Republic of Korea’s economic interests by fostering relations with partner countries (Government of Korea, 2017). Notably, the early 1980s saw the development

19 At the time, the Republic of Korea’s economy was already said to be vulnerable to shock due to the ‘massive volume of foreign capital flowing into Korea, the amount of foreign debts, especially short-term debts’, which had increased substantially over the early part of the decade and had left the economy vulnerable to a sudden foreign capital outflow (Cho, 1998; Woo, 2015: 21).

of several programmes that marked the early institutionalisation of the Republic of Korea's outward cooperation. In 1982, for instance, the Republic of Korea's outward cooperation was partly formalised with the launch of the International Development Exchange Program (IDEP). Implemented by the Korea Development Institute (KDI) (Box 4), this was an invitational training programme to share the Republic of Korea's development experiences. Moreover, in 1984, two government departments – the Ministry of Construction and the Ministry of Labour – launched technical and vocational training programmes to share knowledge abroad (Government of Korea, 2017).

4.2.2 The Republic of Korea as an emerging donor

The Republic of Korea emerged as a net donor in the 1990s, when the scale of its ODA disbursements increased rapidly (Kim and Kim, 2012; Figure 5). This followed the creation of its two main implementing agencies – the EDCF and KOICA – and the Republic of Korea's accession to the OECD in 1996. While the country remained a net recipient of ODA in the early 1990s, the scale of its outward cooperation almost tripled over the decade, from an average of \$56 million per year between 1990 and 1994 to an average of \$156 million

per year between 1995 and 1999 (OECD, n.d.a). In particular, rising ODA can be linked to the Republic of Korea's admission to the OECD, under the leadership of the first de facto civilian government since the end of the military regime. This administration had an unofficial target to scale up development spending to between 0.15% and 0.20% of GNI by 2000 (Kim, 2003). The target, which was initially put forward by the EPB in 1990, was not met. However, Kim (2003) notes that there was consensus that the Republic of Korea would need to 'significantly expand its external assistance' as an OECD member.

The Republic of Korea was proud to join the OECD and its accession was seen as a symbol of the country's rapid transformation to a developed country. Many of the policies enacted during by the Kim Young-sam government in the mid-1990s, including deepening economic liberalisation, supported the process and path towards OECD membership and DAC observer status (John, 2015).

In addition to growing resources, the Republic of Korea's ODA programme changed profoundly throughout the 1990s in terms of allocation channels and its regional focus. According to Kim and Kim (2012), the Republic of Korea's outward cooperation 'began with multilateral aid, primarily consisting of its contributions

Box 4 Korea Development Institute

The Korea Development Institute (KDI) sits within the Republic of Korea's development landscape and its engagement has grown in scope and scale over time. KDI was established in 1971, with financial support from USAID, to foster domestic policy expertise in support of its export growth strategy.

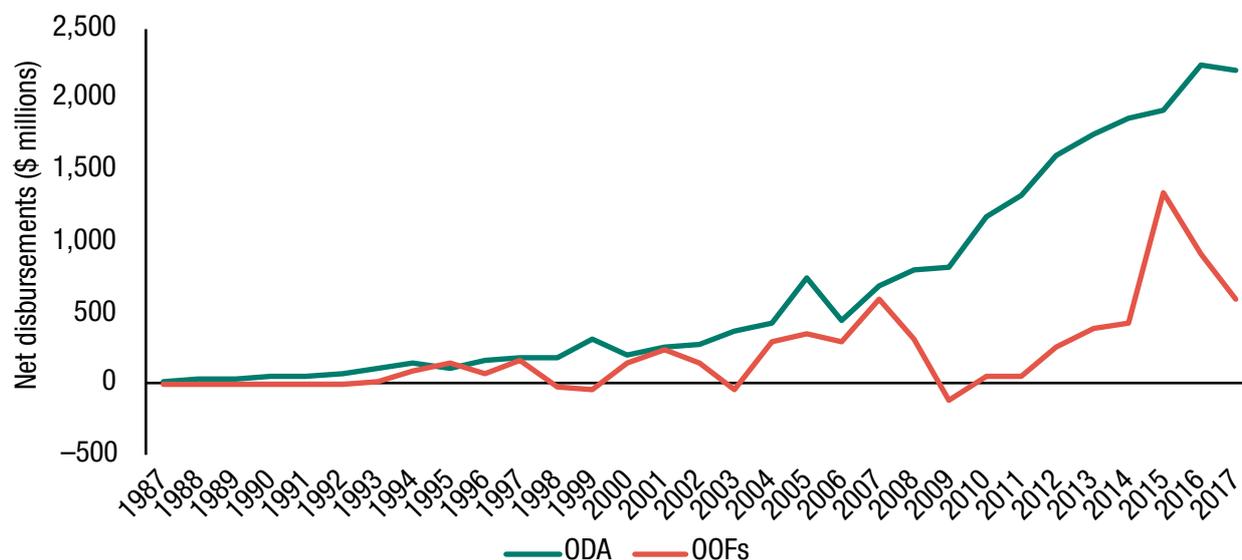
Created in the context of the Park government's second five-year economic development plan, which called for 'the establishment of an economic institution', KDI was responsible for 'conduct[ing] research and analysis on fundamental economic issues, national economic surveys, and studying the economic experiences of other countries, in order to formulate and implement development policies' (KDI, 2014: 10).

Since then, KDI has been key in the Republic of Korea's development landscape, working to research, document and share the country's successful development experience with other countries. This has been advanced through several programmes designed by the Ministry of Economy and Finance to support learning and knowledge exchange. These include IDEP, created in 1982 to bring together representatives from developing countries in a free exchange of ideas (KDI, 1982) and the Knowledge-sharing Program (KSP), launched in 2004; KDI served as an implementing partner for both programmes.

to international organizations devoted to development assistance’, and gradually shifted to bilateral channels during the 1990s²⁰ (2012: 81) (Figure 6). Moreover, in the early half of

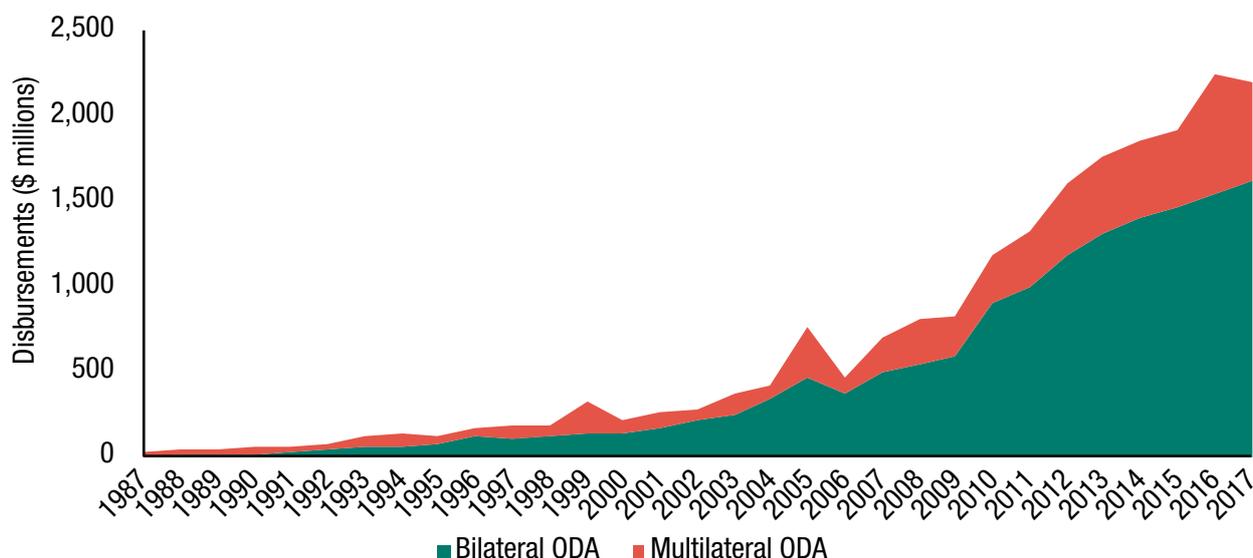
the 1990s, the bulk of the Republic of Korea’s outward cooperation was allocated to African and Asian countries more or less equally (between 1990 and 1994 the average share was

Figure 5 Official development assistance and other official flows, net disbursements from the Republic of Korea, 1987–2017



Note: US\$ millions, constant 2017 prices. Negative values represent instances where more money was repaid to providers than disbursed to the Republic of Korea (i.e. net OOFs were a negative value). Source: OECD DAC1 dataset, accessed June 2019.

Figure 6 Republic of Korea official development assistance disbursements by multilateral and bilateral channels, 1987–2017



Note: US\$ millions, constant 2017 prices.. Source: OECD (n.d.b) DAC1 dataset, accessed June 2019.

20 Total allocations depicted in Figure 6 represent bilateral and multilateral allocations and will necessarily show higher values than bilateral ODA reported in Figure 7.

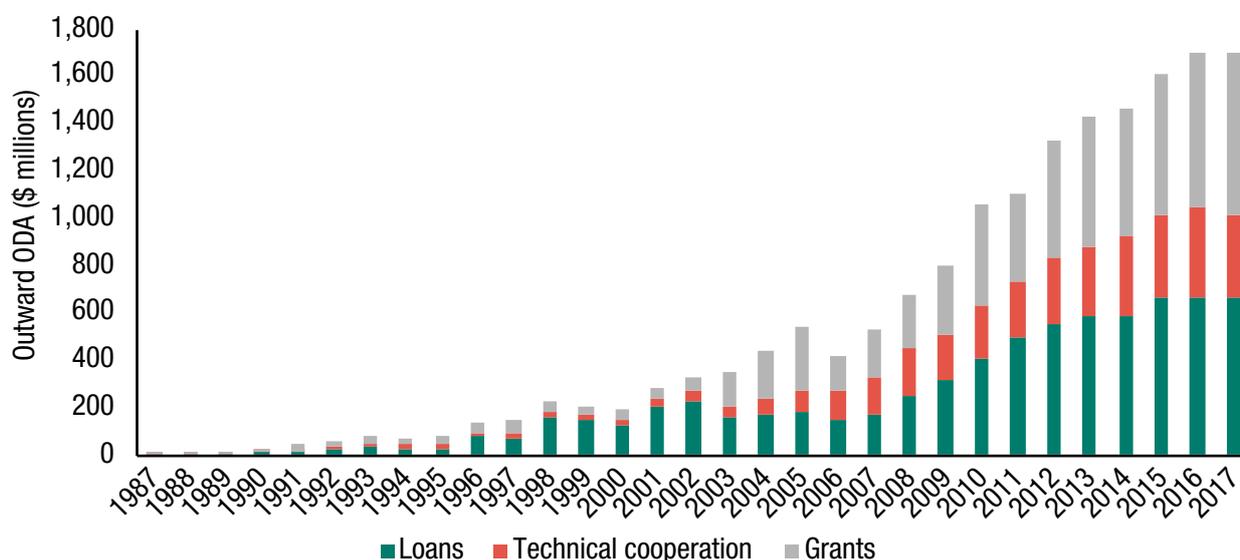
36% and 35% per year, respectively).²¹ By the second half of the 1990s, Korean ODA had begun to focus more squarely on Asia, with almost 66% of all ODA allocated to Asian counterparts between 1995 and 1999. This came at the expense of spending to Africa, which fell to 11% over the same period.²²

The budget constraints following the 1997 Asian financial crisis led an increasing share of ODA to be disbursed as concessional bilateral loans throughout the late 1990s²³ (Figure 7). According to Kim (2003), the share of the Republic of Korea's ODA disbursed as loans nearly doubled throughout the 1990s, from an average of 33% between 1991 and 1995 to an average of 60% between 1996 and 2000 (2003: 75). Loans were prioritised over grants as budgetary constraints in the Republic of Korea made former the more viable option. Kim (2003) also suggests that loans, allocated by EDCF, were intended to increase business opportunities and linkages for Koreans with regional partners.

Indeed, KOICA simultaneously began to prioritise Asian partners, particularly following 'the establishment of diplomatic relations with China and Vietnam in 1992 and with Cambodia and Laos in 1996' (Kim, 2003: 76); Viet Nam and China became the Republic of Korea's largest ODA recipients between 1995 and 1999 (OECD, n.d.a).

EDCF and KOICA had different sectoral allocation priorities. Throughout the 1990s, the bulk of ODA grants allocated by KOICA supported the development of social infrastructure in partner countries across a range of sectors, including education, health, public administration and development planning (Kim, 2003). At the same time, ODA provided by EDCF via bilateral loans focused on economic infrastructure, particularly telecommunications and transport. In both cases, these sectoral priorities remained the same throughout the decade and were driven primarily by demand in partner countries. Indeed, the Republic of Korea

Figure 7 The Republic of Korea's outward official development assistance gross bilateral disbursements by instrument, 1987–2017



Note: US\$ millions, constant 2017 prices.
Source: OECD DAC2a, accessed June 2019.

21 Flows to other regions averaged 0.5% for Europe, 2% for Oceania and 6% for Latin America, with around 20% of spending unallocated by region.

22 The share of ODA unallocated by region also fell to around 12%.

23 Total allocations depicted in Figure 7 represent bilateral allocations only and will necessarily show lower values than total ODA reported in Figure 5 and 6.

did not have a formal or unified development cooperation strategy for either geographic or sectoral allocations until the mid-2000s.

Throughout the 2000s, the Republic of Korea's outward cooperation programme continued to expand in volume and scope, partly facilitated by the country's strong economic position after its recovery from the financial crisis (Figure 5). The Roh Moo-hyun government (2003–2008) pursued a more progressive foreign policy (including for development) than that of its predecessors (Kim and Kim, 2012). In part, this approach was facilitated by the stronger position by the early 2000s of the Korean economy, which had grown in parallel to the country's expanding global presence. Outward ODA volumes more than tripled in the early 2000s, increasing from \$212 million in 2000 to \$752 million by 2005. Moreover, the Republic of Korea's stronger economic outlook contributed to a reversal of trends in relation to the main instruments for outward cooperation, with grants – including

technical assistance – accounting for an average of 63% of the Republic of Korea's outward bilateral ODA between 2003 and 2008 (Figure 6). This increasing focus on grants, which were mostly used to support programming in priority partner countries (OECD, 2012), also included new programming allocated under the Ministry of Economy and Finance and KDI's technical assistance programme, KSP. Created in 2004, the KSP aimed to advance the Republic of Korea's global leadership through sharing with partner countries its experience and knowledge of the industrialisation process (KDI, 2014; Lim, 2015; Box 5). Since the launch of the KSP, the share of the Republic of Korea's outward cooperation allocated as technical cooperation has increased steadily (Figure 7).

Perhaps most notably, the Roh administration is credited with coordinating the Republic of Korea's first ODA policy framework, which reoriented ODA increasingly towards Africa, and with applying for OECD DAC membership

Box 5 Knowledge-sharing Program

The KSP was created in 2004 by the Ministry of Economy and Finance and was implemented by actors including the KDI. The KSP builds on the cooperation and knowledge-sharing programmes started under the IDEP and continues to be a key mechanism for supporting global development through sharing the Korean experience. The KSP consists of three pillars:

1. **Policy consultation**, which involves conducting in-depth analysis on specified topics within partner countries to provide comprehensive policy recommendations. This pillar was advanced in partnership with the Ministry of Economy and Finance, which has collaborated closely with KDI to continuously upgrade KSP's management since its launch. Since 2004, the list of partner countries has grown from two (Uzbekistan and Viet Nam) to 36 countries across Asia, Africa, Europe and Latin America.
2. **Case studies on the Republic of Korea's development experiences or 'KSP Modularization'**, which involves conducting detailed case studies of the Republic of Korea's development experiences. These studies then serve as 'modules' or inputs into the KSP consulting and are compiled and coded to provide a systematic 'set of knowledge contents for effective knowledge-sharing'.
3. **Joint consulting with international organisations**, which was launched in 2011 by the Ministry of Economy and Finance. It combines the lessons learned from the Republic of Korea's development experience with expertise from other international organisations' development consulting expertise. Through engagement with international organisations, the pillar of work aims to provide better targeted solutions for partner countries. It has signed memorandums of understanding with several international organisations including the AfDB, ADB, Development Bank of Latin America, European Bank for Reconstruction and Development, OECD and World Bank.

(Kim and Kim, 2012; Kim et al., 2014). In 2005, amid the expansion of ODA flows, the Roh government formulated the Republic of Korea's first policy framework for ODA, called the 'Comprehensive ODA Improvement Plan', which established the 'basic policy directions and strategic measures for improving its ODA provision' (Government of Korea, 2017: 64). The plan broadly oriented the Republic of Korea's ODA policy in alignment with the goals of poverty reduction and sustainable development and with the Millennium Development Goals, and supported and promoted a shift in the geographic spread of Korean ODA to focus increasingly on Africa (Kim et al., 2014). Seoul's increased engagement in Africa was seen to be driven by both economic considerations, notably resource diplomacy, and geopolitical concerns, including the need to '[gain] political influence via the UN voting system' to support Ban Ki-moon's bid for UN Secretary-General and 'the promotion of soft-power through "global branding"' (Kim and Gray, 2016: 649). The Comprehensive ODA Improvement Plan also laid out key policy issues for consideration in Ministry of Economy and Finance Korea's ODA landscape, including its future accession to the DAC and plans to develop the CIDC to support greater coordination across the country's development portfolio (Kim and Kim, 2012; Government of Korea, 2017). In line with the Republic of Korea's ambitions to join the DAC, the CIDC was created in 2006, and the Roh administration requested that the OECD conduct a Special Review of Korean ODA in preparation for its membership to the DAC. The review was delivered in 2008 and the Republic of Korea was officially admitted to the DAC the following year.

4.2.3 The consolidation of the Republic of Korea's outward cooperation programme

The Republic of Korea's accession to the OECD DAC marked a welcomed turning point in its ODA programme, officially adding the country to the 'club' of established donors. The Republic of Korea was one of the first former recipients to join the ranks of the official donors (Chun et al., 2010). DAC membership had long been seen as an ambition for the Korean government and its eventual entry is often understood to have been

the result of deliberate and explicit 'government-directed campaigns' run throughout the 2000s by the Roh and Lee administrations (Yi, 2015). Indeed, while different in orientation and specific policy, both administrations promoted relatively progressive foreign strategies, including on ODA, and approved of and advanced the goal of joining the OECD DAC by 2010 (Kim and Kim, 2012; Kim, Kim and Lee, 2014). For the Republic of Korea, joining the DAC was an important moment that solidified its status as an 'advanced country'. It also presented an opportunity for the country to develop its aid programme in alignment with DAC standards and to learn from the practices and experiences of other members.

The Republic of Korea's membership to the DAC took place against the backdrop of the Lee administration's vision for a 'Global Korea' (Kim and Kim, 2014). This vision sought to position the Republic of Korea 'as a responsible and contributing member of the global community committed to playing an important role for world peace and sustainable development', and was aligned with a substantial expansion of the ODA budget, which more than doubled from \$800 million in 2008 to \$1.8 billion by 2013 (OECD, n.d.a). Over the period, the bulk of the Republic of Korea's ODA was allocated bilaterally and focused on partners within the Asian region. The Lee administration also launched a new Mid-term ODA Policy (2011–2015). The strategy established the basic principles underpinning the Republic of Korea's development cooperation system including, 'a poverty focus, respect for human rights, gender equality, sustainable development and support for peace and prosperity in the international community' (OECD, 2012: 12).

In addition to increasing ODA outflows and development cooperation, the Lee administration also aimed to use a range of public diplomacy tools to achieve its Global Korea vision. These tools included 'national branding' and engaging in and leading international dialogues (Kim and Kim, 2012: 87; John, 2015). The Republic of Korea hosted a number of international conferences, including the G20 Summit, Fourth High-level Forum on Aid Effectiveness (HLF-4) and the Second Nuclear Security Summit, as

part of the government's strategy to advance the country's visibility vis-à-vis the international community (John, 2015). Also part of this strategy were efforts to advance the Republic of Korea's contribution to specific areas including peace-keeping, climate change and the development agenda.

On climate change, the Lee administration played a leadership role, establishing the Global Green Growth Institute, a think tank located in Seoul, which was later elevated to the status of international organisation in 2012 at the United Nations Conference on Sustainable Development (Rio+20) (John, 2015). The Lee administration also hosts the Green Climate Fund (GCF) in Songdo, beginning in 2011. On development, hosting the HLF-4 in Busan in 2011 not only positioned the Republic of Korea as a champion

of the development effectiveness agenda, but also as a 'bridge' between emerging donors and developing countries (Kim and Lee, 2013; John, 2015). Moreover, the 2010 Korean G20 Presidency established the Development Working Group, which the Republic of Korea chaired between 2010 and 2012. Since then, the Republic of Korea has continued to advance its leadership in the area of development effectiveness. For example, in 2016 the country chaired the Multilateral Organization Performance Assessment Network (MOPAN), during which it led efforts to evaluate the effectiveness of ODA via multilateral organisations (Government of Korea, 2017).

The Republic of Korea also advanced its cultural and public diplomacy through its volunteer programmes. The country has used

Box 6 Volunteer programmes

Since the late 1980s, the Republic of Korea has implemented a number of volunteer programmes, which have played a key role in the country's public diplomacy. In 1989, the Republic of Korea launched its Overseas Youth Volunteers programme. The programme aimed to send Korean young people abroad as volunteers to share the Republic of Korea's development experience to support global development. The following year, these volunteers were dispatched by the United Nations Educational, Scientific and Cultural Organization (UNESCO) Korean National Committee to four countries in Asia (Howe, 2015). In 1991, the programme was housed under the newly established KOICA, renamed the KOICA Overseas Volunteer programme and expanded to seven countries.

Since its creation, KOICA has sent more than 63,000 Koreans to 96 countries across the globe as part of its programme (Lee, 2018). While volunteers support development across a range of sectors including education, health, IT, agriculture, public affairs, industry and environment management, Lee (2018) notes that many KOICA volunteers work in education, specifically 'instructing host nationals in the areas of Korean language and culture, arts, Taekwondo, and information technology' (2018: 97).

Over time, various branches of the Korean government launched a series of other volunteer programmes including the IT Volunteer Group (run by the Ministry of Science and ICT); the Pacific Asia Society Volunteers and the Korean University Council for Social Services (KUCSS) (both led by the Ministry of Education); and the Korean Oriental Medical Volunteer Group (led by the Ministry of Health and Welfare). In 2009, these programmes were brought together under the 'World Friends Korea' programme (Howe, 2015). While the new branding aimed to foster better coordination across the programmes, it was also considered part of the government's explicit effort to institutionalise the Republic of Korea's volunteer programmes to support its 'public diplomacy and nation branding' efforts abroad (Lee, 2018: 97-98). The Republic of Korea's volunteer programme is one of the largest among OECD DAC donors, second only to the US (Howe, 2015).

volunteer programmes to support cultural diplomacy since the 1980s; however, the Lee administration undertook to institutionalise the the Republic of Korea's vast volunteer network as part of broader efforts to 'enhance the country's cultural attractiveness' (Lee, 2018: 97–98). The Republic of Korea values highly its volunteer programmes as a means to share its experience and expertise and to enhance global awareness about Korean culture (Box 6).

Similar ODA trends and approaches to global engagement are evident in the latter half of the 2010s, as the Republic of Korea continued to grow and develop its development cooperation programme. Not only did ODA resources increase on an almost annual basis to a high of \$2.25 billion in 2016 but the Korean government

also launched its second Mid-Term Strategy for Development Cooperation (2016–2020). The strategy frames the Republic of Korea's outward cooperation within the context of the Sustainable Development Goals, identifying the 17 SDG targets as the main 'outcomes' to be achieved through its development cooperation programme. The strategy also identifies 24 priority countries with which to establish Country Partnership Strategies that pinpoint key sectors for engagement. The majority of the Republic of Korea's priority partners are in Asia (11), followed by Africa (7), Latin America (4) and the Middle East (2). Because the Republic of Korea tailors its assistance to meet the needs of partner countries, its sectoral priorities tend to be broad and demand-driven.

5 Lessons from the experience of the Republic of Korea in the transition from development aid to international cooperation

Chapter 4 of this report investigated the evolution of the Republic of Korea's development cooperation landscape and priorities through its transition and graduation from development assistance. We have analysed the changing patterns of international development cooperation received by the Republic of Korea since 1945 and showed how the country strategically and successfully took advantage of its inward ODA to support its national development trajectory. In the late 1980s, the Republic of Korea institutionalised its outward cooperation and, since graduating from ODA in 2000, has joined the ranks of the DAC and continued to expand its development cooperation programme.

The chapter builds on this earlier analysis to address the three main groups of research questions driving this study: how the Republic of Korea managed its transition from ODA; the type of engagement the Republic of Korea wanted and received from development partners through the transition process away from aid; and how the Republic of Korea engaged in cooperation beyond ODA.

Most of the information gathered in this section is based on the semi-structured interviews, unless otherwise specified. While

we aim to draw out key findings to inform lessons for countries as they pass through the transition process, we caution that many of the lessons from the Korean case are dependent on the specific economic and political context of the Republic of Korea's growth miracle in the 1960s and 1970s, especially the favourable global market conditions, the prevailing trade rules at that time and its geostrategic importance especially for the US.

5.1 Managing the transition from development assistance

5.1.1 Sustaining and broadening development results

The Korean government managed its transition from aid by leveraging its national development plans to advance domestic developmental objectives. The Republic of Korea's development success has largely been attributed to the central planning for development led by the Park administration, which created Five-Year Plans for domestic development that focused on investing in growth-generating activities. These plans were initially funded via aid, which was used strategically to advance the Republic of Korea's economic development objectives when

other resources were unavailable. Unlike other developing countries at the time, the Republic of Korea maintained strong ownership over its development planning and spending and aligned aid to its national priorities.

Notably, the Republic of Korea's reliance on a single donor – first the US, then Japan – was seen to both enhance the alignment of aid with the country's domestic agenda and minimised the administrative costs of aid management at a time when domestic capacity was still nascent (Kim, 2013). Furthermore, the Republic of Korea's geostrategic importance for the US gave it strong negotiating power. According to interviewees from academia, this privileged position meant that the Republic of Korea was able to bargain with the US to ensure that the aid the country received was both in the preferred currency (US\$) and aligned to domestic priorities. Indeed, interviewees noted that despite the intentions of the US administration to channel resources towards social development and poverty reduction programmes, the Republic of Korea was able to negotiate with the US to secure support for economic development projects – ultimately contributing to the country's growth miracle. One interviewee noted that the Republic of Korea also negotiated with the World Bank and secured, for example, financing for its highway network rather than for the social sectors.

The Republic of Korea also substituted declining ODA flows with FDI. Beginning as early as the 1960s, the Korean government started implementing a series of policies that aimed to encourage inward FDI, with the vision of using FDI to 'ease balance-of-payments difficulties and as a supply of needed technology and expertise' (Kim and Hwang, 2000: 269). The policies, including the Foreign Capital Inducement Act (FCIA), came into force at a time when grant aid received from the US during the prior decade had already begun to decline and as the Republic of Korea began to receive concessional loans from Japan (Woo, 2015; Government of Korea, 2017). FDI remained low throughout the 1970s as the government

restricted foreign investment to sectors in which domestic firms were unable to engage due to limited capital, technology and managerial skills (Nicolas et al., 2013). However, FDI began to increase throughout the 1980s when the government relaxed restrictions on foreign investment to attract resources to upgrade its technological base. The Republic of Korea's FDI stock grew rapidly throughout the 1990s, showing an eightfold increase from \$5 billion in 1990 to \$42 billion by 1999. The Republic of Korea's economic growth and the liberalisation of FDI policies had firmly positioned the country as an attractive location for investment.

Early assistance to the Republic of Korea focused on knowledge development and the strengthening of higher education, which reduced the need for technical assistance when donors phased out. Beginning as early as the 1940s, US interventions in the Republic of Korea emphasised educational training to prepare the national government to take over from the US Military Government that managed the country between 1945 and 1948 (Kim and Kim, 2014).²⁴ US programmes with the Republic of Korea increasingly employed Koreans alongside American staff to ensure capacity development within various institutions, including the OEC and the CEB. As Kim and Kim (2013) put it, 'the capacity to devise the Five-Year Economic Plans in the developmental state of the 1960s did not come out of the blue; it had been built up since the mid-1950s' (2013: 58). The result of this deliberate investment in education was a well-trained and capable Korean civil service, which was able to chart its own development trajectory over the long term. Ultimately, this reduced the need for continued technical assistance that has been observed in other countries during the transition from aid (see Calleja and Prizzon, 2019).

5.1.2 Relations with development partners

In the Korean case, the gradual, long-term and 'natural' transition from foreign aid, rooted in the strategic vision of the country's national development plans, allowed for sustained

24 According to Kim and Kim (2013), these efforts began almost immediately, with US public education programmes supporting the rapid increase of literacy levels from 17% of adults in 1945 to 83% by 1948.

development results. The Republic of Korea's transition from aid took place too long ago to properly assess what the impact of donors phasing out assistance was in terms of whether development results were sustained and deepened. However, neither the desk review of the literature on the Republic of Korea's development experience nor interviews with key experts revealed any evidence to suggest that the transition from aid was anything but a smooth and gradual process that followed the government's national development plans. In general, declining ODA resources, first as grants and then loans, were replaced with alternative sources of finance including non-concessional loans and FDI as the economy grew and the Republic of Korea was able to access market flows. In the 1960s, the Korean government undertook major reforms to boost tax revenues and domestic savings and progressively liberalised its capital account. Moreover, when ODA began falling in the mid-1970s, it already accounted for less than 1% of GNI (based on OECD n.d.b) and declines were offset by other resource flows (Collins and Park, 1989).

Development results were deepened through the country's openness to learning and peer engagement via membership of key multilateral institutions including the OECD and the UN. In the Republic of Korea, the graduation from ODA was not only seen as inevitable but a welcome signal of the country's economic success. The Republic of Korea joined both the UN and the OECD in the 1990s. Among other objectives, membership to these institutions was also seen as a way to continue learning and engaging with former development partners and developing countries alike. For example, meetings of the OECD DAC helped the Republic of Korea to develop ODA policies and programmes that were aligned with global standards.

The Republic of Korea maintained strong relations with its key development partners through its transition from aid due to its geostrategic importance. Unlike other countries covered in this study, the Republic of Korea held unique geostrategic importance for its major donors, meaning that relations continued throughout the transition process from aid and beyond. In the case of the US, the Republic of

Korea was a key strategic ally in its fight against communism and remains 'one of the United States' most important strategic and economic partners in Asia' (CRS, 2019). In this sense, the scale-down of ODA flows in the 1960s did not drastically alter relations between the US and the Republic of Korea. Instead, having signed a Mutual Defence Treaty in 1953, the two countries maintained policy dialogue on security and remained strong allies against the threat of nuclear aggression from the Democratic People's Republic of Korea. The interviews conducted for this study revealed that, beyond diplomatic relations, the US and the Republic of Korea are now partners in development cooperation programmes providing funding for joint programmes, for instance with USAID and KOICA working together on the Global Health Challenge Programme, maternal health programmes, green growth pilot projects. They are also formulating wider partnerships with the private sector in both countries. In October 2019, KOICA and USAID announced intentions to cooperate in the Indo-Pacific region on issues of women's empowerment, digital economic, health and education (MOFA, 2019).

In the case of the Republic of Korea's relationship with Japan, its other major donor, relations stayed active – if sometimes fraught – after the scale-down of ODA loans throughout the 1970s. The Republic of Korea remains an important regional partner for Japan, partly due to shared culture and proximity. Relations between the two countries have often been tense, due in part to the history and legacy of Japan's former colonial rule (the ODA loans were paid as a part of reparations for the Japan's colonisation of the country ending in 1945). However, in relation to development cooperation, and following the decline of the Republic of Korea's inward ODA, Japan has been an important partner and model for the Republic of Korea's development cooperation programme. Government and academic interviewees stated explicitly that the Republic of Korea's cooperation model was inspired, if not 'copied', from Japan's aid management system. JICA and KOICA had a close working relationship, which includes conducting joint projects and staff exchanges (see JICA, 2010; Schwak, 2017).

The Republic of Korea has also deepened relations with other bilateral and multilateral partners since graduating from ODA. Beyond maintaining partnerships with key former ODA providers, the Republic of Korea has strengthened and broadened diplomatic relations with other bilateral providers, such as Germany, that have not provided ODA in the past. For instance, Germany and the Republic of Korea co-financed technical and vocational education and training projects in countries including Ghana (2015–2017) and Viet Nam (2019). One interviewee from the Korean government also noted that KOICA dispatches staff to other development agencies, including Australia’s former agency AusAid, USAID, and Canada’s former agency the Canadian International Development Agency. In the case of Australia, for example, staff were sent to AusAid to share knowledge on programme implementation. The Republic of Korea has also maintained relations with bilateral partners through its participation in key international forums including the OECD (including DAC), G20, UN and MOPAN, and with several multilateral development banks.

Through the transition process, the Republic of Korea’s relationship with multilateral organisations deepened as it used multilateral spaces to create a hub of expertise on issues including development cooperation. For instance, over time the Republic of Korea’s relationship with the UNDP shifted, with the country moving from ODA recipient and beneficiary to contributor and partner in the global development agenda. Despite initially receiving ODA, towards the later stages of transition, the UNDP country office in the Republic of Korea was funded by Korean sources and mostly provided assistance to third-party countries. The closure of the country office and creation of the UNDP Seoul Policy Centre in 2011 formalised this changing relationship, with the Seoul Centre now serving as a hub to promote sustainable development and share Korean expertise through triangular cooperation. The Republic of Korea also hosts in-country offices of the OECD and the World Bank, among

others, and maintains strong partnerships with other international organisations, such as the World Food Programme and the United Nations Children’s Fund (UNICEF). One interviewee from the Korean government noted that the country recently engaged in new strategic partnerships with UN Women and the UN Population Fund, signing a memorandum of understanding on advancing gender equality (see also UNFPA, 2018).²⁵ Starting with the World Bank in 1992 and the ADB in 1993, the EDCF concluded memorandums of understanding with a number of multilateral development banks and started co-financing development projects in developing countries. Likewise, the Republic of Korea expanded its network as a donor and strengthened its ODA programmes. The country’s keen interest in maintaining and deepening relations with multilateral agencies post-ODA graduation was seen as part of its strategy to become a middle power.

5.2 Cooperation with development partners

5.2.1 Planning, implementation and financing needs for sustained development

There is no evidence to suggest that the Republic of Korea had a sustained ‘need’ for various forms of development assistance, including technical cooperation, throughout the transition process. The Republic of Korea’s approach to developmental planning rendered the country self-sufficient in terms of both financing and technical expertise, which was developed alongside the Korean industry. In fact, the Korean case stands in sharp contrast to those of Botswana, Chile and Mexico, which each had sustained demand for technical assistance and, in some cases, financing, to support development planning and implementation in the move towards ODA graduation. Rather the Republic of Korea’s emphasis on knowledge generation and peer learning, primarily via multilateral channels, from the early stages of its process of transition from aid helped to reduce the need for continued technical assistance.

25 In 2018, the UN Population Fund opened an office in the Republic of Korea.

5.2.2 Building capacity as a development partner

The Republic of Korea's early cooperation programmes as a donor were built with the financial support of development partners. The country's earliest engagement in outward cooperation was its involvement in invitational training programmes run throughout the 1960s, which were funded by USAID as part of their triangular cooperation programme. This provided the basis for the Republic of Korea's profile as a donor, with the Korean government initiating its own self-funded invitational training programmes by the end of the 1960s (Government of Korea, 2017).

Support to these early programmes also went towards knowledge generation and sharing activities. In 1971, USAID provided funding to support the development of two institutes in the Republic of Korea: KDI and KAIST. Initially created to support domestic development and policy throughout the transition from aid, KDI grew from a knowledge hub to support the country's development process into an internationally renowned institute that actively engages in peer learning and knowledge-sharing to support global development. These broader activities began in the 1980s with KDI's IDEP training programme and were developed further and scaled up in the KSP in the years following the country's ODA graduation. KAIST was established as a graduate school for science and engineering. Its aim was to develop human capital in the sciences to support the Republic of Korea's transition from light industries to heavy and chemical industries in line with the Park government's economic development plan (KAIST, 2018). KAIST has since remained a key institute for scientific research in the Republic of Korea (*ibid.*).

The Republic of Korea also built its cooperation by basing its key policies, practices and structures on those of development partners. Interviewees from academia and government were clear that at the time when the Republic of Korea established its development

cooperation agencies, KOICA sent missions to Japan to study the policies and practices of its aid institutions. Interviewees noted that the Japanese model served as a guide for the country's development cooperation programme because of the two nations' cultural and legal similarities, and similar economic development trajectory (Kim and Seddon, 2005). While the Republic of Korea's aid management institutions (both EDCF and KOICA) reflected those of Japanese counterparts (the Overseas Economic Cooperation Fund and JICA), Japan did not provide any financial or technical support to the creation of the Republic of Korea's development architecture. This stands in sharp contrast to the experience of the other three countries studied in this project; for example, in Mexico, institutional capacity for development cooperation has been built through technical assistance provided by GIZ.

For the Republic of Korea, joining the DAC was valued as a way to advance its capacity as a donor. Despite some internal debate about whether the Republic of Korea should have joined the DAC, with the Ministry of Economy and Finance (formerly the Ministry of Strategy and Finance) concerned by the constraints imposed by DAC membership,²⁶ the MOFA supported the decision to join and sought for the country to be recognised as part of the donor group. For MOFA, the Republic of Korea's accession to the DAC was a source of pride, solidifying the country's position as a donor and making it the first country to transition from being one of the poorest to a DAC donor.

Learning from DAC processes was one way in which the Republic of Korea hoped to expand its capacity as a donor. Government interviewees stressed that the Republic of Korea valued DAC feedback and engagement – including the Special Review conducted before it joined – which helped the country to further develop practices in line with international standards. The Republic of Korea has actively sought to learn from the DAC Peer Reviews, which have offered analysis and criticism that sparked improvements to the

26 Namely that it officially recognises countries as 'developed' and therefore limits the Republic of Korea's eligibility for multilateral funding (including climate finance).

coherence and coordination of the country's ODA policies and programmes (OECD, 2012; OECD, 2018b). Interviewees noted that DAC meetings also provided an important space for peer learning to inform the Republic of Korea's efforts to continue developing its cooperation system. Interviewees also noted that the country's accession to the DAC has helped to increase the visibility of the development portfolio within the Korean government.

Unlike other countries analysed for this project, in the latest stages of its transition from aid, the Republic of Korea did not use triangular cooperation as a key modality to support its development as a donor. None of the literature reviewed, nor interviews, raised triangular cooperation as an important modality for the development of the Republic of Korea's early capacity as a donor. This stands in sharp contrast to the cases of Chile and Mexico, which both relied on triangular cooperation to maintain relations with donors and to support the development of their outward cooperation capacity alongside declining ODA. Rather, in the Korean case, early outward cooperation was allocated bilaterally and, in part, to continue expanding the Republic of Korea's economic interests. Since becoming a DAC member, the Republic of Korea has engaged in triangular cooperation. However, one interviewee from government noted that for the Republic of Korea, triangular cooperation is less popular than bilateral cooperation as it is less strategically relevant from the donor perspective.

5.3 Beyond official development assistance cooperation

5.3.1 Forums for global exchange and cooperation

The Republic of Korea considers key multilateral forums – including the OECD, G20, multilateral development banks and the UN – important for continued global exchange and peer learning. As well as valuing OECD and DAC membership, the Republic of Korea considers the UN system important for mutual learning. Individual UN agencies, such as the UN Population Fund,

UNICEF, World Food Programme and UN Women, are seen as key forums for engaging on key sectoral priorities such as gender equality. However, some government interviewees were clear that the G20 was one of the most important global forums for Korean engagement and that the Republic of Korea was proud to be counted among this group of large economies. Beyond global arenas, interviewees also noted the importance of smaller spaces that aim to deepen regional linkages – for example the ASEAN group, for strengthening economic and diplomatic linkages, or the MIKTA (Mexico, India, Korea, Turkey and Australia) group of middle powers for joining forces on global issues of mutual interest.

The Republic of Korea has championed the development effectiveness agenda. Development effectiveness was one of the main global policy areas that the Republic of Korea sought to advance in the years following its accession to the DAC, hosting the Fourth High-level Forum on Aid Effectiveness in Busan in 2011, only two years after it joined. As a DAC member that previously graduated from ODA, championing the development effectiveness agenda was a way to advance the Republic of Korea's reputation among DAC peers and it enabled the country to play a broker role between the Global North and South. Interviewees noted that, as part of such efforts to engage Southern providers, the Korean government led calls to shift the effectiveness paradigm – from 'aid effectiveness' to 'development effectiveness'. Several interviewees also stated that the development effectiveness agenda had strong leadership and support both from within MOFA and from higher political levels, with the Republic of Korea continuing to contribute to this agenda as a member of the Global Partnership for Effective Development Cooperation.

The Republic of Korea considered climate change to be a priority policy area for engagement, although this emphasis has evolved. Several interviewees noted that, under the Lee administration, the Republic of Korea was a leader and a champion of the climate change agenda. Notably, with high-level political support

from Lee himself, the Korean government invested in becoming a hub for climate change knowledge and policy, establishing the Global Green Growth Institute and hosting the GCF. However, one interviewee noted that the following administration, led by Park Geun-hye, considered climate change a domestic rather than global issue, with most emphasis being placed on the country's ongoing air quality challenge. Some interviewees noted that the Republic of Korea also championed efforts for denuclearisation, due to the nuclear threat posed by the Democratic People's Republic of Korea. When asked why development effectiveness, climate change and denuclearisation were important, interviewees from both government and academia argued that these issues were non-controversial and widely supported – both domestically and abroad.

5.3.2 Modalities of international cooperation

The Republic of Korea's transition from ODA saw modalities of inward cooperation change from financial transfers to knowledge-sharing. As highlighted in Chapter 4, the Republic of Korea's transition from ODA included modalities of cooperation that evolved alongside its economic development. While the Republic of Korea received grants at the earliest period after the second world war, these were increasingly replaced by ODA loans and eventually by commercial finance. This was done to maximise access to and benefits of each source at different stages of development. When the Republic of Korea neared graduation, the only ODA inflows that remained were allocated as technical assistance (although they did not appear to be geared towards a specific policy or capacity gap).

The country's ODA transition was followed by the scale-up of outward cooperation, with emphasis on knowledge-sharing initiatives designed to share the Republic of Korea's development experience. Perhaps most notably, in 2004, the Ministry of Strategy and Finance launched its KSP. The programme aimed to help developing countries address key challenges by drawing on the Republic of Korea's experience and international best practices and to use

knowledge to develop the country's capacity as a donor. Since its launch, the KSP has increased in scale and scope – from engagements in 2 countries in 2004, to 85 countries by 2017. Beyond the KSP, the Republic of Korea has also funded knowledge-sharing initiatives through programmes run by KOICA and other line agencies, as well as knowledge transfer programmes operated by the UNDP Seoul Office and the Asia Foundation, to name a few. While the uniqueness of the Republic of Korea's development experience means that many aspects of its transition are not easily transferable, these cooperation programmes tend to generate lessons from the Republic of Korea's development experience to support partner countries. The Republic of Korea also hosts country offices of the OECD and World Bank, among others, which serve as a hub for knowledge-sharing activities (the former on international taxation, competition, public governance, and social policy sectors and the latter on financial sector reforms).

The Republic of Korea sees itself as a broker between the Global North and Global South on key global development challenges. Given its development trajectory, the Republic of Korea has worked to bridge the divide between developing and developed countries in international forums, especially where views and objectives diverge. Key examples include the Republic of Korea's efforts towards the development effectiveness agenda: under the Republic of Korea's leadership, the Fourth High-level Forum in Busan led to a substantive paradigm shift – from aid effectiveness to development effectiveness. The Republic of Korea has also acted as a broker between North and South in relation to key climate change discussions at the GCF. According to a government interviewee, the Republic of Korea liaised between developed economies that were reluctant to share technologies and developing countries that were eager to gain from them to support a proposal that satisfied both sides. Interviewees noted that the Republic of Korea was particularly well placed to play this role as it has developed a reputation as a reliable and neutral partner in addressing global challenges.

6 Conclusion

The Republic of Korea is the first country to have moved from being one of the world's poorest recipient countries, as it was after the second world war, to itself becoming a donor and joining the ranks of the OECD DAC.

Our analysis was not intended to evaluate the approach of the government of the Republic of Korea and of its former development partners. Moreover, the economic miracle in the Republic of Korea took place under specific factors that cannot be replicated – favourable trade rules, sustained global economic growth and high global demand, fewer competitors and a small pool of development partners to coordinate, the country's geostrategic relevance and position for the US, and the colonial past with Japan.

However, the experience of the Republic of Korea does offer lessons on how to maximise the effectiveness of development assistance, reduce dependency on aid, forge new relations with former development partners and reshape global relations to become a middle-size power and a donor. These lessons span across the full trajectory of the transition from aid – through graduation from ODA and relations beyond aid.

6.1 Lessons from the Republic of Korea's experience

6.1.1 Managing the transition from aid

To reduce dependency on aid, governments should strategically align development assistance flows with national priorities, including economic development. The Republic of Korea decided on the ultimate uses and beneficiaries of inward aid, which were largely determined within the framework of the economic policies of the government. The Republic of Korea's role in the stabilisation of relations in the Korean peninsula in the 1950s meant it had greater bargaining

power vis-à-vis its main donor, the US. While the US would have prioritised aid programmes targeting social development and poverty reduction, the Republic of Korea successfully negotiated for foreign aid to be channelled towards economic development, which ultimately contributed to the country's growth miracle. The Republic of Korea also tactically took advantage of aid flows when other financing options – notably FDI – were not available, progressively lifting capital account restrictions and opening up to foreign investment over time.

In the late 1950s, in response to falling aid from the US, the Korean government explored alternative options. They specifically demanded that Japanese authorities step in with, for example, the Reparation Fund. Moreover, the EPB used the aid resources available to partly fund the five-year economic plans and state-led economic development projects for which it was responsible. This alignment of aid with domestic economic development plans has been considered an important factor in the country's development success.

Countries should build a strong knowledge base and boost their education system. Unlike other countries, the Republic of Korea developed technical expertise alongside its developmental performance, which it had done since the end of the second world war. Academic literature offers extensive analysis of the large investment in higher education in the Republic of Korea. The result of this deliberate investment in education was a well-trained and capable Korean civil service, which was able to chart its own development trajectory over the long term. This in turn reduced the need for continued technical assistance that has been observed in other countries in transition from ODA.

6.1.2 Cooperation with development partners

Countries should channel support from development partners to create the building blocks for establishing themselves as donors. Funded by USAID, as part of their triangular cooperation programme, the Republic of Korea's earliest engagement in outward cooperation were training programmes throughout the 1960s. These programmes provided the early basis for the Republic of Korea's engagement as a donor and, by the end of the 1960s, the Korean government was self-funding its own training programmes. Moreover, USAID also contributed to the establishment of KDI in 1971, the main platform for sharing the Republic of Korea's development experience.

Countries could use knowledge-sharing as a tool to develop capacity as donors. The Japanese aid model served as a natural guide for the Republic of Korea's development cooperation programme due to the countries' cultural, linguistic and legal affinities, and their similar economic development trajectories. While the Japanese government did not provide any financial support to the creation of the Republic of Korea's development architecture, it did host missions of Korean officials to learn and study many of the policies and practices of Japanese aid institutions.

Countries could target and prepare for DAC membership to improve approaches to development effectiveness and learn from others. In preparation towards and after joining the DAC, the Republic of Korea valued continued feedback and dialogue with the DAC Secretariat and other members, which helped it to further develop its practices in line with international standards. The Republic of Korea has actively learnt from the DAC Peer Reviews (and in particular a Special DAC Peer Review conducted in preparation for its DAC membership), which have sparked improvements to the coherence and coordination of the Republic of Korea's ODA programme. DAC meetings also provided a space for peer learning to inform the continued development of the Republic of Korea's cooperation system, and the country's accession to the DAC has also helped increase the

visibility of its development portfolio within the Korean government.

6.1.3 Cooperation beyond ODA

Countries could champion specific global agendas. In the 2010s the 'Global Korea' strategy aimed to position the Republic of Korea as a 'middle power' through strong leadership and active participation in several international cooperation forums, global affairs and agendas. These forums included the G20 Summit in 2010, the largest international gathering in the Republic of Korea so far, during which the Republic of Korea introduced the development track within the G20, with the creation of the G20 Development Working Group. Other international forums included the Fourth High-level Forum on Aid Effectiveness, held in November 2011 (the second largest international meeting) and the 2012 Nuclear Security Summit. President Lee Myung-bak championed the climate change and green growth agendas during his mandate (2008–2013), establishing the Global Green Growth Institute in 2010 and contributing to the creation of the Green Climate Fund (also 2010), which were both hosted in the Republic of Korea.

Countries should take advantage of the multilateral system to become a hub and a global leader for selected agendas. The Republic of Korea's relationship with multilateral organisations has changed throughout its transition process, as it has moved from net recipient of multilateral funding to net contributor. With UNDP, the Republic of Korea has gone from being a recipient and beneficiary of aid programmes, to a contributor and partner in the global development agenda. The creation of the UNDP Seoul Policy Centre in 2011 is a platform for knowledge-sharing of Korean expertise towards other developing countries and supports UNDP work on the development effectiveness agenda that the Republic of Korea has championed since 2011. The Republic of Korea also hosts country offices of the OECD and World Bank, among others, which serve as hubs for knowledge-sharing activities.

Countries should leverage international organisations for peer learning. The Republic

of Korea has pursued peer learning through increased participation in international organisations including the OECD, the OECD-DAC, MOPAN and UN system, to name a few. Government interviewees were clear that the G20 was one of the most important global forums for Korean engagement and that the Republic of Korea was proud to be counted among the group of large economies. Beyond global arenas, smaller spaces help to deepen regional economic and diplomatic linkages, as with the ASEAN group, and offer the opportunity to join forces on global issues of mutual interest, as with the MIKTA group of middle powers.

Countries should shift modalities, moving from a recipient to becoming a hub for knowledge-sharing for other developing

countries. In 2004, KDI launched its KSP, which aimed to help developing countries address key challenges by drawing on the Republic of Korea's experience and international best practices. Beyond the KSP, the Republic of Korea has also engaged in knowledge-sharing initiatives through programmes run by KOICA (including the Development Experience Exchange Program) and other line agencies, as well as knowledge transfer programmes operated by the UNDP Seoul Policy Centre and the Asia Foundation, among others. While the uniqueness of the Republic of Korea's development experience means that many aspects of its transition are not easily transferable, these cooperation programmes generate lessons from the Republic of Korea's development experience to support partner countries.

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Annex 1 List of interviewees

Table A1 List of institute, name and job title of interviewees

Institution	Name	Job title
Ministry of Foreign Affairs Public Diplomacy Division	S. Lee	First Secretary
Ministry of Foreign Affairs Development Policy Division	H. Seo	Second Secretary
Ministry of Foreign Affairs Development Policy Division	S. Lee	Second Secretary
Ministry of Foreign Affairs Development Policy Division	H. Oh	Director General
KOICA	G. Park	Assistant Manager Program Strategy Department
KOICA	S. Baek	Vice President Africa Middle East and Latin America Programs
CIDC	J.-H. Maeng	Senior Deputy Director
Hansung University	T. Lee	Professor of Cultural Anthropology
ODA Watch	J.K. Han	Co-Chair, ODA Watch
KDI Centre for International Development	Y. Koh	Executive Director
KDI Centre for International Development	S.C. Hong	Director, Division of Planning and Evaluation
KDI Centre for International Development	G. Lee	Senior Research Associate KSP Planning and Evaluation Team
KIEP	Y.S. Hur	Associate Research Fellow, Development Cooperation Team
KIEP	J. Jung	Research Fellow, Development Cooperation Team
KIEP	J. Jeong	Senior Researcher, Development Cooperation Team, Department of Asia-Pacific
KIEP	C. Hyun	Researcher, New Southern Policy Department, Development Cooperation Team
Ewha Womens	E.M. Kim	Professor, Department of International Studies, Dean of Graduate School
Asia Foundation	K.-S. Lee	Director of Programs
Hankyong National University	S.-T. Kim	Dean, Graduate School of International Development Cooperation
Independent expert	E. Reed	



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