

# SOUTH KOREA

## WHAT IS YOUR AID FOR TRADE STRATEGY?

### **1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?**

Korea is one of the few developing countries that have successfully achieved economic growth and development in a relatively short period of time. This success was derived largely from the integration of export-oriented industrialization and appropriate trade and economic policy measures into the overall development strategy of Korea. Since then, these experiences have diffused a strong belief that trade is indeed the engine for economic growth. We, therefore, support the expansion of the aid-for-trade initiative in developing countries, particularly the least developing ones, so that they might maximize the benefits from open trade regimes and better integrate into the world economy.

Korea's aid-for-trade strategy is based on a belief that a truly open trade regime should not only address market-access concerns, but also provide substantial resources and an enabling environment for the developing countries so that they may fully use of their comparative advantage and actively be involved in international trade.

As an emerging donor, Korea has been expanding its aid in terms of its scale and quality in order to contribute to sustainable development and poverty reduction in developing countries. Trade-related assistance has been implemented under the overall guidance of capacity building, technical cooperation, and particularly the sharing of Korean experiences in trade-oriented development strategy. Our aid policy also focuses on enhancing and strengthening the trade-related capacities of national stakeholders of developing countries as well as increasing awareness of the importance of mainstreaming trade policies into national development strategies.

### **2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?**

Korea believes that the Hong Kong Ministerial Declaration, which Korea fully endorsed, provided a good opportunity for our country to reaffirm the importance of providing trade-related aid to developing countries. The Declaration was a timely input to the development and articulation of aid-for-trade strategy in Korea.

Korea also paid due consideration to the recommendations of the Aid For Trade Task Force adopted at the WTO General Council in October 2006. Among them, elements of country ownership, a results-based approach, and monitoring and evaluation were accordingly reflected in the formulation of Korea's trade-related aid strategy.

### **3. How does this strategy address regional aid-for-trade challenges?**

Given that the total volume of trade-related aid is relatively small, a substantial share of Korea's aid-for-trade packages has been provided to developing countries on a bilateral basis. It is necessary for Korea to consider improving the trade-related infrastructure on a regional basis.

## **HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?**

### **SCOPE**

#### **4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?**

Aid-for-trade is defined as all aid projects and programs financed by the government to enhance and strengthen the trade-related capacities of national stakeholders of developing countries in order to improve their level of knowledge, technical know-how, intellectual capacity and trade-related infrastructure.

### **METHODOLOGY**

#### **5. How do you allocate the aid-for-trade share in individual projects and programmes?**

Korea has implemented several programs for trade-related technical assistance and capacity building. Korea takes national development policies and development needs of partner countries into account when allocating aid-for-trade shares in individual projects and programs.

### **COMMITMENTS**

#### **6. According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?**

Korea's aid-for-trade support amounted to US\$16.3 million in 2005, US\$1 million in 2004, US\$996,000 in 2003, and US\$885,000 in 2002.<sup>1</sup>

### **PLEDGES**

#### **7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference.**

Korea did not make any aid-for-trade pledges at the 2005 WTO Ministerial Conference. Subsequently, however, Korea has been committed to aid-for-trade as follows:

##### Bilateral Aft

- Approximately 3.8 million USD (preliminary estimate) in 2007

##### Multilateral Aft

- Korea-UNDP program, 1.62 million USD for 2007-8

1. From 2002-2004, amounts of support were derived only from programs implemented by Korea International Cooperation Agency(KOICA), but for 2005, KOICA programs and all other governmental programs classified as aid-for-trade were included.

- Contribution to UNCTAD IF-related program: 200 thousand USD for 2006
- WTO DDA Global Trust Fund, about 200 thousand USD annually (350 thousand USD committed for 2007)
- EIF (Enhanced Integrated Framework) Trust Fund, 1 million USD for 2007-2008 (pledged at the Stockholm Pledge Conference, 25<sup>th</sup> September, 2007)

#### **8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?**

At this stage, Korea does not have a specific medium-term financial plan for aid-for-trade. However, Korea does plan to double its aid for technical assistance by 2010, allocating 40% of this assistance toward “governance which includes support for aid-for-trade.

## **HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?**

### **MAINSTREAMING**

#### **9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at head quarters and in-country?**

As stated above, aid-for-trade strategy is guided by the overall strategy of capacity building and technical cooperation with special emphasis on the importance of trade-related assistance for the effective economic development of partner countries. Furthermore, Korea plans to establish the Country Assistance Strategies for 2008, which aim to reduce poverty and develop the economy based on the specific development needs of individual partner countries. Through these instruments, Korea will actively implement trade-related aid programs in the years to come.

#### **10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?**

Korea has not yet implemented programs to strengthen in-house aid-for-trade expertise. However, we are trying to formulate and strengthen the network among ODA implementation agencies and major trade research institutes and organizations. By strengthening these networks, we will share in-house expertise and implement trade-related technical assistance and capacity building programs.

### **OWNERSHIP**

*Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.*

#### **11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?**

Weak political will and fragile economic infrastructure are a major hindrance to developing a strong trade development component in partner countries. Therefore, Korea focuses on improving trade capacity and increasing awareness of the importance of mainstreaming trade issues in national development strategies. Specifically, Korea provides consultations and recommendations based on Korea's experiences in the WTO, FTA, intellectual property rights, special economic zones and so on. This is expected to provide valuable and realistic input regarding export and investment policies.

**12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?**

Korea is actively participating in policy dialogues in order to select appropriate sectors and programs for development in each partner country. As for trade-related programs, Korea is currently providing training education, dispatching Korean experts, and holding seminars on trade. Through these programs, we encourage trade officials and stakeholders of partner countries to improve their trade capacity and to become aware of the importance of mainstreaming trade issues.

**ALIGNMENT**

*Refers to donors basing their overall support on partner countries. national development strategies, institutions and procedures.*

**13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?**

Korea reflects the policy planning and budgeting cycle of partner countries in annual assistance plans and implementing individual programs.

**HARMONISATION**

*Refers to donors. actions being more harmonised, transparent and collectively effective.*

**14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

Korea has not yet arranged a satisfactory coordination system with other donor countries for analyzing and programming aid-for-trade. However, we refer to other donors activities and programs as well as international ODA trends when developing our aid programs for individual partner countries. We plan to gradually consider and expand coordination with other donor.

**15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)**

Korea is considering expanding its aid-for-trade programs at the multilateral and regional level in tandem with its overall increase of ODA. A multilateral program such as the EIF is considered to be an effective channel for aid-for-trade and might well complement our bilateral aid efforts.

**MANAGEMENT FOR RESULTS**

*Refers to both donors and partner countries managing resources and improving decision making for results.*

**16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?**

To ensure effectiveness and local ownership, the main objective of Korea's ODA is to align individual projects and programs with the national development policies and strategies of our partner countries. Accordingly, when selecting and implementing assistance programs, Korea sets targets and goals that match the national development policies and strategies of partner countries. In the final phase

of the program, we can then evaluate how much the program has contributed to improving trade officials' capacity and to increasing their awareness of trade policy issues.

**17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?**

For individual projects, we adopt the project design matrix(PDM) methodology for assessing, monitoring, and evaluating the results and outcomes. For technical assistance programs, including training and consultations, we evaluate the results through surveys and other tools of measurement. We also make sure to reflect the OECD evaluation measurements (relevance, effectiveness, efficiency, sustainability and impact) when assessing and evaluating aid programs.

**18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?**

Korea is actively participating in policy dialogues with other donors and stakeholders, but the issues are mainly of the overall development strategies of partner countries rather than specific projects and programs regarding aid-for-trade. We also cooperate with donor countries, partner countries and stakeholders through joint monitoring and evaluation for the joint training programs. This year, Korea initiated its support for the "Integrated Framework for Trade-Related Technical Assistance to LDCs," which should help enhance its joint monitoring and evaluation mechanisms for aid-for-trade programs.

## DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

*Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.*

**19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?**

Overall, Korea cooperates with partner countries, regional organizations, and other stakeholders to optimize individual programs and projects for aid-for-trade. Mid-term and final evaluations are conducted periodically in order to measure the progress, output, and results. As mentioned before, we work with other donor countries in joint monitoring and evaluation for the joint training programs thus far. Gradually, however, we will strengthen the cooperation with other donor countries in reviewing the progress of our aid policies and programs.