

## South Korea urges policy shift over aid

By Christian Oliver in Seoul and Chris Giles in London  
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Australia wants its development money to promote broader growth, such as in education

The world's largest economies are expected to announce next week that they will shift the focus of their international development programmes away from financial aid towards investment, trade and infrastructure.

As the host of a summit of the Group of 20 leading economies, Seoul says it is marshalling support for the adoption of a charter that will end what it sees as the G8's overemphasis on financial handouts.

The shift is likely to win backing from emerging countries, such as China, which have long complained that there has been too much focus in the G20 on trade imbalances and not enough on the "development imbalances" between rich and poor countries.

Many developed countries will be willing to sign up to a new agenda, since the financial crisis has stretched taxpayer resources available for overseas aid.

Many donor countries are keenly aware that international aid targets have rarely been kept, in spite of 40 years of pledges, and they are again falling short of recent G8 promises, such as those made at the 2005 Gleneagles summit.

However, senior politicians and aid experts have questioned the substance of the new initiative.

The pledge is likely to include few concrete measures. Few countries ever argue that aid alone is enough to foster development and aid programmes are already geared towards boosting human and physical capital.

Lee Myung-bak, South Korea's president, argues that countries should pledge to work on broader factors underlying growth such as infrastructure, education, technology-sharing and opening up rich markets.

"In the past we had advanced economies just giving developing countries financial assistance and that was about it. But we know from experience this is not enough. We have to have something more along with financial assistance; we need to teach them how to be self-sustaining," he told the Financial Times.

Rhee Chang-yong, a senior South Korean representative to the G20, said a new statement on priorities in development would help combat broader imbalances in the global economy. He this year described Africa as “the greatest imbalance of them all”.

South Korea is anxious that its proposal is not seen as empty rhetoric, so will announce specific developing world projects at next week’s summit to illustrate how its philosophy will work in practice.

Seoul is secretive on the details of its plan, hoping to style it as the crowning achievement of the summit. It is likely to be disappointed as the rest of the world’s attention is drawn to the tensions on currencies and trade imbalances.

Kevin Rudd, Australia’s foreign minister, supported Mr Lee’s initiative. “Official development assistance can only go so far. But unless it is dovetailed with turbocharging the private economy, then we have a problem,” he said.

Mr Rudd stressed that Australia was already using development money to target programmes promoting broader growth, such as primary education, microfinancing for women and improved governance.

“You cannot eliminate official ODA [overseas development aid]; that would be crazy and unproductive,” he added. Western aid ministries and the World Bank share this view.

Chang Ha-joon, an expert in development economics and a professor at Cambridge university, said the plan was a “good start” but lacked the bold policies that characterised South Korea’s own economic rise. “This is not enough, but openly rejecting the one-size-fits-all model of the Washington consensus is an advance.”

However, Anna Thomas of ActionAid said: “If countries are thinking about moving away from numerical aid targets, this is a retrograde step. It would allow rich countries to get out of their long-standing commitments to the poorest far too easily.”

### **Pledge peril**

The Gleneagles declaration by the Group of Eight in July 2005 to double aid to Africa by 2010 shows the dangers of making specific pledges, writes Chris Giles in London.

Now the deadline is due, aid to Africa has not doubled from \$25bn in 2004 to \$50bn in 2010 and the OECD estimates donor nations will fall \$14bn short.

For years after 2005 the G8 ritually repeated the Gleneagles pledge. Even in 2009, when the target was almost certain to be missed, the G8 leaders reiterated “the importance of fulfilling our commitments to increase aid made at Gleneagles”.

But once it became clear the target was going to be missed, the G8 had to backtrack. At the Muskoka summit in June, any mention of Gleneagles was deleted, to the disgust of aid agencies. After this, a new focus without specific targets will be warmly received in many quarters.