WORLD BANK GROUP and REPUBLIC OF KOREA

60 Years of Partnership
Armistice ended the Korean War and marked the initial stage of post war recovery.

Korea joined the International Bank for Reconstruction and Development (IBRD) as the 58th member of the World Bank.

The Economic Development Institute (EDI, now Leadership, Learning & Innovation [LLI]) offered a course on General Development with participation of high level officials from the Korean government.

The 1960s marked the beginning of Korea’s rapid economic development, characterized by a shift from agriculture to manufacturing. The Korean government sought to increase the capacity of road and rail transport, improve the quality of education and increase the productivity of its existing agricultural base. The World Bank assisted Korea with a combination of financial and technical assistance in four sectors (agriculture, transportation, finance, and education), laying the groundwork for its long-term relationship with Korea.

Korea joined the International Development Association (IDA).

Korea became a beneficiary of IDA financing for a series of projects to build roads and railways, improve education, and develop the agriculture sector.
Korea received its first IDA funding for railway projects (expansion and integration for Yeongdong Line).

List of Lending Projects 1962-1969

1962 Railway Project (Double tracking for the line between Incheon and Seoul)
1967 Railway Project (Construction of a line between Jinju and Suncheon)
1968 Korea Development Finance Corporation (KDFC) Highway Project
1969 Pyeongtaek - Geum Gang Irrigation Project
1969 Education Project (Provision of equipment to schools and universities)
1969 Korea Development Finance Corporation (KDFC) Highway Project 2

EDI delivered the first national training in Seoul, Korea.

Korea joined the International Finance Corporation (IFC).

First IFC commitment was made to Korea to finance the establishment of the KDFC, Korea’s first private industrial investment institution.

In the 1970s, Korea continued to grow rapidly and the government’s strategy was to target specific productive activities and provide financial support. For example, in 1973, the focus shifted to the heavy and chemical industries, and the government invested in educating its skilled workforce to encourage R&D and improve Korea’s competitiveness in the world market.

During this decade, the World Bank produced 10 sector reports, 8 economic reports, and extended $2.6 billion in loans for 46 projects across nine sectors.
Projects emphasized developing the country’s infrastructure with about 30% of funds allocated to transportation.

### Examples of Lending Projects in 1970s

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*Multi-phased Projects

The World Bank approved $48 million in loans and credits for an irrigation project in the Yeong San Gang basin to increase the production of rice, vegetables, fruits and other crops. The project included: construction of dams, reservoirs, irrigation, drainage systems, on-farm development, service roads, and supporting services.

Starting from the 1970s, IFC supported the growth of companies which have become premier Korean companies, such as Goldstar (now LG Electronics), Korea Investment Holdings (now Hana Financial Group), and Long-term Credit Bank (merged with Kookmin Bank to become KB Financial Group).
Korea graduated from IDA and moved forward on its path to self-sufficiency.

![Opening ceremony for a new highway held in Gwangju](Photo Credit: World Bank Archives)

The World Bank approved $90 million for the ‘Third Highway Project’ to improve and modernize Korea’s road transport system.

![Photo Credit: World Bank Archives](Photo Credit: World Bank Archives)

The World Bank approved $95 million to help finance the second stage of the ‘Yeong San Gang Irrigation Project’.

![Photo Credit: World Bank Archives](Photo Credit: World Bank Archives)

Korea began contributing to IDA

The World Bank loaned $67 million for improvements and new works at the ports of Busan and Mukho in Korea. The project was designed to meet the needs for increased port capacity and to reduce cargo handling and shipping costs of export-import and coastal trade.

![Photo Credit: World Bank Archives](Photo Credit: World Bank Archives)

The 1980s were a difficult period for Korea. Inflationary pressures and a second oil crisis dealt a severe blow to the economy. In 1980, the Won was devalued substantially and a flexible exchange rate policy was adopted, reestablishing the country’s competitiveness and ushering in an economic boom. The World Bank assisted the Korean government with loans which aimed to revitalize the economy by restoring the competitiveness of Korean industry.
In the latter half of the decade, the economy grew at a remarkable rate, led by exports which expanded over 20% per annum from 1986 to 1988. During this period, the government continued to push infrastructure development with the goal of modernizing and increasing the capacity of the national transport system while encouraging new industrial and residential areas outside Seoul and Busan.

The World Bank loaned $65 million to assist in financing the development programs in four cities of the Gwangju region, one of the country’s least developed areas at the time. Modern housing and services were built over a total area of 370,000 square meters with access roads linking housing sites with industrial areas in Yeosu and Mokpo.


The World Bank loaned $100 million to finance a vocational training project designed to support the country’s manpower development program. The vocational training system featured a network of Vocational Training Institutes. The one pictured here is a workshop for turning and milling in Busan.

**List of Lending Projects 1985-1989**

**1985**
- Metropolitan Region Water Supply Project
- Small and Medium Industry Project
- Seoul Urban Transportation Project
- Fourth Agricultural Credit Project
- Second Industrial Finance Project
- Namgang and Daegu Water Supply Project

**1986**
- Second Power Project
- Busan Port Project
- Urban Land Development Project
Korea became a member of the Multilateral Investment Guarantee Agency (MIGA), giving Korean-based investors searching for outward investment access to the Agency’s political risk insurance guarantees.

The early 1990s were a period of lending phasedown. During this time (1991-1994), the priority area for the World Bank operations, in line with the government’s preferences, were the social sectors, small and medium industry, and environmental improvement. The World Bank was active in helping Korea meet its requirement for environmental research and development, skilled scientific technical manpower, and education research. The World Bank also supported investments in science and vocational education, science and technology at the university level and library computerization on a national scale. These improvements were designed to help Korea develop high technology products that would be competitive in world markets. The World Bank also provided assistance in urban development, transportation, water supply, and sanitation.

List of Lending Projects 1990-1994

1990  
- Juam Regional Water Supply System Project
- Universities Science and Technology Research Project

1990  
- Technology Advancement Project (1991)

1991  
- Vocational Education Project
- Health Technology Project
- Housing Project
- Gas System Expansion Project

1992  
- Busan and Daejeon Sewerage Project
- Vocational Schools Development Project
- Science Education and Libraries Computerization Project
1992  • Public Hospital Modernization Project
1993  • Gwangju and Seoul Sewerage Project
• Environmental Research and Education Project
• Petroleum Distribution and Sector Management Improvement Financial Intermediation Project
• Environmental Technology Development Project
• Financial Intermediation Project
1994  • Ports Development and Environment Waste Disposal Project
• Waste Disposal Project
• Busan Urban Transport Management Project
*Multi-phased Projects

IFC provided funding to Kumho Group’s joint venture tire plant in China. The project established a precedent for project financing in China by Korean banks.

Korea progressed from concessional borrower to IBRD graduate.

MIGA issued its first guarantee to a Korean investor – The Shinhwa Textiles, a world leader in the production and processing of silk.

Korea joined the Organization for Economic Co-operation and Development (OECD).

During the financial crisis of the late 1990s, the World Bank supported the Korean government’s reform programs in financial sector restructuring, corporate sector, labor market reforms, and social safety nets through a series of adjustment loans, worth a total of $7 billion.

**Asian Financial Crisis**
**List of Lending Projects 1997-1998**
1997   Economic Reconstruction Loan Project
1998   Financial and Corporate Restructuring Assistance Project
*Multi-phased Projects
1997-2002
IFC invested in Korean companies during the Asian Financial Crisis, by providing about $1 billion for nearly 20 companies to rebuild investor confidence – mainly in the financial markets (e.g., Kookmin Bank), trade finance, and also in key industries such as manufacturing and agribusiness.

1998
IFC invested in an oil exploration project in Cote d’Ivoire with Korea’s SK Engineering & Construction (SK E&C).

2000
The Government of Korea began a program of sending senior officials to the World Bank Institute (WBI, now LLI) including: Dong-Yeon Kim (Appointed as the President of Ajou University as of Dec. 2014) and Moon-Kyu Bang (Second Vice Minister, Ministry of Strategy and Finance [MOSF] as of Jul. 2014).

2002
WBI – Korea Knowledge Partnership Program (KKPP) was established.
Joint seminar held by KDI on ‘Strategies for Knowledge-based Economy in China and Korea’

2009
IFC worked with the Korea East West Power Corporation (EWP) as a sponsor on the E-Power S.A. Project, a 30 megawatt diesel power plant in Haiti.
Korea became the first former aid recipient to become a member of the Development Assistance Committee (DAC) of the OECD.

2009 Annual Bank Conference on Development Economics held in Seoul, organized by KDI.
The Korea Trust Fund for Economic and Peace-building Transitions (KTF) was established to initiate the WBG-Korea partnership on fragile states with an original contribution of $5 million from the Korean government. Additional contributions were received in subsequent years. The total value of the trust fund was $24.2 million as of Jan. 2015.

The KTF acted as a key resource to foster the WBG-Korea partnership and deliver results in Fragile and Conflict Affected States (FCS), given the high levels of global demand for funding projects in these countries, and the strong importance attached to the FCS agenda by the Korean government and the WBG.

Key priorities include:
- Projects in East Asia and Pacific Region (Indonesia, Myanmar, Philippines, Pacific Islands, Thailand)
- United Nations collaboration (Sahel, Myanmar)
- South-South collaboration (exchanges on safeguards and environmental standards)

Korea took over the presidency of the Group of Twenty (G-20), and hosted the 2010 G-20 Seoul Summit in November 2010.

Korea Investment Corporation (KIC) contributed $100 million to IFC’s Asset Management Company for the ALAC fund that makes equity investments in companies in Africa, Latin America and the Caribbean.

MIGA and KEXIM signed a Memorandum of Understanding (MoU) to promote private sector investment in developing countries and support Korean outbound investment.

In 2011, Korea and the WBG formalized a new strategic partnership with the creation of the Korea Green Growth Trust Fund (KGGTF), to support the capacity of WBG clients to design, plan, and implement green growth initiatives, strategies, and investments. $40 million has been allocated over four years (2013-2016).
At the IMF-WBG Annual Meetings, former WBG President Zoellick and Korean Finance Minister Bahk signed the Knowledge Sharing Program MoU, to:

i) Help developing countries enhance their own development capacity, and achieve sustainable and inclusive development for poverty reduction;

ii) Foster bilateral cooperation between the WBG and Korea; and

iii) Build and enhance development partnerships between Korea and developing countries.

MIGA and the Korean Ministry of Land, Transport, and Maritime Affairs (MLTM, now Ministry of Land, Infrastructure and Transport [MOLIT]) signed an MoU showing their commitment to raise awareness about risk-mitigation instruments with joint conferences, seminars, and training.

The Korean government provided $1.5 million for IFC to establish a trust fund to promote private sector development in emerging markets.

WBG announced the opening of a new WBG office in Korea in Dec. 2013.

IFC provided a senior loan and MIGA issued guarantees to cover an equity investment by Korea Water Resources Corporation (K-Water) and Daewoo Engineering & Construction (Daewoo E&C) in Star Hydro Power Limited incorporated, a project that will help alleviate chronic power shortages, lower power costs, reduce greenhouse gas emissions and Pakistan’s reliance on imported fuel oil.

Expert Seminar by World Bank Regional Vice President Pamela Cox held at KDI.

IFC signed its first Joint Development Agreement with a consortium of Korean sponsors for development of Upper Trishuli-1, a 216 megawatt hydro project in Nepal.

Korea made its first investment in Lao PDR with the support of IFC by signing a Joint Development Agreement with Korea Western Power (KOWEPO) for development of 150 megawatt hydropower plants in Lao PDR.
The Korea-WBG Partnership Facility
The facility provides $90 million over three years to finance global and regional projects to support economic development and co-financing investments at the country level. The emphasis has been on generating and transferring development best practices, with low and lower middle income countries eligible for funding under the new facility.

The WBG opened a new office in Songdo, Korea. In addition to the World Bank’s IBRD and IDA, the new WBG office is represented by IFC and MIGA. The new office has supported a broad range of development partnership opportunities with a focus on promoting best practices, by leveraging the WBG’s knowledge and Korea’s expertise in areas such as economic development policy, information communications technology, infrastructure, and the financial sector.

Korea continues its partnership with IDA as a financial and knowledge contributor to the fund, helping the world’s poorest countries tackle poverty and inequality.

Korea’s relationship with the WBG developed to be one with collaboration on policies and projects, with the aim to assist and support other countries in the region and elsewhere. Going forward, Africa will be the priority for the IFC-Korea partnership. IFC has been working with leading Korean firms to explore opportunities in telecommunications and information technology, power, chemicals, transport, and extractive businesses in Africa.

World Bank Institute (WBI)
Korea-WBI Global Program agreement was signed by MOSF and WBI to scale-up global knowledge sharing and e-Learning platforms. Agreement was signed between SNU and WBI to collaborate on knowledge sharing in key development initiatives.

IFC set up its first Renminbi-denominated trade facility for Chinese banks with KDB, Standard Chartered Bank, and Swiss Re.
In the first operational year, the Korea Green Growth Partnership (KGGP) approved 23 knowledge projects including greening freight transport/logistics in Georgia and techniques towards minimizing waste in Latin America.

KDI and the WBG held a high level workshop entitled ‘Towards a Science of Delivery and Development: Setting the Agenda’ for better implementation of development policies and sharing Korea’s development experience.

WB–Korean Foundation for International Healthcare (KOFIH) Consultative Workshop was held for facilitating and sustaining Universal Health Coverage in the East Asia and Pacific region.

Second High-Level Meeting on Country-led Knowledge Hubs, organized by LLI, was held in Korea, to share and discuss the growing importance of the South-South Collaboration and enriching the institutional experience exchanges.

The WBG and Korean Educational Development Institute (KEDI) co-hosted an education symposium on ‘Innovation in Korean Education for a Creative Economy’, to discuss how education can contribute to propelling a creative economy. WBG President Kim praised the competence of Korea’s education system and stated that it has the potential to foster students’ creativity, adding that the focus, going forward, should be towards balancing students’ cognitive and non-cognitive skills.

Korea Trade-investment Promotion Agency (KOTRA) – WBG Forum held on ‘WBG Partnering with Korea’s Private Sector in Developing Countries’ to explore ways to raise $100 million to finance projects in developing countries through encouraging participation of Korean private sector firms.

Korea, as an active emerging donor, collaborates with the WBG on 29 trust fund programs, including 19 IBRD/IDA, 7 Financial Intermediary Funds (FIF) and 3 IFC. For FY12-14, total contributions from Korea reached $566 million: $387 million to IDA, $89 million to IBRD/IDA trust funds, $86.8 million to FIFs, and $3.99 million to IFC trust funds.