Korean Bilateral Official Development Assistance to Africa Under Korea’s Initiative for Africa’s Development

Mi Yung Yoon and Chungshik Moon

In the past several years, the Republic of Korea—a former least developed country (LDC) and aid recipient that became a donor—joined the “club of emerging donors” to Africa. In March 2006, President Roh Moo-hyung declared Korea’s Initiative for Africa’s Development. The initiative puts poverty reduction and socioeconomic development of African countries in the forefront. Using pooled cross-sectional time series data, in this study we examine the determinants of Korean bilateral official development assistance (ODA) to Africa for the period 1991–2011. The findings of the study suggest that the approach of Korean ODA does not differ significantly from that of many conventional donors whose ODA disbursement has had a dual purpose: to improve the welfare of developing countries and to serve self-interests. **KEYWORDS:** Korean ODA to Africa, Korea’s Initiative for Africa’s Development, determinants of Korean bilateral ODA to Africa, Tobit analysis

**Many African countries see the Republic of Korea (hereafter referred to as Korea)—which transformed itself from one of the world’s poorest countries in the 1950s, with a per capita income below US$100, to the eleventh largest economic power in the world—as a model for economic development. They wish to emulate the Korean experience for economic development. One of the contributing factors to Korea’s economic success was the ODA it received from 1945 to the late 1990s worth US$12 billion (Ministry of Foreign Affairs and Trade [MOFAT] 2012).** Without ODA, the country might not have been able to achieve its current global economic standing, and it has become one of the success stories of foreign development assistance. However, despite its own positive experience with development aid, Korean ODA to developing countries has been far below the Organisation of Economic Co-operation and Development (OECD) average of 0.3 percent of gross national...
income (GNI), let alone the 0.7 percent level that the United Nations and the OECD’s Development Assistance Committee (DAC) recommend. Korea—which became a member of the OECD in 1996 and a member of the DAC in January 2010—spent 0.12 percent of its GNI for ODA in 2011. Even 0.12 percent was an increase from earlier years.

Bilateral ODA, like multilateral ODA, consists of grants and soft loans and has mostly accounted for over 70 percent of Korea’s net ODA to Africa. African countries have collectively received 29–39 percent of the world’s annual bilateral ODA to developing countries. Their share of Korean bilateral ODA to developing countries, however, has been much lower. As Figure 1 shows, it had been less than 9 percent until it increased to 12.7 percent in 2006, with the launch of Korea’s Initiative for Africa’s Development—a policy turning point and road map for Korean foreign policy toward Africa. In March 2006, former President Roh Moo-hyun declared Korea’s Initiative for Africa’s Development during his visit to Algeria, Egypt, and Nigeria. In line with the United Nations (UN) Millennium Development Goals (MDGs), adopted at the UN summit in 2000, the initiative puts poverty reduction and socioeconomic development of African countries in the forefront. Since the launch of the initiative, as Table 1 shows, the volume of Korean ODA to Africa has gradually increased, though it has been far short of the volumes of the major bilateral donors to Africa.

Africa is home to thirty-three LDCs on the UN’s list of forty-eight LDCs. The World Bank (2013a) indicates that there is no high-

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**Figure 1** Korean Bilateral ODA to Africa as a Percentage of Its Total ODA to Developing Countries

![Graph showing Korean Bilateral ODA to Africa as a Percentage of Its Total ODA to Developing Countries]

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>7.7</td>
</tr>
<tr>
<td>2004</td>
<td>8.5</td>
</tr>
<tr>
<td>2005</td>
<td>8.4</td>
</tr>
<tr>
<td>2006</td>
<td>12.7</td>
</tr>
<tr>
<td>2007</td>
<td>14.3</td>
</tr>
<tr>
<td>2008</td>
<td>19.3</td>
</tr>
<tr>
<td>2009</td>
<td>16.4</td>
</tr>
<tr>
<td>2010</td>
<td>15.5</td>
</tr>
<tr>
<td>2011</td>
<td>18</td>
</tr>
</tbody>
</table>

**Source:** The percentages were calculated based on the data in OECD (2013a).
income economy in Africa and only several countries (e.g., Botswana, Gabon, Libya, Mauritius, Namibia, Seychelles, and South Africa) are upper-middle-income economies. Despite their shared needs for development assistance, the size of Korean ODA has varied significantly across African countries. While some countries received millions of dollars, others received none. What can explain this variation? Korea takes great pride in its transformation from an LDC to a donor. How, then, does Korea approach its new role as a donor? As a former LDC that understands the pains of abject poverty, does it take a purely humanitarian approach as anyone might expect, an approach driven by self-interest, or both? In this study we answer these questions by examining the determinants of Korea’s bilateral ODA to Africa, where LDCs are concentrated. We found that Korean ODA tends to favor LDCs and countries with good human rights records and yet to prefer large crude oil exporting countries and countries with high economic growth rates. However, we found little empirical evidence for the view that Korea uses its ODA as a means of promoting democracy and its export and foreign direct investment in recipient countries.

Numerous studies have examined the determinants of bilateral ODA and some studies have focused on Korean ODA (Choi 2011; Chun, Munyi, and Lee 2010; Kim and Oh 2012; Lumsdaine and Schopf 2007). Yet, few have focused on Korean ODA to Africa, due mainly to the dearth of scholarly interest in Korea-Africa relations hitherto along with the short history and small size of Korean ODA to Africa. Furthermore, no study on the determinants of Korean ODA

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>France</th>
<th>Germany</th>
<th>Japan</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>6,097.47</td>
<td>5,067.25</td>
<td>2,725.47</td>
<td>918.72</td>
<td>24.23</td>
</tr>
<tr>
<td>2004</td>
<td>4,903.19</td>
<td>4,713.62</td>
<td>1,667.14</td>
<td>1,035.08</td>
<td>33.48</td>
</tr>
<tr>
<td>2005</td>
<td>5,030.76</td>
<td>5,762.19</td>
<td>3,145.28</td>
<td>1,403.95</td>
<td>41.38</td>
</tr>
<tr>
<td>2006</td>
<td>6,374.54</td>
<td>6,200.92</td>
<td>4,044.33</td>
<td>3,533.88</td>
<td>47.11</td>
</tr>
<tr>
<td>2007</td>
<td>5,368.54</td>
<td>3,823.02</td>
<td>2,545.13</td>
<td>2,456.52</td>
<td>66.08</td>
</tr>
<tr>
<td>2008</td>
<td>7,518.94</td>
<td>3,515.08</td>
<td>2,682.11</td>
<td>1,944.66</td>
<td>113.73</td>
</tr>
<tr>
<td>2009</td>
<td>7,940.71</td>
<td>4,185.95</td>
<td>2,116.81</td>
<td>1,682.05</td>
<td>115.23</td>
</tr>
<tr>
<td>2010</td>
<td>7,928.30</td>
<td>4,555.10</td>
<td>2,061.09</td>
<td>2,035.02</td>
<td>148.54</td>
</tr>
<tr>
<td>2011</td>
<td>9,406.53</td>
<td>4,640.64</td>
<td>2,575.19</td>
<td>1,708.31</td>
<td>178.36</td>
</tr>
</tbody>
</table>

Source: OECD (2013a).
A Brief Overview of Korea-Africa Relations

Korea-Africa relations began in the 1960s, when Korea opened diplomatic relations with dozens of newly independent African countries. However, Korea’s interest in Africa remained low during the Cold War, other than containing North Korean regional influence through economic cooperation and small ODA, as exemplified by rare visits of Korean heads of state to Africa. North Korea’s military cooperation with Africa and anti-Western propaganda helped North Korea gain diplomatic superiority over its southern counterpart in the African continent. Before President Roh Moo-hyun’s visit in 2006, only President Chun Doo Hwan, in August 1982, had visited any African countries (Gabon, Kenya, Nigeria, and Senegal).

Korea had maintained a so-called one-Korea policy—which prevented African countries from having simultaneous diplomatic relations with the two Koreas—until it abandoned the policy in 1973 to gain African support for its position on such issues as UN membership and unification (Lee 2011, 144). This policy change was necessary because, by the early 1970s, African countries not only formed a large voting bloc at the UN General Assembly but also played an important role in the Non-Aligned Movement, whose members accounted for 40 percent of the UN membership (MOFAT 2009a, 174). President Chun’s 1982 Africa visit broadened Korean diplomacy on the continent (Korean Overseas Information Service...
1982, 11) and raised Korea’s interest in Africa to a certain extent, but only momentarily. Other than opening diplomatic ties with more African countries, Korea re-relegated Africa to a secondary position on its priority list.

The end of the Cold War and the subsequent abandonment of communist ideology in Africa in the early 1990s presented Korea a unique opportunity to reassess its foreign policy toward the region. However, Korea’s relations with North Korea, Japan, China, Russia, and the United States continuously dominated the post–Cold War Korean foreign policy agenda for security and economic reasons. Thus, the level of Korean interest in Africa remained unchanged until a dramatic turn in 2006, when Seoul declared 2006 “the year of friendship with Africa” (MOFAT 2007, 111). In addition to the launch of Korea’s Initiative for Africa’s Development, Korea completed establishment of diplomatic ties with then all fifty-three African countries by August 2006, with diplomatic missions in eighteen African countries.4

The initiative was launched with a pledge to triple Korean bilateral ODA to Africa by 2008 from the 2005 level with plans to invite African trainees to Korea and send medical teams, experts, and volunteers to Africa to share Korea’s development experience (MOFAT 2009a). As outlined under the MDGs, the initiative focuses on the development of human capital, public health infrastructure, governance, information and communications systems, and agricultural communities. The launch of the initiative was followed by the first Korea-Africa Forum in November 2006 with a second forum in December 2009. At the second forum, which was cosponsored by the Korean government and the African Union, Korea announced its pledge to double its ODA to Africa by 2012 from the 2008 level and bring 5,000 trainees from Africa to Korea while sending 1,000 Korean volunteers to Africa through 2012 (“The 2nd Africa-Korea Forum Held in Seoul” 2009). In addition to the Korea-Africa forums, Korea has held a series of summit meetings with African heads of state. In July 2011, President Lee Myung-bak visited South Africa, the Democratic Republic of the Congo, and Ethiopia to enhance bilateral ties with these countries. Lee’s visit was the third visit to the continent by a Korean head of state. Other channels of discourse between Korea and Africa include the Korea-Africa Economic Cooperation Conference—a biennial meeting started in 2006 and sponsored jointly by the Korean government and the African Development Bank—along with the Korea-Africa Industry Cooperation.
Forum—held annually since 2008. Both meetings have aimed to increase economic cooperation and trade between Korea and Africa. These regular meetings with African countries suggest that Korea has taken a two-pronged approach: ODA for poverty reduction, and economic cooperation for trade and foreign investment. As such, the discourse between Korea and Africa since the launch of the initiative has revolved around further increases in Korean development assistance and expansion of Korea-Africa economic relations through trade and Korea’s investment in such sectors as infrastructure, energy, mineral resources, and agriculture. Yet questions remain regarding whether Korea has used ODA to promote humanitarian goals or trade and investment ties with Africa.

What Triggered Korea’s Initiative for Africa’s Development?
What, then, led Korea—which had had only a marginal interest in Africa—to the launch of Korea’s Initiative for Africa’s Development? Korea had never made such a formal declaration for Africa before. The Korean motives for the initiative appear to be threefold. While one motive was humanitarian, the other two were driven by self-interest. According to the MOFAT (2009a, 215), Korea, as a former LDC and recipient of ODA, has a moral obligation to respond to Africa’s poverty, which it sees as one of the global challenges requiring collective efforts by the global community to solve. The initiative also stemmed from Korea’s broader vision to become a “global Korea” that commands an international reputation commensurate with its global economic standing. In this sense, the initiative can be viewed as a Korean effort to position itself as a rising power. Without contributions to the needs of the global community, materializing such a vision would be difficult. In fact, diplomatic white papers of the MOFAT suggest that Korea has used ODA as one of the tools to enhance Korea’s global prestige.5

Finally, the launch of the initiative was also viewed as Korea’s reaction to the growing economic activities of such non-European countries as China, Japan, India, and Turkey in Africa. In recent years, Brazil and Russia also joined the club of new actors in Africa and are expanding their involvement in the continent through trade, investment, summits with African heads of state, and high-level diplomatic and economic discourse. No emerging economy, however, has ever matched the scale and scope of China’s engagement in Africa as a
donor, investor, and trade partner (Alden and Large 2011, 24; Schoeman 2011, 49). Other emerging economies, including Korea, have followed China’s lead in Africa. Having observed the increasing level of engagement of those nonconventional actors—particularly Korea’s archrivals, China and Japan—in Africa, Korea might not have wanted to be left out of the new competition in contemporary Africa, a phenomenon Melber and Southall (2009, xix) dubbed “a new scramble for Africa.” Particularly, China’s meteoric rise in Africa might have become a wake-up call to Korea’s low-key foreign policy posture toward the continent.

With vast deposits of untapped energy and mineral resources and market potential, Africa has attracted much attention from the emerging economies, which are in need of the resources it possesses. In addition, the significant decrease in the number of conflicts that mired Africa’s economic development, average economic growth rates above 4–5 percent in the 2000s, and Africa’s interest in expanding external trade and foreign investment have projected a more positive outlook and stirred up the interests of those new actors on the continent. In “Africa Rising” (2011, 13), the Economist writes, “In eight of the past ten years, Africa has grown faster than East Asia, including Japan.” The growing global demand for Africa’s energy resources may have contributed to the continent’s higher economic growth (Melber and Southall 2009, xix). However, even some non-oil producing countries (e.g., Ethiopia, Rwanda, Tanzania, and Uganda) have recorded high growth rates. According to Kapstein (2009, 119), while the West adopts “various forms of protectionism, Africa remains open for business—promoting trade, foreign direct investment, and domestic entrepreneurship.”

### Determinants of Bilateral ODA: A Review of Literature

ODA has provided critical resources for development in Africa (Tuman and Ayoub 2004, 43). Though the objective of ODA is to improve the socioeconomic well-being of the poor in developing countries, many donors have used ODA as a foreign policy tool to serve their own interests (Kang and Meernik 2004, 151; Maizels and Nissanke 1984, 879; Marysse, Ansoms, and Cassimon 2007, 433; Quinn and Simon 2006, 295). Bilateral ODA—given directly and discretionarily to recipient countries—is more vulnerable to donor interests than multilateral ODA—which is indirectly distributed to
recipient countries through international organizations (Easterly 2006, 49).

A number of divergent factors have influenced bilateral ODA disbursement and the determinants have varied across donors and time periods. According to Tjønneland (1998, 187); Eyinla (1999, 409); Kang and Meernik (2004); and Lundsgaarde, Breunig, and Prakash (2007, 168), while strategic and ideological interests preoccupied donor aid considerations during the Cold War, nonstrategic and nonideological concerns that had taken a backseat during those years gained prominence after the end of the Cold War as the major determinants of ODA. During the Cold War, whether a country bordered a communist state or a Soviet ally, faced a communist insurgency, or was anticommunist was important in determining Western ODA disbursement (Chan 1992, 6). With the collapse of communism and the Soviet Union, rationales for providing aid based on those factors lost their legitimacy (Eyinla 1999, 409; Szirmai 2005, 587).

The extant literature has discussed donor economic interests and the political and economic conditions of potential recipients as the prominent determinants of ODA distribution in the post–Cold War era. Specifically, for donor economic interests, it has focused on trade, foreign investment, and energy needs. For the political and economic conditions of potential recipients, it has focused on good governance and economic development. In explaining Korean ODA, Lumsdaine and Schopf (2007, 231) state that “in the initial years, the Korean government appears to have employed ODA primarily to gain political and diplomatic advantages in relation to North Korea.” However, “following the end of the Cold War, it has used ODA as a means to economic gains, to deepen Korea’s trade ties with developing countries, and to increase its foreign direct investment (FDI) in those countries” (Lumsdaine and Schopf 2007, 231). As a result, “much of Korean ODA was channeled to Korea’s trading partners and countries that received Korean FDI” (Lumsdaine and Schopf 2007, 233). Watson (2011, 60) also states that Korea utilizes ODA as a strategy to expand its economic gains in recipient countries. Kim and Oh (2012, 265), who examined the determinants of Korean ODA, found economic interests, as measured by trade, statistically significant and positive. Likewise, Tuman and Ayoub (2004, 49), on the determinants of Japanese ODA to Africa, report that Japan gives more ODA to larger trading partners.

Others (Chun, Munyi, and Lee 2010, 797; Lee 2009, 344; Park 2006, 64) state that Korean ODA disbursement has also been moti-
vated by energy needs. According to Kalinowski and Cho (2012, 250), the intention behind the recent increase in Korean ODA to Africa is to have greater access to natural resources in Africa, particularly oil. Korea—which imports 90 percent of its energy needs—is the tenth largest consumer and eighth largest importer of oil (MOFAT 2009c, 25). Korea has imported over 80 percent of its energy from the volatile Middle East, and has explored other regions to diversify its energy sources (MOFAT 2009a, 250). Africa, along with Central Asia and Central America, is among the regions Korea has explored (Lee 2009, 344; MOFAT 2009c; Park 2006, 63). If President Chun’s visit in 1982 was to garner African support for Korea on North-South Korean issues and enhance the visibility of Korea in Africa, President Roh’s visit to the three oil-producing African countries in 2006 was an effort to expand Korea’s access to energy (MOFAT 2006).

Other fast-growing economies, such as China and India, who have also viewed Africa as an important market, source of energy, and destination for their FDI, have closely tied their bilateral ODA to trade, investment, and energy needs (Lumumba-Kasongo 2011, 255; Samy 2010, 76; Schoeman 2011, 42; Woods 2008, 1218). Carvalho, Kim, and Potter (2012), who compared the aid flows of Japan, Korea, and China to Africa, report that economic interests (securing markets and natural resources) have played a key role in determining aid levels, though poverty reduction has also been a consideration. According to Brautigam (2009, 278), China has also used aid as an instrument to contain Taiwan in Africa, by giving aid to countries practicing the “one-China policy.”

Since the end of the Cold War, good governance has become a mantra of both bilateral and multilateral donors to enhance the aid effectiveness for poverty reduction and socioeconomic development. Donors, who believe that the economic problems in developing countries originated from poor governance, have required good governance as a prerequisite for aid (Nanda 2006, 274). They also believe that “aid works better” in countries practicing good governance (Schiere 2010, 618). As such, Korea’s Initiative for Africa’s Development emphasizes that countries practicing good governance receive priority for the allocation of increased Korean ODA. According to Eyinla (1999, 429), Japan has also moved toward using aid as a means to promote good governance, and has tied its aid to political conditions in recipient countries. With a wide range of meanings of good governance, donors have increasingly emphasized political reform toward democracy and respect for human rights (Neumayer 2003b, 102; Sengupta 2002, 1434;
Tjønneland 1998, 188). According to diplomatic white papers of the MOFAT, Korea has also upheld these values as its foreign policy goals.

The findings of empirical studies on the effects of democracy and human rights on ODA disbursement, however, have been mixed, due mainly to various temporal domains, measurements of variables, and single-donor case studies. While Neumayer (2003a) found human rights conditions in recipient countries often statistically insignificant for bilateral and multilateral aid flows, Tuman and Ayoub (2004, 50) and Tuman, Strand, and Emmert (2009, 232) found human rights records to be one of the significant determinants of Japan’s ODA allocation. Contrary to expectations, some studies found a negative relationship between human rights records and the size of ODA. According to Demirel-Pegg and Moskowitz (2009), countries with poor human rights records receive larger US aid in the post–Cold War era. Meernik, Krueger, and Poe (1998, 78–79) also found countries with worse human rights records to be recipients of larger US aid. As for the relationship between democracy and the amount of aid, Alesina and Weder (2002, 1136) and Demirel-Pegg and Moskowitz (2009) found that the United States is likely to give more ODA to democracies. However, according to Meernik, Krueger, and Poe (1998, 78), the United States provided more aid to more democratic states only during the Cold War. In the case of OECD aid, Kang and Meernik (2004, 164) found, the relationship is insignificant.

Some studies examined the impact of the socioeconomic conditions of recipient countries on ODA disbursement. According to Neumayer (2003a, 523), poorer countries receive greater ODA. Studies by Eyinla (1999, 413) and Tuman and Ayoub (2004, 50) on Japanese ODA to Africa found that Japan gives more to poorer countries. The Canadian case also suggests that the lower a country’s per capita income level, the higher Canadian ODA a country is likely to receive (Macdonald and Hoddinott 2004, 308). Other explanatory variables of ODA disbursement discussed in the literature are colonial history and proximity. These variables, however, are irrelevant to Korea, which has no colonial ties with Africa and has no African country sharing its borders.

**Research Design**
To examine the determinants of Korean ODA to Africa, we employ a time series cross-sectional design, covering fifty-one countries from 1991 to 2011. Of fifty-four countries in Africa today, we exclude
Somalia, which has had no functional government since 1991, and Eritrea and South Sudan, which became independent in 1993 and 2011, respectively. Though the history of Korean ODA to Africa dates back to the 1960s, we choose 1991 as the first year of our observation, because Korea became an emerging, yet modest, ODA donor to Africa only in the 1990s. In addition, since the end of the Cold War and the simultaneous UN membership of the two Koreas in 1991, containment of North Korea in the African continent has lost its justification as a motive for Korean ODA. Therefore, we assume that post–Cold War Korean ODA to Africa has been driven by motives other than containment of North Korea.

**Dependent Variable**
The dependent variable of this study is Korean ODA to each African country for each year measured by net ODA per capita (constant 2011 US dollars). Donors tend to give more aid to countries with large populations (Moss 2011, 148). Thus, to control for the variation in population size across the countries, we scale down net ODA to net ODA per capita.

We also note that the dependent variable has a relatively small number of negative values (24 out of 702 observations), due to the repayments made for past loans (e.g., Ghana, 1999–2002; Nigeria, 1995–1998, 2001–2005, and 2007; Uganda, 1999; Kenya, 2000–2004; and Tunisia, 2005–2007). We censor those negative values into zero.

Because the transformed dependent variable is censored, we use a panel Tobit model as our primary estimation technique. Tobit takes into account the probabilities that some observations are censored, and accordingly adjusts the estimation results that could be biased with normal ordinary least squares (OLS) estimation. Though the number of censored observations in our study is relatively small (24 out of 702 observations), using a Tobit model, we believe, is a conservative choice that can address a potential bias.

**Explanatory Variables**
This study has three groups of explanatory variables: Korean economic interests, political conditions of African countries, and socioeconomic conditions of African countries. We measure Korean economic interests by Korean exports, net FDI, and energy needs. Exports and net FDI are measured in millions of current US dollars, available for all of the years of this study. We scale down Korean exports and net FDI to Korean exports and net FDI per capita, respectively. Most of Korean
oil imports are crude oil (International Energy Agency 2011), and we operationalize Korean energy needs by the amount of crude oil exports of each country in thousands of barrels per day.\textsuperscript{11} We expect that the greater the export and investment ties Korea has with a country, the larger the ODA Korea disburses to a country. We also expect that Korea is likely to give more ODA to larger crude oil exporters to secure its energy sources, which the Korean government views as the most important national concern (MOFAT 2006, 187). Thus, the hypothesized relationship between each of these economic interest variables (Korean exports, FDI, and energy needs) and the size of Korean ODA is positive.

We measure political conditions of potential recipient countries by levels of democratization and respect for human rights, respectively. Because the initiative emphasizes good governance for increased ODA, we expect that Korea disburses larger ODA amounts to countries with higher levels of democratization and respect for human rights. To measure levels of democratization, we use the Freedom House (2012a) political rights scores—which are based on such indicators as free and fair elections, citizens’ right to organize political parties and other political groupings, the existence of significant opposition, freedom from domination by powerful groups, and autonomy or participation of minority groups in the decisionmaking process.\textsuperscript{12} The political rights scores range from 1 to 7, with 1 representing the most democratic and free and 7 the least democratic and free. On the 1-to-7 scale, countries whose scores fall within the range of 1.0–2.5 are designated “free”; those in the 3.0–5.0 range “partly free”; and those in the 5.5–7.0 range “not free” (Freedom House 2013). Because Freedom House assigns lower scores for higher levels of democratization, we invert the Freedom House scores to indicate higher degrees of democratization with higher scores. We measure human rights conditions by the Political Terror Scale (PTS), created by Gibney, Cornett, and Wood (2012). The PTS measures levels of state-sanctioned terror, such as killings, torture, disappearances, and political imprisonment. It ranges from 1 to 5, with 5 representing the highest level of state-sanctioned terror. The scale presents two scores for each country (one from Amnesty International and the other from the US Department of State). For countries with two different scores, we average the two to create a single score. Because the scale assigns higher scores for poorer human rights records, we also re-scale the scores by inverting them to indicate better human rights records with higher scores.
We measure countries’ socioeconomic conditions by LDC status\textsuperscript{13} and real GDP growth rate.\textsuperscript{14} The Korean government notes that the initiative takes the “poverty index and development needs” into consideration (MOFAT 2009b, 218). Its scope of consideration for aid, therefore, is broader than income per capita used by many ODA studies to measure poverty levels. LDC status, determined by multiple criteria (per capita income, human capital, and economic vulnerability), appears to be a composite indicator of a country’s socioeconomic well-being compatible with Korea’s consideration for aid. The criteria used to select LDCs have been modified over time with updated information and data, but the basic principle has remained unchanged (United Nations Department of Economic and Social Affairs 2012). The date of inclusion on the UN LDC list varies across the countries. Of the fifty-one cases in this study, thirty-one are currently LDCs. Botswana and Cape Verde graduated from the list in December 1994 and 2007, respectively (United Nations Department of Economic and Social Affairs 2013b). To examine the significance of LDC status on Korean ODA, we create a dummy variable, LDC. We code LDCs 1, and 0 otherwise. The coefficient of this dummy variable indicates the differential effect of LDC status on Korean ODA. We expect that Korea disburses larger ODA amounts to LDCs, and the differential effect of LDC status is positive. The real GDP growth rate is a reliable barometer for true national economic performance and potential. We expect that Korea gives greater ODA to countries with lower GDP growth rates to foster higher economic growth. However, it is also probable for Korea to give more aid to countries with higher GDP growth rates to achieve better results with its assistance and/or to cultivate its future markets. The aforementioned Korea-Africa Economic Cooperation Conference and the Korea-Africa Industry Cooperation Forum have projected a gradual increase in trade between Korea and Africa. Thus, the hypothesized relationship between GDP growth rate and Korean ODA is either positive or negative.

To control for the effect of Korea’s Initiative for Africa’s Development, we include a dummy variable, Initiative, which codes the years since 2006 as 1, and as 0 otherwise. The coefficient of Initiative points out the differential effect of the initiative. We expect that the amount of Korean ODA, on average, increases after the launch of the initiative, and the coefficient for Initiative is positive and significant.

In addition to this additive effect, we believe, the initiative modifies the effects of other variables, particularly the effect of LDC sta-
tus, because the initiative intends to alleviate poverty and improve socioeconomic conditions in Africa. Considering the initiative’s purpose, there may be interaction between Initiative and LDC status.

Specifically, we expect that the marginal effect of LDC status on ODA disbursement remains positive, regardless of the time period (before or during the initiative), but the size of the effect is much larger during the initiative period. In other words, though LDC status is generally considered to be one of the determinants of Korean ODA, it receives much more consideration after the launch of the initiative. Our main interest, therefore, is to assess the marginal effect of LDC status on Korean ODA disbursement given a change in the time period (before or during the initiative). To capture this conditional effect, we create an interaction variable, \( LDC \times \text{Initiative} \), and formulate an interaction model as follows:

\[
ODA = \beta_1 LDC + \beta_2 \text{Initiative} + \beta_3 LDC \times \text{Initiative} + \text{Controls}
\]

From this model, the marginal effect of LDC status on ODA is

\[
\frac{d ODA}{d LDC} = \beta_1 + \beta_3 \text{Initiative}
\]

where the effect of LDC status is \( \beta_1 \) when the initiative is 0, but it is \( \beta_1 + \beta_3 \) when the initiative is 1. We expect the coefficients for both LDC status and the interaction term (\( \beta_1 \) and \( \beta_3 \)) to be positive. We assume that ODA disbursement decisions for a given year are usually made based on the economic interests of the donor and the conditions of potential recipient countries prior to that year, and all of the independent variables, except for Initiative, have a one-year lag (\( t - 1 \)).

**Findings**

Table 2 reports the results of the panel Tobit analysis. Specifically, Models 1, 2, and 3 report the results of the additive models—which examine the discrete effect of each explanatory variable on Korean ODA. The bulk of the literature suggests that democratization and human rights might be correlated. To test whether there is a multicollinearity problem, we ran two restricted models: one excluding the democratization variable (Model 2) and the other excluding the human rights variable (Model 3). Though the two variables are moderately correlated (0.5354), the results of Models 2 and 3 do not
change the main findings of Models 1 and 4, which include both democratization and human rights.\textsuperscript{15} A closer look at the data also suggests that democratization and human rights in Africa—where most countries are still making a transition toward democracy—are not as significantly correlated as we may think, though the relationship between the two is positive. For example, the human rights scores of South Africa, viewed as one of the most democratic states in Africa, have been lower than those of other countries whose political rights scores are much lower. Ghana has much higher political rights scores than Rwanda, but the human rights scores of the two countries show very little difference. These observations suggest that the positive relationship between democracy and human rights in democratizing or unconsolidated democracies is insubstantial; democratic reform does not have an immediate effect on human rights. Model 4, our interaction model, presents the estimation results, including the result of the interaction term we created to examine the marginal effect of LDC status on Korean ODA.

The results of the additive models (Models 1, 2, and 3) show that among the Korean economic interest variables, only the oil variable is statistically significant in the hypothesized direction. Korea tends to give more ODA to large crude oil exporting countries.\textsuperscript{16} However, the view that Korea has used ODA as a means to promote its trade and FDI is not supported when tested in the context of Africa. Korean exports and FDI have no significant effect, perhaps because of their concentration in a handful of African countries and small volumes. Though Africa’s share of Korean exports and investment has increased over time, it has remained the lowest (MOFAT 2009c, 27–33). For example, Africa’s share of Korean exports and FDI during the period 2005–2009 was only around 3 percent and 1.5 percent, respectively (Kang 2011, 1, 4).

As we expected, LDC status is an important determinant of Korean ODA. LDCs, on average, are likely to receive more ODA. Yet, Korea gives more ODA to countries with high economic growth rates, implying that Korea ties economic growth rate to a potential to produce tangible results with its assistance and/or to become its future market.

Does Korea’s Initiative for Africa’s Development make any difference in ODA disbursement? The coefficient for Initiative is positive and significant in all three additive models. Korea, on average, gives more ODA to African countries during the initiative period. Model 4, which includes the interaction term between Initiative and
Table 2  Tobit Estimates: Korean Bilateral ODA to Africa, 1991–2011

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korean economic interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export per capita (t – 1)</td>
<td>88.652</td>
<td>89.513</td>
<td>59.318</td>
<td>94.157</td>
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<td></td>
<td>(157.754)</td>
<td>(157.825)</td>
<td>(162.451)</td>
<td>(154.130)</td>
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<td>FDI per capita (t – 1)</td>
<td>-4,408.091</td>
<td>-4,557.536</td>
<td>-4,560.264</td>
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<td></td>
<td>(10,689.729)</td>
<td>(10,662.963)</td>
<td>(10,714.243)</td>
<td>(10,594.837)</td>
</tr>
<tr>
<td>Oil export (t – 1)</td>
<td>.000***</td>
<td>.000***</td>
<td>.000***</td>
<td>.000***</td>
</tr>
<tr>
<td></td>
<td>(.000)</td>
<td>(.000)</td>
<td>(.000)</td>
<td>(.000)</td>
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<tr>
<td>Political conditions of African countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Democratization (t – 1)</td>
<td>.001</td>
<td>.007</td>
<td>−.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.007)</td>
<td>(.007)</td>
<td>(.007)</td>
<td></td>
</tr>
<tr>
<td>Respect for human rights (t – 1)</td>
<td>.031***</td>
<td>.032***</td>
<td>.032***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(.012)</td>
<td>(.011)</td>
<td>(.012)</td>
<td></td>
</tr>
<tr>
<td>Economic conditions of African countries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LDC status (t – 1)</td>
<td>.091**</td>
<td>.091**</td>
<td>.097**</td>
<td>.068</td>
</tr>
<tr>
<td></td>
<td>(.042)</td>
<td>(.042)</td>
<td>(.043)</td>
<td>(.042)</td>
</tr>
<tr>
<td>Real GDP growth rate (t – 1)</td>
<td>.003**</td>
<td>.003**</td>
<td>.004**</td>
<td>.003**</td>
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<tr>
<td></td>
<td>(.001)</td>
<td>(.001)</td>
<td>(.001)</td>
<td>(.001)</td>
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<tr>
<td>Initiative</td>
<td>.073***</td>
<td>.073***</td>
<td>.065***</td>
<td>.019</td>
</tr>
<tr>
<td></td>
<td>(.017)</td>
<td>(.017)</td>
<td>(.017)</td>
<td>(.026)</td>
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<tr>
<td>LDC*Initiative</td>
<td></td>
<td></td>
<td>.093***</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>(.033)</td>
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<tr>
<td>Constant</td>
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<td>−.131***</td>
<td>−.058</td>
<td>−.113**</td>
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<td></td>
<td>(.050)</td>
<td>(.049)</td>
<td>(.041)</td>
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<td>Observations</td>
<td>702</td>
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<td>702</td>
<td>702</td>
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<tr>
<td>Censored</td>
<td>24</td>
<td>24</td>
<td>24</td>
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<tr>
<td>Rho</td>
<td>.33</td>
<td>.33</td>
<td>.37</td>
<td>.32</td>
</tr>
</tbody>
</table>

Notes: *p < 0.1; **p < 0.05; ***p < 0.01. Standard errors in parentheses. t refers to year.

LDC status, tests the modifying effect of the initiative on the relationship between LDC status and ODA disbursement. As we expected, the coefficient of the interaction term is positive and significant, indicating that the initiative positively modifies the effect of LDC status on ODA. Specifically, the effect of LDC status on ODA is much larger during the initiative than in the pre-initiative period. This is an important dynamic the additive models (Models 1, 2, and 3)—which assume that the differential effect of the dummy variable LDC is constant across the two values of Initiative—could not capture. Apparently, the effect of LDC status is not constant across the values of Initiative. LDCs, on average, receive more Korea ODA after the launch of the initiative than in the pre-initiative period; Korea differentiates LDCs from non-LDCs for its ODA under the initiative.
Figure 2 further demonstrates the marginal effect of LDC status on ODA with the change in the value of Initiative. The X axis represents the Korea initiative and the Y axis represents the size of marginal effect of LDC status on ODA given a value of X. The two dots represent the estimated marginal effects before and during the initiative, respectively. The two dashed lines indicate 95 percent confidence intervals (CIs). As we expected, LDC status has a positive effect on ODA, and the size of the effect is larger during the initiative period. However, the effect of LDC status, before the initiative, is not statistically significant, though positive. As Figure 2 shows, the 95 percent CI crosses 0 when the value of Initiative is 0, suggesting that the effect of LDC status in the pre-initiative period was not statistically different from 0 and therefore had no effect. The impact of LDC status becomes significant only after the launch of the initiative. This finding implies that in the pre-initiative period, low levels of socioeconomic status, generally considered as a significant determinant, did not influence Korean ODA. Low levels of socioeconomic status began to matter only with the launch of the initiative.

In summary, it is clear that LDC status plays a crucial role in determining the size of Korean ODA since the launch of the initiative. Though the Korean ODA flow driven by the LDC status and
human rights records of potential recipients is in line with the humanitarian goals of the initiative, Korean ODA is not detached from the country’s interest in securing oil sources. Korea’s larger ODA to countries with higher levels of economic growth also suggests that Korea has a bias toward countries where its aid is most likely to have a positive effect on itself. In other words, it pragmatically distributes its ODA to make its development assistance worthy of investment to serve its interests.

Conclusion
In this study we examined how Korea, a former ODA recipient, has approached aid by analyzing the determinants of Korean ODA to Africa from 1991 to 2011, with an emphasis on the effect of Korea’s Initiative for Africa’s Development. Korea’s bias toward LDCs, large oil exporters, and countries with good human rights records and high economic growth rates suggests that the motive of Korean ODA to Africa is both humanitarian and driven by self-interest. Thus, Korea’s approach to ODA does not differ significantly from that of many established donors with no experience of transformation from an LDC to a donor.

The significant rise in bilateral ODA to Africa by emerging donors in recent years has generated much scholarly interest in their motives—whether their motives are humanitarian or self-interest driven given their past experience as ODA recipients. African countries also have been cautiously watching whether the new players in the continent would be different from the old ones, which they believe victimized them with the slave trade, colonialism, and neo-colonialism. As an emerging donor, Korea has much to learn from both positive and negative experiences of the well-established donors in the DAC. Considering that ODA motivated by donor interests has not generated positive sentiments in recipient countries, Korea’s ODA distribution focusing on LDCs is a step in the right direction. However, Korea’s bias toward large oil exporting countries and countries with high economic growth rates does not bode well for the “Global Korea” it envisions.

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Mi Yung Yoon and Chungshik Moon

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Notes

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1. Korea’s reception of ODA ended in 1999 and was excluded from the DAC recipient list in 2000 (MOFAT 2010).
2. So far, only Denmark, Luxembourg, the Netherlands, Norway, and Sweden have met this expectation.
4. Before the initiative, Guinea was the only African country with which Korea did not have diplomatic ties.
5. Other tools include Korea’s contributions to international organizations and UN peacekeeping operations, cultural diplomacy, and humanitarian activities. Diplomatic white papers are available at www.mofat.go.kr/ENG/policy/whitepaper/index.jsp?menu=m_20_160.
6. Korea offered technical training to other developing countries sponsored by the United States Agency for International Development (KOICA 2012).
7. We drew the ODA data from OECD (2013a).
8. We collected the population data from World Bank (2013b).
9. Tobit has been commonly used in ODA studies (e.g., Berthélemy and Tichit 2004; Kim and Oh 2012).
10. We culled the trade data from Barbieri and Keshk (2012) and the FDI data from OECD (2013b).
11. We collected data from the US Energy Information Administration (2013).
12. These indicators are from “Checklist Questions,” Freedom House (2012b).
13. For the list of LDCs, see United Nations Department of Economic and Social Affairs (2013a).
15. We also tested a potential multicollinearity problem by examining the variance inflation factor (VIF) scores of the two variables. Our inspection does not call for any serious concern. The VIF scores of democratization and human rights are 1.42 and 1.52, respectively. Though there is no
formal benchmark score deemed to be too large, these scores are much lower than 5, viewed as the conventional threshold.

16. Though Africa is endowed with significant oil resources, thirty-eight African countries import oil (African Development Bank and the African Union 2009, 1), including Morocco and South Africa—whose oil production is far short of their levels of domestic consumption.

References


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