

ESG from the perspective of development cooperation

After the COVID-19 pandemic, the world is facing an unprecedented series of challenges. The rapid rise of ESG can be seen as values shifting to 'people, society, and environment' from capitalism centered; a joint efforts balancing profit-seeking corporate values and social values to find a sustainable solution. ESG is a criterion that measures a company's non-financial performance, as well as a management philosophy that considers the sustainability and social impact of a company with a focus on the environment, society, and governance. And, ESG activities and its evaluations are becoming an ideal tool for decision-making for corporates, and used for investors when making investment decisions. Hence, in Korea, companies are obliged to disclose ESG information, and public agencies and institutions are to promote ESG management.

In the case of Korea, efforts are being made to implement ESG in order to achieve carbon neutrality by 2050 and also to promote the transition to an inclusive and fair economy. In particular, the government recognizes that the leading role of public agencies is important to induce private companies to implement ESG, and is strengthening the ESG-related evaluation of public agencies in the annual management evaluation. In accordance with this direction, KOICA established an ESG management strategy in 2021.

KOICA, as a non-profit government owned public agency, it must comply with the ESG management policy internally set by the government, and at the same time, as a development cooperation agency, it has the unique characteristics of implementing and conducting projects in developing countries. Accordingly, KOICA requires a complex review from various perspectives on the implementation and approach of ESG. Therefore, this study reviews the concept and the background of ESG, and analyze the characteristics of ESG management of Korean public agencies, with the case studies on ESG promoting projects of other aid agencies. Based on the review and the case studies, this study aims to draw implications to KOICA internally and externally, ESG management and the ESG projects.

In terms of organizational management, KOICA preemptively introduced ESG by establishing ESG strategies and management systems. Also, in terms of project implementation, KOICA strives to realize ESG by encouraging partner companies to internalize ESG and enhance the recognition of ESG in developing countries, including collaborations on responding to climate change risks.

Similarly, other donor agencies are also carrying out various projects to contribute to the achievement of the Sustainable Development Goals (SDGs) through practicing ESG values.

USAID, with emphasis on the role of the private sector, implements the projects introducing ESG to developing countries and supporting to internalize ESG to local companies and farmers for better investments. In the case of JICA, with more emphasis on the environmental sector, comprehensive evaluation of environmental and social impact based on the guidelines are done and open to public. Aid agencies seems to have different approaches in implementing ESG, but all three agencies - KOICA, USAID, JICA, similarly tend to focus on environmental sector when implementing ESG values at their organizational level.

Compared to the global demand for ESG, it may seem that the discussion of ESG in the field of development cooperation is still insufficient. Yet, ESG and SDGs are both rooted to sustainable development, and development cooperation agencies have been approaching in various ways for ESG, as a means and process to achieving SDGs, though it may seem rather indirective. International development cooperation plays a role in helping developing countries develop, strengthening cooperation, and contributing to peace and stability in the international community, and many parts of ESG already fall under this category. The importance of joint efforts to achieve sustainability cannot be overemphasized. In order to expand discussions about ESG and enhance development effectiveness in international development cooperation, as well as planning and implementation of development cooperation projects that support the spread of ESG, more attention and consideration from participants in development cooperation, including KOICA, are required.