



DEVELOPMENT CO-OPERATION OF THE REPUBLIC OF KOREA

DAC SPECIAL REVIEW

This is a hard copy of the report published by the OECD Development Co-operation Directorate on August 8, 2008, in Paris [DCD(2008)7]. The report has been prepared by the OECD/DAC review team for the Special Review of Korea's development co-operation. It is supplemented by the Memorandum of the Republic of Korea submitted by the Ministry of Foreign Affairs and Trade of the Republic of Korea.

ACRONYMS

CAS	Country Assistance Strategy
CERF	Central Emergency Response Fund
CIDC	Committee for International Development Co-operation
DAC	Development Assistance Committee
EDCF	Economic Development Cooperation Fund
GNI	Gross national income
KOICA	Korea International Co-operation Agency
LDCs	Least developed countries
LIC	Lower income country
LMIC	Lower middle income country
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MOFAT	Ministry of Foreign Affairs and Trade
MOPAN	Multilateral Organizations Performance Assessment Network
MOSF	Ministry of Strategy and Finance
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
SWAps	Sector Wide Approaches
UMIC	Upper middle income country
UN	United Nations

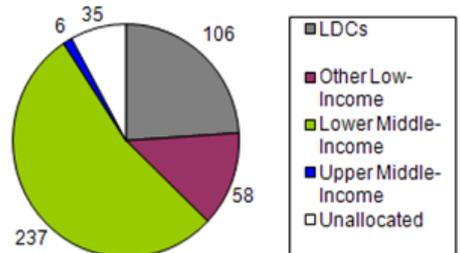
Korea's Aid at a Glance

Korea

Gross Bilateral ODA, 2005-06 average, unless otherwise shown

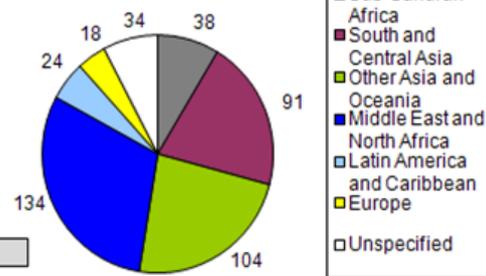
Net ODA	2005	2006	Change 2005/06
Current (USD m)	752	455	-39.5%
Constant (2005 USD m)	752	425	-43.5%
In Won (billion)	771	433	-43.8%
ODA/GNI	0.10%	0.05%	
Bilateral share	62%	83%	

By Income Group (USD m)



Top Ten Recipients of Gross ODA (USD million)	
1 Iraq	103
2 Sri Lanka	30
3 Bangladesh	28
4 Indonesia	20
5 China	18
6 Viet Nam	16
7 Yemen	16
8 Cambodia	16
9 Kenya	14
10 Laos	12

By Region (USD m)



By sector

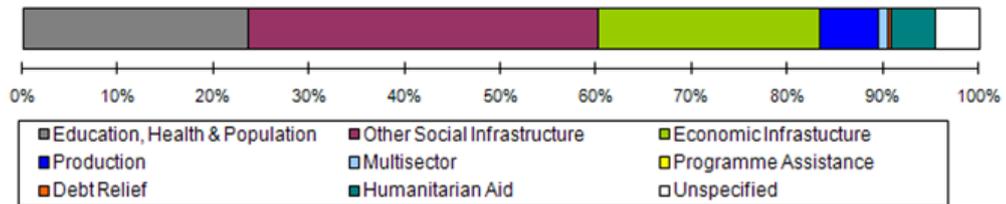


TABLE OF CONTENTS

ACRONYMS	2
TABLE OF CONTENTS	4
EXECUTIVE SUMMARY	6
DEVELOPMENT CO-OPERATION OF THE REPUBLIC OF KOREA	9
1. Context for Korean Development Co-operation.....	9
1.1 History and context	9
1.2 The legal framework	9
1.3 Korea’s aid architecture.....	10
1.4 Building-up public awareness	11
1.5 Recommendations	12
2. ODA volume, channels and allocations	12
2.1 Increasing aid - a big challenge	12
2.2 More bilateral aid and more grants.....	14
2.3 Increasing the focus on LDCs and other low income countries	15
2.4 Maintaining a credible level of bilateral ODA to priority countries	16
2.5 Ensuring a focus on a limited number of sectors.....	17
2.6 Multilateral aid and other aid modalities.....	17
2.7 Cross-cutting issues.....	18
2.8 Private sector	18
2.9 Recommendations	18
3. Organisation and management of Korean development co-operation.....	19
3.1 The four main actors (MOFAT, KOICA, MOSF and EDCF).....	19
3.2 The importance of good co-ordination and co-operation between all ministries and agencies.....	20
3.3 Ensuring the appropriate staff to manage an increasing aid budget	20
3.4 Monitoring and evaluation	21
3.5 Recommendations	22
4. Aid effectiveness	22
4.1 Committed to the aid effectiveness agenda	22
4.2 Ownership and alignment.....	22
4.3 A need to untie bilateral aid	23
4.4 Harmonisation	24
4.5 Recommendations	24
5. Humanitarian action	24
5.1 Humanitarian policy and practice.....	24
5.2 Recommendations	25
ANNEX A ORGANISATION CHARTS	26

Tables

Table 1.	Bilateral ODA by region and income groups	15
Table 2.	Priority partner countries.....	16
Table 3.	Staff numbers 2007	21
Table 4.	Indicators on Aid Effectiveness for Korea	22
Table 5.	Tying status of bilateral ODA commitments 2004-06 (USD).....	23

Figures

Figure 1.	Korea's ODA system	10
Figure 2.	Korea's net ODA	13
Figure A.1.	Organisation Chart - KOICA.....	26
Figure A.1.	Co-operation System of EDCF.....	27

EXECUTIVE SUMMARY

1. At the request of the government of the Republic of Korea,¹ the OECD Development Assistance Committee (DAC) agreed to conduct a Special Review of Korea's international development co-operation. The review's main objective is to contribute good practice and lessons learned to the Korean authorities' internal dialogue on the reform of their development assistance. Korea aims to become a member of the DAC in 2010, and although this review is not a formal part of that process, it should contribute to Korea's progression as a donor with DAC membership in mind. The review should also provide interesting insights for the ongoing discussions between DAC and non-DAC members on development co-operation.

2. On the basis of agreed terms of reference for the Special Review, a DAC Peer Review Team composed of examiners from Australia and Canada and three staff members from the OECD Development Co-operation Directorate visited Seoul from 3 to 6 March 2008. The team consulted officials from the Ministry of Foreign Affairs and Trade (MOFAT), the Ministry of Strategy and Finance (MOSF), the Korea International Co-operation Agency (KOICA), and the Korea Eximbank's Economic Development and Co-operation Fund (EDCF). The team also met with representatives of selected non-governmental organisations (NGOs) and development co-operation academics. This report outlines the team's findings and observations on Korean international development co-operation from those consultations.

3. The report is organised around five major sections. Section 1 describes the context of Korean development co-operation with a focus on history, legal framework, aid architecture and public awareness. Section 2 examines aid volume, channels and allocations. Section 3 covers organisation and management. Section 4 considers aid effectiveness while section 5 deals with humanitarian action. Each section ends with suggested actions for the Korean Government to consider as it expands and improves its development assistance programmes.

The framework and architecture of Korea's development co-operation

4. Korea is keen to develop its position as a donor and has recent development knowledge and experience to share with others. Currently, it has no overall legislation to govern its development co-operation. It could consider introducing such legislation which should clearly set out Korea's overall ODA objectives and provide the legal basis for a consolidated aid system.

5. The Korean aid architecture is based on two main pillars. The Ministry of Foreign Affairs and Trade (MOFAT) is responsible for Korea's grant aid policy which is implemented by the Korea International Co-operation Agency (KOICA). The Ministry of Strategy and Finance determines concessional loan policy, which is implemented by the Korea Eximbank's Economic Development and Co-operation Fund (EDCF). In addition, a further 30 other ministries, agencies and municipalities are involved in providing small amounts of grant aid, mainly in the form of technical co-operation.

1 The Republic of Korea is hereafter referred to as 'Korea' in this report.

6. The government could consider tackling this two pillar system and creating a single entity with sole authority over development co-operation objectives, policy and strategy. This organisation could develop a unified policy framework, which leads and applies to all parts of the ODA system.

ODA volumes, channels and allocations

7. Korea's ODA has been increasing slowly but steadily since the start of the decade, and in 2007 it amounted to USD 673 million (net disbursements), representing 0.07% of GNI. The previous government announced ODA/GNI targets of 0.118% by 2010 and 0.25 % by 2015, but the plan is being reviewed under the new administration. Any targets should be formally and firmly committed to by the government as a whole. Korea also faces a special situation: the support that it gives to the northern part of the peninsula. This assistance is estimated by Korea to be USD 558 million in 2007 but since it is not formally reported to the DAC, it is not officially verified or recorded as ODA.

8. A feature of the Korean development system is the large use of concessional loans, partly explained by Korea's own positive experience as a recipient of loans, and the profoundly held belief that this instrument imposes essential fiscal discipline on the recipient country. Loans are a valid tool for development in the right circumstances, but Korea should take note of the global efforts to reduce debt and ensure debt sustainability, especially in least developed countries (LDCs). Hence, it is of concern that the grant element of bilateral ODA commitments to LDCs in Korea's aid portfolio is below the percentage required in the DAC Recommendations on Terms and Conditions of Aid – all DAC members are expected to meet this recommendation.

Organisation and management

9. The Korean development co-operation system is fragmented, with four main actors (MOFAT, MOSF, KOICA and EDCF) and around 30 other ministries, agencies and municipalities implementing separate assistance operations for each partner country, and this lack of co-ordination creates inefficiencies.

10. Positive steps have been taken to address these problems, notably with the introduction of the mid-term *Country Assistance Strategies* (CAS) for the priority countries. They set out Korea's strategy and planned activities, but at present KOICA and EDCF each produce a separate CAS for a given country. It would be better, however, if there were a unified CAS for each country. There is a master-plan *Integrated Country Assistance Strategy 2008-10* which outlines Korean aims in all priority countries, but this appears to be a compilation of separate Korean interventions, and could be improved by being a collectively designed strategic action plan. A lack of unified strategies, particularly at the country level, undermines the coherence, efficiency and potential impact of development activities.

Increasing the effectiveness of aid

11. Korea is committed to increasing the effectiveness of its aid and has taken the positive step of signing the Paris Declaration and taking part in the monitoring survey in 2006 – the only non-DAC country to do so. Korea has taken some steps to align its aid with partner countries' national systems, and is advised to continue to make progress on this. It is also encouraged to co-ordinate and harmonise with other donors. Korea may wish to consider the use of joint projects and delegated co-operation, especially with donors in areas where Korea does not have experience or presence.

12. Korea is aware that it needs to untie its aid. An estimated 98% of Korean bilateral aid is either tied or partially tied – an extremely high proportion, and at odds with a key DAC

recommendation. Korea has introduced a *Roadmap on Untying* which is a positive start, but significant progress is required, and the government should be mindful that it must fully comply with the DAC recommendation on untying within a reasonable timeframe of acceding to the DAC.

Humanitarian Action

13. Korea has expanded its humanitarian aid efforts in recent years, and in 2006 allocated USD 23 million, or 5% of its gross bilateral ODA to humanitarian activities. Korea's main bilateral interventions are in large-scale natural disasters, to which it responds by sending goods and funds, as well as professional relief workers and volunteers. It also has begun to work through multilateral channels, funding the humanitarian UN agencies directly, and contributing to UN Inter-Agency Consolidated Appeals and the Central Emergency Response Fund.

14. In 2007 Korea undertook a number of reforms to improve its humanitarian system, including the introduction of an Overseas Emergency Relief Act, the creation of a Humanitarian Aid Division within MOFAT and the development of an emergency relief operational manual. It is also planning to introduce a policy on humanitarian aid – which it is lacking at present. This policy should contain an explicit commitment to the Good Humanitarian Donorship principles and good practice, including the core principles of humanity, impartiality, neutrality and independence. Korea should ensure that its humanitarian activities are needs-based, not driven by donor visibility objectives, and are delivered within the framework of a co-ordinated international response.

DEVELOPMENT CO-OPERATION OF THE REPUBLIC OF KOREA

1. Context for Korean Development Co-operation

1.1 *History and context*

1. Korea is one of the most successful economic transformation stories of the twentieth century. From 1945 to the present, rapid growth has propelled Korea to its current position as the thirteenth largest economy in the world. Part of its success was due to its effective use of official development assistance (ODA) – the government estimates that it received USD 12.7 billion in the post-war period which helped spur economic development and decrease poverty. Now Korea has successfully moved from being an aid recipient to becoming an aid donor.

2. Korea is eager to play a role in the international donor community that is commensurate with its economic size. It joined the OECD in 1996 and the Special Review is one more step to fully integrate it into the development community, conducted with a view to Korea attaining Development Assistance Committee (DAC) membership in 2010. Korea is keen to develop its position as a donor. It has firsthand experience of being an aid recipient, knows the importance and value of the effective use of aid, and has recent knowledge and experience to share with others who are in the process of development.

1.2 *The legal framework*

3. Korea is a new and emerging donor, and understandably is facing a number of key challenges. As yet, its development assistance has no over-arching legal basis which has contributed to a lack of over-arching policy or strategy.

4. This gap in overall direction is due to the short history and bottom-up development of the aid system so far. Korea began its aid activities in the 1970s and 1980s with the provision of technical training, and only in the late 1980s and early 1990s made a more concerted effort to broaden and increase its ODA. In 1987 the Economic Development and Co-operation Fund (EDCF) was founded to provide concessional loans to developing countries, and in 1991 the Korea International Co-operation Agency (KOICA) was created to implement grants (section 1.3 and Figure 1 for more information on the Korean aid architecture). These organisations were established by two separate Acts, both of which define the goals of Korea's bilateral ODA as: firstly the promotion of 'mutually co-operative relationships'; and secondly, the 'economic and social development' of developing countries.² The clearly defined objective of mutual benefit to both the donor and to the recipient country is important in understanding Korea's thinking, and to some extent drives policy choices such as the heavy use of loans and tied aid (sections 2.2 and 4.3).

5. Along with the laws founding EDCF and KOICA, there are also a number of other separate pieces of legislation such as a recent Act on overseas emergency relief. However, there is no over-

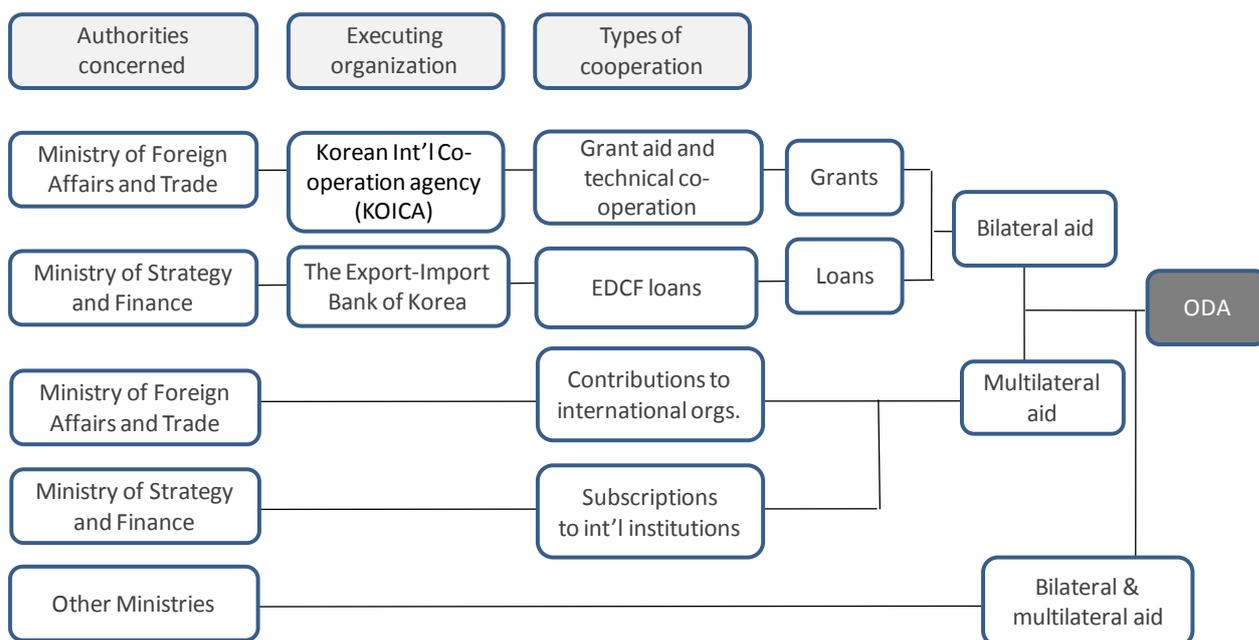
2 From An Evaluation of Korea's 20-Year ODA – Kye Woo LEE, Gi Hoon Park. Korean Development Review Volume 29, No 2.

arching legal framework for development co-operation. This question has been raised in the National Assembly and four competing drafts of legislation were proposed in the previous National Assembly session, although all of them were automatically abandoned as the session was closed without reaching any agreement. This illustrates the challenge in arriving at an agreed and unified vision of the future Korean aid system. Korea could consider introducing ODA legislation which should set out a coherent and integrated development system, with clear aims and objectives based on agreed international commitments including poverty reduction and the Millennium Development Goals (MDGs), from which clear integrated strategies and policies can flow.

1.3 Korea’s aid architecture

6. The Korean aid architecture is based on two main pillars, but also includes a number of other much smaller actors. Just as there is no over-arching development assistance legislation, there is also no over-arching development assistance policy or strategy. MOFAT is responsible for roughly half of all bilateral ODA through grants implemented by its executing agency, KOICA. MOSF³ is responsible for roughly the other half, overseeing the loans implemented through the Korea Eximbank’s EDCF. Multilateral aid is also split, with MOFAT responsible for the UN agencies and MOSF responsible for the international development banks. Furthermore, as many as 30 other ministries, agencies and municipalities execute some small development assistance projects and programmes using their own budget lines and that are generally detached from MOFAT and MOSF.

Figure 1. Korea's ODA system



7. The Korean system functions as two pillars, and although MOFAT/KOICA and MOSF/EDCF consult, they do not fully co-ordinate. They follow separate policies and strategies in the same partner countries. There has been some effort to bring strategy together, notably with the creation in 2006 of the Committee for International Development Co-operation (CIDC), a Prime Minister led body comprising Ministers and civil society representatives, with ‘a mandate to deliberate the key

3 A combination of the previously entitled Ministry of Finance and Economy and the Ministry of Planning and Budget, as of February 2008.

policies and plans of Korea's development Assistance'.⁴ The CIDC has approved planning tools such as the *Comprehensive ODA Improvement Plan*, the *Mid-term ODA Strategy 2008-2010*, the *Annual Operation Plan* and the *Integrated Mid-term CAS Strategy 2008-2010*. These instruments are a good first effort to introduce longer-term planning and to co-ordinate better across the Ministries. However, they appear to be an assembly of separate plans from the two pillars and could be improved by being genuinely integrated strategic plans. With the recent change of government, the CIDC is being reviewed. Any successor organisation should be tasked with promoting a cohesive and integrated approach to setting Korea's development assistance strategy.

8. Korea could benefit from consolidating the number of organisations involved in development assistance. It would profit from having a single entity that has sole authority over development co-operation policy, that co-ordinates and ensures a whole-of-government development policy, and that is overall accountable for Korea's policy and programmes. This body should have overall responsibility for ensuring the aid policy is implemented, but implementation could be carried out by a separate agency, and a number of different actors could contribute. This is not to imply that one body alone should determine policy or implement all aid, but rather that all aid policies and activities should be co-ordinated and overseen by a single body to ensure that they fit into a coherent whole.

1.4 Building-up public awareness

9. The government is determined that Korea should increase its international activities and standing, and play a role on the global stage in keeping with its size. But for many Koreans this outlook is relatively new, as is the subject of development assistance.

10. It is commendable that a number of public awareness surveys have been carried out. In 2005, in a survey by Gyeonggi University on behalf of MOSF⁵, 44% of people said they were 'somewhat aware of ODA' while 46% said they had 'heard but were not fully aware of ODA'. 18% of people surveyed were strongly in favour of increasing ODA levels, 35% supported a moderate increase, 28% thought the current level was appropriate and 13% wanted a decrease in ODA. In a more recent, 2007 survey, by Gallup on behalf of MOFAT,⁶ 56% of people surveyed supported the broad statement 'considering Korea's national power and international prestige, do you think the Korean government should increase its efforts to help maintain world peace or to provide development aid for poor countries?'. Another 28% of people thought the current level of effort was sufficient and 15% wanted to reduce Korea's contribution in these areas. The public awareness figures suggest that Korea has established some broad awareness and support for ODA, but unsurprisingly considering Korea's relatively recent movement from being a recipient to being a donor, there is continued work to be done.

11. Increasing public awareness is one of KOICA's seven main objectives in its *2006 Annual Report*. MOFAT and KOICA have undertaken various public awareness activities such as setting up a website, publishing a quarterly magazine entitled 'International Development Co-operation', and holding an 'ODA International Development Conference' that attracted an estimated 1 000 people during the day-long event. The government needs to continue to work to convince the public that Korea should engage further in the fight against global poverty, to enable it to make the hard choices between domestic and overseas spending and to scale up its ODA. At present there is no action plan

4 Korea memorandum to the DAC special review 2008, p 4.

5 Public survey by MOFE (now MOSF) and Gyeonggi University. 26 October 2005.

6 Public survey on foreign policy by the MOFAT. 24 and 26 December 2007.

for public awareness, and Korea could build upon its commendable, but *ad hoc*, initiatives and develop a more strategic approach through such a plan.

12. Korean civil society organisations in the field of development assistance are active and highly knowledgeable. The sector is well co-ordinated and growing, and the government, which already has a generally open and frank relationship with civil society, would benefit from continued engagement on policy dialogue with this sector.

1.5 Recommendations

- Korea could benefit from introducing overall legislation to govern its ODA. Any such legislation should clearly set out Korea's overall ODA objectives and should provide the legal basis for a consolidated aid system.
- The government could consider creating a single entity with sole authority over development co-operation objectives, policy and strategy. This entity could develop a unified policy framework, which leads and applies to all parts of the ODA system.
- While the introduction of the *Comprehensive ODA Plan* and the *Mid-Term Strategy* is a good beginning, they need to become integrated frameworks rather than compilations of individual strategies. Without such reform, the current structure could constrain efforts to manage increasing ODA.
- Korea would benefit from a formal whole-of-government agreed public awareness strategy. It should be multi-year with key messages, targeted to specific audiences, and produced in partnership with civil society organisations. Also, it is understandable for emerging donors to need visibility to gain public support for their development co-operation efforts. But in the longer term, Korea will want to look at its visibility practice in the light of the Paris Declaration and other donors' behaviour where 'flying the flag' through individual projects is being replaced by taking a share of the credit for the results achieved from collective interventions.
- The government could further engage in dialogue with civil society organisations and draw upon their knowledge and expertise to inform development policy and practice.

2. ODA volume, channels and allocations

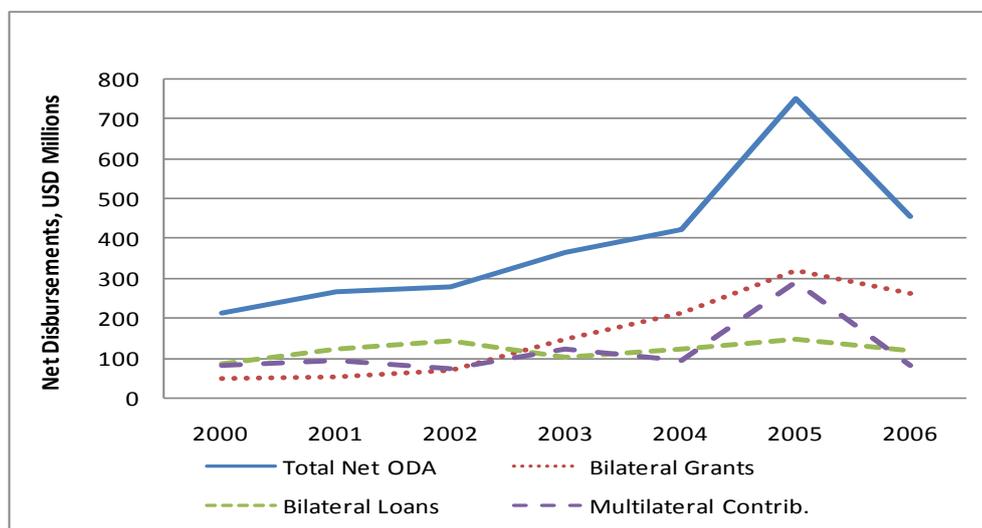
2.1 Increasing aid - a big challenge

13. In 2007, Korea's net ODA amounted to USD 673 million, representing 0.07% of its GNI. As shown in Figure 2 below, Korea's aid has been increasing steadily since the start of the decade (excluding an unusually high figure of USD 752 million (0.10% ODA/GNI) in 2005 due to exceptional assistance to Iraq and Afghanistan, and IDA and large Inter-American Development Bank subscriptions). Understandably, as an emerging donor, Korea's ODA volume remains low in comparison to the DAC average ODA/GNI ratio of 0.31% (with the lowest ODA/GNI ratio for a DAC member of 0.17%).

14. The government is determined to increase Korea's development assistance, and outlines this objective as one of 50 core tasks in its long-term planning manifesto, *Vision 2030*. The government set explicit targets, and committed to reaching 0.118% ODA/GNI by 2010 and 0.25% by 2015 (an estimated USD 3 billion+). In absolute terms, this is a huge challenge representing an increase in aid

six-fold in just seven years, and a particularly sharp and exponential increase from 2012 to 2015. Furthermore, there is a difference of opinion within government as to the robustness of these targets, with some Ministries viewing them as indicative only rather than firm commitments. Now, the new administration is reviewing Vision 2030 including the ODA scaling-up plan.

Figure 2. Korea's net ODA



15. Scaling up ODA can be difficult and there are no simple solutions. All donors are facing the same issue, and ultimately increasing ODA requires making hard political choices concerning increasing revenues and/or shifting spending from other areas. The Korean airline levy tax – *i.e.* every passenger leaving Korea must pay KRW 1 000 which is used for development purposes – is an innovative idea. There are few other innovative examples except for France allowing its municipalities to use 1% of the revenue they make from water and sanitation charges to be used for development assistance through decentralised co-operation (*e.g.* twinning arrangements).

16. Countries that have been most successful at scaling up ODA have been helped by: setting strong targets and commitments (*e.g.* the EU member states have made commitments and would lose considerable political face if they do not achieve these), having top-level and government wide support, and increasing public support through successful public awareness policies.

17. As a relatively new donor, Korea should set realistic, yet challenging targets. Once set, these targets should have whole-of-government support and be viewed as robust commitments, firmly incorporated in the government's budget planning.

18. Korea faces a special situation – its support to the northern part of the peninsula – that does not apply to other donors. This assistance is not formally reported to the DAC, and therefore cannot be officially recorded as ODA. Korea estimates that the share of assistance to the North that could be counted as ODA was USD 558 million in 2007⁷. Although it is not counted as ODA, due to the special circumstances, the sizeable nature of the assistance is a sum that should be noted.⁸

⁷

In a letter dated 17 July 2008 Korea informed the DAC Chair that the USD 558 million delivered to North Korea consisted of: project aid (USD 123 million), technical co-operation (USD 5 million), developmental food aid (USD 131 million), humanitarian aid (USD 70 million), administrative costs

2.2 *More bilateral aid and more grants*

19. In 2006, Korean development assistance consisted of 83% bilateral aid and 17% multilateral aid. This was the highest ever proportion of bilateral aid, with multilateral aid decreasing from its 22-38% levels of the previous five to six years. In absolute terms, with the exception of 2005 when large multilateral development bank subscriptions were made, it appears that multilateral aid remains flat and bilateral aid is increasing.

20. A particularity of the Korean system is the large use of concessional loans. In 2006 loans constituted 31% of ODA and grants 69%, a high figure compared to most other DAC donors. Nearly all DAC donors' aid portfolios consist almost entirely of grants, with only three DAC donors using loans to any real extent. Of these three, two have a loan component of around 10% of their aid portfolios, and only one uses loans to any significant degree. Korea's enthusiasm for loans can partly be explained by its own positive experience as a recipient of aid loans during its development process, and the profoundly held belief that this instrument imposes essential fiscal discipline on the recipient country.

21. Undoubtedly, loans continue to be a valid tool for development in the right circumstances, but Korea should take note of the global efforts to reduce debt and ensure debt sustainability – a precondition for development. It is of concern to see that in 2006, loans made up 60% of Korean bilateral aid to least developed countries (LDCs) and grants 40%, whereas the figure for lower middle income countries (LMICs) is 26% loans and 74% grants, and upper middle income countries (UMICs) receive only grants. Generally, due to debt sustainability issues, the opposite would be expected, with loans used more in MICs and less in LDCs.

22. The DAC Recommendation on Terms and Conditions of Aid states that official development assistance to LDCs “should essentially be in the form of grants, and as a minimum, the average grant element of all commitments from a given donor should either be at least 86% to each Least Developed Country over a period of three years, or at least 90% annually” as a group. All DAC members have accepted the Recommendation and all currently comply with this provision. Korea's present aid programme would not meet either of the alternative tests under the provision, so it is likely that DAC members would wish to know how Korea might address this.⁹ Loans have the further drawback that repayments may eventually offset ODA increases in net ODA. Therefore a heavy reliance on loans requires robust planning to ensure that repayments are fully taken into account in ODA scaling-up strategies.

(USD 2 million), and loans by the government (USD 227 million). This information will be included in the annual Development Co-operation Report and elsewhere, as appropriate.

8 However, as assistance to the North is not formally reported, it is not verified by the DAC in terms of being ODA eligible, measurable and evaluated in terms of development effectiveness.

9 The Recommendation also states that “Members should endeavour fully to maintain or achieve as soon as possible an average grant element in their ODA commitments of at least 86 per cent” and that “Countries whose ODA commitments as a percentage of GNP [GNI] are significantly below the DAC average will not be considered as having met this terms target”. Korea's average grant element for 2005-6 was 89%, so its current programme already meets the first part of this overall terms target. However, Korea's ODA as a percentage of GNI is significantly below the 2006 DAC average of 0.32%, meaning that it would not meet the second part of the target. Three existing DAC members - Greece, Italy and the United States – also did not meet the second part of this target in 2006, though not by as wide a margin as Korea. Korea's position and intentions with regard to this terms target would also be of interest to DAC members.

23. There is debate within the Korean government about the merits and appropriateness of loans, but mixed messages emanate from different parts of the system. In its *2006 Annual Report*, KOICA states that the government is planning to increase the amount of grant aid,¹⁰ both in relative and absolute terms, but this is a view not necessarily agreed and accepted by all parts of the Korean government. The ongoing dispute over the ratio of loans and grants in Korea's aid portfolio is partly a consequence of the two pillar system, and could distract from constructing a single vision for Korea's development co-operation.

2.3 Increasing the focus on LDCs and other low income countries

24. Data show that Korean bilateral aid to LDCs and other low income countries was 42% in 2006, compared to a DAC average of 56% (Table 1). Korea may want to look at how to increase this figure, but also to ensure that it applies suitable policies and instruments in LDCs and other low-income countries. As noted above, loans are generally less appropriate in these countries, where debt sustainability is an issue. Overall, Korea should be mindful that its development co-operation maintains a focus on poverty reduction and contributes to the MDGs, by prioritising LDCs and low-income countries and using appropriate aid instruments.

Table 1. Bilateral ODA by region and income groups

Korea	Gross disbursements										
	Constant 2005 USD million					Per cent share					Total DAC 2006%
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
Africa	11	25	21	42	48	4	9	6	9	14	46
Sub-Saharan Africa	7	20	14	35	38	3	7	4	8	11	42
North Africa	4	4	7	7	10	1	2	2	2	3	4
Asia	209	190	225	211	163	78	66	62	46	49	25
South and Central Asia	59	81	82	103	74	22	28	23	22	22	11
Far East	150	109	143	108	88	56	38	39	24	26	13
America	12	14	17	21	25	5	5	5	4	7	8
North and Central America	8	9	10	9	13	3	3	3	2	4	4
South America	4	5	7	12	12	2	2	2	3	4	4
Middle East	8	51	91	178	67	3	17	25	39	20	14
Oceania	2	6	1	1	2	1	2	0	0	0	1
Europe	25	4	9	4	30	9	2	2	1	9	5
Total bilateral allocable by region	267	290	363	457	335	100	100	100	100	100	100
Least developed	60	69	91	118	88	22	24	25	26	26	26
Other low-income	63	51	59	61	52	24	18	16	13	16	30
Lower middle-income	115	164	206	273	187	43	56	57	60	56	39
Upper middle-income	29	6	7	6	6	11	2	2	1	2	5
More advanced developing countries	0	0	0	-	-	0	0	0	-	-	-
Total bilateral allocable by income	267	290	363	457	333	100	100	100	100	100	100
<i>For reference:</i>											
<i>Total bilateral</i>	280	308	387	483	375	100	100	100	100	100	100
<i> of which: Unallocated by region</i>	13	17	24	26	40	5	6	6	5	11	15
<i> of which: Unallocated by income</i>	13	17	24	26	42	5	6	6	5	11	21

2.4 *Maintaining a credible level of bilateral ODA to priority countries*

25. In 2006, Korea disbursed 49% of its bilateral aid to Asia, 20% to the Middle-East, 14% to Africa, 9% to Europe and 7% to the Americas (Table 1). Asia is expected to remain the largest recipient of Korean aid, but Korea also committed to increasing aid to Africa three-fold by 2008 under its *Initiative for Africa Development* announced in March 2006.

26. The Asia focus is logical considering Korea's geographical position and development experience. The intention to increase activities in Africa is understandable, but in an era when the division of labour and increased co-ordination are paramount, it would be prudent for Korea to consider carefully how and where it expands in Africa. Spreading itself too thinly across too many countries, initiating small, stand alone activities would likely result in little developmental impact. Korea might also like to consider how involvement in Latin America fits with its general aid objectives.

27. There is some lack of clarity in how to identify partner countries and objectives. The laws establishing KOICA and EDCF do not offer objectives for ODA in operational terms, and MOFAT and MOSF do not have operational guidelines on the criteria for allocating ODA. Also there is no overall national development policy strategy nor policy papers declaring objectives or principles in operational terms. It would be helpful if the criteria for selecting partner countries were transparent, understood and applied across the board. There is also confusion amongst MOFAT and MOSF regarding the total number of partner countries (see below). There should be a single list of partner countries for Korean aid determined by the overall policy.

28. Nevertheless, Korea is taking the positive step of concentrating and focusing its aid geographically. It has pledged to reduce its number of partner countries from 127 to 58, and within this smaller number, to focus on 'priority' partner countries. MOFAT/KOICA have identified 19 priority countries to receive grant aid, and separately MOSF/EDCF have identified 11 priority countries to receive loans. Since 7 of these are in common, there is a total of 23 priority partners (Table 2 below).

29. MOFAT and MOSF have each introduced separate mid-term *Country Assistance Strategies* (CAS) (section 3.1 for more detail) for these 23 priority countries¹¹ which run from 2008-10, and are a good start to providing a guideline for programme/project design and a standard for evaluation.

Table 2. Priority partner countries

Region (total 23)	MOFAT/KOICA priority partners (19 countries)	MOSF/EDCF priority partners (11 countries)
Asia (9 countries)	Vietnam, Laos, Indonesia, Philippines, Cambodia, Sri Lanka, Bangladesh, Mongolia	Vietnam, Indonesia, Philippines, Bangladesh, Pakistan, Sri Lanka, Cambodia
Africa (6 countries)	Egypt, Tanzania, Senegal, Ethiopia, Nigeria	Angola
Central and South America (4 countries)	Guatemala, Peru, Paraguay	Guatemala, Colombia
Middle East (2 countries)	Iraq	Yemen
Central Asia, Europe and CIS (2 countries)	Uzbekistan, Kazakhstan	

Note: Countries in bold receive both KOICA and EDCF assistance.

11 For each of the seven partner countries where MOFAT/KOICA and MOSF/EDCF are both active there are two separate Country Assistance Strategies.

30. In 2005-6, Korea disbursed 67% of its gross bilateral aid to its top 10 recipient countries, which is above the DAC average of 62%. Korea's top aid beneficiaries are Iraq, which receives 25% of all Korean bilateral aid, followed by Sri Lanka and Bangladesh with 7% each.

2.5 Ensuring a focus on a limited number of sectors

31. Other donors are making significant efforts to focus on fewer sectors partly as a result of efforts to increase the 'division of labour' amongst themselves and to make aid more effective. Korea asserts that it is increasing the sector concentration of aid, and in the *Mid-Term ODA Strategy* commits to focusing on seven sectors: education, health, governance, rural development, information and communication technology, industry and energy, and environment and gender. The awareness of the need to concentrate is positive but the sectors as defined are quite broad. This permits Korea to engage in a wide spectrum of activities in any given country. Korea could seek to determine its comparative advantages and focus in real terms, limiting itself where possible to two or three sectors in each partner country and in co-ordination with other donors.

2.6 Multilateral aid and other aid modalities

32. In 2006, Korea disbursed 17% of its aid through multilateral channels, below the DAC average of 26%, and running at a relatively flat level through the first half of the decade (aside from a spike in 2005 due to exceptional subscriptions). However, Korea envisages significant absolute increases from USD 79 million in 2006 to USD 210 million in 2007 and USD 334 million in 2008. With sizeable scaling up plans on the longer-term horizon, it can be expected that Korea will continue to expand the use of multilateral organisations – often a good conduit for managing rapid aid increases. Roughly half of Korea's multilateral aid goes through multilateral development banks and just under half through United Nations organisations (60% of this to seven UN agencies, with the World Health Organisation, the Food and Agriculture Organisation and United Nations Development Programme foremost beneficiaries). In efforts to increase effective engagement with the multilaterals, Korea will be an observer in the Multilateral Organisations Performance Assessment Network (MOPAN) from 2008.

33. The responsibility for managing much of the multilateral aid portfolio is split between the Ministry of Foreign Affairs and Trade and the Ministry of Strategy and Finance. MOFAT is in charge of contributions to international organisations such as the UN, while MOSF is responsible for subscriptions and contributions to multilateral development banks. But in total, over 20 ministries are making contributions or subscriptions to an estimated 80 international organisations. Korea is currently introducing a guideline for co-operation with multilateral institutions, and would benefit from developing a coherent over-arching strategy for interaction with multilaterals. Although amongst other donors, it is not unusual for the responsibility for multilateral aid to be split, the spread of funding across more than 20 different ministries is exceptional and could be addressed.

34. Channelling aid through multilaterals is one way to efficiently manage a rapid increase of aid; however, Korea may also want to explore the use of other, innovative aid modalities. At present, budget support is rarely used, but Korea is tentatively considering engaging in Sector Wide Approaches (SWAs), and in the future may also want to consider the use of general budget support. It may also want to consider further pooled funding, (it already does some, a good example being the Central Emergency Response Fund, section 5.1) and other effective mechanisms such as partnerships with other donors through delegated co-operation (section 4).

2.7 *Cross-cutting issues*

35. Korea recognises that it puts limited emphasis on cross-cutting issues, and has pledged to address this. There is a focus sector entitled ‘environment and gender’ but according to Korean figures, only 2.5 % of ODA goes towards projects with an environmental content, while gender receives insignificant funding. As it builds a more sophisticated aid programme, Korea will want to give more attention to these, and other important cross-cutting issues, such as human rights and governance. It will also want to consider how to mainstream them throughout Korean programmes and projects.

2.8 *Private sector*

36. Korea has a strong interest in involving the private sector in its development co-operation activities. The following gives some experiences of other donors which Korea could consider in developing its approach to working in this area. As the major contributor to growth and the creation of more and better jobs, development of private sector activity in developing countries is central to donors’ efforts to substantially and sustainably reduce poverty. For many years, donors approached development of the private sector by supporting specific types of firms considered important for the poor (e.g. certain sizes or sectors), sometimes through firm-to-firm linkages with enterprises in their own country. Experience has shown shortcomings in the use of such concessional finance to end users in the private sector, which typically create market distortions and may often be unsustainable, once the subsidy stops. Thus, the focus has often been on firms, rather than market outcomes, and there has been insufficient recognition of how policies need to reflect better the interests of all parts of society, notably those of the poor who often have little voice and are excluded from decision-making processes.

37. The market-based approach that many donors (e.g. Canada, Germany, the Netherlands, Sweden and the United Kingdom) are now pursuing puts the focus on improving the supply-side response to new or expanding opportunities in both the formal and informal economies, especially in sectors where poor men and women are economically active and regions where the poor live. Interventions aim to address the specific, local constraints encountered by, for example, expanding access to financial services or productive resources such as land and technical knowledge. ODA can also be used to improve the environment for private sector activity by, for example, supporting required policy and institutional reforms or helping to expand access to affordable and maintained infrastructure.

2.9 *Recommendations*

- The commitment made at the highest level to increasing development assistance – by the President in his inaugural speech – is positive, as are the targets in the government’s *Vision 2030* to scale-up to 0.118% ODA/GNI by 2011 and 0.25% by 2015. It would be useful to have these targets widely publicised and formally committed to. Delivering on these targets will improve aid predictability for Korea and its partners.
- All DAC members comply with the DAC Recommendation on Terms and Conditions of Aid, which sets a minimum average grant level that donors’ portfolios to LDCs should contain. In time, Korea will want to be clear how it plans to meet this recommendation.
- There is a need for Korea to integrate grants and concessional loans to support one clear strategy overall and at the country level; the use of instruments should be driven by objectives and expected development outcomes.
- The increasing geographic focus of Korea’s aid is welcome. As Korea scales up it should stay focused, and be aware that 59 partner countries/23 priority countries remains relatively

high compared to DAC members with similar levels of ODA. It should create a single list of partner countries consistent with overall policy and objectives.

- Korea could develop an over-arching strategy for all multilateral aid, spanning the MDBs, UN and other international organisations, assessing the contribution that each organisation can make to Korea's development objectives. It should be driven by, and fit within, the overall aid strategy, and it should complement and reinforce bilateral aid. Further, it would be advisable to reduce significantly the number of organisations (80) that are funded.

3. Organisation and management of Korean development co-operation

3.1 *The four main actors (MOFAT, KOICA, MOSF and EDCF)*

38. The Korean development co-operation system comprises four main actors. The Ministry of Foreign Affairs and Trade (MOFAT) is responsible for Korea's bilateral grant aid policy, which is implemented by the Korea International Co-operation Agency (KOICA). The Ministry of Strategy and Finance (MOSF) is responsible for concessional loan policy, which is implemented by the Korea Eximbank's Economic Development and Co-operation Fund (EDCF). Both MOFAT and MOSF have shared responsibility for part of Korea's multilateral aid (Figure 1 for a reminder of the aid architecture).

39. MOFAT formulates short-term and long-term bilateral grant aid strategies and is the main channel for co-operation with the OECD/DAC. In August 2007, MOFAT's bilateral aid activities were unified under a single, newly created Bureau for Development Co-operation, comprising the Development Policy Division, the Development Co-operation Division and the Humanitarian Assistance Division. This prudent effort to consolidate within the Ministry is beginning to add value, not least in the Bureau's growing awareness of and ability to take an overall perspective on the systemic challenges facing Korean development co-operation.

40. KOICA is under the supervision of MOFAT and administers the Korean government's grant aid and technical co-operation programmes. KOICA collects information and identifies projects, often submitted by the partner country. It reviews them based on partners national poverty reduction plans, Korean comparative advantage, and their compatibility with Korea's *Mid-term ODA Strategy* and the *Korean Country Assistance Strategy* for that country. KOICA is involved in feasibility studies, engaging in policy dialogue, concluding agreements with partner countries, and designing and implementing projects directly, or through outsourcing, as well as through dispatching experts and oversees volunteers.

41. KOICA's headquarters office comprises three policy related offices and seven operational divisions (organigramme in Annex A). KOICA also has 22 representation offices in 21 partner countries to implement at the field level.

42. MOSF establishes the annual budget and national fiscal management plan to support public expenditure for national development activities. It is also responsible, through the Development Co-operation Division, for formulating policy for the concessional loan part of Korean ODA, and for managing and supervising the Korea Eximbank's execution of the EDCF. It provides a small amount of grant aid to conduct feasibility studies prior to the implementation of EDCF assistance. Furthermore, the MOSF's International Financial Institutions Division is in charge of Korea's communication, policies, contributions and subscriptions to the Multilateral Development Banks.

43. The Korea Eximbank operates and administers the EDCF, which is the concessional loan arm of the Korean development co-operation system. The EDCF principally offers development project loans and equipment loans to partner countries which are determined by MOSF though the deliberations of its management board, the Fund Management Council (Annex A for an organigramme of the operating system of the EDCF). The EDCF appraises the feasibility of projects and loan applications, and after the MOSF has then determined the amount, terms and conditions of the loans, the EDCF enters into the loan agreement with the partner country.

44. As well as the four principal actors above, a further estimated 30 other ministries, agencies and municipalities, are involved in providing grant aid, mainly in the form of technical co-operation (*i.e.* the dispatch of experts and inviting people from developing countries to train in Korea).

3.2 *The importance of good co-ordination and co-operation between all ministries and agencies*

45. With four main actors and a further estimated 30 other ministries, agencies and municipalities with separate aid portfolios, the Korean system is fragmented. Different organisations design and implement separate assistance operations in each partner country, and there is a lack of co-ordination and therefore some inefficiency. A fragmented approach also increases demands on over-stretched partner governments.

46. Korea has taken positive steps to introduce strategic thinking, notably with the introduction of the mid-term *Country Assistance Strategies* (CAS) for the priority countries. The CASs run from 2008 to 2010, and will be updated and modified. They include an overview of the political, economic and social situation in a given country, and an assessment of the partner government's development plans. They also include a summary of other donors' activities in the country, and then set out Korea's current strategy as well as its planned activities and evaluation process. Korea should be applauded for introducing the CASs which are a good effort to design an overall plan for a particular agency (KOICA or EDCF) in a partner country and are comprehensive and clear. However, KOICA and EDCF each produce a separate CAS for a given country, and therefore the next step is for the ministries to work together and produce a single, integrated CAS for countries in which they are both present. Furthermore, the master-plan *Integrated Country Assistance Strategy for 2008-10* which outlines Korean aims in all the priority countries is at present a compilation of separate Korean interventions and would be more useful if it were a collectively designed strategic action plan.

47. There is some inter-ministerial co-ordination through the Prime Minister led Committee for International Development Co-operation (comprising 15 ministers and 6 civil society representatives), but beyond this, as yet there is little attention given to Policy Coherence for Development (PCD). There is awareness of PCD by officials in MOFAT and KOICA, but Korea would benefit from more substantive efforts on taking account of the effect of other policies on economic growth in developing countries. As its aid grows, this is another issue that Korea will want to address.

3.3 *Ensuring the appropriate staff to manage an increasing aid budget*

48. As Korea increases its aid, it will need an appropriate number of staff with relevant development co-operation skills and experience. At present the total number of Korean ministry and agency staff working on development assistance is an estimated 335¹² (Table 3). Of these, 213 are employed by KOICA and the EDCF section of Eximbank consists of 65 staff.

12 Total staff number for MOFAT, MOSF, KOICA and EDCF – excluding other ministries.

49. Ensuring the appropriate number of staff does not imply that more staff is necessarily required. In fact, increased co-ordination and consolidation within the Korean system could lead to efficiencies and staff savings in some areas allowing for a redistribution of assets that could be put to better use in other areas. In the future, there will be a continued need to ensure staff are specifically equipped and trained in development co-operation skills. Furthermore, in some parts of the system, notably KOICA, measures are required to tackle high staff turnover, and to increase retention rates.

50. Also on the horizon is the issue of decentralisation. Like many donors, and as part of its Paris Declaration commitments, Korea has taken some steps to move its operations closer to the realities of the field by decentralising. Currently, 20% of KOICA's staff are based in partner countries, whereas the figure for EDCF is only 7%.

Table 3. Staff numbers 2007

Ministry/Agency	Numbers of staff
Ministry of Foreign Affairs staff working on development co-operation (Seoul)	35
Ministry of Strategy and Finance staff working on development co-operation (Seoul)	22
KOICA total staff	213
(KOICA headquarters staff)	(171)
(KOICA field staff)	(42)
EDCF	65
(EDCF headquarters staff)	(60)
(EDCF field staff)	(5)
Total	335

Source: Figures provided by the Ministry of Foreign Affairs and Trade.

3.4 *Monitoring and evaluation*

51. The monitoring and evaluation of Korea's development co-operation activities are carried out by the implementing agencies (KOICA and Eximbank's EDCF), which have similar procedures.

52. KOICA established an evaluation office in 1998, which reports directly to the President, and also produced project evaluation regulations in 2006. The project implementation teams themselves conduct the mid-term and project completion evaluations, whereas *ex-post* evaluations are carried out between six months to three years after project completion by the evaluation office. Similarly, project completion monitoring for EDCF loans is conducted by the project management units themselves, and *ex-post* evaluation is carried out two to three years after completion by an 'evaluation unit'. The evaluation unit is set-up specifically for this purpose and either consists of non-project related staff, or, for large projects, staff from beyond the EDCF group. Some evaluation reports are available to the public and published on the agencies' websites.

53. In 2008 the government intends to establish a common set of evaluation guidelines to apply across all organisations/agencies. These guidelines need to help build a robust independent evaluation culture in line with international best practice. Furthermore, KOICA and EDCF should clearly articulate how evaluation results are used to shape future development co-operation activities.

3.5 Recommendations

- With a less fragmented aid system, and more unified strategies, particularly at the country level, the coherence, efficiency and potential impact of Korean development activities could be increased. Country Assistance Strategies should be used as active management tools to develop integrated implementation plans for all Korean aid agencies operating in a country.
- As Korea scales up its ODA it will want to professionalise its staff further and attract and retain quality staff. Greater co-ordination and consolidation could lead to efficiency gains – working ‘smarter’ not ‘harder’.
- Korea would benefit from building a strong independent evaluation culture in line with international standards. This could include improving ongoing monitoring during project implementation, improving *ex-post* evaluation, and integrating lessons from evaluations into future programmes. Evaluations could consistently be made public in order to improve accountability.

4. Aid effectiveness

4.1 Committed to the aid effectiveness agenda

54. Korea is committed to increasing the effectiveness of its aid, and has taken the positive step of signing the Paris Declaration and participating in the monitoring survey in 2006 – the only non-DAC donor country to do so substantially. Although Korea’s 2006 response to the survey only covered 3 countries representing 4% of its programmed aid, it demonstrates good intent, and Korea is extending monitoring to a more representative sample of 13 countries in the 2008 survey.

4.2 Ownership and alignment

55. Korea has begun engaging in more extensive dialogue with partner countries and discusses the *Mid-Term Strategy* and *Country Assistance Strategies* with partners. These interactions could be strengthened by aligning the CASs fully with partners development priorities, pursuing joint ownership, and fitting within partners’ own country strategic plans.

Table 4. Indicators on Aid Effectiveness for Korea

Indicators (3-8 alignment, 9-10 harmonisation)		2005 baseline ratio for Korea	2005 global baseline (i.e. weighted average of all DAC donors)	2010 Targets
3	Aid flows are aligned on national priorities	12%	88%	94%
4	Strengthen capacity by co-ordinated support	74%	48%	50%
5a	Use of country public financial management systems	45%	40%	[80%]
5b	Use of country procurement systems	0%	39%	[80%]
6	Avoid parallel implementation structures	0	--	--
7	Aid is more predictable	12%	70%	87%
8	Aid is untied	--	75%	<i>Progress over time</i>
9	Use of common arrangement or procedures	0%	43%	66%
10a	Joint mission	0%	18%	40%
10b	Joint country analytical work	--	42%	66%

Source: OECD DAC Survey on Monitoring the Paris Declaration: overview of results May 2007.

56. Despite the monitoring survey's limited sample, it does give some indication of Korea's progress and challenges on aligning and harmonising its aid (Table 4). Indicator 3, which measures the extent to which aid flows are aligned to countries' national priorities is low at 12% compared to a DAC average of 88% and a target of 94%. But Korea scores well on co-ordinating its technical co-operation, 74% compared to a 48% average (indicator 4), and on the use of public financial management systems (indicator 5a). On the remaining alignment indicators, Korea has room for improvement, as it does not use country procurement systems (indicator 5b), has a low aid predictability score (indicator 7), and its aid is highly tied (section 4.3 below).

4.3 A need to untie bilateral aid

57. The tying status of aid has long been considered a key test of donors' commitment to coherent policies and effective aid delivery, and partner countries have consistently identified the practice of tying as one of the principal procedures that undermine aid effectiveness. It is clearly documented that tying aid raises the cost of many goods, services and works by 15% to 30% on average. These percentages represent a conservative estimate of the real costs of tied aid, since they do not incorporate the indirect costs of tying, which include often higher transaction costs for recipients. Furthermore, tied aid is often, at least, partially guided by commercial considerations, which do not necessarily match local needs and priorities.

58. In line with these arguments, a large number of DAC Members have either fully untied their bilateral aid programmes, *e.g.* Australia, Luxembourg, Norway, Netherlands, Ireland, Sweden, and the United Kingdom or almost completely untied, *e.g.* Belgium, Denmark, France, Germany, Japan, and Switzerland. As a consequence, the proportion of financial aid from DAC members recorded as untied has increased appreciably – from 42.5% in 2002 to 53.0% in 2006.

59. An estimated 98% of Korean bilateral aid is either tied or partially tied (Table 5) – an extremely high proportion, and at odds with other DAC donors. The government is well aware that it needs to untie its bilateral aid to LDCs – partly in order to be considered for DAC membership. The previous government prepared a *Roadmap to Untying* which may be subject to change, but currently applies and foresees a gradual reduction in untying to meet the 2001 DAC Recommendation on Untying Official Development Assistance¹³ to the least developed countries by 2015.

60. There is a need for debate, firstly across government, and secondly with the general public and the business sector, about the development benefits of untying aid, and the need to expose Korean companies to competition for aid funded procurement. The government should make the case that untying will be good for increasing the competitiveness of Korean firms in the longer term and will allow reciprocal access to much larger markets (*e.g.* EU reciprocity on untied aid).

Table 5. Tying status of bilateral ODA commitments 2004-06 (USD)

	2004	2005	2006
Total bilateral commitments¹	410	555	525
of which: untied	17	14	10
partially untied	62	89	98
tied	331	452	417

1. Excludes technical co-operation and administrative costs.

13 Excludes free-standing technical co-operation and food aid.

61. Korea should progressively increase the proportion of its untied aid in its future development assistance with the aim of meeting the DAC requirement within a reasonable timeframe of becoming a DAC member. Korea should not under-estimate the importance that the DAC gives to abiding by the recommendation – a necessary condition for DAC membership.¹⁴

4.4 Harmonisation

62. Korea recognises that at present it does not co-ordinate nor co-operate extensively with other donors. This is reflected in the monitoring survey which shows that Korea does not use common arrangement or procedures (indicator 9), undertake joint missions (indicator 10a), or conduct joint country analytical work (indicator 10b). The government has stated that in the future it will ‘actively participate in donor co-ordination meetings and undertake joint projects’¹⁵ and has begun bilateral policy dialogues with other donors such as Japan and the United Kingdom.

4.5 Recommendations

- Korea should be commended for signing the Paris Declaration and for taking part in the monitoring survey. Korea is advised to continue to make progress on aligning its aid with partner countries’ national systems. It is also encouraged to co-ordinate and harmonise with other donors, including through the use of joint projects and delegated co-operation, especially with donors in areas where Korea does not have experience or presence.
- Korea is aware that it needs to untie its aid further. The ‘Roadmap on Untying’ is a positive start, but significant progress is required, and the government should be mindful that it must fully comply with the DAC recommendation on untying within a reasonable timeframe after it joins the DAC.

5. Humanitarian action

5.1 Humanitarian policy and practice

63. Korea is not a signatory to the *Principles and Good Practices of Humanitarian Donorship* (the Good Humanitarian Donorship Initiative), which are the usual basis for assessing humanitarian components of aid programs within the DAC peer review process. Nevertheless, this assessment uses the GHD principles and good practices as *de facto* benchmarks for the Korean humanitarian action program.

64. Currently, Korea does not have a humanitarian action policy, but intends to address this deficit. The forthcoming policy is expected to include a commitment to the humanitarian aid principles of humanity, impartiality, neutrality and independence. It also represents an ideal opportunity for Korea to formally endorse and embrace the GHD principles and practices. The policy should also outline how Korea will link humanitarian objectives (including prevention, preparedness and recovery) with broader development objectives.

14 Furthermore, Korea is a Participant to the Arrangement on Officially Supported Export Credits. The DAC Secretariat has consulted with the Export Credit Division of the OECD’s Trade and Agriculture Directorate, which has advised that Korea notifies relevant tied aid offers in accordance with Chapter 4 of the Arrangement, and participates in any resulting consultations. The Export Credit Division is not aware of any issue in regard to Korea’s participation in the arrangement that would impede its application to the DAC.

15 Korea memorandum to the DAC special review. Page 38.

65. In recent years, Korea has expanded humanitarian aid efforts. Expenditure has grown from 1% of gross bilateral ODA (USD 4 million) in 2003, to 5% of gross bilateral ODA (USD 23 million) in 2006 – slightly below the DAC average of 6%. There has also been organisational reform, with a Humanitarian Aid Division created within the Ministry for Foreign Affairs and Trade in 2007, an overhaul of the rapid response machinery and an Overseas Emergency Relief Act enacted in 2007. The Act underpins the government’s ability to provide emergency assistance and to promote greater co-operation with the international community in disaster relief. Furthermore, a recently published emergency relief manual provides operational guidance.

66. Korea’s main bilateral interventions have been in large-scale natural disasters in Asia, to which it has responded by sending goods and funds as well as professional relief workers and volunteers. Major humanitarian interventions include responding to the Bam earthquake in 2003, the South Asian Tsunami in 2004, the Pakistan earthquake in 2005, the landslides in the Philippines and the Yogyakarta earthquake in 2006. At present, there is limited evidence of how Korea evaluates these interventions, and how findings are being used to inform future interventions. It has also begun to work through multilateral channels, funding the humanitarian UN agencies directly, and should be commended for contributing to UN Inter-Agency Consolidated Appeals, and the Central Emergency Response Fund (CERF). Funding to the CERF was USD 5 million in 2006, USD 1.5 million in 2007 and USD 2 million has been pledged for 2008. As Korean ODA grows, Korea could also consider how it could play a stronger role in increasing its support to multilateral humanitarian assistance efforts, in order to extend its reach to areas of the world beyond Asia.

67. MOFAT and KOICA are discussing with the Ministry of Defence how to make appropriate use of military assets in humanitarian crises. This dialogue should ensure that deployment of Korean military assets conforms to international guidelines specified under the GHD Initiative, including the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies.¹⁶

5.2 *Recommendations*

- The new policy on humanitarian aid should contain an explicit commitment to the Good Humanitarian Donorship principles and good practices, including the core principles of humanity, impartiality, neutrality, and independence.
- Korea is commended for increasing humanitarian aid spending; as it scales up, and in line with the provisions of the Overseas Emergency Relief Act, it should ensure that its humanitarian activities are needs-based, not driven by visibility objectives, and are delivered within the framework of a coordinated international response. It should look to the experience of other donors who often predominantly use multilateral and pooled funding channels, rather than develop parallel bilateral delivery systems.

16 Both are known as the ‘Oslo Guidelines’.

ANNEX A

ORGANISATION CHARTS

Figure A.1. Organisation Chart - KOICA

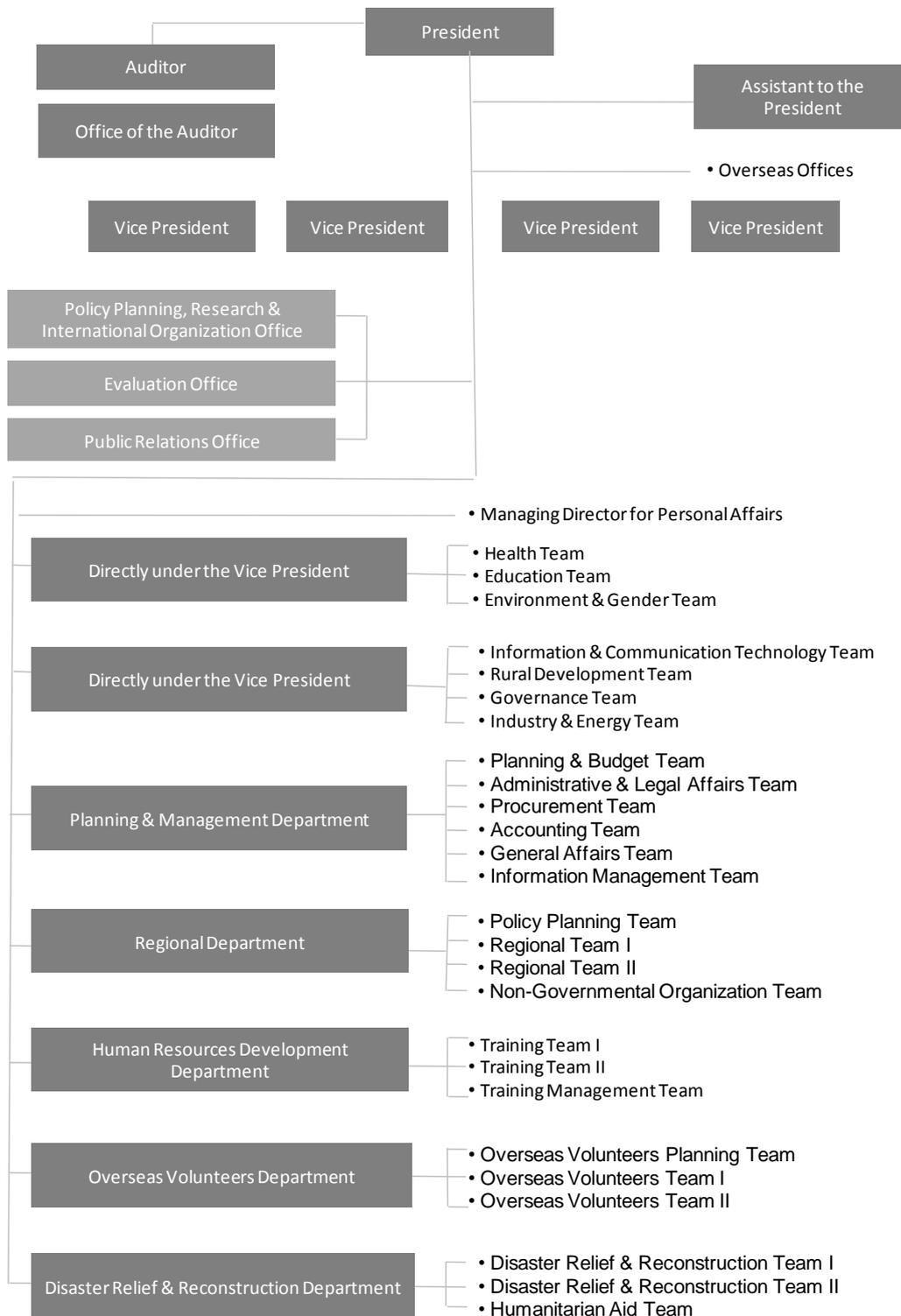


Figure A.1. Co-operation System of EDCF

