OECD Development Assistance Peer Reviews

KOREA

OECD

The Development Assistance Committee:
Enabling effective development

OECD Development Assistance Peer Reviews: Korea

2012

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BETTER POLICIES FOR BETTER LIVES

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Australia and Germany for the Peer Review of Korea on 11 December 2012.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.

Korea's aid at a glance

KOREA

Gross Bilateral ODA, 2009-10 average, unless otherwise shown

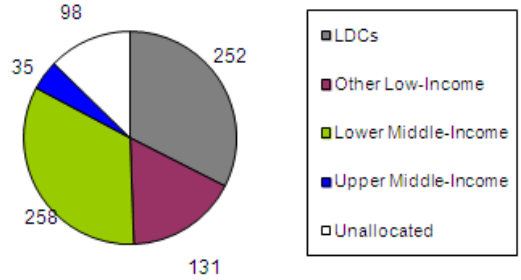
Net ODA	2009	2010	2011	Change 2010/11
Current (USD m)	816	1 174	1 325	12.9%
Constant (2010 USD m)	933	1 174	1 245	6.1%
In Won (billion)	1 040	1 356	1 467	8.2%
ODA/GNI	0.10%	0.12%	0.12%	
Bilateral share	71%	77%	75%	

P. Preliminary data.

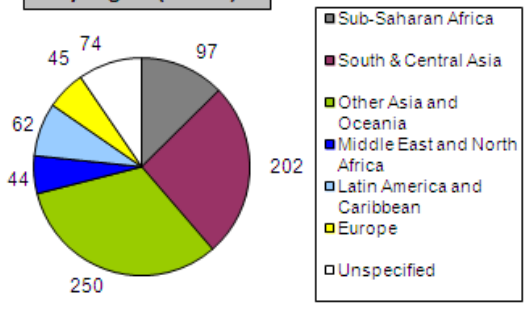
Top Ten Recipients of Gross ODA (USD million)	
1 Vietnam	82
2 Afghanistan	59
3 Mongolia	36
4 Bangladesh	36
5 Sri Lanka	34
6 Indonesia	30
7 Cambodia	27
8 Philippines	27
9 Laos	26
10 Angola	24
Memo: Share of gross bilateral ODA	
Top 5 recipients	32%
Top 10 recipients	49%
Top 20 recipients	68%

By Income Group (USD m)

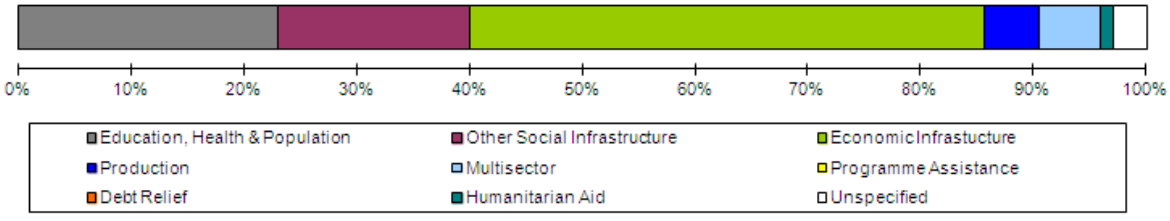
Clockwise from top



By Region (USD m)



By Sector



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List of acronyms

ADB	Asian Development Bank
ADF	Asian Development Fund
AfDB	African Development Bank
ARF	Association of Southeast Asian Nations Regional Forum
ASEAN	Association of Southeast Asian Nations
BRICs	Brazil, Russia, India, China and South Africa
CAP	Consolidated Appeals Process
CERF	Central Emergency Response Fund
CIDC	Committee for International Development Cooperation
CIS	Commonwealth of Independent States
CSOs	Civil society organisations
CSR	Corporate social responsibility
DAC	Development Assistance Committee
DANIDA	Danish International Development Agency
DRC	Democratic Republic of Congo
DRR	Disaster risk reduction
EACP	East Asia Climate Partnership
EAS	East Asia Summit
EDCF	Economic Development Cooperation Fund
ERF	Emergency Response Fund
FSO	Fund for Special Operations
GAVI	Global Alliance for Vaccines and Immunization
GHD	Good humanitarian donorship
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross national income
HIPCs	Heavily indebted poor countries
HLF	High Level Forum on Aid Effectiveness
IATI	International Aid Transparency Initiative
ICT	Information and communications technology
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
INSARAG	International Search and Rescue Advisory Group
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
KOICA	Korea International Cooperation Agency
Korea Eximbank	Export-Import Bank of Korea

KDI	Korea Development Institute
KSP	Knowledge Sharing Program
LDCs	Least developed countries
MDBs	Multilateral development banks
MDGs	Millennium development goals
MICs	Middle income countries
MOFAT	Ministry of Foreign Affairs and Trade
MOPAN	Multilateral Organization Performance Assessment Network
MOPAS	Ministry of Public Administration and Security
MOSF	Ministry of Strategy and Finance
NGOs	Non-governmental organisations
ODA	Official development assistance
PCD	Policy coherence for development
PMO	Prime Minister's Office
PRT	Provincial Reconstruction Team
PSG	Peacebuilding and statebuilding goals
RBM	Result-based management
SAR	Search and Rescue
TSI	Transitional Solutions Initiative
TWG	Technical Working Group
UN	United Nations
UNDAC	United Nations Disaster Assessment and Coordination
UNDP	United Nations Development Program
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations International Children's Emergency Fund
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
USAID	United States Agency for International Development
WB	World Bank
WFK	World Friends Korea
WFP	World Food Program
WTO	World Trade Organization

The DAC'S main findings and recommendations

Overview

Since joining the Development Assistance Committee (DAC) in January 2010, Korea has worked hard to strengthen its aid and to contribute to global development efforts. Korea's DAC membership followed an extensive accession process and a special session of the DAC on 25 November 2009. At this meeting, members expressed genuine admiration for Korea's success in transforming itself from an aid recipient (as recently as 1995) to an important aid donor in such a short space of time. Korea is now seen by developing countries, particularly those in East Asia, as a source of knowledge and ideas on development drawn from actual experience. This is an area of particular comparative advantage relative to other DAC members.

This is Korea's first peer review – an important milestone both for the country and for the DAC. It illustrates how rapidly Korea has advanced and the lessons and experience it brings to the table in international debates and development activities. Korean development co-operation is overseen by the Prime Minister's Office (PMO), Ministry of Foreign Affairs and Trade (MOFAT) and Ministry of Strategy and Finance (MOSF). In the last two years Korea has strengthened the framework for its development co-operation by putting in place a *Framework Act* and *Presidential Decree on International Development Co-operation* (Framework Act). The Framework Act provides the legal basis for a more integrated system with a clear focus on reducing poverty in developing countries. In addition to strengthening its own development assistance, Korea has been active in international debates and global processes. The country played a leading role in hosting and facilitating the *Fourth High Level Forum on Aid Effectiveness* at Busan at the end of 2011 and helped pave the way for the Global Partnership for Effective Development Co-operation by serving as a bridge between DAC members and the BRICS countries (Brazil, Russia, India, China and South Africa). Korea's interventions have consistently ensured support from the BRICS for the governance structure and monitoring framework for the Global Partnership for Effective Development Co-operation. It has also played a leading role in the G20 development agenda.

Overall framework for development co-operation

Completing the strategic framework for Korea's development co-operation

Key findings: *Korea's new aid legislation and strategic planning provide greater clarity for developing and managing its development budget: delivered as both grants and loans. The new legal and strategic framework for Korean aid is not yet supported by sufficient or transparent decision-making criteria or by thematic and country strategies. This is constraining its processes and public accountability and limiting discussions with key stakeholders, including parliament and civil society.*

Recommendations: Korea should build on its solid legal and policy foundations by completing the strategic framework to guide its growing development co-operation. Specifically:

- The framework should set out clear aims, priorities, objectives and intended outcomes for Korea's thematic focus areas.
- Korea should complete and publish the country partnership strategies planned for each of its 26 priority partner countries: these should be aligned to partner countries' development strategies; cover all Korea government's support; unify strategies for grants and loans; include forward expenditure commitments; incorporate plans and targets for aid effectiveness; and define in measurable terms the objectives of Korea's contribution to each partner country.
- Korea should complete and publish its planned comprehensive multilateral ODA strategy.
- The framework should include stronger guidance and plans for mainstreaming gender equality, women's empowerment, environment and climate change across all of Korea's programmes.

The legal framework is complemented by Korea's *Strategic Plan for International Development Co-operation* and its *Mid-term ODA Policy for 2011-2015*. The main purpose of Korea's legal and strategic framework is to improve the management of Korea's aid-funded grants and loans, particularly by strengthening the Committee for International Development Co-operation (CIDC). The framework also establishes the basic principles underpinning Korea's development co-operation system, including a poverty focus, respect for human rights, gender equality, sustainable development and support for peace and prosperity in the international community. These principles have been disseminated across the Korean government and have helped to raise the profile of the country's official development assistance (ODA). They should now be fully reflected in all of Korea's development co-operation strategies and programmes.

Korea is starting to focus its assistance on a smaller set of sectors, multilateral entities and countries; this new approach to development co-operation should now be reflected in the thematic, multilateral and country partnership strategies Korea is currently developing. This more focused approach needs also to be translated into clear thematic objectives and unified country partnership strategies and programmes, creating stronger synergies between grant and loan portfolios. Korea is focusing its grant-funded assistance

on education, health, governance, agriculture, fisheries, industry and energy. Korea's concessional loans are targeted at basic infrastructure for economic growth. While these themes are wide-ranging, Korea will focus on only two or three of them in each of its priority partner countries. Strategy documents for each of the thematic priorities for grants have been written by the Korea International Co-operation Agency (KOICA); the CIDC could build on these to develop and approve government-wide objectives for each thematic area. KOICA has also developed guidelines for mainstreaming gender equality and women's empowerment and these too could have a wider application across Korea's development co-operation system. The Korean agency responsible for loans – the Economic Development Co-operation Fund (EDCF) – has put in place environment and climate change safeguards that could also be adapted for use by KOICA and other agencies.

Strengthening communication, transparency and accountability

Key findings: *Korea has made efforts to improve the transparency and accountability of its development co-operation. However, there is no budget or supplementary documentation which clearly sets out Korea's aid expenditure in each country and sector, and which is easily accessible to stakeholders. In addition, ODA reporting by MOFAT and PMO to Korea's parliament is too detailed, and does not focus enough on the results of Korea's aid and the challenges faced. The PMO's annual report on Korean ODA, introduced in 2012, is an opportunity to tackle some of these weaknesses.*

Recommendation: PMO, MOFAT and MOSF should continue to increase transparency and accountability by:

- Providing comprehensive information on Korea's development co-operation - in particular, they should disclose information on development co-operation policy, strategy, procedures, budget (countries and sectors), programmes and projects in a way that is easy for key stakeholders – parliamentarians, civil society organisations (CSOs), non-government organisations (NGOs), private sector, research institutes, developing country partners and the general public – to access and understand.

According to representatives of Korean civil society and research institutions, only limited information on Korea's ODA grants and loans is available to the public. Korean CSOs and NGOs also consider that their consultations with government officials on development do not reflect the objectives and requirements of the Framework Act. They would like these consultations to be invigorated, particularly their discussions on policy. Given Korea's plans to rapidly increase its ODA (see below) it will need to explain the value of its development co-operation if it is to maintain parliamentary and public support. In the context of its *Annual Integrated Plan for ODA Public Relations* and the joint task force led by the PMO, Korea needs a coherent set of messages tailored for specific target audiences, which stress Korea's role in recent achievements, such as reducing poverty and making progress towards the MDGs.

Promoting development beyond aid

Garnering strong political will to drive a government-wide approach to policy coherence for development

Key findings: *Korea has established policy co-ordination mechanisms. The CIDC has the mandate and potential to facilitate development-friendly policies. Nevertheless, like other DAC members, Korea has yet to show that the development impacts (potential and actual) of relevant policies are being considered.*

Recommendation: Korea needs to give policy coherence for development sufficient weight in decision making by:

- Creating a government-wide agenda to achieve development-friendly policies, overseen by CIDC. This agenda should include: (1) the most important incoherencies to be tackled; (2) the steps to be taken to tackle them and by whom; (3) the targets to be achieved; (4) a timeline for action; and (5) a stronger process for involving the relevant government departments;
- Ensuring that the government of Korea has sufficient technical and political capacity to co-ordinate and enhance policy coherence for development;
- Strengthening existing analysis of and reporting on how Korea's foreign and domestic policies affect developing countries. This should build on PMO and MOFAT research and analysis to date, and should be informed by feedback and analysis from the field; better information flows among government departments in Seoul; and analysis by universities, CSOs and think tanks.

Korea has begun ensuring that its policies all pull together to support development; the first steps have been to develop political commitment; policy coordination mechanisms; and monitoring, analysis and reporting systems. A key lesson from other DAC peer reviews is to embed the concept of development-friendly policies throughout the Korean government, principally by getting all relevant departments to sign up to a clearly-prioritised and time-bound agenda which establishes cross-governmental objectives and a plan for achieving them. While this has proved challenging for Korea – as for many other DAC members – some elements of a potential agenda may be found in the government-wide *Green Growth Strategy,* with its emphasis on Korea "performing its responsibilities and roles earnestly as a member of international society." MOFAT also identified a number of other possible areas in its analysis and research on policy coherence for development in 2011. Developing and communicating the results of this research could be a good way to increase awareness among government officials and could help shape a set of objectives for the entire government.

While the CIDC is responsible for facilitating policy coherence for development across government, its secretariat (the PMO) could also give higher priority to this aspect in its work. For example, the PMO could develop a plan for achieving development-friendly policies in consultation with a range of relevant government departments and by building on the *Green Growth Strategy* and MOFAT research. It could also engage with

other ministries to highlight the impact of their policies on development, identify statistical and analytical knowledge gaps and opportunities to act, and brief the CIDC.

Aid volume and allocation

Ensuring Korea achieves its ODA volume target

***Key findings**: Between 2006 and 2011 Korea's ODA disbursements almost tripled. These increases allowed Korea to give additional support to low-income countries, particularly in East Asia, and generally to strengthen its role in development co-operation. Korea has committed to double its ODA/GNI ratio over the next three years. This presents both opportunities for strengthening, as well as challenges for managing, its development co-operation.*

Recommendation: Korea should sustain its recent increases in aid volumes to achieve its target of giving 0.25% of its gross national income (GNI) as ODA by 2015. At the same time, Korea should:

- Plan and manage the aid increase to ensure a steady and predictable rate of growth while striking manageable and appropriate balances between bilateral and multilateral channels and grants and loans;
- Assess carefully the ratio of grants to loans for fragile states and heavily-indebted poor countries (HIPCs) and when extending loans consider carefully the economic context and financial governance of these countries to ensure debt sustainability; and
- Ensure that the choice of aid instrument reflects development objectives and partner country ownership, preferences, management capacity and need.

Several years of steady growth saw Korea's ODA reach USD 1 325 million in 2011, equivalent to 0.12% of its gross national income (GNI), compared to USD 455 million and 0.05% of its GNI in 2006. Korea's ODA disbursements in 2011 were 6% greater, in volume terms, than 2010, when Korea's aid surpassed USD 1 billion for the first time. However, Korea's ODA/GNI ratio in 2011 was unchanged from 2010 and below its 0.13% target for the year. Korea has committed to scale up its aid to achieve an ODA/GNI ratio of 0.25% by 2015. The country's ODA volume was the 17th largest within the DAC in 2011, up one place from 2010.

Korea faces two major challenges in achieving its 0.25% target ODA/GNI ratio by 2015:

- It must more than double its ODA/GNI ratio over the next three years; and,
- It must manage the steep aid increase effectively.

In light of Korea's expected rate of economic growth over the medium term (3-3.5% per year), there would appear to be ample financial scope for the planned increases in its aid volume. The peer review team estimates that Korea's ODA volume would need to be approximately USD 3 200 million by 2015 to achieve its ODA/GNI target of 0.25%. Therefore, Korea will need to increase its aid by an average annual rate of 25% in 2012,

2013, 2014 and 2015. This is a little higher than its rate of increase since 2006 and a steeper trajectory for these years than the Korean government envisaged in 2009.

Korea's allocations through its two main channels have varied from a ratio of 83:17 (bilateral: multilateral) in 2006 to 75:25 in 2011. Korea's target ratio of bilateral to multilateral funding is 70:30, to be achieved from 2012. The aim is to mirror as closely as possible the DAC average multilateral aid share, which was 28% in 2011. Given the major increases planned in Korea's ODA over the next three years, however, it may be appropriate to adopt a more flexible approach. Some DAC members in the last decade have found it easier to grow their ODA through increased contributions to the multilateral channel. Korea is commended for giving 70% of its multilateral contributions as core funding.

Korea has the highest level (91%) of country programmable aid (CPA) of any DAC member (DAC average 55%), but, as with its bilateral ODA more generally, it is not sufficiently focused on its 26 priority partner countries. Nevertheless, Korea has concentrated its bilateral funds on its priority partner countries: in 2009 it allocated 47% of its total bilateral aid to 24 priority partners; 55% went to those same 24 priority partners in 2010. This concentration is set to increase further, as it is now geared to allocate 70% of its bilateral resources (grants and loans) on the now 26 countries from 2012. Further rationalisation of Korean ODA, if co-ordinated effectively with other development partners, could contribute to a better global donor division of labour.

As part of its commitment to the Paris Declaration principles and also as a means to scale up its aid, Korea is planning to incorporate new aid modalities in its bilateral programming for both loans and grants. In addition to these new modalities, MOFAT, MOSF and KOICA are also looking at how they might strengthen and increase their partnerships with civil society organisations (CSOs) and the private sector in accordance with the Busan Declaration. There is considerable scope for Korea to develop its partnerships with CSOs and the private sector as barely 2% of Korea's ODA was channelled through these in 2010.

The division between grants and loans has been a subject of debate among MOFAT, MOSF and PMO. There is now a policy which targets a 60:40 (grants: loans) ratio for Korea's bilateral ODA net disbursements. In 2010, the ratio was 61:39 (grants: loans). Only a few DAC members use loans to any real extent. Korea's greater emphasis on loans can be explained by its own positive experience as a recipient of this kind of aid in the past. There is a profound belief among some of its political leaders and aid managers that loans impose essential fiscal discipline on the recipient country.

Loans are a valid instrument for financing development in the right circumstances, but Korea should continue to pay careful attention to the impact of its loan programme on the recipient country's level of debt, particularly in the least developed countries (LDCs), fragile states and those countries rated as in debt distress or at risk of debt distress. Sustainable levels of debt are a precondition for development, and so concessional loans are mostly given by DAC members to middle-income countries (MICs) rather than to LDCs and fragile states. While this is also Korea's policy, in 2010 there was little difference between Korea's use of loans in MICs (38% of its total support), LDCs (39%) and fragile states (41%). The Government of Korea reported to the Committee that 61% of its total support to MICs in 2011 was provided in the form of loans. Korea's ratio of grants to loans in HIPCs in 2010 was 82:18, a much higher ratio than in other country groups. While Korea meets the criteria of the *DAC Recommendation on the Terms and Conditions of Aid*, it should ensure that in each case its loans are only given when (1) they

are the best means of addressing the development need of a particular partner country; and (2) they meet specific objectives in a partner country's development strategy.

Organisation and management

Improving the integration, co-ordination and management of Korea's ODA

Key findings: *Korea's aid system is based on two main pillars: grants and loans. The former are managed by MOFAT and its agency KOICA, while the latter are managed by MOSF and its agency EDCF. In addition, more than 30 other ministries and agencies are engaged in ODA-funded activities. As Korea's ODA increases, three main challenges arise from this set-up: (1) how to integrate all grants (from all agencies) and loans into a unified strategy; (2) how to co-ordinate aid effectively, particularly in partner countries; and (3) how to ensure there is adequate capacity available for effective implementation of strategy.*

Recommendation: To implement its development co-operation strategy successfully, Korea should:

- Ensure that (i) the CIDC uses its powers fully to become the ultimate decision-making body in planning and budgeting processes; and (ii) the Inter-Agency Committees, together with the ODA Councils at partner country level, have the necessary authority to ensure that all aid-funded activities are processed through them;
- Strengthen further the human resources of PMO, MOFAT and MOSF, together with the main agencies (KOICA and EDCF), by attracting and retaining quality people with the right kind of development experience, and build the capacity of Korean and locally engaged employees in priority partner countries, particularly to equip these with the necessary skills to support new aid modalities, such as programme based approaches.

Korea has worked hard to improve the management of its ODA over the last five years; in particular, since joining the DAC it has established solid foundations for improved integration and co-ordination of its assistance. The Framework Act provides the legal and political foundation for Korea's development co-operation and makes clear the various roles and responsibilities of the different actors involved. Building on the existing frequent consultation between ministries that is part of the Korean government's mode of working, the Framework Act supports ODA policy co-ordination and reduces fragmentation by establishing formal decision-making structures and processes. These structures and processes can be built on and strengthened still further.

At the centre of Korea's aid system is the high-level Committee for International Development Co-operation (CIDC). The CIDC was established in 2006 as the country's highest decision-making body – an "ODA control tower" – to oversee and strengthen policy co-ordination and the strategic aspects of Korean ODA. It is chaired by the Prime Minister, with the PMO acting as its secretariat. It comprises 15 ministers, the heads of KOICA and the Export-Import Bank of Korea, as well as seven civilian experts appointed by the Prime Minister. The Framework Act confirms these responsibilities; under the chairmanship of the Prime Minister, the CIDC has *de facto* authority to direct all ministries as decreed by the President. Two committees – the Inter-Agency Grants

Committee and the Inter-Agency EDCF Committee – co-ordinate and approve the government's grant and concessional loan activities and report up to the CIDC. In each of its priority partner countries Korea has established ODA Councils to co-ordinate development co-operation in the field. These are chaired by the Korean Ambassador.

While Korea has taken steps to strengthen the co-ordination of its aid, many challenges remain, particularly in making its co-ordination mechanisms work as intended and in ensuring there is sufficient capacity to support them. MOFAT serves as the Executive Secretary to the Inter-Agency Grants Committee; MOSF plays the same role for the Inter-Agency EDCF Committee. In principle, other ministries and agencies must consult with and receive approvals from these committees for their own ODA activities in order to ensure a consistent approach across the government. However, several ministries have been able to develop and implement ODA-funded activities without the approval or even knowledge of the ODA Council in partner countries, or of the Inter-Agency Committees and CIDC. Korea's aid co-ordination mechanisms should be further strengthened to achieve greater consistency of programmes, more effective delivery of Korea's aid and greater integration among loans and grants.

Staffing will become a major issue for Korea as its aid programme expands. While Korea has a well-established set of people dedicated to development in its three principal ministries and main agencies, staff are under increasing pressure to manage larger amounts of ODA in more complex ways and contexts. The Committee was informed that by 2015 KOICA will increase its staff by 105 positions and EDCF will increase its staff by 50%. Korea is planning to deliver its programmes through new ways of working and it is clear that increases in the aid programme will have to be accompanied by a careful assessment of the skills, training and resources needed to manage a high quality, growing programme. While this situation does create an obvious tension, Korea can manage this by: streamlining its procedures; concentrating its resources on fewer countries (particularly by concentrating KOICA and EDCF field offices on Korea's priority partner countries); further consolidating its ODA management, in the way that it has recently done for its volunteers programme; and supporting fewer but much larger programmes, particularly through programme based approaches, sector budget support and co-financing arrangements with other development partners.

Strengthening Korea's evaluation procedures

Key findings: *All evaluation procedures – from planning to dissemination and feedback – are now overseen by the Sub-Committee for Evaluation, created under the CIDC in December 2009. The Sub-Committee lacks adequate tools and authority and its independence needs stronger protection. More certainty over budget allocations for evaluation would enable Korea to plan its evaluation work and staff requirements better.*

Recommendation: Strengthen the independence and procedures of the Sub-Committee on Evaluation; improve ongoing monitoring during project implementation; improve *ex-post* evaluation; strengthen capacities and delegate authority to support critical evaluation in field units; and systematically integrate lessons from evaluations into future programmes.

Korea has made progress in establishing the policy, guidelines and capacity for evaluating its development programmes, but more needs to be done. The Sub-Committee for Evaluation, created under the CIDC in December 2009, is chaired by the Deputy

Minister for National Agenda of the PMO. Its role is primarily to review and approve the annual evaluation plans drafted by ODA executing bodies. The Sub-Committee has 13 members, comprised of the four principal actors of Korean ODA and experts from outside the government, with PMO providing the secretariat services. To ensure evaluations influence Korea's aid management and learning, it is important that the Sub-Committee has adequate tools and authority, and that its independence is protected.

On average, the Sub-Committee reviews 20 self-evaluation reports and conducts (commissions) three thematic evaluations every year. However, ensuring the quality of these evaluations is a challenge. In particular, the self-evaluations carried out by ministries and agencies are of varying and often low quality, and do not follow the common evaluation guidelines and benchmarks established by the CIDC. The Sub-Committee has commissioned a meta-evaluation of Korea's ODA evaluation system to identify how the quality of aid evaluations can be improved. These efforts by Korea to look critically at how to improve its evaluation function are commendable. In addition, KOICA has translated the DAC *Quality Standards for Development Evaluation* into Korean. KOICA and EDCF are responsible for the majority of ODA-related evaluations and each agency has its own evaluation manuals, both of which reflect the five DAC evaluation criteria (*i.e.* relevance, efficiency, effectiveness, impact and sustainability). In order to apply evaluation findings systematically to future policy and programme decisions, Korea has set up internal feedback mechanisms in each relevant agency. However, these mechanisms do not yet ensure that the lessons from implementation inform the design of new policy and strategy. For this to happen the implementing agencies will need to also be involved in developing policy and strategy to some extent.

Improving the impact of development co-operation

Translating Korea's commitment to aid effectiveness into better practice

Key findings: *Korea has made progress in aligning its support with partner country priorities, providing its aid through common arrangements and carrying out joint analytical work. Surveys of donors' progress towards meeting the Paris Declaration commitments since 2005 show that Korea (along with other DAC members) is lagging behind in implementing the aid effectiveness principles, particularly those on aid predictability and use of partner country systems. Part of the reason is that the principles are not sufficiently embedded in Korea's procedures and strategies.*

Recommendation: In continuing to make its aid more effective, Korea should:

- Integrate the aid effectiveness principles and the internationally-agreed targets into all development co-operation strategies – particularly country partnership strategies – and aid management procedures; and
- Improve its performance in areas where Korea is lagging the most: untying its aid, use of programme-based approaches, medium-term predictability and use of country systems.

Korea has made progress in some important aspects of effective aid, such as aligning its support to partner country priorities and working with other donors on joint analysis and evaluations. However, further progress is needed to meet its commitments under the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. KOICA has

done some work to implement the principles, but overall these have not been more widely integrated into Korea's aid management procedures. Most of Korea's bilateral aid is delivered in the form of conventional grant or loan-funded projects and technical assistance which are generally 'stand alone' and not part of broader programmes supported by other development partners. KOICA and EDCF are in the process of formulating guidelines and new instruments for programme based approaches, sector budget support and co-financing arrangements in recognition of the need to support fewer, larger and more harmonised programmes in the future. A particular weakness is the unpredictability of Korea's aid, which can compromise its ability to align to partner countries' planning and budgeting systems. Korea should publish its bilateral country programme estimates at least on KOICA's and EDCF's contributions – on an annual and medium-term basis. This would allow its priority partner countries in particular to plan with confidence.

Implementing a roadmap to untie 75% of bilateral aid by 2015

Key findings: *As part of its accession to the DAC and its commitment to the Paris Declaration principles and the Accra Agenda for Action, in 2009 Korea put a timetable in place to increase the untied portion of its bilateral ODA to 75% by 2015. However, Korea has made no progress towards this aim. In fact, the untied proportion of Korea's total aid was lower in 2010 (at 32%) than in 2009 (44%).*

Recommendation: To provide developing country partners and Korean taxpayers with even better value for money Korea should:

- Translate the commitment to untie 75% of its total bilateral ODA by 2015 into a year-on-year roadmap that drives progress towards its goal;
- Maintain focus on meeting the DAC Recommendation on Untying and the Accra and Busan commitments to untie aid to the maximum extent; and
- Report the tying status of all Korean ODA, including technical co-operation.

In 2009 the DAC commended Korea for the commitment it made to untie 75% of its bilateral aid by 2015. Korea's share of untied aid (as defined by the *OECD DAC Recommendation on Untying ODA to the Least Developed Countries*) decreased from 37% in 2009 to 27% in 2010. This was much lower than the DAC average of 88% in 2010. When total aid to all developing countries (not just LDCs) is taken into account, Korea's proportion of total untied aid was 32% in 2010, compared to 44% in 2009. This drop in performance will constrain Korea's ability to meet the DAC Recommendation, as well as its Accra, Busan and DAC Accession commitments. Korea is encouraged to go further in its efforts to untie its aid and to make use of every opportunity to regain its lost momentum and to meet its targets. Korea informed the Committee that the proportion of its bilateral aid that is untied has increased in 2011; this is a welcome step.

Towards better humanitarian donorship

Building on solid progress to scale up the humanitarian programme

Key findings: *While Korea now has a legislative mandate for its humanitarian action, it still lacks a cross-government policy to focus and guide its humanitarian programme. It needs a policy which builds on its strong history in disaster response, and which takes into account its commitment to scale up the humanitarian assistance budget. Once finalised, the policy will increase opportunities for consultation and collaboration on humanitarian issues, both with partners and across government, and provide greater predictability in future funding intentions, as well as promoting the consistent application of the Good Humanitarian Donorship principles.*

Recommendation: To provide a clear strategic vision for the humanitarian programme; to ensure that humanitarian principles are consistently applied; and to promote accountability, efficiency and effectiveness Korea should:

- Finalise the new humanitarian assistance policy, ensuring that it focuses on a limited number of objectives in areas where Korea can have solid impact – such as disaster response – and that it is applicable across government;
- Determine and communicate clear criteria guiding whom, what and where to fund;
- Put in place safeguards to ensure that its bilateral (in-kind) aid is always the most effective and appropriate response; and
- Implement plans to make learning and reporting of results more systematic.

Korea has committed to a significant increase in its humanitarian budget over the next three years, potentially 800% from a low starting point. As Korea scales up its humanitarian programme, it will need to think about how it can most effectively use these additional resources. In particular, it will need to make decisions about the overall objectives and expected results of its humanitarian programme, the role of bilateral aid and the role of partners. It will also need to determine what modifications need to be made to its systems, resources and staffing to ensure that they remain fit for purpose in this new environment.

Firstly, Korea will need clear strategic directions to help prioritise funding allocations under its growing humanitarian programme. This will include mapping out the optimal mix of bilateral aid, UN agencies and NGOs in its future humanitarian portfolio. In particular, Korea will need to take care to ensure that its funding allocations are needs-based and not driven by visibility objectives. This is in line with the humanitarian principles of humanity, impartiality and independence. Currently it remains unclear how Korea ensures that its bilateral – in-kind – disaster aid is the most appropriate form of response, and also how it ensures that this aid actually reaches those most in need.

Secondly, Korea will need to define the scope of its humanitarian programme, particularly how (or if) it will support post-crisis recovery and build the preparedness and resilience of partner countries and at-risk communities. So far, Korea has taken a

pragmatic approach to post-crisis recovery and transition by funding the recovery activities of UN agencies, and by supporting development projects in fragile and post-conflict countries. However, recovery and preparedness are not yet a systematic part of Korea's humanitarian programme.

Thirdly, Korea can now capitalise on the good progress it has made in strengthening humanitarian partnerships. Humanitarian budget allocations to UN agencies increased from 7% of the total budget in 2006 to 63% in 2010, and Korea continues to play an active role on UN agency boards. There has also been good progress towards more strategic partnerships with NGOs. In this light, Korea's plans to improve consultation with this important group are welcomed. These consultations might also be used to reduce the administrative burden for partners – especially NGOs.

Finally, Korea recognises that more systematic learning and evaluation processes could help improve future programme design and delivery. It plans to make this a priority area in the future. Publishing the results of the humanitarian programme is also important, as this demonstrates to taxpayers and legislators how well their money has been spent.

Chapter 1

Strategic Orientations

Korea became a DAC member only in 2010 but has already built a strong reputation as a development co-operation actor. In this first chapter of Korea's first ever peer review we look at the legal basis, strategic framework, political commitment and current vision underpinning its development co-operation. We also discuss the accountability arrangements for Korea's aid, in particular its efforts to improve the quality and quantity of the information it provides about its development assistance. The chapter outlines some of the current challenges facing Korea's development work, which include completing a unified strategic framework for its development co-operation; strengthening efforts to increase accountability; and strengthening consultation, communication and engagement with parliament, civil society and development institutions.

Korea is working hard and building a strong reputation in development co-operation

Korea joined the Development Assistance Committee (DAC) in January 2010. Korea's membership followed an extensive accession process (OECD, 2009a) and a special session of the DAC on 25th November 2009. At this meeting, members expressed genuine admiration for Korea's success in transforming itself from an aid recipient (as recently as 1995) to an important aid donor in such a short space of time. Korea is now seen by developing countries as a source of knowledge and ideas on development drawn from actual experience. This is an area of particular comparative advantage relative to other DAC members. This is Korea's first peer review – an important milestone both for the country and for the DAC. It illustrates how rapidly Korea has advanced and the lessons and experience it brings to the table in international debates and development activities.

Korea has worked hard to strengthen its development co-operation while also engaging in OECD and other international development activities. For example, besides making great strides with its aid programme, Korea played a leading role in hosting and facilitating the *Fourth High Level Forum on Aid Effectiveness* at Busan at the end of 2011. Korea has also played a leading role in the G20 development agenda, working closely with the OECD and often serving as a bridge between DAC members and the BRICs countries (Brazil, Russia, India, China and South Africa). Korea's interventions have consistently ensured support from the BRICs for the governance structure and global monitoring framework for the Global Partnership for Effective Development Co-operation. In addition to these major contributions to the international aid architecture, Korea has also supported global efforts towards green growth; supported OECD and G20 efforts to increase and improve North-South, South-South and triangular co-operation; helped developing countries to build capacity in statistics through voluntary contributions to OECD work in this area; and promoted gender equality in global processes, such as the DAC subsidiary body on Gender Equality and Women's Empowerment, and by championing this issue at Busan.

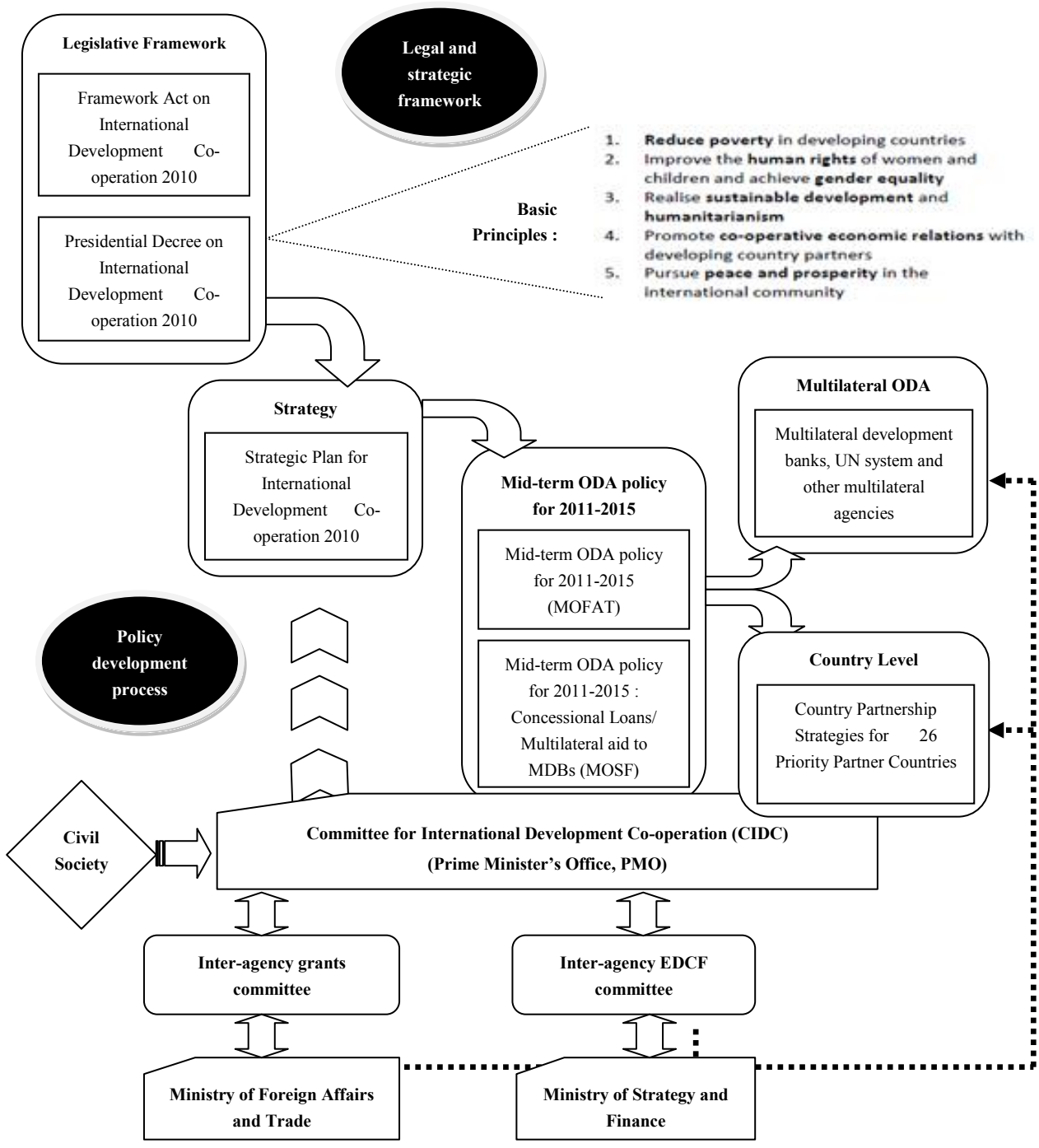
Korea is reforming its aid and establishing strong foundations

Since joining the DAC, Korea has improved its framework for its development co-operation (Figure 1.1). This provides the legal basis for a more integrated ODA system, clearly focused on reducing poverty in developing countries.[1]

A strengthened legal framework for Korea's development co-operation

Korea's new framework, with its five basic principles, unites all of its development co-operation towards the common purpose of alleviating poverty and achieving internationally agreed development goals, particularly the Millennium Development Goals (MDGs). This common purpose is important because Korea's ODA system is divided into two pillars, grants and loans, each managed by different bodies. Grants are managed mostly by the Ministry of Foreign Affairs and Trade (MOFAT), while the Ministry of Strategy and Finance (MOSF) is responsible for Korea's loan portfolio. A new single plan (GoK, 2010) and mid-term ODA policy (MOFAT, 2010b and MOSF, 2010) mean that for the first time Korea's grants and loans are integrated into a single set of strategic documents. Partnership strategies, integrating grants and loans, are being developed for Korea's 26 priority partner countries (Figure 1.2).

Figure 1.1. Korea's development co-operation framework



Source: GOK (2012b), Memorandum for the DAC Peer Review Republic of Korea, Government of Korea, Seoul

Korea's unified vision for its development assistance is being translated into policy, strategy and programmes under the auspices of its Committee for International Development Co-operation (CIDC), chaired by Korea's Prime Minister. The CIDC's mandate has been strengthened by the *Framework Act on International Development Co-operation* (National Assembly of the Republic of Korea, 2010a) and the *Presidential Decree on International Development Co-operation* (Prime Minister's Office, 2010). This new legislation defines CIDC's role and responsibilities more clearly, which include overseeing ODA policy, strategy, co-ordination, evaluation and other development-related issues. The Prime Minister's Office (PMO) shares responsibility for managing Korea's ODA with MOFAT and MOSF and is responsible for co-ordinating Korea's development co-operation (Chapter 4). Korea's development co-operation is carried out largely by two agencies: grants are managed by the Korea International Co-operation Agency (KOICA) under supervision of MOFAT; and loans are the responsibility of the Economic Development Co-operation Fund (EDCF) under the supervision of MOSF.

It will take time for the impact of Korea's new legislation to be felt fully but it is already evident that the act and decree provide greater clarity for developing and managing the ODA budget. The act's five principles (Figure 1.1) form a strengthened framework for managing Korea's grants (by all its government departments) and loans (from MOSF) for the purpose of poverty reduction. This is particularly important at a time when Korea plans to double the volume of its ODA. Korea's framework is generally in line with good practice for aid legislation (OECD, 2009b).

Korea's development co-operation: a key foreign policy component

Development co-operation is a well-established part of Korea's foreign policy (Office of the President, 2009). Since 2009, Korea's foreign policy has focused on: "contributing to global peace and development under a broader vision and a more proactive approach to interacting with the international community (Office of the President, 2009)." This policy has been translated by MOFAT into four key diplomatic tasks as follows (MOFAT, 2012):

- Security diplomacy, particularly on the Korean peninsula.
- Diplomacy that contributes to global co-prosperity.
- Diplomacy that secures engines for future growth, particularly through trade and co-operation in the fields of energy and resources.
- Diplomacy that serves the public, particularly the needs of Koreans abroad.

Korea's aid is a core component of the second of these key diplomatic tasks – making a contribution to global co-prosperity. Korea's aid reforms, its support for the multilateral system and its membership of the DAC, are important aspects of its foreign policy, the development component of which focuses on shifting the paradigm from aid to development, advancing the system of development co-operation, and providing partner country-specific support.

Challenges ahead

Korea's new legal and strategic framework for its aid is a major step forward and it should be built on so that the country can make an even greater contribution to global development. Korea's political leaders and senior aid officials appreciate the challenges ahead as they carry out the government's development assistance legislation, particularly

in the light of their commitment to substantially increase the volume of ODA and advance the Paris Declaration principles. These challenges include narrowing Korea's geographical and thematic focus; continuing to integrate grants and loans within unified strategies; adopting a whole of government approach, particularly in fragile states; and ensuring all aid delivery channels are pulling in the same direction. These challenges are each discussed in the sections below.

Korea is narrowing its thematic focus, but it needs to go further for greater impact

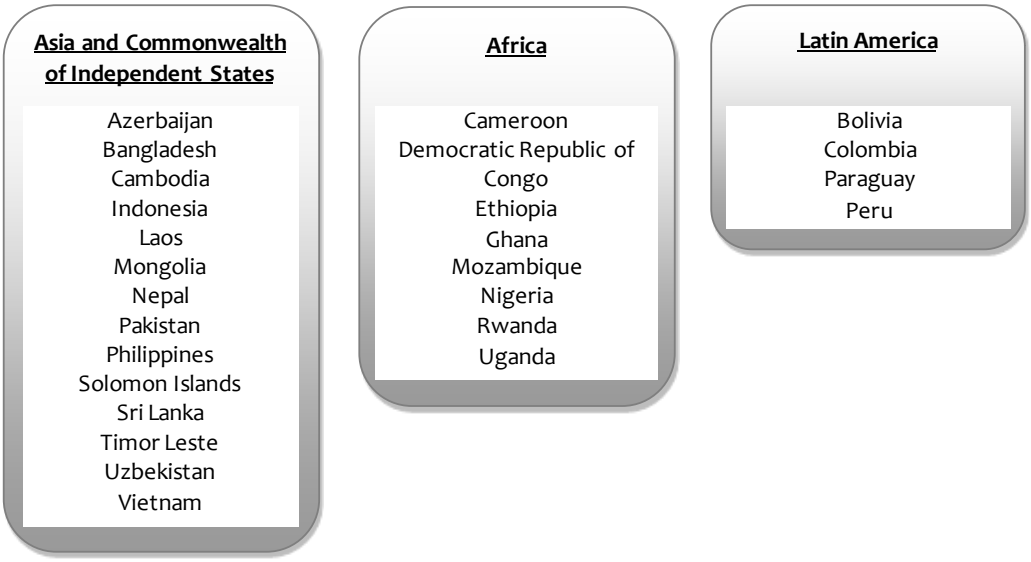
Korea is focusing its grant-funded development co-operation on the thematic priorities of education, health, governance, agriculture and fisheries, industry and energy.[2] Korea's concessional loans are targeted at building the basic infrastructure for economic growth in partner countries (MOSF, 2010). Korea's latest country partnership strategies (CPS), which integrate grants and loans, identify only two or three focus sectors for each priority partner country. This is a welcome departure from Korea's previous practice, in which its assistance was spread across more sectors in each of its partner countries. The new approach provides opportunities for loans and grants to support the same sectors.

While Korea's thematic priorities are in line with the principles of its Framework Act and support the achievement of the MDGs, they are quite broad and need to be more focused. In addition, the CIDC should ensure that the priorities are owned and supported by the whole of the Korean government and publicised so that parliament, civil society, the media and the general public are aware of them. Doing so would enable more predictable and focused programming and decision making as ODA increases, while also facilitating structured discussions with key stakeholders, including partners and the National Assembly. Greater focus could be achieved by setting clear objectives for each thematic area – this would also provide a framework for stronger cross-government accountability. KOICA has developed strategies for each of the thematic priorities – the goal now should be to consult on, finalise and disseminate these. While these strategies are currently only for KOICA's use, Korea could build on them to develop government-wide objectives for each thematic area. It should also clarify the roles of the Korean government agencies involved in each theme, reflecting each one's comparative advantage and listing the results expected.

Korea should continue to concentrate its bilateral efforts on its priority partner countries

The impact of Korea's new legislation and policies is also evident in its integration and prioritisation of its list of partner countries. Previously, Korea had two unpublished lists of priority partner countries: one for MOFAT and its implementing agency (KOICA); and another for MOSF and its agency (EDCF). Prior to joining the DAC, Korea integrated the two lists to form a single list of 26 priority partner countries (see Figures 1.2 and 3.4 in Chapter 3). This has been published and Korea is now concentrating its grant and loan assistance on these countries.

Figure 1.2. Korea's priority partner countries and lead ministries, 2012



Source: Information presented to the peer review by the Government of Korea

While links to the MDGs are clear in Korea's thematic priorities, they are less apparent in its selection of priority partner countries. Out of the 26 selected, more than half are middle income and on-track for achieving the MDGs. Korea reports that it chose 26 as an optimum number of priority partner countries and took into account the development needs of the countries, their capacity to use aid effectively and their alignment with Korean foreign policy priorities. Korea also took into consideration how development co-operation work is shared internationally, by referring to DAC analysis of aid statistics. Nevertheless, it has not focused its assistance on aid "orphans". Korea intends to increase its efforts to co-ordinate and harmonise with other donors in the 26 countries as it scales up its aid. The country selections and lead ministries are subject to periodic review.

The peer review team considers that 26 priority partner countries will be a challenge for Korea to support, even with an increased ODA volume in future years. In addition, Korea and its priority partner countries would benefit from a clearly expressed rationale for each country's inclusion in the list. Such clarity might assist in making future adjustments to the list of countries and help demonstrate how Korea's allocations are aligned with its highest priority partners. At the next periodic review of its priority partner countries Korea should take account of up-to-date information on the countries' progress towards MDG achievement, the extent to which its assistance can have real impact and the kind of aid instrument that is most appropriate for each country. Most importantly, Korea should ensure that its assistance to a partner country is not predicated on a pre-selected instrument. Given that other, much larger, DAC members consider the optimum number of priority partner countries to be less than 26 Korea should also reflect on whether a smaller number of priority partner countries would enable it to get more out of its assistance.

Korea's selection of instruments should continue to reflect partner country preferences

The peer review team commends Korea for narrowing its thematic and geographical focus. It is also pleased to note that in the case of Cambodia Korea's sectoral priorities already reflect the national development objectives of its partner country, in line with the aid effectiveness principle of alignment. In completing its partnership strategies for its other priority countries, Korea should ensure that thematic areas are always chosen based on full consultation with the partner country government and other development partners. The strategies should also be clear about the rationale behind the choice of themes and aid instruments. Korea's approach in each of its partner countries should be tailored to the specific development challenge and context to ensure ownership by the partner country. This will ensure that the collaboration is not instrument led. Korea's use of grants and loans should continue to reflect its partner countries' preferences.

Make country partnership strategies whole-of-government and transparent

Korea's country partnership strategy template was adopted in 2009 and is to be used for its 26 priority partner countries - this is the first template to attempt to integrate loans and grants and is a major improvement on the country assistance strategy format that preceded it, and on the separate strategies that operated previously. Korea has prepared nine country partnership strategies to date (for Azerbaijan, Bolivia, the Democratic Republic of Congo, Ethiopia, Ghana, Indonesia, Solomon Islands, Sri Lanka and Vietnam) in consultation with the countries concerned. Korea aims to consult on, complete and publish new strategies for all its priority partner countries by mid-2013. While the new template is a considerable improvement on Korea's previous country strategy formats, the nine documents produced so far have some omissions compared to similar papers prepared by other DAC members:

- they do not cover all of the Korean government's development support for the partner country;
- they do not include forward expenditure commitments;
- while they do refer to the aid effectiveness principles, they do not set out a plan or targets for advancing them; and
- they do not systematically define, in measurable terms, the development objectives to be achieved – this will make it difficult to report on the results of Korean supported efforts.

Building Korea's own development experience into capacity-building efforts

Developing countries are interested in Korea's own successful development history; this is a comparative advantage for Korea, one that it is trying to make more use of through its various knowledge sharing activities. Experience and research suggest that successful knowledge sharing in development co-operation involves extended learning processes rather than simple communication processes, as ideas related to development and innovation need to be made locally applicable with the adaptation being done by the local people responsible for development (World Bank, 2003). Korea shares its development experience mainly through two initiatives: the Knowledge Sharing Programme (KSP) managed by MOSF and implemented by the Korea Development Institute (KDI) and the Development Experience Exchange Partnership

Programme (DEEP) managed by MOFAT with KOICA that was launched in 2012. Also in 2012, the PMO introduced the Action Plan of Korea's Development Experience Sharing which consists of 159 modules in four fields of development – these will be used as resources for a broad range of development co-operation activities.

While its Knowledge Sharing Programme and Development Experience Exchange Partnership Programme are useful innovations, Korea could respond more effectively to its partners' interest in its own development experience by making its lessons a core component of its capacity building efforts – when appropriate. The Knowledge Sharing Programme involves joint policy research, workshops, training, field trips and dissemination seminars on applying Korea's knowledge to local circumstances and is focused mainly on economic development lessons. Civil society representatives have encouraged MOSF to include social development experience, such as democratisation, democratic governance and the role of civil society in the programme (KCOC and KoFID, 2012). The Development Experience Exchange Partnership Programme is intended to cover various thematic issues of social development as well as Korea's own experience of implementing ODA funded activities. The various approaches and resources Korea is using to share its experiences with its partners could also be used, where appropriate, in the context of its broader efforts to support capacity building through its grants and loans.

Ensure Korea's support to fragile states is guided by up-to-date and relevant policy

Korea includes 12 fragile states[3] among its 26 priority partner countries and KOICA has recently developed guidelines for working in these challenging contexts (KOICA, 2012a). KOICA's guidelines follow international guidance for support to fragile states. They also outline how KOICA plans to carry out the recommendations of the *New Deal for Engagement in Fragile States* (G7+, 2011), anticipating Korea's official endorsement of this international agreement.[4] Korea has signalled its intention to endorse the New Deal, recognising that it will benefit from participating in dialogue on this and that it can contribute lessons from its growing experience in fragile states to this forum. MOFAT could build on KOICA's guidelines, and on lessons from Korea's experience in these difficult contexts, as it develops cross-government and implementation guidance for working effectively in these situations. This will be particularly important for its policy towards lending to fragile states – discussed further in Chapter 3.

Ensure that all Korea's aid delivery channels support a common vision

Korea's strengthened legislative and strategic framework applies to all of its aid delivery channels (Figure 1.1) – not just the bilateral programmes managed by MOFAT, MOSF and other Korean ministries and agencies, but also multilateral, civil society organisations (CSOs), humanitarian assistance and the private sector. As Korea increases its ODA volume, it needs to ensure that the contributions of these different channels are aligned with its new policies and strategic framework.

Korea's support to the multilateral system is strong, but should be more strategic

Korea's *Mid-term ODA Policy for 2011-2015* (MOSF, 2010) includes separate strategies for the multilateral development banks (MDBs), supervised by MOSF; and for the UN and other multilateral organisations, supervised by MOFAT (Figure 1.1). Most of

the relationships between Korea and the multilateral organisations it supports are regulated by framework agreements that cover the important aspects of the partnership.

Korea views the multilateral system as complementary to its bilateral efforts, particularly in tackling cross-national issues such as climate change, food security and humanitarian issues; it has a policy of ensuring that 30% of its ODA is multilateral. Given that Korea intends to increase its ODA rapidly over the next few years, this 30% policy means that the multilateral channel will also increase swiftly. Korea supports the current UN reform to achieve consistency across all the UN development agencies. Korea's contribution to the work of the World Bank and International Monetary Fund is also significant.

Korea intends to develop a comprehensive multilateral strategy; this is an opportunity to decide how its increased contributions are to be allocated to the Multilateral Development Banks (MDBs), the UN and other multilateral organisations. In developing this strategy Korea should:

- take account of all its contributions to the multilateral system;
- confirm the rationale for its choice of organisations;
- specify its objectives for each multilateral agency it supports;
- outline its plans for allocations to the selected entities over the medium term; and
- explain how it will work with other donors to monitor agency performance.

Korea should continue to make use of and, where possible, contribute to joint evaluations for assessing the relevance, effectiveness and need for reform of multilateral entities, particularly through its membership of the Multilateral Organisation Performance Assessment Network (MOPAN). Korea has been a member of MOPAN since 2008.

Korea works through a whole-of government approach involving MOFAT, MOSF, PMO and other relevant Korean ministries to influence multilateral aid policies, strategies and programmes and to monitor performance. It does so mainly through engagement in the governance structures of the organisations it supports and the use of earmarked funds, such as its World Bank Trust Fund for technical and advisory services on financial market development. Some DAC members, such as Canada, UK and the Netherlands, have found it useful to develop institutional strategies for each of the main multilateral organisations that they are supporting. These DAC members' institutional strategies are shared with the concerned multilateral organisations and the documents have helped these partners to reach a common understanding about priorities and issues. In the context of its planned comprehensive multilateral strategy, Korea might find this approach useful also.

Increasing and strengthening partnerships with civil society organisations

As a proportion of its total ODA Korea makes relatively little use of civil society organisations (CSOs) in delivering its programmes and does not yet have a policy or strategy for working with them. Korea's *Mid-term ODA Policy for 2011-2015* does, however, recognise civil society as equal partners and encourages their participation in broader-based development co-operation; it acts on this through activities such as its *Development Alliance* launched in 2012 as part of its efforts to implement the commitments of the Busan Global Partnership. The Development Alliance brings together 107 agencies and organisations from the private and government sectors for the purpose of information exchange and joint working. KOICA has developed its own *Mid-*

term CSOs and Private Sector Partnership Strategy for 2011-2015 (KOICA, 2011e) and has increased its budget for working with CSOs. It also has an *Implementation Plan for Partnership with Civil Society in the Humanitarian Assistance Sector* (KOICA, 2011a).

Korea has opportunities for engaging with the private sector

Korea's foreign and aid policies (MOFAT, 2010b and MOSF, 2010) present opportunities for it to engage with the private sector (in Korea and in partner countries), particularly for using ODA to leverage and catalyse private resources for development. As it develops programmes in this area, Korea should keep in mind the Busan outcome document with its emphasis on partner country ownership, and carefully manage collaborations with the private sector to ensure that partner country-led development objectives are adequately reflected. MOSF in particular is looking at opportunities for the Korean private sector to engage in development co-operation. The initial focus is on expanding public-private partnerships to enhance Korea's aid and help promote private investment in partner countries. In 2012 MOSF launched its *Global Infra Development Forum* where relevant ministries, agencies, private sector, other donors and partner countries discussed how to promote Public Private Partnerships (PPP) models for development. As it develops its strategy in this area, Korea should learn from other DAC members' engagement with the private sector – of particular relevance are Denmark's recent *Synthesis of Evaluations on Support to Business Development* (DANIDA, 2012) and the World Bank's *Lessons from Evaluation: Private Sector Development in a Changing World* (World Bank, 2012).

Korea needs to strengthen its approach for mainstreaming cross-cutting issues

Korea's *Mid-term ODA Policy for 2011-2015* focuses on five cross-cutting issues: environment, gender equality, human rights, information and communication technology (ICT), and democracy. These issues were chosen because they are critical elements of Korea's thematic priorities as well as necessary conditions for success in priority partner countries. Korea is trying to raise aid managers' awareness in these areas. The issues apply to all Korean international assistance programming: KOICA takes the lead in integrating them across the grant-funded programmes, while EDCF leads on the loan-funded activities.

KOICA has put guidelines in place for gender equality and women's empowerment

Of all Korea's development bodies, KOICA has done the most to mainstream gender equality and women's empowerment in its programmes; however it is too early to assess the impact of its efforts. In 2011 KOICA published its *Gender Mainstreaming Guideline* (KOICA, 2011f), which is being used to inform Korea's country partnership and sector strategies. KOICA and EDCF should learn from other agencies' experiences and good practice in mainstreaming gender equality over the past decade. These have been summarised in a recent report (African Development Bank, 2011). Korea has made a broader contribution to gender equality issues by: (1) championing the full integration of gender equality and women's empowerment throughout the High Level Forum on Aid Effectiveness in Busan; (2) contributing funds to UN Women; and (3) making intellectual contributions to the DAC's Gender Network.

Korea prioritises environmental sustainability and climate change issues

Korea is committed to aid for environment and climate change; international co-operation for green growth is an integral part of Korea's 5-year Green Growth Strategy (Presidential Committee on Green Growth, 2009). In 2008 Korea launched its "East Asia Climate Partnership", a scheme to support developing countries in tackling climate change. Furthermore, Korea has a target to increase its "Green ODA" to 30% by 2020 (Box 3.1). These international commitments are reflected in the practices of both KOICA and EDCF. The latter agency has environmental safeguard mechanisms in place to minimise or prevent its development interventions having a negative impact on the environment and society. EDCF's environmental safeguards are based on those of the Asian Development Bank and are being enforced. KOICA also has environmental mainstreaming guidelines that were put in place in 2012 on a pilot basis – these guidelines will be revised in the light of the pilot for application across all of the Agency's programmes. Nonetheless, independent environmental agencies and CSOs in Korea have advocated that more emphasis is needed on climate change adaptation and mitigation and that KOICA and EDCF should undertake more rigorous analysis of proposed policies and programmes for climate risks and opportunities.

Communication and transparency should be strengthened

Since joining the DAC Korea has made efforts to improve the transparency of its development co-operation. However, more needs to be done. Korea has increased the information available on its ODA Korea website (www.odakorea.go.kr) and through other media, such as KOICA's and EDCF's annual reports. All of Korea's main ODA policies and strategies are accessible. Nevertheless, MOFAT and MOSF in particular could communicate the results of Korea's aid more effectively, especially to the Foreign Affairs, Trade & Unification Committee and the Strategy and Finance Committee of the National Assembly.[5] There is no budget or supplemental documentation that clearly sets out Korea's aid expenditure in each country and sector that stakeholders can easily access. In addition, according to members of the National Assembly they would prefer to receive reports from MOFAT/KOICA and MOSF/EDCF that are shorter on detail and more focused on the results of Korea's aid and the challenges faced. The planned annual report on Korean ODA, to be introduced by the PMO from 2012 (to be published in early 2013), is an opportunity to tackle some of these weaknesses. It is also the case that only basic data on Korea's ODA are easily accessible. According to representatives of civil society and research institutions, only limited information on ODA grants and loans is available to the public (PSPD, 2011; ODA Watch, 2012).

Korean CSOs and NGOs also consider that their consultations with government officials on development fall short of the objectives and requirements of the Framework Act in this regard. They would like them to be invigorated, particularly policy dialogue (PSPD, 2011; ODA Watch, 2012). Consultation and policy dialogue with civil society and other stakeholders is *ad hoc* and selective. MOFAT and MOSF in particular should ensure that consultation on policy is transparent and that it occurs early in the process, which would make it more meaningful. In this regard it would be helpful if the government of Korea could develop and publish guidelines for policy consultation so that all participants know how these exercises will be carried out and what they can expect in terms of process and feedback. In addition, MOFAT and MOSF should stimulate more robust debates on development co-operation policy and related issues – such as the role of civil society and scaling up ODA. These debates should occur within and between these

two organisations, as well as with their respective agencies, across government and with universities, research institutes, think tanks and civil society.

Public opinion surveys commissioned by the Government of Korea since 2005 show an increase in public awareness of and support for international development co-operation (PMO, 2005; MOFAT, 2008; Korea Institute of International Economic Policy, 2011). In the latest survey, almost 90% of respondents confirmed their support for Korea's aid programme (Korea Institute of International Economic Policy, 2011). With Korea's ODA set to increase rapidly, a plan for explaining its development co-operation will be necessary to sustain public support. In the context of its *Annual Integrated Plan for ODA Public Relations* and joint task force led by the PMO, Korea needs to develop a coherent set of messages for target audiences stressing recent achievements and Korea's role, such as in reducing poverty and progress towards the MDGs. The PMO's *Public Awareness Enhancement Plan* (PMO, 2009), updated in 2012, will help to further increase and sustain public awareness. Adequate programming resources will also need to be dedicated to this purpose (currently 90% of Korea's communication budget is with KOICA), along with stronger relationships among PMO, MOFAT, MOSF and development CSOs. Important communication areas, such as development education in Korea's schools, also require more support. Korea could learn from the practices of DAC members such as Ireland and Finland.

Future considerations

- To provide a clear strategic vision for its programmes, Korea should build on the solid legal and policy foundations it has put in place by completing the framework to guide its increasing development co-operation. This requires clear aims and objectives for its thematic focus areas; country partnership strategies for each of its 26 priority partner countries; whole-of-government guidance and plans for working in fragile states; a comprehensive multilateral ODA strategy; and stronger guidance and plans for mainstreaming gender equality and women's empowerment; and environment and climate change across all of programmes, grants and loans.

- To increase transparency and accountability, PMO, MOFAT and MOSF should strengthen their efforts to make comprehensive information about Korea's development co-operation available. In particular, PMO, MOFAT and MOSF should disclose information on development co-operation policy, strategy, procedures, budget (countries and sectors), programmes and projects in a way that is easy for key stakeholders – parliamentarians, CSOs, NGOs, private sector, research institutes, partners and the general public – to access and understand.

- To increase public awareness with a view to creating broad support and using the rich expertise available, PMO, MOFAT and MOSF should strengthen consultation, communication and engagement. This could be done by: developing a public engagement strategy; making more efforts to consult on policy; targeting resources and appropriate methods to key audiences, particularly the Korean public; and engaging with the Korean parliament, civil society, development institutions, scholars and think tanks both at the policy and programming levels.

Notes

1. Key documents as part of this framework include those by the: National Assembly of the Republic of Korea (2010a); Prime Minister's Office (2010); Government of Korea (2010); Ministry of Foreign Affairs and Trade (2010b); and the Ministry of Strategy and Finance (2010).
2. As specified in the Mid-term ODA Policy for 2011-2015 (MOFAT, 2010b), and in annual implementation plans for 2011 and 2012.
3. Nepal, Bangladesh, Solomon Islands, Sri Lanka, Timor-Leste, Pakistan, Uzbekistan, Ethiopia, Nigeria, Uganda, Cameroon, and the Democratic Republic of Congo (DRC) are all considered fragile states by the OECD (OECD, 2011c).
4. At the Fourth High-level Forum on Aid Effectiveness in Busan, Korea in 2011, over 40 countries and organisations endorsed the New Deal, which agrees five peacebuilding and statebuilding goals (PSG).
5. This is the parliamentary body responsible for overseeing Korea's development co-operation, which has been re-constituted following a general election in 2012.

Chapter 2

Development Beyond Aid

Aid is only one factor in development; its impact depends on how well Korea and its partners combine it with other policies and leverage other resources for the benefit of developing countries. This chapter looks at the extent to which Korea has established the building blocks for policy coherence for development: (1) a political commitment that clearly specifies policy objectives; (2) policy co-ordination mechanisms; and (3) monitoring, analysis and reporting systems to provide the evidence for accountability and for well-informed policymaking and politics. The chapter also considers Korea's progress in implementing whole-of-government approaches to ensure a coherent approach to development. The chapter concludes with some recommendations for further strengthening its approach to development beyond aid: having a stronger commitment to policy coherence for development; developing sufficient capacity to co-ordinate the elimination of policy incoherence; strengthening the analysis of Korea's policies to determine their impacts on developing countries; and going further to adopt whole-of-government approaches in Korea's 26 priority partner countries.

Putting in place the building blocks for policy coherence for development

In an increasingly interconnected global economy, neglecting the impact of Korea's non-aid policies on developing countries can undermine its development objectives and the effectiveness of its aid. "Policy coherence for development" (PCD) means eliminating inconsistencies among Korea's foreign and domestic policies and the objectives of its aid policies. The ideal end point would be for all of Korea's non-aid policies to be at least neutral in their effect on developing countries. To achieve this will mean altering any of Korea's policies that have demonstrably negative impacts on developing countries.

Enhancing policy coherence for development has been a priority for the DAC and a key focus of peer reviews for many years. It has been given greater impetus through the OECD's *Strategy on Development*, approved by the Council of Ministers in May 2012 (OECD, 2012e). The OECD emphasises that policy coherence for development involves three building blocks (OECD, 2009c):

1) a political commitment to development friendly policies that clearly specifies policy objectives;

2) policy co-ordination mechanisms; and

3) monitoring, analysis and reporting systems to provide the evidence for accountability and for well-informed policymaking and politics.

Korea is beginning the process of ensuring that its policies all pull together in pursuit of development objectives by establishing the three institutional building blocks. However, while important, these institutional aspects are not sufficient – it is also crucial to recognise the essential role of greater knowledge sharing with developing countries so that Korea can better understand the impacts of its policies on them. There is already a relatively high level of understanding of the issues among the principal development co-operation ministries (PMO, MOFAT and MOSF) and Korea has begun to tackle certain areas of its policy that have been highlighted as problematic by the compilers of the Commitment to Development Index.[1] These include trade policy, especially increasing access to Korean markets for specific goods from least developed countries, where much needs to be done; and employing foreign workers in Korea (Government of Korea, 2012b). Korea has also promoted coherent policies among the G20 nations (Box 2.1).

Box 2.1. Korea's support for policy coherence for development within the G20

Korea seized the opportunity of chairing the G20 in 2010 to bring development issues to the forefront of global economic policy discussions. It targeted policy coherence for development issues which required G20 member policy or political will to shift, such as green growth and trade. Korea also served as a bridge between the developing and developed worlds through its own experience and expertise. Korea's leadership of the G20 summit and its participation in the UN Millennium Development Goals summit in September 2010 were other opportunities to stimulate a recommitment to the MDGs as the globally-agreed framework for development to 2015. The impact of these efforts has been to give a higher profile to development issues in these important global fora.

Source: GOK (2012b) *Memorandum for the DAC Peer Review Republic of Korea,* GOK, Seoul

On the basis of analysis and the recommendations of peer reviews, the OECD/DAC has drawn out common lessons for those members keen to make further and faster

progress on policy coherence for development (OECD, 2009c). These lessons and Korea's progress to date imply the following changes for the country in establishing the three building blocks:

- greater political promotion of and commitment to policy coherence for development at a high level, for example from the Prime Minister, Minister of Strategy and Finance and Minister of Foreign Affairs;
- a *requirement* for all concerned government departments to consider this dimension of policy;
- a set of cross-government objectives for policy coherence for development prepared by the PMO;
- strengthened policy co-ordination mechanisms; and
- a better understanding of development by the relevant government ministries, as well as greater capacity to facilitate the policy coherence for development agenda.

Towards building block 1: Greater political commitment and clear policy objectives

A key lesson from other peer reviews is that progress depends on public commitment to policy coherence for development at the highest political level, along with clear links to poverty reduction and internationally-agreed development goals. Since joining the DAC, Korea has not issued such a high-level political statement. Raising the level of political awareness and commitment can ensure that the policy coherence for development agenda is owned by all government departments. Commitment and support from the Prime Minister, the Minister of Foreign Affairs and Trade and the Minister of Strategy and Finance will be vital to ensure that cabinet and all Korean government actors put development impacts on their agendas. Further progress towards policy coherence for development will be greatly assisted by the commitment of these leaders; and it is a necessary condition for establishing the first building block.

Another key step learned from other peer reviews is to embed the concept of development friendly policies within Korea's various ministries, principally by getting all departments to sign up to a clearly-prioritised and time-bound agenda which establishes cross-governmental objectives and a plan for achieving them (OECD, 2009c). This has proved challenging for many DAC members, but some elements of a potential agenda may be found in Korea's *Green Growth Strategy* (Presidential Committee on Green Growth, 2009). A number of other possible areas have been identified through analysis and research on policy coherence for development carried out in 2011 by MOFAT (Box 2.2). This research could be a good way to increase the awareness of government officials and could help shape a set of objectives for the whole of the government.

Box 2.2. Research into policy coherence for development in Korea

In 2011 MOFAT, through KOICA, commissioned analysis of policy coherence for development issues by Kyounghee University. A seminar for government officials was held in March 2012 to discuss the results. Following the seminar, MOFAT and KOICA developed a research project to further enhance the general understanding of the impact of Korea's policies on developing countries within the Korean government. The research project will be taken forward by Kyounghee University and will include analysis on development and immigration; green growth; natural resources and trade. In addition to these areas, MOFAT is already engaged in inter-departmental work on the private sector, including the promotion of corporate social responsibility among Korean businesses operating in developing countries.

Source: Information provided to the peer review team by the Government of Korea

Building on existing policy and MOFAT's research project, the PMO could facilitate relevant inter-ministerial groups to tackle instances of policy incoherence. These activities could then be promoted jointly at higher levels of government, such as the Committee for International Development Co-operation (CIDC) and the cabinet, as an agenda for action. Once adopted, Korea should set and prioritise specific objectives and a cross-governmental approach for each of the areas of action. However, this approach should not preclude other opportunities for tackling incoherence that may arise. Greater political will, policy statements and an agreed set of objectives will all help ensure that the first policy coherence for development building block is established in Korea.

Towards building block 2: policy co-ordination mechanisms

Korea's existing efforts towards eliminating policy incoherence mainly involve co-ordination mechanisms such as cross-departmental committees; this is a sensible way forward. The highest level committee is the Cabinet, of which the ministers of Foreign Affairs and Strategy and Finance are full members. One level below Cabinet is the CIDC. Korea is a signatory of the *2008 OECD Ministerial Declaration on Policy Coherence for Development* (OECD, 2008c). This requires the Korean cabinet to:

- involve appropriate departments and other relevant bodies in the policymaking process and to ensure that their voices are heard; and
- ensure that information is gathered on the development impact of policies so that it can influence Korean policy and its interactions with the developing world.

This in turn requires CIDC and ultimately the cabinet to be informed by the various departments about the possible impact of their policy decisions on development. Crucial to the success of these mechanisms is the role of the Prime Minister and the PMO as chair and facilitator respectively of both the cabinet and the CIDC.

With its high-level chair and strong legal foundation, the CIDC has potential as a policy co-ordination mechanism. Lessons from peer reviews emphasise the importance of the development agency playing an active role in discussions about policy co-ordination and, in Korea's case, the CIDC is well-placed for this. The CIDC has been strengthened by the Framework Act and the Presidential Decree on International Development Co-operation and its terms of reference include a clear mandate for co-ordinating policy coherence for development across all the main ministries. To fulfil its potential the CIDC will need to develop and agree:

- a set of procedures for co-ordinating policy; and
- mechanisms for carrying them out.

This will involve working out how incoherent policies identified, such as those highlighted in Box 2.2, can be modified so as to maximise synergies and minimise incoherence. Strengthening the CIDC in this way would be an important step towards the second building block.

Towards building block 3: Increasing understanding and monitoring of policy coherence for development

If a broader range of government departments bought into the development friendly policy agenda this would enable a systematic screening of all relevant legislative proposals for their impact on developing countries. A first step towards this condition is for PMO, MOFAT and MOSF to promote awareness of the development-related consequences of incoherent policies among concerned government departments. Understanding of development issues is strongest in the government offices that have been working with MOFAT and MOSF on global concerns. For example, the Ministry of Employment and Labour is working with them to make its Employment Permit System (targeted at bringing workers to Korea from 15 developing countries) more development friendly.

As mentioned above, the CIDC is responsible for facilitating policy coherence for development across the Korean government, but its secretariat (the PMO) could give higher priority to this aspect of its work so that it can engage with other ministries to highlight the impact of their policies on development; make use of available research; identify statistical and analytical knowledge gaps and opportunities to act; and prepare briefs for the CIDC. While the PMO does not have a dedicated unit for policy coherence for development, members of its ODA Policy Bureau work closely with other PMO and other government ministries on specific coherence issues. Each ministry has an international co-operation unit or division for such liaison. However, it is equally important to increase understanding of how Korea's national policies affect developing countries outside these units – among other relevant teams in these ministries. This can be done through training and dialogue. In addition, the PMO's Policy Planning Co-ordination Bureau plays a role in achieving general policy coherence across government, not just for development.

Korea is not yet monitoring, analysing and reporting on policy coherence for development in a systematic way and thus has some way to go in establishing the third building block. Korea's *Annual Implementation Plan for Development Co-operation 2012* (GoK, 2012a) outlines plans for research on policy incoherence. These plans will build on the 2011 analyses of policy coherence for development by the PMO and MOFAT/KOICA, as well as on existing programmes, such as the previously mentioned work on trade with LDCs and Korea's employment permit system. Korea's plans do not yet include developing performance indicators of policy coherence for development, so developing these would be a logical next step. In addition, Korea could make further progress by taking into account the lessons identified by the OECD on monitoring, analysing and reporting on policy coherence for development (OECD, 2009c):

- Monitoring: CIDC has the potential to strengthen monitoring of policy coherence for development. In the field, Korea makes only limited use of its embassies to monitor the impact of relevant Korean policies on partner countries' development.

- Analysis: A prioritised coherence agenda shaped by the PMO would allow analysis to target a select number of important issues. The resources of PMO, MOFAT, MOSF and other key ministries could be complemented by drawing on the expertise of civil society and research institutes.

- Reporting: From 2012, reporting to the public on how Korea's policies contribute to development could become a regular feature of the PMO's planned annual report on Korea's development co-operation. The reporting should be focused on the prioritised coherence agenda, as suggested above.

Korea is increasing its use of whole-of-government approaches

A whole-of-government approach involves government ministries and agencies working with each other to achieve a shared development vision and an integrated government response to particular development issues. Working approaches can be both formal and informal, and are usually focused on policy development, programme management and aid delivery. In its latest *Annual Implementation Plan* for development co-operation (GoK, 2012a), Korea commits itself to making more use of whole-of-government approaches to carry out the policy intentions of its *Mid-term ODA Policy for 2011-2015*. In taking this forward Korea will be able to build on its experience of implementing a whole-of-government approach in some areas of its development co-operation, such as engaging with multilateral organisations, and its support in certain fragile states, particularly in Afghanistan. In addition, the Framework Act and Presidential Decree, together with the strengthened role of the CIDC, have helped to raise the profile of development and ODA within the government and to improve the quality of inter-departmental working on development issues.

In Afghanistan Korea operates a Provincial Reconstruction Team (PRT) that involves officials from a number of Korean departments: MOFAT (the leading ministry), the Ministry of National Defence, the National Intelligence Service, the National Police Agency and KOICA. Representatives of these departments meet regularly at headquarters and in the field to discuss and co-ordinate their support to Afghanistan.

Joined-up approaches in fragile states

Remaining challenges for Korea in carrying out whole-of-government approaches in fragile states include:

- continuously updating Korea's overall joint strategy for each country and shaping guidelines for fragile states (see Chapter 1);

- arranging more cross-postings among the three principal ministries − development, defence and foreign affairs − to increase policy and programming links; and

- achieving greater synergy between development and peacekeeping/security efforts as their activities are separate in most cases.

As suggested in Chapter 1, Korea's responses to these challenges in Afghanistan and other fragile states should follow the *New Deal* endorsed in Busan (G7+, 2011) and should also build on the lessons that it, and other DAC members, have learned in recent years:

- effective whole-of-government approaches require a high level of political commitment, plus clear and strong leadership;

- an investment of time and energy is needed from the start to define and agree on common, or at least complementary, objectives among participating departments and then to discuss strategy and resources; and

- whole-of-government approaches will only be effective if resources can be mobilised around jointly-agreed strategies. Without this condition being met, such approaches will consist of little more than co-ordination for co-ordination's sake. Korea has learned in Afghanistan that once resources have been mobilised, it is essential that sufficiently high level co-ordinating mechanisms are put in place to provide the necessary inter-departmental oversight and ensure that decisions are made in a timely and informed manner.

Future considerations

- To strengthen Korea's commitment to policy coherence for development, PMO, along with MOSF and MOFAT, should create a government-wide agenda or plan to achieve development-friendly policies. This plan should set out the most important incoherencies to be tackled and the steps to be taken to address these issues.

- Taking its direction from the CIDC, the PMO should lead efforts to build sufficient technical and political capacity to co-ordinate and enhance policy coherence for development within the government of Korea.

- A key objective for PMO and MOFAT should be to strengthen analysis of how Korea's foreign and domestic policies affect developing countries. This analysis should inform Korea's monitoring, reporting and policies and incorporate the views of its diplomatic and development missions in the field; appropriate government departments in Seoul; relevant Korean universities, CSOs and think tanks.

- To maximise the impact of Korea's development assistance and building on its experience and that of other DAC members, PMO, MOFAT and MOSF should ensure that Korea's future support for its priority partner countries incorporates whole-of-government approaches.

Notes

1. The Commitment to Development Index (CDI) ranks 22 of the world's richest countries according to their dedication to policies that benefit the five billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI quantifies a range of rich country policies that affect poor people in developing countries (Center for Global Development, 2011).

Chapter 3

Aid volumes, channels and allocations

Korea has set targets and undertaken international commitments for the level of its aid. This chapter looks at Korea's official development assistance (ODA) figures, including the overall volume and components of its aid, its approach to bilateral and multilateral aid channels, the use of grants and loans and geographic and sector allocations. The chapter uses data to track Korea's performance against its national and international commitments; reviews changes in aid levels as well as plans for meeting its targets; how closely allocations reflect Korea's stated policy; and looks at how bilateral and multilateral budgeting processes and policies support the effectiveness of the overall system. The chapter concludes with some future considerations that are designed to build on Korea's achievements since joining the DAC to strengthen further its performance in respect of ODA volume, its approach to bilateral and multilateral aid channels and the geographic and sector allocations of its aid.

Korea needs to sustain increases in its ODA volume

Several years of steady growth saw Korea's ODA reach USD 1,325 million in 2011, equivalent to 0.12% of its gross national income (GNI). This was an increase of almost 6% in volume terms from 2010, when Korea's aid surpassed USD 1 billion for the first time. However, Korea's ODA/GNI ratio in 2011 remained the same as that for 2010 and below its 0.13% target for the year (MOSF, 2008). Korea has committed to scale up its aid to achieve an ODA/GNI ratio of 0.25% by 2015 (GOK, 2010). Korea is not a small donor: its ODA volume was the 17th largest within the DAC in 2011, up one place from 2010, and its commitment to increase ODA could bring it up to 15th position by 2015 (Graph AI, Annex A).

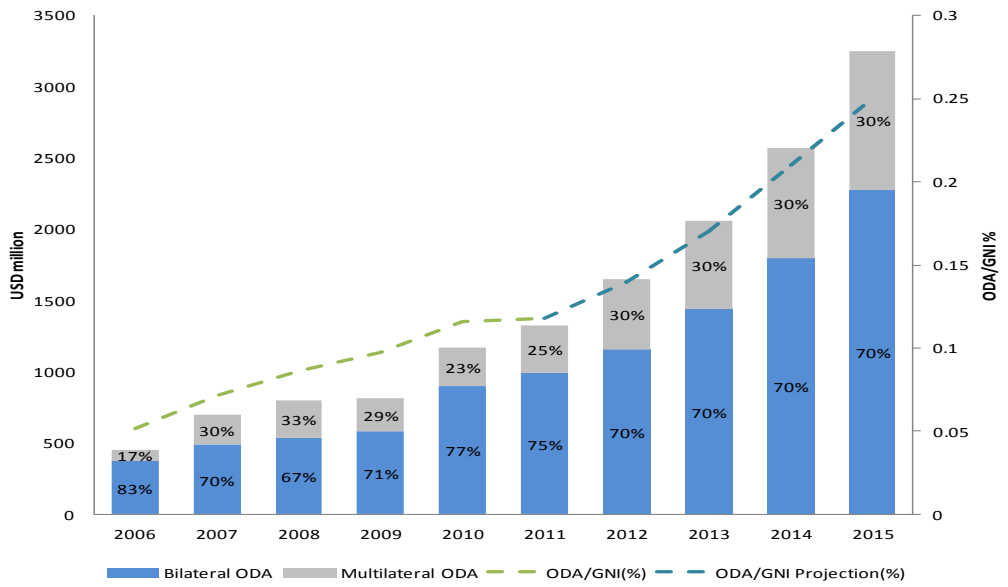
Korea faces two major challenges in achieving its target ODA/GNI ratio by 2015:

- First, it must more than double its ODA/GNI ratio over the next three years; and,
- second, it has to manage the aid increase effectively, particularly to ensure a steady and predictable rate of growth while striking a manageable and appropriate balance between bilateral and multilateral channels and grants and loans.

In light of Korea's expected rate of economic growth over the medium term of 3-3.5% (OECD, 2012a), there would appear to be ample financial scope for the planned increases in its aid volume. The peer review team estimates that Korea's ODA volume would need to be approximately USD 3,200 million by 2015 to achieve its ODA/GNI target of 0.25%. Therefore, Korea will need to increase its aid by an average annual rate of 25% for the years 2012, 2013, 2014 and 2015 (Figure 3.1), a little higher than the rate of increase experienced since 2006 and a steeper trajectory for these years than the Korean government envisaged in 2009.

Figure 3.1. Korea's official development assistance, 2006-2015

(disbursement, current prices USD millions)



Sources: OECD statistics and peer review team estimates; MOSF (Ministry of Strategy and Finance of the Republic of Korea) (2008) *Korea's ODA and the MOSF*, MOSF, Seoul; GOK (2010) *Strategic Plan for International Development Co-operation*, GOK, Seoul

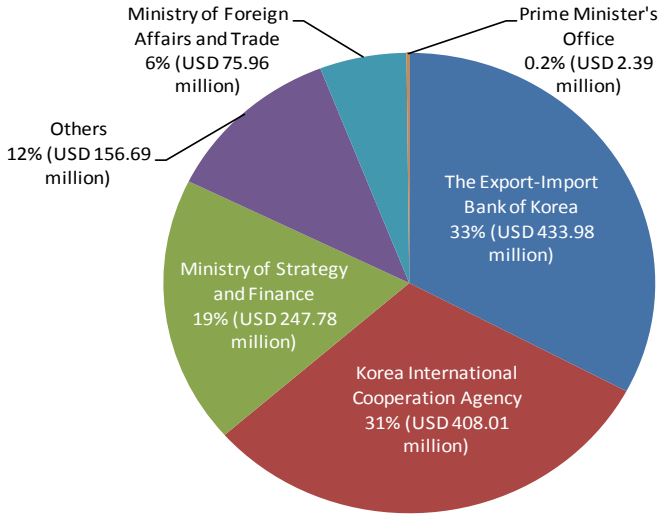
As for the second challenge, Korea should think about how it can most effectively distribute the increased money across the various channels (bilateral and multilateral aid), instruments (grants and loans), countries, sectors, modes of delivery (projects, programmes, budget support) and partnerships (such as civil society and the private sector). Several other DAC members (Australia, Finland and the UK) have rapidly increased their aid in recent years and have each adopted different strategies with varying degrees of success. If Korea can finance and manage the planned increases in its aid programme and then build on this in the years that follow, its development effort ultimately should reflect its position as the world's 13th largest economy.

Korea has a relatively concentrated aid system, but coordination remains a challenge

Korea's system for managing aid is more concentrated than most DAC members, but fragmentation is becoming an issue. In 2011, 88% of Korea's ODA was concentrated in two ministries: MOFAT (and its agency, KOICA); and MOSF (and its agency, EDCF), see Figure 3.2. While there were more than 30 Korean authorities involved with ODA in 2011, these accounted for only 12% of the total. However, as the volume of Korean ODA is set to more than double over the next three years, fragmentation may become more of an issue, especially if the planning and budgeting issues referred to below (Section 3.3) are not fixed.

Figure 3.2. Korean ODA by government department, 2011

(disbursements USD million)



Source: Data provided to the peer review team by EDCF

Korea's planning and budgeting process for its ODA should be strengthened

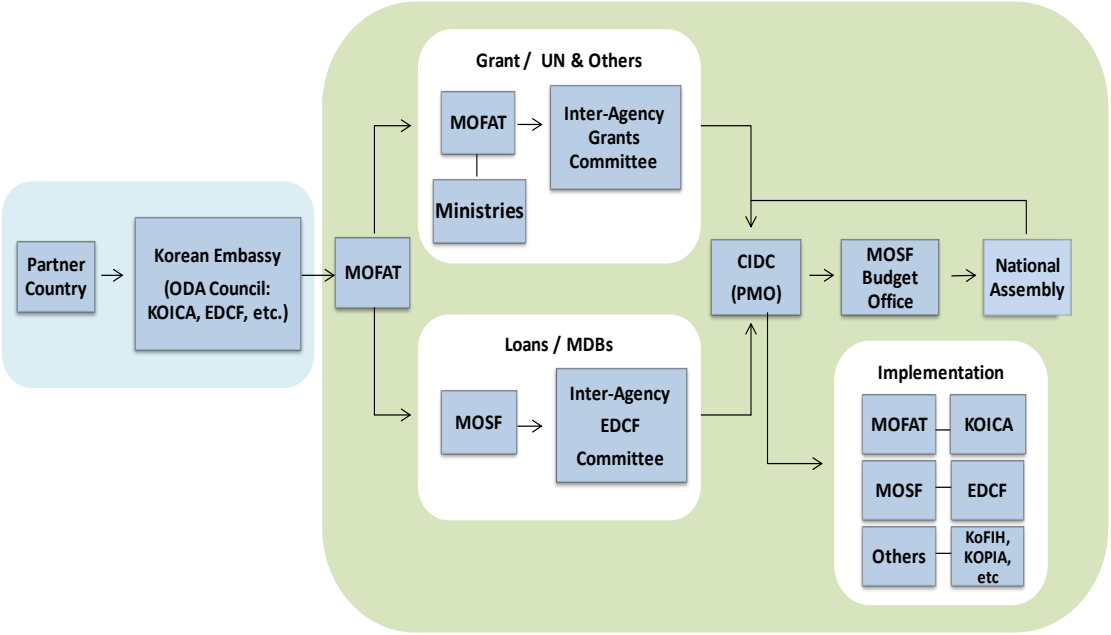
Korea has a potentially effective planning and budgeting process for its ODA (Figure 3.3), but it is not yet ensuring that all areas of the aid programme are consistent with its strategy, particularly those being supported by ministries other than MOFAT and MOSF. In addition, the project approval process is sometimes unpredictable, with several proposed projects ultimately rejected each year even though they have been approved by the responsible Inter-Agency Committees within Korea's system. To tackle these weaknesses, all line ministries should be accountable to the Inter-Agency Grants

Committee or the Inter-Agency EDCF Committee (depending on whether grants or loans are being considered) and CIDC for their ODA-funded activities (see Chapter 4 and Figure 4.1). The CIDC is the main decision maker about Korea's aid budget; however, its mandate is constrained by two main factors:

- MOSF's Budget Office has a separate veto on grants and loans that it considers do not meet its own project approval criteria – this has resulted in several projects and programmes being rejected after they have been approved by the respective Inter-Agency Committees for grants and loans and endorsed by the CIDC through Korea's annual ODA plan.

- Korean line ministries often bypass the Inter-Agency Grants Committee and request and receive project approvals directly from the MOSF Budget Office for ODA-funded activities.

Figure 3.3. Korea's ODA planning and budgeting process, 2012



Source: Information presented to the peer review team by the Government of Korea

Budget Office approvals of ODA-funded activities that are developed by line ministries outside of Korea's ODA planning and budgeting process could undermine the effectiveness of its aid, increase the transaction costs of its partners and can weaken partner country ownership. In Cambodia, for example, Korea's Ministry of Health developed an ODA-funded programme with the Cambodian Ministry of Health without sufficient reference to Korea's ODA planning and budgeting process or the central government body in Cambodia responsible for co-ordinating aid. Given that project preparation takes time and that the expectations of partners are raised, it is important that Korea's approval process is predictable. In 2010 and 2011 Korea reported that its ODA budget execution performance against allocations was 87% and 84% respectively, indicating the need for improvement to the budget and planning process to improve execution rates.

To improve the performance of Korea's aid system, three changes should be considered:

- The Budget Office's project approval criteria should be clear ex ante and discussed in the CIDC with regard to their appropriateness for ODA funded operations.
- The Budget Office's views on projects and programmes should be sought much earlier in the planning and budgeting process, preferably before they reach the respective Inter-Agency Committees for grants and loans.
- The Budget Office should not consider or approve any ODA-funded activity that is proposed outside the established ODA planning and budgeting process.

Allocations: Korea has target ratios for bilateral and multilateral ODA, grants and loans

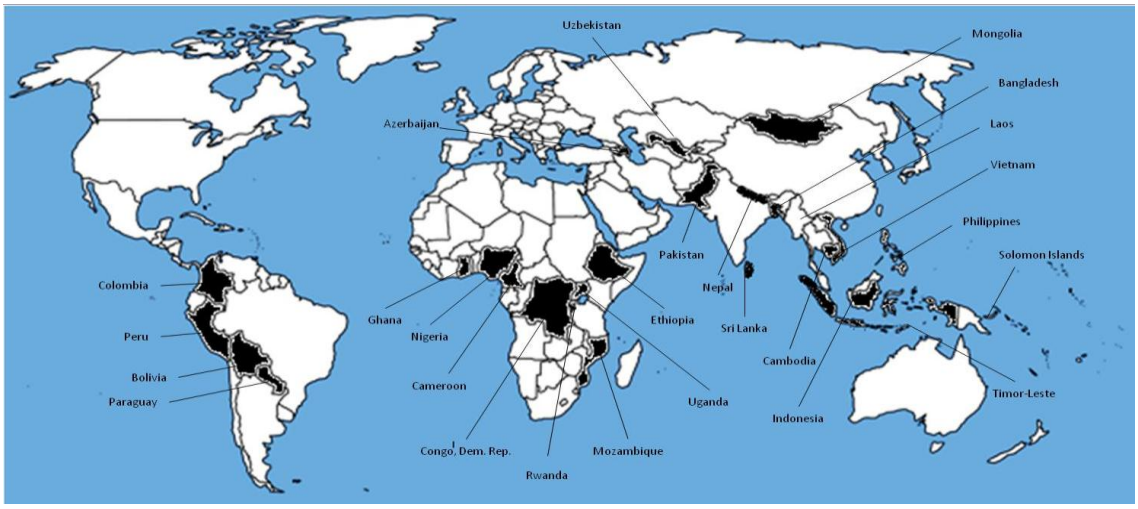
When making its allocations, Korea first divides its ODA between the bilateral and multilateral channels. The second division is then between grants and loans within the bilateral channel. The remainder of this chapter follows these divisions of Korea's ODA: we begin with an analysis of Korea's bilateral ODA and, within this, the use of grants and loans, geographical and thematic concentration and cross-cutting issues; this is followed by analysis of Korea's multilateral ODA.

Korea's allocations to its two main channels have varied from a ratio of 83:17 (bilateral: multilateral) in 2006 to 75:25 in 2011. Korea has set a target ratio of bilateral to multilateral funding of 70:30 to be achieved from 2012 to mirror as closely as possible the DAC average multilateral aid share, this average was 28% in 2011. Given the major increases planned in Korea's ODA over the next three years, however, it may be appropriate to adopt a more flexible approach. Some DAC members have found it easier to grow their ODA through increased contributions to the multilateral channel.

Bilateral aid

It is good practice for DAC members to make the most of their aid by focusing it on their geographical and thematic priorities. While Korea's aid flows are focused on its thematic priorities, they are not yet sufficiently aligned to its 26 priority partner countries (Figure 3.4). Korea is above the DAC average in terms of the proportion of a DAC member's total bilateral ODA that is spent on its top 10 and 20 aid recipients. In 2009/10 Korea's top 10 recipients accounted for 49% of its bilateral aid and its top 20 recipients received 68%, compared to the DAC averages of 39% and 52% respectively (Table A.4, Annex A). However, only 12 of Korea's top 20 recipients are among its 26 priority partner countries. This indicates that Korea has more to do to achieve its aim of focusing 70% of its bilateral resources on these geographical priorities.

Figure 3.4. Korea's 26 priority partner countries, 2012



Source: information presented to the peer review team by the Government of Korea

Korea's concentration on its priority partner countries has increased from 47% of its total bilateral aid to 24 priority partners in 2009 to 55% to 25 priority partners in 2010.[1] The proportion of bilateral aid that Korea concentrates on its priority partners should increase further as its allocation process is now geared to focus 70% of its bilateral aid (grants and loans) on these 26 countries from 2012 (GOK, 2012b). It is important to note that 13% (USD 98 million) of Korea's bilateral ODA was not allocated to countries in 2010; this is a relatively low proportion compared to other DAC members, but it affects the picture to a certain extent. Only taking into account Korea's bilateral ODA actually allocated to countries, the percentage of this spent in its top 20 recipients in 2010 was much higher: 78% (Table A4, Annex A). Korea is among the top five donors in only three of its 26 priority partner countries (Laos, Mongolia and Uzbekistan) and among the top 10 in just four others (Paraguay, Philippines, Sri Lanka and Vietnam). This is probably due to the relatively low ODA volume of Korea, but it also indicates that it needs to increase its concentration efforts (see Section 3.4.3). Further rationalisation of Korean ODA, if co-ordinated effectively with other development partners, could contribute to a better global donor division of labour.

Korea has increased the amount of aid it gives to the poorest countries

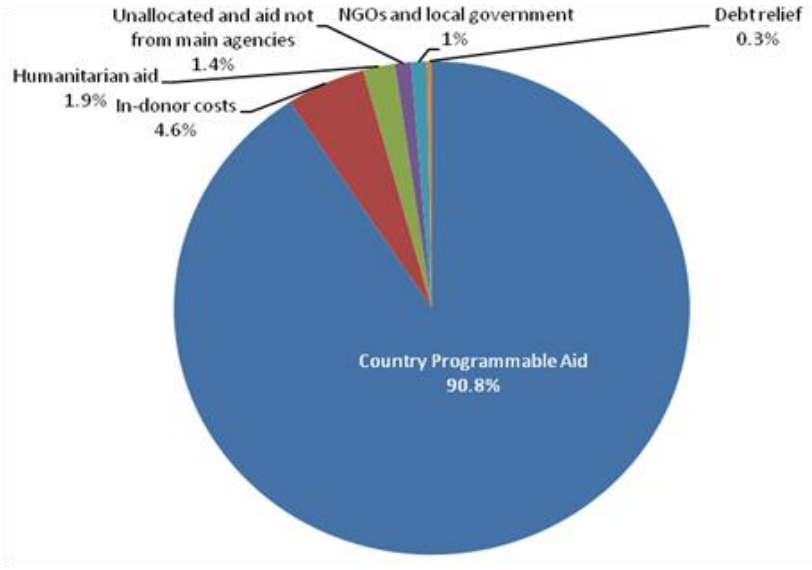
Over the last five years Korea has been increasing its aid to least developed countries (LDCs) and other low-income countries (LICs), particularly heavily indebted poor countries (HIPCs); it should sustain this trend. In 2010 Korea allocated 61% of its gross bilateral ODA to the first two groups of countries, which is above the DAC average of 53% (Table A3, Annex A) and up from only 38% in 2006. Korea is committed to its policies to increase its aid for LDCs and heavily indebted poor countries (HIPCs) in particular; it should therefore continue to maintain these positive trends. While most of Korea's assistance goes to Asia, it doubled its support to Africa between 2005 and 2008 through its *Initiative for Africa's Development*. This initiative came to an end in 2008; Korea announced a second programme of assistance at the Korea-Africa Forum in November 2009 (GOK, 2012b). In 2010 Korea allocated 14% of its gross bilateral ODA to sub-Saharan Africa, compared to 11% of a much smaller total in 2006.

The level of Korea's country programmable aid is high, but it is spread thinly

Korea has the highest level of country programmable aid (CPA) of any DAC member, but, as with its bilateral ODA more generally, it is not sufficiently focused on its 26 priority partner countries. Country programmable aid is a measure of a donor's contribution to the "core" development programmes of its partner countries; it is spent in the partner country and is normally reflected in government-to-government agreements, such as memoranda of understanding. Korea's CPA amounted to USD 848 million in 2010 (Figure 3.5), equivalent to 91% of its gross bilateral ODA. This is much greater than the DAC average of 55%. Korea's high CPA figure is caused mainly by its low levels of other bilateral costs, such as in-donor costs, humanitarian assistance and debt relief. Debt relief amounts to only 0.3% of Korea's gross bilateral ODA (Figures 3.5 and 3.6). However, Korea's stock of debt with ODA-recipient countries is growing and it is already in touch with the Paris Club and participating in dialogue regarding debt-rescheduling as and when necessary. As noted above, the proportion of Korea's bilateral ODA that is allocated to countries (87%) is also higher than other DAC members and this is associated with above average levels of CPA.

While Korea had high levels of CPA in 2010, this was spread thinly across 79 recipient countries (10 more than in 2009), of which 25 were priority partner countries in that year. This made Korea one of the least concentrated DAC members in 2010. As indicated above it has some way to go to achieve its stated aim of concentrating its bilateral ODA (most of which is CPA) on its 26 priority partner countries. These received 60% of all Korea's CPA in 2010. That same year it was a significant donor in 28 out of 79 countries who received its CPA – a lower CPA concentration ratio (35%) than the average of 54% for DAC members. Moreover, only 12 of the 28 countries in which Korea is significant are among its priority partner countries. The average CPA in Korea's priority partner countries for 2010 was USD 20 million *versus* USD 6 million in its other partner countries. The main message from this analysis is, therefore, that Korea should continue to concentrate its ODA on its priority partner countries and, as suggested in Chapter 1, consider reducing the number of these so that it can become a significant donor in more of them.

Figure 3.5. Composition of Korea's bilateral ODA, 2010



Source: OECD statistics

A need for greater focus within Korea's wide-ranging thematic priorities

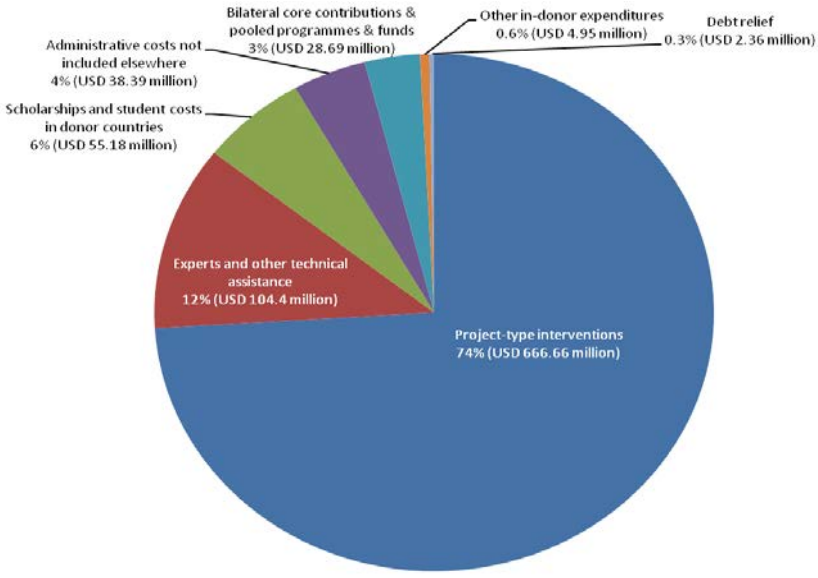
Korea spends most of its money on support to education, health and basic infrastructure, particularly transport (Table A.5, Annex A). These allocations are in line with Korea's policies and strategies, but, as discussed in Chapter 1, the sectors supported are wide ranging and there is a need to focus within these on key priorities in consultation with partner countries.

An over-reliance on project aid

As part of its commitment to the Paris Declaration principles and also as a means to scale up its aid, Korea is planning to incorporate new aid modalities in its programming for both loans and grants. However, in 2010 Korea allocated only 3% of its total bilateral ODA through programme-based approaches (PBAs) or pooled funds. Most of Korea's bilateral aid (86%) was delivered in the form of conventional grant or loan-funded projects and technical assistance (Figure 3.6), mainly stand-alone in nature. The average size of Korea's projects is USD 1 million for grants and USD 30 million for loans.

KOICA is in the process of formulating guidelines and new instruments for programme-based approaches and, together with EDCF, is engaged in a pilot sector budget support programme in Vietnam. The senior managers of KOICA and EDCF appreciate that in order to increase participation in programmes it will be necessary for these agencies to also develop sufficient capacity in the field to engage in policy dialogue and manage a broader set of issues, such as governance and public financial management. The two agencies' parent ministries, MOFAT and MOSF, also appreciate that to scale up Korea's aid successfully they have to move away from their current reliance on small-scale conventional projects to deliver their assistance. This will also involve a shift towards multi-year ODA plans for countries and programmes. While Korea's system is based on annual budgeting, the Korean Budget Office has confirmed that this is not a constraint to the development and publishing of multi-year assistance plans (this is already happening with Korea's humanitarian assistance; Chapter 6).

Figure 3.6. Korea's bilateral ODA by type of aid, 2010



Source: OECD statistics

Korea should ensure that its loans are the most appropriate responses to its partners' needs

The division between grants and loans has been a subject of debate among MOFAT, MOSF and PMO and there is now a policy governing this ratio (GoK, 2012b). This policy targets a 60:40 (grants: loans) ratio for Korea's bilateral ODA net disbursements. In 2010, the ratio was 61:39 (grants: loans). Only a few DAC members use loans to any real extent: in 2010, two of these – France and Germany – had a loan component equal to 27% of their bilateral aid portfolios; while Japan had a ratio of grants to loans of 46:54. Korea's emphasis on loans can be explained by its own positive experience as a recipient of this kind of aid in the past and the profoundly held belief among some of its political leaders and aid managers that loans impose essential fiscal discipline on the recipient country.

Loans continue to be a valid instrument for financing development in the right circumstances, but Korea should pay careful attention to the impact of its loan programme on the recipient's debt sustainability in the medium term – a pre-condition for development – particularly in LDCs and fragile states and those countries rated as in debt distress or at risk of debt distress (UN, 2012). Generally, debt sustainability issues mean that concessional loans would mostly be given by a DAC member to middle income countries (MICs) rather than to LDCs and fragile states; this is also Korea's policy. However, in 2010 there was little difference between Korea's use of loans in MICs (38% of its total support), LDCs (39%) and fragile states (41%). Korea's ratio of grants to loans in HIPCs in 2010 was 82:18, a much higher ratio than in other country groups. For Korea's 25 priority partner countries in 2010, the ratio was 48:52.

With more favourable terms in operation since 2008 Korea has met the provisions of the *DAC Recommendation on the Terms and Conditions of Aid* (OECD, 1978). The recommendation states that ODA 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.[2] In order to meet these provisions Korea changed the terms of its concessional lending in July 2008. It increased the repayment period for LDCs from 30 to 40 years and the grace period from 10 to 15 years, and reduced the interest rate from 0.5% to between 0.01% and 0.1% (Table 3.2).

Table 3.1. Grant element of Korean ODA loans by category of country

Countries	Grant Element since July 2008 (%)
Category 1: LDCs	78.9 - 91.1*
Category 2: > $935 per capita GNI	84.6 - 91.0
Category 3: > $1785 per capita GNI	70.4 - 88.8
Category 4: > $3705 per capita GNI	59.2 - 87.6
Category 5: > $6465 per capita GNI	85.4 - 90.8

*A small number of Korea's loans to LDCs after July 2008 were made on terms that were previously agreed with the recipient governments with grant elements below 90.

Source: information presented to the peer review team by EDCF.

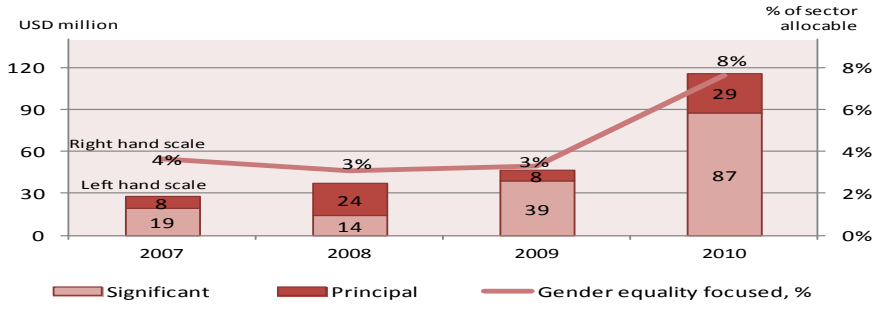
As a result, the average grant element of Korea's assistance to LDCs from 2009 to 2010 was 89.4% and 91% in 2010.[3] Korea therefore met both the 90% mark under the Recommendation for LDCs overall and the 86% minimum for each individual LDC in 2010. Korea is monitoring its overall loan portfolio to ensure that the potential hardening of terms for one group of middle income countries (Category 3 in Table 3.2) does not reduce the overall grant element of its total ODA to below 86%.

While Korea meets the criteria of the Recommendation, it should ensure that in each case its loans are given only when (1) they are the best means of addressing the development need of a particular partner country; and (2) they meet specific objectives in a partner country's development strategy. It is also important to note that loans have a drawback: the negative entries required when loans are eventually repaid may make it more difficult for Korea to meet its medium-term targets for net ODA. Korea's heavy reliance on loans will require it to plan carefully over the medium to long term to ensure that repayments are fully taken into account in its plans for scaling up its ODA.

Increased spending on cross-cutting issues: gender equality and the environment

Korea committed a low proportion of its sector allocable ODA to gender equality and women's empowerment in 2010 (a little under 8%, or USD 132 million), which is less than most other DAC members. However, this is an increase over the amount of ODA Korea devoted to this activity in previous years (Figure 3.7).

Figure 3.7. Korea's ODA in support of gender equality and women's empowerment, 2007-10 (2009 USD millions)

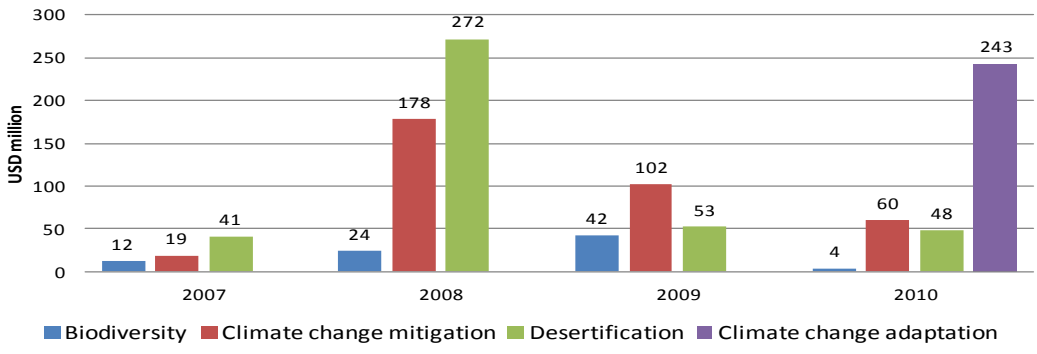


Source: OECD statistics

It is good that in 2011 KOICA established a Gender Mainstreaming Guideline; through this it is expected that 10% of the budget for each project supported by the agency will be allocated to activities for gender equality (KOICA, 2011f).

Korea's contribution to environment and climate change-related activities increased to 14.1% of its bilateral ODA in 2010 from 1.7% in 2007 (Figure 3.8).

Figure 3.8. Korea's ODA to the objectives of the Rio Conventions, 2007-2010



Source: OECD statistics

Korea aims to increase its "green ODA" to 30% by 2020 (Box 3.1). It committed almost USD 250 million of its ODA in 2010 to climate change adaptation, including USD 27.5 million to the Global Environment Facility for the period 2010 to 2014; and USD 20 million to the Asian Development Bank's Future Carbon Fund for the period 2010 to 2013. Korea should ensure that its draft definition of "green ODA" is consistent with the DAC's Creditor Reporting System's environment marker so that data are internationally comparable and credible.

Box 3.1. Korea's green ODA and global development initiatives

Greening ODA is one of Korea's key agendas. In 2008 the government established the USD 200 million East Asia Climate Partnership (EACP) Initiative, covering 2008 to 2012. The EACP includes 29 projects in 5 areas of green growth: water management, low-carbon energy, low-carbon cities, waste treatment, and forestation and biomass. Through the EACP, the proportion of Korea's green ODA increased from 11.3% of total bilateral ODA in 2007 to 13.6% in 2010. Korea has also increased its contributions to various green multilateral funds.

On the technical co-operation front, Korea led the establishment of the Global Green Growth Institute (GGGI) in 2010 with headquarters in Seoul and offices in Copenhagen, Abu Dhabi and London. This research centre shares knowledge of good practice on green growth and assists developing countries in building sustainable green growth models that integrate economic, environmental and social development objectives. So far, the organisation has attracted Australia, Denmark, Japan and the UAE as major donors and has been working on green growth planning in developing economies such as Brazil, Cambodia, Ethiopia, Indonesia, Kazakhstan, Mongolia, the Philippines and Thailand. As of 18 October, GGGI was officially launched as an international organisation.

Source: OECD (2012b), Development Co-operation Report 2012, OECD, Paris

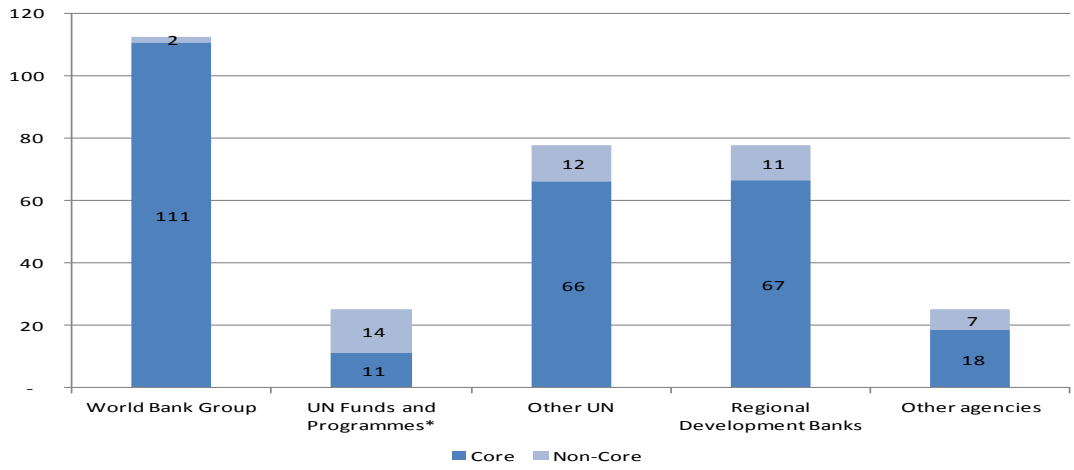
Increasing Korea's engagement with civil society and the private sector

The volume of aid that Korea channels to and through CSOs and NGOs increased from USD 11 million in 2009 to USD 18 million in 2010, but this channel remains one of the smallest components of Korea's development assistance (less than 2% of its total ODA in 2010). This reflects the lack of a clear strategy for working with civil society. KOICA has increased amounts for NGOs and CSOs in its 2012 budget, in accordance with its agency strategy for working with civil society and the private sector (KOICA, 2011a). Korea could consider increasing both the scale of overall support that it channels through CSOs as well as the size of individual funding agreements to improve effectiveness and efficiency. In developing its work with civil society, Korea should take into account the lessons of other DAC members in this area, recently summarised in *12 Lessons from DAC Peer Reviews on Partnering with Civil Society* (OECD, 2012f).

Multilateral aid

Korea increased its core contributions to the multilateral system in 2010 and 2011 and it plans to strengthen its support in the future. These increases are in line with its policy of allocating 30% of its total ODA to the multilateral channel. In 2010, Korea provided USD 273 million in multilateral ODA (as "core" funding), representing 23% of its net ODA. This was supplemented by an additional USD 45 million through multilateral organisations in the form of non-core contributions to fund specific earmarked activities (referred to as multi-bi). These core and non-core contributions made a total of USD 318 million channelled to and through the multilateral system (Figure 3.9). In 2011 Korea's multilateral ODA amounted to USD 337.4 million (in current prices), an increase of 16% over 2010 in real terms. In terms of volume, Korea was the 20th largest DAC contributor of multilateral ODA in 2010.

Figure 3.9. Korea's core and non-core multilateral aid, 2010 (USD million)



Source: OECD Creditor Reporting System (CRS)

Korea's support is provided in a way that is generally welcomed by its multilateral partners, although some would prefer Korea to make multi-year commitments for its core contributions. In 2010 most of Korea's multilateral ODA was concentrated on the World Bank Group (41%), followed by the UN agencies (24%), the Asian Development Bank (16%), other regional development banks (8%) and UN Funds and Programmes (4%). In the same year Korea's largest non-core contributions went to the UN Funds and Programmes (USD 14 million), other UN institutions (USD 12 million) and regional development banks (USD 11 million); 12% of Korea's non-core contributions were humanitarian aid.

Korea aims to make the International Monetary Fund (IMF), World Bank Group and UN system stronger and more effective and contributes to capital, special funds, trust funds and global initiatives for this purpose. Korea backs up its financial contribution by participating in the governance structures of the multilateral organisations it supports. Responsibility for this is shared between MOFAT and MOSF. Korea is the 18th largest shareholder of the IMF and the 17th largest of the World Bank Group, which stated to the peer review team their appreciation of Korea's reasonably high level of core contributions and its positive engagement in the governance of their organisations through board meetings. Korea has actively supported and engaged in the *Delivering as One* approach being piloted by the United Nations system at the country level. Korea's leadership during its G20 Presidency and its high-level support for gender equality and green growth also reflect its willingness to promote effective aid architecture and complementarities across international organisations.

Non-ODA flows

In recent years, there has been a growing recognition of the importance of non-ODA financing in the development finance picture. Many DAC members give developing countries other official finance (OOF) that does not qualify as ODA – either because the operations are clearly not development-motivated (*e.g.* export-related) or because the finance is extended at non-concessional terms (*e.g.* non-concessional loans from bilateral development finance institutions). Since last year, the DAC has been implementing a

special workstream to improve DAC statistics on these types of finance[4] (this includes a study of private financing leveraged by public interventions).

Statistical reviews carried out by the OECD's Development Co-operation Directorate highlighted that Korea's reporting on non-ODA flows is only partial. While Korea has two active export credit agencies – Kexim and K-Sure – only Kexim's direct lending operations have been included in its DAC statistics. All guaranteed export credits, reportable to the DAC under private flows, are also missing. This issue has already been discussed between OECD and Korea and it is hoped that coverage will improve in future.

According to DAC figures (Annex B, Table B.1), Korea's other official flows to developing countries have been on average USD 1.3 billion a year since 2007. Korea's private investors have also provided substantial flows in this period (an average of USD 7.9 billion), with a slight dip following the financial crisis of 2008. However, Korea's private flows at market terms to developing countries in 2010 were USD 8.7 billion (excluding export credits, see paragraph above), which is not far from the level reached in 2007 (USD 9.8 billion). In addition, Korea's net private grants for developing countries amounted to USD 49.2 million in 2010 and were substantially lower than the two previous years. As part of its focus on sustainable economic growth, Korea aims to use its ODA to help create the right kind of conditions for investment so as to leverage private sector investment in its partner countries, principally through the activities discussed in Chapter 1.

Future considerations

- Korea should make all effort to continue its recent increases in aid volumes so as to achieve its target ODA/GNI ratio of 0.25% by 2015.

- As its ODA continues to grow, Korea should allocate the increased aid resources: (1) through manageable balances between bilateral and multilateral channels and between grants and loans; (2) guided by clear strategies for thematic priorities and engaging with civil society and the private sector; while (3) strengthening the ODA planning and budgeting process to ensure consistency of approach across all Korean development co-operation.

- To make the most of its bilateral assistance, Korea should continue to concentrate its bilateral programming resources on the 26 priority partner countries, particularly the LDCs, while also maintaining the policy of no more than two or three thematic priorities in each country.

- To ensure debt sustainability, Korea should assess carefully the ratio of grants to loans for fragile states and HIPCs and when extending loans consider carefully the economic context and financial governance of these countries. Korea should also ensure that its choice of aid instrument reflects development objectives and partner country ownership.

- Korea should continue to concentrate its multilateral ODA on a small number of entities and link its support more closely to agency performance (supporting and making use of MOPAN to measure this) and Korea's priorities.

Notes

1. Korea had 24 priority partner countries in 2009 and added Cameroon and the Solomon Islands to the list in 2010, bringing the total to 26.

2. The "grant element" is the difference between the face value of a financial loan commitment and the discounted present value (using a 10% discount rate) of the service payments to be made by the borrower during the lifetime of the loan, expressed as a percentage of face value.

3. 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 GNI are significantly below the DAC average will not be considered as having met this term's target". Korea's grant element in 2010 was 93.6% of its ODA commitment, so it meets the first element of the Recommendation. However, Korea's ODA commitment (0.25%) as a percentage of its GNI is significantly below the 2010 DAC average of 0.37%, meaning that it does not meet the associated volume test. "Significantly below" is traditionally interpreted as meaning more than 25% below, so only countries with less than 0.28% ODA/GNI commitments in 2010 fail it. Three other DAC members – Greece, Italy and the United States – also did not meet the volume test in 2010.

4. So far, two major statistical reviews have been carried out (on export credits and DFIs' operations). These highlight a number of issues to be solved, such as the coverage (incomplete for both series), the classification (to better reflect the variety of financial instruments) and the measurement (net vs. gross disbursement for further valorising financing beyond traditional ODA).

Chapter 4

Organisation and management

The DAC requires Korea (and all DAC members) to put in place sound organisational management structures, including appropriate institutional frameworks with sufficient ability and operational capacity; a system to monitor performance; and an impartial and independent evaluation system. This chapter assesses whether Korea's aid administration and organisation are appropriate to meet its development goals and objectives; whether it has the appropriate capacities; and what efforts it is making to ensure the system delivers aid effectively. It describes how Korea's aid system is based on two main pillars: grants and loans, the former managed by MOFAT and the latter by MOSF. Major recent steps forward include (1) the strengthened role of the Committee for International Development Co-operation (CIDC) as the central body responsible for aid policy and co-ordination; and (2) the introduction of country partnership strategies (CPS) that, for the first time, bring together Korea's grants and loans into one document. Remaining challenges include achieving greater synergies between loans and grants; strengthening co-ordination mechanisms, especially the CIDC; making the Budget Office more proactive; increasing staff capacity; and improving evaluation.

Korea's development co-operation system: two pillars and two main challenges

Korea's aid system is based on two main pillars: grants and loans (see Figure 1.1 in Chapter 1), the former managed by MOFAT and the latter by MOSF (Figure 4.1). Most of Korea's ODA (88% in 2011) is concentrated in these two ministries (Chapter 3). In addition, over 30 other ministries, agencies and municipalities provide small amounts of grant aid (mostly in the form of technical co-operation) for different purposes to more than 70 developing countries.[1]

The division of labour between the two principal ministries and their respective agencies is clear and appears to be working well generally. Under the first pillar (grant-based aid), MOFAT sets the grant aid policies and KOICA carries them out with a high level of decentralised authority once projects have been approved. KOICA has a limited role in policymaking by providing input into the decisions of the Ministry. Under the second pillar (loan-based aid), MOSF sets policy directions and oversees the Eximbank's execution of the EDCF including the approval of its loans. MOSF chairs the Fund Management Council, which is responsible for the EDCF's operation and management. While the amount, terms and conditions of the loans are determined by MOSF, once approved, EDCF has the authority to enter into the loan agreement with the partner country and make operational decisions. EDCF is also the agency responsible for collecting and managing Korea's ODA statistics and its participation in the DAC's Working Party on Statistics.

What challenges arise from this set-up?

1. How to integrate all grants (from all agencies) and loans into a unified strategy; and,
2. How to co-ordinate aid effectively, particularly at country level.

These challenges are becoming more important given Korea's planned ODA increases and its commitment to the Paris Declaration aid effectiveness principles (Chapter 5), and are the subject of the sections that follow.

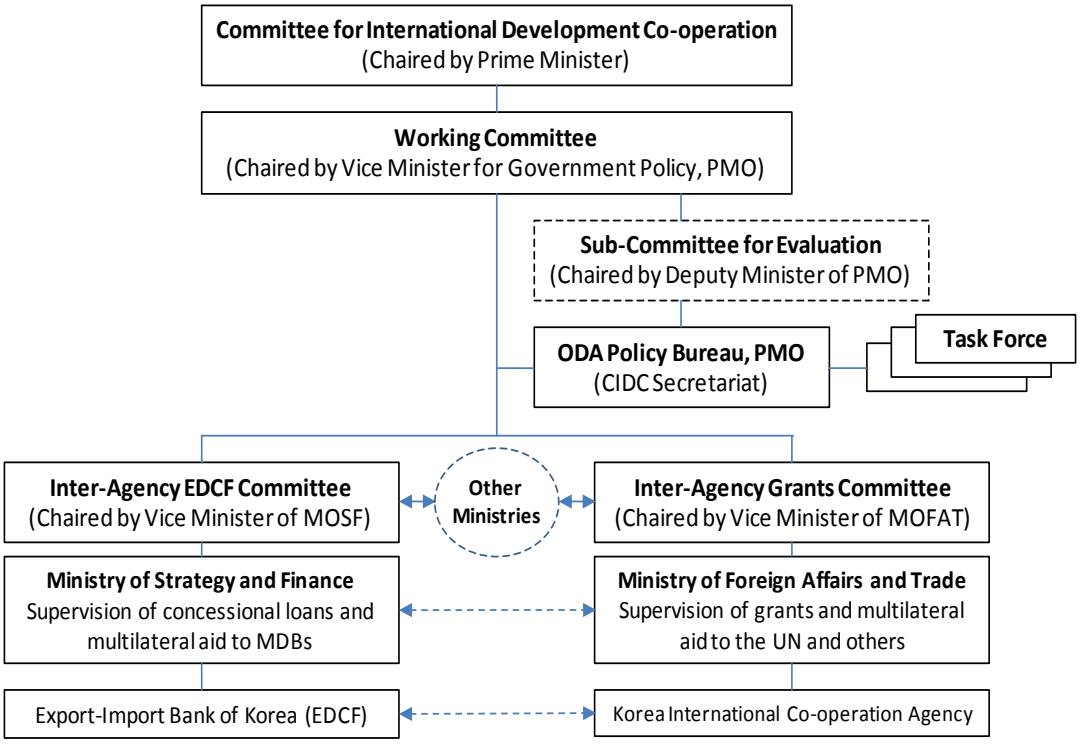
Korea has improved the integration and co-ordination of its aid

The Framework Act provides the legal and political foundation for Korea's development co-operation and makes clear the various roles and responsibilities of the different actors involved.[2] Building on the existing good consultation between ministries that is part of the Korean government's mode of working, the Framework Act supports ODA policy co-ordination and addresses fragmentation through establishing formal structures and processes for decision making. These structures and processes can be built on and strengthened still further, as discussed in the following sections.

At the centre of Korea's aid system (Figure 4.1) is the strengthened and high-level Committee for International Development Co-operation (CIDC). CIDC is chaired by the Prime Minister and comprises 15 ministers,[3] the heads of KOICA and Eximbank, and seven civilian experts appointed by the Prime Minister.[4] The CIDC was established in 2006 as the country's highest decision-making body – an "ODA control tower" – to oversee and strengthen policy co-ordination and the strategic aspects of Korean ODA. The Framework Act confirms these responsibilities, and under the chairmanship of the Prime Minister, the CIDC has *de facto* authority to direct all ministries as decreed by the President. The CIDC has met on average thrice a year (13 times as of November 2012) since the enactment of the Framework Act and has made some important decisions,

particularly to promote an integrated approach to Korea's development co-operation. The agenda and the key decisions of the CIDC meetings are made public on the Korea ODA website. At the policy level, the CIDC is supported by a Working Committee chaired by the Vice Minister for Government Policy of PMO which meets at bureau-chief level and includes seven civilian experts as members. The Working Committee is responsible for setting the agenda for deliberations by the CIDC.

Figure 4.1. Korea's aid management architecture



Source: Adapted from GOK (2012b) Memorandum for the DAC Peer Review Republic of Korea, GOK, Seoul

While Korea has strengthened the co-ordination of its aid, many challenges remain, particularly in making co-ordination mechanisms work as intended and to ensure there is sufficient capacity to support them. MOFAT serves as the Executive Secretary to the Inter-Agency Grants Committee while MOSF plays the same role for the Inter-Agency EDCF Committee. These committees co-ordinate the government's grant and concessional loan activities and report upwards to the CIDC. As discussed in Chapter 3, in principle, other ministries and agencies must consult with and receive approvals from these committees for their own ODA activities in order to ensure a consistent approach across the government. In addition, the Inter-Agency EDCF Committee also promotes better synergies between EDCF and other ministries through developing joint projects, including co-financing.[5] However, as suggested in Chapter 3 these co-ordination mechanisms need strengthening to achieve greater consistency of programmes, more effective delivery of Korea's aid and greater integration between Korea's loans and grants.

Achieve greater synergies between loans and grants

A good first step would be more dialogue between the two inter-agency committees and the two ministries and agencies from the earliest stages of programming. For example, all requests for EDCF loans are transmitted through Korea's diplomatic channel (*i.e.* the embassy and MOFAT) to MOSF. But at no stage is there a joint discussion between MOFAT and MOSF on how best to respond to these requests and with what mix of instruments. The views of partner countries also appear to be missing in these forums. In addition, Korea's project approval process could be improved by strengthening the Inter-Agency Grants Committee as central authority with decision-making power to co-ordinate and ensure that all grant aid policies and activities fit into a coherent whole. Additionally, while co-ordination between KOICA and EDCF appears to be taking place, there is an absence of a robust forum for achieving greater synergies between loans and grants. At present, integration efforts are largely project based and not at a strategic level. The two Inter-Agency Committees for grants and EDCF should co-ordinate with each other to achieve synergies and make the whole of Korea's aid more effective. Improved co-ordination will also result in reduced transaction costs for Korea's partners

Strengthen co-ordination mechanisms and capacities, especially the CIDC

The CIDC also provides a good foundation for promoting greater synergies between grant aid and loans and for ensuring that the most appropriate of these instruments is chosen in each case to support partner country development objectives. The CIDC is an important oversight body for managing Korea's expanding aid programme. Its inter-ministerial mechanisms allow for different branches of the government – all with varying institutional interests – to exchange information and to adhere to common policies and goals as they implement ODA-funded activities. It is also a good mechanism to introduce longer-term planning and for better co-ordination across ministries. For example, the decision by the CIDC to formulate a single, integrated medium-term partnership strategy for each country is an important step towards bringing all elements of Korea's aid system in partner countries under one strategic umbrella.

The 2009 DAC Accession Review (OECD, 2009a) highlighted the need for a staffed secretariat to augment the capacity of the CIDC. Korea acted on this by creating the ODA Policy Bureau within the PMO. The bureau is the main conduit for co-ordinating Korea's ODA policy and planning within the Korean government. The Strategic Plan (GOK, 2010), which sets out the overarching vision and strategies for Korea's ODA (both grants and loans), was prepared by the bureau, in close collaboration with other ministries. It is also responsible for co-ordinating and preparing the CIDC's agenda for the Working Committee's approval.

The ODA Policy Bureau, in itself, is a microcosm of inter-ministerial policy coherence in practice, staffed by officials assembled from PMO, MOSF, MOFAT, KOICA and the Eximbank to facilitate greater co-ordination and execution of Korea's aid policies in a comprehensive and systematic manner. The peer review team noted that the relatively substantial amount of resources devoted to the ODA Policy Bureau is an indication of the strong commitment of Korea towards effective co-ordination of its ODA. Nonetheless Korea's aid machinery remains somewhat organisationally fragmented and there is scope for improving the co-ordination of Korea's grants in particular at country level.[6] In addition, policy is divorced from implementation in Korea's system. In principle, the CIDC determines policy and implementing agencies execute it. While the CIDC has potential for further improving the effectiveness of ODA

policies and strategies, it needs to make full use of its legislative mandate as stipulated in the Framework Act and fulfil its role as the top co-ordinating and decision-making body in the context of the planning and budgeting processes.

Bring the Budget Office into the picture at an earlier stage in the process

As discussed in Chapter 3, Korea does not have a consolidated ODA budget or an overall strategy for guiding all of its aid allocations. Individual ministries still hold the decision-making power to plan and execute their own ODA-funded activities, subject to the approval of the Budget Office, outside the established ODA planning and budget process. Therefore, under the current arrangement, responsibility for making policy decisions is separated from the accountability for delivering them, which can lead to problems.[7] Korea could improve its aid management by reforming its budgeting and planning processes, particularly bringing the Budget Office's role in clearing projects to an earlier stage in the cycle.

Building on a system that is partly decentralised

Korea's development programmes are well managed in the field by Korean implementing agency staff, including KOICA with its overseas offices in 44 partner countries. These field-based KOICA teams have authority to make all decisions once a project or programme has been approved. EDCF teams in headquarters and in the field also have high levels of delegated authority once projects have been approved. Together, these features allow a greater role for the field in identifying and consulting on priorities for country programmes. These processes can be built on and strengthened even further by delegating more decision-making power, including financial authority and management, to the field and ensuring that there are sufficient people with the right skills in the field to support this delegation.

Strong support for field orientation through the ODA Councils

Korea's Framework Act and Strategic Plan clearly support the concept of field orientation. In addition to introducing the country partnership strategies for its 26 priority partner countries (see Chapter 1), Korea has also increased field orientation by establishing ODA Councils in these countries. Korea's 26 ODA Councils are each chaired by the Korean ambassador and comprise Korean embassy staff in charge of ODA; KOICA and EDCF field office representatives and other members of public agencies; and private contractors implementing aid projects. The ODA Councils work with headquarters to ensure coherent ODA policies in the field and to develop whole-of-government country partnership strategies. They meet regularly to exchange information and report on members' respective aid activities, both ongoing and planned.

The establishment of ODA Councils in Korea's priority partner countries is an important step towards better co-ordination of Korea's bilateral development co-operation. This could be built on by, for example, KOICA and EDCF assuming increased authorities within approved country partnership strategies to make more decisions locally, allowing Korea's supervising ministries to concentrate on strategic issues and co-ordination in headquarters. Currently all decisions for fragile partner countries are made in Seoul (Chapters 1 and 6). Further decentralisation of decision-making responsibilities, with accompanying resources, would improve the oversight of Korea's aid and could help address some partners' concerns about delays in processing decisions and approvals. This is particularly relevant for fragile partner countries and would help Korea adjust its

programmes and adapt to what can be rapidly evolving environments. An increased field presence and more delegation of responsibility would also help to maximise collaboration with other development partners, including local non-governmental and civil society organisations.

The Councils also provide a forum for bringing Korea's two main implementing agencies (KOICA and EDCF) together at country level. The peer review team learned, for example, how in Cambodia the co-ordination of KOICA and EDCF activities has been greatly improved through these more regular interactions in the Council. Korea's ODA Councils should ensure consultation, not only among Korean stakeholders, but also with partner countries and local civil society – currently the Councils do not always include civil society representation, something which should be rectified in due course. Korea's partners should have the benefit of a united and effective Korea country team supported by the ODA Council. With some further improvements and strengthening of their facilitator role, together with enhanced capacity in Korea's embassies to support this, ODA Councils in partner countries could make a positive difference to the effective delivery of Korea's aid.

Ensuring Korea has sufficient, appropriate development co-operation staff for scaling up

Staffing will become a major issue for Korea as its aid programme expands. While Korea has a well-established set of people dedicated to development (Table 4.1), staff are under increasing pressure to manage larger amounts of ODA in more complex ways and contexts. Korea is planning to deliver its programmes through new ways of working and it is clear that increases in the aid programme will have to be accompanied by a careful assessment of the skills and resources needed to manage a high quality, growing programme. While this situation does create an obvious tension, Korea can manage this by:

- streamlining its procedures;
- concentrating its resources on fewer countries (particularly by concentrating KOICA and EDCF field offices on Korea's priority partner countries);
- further consolidating its ODA management, in the way that it has recently done for its volunteers programme; and
- supporting fewer but much larger programmes.

Table 4.1. Development co-operation staff, May 2012

Ministry/agency	Numbers of staff
PMO staff working on development co-operation (Seoul)	12
MOFAT staff working on development co-operation (Seoul)	33
MOSF staff working on development co-operation (Seoul)	23
KOICA total staff	247
(KOICA headquarters staff)	(165)
(KOICA field staff)	(82)
EDCF total staff	84
(EDCF headquarters staff)	(73)
(EDCF field staff)	(11)
Total	**399**

Source: GOK (2012b) OECD-DAC Special Peer Review Memorandum of the Republic of Korea, GOK, Seoul

The staffing challenges facing KOICA

KOICA's organisational capacity and resources appeared to be particularly stretched. Its programmable budget has more than doubled since 2005 to reach USD 432 million in 2012, while its number of staff has remained the same. Although KOICA has augmented its capacity by recruiting and dispatching contract-based sector specialists to the field, its staff are still under pressure both in the field and in headquarters. For example, a large proportion of KOICA's field management resources appear to be consumed by its volunteer programme, the World Friends Korea (WFK). In Cambodia, seven (four Korean and three locally-engaged) of the 25 KOICA staff are fully devoted to servicing the more than 80 volunteers active in the country. The costs of managing this programme should be at least commensurate with the developmental benefits and results that are being achieved. Korea should therefore evaluate the impact and results of World Friends Korea and, as part of this, consider whether the costs of programme management could be reduced, perhaps by contracting this function out. If KOICA could be spared these management responsibilities it would create more space for strategic analysis, programme development, networking, field visits and engagement in policy dialogue.

Salaries are another major concern for KOICA staff. Contrary to the rising importance (and profile) of KOICA as one of the country's primary agencies devoted to ODA, its salary levels rank among the lowest in the government. Salaries are estimated to be around 70% of the average for the 250 Korean government agencies. This is affecting staff morale, especially for those at the mid-career level. In the context of rapidly increasing aid volume, the recruitment and retention of development professionals in both agencies will be crucial for Korea to deliver an effective aid programme.

Build more staff capacity

Korea should ensure its development co-operation personnel have the capacity and resources needed to deliver on Korea's commitments, particularly the Paris Declaration and Strategic Plan. For example, awareness of the fragile states principles, and of the different approaches that can be applied to working in these difficult environments, could be broadened. Korea has a small core group of staff who have a good understanding of working in fragile contexts, but outside of this group awareness levels are limited. Staff

training on this topic would be useful, given the high number of Korea's partner countries which are fragile states – 12 out of the total 26.

Capacity within the PMO (ODA Policy Bureau) will especially need to be strengthened as it brings together all the various ODA activities being carried out by numerous ministries and agencies. Staff rotations seem to occur more frequently than in most DAC member countries – many people return to their ministries of origin after only one or two years (on average). This is partly due to greater interest among government officials in working on development co-operation. This raises issues of stability and continuity. Furthermore, those making key decisions on aid policies and allocations often lack development knowledge and experience, while those with the necessary knowledge are not part of the decision-making process. With the changes in Korea's development co-operation placing even more responsibility on the PMO, there is a critical need to review career specialisation in development and the stability of staff.

Focus more on human resources in the field

KOICA has embarked on a five-year decentralisation plan (2011-2015) to become more field-oriented; this commitment should drive its human resources policies and plans. KOICA has so far devolved authority for some 35% of issues to the field (52 out of 148 issues), and plans to bring the proportion of its staff in the field up to 41% (143 staff) of its total workforce by 2015. KOICA also undertook a major reorganisation in early 2011, shifting from sector-based to region or country-based planning and operation, in order to strengthen its geographical focus in line with the country strategy approach. These changes should be reflected in the agency's human resources policies and plans, with increased emphasis on preparing field-based staff for these additional responsibilities.

With only eight field offices, EDCF does not always have the capacity on the ground to participate fully in policy dialogues with its partners and other donors. This is currently the case in Cambodia (see Annex B). In these cases, some EDCF functions are often supported by embassy staff as part of their ODA Council tasks. Although it does not have any specific operational guidance for decentralisation, EDCF recognises the need for increased field-orientation and, in accordance with the Framework Act, plans to increase the proportion of its staff stationed in the field from 11 in 2012 up to 23 by 2015. It also plans to open six additional resident missions, including in Cambodia from late 2012. The peer review team welcomes EDCF's plans to place more of its staff in the field. This will further strengthen Korea's management of its loan portfolio in partner countries. However, rather than opening separate EDCF missions, Korea should take this opportunity to bring all of its main development actors together under 'one roof', something that is already being considered in Cambodia. Having KOICA and EDCF based together would ensure greater integration of these two pillars of Korean assistance, lead to more efficient operations and help to present a coherent Korea programme to its partners. This should be actively considered, firstly in the six countries where EDCF is posting its new field-based staff and, secondly, in the 11 countries where separate EDCF and KOICA offices are already working.

While posting more staff to the field is central to Korea's field orientation strategy, locally-engaged personnel are also an important part of Korean development co-operation. At KOICA, their number has doubled in the last three years – increasingly such employees possess masters' degrees or have several years' experience in development co-operation. KOICA's decentralisation strategy includes a plan to increase

the number of local staff from 130 in 2011 to 195 by 2015. Accordingly KOICA will need to make more use of its highly competent locally-engaged staff, particularly those working in Korea's 26 priority partner countries. EDCF currently employs few local staff (it opened its first resident mission in Vietnam only in 2007), but this number is likely to increase as it increases its field presence.

In Cambodia, local project employees were satisfied working in a Korean team environment and with their relative job security (contracts are for one year and appear to be renewed every year); they expressed an interest in taking on greater responsibilities. To enable local staff to play stronger roles and to climb the career ladder, Korea needs to support their capacity development. Currently, such development appears to be limited by the lack of systematic training and the fact that some training, guidance and other important documents are available only in Korean.

Concentrate field-based resources

As part of its efforts to streamline and focus its resources, KOICA is also reviewing its 44 overseas offices; this is an opportunity to rationalise its operations. As part of this review, KOICA is concentrating on Korea's 26 priority partner countries and, as a first step, closing offices in China and Kazakhstan in 2012. But at the same time, KOICA intends to open seven new overseas offices by 2015 and is considering turning some of them into larger regional offices to oversee activities across multiple countries. However, KOICA should consider the experience of other DAC members with regional offices – most have not been successful and a regional office is not a viable substitute for country offices. As mentioned above, given its human resource constraints, Korea should concentrate its field-based resources (KOICA, EDCF and other Korean agencies) on fewer countries and bring the staff of at least the two main agencies together in the field to improve efficiency and co-ordination.

Korea is building a stronger evaluation system

Korea has made progress in establishing policy, guidelines and capacity for evaluating its development programmes. Previously the evaluation of Korea's development co-operation was fragmented – the evaluation activities of each aid agency were regulated by its respective supervising ministries. Today all evaluation procedures – from planning to dissemination and feedback – are now overseen by the Sub-Committee for Evaluation, created under the CIDC in December 2009. The Sub-Committee is chaired by the Deputy Minister for National Agenda of PMO (Figure 4.1); its role is primarily to review and approve the annual evaluation plans drafted by ODA executing bodies. It has 15 members, comprised of the four principal actors of Korean ODA and experts from outside the government, with PMO providing the secretariat services.[8] To ensure evaluation becomes a good quality mechanism for managing and learning, it is important that the Sub-Committee has adequate tools and authority, and that its independence is protected. Korean ODA is also scrutinised by the Korean Board of Audit and Investigation (BAI). Together these activities are helping to develop a stronger evaluation culture within the Korean development co-operation system, which in turn increases internal demand for evaluations.

Common evaluation guidelines

CIDC has established common evaluation guidelines – the *Guidelines on Evaluation of International Development Co-operation* – and a single evaluation manual for all

ministries and agencies involved in Korean ODA. Based on these guidelines, the Sub-Committee reviews self-evaluations submitted by Korean aid agencies, and also commissions annual evaluations directly[9] on selected issues or themes. Each agency is required to report to the Sub-Committee on how it plans to reflect evaluation findings in its future aid activities; both KOICA and EDCF have internal feedback mechanisms for this purpose. On average, the Sub-Committee reviews 20 self-evaluation reports and conducts (commissions) 3 thematic evaluations every year.

One challenge highlighted by the Korean government is the varied and often low quality of self-evaluations carried out by ministries. The Sub-Committee has commissioned a meta-evaluation of Korea's ODA-related evaluations in order to assess the current evaluation system and identify how the quality of aid evaluation systems can be improved. These efforts by Korea to look critically at how to improve its evaluation function are commendable. KOICA has translated the DAC Quality Standards for Development Evaluation into Korean. This is a valuable contribution to building evaluation capacity and facilitating joint work such as that by the Ministry of Agriculture, which conducted a joint evaluation with KOICA in Cambodia as an attempt to enhance the capacity and the quality of its evaluation. In addition, CIDC has recently put in place an integrated ODA monitoring system – a one-stop-shop database for monitoring the implementation of all Korean ODA projects. Over time this should generate better monitoring and results data to serve as the basis for evaluation. Korea should share lessons from these experiences with its development partners.

A system for feeding evaluation results back into practice

KOICA and EDCF are responsible for the majority of ODA-related evaluations. Each agency has its own evaluation manuals, both of which reflect the five DAC evaluation criteria (*i.e.* relevance, efficiency, effectiveness, impact and sustainability). In order to apply evaluation results systematically to future policy and programme decisions, Korea has set up internal feedback mechanisms. Every year KOICA's Evaluation Office identifies feasible recommendations to be followed up by the relevant operational departments – though it is not clear how these recommendations are prioritised or selected and whether actions taken actually improve effectiveness. EDCF has a numerical scoring system to assess the overall success of a project in achieving agreed objectives. For transparency and accountability purposes, both agencies publish evaluation results on their websites and produce annual evaluation reports.

In order for the lessons of implementation to inform the design of new policy and strategy, the implementing agencies need to be involved in developing policy and strategy to some extent. In EDCF, the evaluation function is within the Operational Services and Evaluations Department. While it is separated from operational, policy and strategy teams, Korea should examine whether the current location of the internal evaluation function in the Eximbank ensures its independence, credibility and usefulness for organisational learning. KOICA's Evaluation Office has been set up as a separate entity and reports directly to the KOICA President. It might explore ways to link lessons from evaluations to programme design, management and learning across the organisation, while preserving their credibility and independence, for example by involving programme staff in selecting evaluation topics.

Strengthening evaluation capacity

There is an increasing level of public and parliamentary interest in Korean ODA, which will only continue as stakeholders seek more credible information on the results of Korea's expanding aid programme. This heightens the importance of and demand for evaluation still further. In addition, attention should be paid to improving staff capacities and incentives to more openly and critically assess Korea's contribution to development and to use evaluation findings to improve future aid programmes.

Korea has conducted some joint evaluations with partner governments (*e.g.* EDCF carried out a joint evaluation with Cambodia in 2011), and is considering doing more. Such evaluations offer greater potential for lessons to be learnt by both parties and are a good way to also build evaluation capacities on both sides. Korea is carrying out a small number of impact evaluations as pilots but these are still in the early stages. It would be useful to examine ways to better design, monitor and evaluate Korea's contribution to wider outcomes and impacts beyond immediate project results that are directly attributable to Korean aid. KOICA and EDCF should both aim to keep an adequately staffed evaluation unit.

Three other considerations will be important: first, more certainty over budget allocations for evaluation would enable Korea to plan its evaluation work and staff requirements better. Second, staff capacity development is also crucial. The evaluation units in each agency provide training for internal evaluation staff and external consultants to keep pace with the latest tools and methodologies. Third, more of the monitoring and evaluation work could be delegated to Korea's field offices, particularly at the project design and programming stage. Currently, it appears that most decisions on evaluations are made in Seoul and that staff in the field are somewhat constrained from initiating and using evaluations in ways that would directly inform their planning and management activities.

Future considerations

- To implement its development co-operation strategy successfully, Korea will need to ensure that the CIDC uses its powers fully to become the ultimate decision-making body in ODA planning and budgeting processes. The Inter-Agency Committees should have the necessary authority to ensure that all aid-funded activities are processed through them.
- A well-coordinated aid system and more unified country strategies will increase the coherence, efficiency and potential impact of Korean development activities. To achieve this aim, Korea should use country partnership strategies to (1) develop integrated implementation plans for all Korean aid agencies in a priority partner country; and (2) increase field orientation and empower country teams with adequate capacity and authority.
- As Korea's ODA increases its principal ministries, PMO, MOFAT and MOSF, together with its main agencies (KOICA and EDCF) will need to strengthen their human resources further by attracting and retaining quality people with the right kind of development experience, and especially to build the capacity of locally-engaged employees.
- A key objective for Korea is to improve its evaluation and results reporting and to achieve this aim PMO, MOFAT and MOSF should strengthen the independence and

procedures of the Sub-Committee on Evaluation. This will require: improved ongoing monitoring during project implementation; improved *ex-post* evaluation; strengthened capacities and delegated authority to support critical evaluation in field units; and systematically integrating lessons from evaluations into future programmes.

Notes

1. The Framework Act recognises technical ministries and local government as implementing agencies; the Presidential Decree allows them to participate as "members of the CIDC and executing bodies of ODA programme…to administer international development co-operation" (GOK, 2012b: 33). Technical ministries have particular expertise and some prefer to maintain their own aid budgets for ensuring "predictability" (as opposed to relying on KOICA for project implementation).

2. The Framework Act mandates the Prime Minister's Office (the CIDC secretariat) to co-ordinate Korean development co-operation. It does so in close co-operation with MOFAT and MOSF.

3. Ministers from: the Prime Minister's Office; Foreign Affairs and Trade; Strategy and Finance; Education, Science and Technology; Justice; Public Administration and Security; Culture, Sports and Tourism; Food, Agriculture, Forestry and Fisheries; Knowledge and Economy; Health and Welfare; Environment; Employment and Labour; Gender Equality and Family; Land, Transport and Maritime Affairs; and the Chairperson of The Korea Communications Commission.

4. The incumbent civilian experts include heads of Korean think-tanks, university professors, and heads of locally-based non-governmental and humanitarian organisations and a private consultancy firm.

5. Since its establishment, the Inter-Agency EDCF Committee has helped to realise a total of 25 collaborated projects between EDCF and ten ministries and agencies covering 18 countries (as of May 2012).

6. The problem of fragmentation was evident in Cambodia (Annex C). Several Korean implementing agencies – namely the Korea Development Institute, the Korean Foundation for International Health Care and the Ministry of Agriculture – have opted to deliver projects directly to Cambodian partners with limited and often no involvement of the embassy and KOICA.

7 . The review team was informed that policy decisions taken by the CIDC sometimes get "lost in translation" as they filter down to the level of individual ministries, reflecting their respective views and resulting in inconsistent execution of these decisions.

8. The Sub-Committee currently has seven civilian experts including professors from various universities in Seoul, an economic research institute, a Korean NGO umbrella group and a former senior KOICA staff.

9. Each year, the CIDC selects a number of themes for evaluation by the Sub-Committee (which are then contracted out to external consultants).

Chapter 5

Aid effectiveness and results

The effectiveness of development co-operation is guided by three important agreements: the 2005 Paris Declaration on Aid Effectiveness, the 2008 Accra Agenda for Action and the Global Partnership for Development, adopted at Busan in 2011. In this chapter Korea's efforts are assessed in the context of all of these international commitments to aid effectiveness. The chapter describes Korea's strong commitment to the aid effectiveness agenda and assesses its performance against the Paris Declaration principles and indicators. It is making progress in several of the areas covered by the global monitoring framework of the Paris Declaration, especially in aligning its support to partner country priorities, providing its aid through common arrangements and carrying out joint analytical work. Integrating the necessary steps for implementing the Paris Declaration and the Busan commitments into its sector and country strategies would help Korea to further advance and focus its efforts on areas where it needs to make the most improvement, especially untying aid, more predictable aid and use of country systems.

Korea is committed to aid effectiveness and is trying to improve its performance

Korea is strongly committed to increasing the effectiveness of its aid and endorsed both the Paris Declaration and the follow-up Accra Agenda for Action before it became a member of the DAC. Since joining the DAC Korea has played an instrumental role in the aid effectiveness agenda – as a leading member of the Working Party on Aid Effectiveness (WP-EFF) and by hosting the Fourth High-Level Forum on Aid Effectiveness. Korea has also played an important role in strengthening partnerships with key providers of development co-operation outside the DAC during and after the negotiation of the Busan Partnership agreement.

As discussed in Chapters 1 and 4, Korea has made progress in reforming its aid system; the Framework Act and Presidential Decree should help increase the effectiveness of its development assistance. Korea's strategic plan for its development co-operation declares that aid effectiveness principles and actions agreed in Paris and Accra are a cornerstone of its approach (GOK, 2010). As an important oversight body for managing Korea's expanding aid programme, the Committee for International Development Co-operation (CIDC) has potential to further improve the effectiveness of Korean ODA policies and strategies and thus strengthening efforts for achieving the MDGs.

The need for a roadmap to translate commitments into practice

Korea is in the process of translating its strong commitments to aid effectiveness into changed behaviour and practice across its development co-operation system. As discussed in earlier chapters, Korea has built a solid legal and strategic foundation for its development co-operation and it is now in a strong position to further improve the effectiveness of its aid. There are also high levels of decentralisation within Korea's aid system, particularly in KOICA and EDCF, another factor which should increase effectiveness. Despite these positive signs, Korea still faces challenges in carrying out some of the aid effectiveness principles.

One challenge is the absence of a clear strategy to ensure that aid effectiveness principles are addressed in programming and implementation, and that targets are met, particularly in partner countries. Therefore all Korea's strategies, particularly its country partnership strategies, should incorporate plans and targets for making its aid more effective and should be government-wide in scope. In addition, Korea should ensure that the aid effectiveness principles are integrated within all of its aid management procedures, particularly those of KOICA and EDCF. In the light of the commitments made in Busan, Korea should review its strategic approach to aid effectiveness including the new global partnership objectives (Table 5.1).

Table 5.1. Global Partnership for Effective Development Co-operation: Indicators

Indicator 1.	Development co-operation is focused on results that meet developing countries' priorities
Indicator 2.	Civil society operates within an environment which maximises its engagement in and contribution to development
Indicator 3.	Engagement and contribution of the private sector to development
Indicator 4.	Transparency: Information on development co-operation is publicly available
Indicator 5.	Development co-operation is more predicable
Indicator 6.	Aid is on budgets which are subject to parliamentary scrutiny
Indicator 7.	Mutual accountability among development co-operation actors is strengthened through inclusive reviews
Indicator 8.	Gender equality and women's empowerment
Indicator 9.	Effective institutions: Developing countries' systems are strengthened and used
Indicator 10.	Aid is untied

Source: www.aideffectiveness.org/busanhlf4/images/stories/Indicators_targets_and_process_for_global_monitoring.pdf

Integrating the necessary steps for implementing the Paris Declaration and the Busan commitments into its sector and country strategies would help Korea to further advance and focus its efforts on areas where it needs to make the most improvement, especially untying aid, more predictable aid and use of country systems (see Section 5.3).

Korea has made progress in most aid effectiveness areas

Korea has participated in all three of the Paris Declaration Monitoring Surveys (OECD, 2007; OECD, 2008d; OECD, 2011a). While Korea's performance against the illustrative international targets is weaker than most DAC members (Table 5.2), it is making progress in several of the areas covered by the global monitoring framework. In particular, Korea has made considerable progress in aligning its support to partner country priorities, providing its aid through common arrangements and carrying out joint analytical work. These areas are discussed in more detail below.

Table 5.2. Korea's progress in selected partner countries in meeting the Paris Declaration indicators

Paris Declaration Indicator	Indicator values				All donors 2010 Actual	Illustrative 2010 Targets for Korea
	2005	2007	2010			
	32 countries	32 countries	32 countries	All countries		
3 Aid flows are aligned on national priorities	11%	34%	46%	38%	41%	85%
4 Strengthen capacity by co-ordinated support	74%	79%	11%	43%	57%	50%
5a Use of country public financial managemnet systems	45%	10%	0%	10%	48%	26%
5b Use of country procurement systems	0%	5%	37%	36%	44%	--
6 Avoid parallel implementation structures	0	11	4	11	1,158	0
7 Aid is more predictable	11%	19%	32%	20%	43%	56%
8 Aid is untied	--	21%	47%	44%	86%	--
9 Use of common arrangements or procedures	0%	1%	42%	29%	45%	66%
10a Joint missions	0%	15%	8%	5%	19%	40%
10b Joint country analytic work	--	0%	50%	50%	43%	66%

Note: The 2005 column is based on data reported by 3 countries of the 32 participating in both the 2006 and 2011 surveys, reflecting 6% of Korea's programmed aid in 2005. The 2007 column is based on data from 9 countries of the 32 participating in both the 2006 and 2011 surveys, reflecting 27% of Korea's programmed aid in 2007. The 2010 column is based on data reported by 26 of the 78 countries participating in the 2011 survey, reflecting 59% of Korea's programmed aid in 2009.

Source: OECD (2011a)

Aligning aid to partner country priorities, but better on-budget support required

Korea is mostly aligning its support to partner country priorities and should make further progress through its use of country partnership strategies for each of its 26 priority partner countries. The nine country partnership strategies produced so far (Chapter 1) do reflect the priorities stated in the partner governments' national development or poverty reduction plans. Korea's drafting process for these strategies has also involved consultation with partner countries, facilitated by Korean ODA Councils to ensure alignment with country priorities (see Chapter 4). These country strategies are also a step towards streamlining Korea's aid programme, focusing its assistance on its priority partner countries and priority sectors and strengthening the strategic and operational links between loans and grants. They can also help reduce transaction and co-ordination costs for partner governments and should be encouraged, especially in those priority partner countries where Korea is one of many donors.

Korea's process for developing its country partnership strategies, based on its experiences with the five completed thus far, has also enhanced country ownership of the development programme. In most cases, country ownership is ensured through the demand-led nature of Korea's system, in which all projects and programmes are developed in response to requests made by partner governments (Figure 3.3). The fact that a large share of Korean ODA is considered by the DAC to be country programmable aid tends to support this finding (see Chapter 3). This system was evident in Cambodia during the peer review team's visit (Annex B). While Korea's progress on alignment is commendable, less than half of its support is included in its partner countries' budgets. Korea should continue to work with partner country governments to ensure that its bilateral aid is provided in a way that ensures closer alignment with national planning, budgeting and accountability processes.

Make more use of programme-based approaches

As part of its commitment to the aid effectiveness principles and also as a means to scale up its aid, Korea is planning to incorporate new aid modalities in its programming for both its loans and grant assistance. In particular, Korea is trying to shift from its mostly stand-alone, project-based approach (see Chapter 3) towards broader programme-based approaches (PBAs) for both loans and grants. KOICA is strengthening its expertise in this area, but concedes that it needs greater capacity to use a broader range of aid modalities. It plans to carry out pilot programmes using programme based approaches in 2014. The peer review team encourages Korea to integrate targets within its country strategies to guide the greater use of programme based approaches at country level. In all of Korea's priority partner countries there are opportunities to participate in joint programmes with other development partners using common arrangements (*e.g.* pooled funds) and, on the loan side, through co-financing with multilateral development banks.[1] EDCF has set a target of achieving 20% of total concessional lending through co-financing by 2015 (GOK, 2012b). It has also introduced its first budget support programme –the *Support Programme to Respond to Climate Change* – in Vietnam in 2011 and is considering a similar approach in the Cambodian health sector. The peer review team encourages Korea to continue to actively look for options to implement programme based approaches. Korea is also examining how it can also make more use of such programme loans in the form of general budget support in the medium to long term.

Better harmonisation and co-ordination with other donors

Korea is trying to increase the level of its engagement and harmonisation with other development partners at country level, though the scope and depth of its engagement tends to vary across sectors and countries. In Cambodia, donors welcomed the recent increase in Korea's engagement in the aid management architecture, particularly for health and infrastructure sectors. EDCF has also joined the "Six Banks Initiative" in Vietnam to improve harmonisation and alignment of aid to that country. Korean aid agencies have long established working relations with their Japanese counterparts and the two countries are moving towards stronger co-ordination of ODA in certain countries. KOICA has signed memoranda of understanding (MOU) with other development agencies, including the Japan International Co-operation Agency (JICA), Germany's *Gesellschaft für Internationale Zusammenarbeit* (GIZ), the Australian Agency for International Development (AusAID), the Turkish International Co-operation Agency (TIKA), US Agency for International Development, Brazil's *Agência Brasileira de Cooperação* (ABC), the Canadian International Development Agency (CIDA) and, most recently, France's *Agence Française de Développement* (AFD). EDCF has also concluded MOUs with JICA and AFD, and signed an aid-memoire with Germany's *Kreditanstalt für Wiederaufbau* (KfW). Korea is also engaging more in bilateral policy dialogue with other DAC and non-DAC donors and signing co-operation agreements with them.

While Korea has made progress on harmonisation since joining the DAC, it does not yet co-ordinate nor co-operate extensively with other donors. Korea could do more to harmonise on a practical level, such as through engaging in more joint missions and assessments. One limitation Korea faces in these efforts is a shortage of staff, especially embassy staff with extensive development experience. KOICA is getting around this through the use of contracted specialists in the field. The Paris Declaration survey indicates that Korea has made considerable progress in undertaking joint country analytic work with other donors (Table 5.1). However, joint missions seem to have fallen from 15% in 2007 to 8% in 2010 in the 32 countries covered – a trend Korea should seek to reverse. Korea should spell out in each of its country strategies how it intends to harmonise its activities with those of other donors.

Further progress is needed to meet Korea's aid effectiveness commitments

As mentioned above, Korea still faces challenges in untying its aid, making its aid more predictable and using country systems. These and other issues are discussed below.

Implement its roadmap to untie 75% of Korea's ODA by 2015

As a signatory to the Accra Agenda for Action, which commits donors to untie their aid as much as possible, the Korean government has established a roadmap to increase the untied portion of its bilateral ODA to 75% by 2015. Korea put this timetable in place in 2009 as part of its accession to the DAC and it includes targets for untying both grants and loans (Table 5.3).

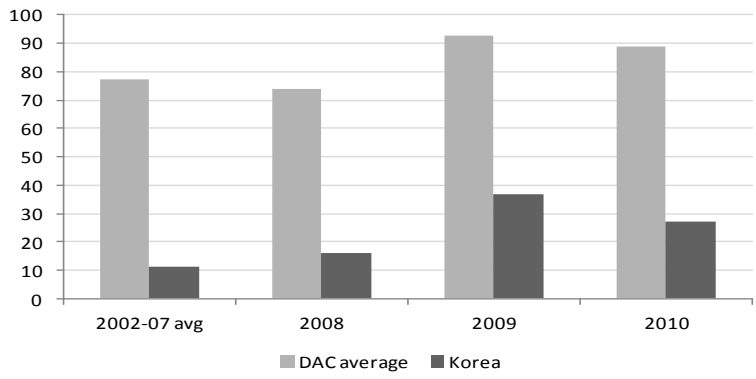
Table 5.3. Korea's implementation timeline for untying grant aid

Phase 1 (2009-2012)
• Reaching the 2012 target of 100% untying aid to LDCs and HIPCs
• Implementing international competitive bidding (ICB) in partner countries and streamlining the untying system
• Implementing ICB using e-procurement system
Phase 2 (2013-2015)
• Expanding untied aid to 100% of all partner countries by 2015
• Increasing untied ratio by introducing local procurement and using partner countries' procurement system

Source: OECD (2011g), *Implementing the 2001 DAC Recommendation on Untying Aid: 2010-2011 Review*, OECD, Paris.

According to this timeline, all of Korea's grants and 50% of its ODA-funded loans should be untied by 2015, but this will only be possible if its performance improves. In line with the DAC Recommendation on untying aid (OECD, 2008e) Korea has prioritised the LDCs and other HIPCs, setting the target of untying 100% of its grants and 80% of its concessional lending to these groups of countries by 2015. These targets are incorporated in *Korea's Strategic Plan for its International Development Co-operation* (GOK, 2010). However, on the basis of data reported by Korea to the DAC/CRS, 27% of Korea's bilateral ODA covered by the DAC Recommendation was untied in 2010, compared to 37% in 2009 (Figure 5.1). More generally (including all bilateral aid for all partner countries), 32% of Korean aid was untied in 2010 compared to 44% in 2009. This drop in performance will constrain Korea's ability to meet its DAC Recommendation and Accra commitments.

Figure 5.1. Share of Korea's bilateral ODA untied under the DAC Recommendation, 2002-2010 %



Source: DAC

Korea should seek to reverse this trend and progressively increase the proportion of its untied aid so as to stick to its roadmap. The expected growth in Korea's ODA over the next three years could present an opportunity for it to make faster progress on untying, as there is some evidence from other DAC members that it is easier to increase the untied proportion of an expanding – as opposed to a contracting – aid programme. Korea should exploit this opportunity to regain its lost momentum and set out clearly the steps and timeline (post-2012) necessary for untying more of its aid in order to meet its targets.

Achieve predictable medium-term aid flows

Paris Declaration survey data suggest that Korea fares reasonably well on short-term (or in-year) predictability; in 2010, Korea disbursed approximately 5% more aid for the government sector across the 12 countries surveyed than it had scheduled for disbursement at the beginning of the year (OECD, 2011a). Ensuring that Korean aid disbursements were recorded in partner country systems has proven to be more challenging, explaining the lower score on this Paris Declaration indicator (Table 5.1).

Medium-term, or multi-year, predictability also appears to be challenging for Korea, as it is for many DAC members. It is unable to provide its agents and partner country governments with adequate information on future funding. As discussed in Chapter 3, Korea's budgeting process for its ODA appears to hamper the budget execution performance of its aid agencies, potentially undermining aid predictability for Korea's partner countries. However, Korean aid agencies are working to improve predictability. For example, while the country partnership strategies produced so far do not include indicative commitments, such information is currently provided to partners on an informal basis in country.[2] Moreover, as noted earlier in this report, the MOSF Budget Office has confirmed that its annual budgeting system is not a barrier to Korea making and publishing multi-year ODA plans – this is already happening for Korean humanitarian assistance (Chapter 6).

Other efforts are also underway. For its grants, Korea plans to increase its own and its partners' ability to forecast expenditures through a multi-year rolling plan which will include aid volumes, priority sectors, and project and programmes (OECD, 2011e). These tools are useful for sharing indicative figures with partners in addition to formally agreed disbursement schedules. For its loan projects, which typically run over several years, EDCF has concluded a single comprehensive programme and budget framework, called a framework arrangement, with some of its priority partner countries (12 so far). It contains, among other things, a three to five-year operational plan with total project portfolio and a multi-year disbursement plan, giving predictability for the duration of the project. EDCF plans to sign these framework arrangements with all its priority partner countries by 2013. As suggested in Chapter 1, in order to underpin aid predictability and enable both Korea's agents and partners to plan with more certainty, country strategies should include a medium-term spending plan encompassing the whole-of-Korea's development co-operation and these should be shared formally with its partners. This will also enhance the transparency and accountability of Korea's development co-operation.

Make more use of partner country systems

Korea uses partner country systems much less than the DAC average and the international target level (Table 5.1). Despite its progress in making more use of its partner countries' procurement systems, Korea provides only a small amount of its aid in this way. To improve its performance in this area Korea needs to channel more of its aid, including its grants and technical co-operation, through partner country systems. At the same time, Korea could help maximise the impact of its assistance by engaging in and supporting country-level reform processes. By historically not engaging in policy debate within partner countries, Korea may not be taking full advantage of the credibility it has from its recent and successful development experience.

Improve the quality of capacity development support

Korea fully appreciates the key role of capacity building in development, a view that is deeply rooted in its own development experience. It sees capacity development as crucial for allowing partner countries to take full responsibility for their development. As such, Korea's underlying development philosophy stresses the sharing of its own experience and knowledge. Korea's own development experience distinguishes it from other donors, but it could do more to make this accessible to its partners. Korea should integrate relevant lessons from its own experience into its capacity building efforts more broadly – currently this is done through the implementation of its designated programme, the KSP. In sharing its lessons more broadly, Korea will need to place greater emphasis on people-to-people transfer of skills and technology. The Paris Declaration survey suggests that Korea could do more to co-ordinate its technical co-operation with country programmes (Table 5.1).

Accountability and management for results

Korea's development projects are designed and monitored using a logical framework and project performance indicators that are focused on results. Korea's project indicators are established in consultation with partner countries but are used only by its own agencies. The use of indicators is crucial in results reporting as indicators specify how expected results have been measured and also define the data to be collected. They are used to monitor progress at the mid-term and completion stages of a project's life and also for evaluations after projects have ended.

EDCF's system has the ability to adjust when projects are going off-track and key targets are being missed. It has also established a set of standardised performance indicators for seven sectors: education, roads, water resource management, railways, communications, power transmission and distribution, and health.

KOICA is considering introducing standardised sector indicators in its results-based management system.

Both agencies have also begun piloting impact evaluations. However, the two agencies should work towards adopting existing partner government indicators as far as possible, at least for key dimensions of their support. More also needs to be done to use joint performance indicators.

Transparency and accountability have been strengthened by Korea publishing statistics and evaluation results online and in annual reports. This information is also provided to the National Assembly via the CIDC. Korea is upgrading its official Korea ODA website to include English language pages. As part of a wider effort to create a learning culture, Korea should establish a system of knowledge management, identifying lessons and good practice in its development co-operation (and from other sources) to help staff improve future results (see also Section 4.5 on evaluation). The emphasis should be placed on learning from failures as well as successes. This is quite distinct from the lessons and good practice from Korea's own development experience compiled as part of its Knowledge Sharing Programme (KSP), but there would clearly be a link between these two pools of knowledge.

Future considerations

- To translate its commitments into practice, Korea should integrate the aid effectiveness principles and the internationally-agreed targets into all its development co-operation strategies, particularly country partnership strategies, and aid management procedures.

- To improve its performance against aid effectiveness targets, Korea should focus its efforts on areas where it needs to make the most improvement: untying, programme-based approaches, medium-term predictability and use of country systems.

- Building on its experience in countries such as Cambodia, Korea should raise its profile in country-level aid co-ordination forums by proactively sharing its relevant expertise and experience; and engaging and, where possible, leading in policy-level dialogue with partners, particularly within those sectors where it has the greatest engagement and experience to tackle some long-standing issues such as sustaining project achievements.

- To achieve better value for money, Korea should translate its commitment to untie 75% of its total ODA by 2015 into a year-on-year plan that drives progress towards its goal. As part of this Korea should maintain its focus on meeting the DAC Recommendation on untying and the Accra commitment to untie aid to the maximum extent. It should also report the tying status of all Korean ODA, including technical co-operation.

- Korea should make capacity building a central aim of all its development co-operation and co-ordinate its support for this with other development partners. In addition, Korea should respond to partner countries' interest in its own development experience by making relevant lessons a core component of capacity-building efforts.

Notes

1. A dedicated MDBs Co-financing Team was created in January 2011 for this purpose.
2. For example, in Cambodia Korea is strengthening its approach to aid predictability and preparing for increased volumes of ODA by setting out the budget growth path for KOICA and EDCF internally, and sharing this information informally with the Cambodian government.

Chapter 6

Humanitarian assistance

Korea has made good progress towards better humanitarian donorship since joining the DAC in 2010. This chapter discusses Korea's humanitarian assistance, taking into account Korea's commitment to scale up the funds available for its humanitarian programme over the next three years – potentially an 800% increase – putting Korea in the same league as other DAC donors such as Belgium, Finland and Switzerland.

A number of challenges that Korea will face as it scales up the humanitarian programme are discussed in the chapter. The current broad humanitarian mandate is reviewed, as is the need for Korea to set out its overall humanitarian objectives and expected results in a cross-government policy. Korea's current and future roles in post-crisis recovery and disaster preparedness are assessed, as are the criteria that Korea uses to decide who, what and where to fund, and where to deliver in-kind aid and rescue teams. The chapter also sets out changes to systems and resources that will be required to ensure that Korea's humanitarian programme remains fit for purpose in the new budget environment.

Significant progress in humanitarian work since joining the DAC

Korea has made good progress towards good humanitarian donorship since joining the DAC, including preparing a draft policy paper as a first step towards a formal policy on humanitarian assistance. Korea has also altered the mix of its funding portfolio by substantially increasing its allocations to multilateral agencies to ensure that funding allocations are within the framework of a co-ordinated international response.

Korea has committed to a significant increase – potentially 800% – in its humanitarian budget over the next three years. It has committed to increase the share of the ODA budget allocated to humanitarian assistance to 6% by 2015. This could result in an additional USD 165.7 million being allocated to the annual humanitarian programme. As Korea scales up its humanitarian programme, it will need to think about how it can most effectively use these additional resources. In particular, it will need to make decisions about the overall objectives and expected results of its humanitarian programme, the role of bilateral aid and the role of partners, and determine what modifications need to be made to its systems, resources and staffing to ensure that they remain fit for purpose. All these points are discussed in the sections which follow.

Increasing strategic focus will help manage a broad humanitarian mandate

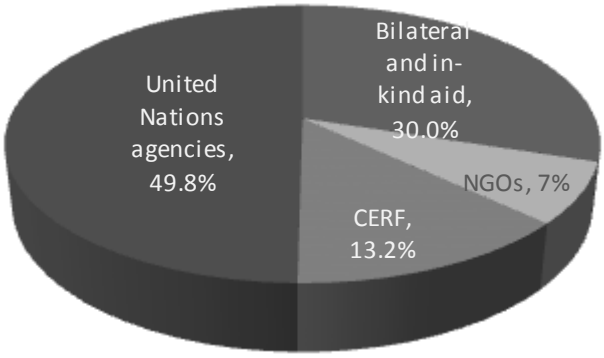
Korea currently allocates around USD 22.7 million to humanitarian assistance each year, which is 1.25% of the country's total ODA (Box 6.1). This budget share is currently much lower than the DAC average; however the commitment to increase the share to 6% will bring Korea more or less in line with other DAC donors.

Box 6.1. Korea's humanitarian assistance

Mandate: Korea's humanitarian assistance is set within the *Framework Act on International Development Cooperation* (National Assembly of the Republic of Korea, 2010a); *Overseas Emergency Relief Act* (GOK 2007, updated 2011); Strategic Plan for International Development Cooperation (2011); *Plan for Advancement of Overseas Emergency Relief* (MOFAT 2010a); and the draft policy paper on Humanitarian Assistance (2008).

Division of labour: The Ministry of Foreign Affairs' Humanitarian Assistance Division manages the humanitarian budget and leads co-ordination across government. KOICA provides logistics and specialists for bilateral responses. The Ministry of Defense, National Rescue Service and Ministry of Health and Welfare provide disaster response teams and logistics.

Korea's humanitarian partners (2011)



Funding sources: One annual budget allocation to MOFAT. Can be topped up for major crisis.

Funding volume: 2012: Budget allocation of USD 22.7 million – 1.25% of ODA.

Partnership agreements: eight Korean NGOs (including the Korean Red Cross Society) each receive a USD 200 000 annual emergency response envelope (including rapid drawdown procedures) through the new Emergency Fund.

Sources: GOK (2012b) *Memorandum for the DAC Peer Review Republic of Korea,* GOK, Seoul; and discussions with MOFAT staff

Making a broad humanitarian mandate more specific

While Korea now has a legislative mandate for its humanitarian action, it does not yet have a cross-government policy to focus and guide its humanitarian programme. Korea's *Framework Act on International Development Co-operation* (National Assembly of the Republic of Korea, 2010a) recognises that humanitarian assistance is an integral part of its development co-operation programme. Humanitarian assistance is also outlined as one of the six objectives of Korea's *Strategic Plan for International Development Cooperation* (GOK, 2010). However these documents only authorise Korea's humanitarian programme, they do not provide a specific focus or objectives to guide its implementation.

Korea has a strong history in the disaster response aspects of humanitarian assistance – and its mandate in this area is also more robust. The updated *Overseas Emergency Relief Act* (GOK, 2007, updated 2011), and the *Plan for the Advancement of Overseas Emergency Relief* (MOFAT, 2010a), have created a solid cross-government framework

for disaster response based on lessons learnt from the Korean response to the 2010 earthquake in Haiti (see Section 6.3.3), and this is to be commended.

To ensure a consistent Korean response that respects the good humanitarian donorship principles[1] (GHD, 2003), Korea now needs to finalise and publish a broadly agreed cross-government humanitarian policy – based on the areas where it has clear comparative advantage, and building on its experience in disaster response. This policy will also increase opportunities for consultation and collaboration on humanitarian issues, both with partners and across government, and provide greater predictability of future funding intentions. The policy will need to take into account Korea's commitment to scale up the humanitarian assistance budget, and thus encompass plans for spending the additional funds. A first draft policy paper was circulated for comment in 2008, but this document probably now needs updating before being sent to major stakeholders for further consultation.

Supporting post-crisis recovery through development projects

Korea has taken a pragmatic approach to post-crisis recovery and transition by funding the recovery activities of UN agencies, and by supporting development projects in fragile and post-conflict countries. Korea is justifiably proud of its own successful transition from conflict to stability, and is eager to share its experience with other states who are working through this difficult period in their history. To do this, Korea carries out post-crisis and transition projects in a number of its development partner countries using development funds. MOFAT's humanitarian team is systematically consulted when the country programme strategies for these countries are being designed; this consultation is good practice and should continue.

The humanitarian budget also funds some multilateral recovery initiatives – but recovery is not yet a systematic part of Korea's humanitarian programme. For example, Korea is considering funding the joint UNDP/UNHCR Transitional Solutions Initiative to provide durable solutions for displaced people, returnees and local populations.[2] However, there is not yet a recovery component to Korea's disaster response programmes – and this might be a useful area to consider as Korea finalises its humanitarian policy.

The growing role of disaster risk reduction as a development concern

Disaster risk reduction is another area that Korea – rightly – mostly funds from its development budget. Korea has a number of disaster-prone partner countries, and is now including major disaster risk factors in its development country programme strategies. Disaster risk factors have already been included in Korea's latest country partnership strategies for its programmes in Indonesia and Sri Lanka. Korea is encouraged to make the analysis and integration of disaster risk reduction a systematic part of all country partnership strategies as it puts these documents in place in each of its 26 priority partner countries (Chapters 1 and 3).

Korea's approach to disaster preparedness focuses mostly on ensuring that its own civil protection teams are ready and equipped to respond to disasters overseas. In addition to this, some early warning programmes are also being funded in partner countries through development budgets. Korea should review its role in emergency preparedness – particularly how (or if) it will support the preparedness and resilience of partner countries and at-risk communities – as the new humanitarian policy takes shape.

Prioritising for a growing programme

Korea's commitments to increase the overall volume of its ODA, including the share allocated to humanitarian assistance, will see Korea's humanitarian programme grow to about the same size as the programmes of DAC members such as Belgium, Finland and Switzerland.[3] A clear strategic direction is now needed to help Korea target this extra aid more effectively. Korea will also have to decide which partners will help it best deliver this assistance – and map out the optimal mix of bilateral aid, UN agencies, and NGOs in its future humanitarian portfolio.

Clear criteria for who, what and where to fund will be crucial for the major budget scale-up

Korea has committed to increasing its humanitarian budget share to 6% of ODA by 2015, which could lead to an additional USD 165.7 million (KRW 189.5 billion) each year;[4] Overall, the total humanitarian assistance budget would reach USD 188 million – up from USD 22.7 million in 2012 – in the space of just three years. This budget growth will allow for a major expansion of the humanitarian programme.

Since 2007, the humanitarian base budget has been supplemented by an innovative air ticket solidarity levy – which collected around USD 15 million between 2007 and 2012. These funds, managed by MOFAT's humanitarian team, have been granted to international agencies such as GAVI and UNITAID, and to 11 Korean NGOs and KOICA, to counter pandemic disease in sub-Saharan Africa. Each partner is provided with multi-annual funding, increasing the flexibility and predictability of their programmes. This is the only example of multi-annual funding in Korea's humanitarian programme and has recently been renewed by the Korean National Assembly.

Korea will need to take care to ensure that its funding allocations are needs-based and not driven by visibility objectives. Korean officials use a table to guide their allocation decisions, based on the scale of the crisis and type of needs. Other factors, including the capacity of the affected country to cope with the crisis, and the funding intentions of other donors, are also taken into account. However, to partners at least, Korea's funding allocation criteria are not always clear. If Korea is to demonstrate that funding decisions are based on humanitarian principles (Box 6.2), it will need to set and communicate clear criteria for determining who, what and where to fund, and demonstrate how those criteria have been applied to actual grant decisions each year. This would also help make funding allocations more predictable for partners.

Box 6.2. The principled approach to humanitarian funding decisions

Good Humanitarian Donorship Principle 2 states that, "Humanitarian action should be guided by the humanitarian principles of humanity, meaning the centrality of saving human lives and alleviating suffering wherever it is found; impartiality, meaning the implementation of actions solely on the basis of need, without discrimination between or within affected populations; neutrality, meaning that humanitarian action must not favour any side in an armed conflict or other dispute where such action is carried out; and independence, meaning the autonomy of humanitarian objectives from the political, economic, military or other objectives that any actor may hold with regard to areas where humanitarian action is being implemented."

Source: GHD (2003), The Principles and Good Practice of Humanitarian Donorship

Good progress towards more strategic partnerships with UN agencies and NGOs

Korea has made good progress in strengthening its humanitarian partnerships with UN agencies. It increased its humanitarian budget allocations to UN agencies from 7% of the total budget in 2006 to 63% in 2010. A formal funding agreement with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the Korean Red Cross was also concluded in June, 2012, reflecting the key role of the Red Cross family in disaster response. Korean officials also continue to play an active role on UN agency boards.[5]

There has also been good progress toward more strategic partnerships with NGOs; in this light, Korea's plans to improve consultation with this important group are welcomed. Building on the lessons from the 2010 Haiti earthquake response, eight major Korean NGOs now have partnership agreements allowing them access to rapid response funds for emergency situations. This new emergency fund provides an annual envelope of USD 200 000 for each NGO. It is likely to improve both the timeliness and the predictability of the overall Korean response. The emergency funding window, launched in 2012, is planned for an initial period of two years, when it will be reviewed. Korea is encouraged to continue this good funding practice. Korea is also encouraged to engage in formal and regular consultation with Korean NGOs on wider humanitarian issues, and as it finalises the humanitarian strategy.

Since the 2007 Korean hostage crisis in Afghanistan, the Korean Government has prohibited its nationals from traveling to countries that fall under Category Four (travel prohibited). These restrictions could prevent NGO workers who are Korean nationals from providing humanitarian assistance in any country at a high security risk, thereby contravening humanitarian principles – especially the principle of *humanity,* meaning the centrality of saving human lives and alleviating suffering wherever it is found (GHD principle 2; box 6.2). However, MOFAT can grant special travel permissions to NGO workers for these category four countries, and is encouraged to do this systematically.

A comprehensive disaster response toolkit

Korea reviewed its response to the 2010 Haiti earthquake, which highlighted the need to make faster decisions, to deploy the search and rescue team earlier, to strengthen partnerships with civil society actors and to provide education and training in emergency response for Korean staff. This has led to a revised emergency response system and a comprehensive rapid response toolkit. The toolkit now contains a number of response funding options:

UN and pooled funds: funding for the UN's Central Emergency Response Fund (CERF) global emergency response fund (2012: USD 4 million); and funding country-specific emergency response funds (known as ERRFs) – from 2012 onwards.

Through NGOs: The new emergency fund (new in 2012) has a rapid drawdown facility up to USD 200 000 for seven Korean NGOs and the Korean Red Cross.

Bilateral aid: Korea is a member of the United Nations Disaster Assessment and Coordination n (UNDAC) disaster response system,[6] and has five UNDAC-trained personnel. Other options include the Korean National Disaster Relief teams (Box 6.3), including an INSARAG-[7]certified international search and rescue team, and medical personnel, usually deployed within 72 hours. Korea also provides in-kind aid – some already stocked in the World Food Program's humanitarian response depots in Panama and Dubai – with the deployment of teams and goods supported by KOICA and Korean military transport logistics.

Box 6.3. Korea's Disaster Relief Team

The Korea Disaster Relief Team was created in 2007 and is registered with the international Urban Search and Rescue roster. The team is composed of search and rescue, and medical experts, with 60 team members and 4 rescue dogs. Team members come from the National 119 rescue service (Korea's civil protection agency) but also from KOICA, the Ministry of Health and Welfare, the Ministry of Defence and other agencies. Regular domestic and international training for team members is provided.

The following agencies support the deployment of a disaster relief team according to a clear division of labour:

- MOFAT plans, handles and improves the overall relief effort, and provides the budget allocation;
- The Ministry of Defense arranges transport by military aircraft and provides documentation, on request;
- The Ministry of Health and Welfare selects and trains medical teams and provides medical supplies;
- The National Rescue Service maintains and trains a deployment-ready rescue team and related equipment; and
- KOICA prepares and manages supplies and provides support through its offices in the affected country.

The team has been deployed four times since 2008 – to Myanmar for epidemic prevention after the cyclone in 2008, to Indonesia after the 2009 earthquake, to Haiti after the 2010 earthquake and to Japan after the 2011 earthquake and tsunami.

Source: http://rescue.go.kr and presentation by the *Korea Disaster Relief Team*

The cross-government emergency response system has also been strengthened, with leadership now clearly assigned to MOFAT. Under the updated *Overseas Emergency Relief Act* (GOK, 2007a) MOFAT is mandated to call an inter-ministerial public-private committee,[8] usually within 24 hours of a disaster, to decide whether to respond and what form the response should take. Co-ordination is facilitated by the existence of a single budget line for humanitarian response – as MOFAT holds the purse strings its leadership role is clear.

A major issue, however, is how Korea ensures that its bilateral – in-kind – disaster aid is the most appropriate form of response, and also how it ensures that this aid actually reaches those most in need. Korean officials interviewed for the peer review were well aware of the types of questions that a donor should ask before sending in-kind aid,[9] but it is not so clear how these criteria are applied in practice. In addition, the monitoring of the use of in-kind aid is also unclear – Korea mostly supplies its aid directly to the affected government, and there is limited, if any, tracking of how the goods were distributed and/or whether they were effective. Korea could now consider other methods of planning and distributing its in-kind aid – perhaps by setting up a specialised team within KOICA, or by relying on other disaster response mechanisms, such as members of the wider Red Cross Red Crescent family.

Military assets – transport logistics and medical teams – can complement Korea's civilian response following a request from the inter-ministerial committee, although there is not yet a formal directive to ensure that the use of the military is guided by humanitarian principles or value for money. As MOFAT must pay for the use of military assets, it could do more to ensure that the use of military hardware is always the best value for money. Korea should also look at formally recognising the international guidance for the use of military assets[10] in its upcoming humanitarian policy, to ensure that future deployments do not contravene humanitarian principles. The policy should also spell out what criteria Korea will use to determine when a situation of "last resort", as defined under international guidance, has been reached, and state which minister will make that decision, to ensure accountability is clear.

Ensuring the humanitarian system remains "fit for purpose"

Officials and partners interviewed for this peer review noted that the current humanitarian system – both within MOFAT and outside – appeared to be struggling to cope with the volume of activities. This problem will only become worse as Korea scales up its humanitarian programme. With the budget expected to grow by up to 800% over the next three years, there are currently no plans to expand the number of staff allocated to managing the humanitarian programme. As the success of the future programme depends largely on the people who design and carry it out, Korea will need to look closely at its programme orientations and staffing profile to ensure that there are enough adequately-skilled staff in place – both now and during the planned major scale-up.

There are also some anomalies in the accountability required from partners, especially from NGOs, that may need to be reviewed. NGOs are required to provide originals or copies of receipts to MOFAT as part of the grant close-out process. Other donors use different methods, such as independent audits of NGOs, which may be more appropriate, especially in disaster response. The requirement to translate all proposals and reports into Korean could also be reviewed, as this adds an unnecessary additional administrative burden to partners, and may reduce the timeliness and quality of reporting.

Improving monitoring and performance reporting

Korea recognises that more systematic learning and evaluation processes could help improve future programme design and delivery, and plans to make this a priority area. So far, learning has been rather *ad hoc* – such as after the Haiti earthquake deployment – though it has provided useful information for Korea's future programme directions. Making this learning more systematic would be even more useful, especially as Korea

enlarges its humanitarian programme. Korea's intention to start annual evaluations is therefore welcomed.

Likewise, publishing the results of the humanitarian programme is important, as this demonstrates to taxpayers and legislators how well their money has been spent. If Korea set out clear and measurable objectives in its updated strategy it could then hold both itself, and its partners, accountable for achieving these goals. Korea's intention to set up a humanitarian webpage, showing the results of its humanitarian programme against the objectives set out in its upcoming humanitarian strategy, is a good first step towards greater accountability.

Future considerations:

- To provide a clear strategic vision for the humanitarian programme, Korea should finalise the new humanitarian assistance policy, ensuring that it focuses on a limited number of objectives in areas where Korea can make a solid impact, such as disaster response. The objectives should be accompanied by measurable indicators. The policy should be applicable across government, and Korea should consult widely with staff from other concerned ministries, as well as with major partners.
- Korea should define its role in supporting post-crisis recovery programmes and set out how (or if) it will support the preparedness and resilience of at-risk communities through the humanitarian budget, so that it ensures that humanitarian programming also strengthens the resilience of vulnerable populations to future shocks, and thus reduces overall risks to life and livelihood.
- Korea should ensure that funding decisions are predictable and transparent, and that the core humanitarian principles are respected, by determining and communicating clear criteria for who, what and where to fund.
- Korea should, as planned, consult more regularly with key stakeholders, including NGOs, determine how best to distribute and monitor in-kind aid, formally recognise the international guidance on the use of military assets and ensure that Korea has enough sufficiently-skilled humanitarian staff.
- To capitalise on existing and future experience, and promote accountability, efficiency and effectiveness, Korea should implement plans to make learning and reporting of results more systematic.

Notes

1. Korea signed up to the Principles and Practices of Good Humanitarian Donorship in 2009.

2. Further information on this initiative can be found at www.unhcr.org/4e27e2f06.html.

3. In 2009 these programmes were as follows: Belgium USD 204.6 million; Finland USD 154.5 million; and Switzerland USD 183.7 million (OECD, 2011h).

4. This is based on the assumption that Korea will need to grow its aid by 20% in real volume each year to reach its target of 0.25% ODA/GNI. The calculation is as follows:

   1.25% share of ODA = KRW 26 billion in 2012 x 120% = KRW 31.2 billion in 2013 x 120% = KRW 37.44 billion in 2014 x 120% = KRW 44.9 billion in 2015

   To increase to a 6% share of ODA: KRW 44.9 billion in 2015 x (6/1.25) = KRW 215.5 billion (USD 188 million at current exchange rates)

   The difference between this projected figure and the 2012 budget is (KRW 215.5 billion – KRW 26 billion) = KRW 189.5 billion (USD 165.7 million) – an increase of over 800%.

5. An up-to-date list of Korean UN agency board membership can be found at: http://un.mofat.go.kr/english/am/un/bilateral/un/index.jsp.

6. More on UNDAC at www.unocha.org/what-we-do/coordination-tools/undac/overview

7. INSARAG is the International Search and Rescue Advisory Group. Korea is classified as a "heavy team" See www.unocha.org/what-we-do/coordination-tools/insarag/overview.

8. The Public-Private Joint Committee on Overseas Emergency Relief.

9. According to Towards Better Humanitarian Donorship: 12 lessons from DAC peer reviews (OECD, 2012c), donors should ask the following questions before sending "in-kind" aid: are the goods appropriate for the local climate, culture and religion? Does the affected population actually need the goods? Could the goods be purchased locally? Is the cost of transport good value for money? Will the people receiving the goods be able to afford to fix the donated item? If the answer to any of these questions is "no", or if there is significant risk that an influx of donated goods will clog ports and logistics channels, then the donor should probably provide cash to a credible humanitarian actor instead.

10. The principles and practices of good humanitarian donorship require signatories to apply the Oslo Guidelines (Guidelines On The Use of Foreign Military and Civil Defence Assets In Disaster Relief, Updated November 2006 and revised November 2007) in natural disasters and the MCDA guidelines (Guidelines On The Use of Military and Civil Defence Assets To Support United Nations Humanitarian Activities in Complex Emergencies, March 2003) in complex emergency situations.

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Annex A
OECD/DAC Standard Suite of Tables

Table A.1 Total financial flows

USD million at current prices and exchange rates

Net disbursements

Korea	1996-2000	2001-2005	2006	2007	2008	2009	2010
Total official flows	**- 74**	**630**	**1 479**	**1 701**	**2 705**	**1 268**	**3 069**
Official development assistance	**211**	**417**	**455**	**696**	**802**	**816**	**1 174**
Bilateral	124	284	376	491	539	581	901
Multilateral	87	133	79	206	263	235	273
Other official flows	**- 286**	**213**	**1 023**	**1 005**	**1 903**	**452**	**1 895**
Bilateral	- 286	213	1 023	1 005	1 903	452	1 895
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**17**	**60**	**101**	**54**	**131**	**156**	**49**
Private flows at market terms	**1 184**	**1 670**	**4 934**	**9 827**	**7 863**	**5 018**	**8 716**
Bilateral: *of which*	1 184	1 670	4 934	9 827	7 863	5 018	8 716
Direct investment	1 184	1 670	4 934	9 827	7 863	5 018	8 712
Export credits	-	-	-	-	-	-	5
Multilateral	-	-	-	-	-	-	-
Total flows	**1 126**	**2 360**	**6 514**	**11 582**	**10 700**	**6 442**	**11 834**
for reference:							
ODA (at constant 2010 USD million)	*269*	*480*	*423*	*618*	*827*	*933*	*1 174*
ODA (as a % of GNI)	*0.04*	*0.07*	*0.05*	*0.07*	*0.09*	*0.10*	*0.12*
Total flows (as a % of GNI) (a)	*0.24*	*0.38*	*0.73*	*1.19*	*1.14*	*0.77*	*1.17*
ODA to and channelled through NGOs							
- In USD million	1	3	5	7	10	11	18
- In percentage of total net ODA	0	1	1	1	1	1	2
- DAC countries' average % of total net ODA	*6*	*9*	*7*	*7*	*7*	*8*	*10*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2010 prices and exchange rates and as a share of GNI

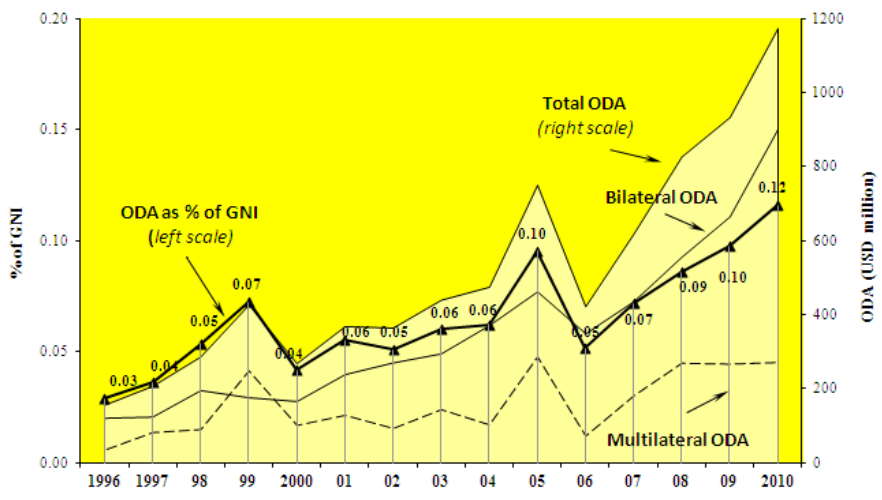
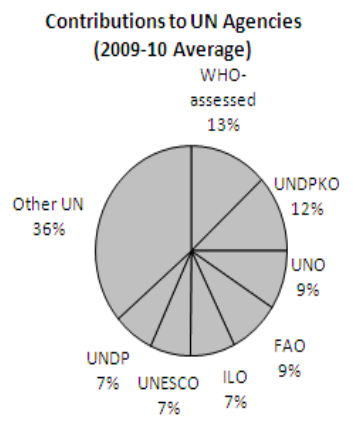
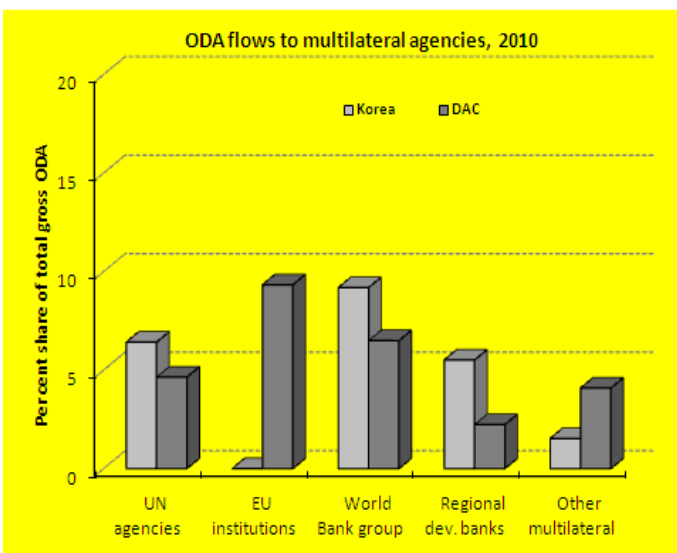


Table A.2 ODA by main categories

Disbursements

Korea	Constant 2010 USD million					Per cent share of gross disbursements					Total DAC 2010%
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	
Gross Bilateral ODA	**373**	**467**	**596**	**704**	**933**	**78**	**72**	**69**	**72**	**77**	**73**
General budget support	-	-	-	-	-	-	-	-	-	-	2
Core support to national NGOs	5	6	9	8	1	1	1	1	1	0	1
Investment projects	175	233	288	419	640	37	36	33	43	53	13
Debt relief grants	-	-	11	-	-	-	-	1	-	-	3
Administrative costs	24	28	32	32	38	5	4	4	3	3	4
Other in-donor expenditures	2	4	4	6	5	0	1	0	1	0	3
Gross Multilateral ODA	**104**	**183**	**271**	**269**	**273**	**22**	**28**	**31**	**28**	**23**	**27**
UN agencies	40	42	48	64	77	8	7	6	7	6	5
EU institutions	-	-	-	-	-	-	-	-	-	-	9
World Bank group	1	77	81	107	111	0	12	9	11	9	6
Regional development banks	50	50	130	79	67	11	8	15	8	6	2
Other multilateral	13	13	12	20	18	3	2	1	2	2	4
Total gross ODA	**476**	**649**	**868**	**973**	**1 206**	**100**	**100**	**100**	**100**	**100**	**100**
Repayments and debt cancellation	**- 54**	**- 31**	**- 41**	**- 40**	**- 33**						
Total net ODA	**423**	**618**	**827**	**933**	**1 174**						
For reference:											
Free standing technical co-operation	*108*	*146*	*187*	*164*	*195*						
Net debt relief	-	-	*11*	-	*2*						
Imputed student cost	*1*	*1*	-	-	-						
Refugees in donor countries	-	-	-	-	-						





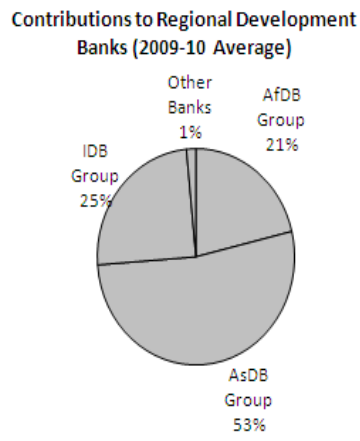
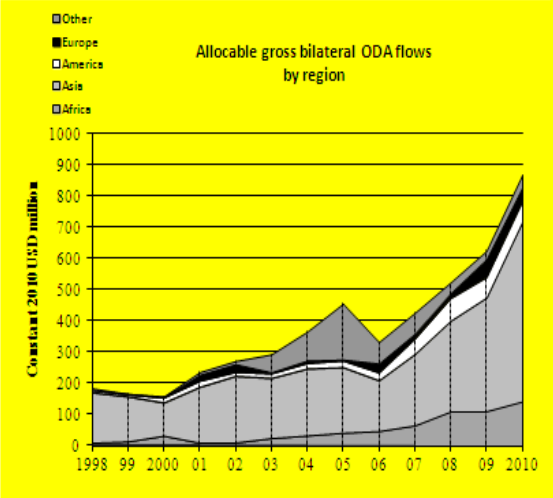
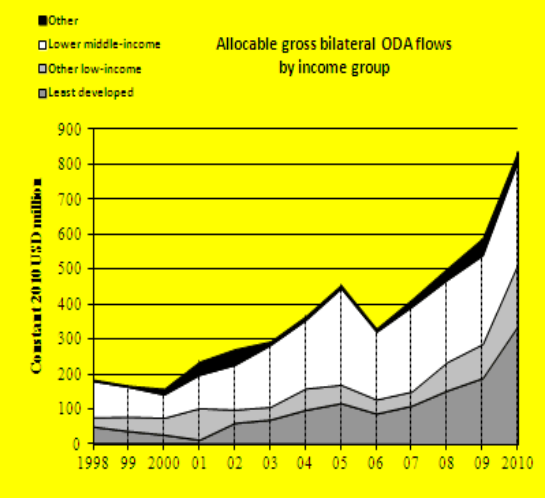


Table A.3 Bilateral ODA allocable by region and income group

Gross disbursements

Korea	Constant 2010 USD million					Per cent share					Total DAC
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2010%
Africa	48	66	110	111	143	14	15	21	18	16	**40**
Sub-Saharan Africa	38	49	91	87	119	11	11	17	14	14	**35**
North Africa	10	11	18	17	16	3	3	3	3	2	**4**
Asia	162	229	291	365	578	49	54	56	58	67	**34**
South and Central Asia	73	69	77	124	296	22	16	15	20	34	**20**
Far East	88	155	202	233	276	26	36	39	37	32	**14**
America	25	49	73	66	66	7	12	14	10	8	**13**
North and Central America	12	22	46	43	32	4	5	9	7	4	**7**
South America	12	27	26	22	34	4	6	5	3	4	**5**
Middle East	67	63	32	25	35	20	15	6	4	4	**7**
Oceania	2	4	3	2	6	0	1	1	0	1	**2**
Europe	30	16	15	56	42	9	4	3	9	5	**4**
Total bilateral allocable by region	**333**	**427**	**524**	**625**	**869**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	88	110	153	189	338	26	27	30	32	40	**40**
Other low-income	40	41	81	98	177	12	10	16	17	21	**13**
Lower middle-income	194	243	236	254	295	58	59	47	43	35	**37**
Upper middle-income	10	20	33	49	27	3	5	7	8	3	**9**
More advanced developing countries	0	0	-	-	-	0	0	-	-	-	**-**
Total bilateral allocable by income	**331**	**414**	**503**	**589**	**837**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	373	467	596	704	933	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*39*	*40*	*72*	*79*	*65*	*11*	*9*	*12*	*11*	*7*	***24***
of which: Unallocated by income	*42*	*53*	*93*	*115*	*96*	*11*	*11*	*16*	*16*	*10*	***30***





1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table A.4 Main recipients of bilateral ODA

Gross disbursements

Korea	1999-2003 average			Memo:		2004-08 average			Memo:		2009-10 average			Memo:
	Current USD million	Constant 2010 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2010 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2010 USD mln	Per cent share	*DAC countries' average %*
China	21	27	11		Iraq	68	68	15		Vietnam	82	86	11	
Vietnam	20	26	11		Vietnam	31	31	7		Afghanistan	59	61	8	
Indonesia	16	21	9		Sri Lanka	27	26	6		Mongolia	36	38	5	
Sri Lanka	14	18	7		Cambodia	25	25	5		Bangladesh	36	37	5	
Uzbekistan	10	13	5		Indonesia	23	22	5		Sri Lanka	34	36	4	
Top 5 recipients	**80**	**105**	**43**	**26**	**Top 5 recipients**	**174**	**172**	**37**	**32**	**Top 5 recipients**	**247**	**258**	**32**	**27**
Iraq	8	10	4		Bangladesh	20	20	4		Indonesia	30	32	4	
Cambodia	7	9	4		China	20	20	4		Cambodia	27	28	4	
Croatia	7	9	4		Philippines	17	16	4		Philippines	27	28	3	
Bangladesh	7	8	4		Laos	11	11	2		Laos	26	28	3	
Mongolia	6	8	3		Angola	11	10	2		Angola	24	26	3	
Top 10 recipients	**115**	**150**	**62**	**40**	**Top 10 recipients**	**252**	**250**	**54**	**44**	**Top 10 recipients**	**381**	**401**	**49**	**39**
Afghanistan	5	6	3		Mongolia	9	9	2		Uzbekistan	22	22	3	
Myanmar	5	6	3		Afghanistan	8	8	2		Nepal	20	21	3	
Philippines	5	6	3		Yemen	7	7	2		Bosnia-Herzegovina	20	21	3	
Tunisia	4	6	2		Kenya	7	6	1		Turkey	18	20	2	
Panama	4	5	2		Ghana	7	7	1		Tanzania	15	16	2	
Top 15 recipients	**138**	**179**	**75**	**50**	**Top 15 recipients**	**289**	**287**	**62**	**52**	**Top 15 recipients**	**475**	**501**	**61**	**46**
Kazakhstan	3	4	2		Myanmar	7	7	1		Pakistan	11	11	1	
Kyrgyz Republic	3	4	2		Peru	6	6	1		Senegal	10	11	1	
Ghana	3	3	1		Albania	6	6	1		Nicaragua	10	11	1	
Nepal	3	3	1		Egypt	5	5	1		Iraq	9	10	1	
Angola	2	2	1		Nicaragua	5	5	1		Paraguay	8	9	1	
Top 20 recipients	**152**	**196**	**82**	**57**	**Top 20 recipients**	**318**	**315**	**68**	**59**	**Top 20 recipients**	**524**	**552**	**68**	**52**
Total (141 recipients)	**174**	**226**	**94**		**Total (143 recipients)**	**419**	**414**	**90**		**Total (130 recipients)**	**676**	**713**	**87**	
Unallocated	11	14	6	22	Unallocated	48	48	10	24	Unallocated	98	106	13	32
Total bilateral gross	**186**	**240**	**100**	**100**	**Total bilateral gross**	**467**	**462**	**100**	**100**	**Total bilateral gross**	**775**	**819**	**100**	**100**

Table A.5 Bilateral ODA by major purposes

at current prices and exchange rates

Commitments - Two-year averages

Korea	1999-2003 average		2004-08 average		2009-10 average		2009-10
	2010 USD million	Per cent	2010 USD million	Per cent	2010 USD million	Per cent	Total DAC per cent
Social infrastructure & services	**158**	**49**	**441**	**52**	**683**	**40**	**41**
Education	51	16	103	12	242	14	9
of which: basic education	1	0	4	1	11	1	2
Health	63	20	106	13	152	9	5
of which: basic health	23	7	74	9	71	4	3
Population & reproductive health	0	0	5	1	5	0	7
Water supply & sanitation	20	6	122	14	182	11	5
Government & civil society	18	6	77	9	92	5	13
of which: Conflict, peace & security	-	-	1	0	43	3	3
Other social infrastructure & services	6	2	29	3	12	1	3
Economic infrastructure & services	**119**	**37**	**269**	**32**	**806**	**47**	**16**
Transport & storage	54	17	145	17	552	32	7
Communications	41	13	68	8	90	5	0
Energy	24	7	54	6	161	9	5
Banking & financial services	0	0	1	0	2	0	2
Business & other services	0	0	1	0	2	0	1
Production sectors	**16**	**5**	**59**	**7**	**83**	**5**	**7**
Agriculture, forestry & fishing	12	4	42	5	67	4	5
Industry, mining & construction	3	1	12	1	13	1	1
Trade & tourism	1	0	5	1	2	0	1
Multisector	**11**	**3**	**14**	**2**	**93**	**5**	**11**
Commodity and programme aid	**0**	**0**	**0**	**0**	**0**	**0**	**4**
Action relating to debt	**-**	**-**	**3**	**0**	**1**	**0**	**3**
Humantarian aid	**4**	**1**	**33**	**4**	**18**	**1**	**9**
Administrative costs of donors	**12**	**4**	**25**	**3**	**35**	**2**	**5**
Refugees in donor countries	**-**	**-**	**-**	**-**	**-**	**-**	**3**
Total bilateral allocable	**321**	**100**	**843**	**100**	**1 720**	**100**	**100**
For reference:							
Total bilateral	*324*	*71*	*852*	*79*	*1 734*	*81*	*85*
of which: Unallocated	*4*	*1*	*9*	*1*	*14*	*1*	*43*
Total multilateral	*133*	*29*	*232*	*21*	*396*	*19*	*15*
Total ODA	***457***	***100***	***1 084***	***100***	***2 130***	***100***	***100***

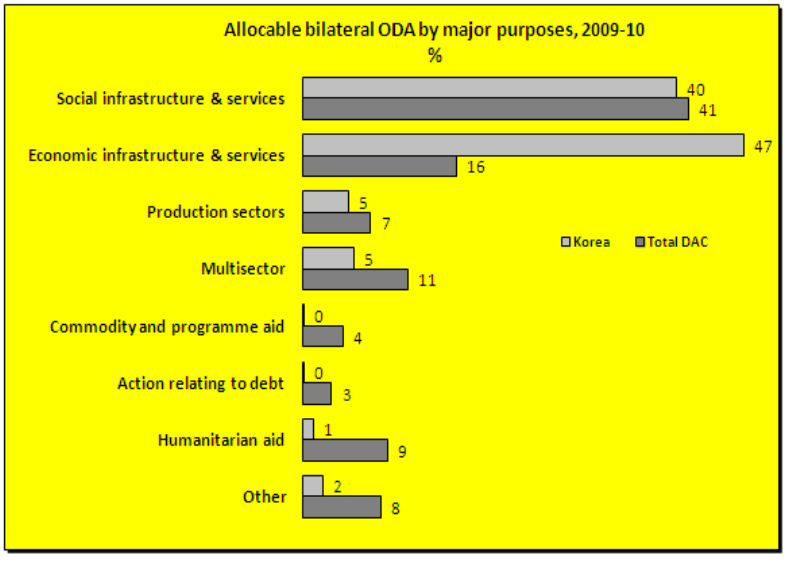


Table A.6 Comparative aid performance

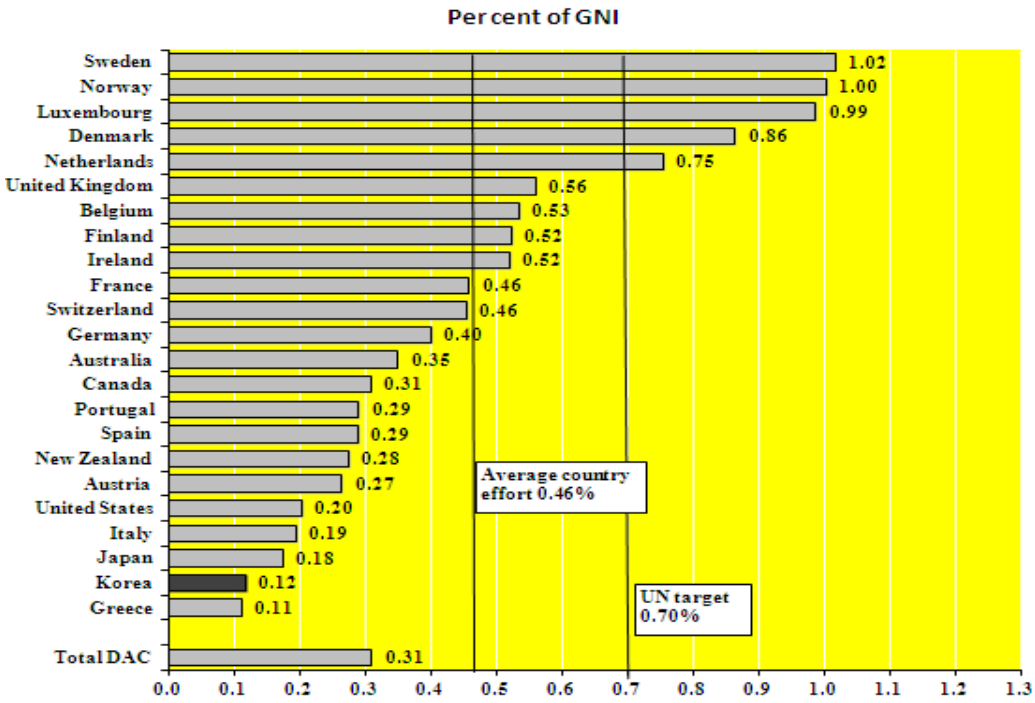
Net disbursements

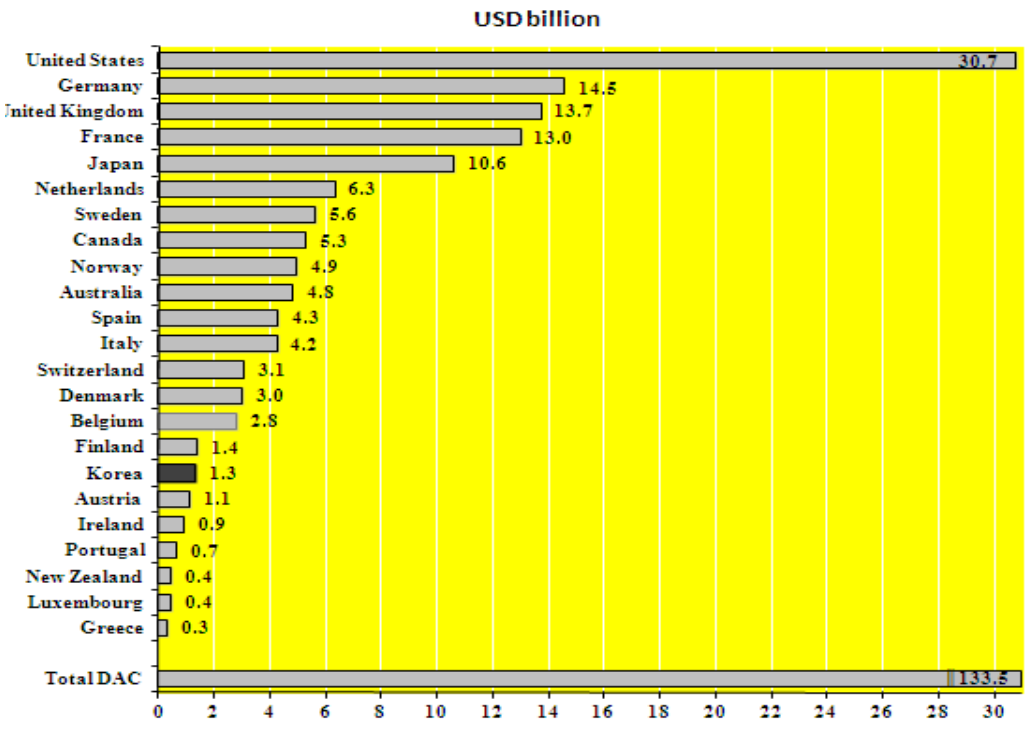
	Official development assistance 2010		2003-04 to 08-09 Average annual % change in real terms	Grant element of ODA (commitments) 2010	Share of multilateral aid 2010				ODA to LDCs Bilateral and through multilateral agencies 2010	
					% of ODA		% of GNI			
	USD million	% of GNI		% (a)	(b)	(c)	(b)	(c)	% of ODA	% of GNI
Australia	3 826	0.32	8.4	99.6	15.3		0.05		30.3	0.10
Austria	1 208	0.32	-2.5	100.0	49.3	22.5	0.16	0.07	38.0	0.12
Belgium	3 004	0.64	6.5	99.3	31.7	13.5	0.20	0.09	48.2	0.31
Canada	5 202	0.34	2.4	100.0	24.6		0.08		44.1	0.15
Denmark	2 871	0.91	2.4	100.0	26.5	17.8	0.24	0.16	39.2	0.36
Finland	1 333	0.55	7.0	100.0	37.1	22.0	0.20	0.12	35.9	0.20
France	12 915	0.50	2.9	83.7	39.7	19.1	0.20	0.09	28.5	0.14
Germany	12 985	0.39	4.3	88.6	38.1	15.6	0.15	0.06	28.1	0.11
Greece	508	0.17	4.8	100.0	58.3	3.6	0.10	0.01	21.0	0.04
Ireland	895	0.52	5.6	97.8	34.6	16.3	0.18	0.09	55.6	0.29
Italy	2 996	0.15	-7.2	81.5	74.7	22.7	0.11	0.03	39.6	0.06
Japan	11 054	0.20	-4.2	99.0	33.7		0.07		40.8	0.08
Korea	1 174	0.12	11.5	100.0	23.3		0.03		38.3	0.04
Luxembourg	403	1.05	5.1	100.0	34.9	26.1	0.37	0.27	38.4	0.40
Netherlands	6 357	0.81	3.1	100.0	26.9	17.3	0.22	0.14	29.2	0.24
New Zealand	342	0.26	3.5	100.0	20.7		0.05		29.5	0.08
Norway	4 580	1.10	5.5	98.9	22.2		0.24		30.7	0.34
Portugal	649	0.29	-7.3	74.4	39.0	10.5	0.11	0.03	44.1	0.13
Spain	5 949	0.43	13.2	100.0	32.8	15.8	0.14	0.07	27.2	0.12
Sweden	4 533	0.97	6.1	100.0	35.7	27.0	0.35	0.26	31.1	0.30
Switzerland	2 300	0.40	2.0	100.0	25.6		0.10		26.9	0.11
United Kingdom	13 053	0.57	6.1	100.0	38.6	23.2	0.22	0.13	35.9	0.21
United States	30 353	0.21	2.1	87.9	12.4		0.03		35.5	0.07
Total DAC	**128 492**	**0.32**	**2.8**	**100.0**	**29.4**		**0.09**		**34.2**	**0.11**
Memo: Average country effort		0.49								

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
.. Data not available.

Figure A.1 Net ODA from DAC countries in 2010





Annex B

Field visit to Cambodia

The peer review team visited Cambodia in June 2012. The team was made up of four examiners – two from Australia and two from Germany – plus one observer from Chile, and two members of the DAC Secretariat. The team held meetings with:

- Korean embassy staff and staff of KOICA Cambodia Office.
- Officials from the Cambodian Government, including the Council for the Development of Cambodia, the Ministry of Economy and Finance, the Ministry of Health and the Ministry of Public Works and Transport.
- Members of the National Assembly of Cambodia and the local government.
- Cambodian and Korean civil society organisations.
- Other development partners, including both bilateral and multilateral donors and organisations.

Information gathered during this field visit is used throughout this report to illustrate specific issues. This annex provides further detail, basic information on the country context (Table B.1) and an overview of international development co-operation in Cambodia. It focuses on: 1) Korea's aid priorities in Cambodia; 2) how Korea delivers its aid in the country; 3) how Korea adds value in Cambodia; and 4) how Korea works at country level in the context of the decentralisation process.

Country context

Cambodia had a gross national income (GNI) of USD 830 per capita in 2011 and is classified by the United Nations as one of the world's 48 least-developed countries (LDCs).[1] Of the other Southeast Asian countries, only Myanmar has a lower per capita income (USD 742).[2] Cambodia has a population of 13.4 million (2008 census) and more than one-quarter of the population (30.1% in 2007) live below the national poverty line.[3] It was ranked 139th out of 187 countries on the most recent UN Human Development Index (UNDP, 2011). For example, its life expectancy at birth in 2011 was 63.1 years, the lowest of the ten ASEAN member countries, placing it at 148th out of 194 countries, just above Timor-Leste (62.5).[4] Endemic corruption is also a challenge in Cambodia, impeding inclusive development. The watchdog group Transparency International ranks Cambodia 164th out of 183 countries in terms of perceptions of clean governance.[5] Cambodia also ranks low (138th out of 183 countries) in terms of ease of doing business[6] and is found in the bottom quartile for most of the World Bank's governance indicators.[7]

Despite these shortcomings, Cambodia has achieved impressive overall economic growth over the last decade, albeit starting from a very low base. The establishment of peace and political stability in the late 1990s coincided with a favourable external environment, namely the rapid growth of global trade.[8] Its economy grew at almost 10% per year between 1998 and 2008.[9] This rapid economic growth created employment opportunities, which in turn contributed to the decline in poverty incidence from 36.1% in 1997 to 30.1% in 2007.[10] Geography has also played an influential part in Cambodia's growth, as it shares borders with two regional economic engines (Thailand and Vietnam). Although Cambodia was heavily affected by the 2008/09 global economic downturn with its growth rate falling sharply to 0.1% in 2009 it staged a strong recovery in 2010 and 2011,

with real GDP growth of 6% and 6.9% (estimate) respectively.[11] The IMF estimates that this growth trajectory will continue in the medium-term at an average growth rate of 6.9% between 2012 and 2016 (IMF, 2012).[12] Oil deposits found beneath Cambodia's territorial waters in 2005 also represent a potential revenue stream for the government when commercial extraction begins.

Cambodia's strategy for tackling development challenges

The Cambodian government is addressing the country's many pressing needs (Box B.1) through its *Rectangular Strategy for Growth, Equity and Efficiency* (the strategy to alleviate poverty and achieve the MDGs); and the five-year development plan, known as the *National Strategic Development Plan* (NSDP). The Cambodian government has put good governance at the core of its development strategy, recognising its importance in attaining the MDGs. The Rectangular Strategy is currently in its second phase (2009-2013) and has identified four priority areas, each with detailed actions: 1) the enhancement of agricultural sector; 2) further rehabilitation and construction of physical infrastructure; 3) private sector development and employment generation; and 4) capacity building and human resources development. NSDP provides the roadmap for implementing these priority policies outlined and is linked to the budget via the country's Medium-Term Expenditure Framework. It was updated in 2010 to synchronise with the term of the Fourth Legislature of the National Assembly (2009-2013) and to take into account the potential impact of the global economic downturn on the Cambodian economy. Through the implementation of the Rectangular Strategy and the NSDP, the Cambodian government aims to achieve the following goals:

- sustainability, peace, political stability, security and social order to promote rule of law and protect human rights and dignity and multi-party democracy;
- sustainable long-term broad-based economic growth (at a rate of 7% a year) and more competitive capacity in the context of one-digit inflation;
- poverty reduction at a rate of over 1% a year, and improvement in the main social indicators, especially education, health and gender equity; and
- increased outreach, effectiveness, quality and credibility of public services.

Box B.1. Cambodia's MDGs

Cambodia's progress is mixed in meeting the Cambodia Millennium Development Goals (CMDGs which include a ninth goal on mine clearance). Cambodia estimates that it is on track to achieve its targets for reducing child mortality (goal 4) and combating HIV/AIDS, malaria and other diseases (goal 6) by 2015. Progress has been lagging in other areas, namely attaining universal primary education (goal 2); gender equality (goal 3); and de-mining unexploded ordnance and providing victim assistance (goal 9). Cambodia is unlikely to achieve by 2015 the targets for poverty and hunger (goal 1); improving maternal health (goal 5); and ensuring environmental sustainability (goal 7).

Source: Royal Government of Cambodia (2011), *Achieving Cambodia's Millennium Development Goals, Update 2010,* Royal Government of Cambodia, Ministry of Planning, available at http://www.un.org.kh/undp/media/files/CMDG%20Report%202010.pdf

Development co-operation in Cambodia

Official development assistance (ODA) is a fundamental source of funding for Cambodia's development programmes and is contributing towards achieving the NSDP objectives and CMDGs. Between 2007 and 2010, net ODA averaged 7.5% of Cambodia's gross national income (GNI) and 75% of its public expenditure.[13] While its dependence on

foreign aid has declined since the early 2000s,[14] mainly as a result of its growing national income, Cambodia remains among the most aid-dependent countries in Asia. Total aid provided to Cambodia amounted to approximately USD 7.4 billion over the last decade (2000-2010) alone, or roughly USD 711 million every year for the past five years (2006-2010).[15] Net ODA to Cambodia in 2010 totalled USD 737 million. Per capita aid received by Cambodia in 2010 was USD 51.9, about average for low-income countries (USD 51.4).[16]

Support from development partners has steadily increased since the signing of the peace agreement in 1991. Today Cambodia receives four times more aid than it did two decades ago. Bilateral ODA represents almost 70% of all aid to Cambodia. Of the 45 donors[17] that provide aid to Cambodia, Japan is the largest, giving around 18% of all aid. The five main donors (*i.e.* Japan, the Asian Development Bank, the United States, the Global Fund and Australia) provide more than half of Cambodia's aid. Korea is the 11th largest donor overall, providing USD 27.2 million in 2009/10. Although not reported in the OECD Creditor Reporting System, China has rapidly risen to be one of the most important sources of development finance for Cambodia. According to Cambodia's own ODA data, China was the second largest provider (after Japan) of development assistance, disbursing USD 138 million in 2010 (RGC, 2011). Chinese aid to Cambodia is estimated to increase to USD 211 million in 2011, making it the largest single donor (*ibid*).

Donor co-ordination

The Cambodian government's policy on aid management is outlined in the *Strategic Framework for Development Co-operation Management*. Within the government, the Cambodian Rehabilitation and Development Board (CRDB) of the Council for the Development of Cambodia (CDC) is responsible for the co-ordination and management of donor aid. The Cambodia Development Co-operation Forum (CDCF) is the principal forum for high-level government-donor consultation. CDCF, which replaced the Consultative Group mechanism in 2007, is chaired by the Deputy Prime Minister and attended by ministers and high-level government and donor officials. It is held every 18 months to discuss a range of development issues and challenges, and assess financing needs for future development programmes related to the implementation of NSDP. CDCF has met three times since it was launched in 2007.

The CDCF is supplemented by an in-country donor co-ordination mechanism called the Government-Development Partner Co-ordination Committee (GDCC). GDCC, which meets two or three times a year, is a forum for co-ordination, dialogue and information sharing on policies and matters of key concern and importance for Cambodia's socio-economic development. Korea is represented both by the Embassy and the KOICA Cambodia Office. GDCC works towards aid harmonisation and effectiveness in line with the Paris Declaration. GDCC is supported by 19 technical working groups (TWGs) for aid co-ordination at the sector level. TWGs are organised around themes or sectors linked to NSDP priorities and are responsible for implementing, monitoring and reporting on progress related to the Harmonisation, Alignment and Results Action Plan and the Joint Monitoring Indicators of their respective sectors. GDCC ensures co-ordination among the TWGs, provides policy guidance, sets priorities and proposes measures to solve problems raised by TWGs.

Korean development co-operation in Cambodia

Cambodia is one of Korea's 26 priority partner countries. Korea has been engaged in Cambodia since it restored full diplomatic relations in 1997. The bilateral relationship

between the two countries is stable and friendly. Around 350 000 Korean tourists visit Cambodia each year. Cambodia sends the highest number of migrant workers to Korea (a total of 16,000 migrant workers since 2008). In terms of ODA, Korea provided an average of USD 27 million annually in 2009 and 2010 – just under 4% of the net ODA Cambodia received in that period. In 2010, Korea was the seventh largest bilateral donor for Cambodia. Cambodia, in turn, was the seventh largest recipient of Korea's aid that year.

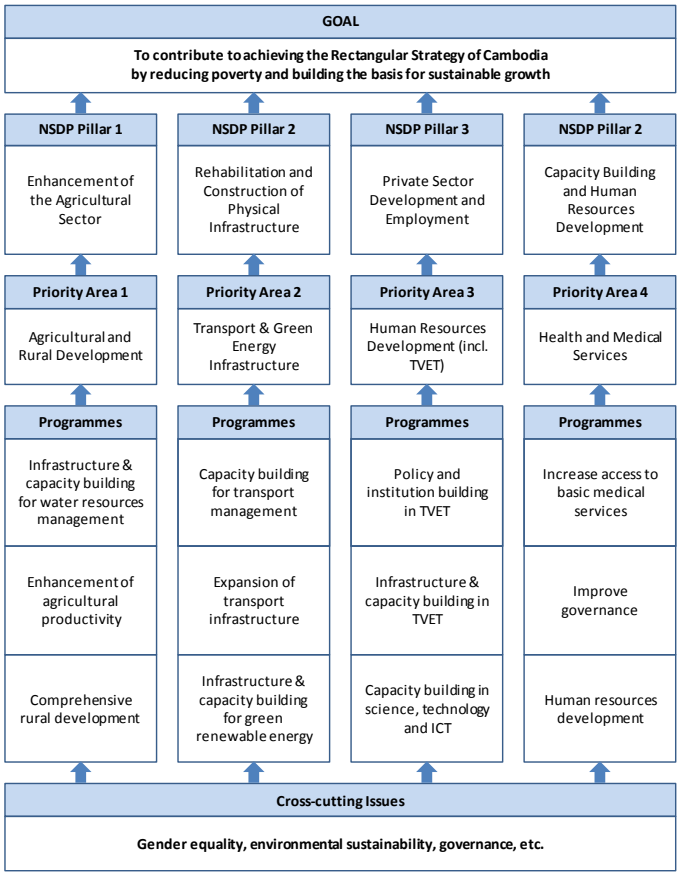
Korea's aid priorities in Cambodia

Korea has recently published its Country Partnership Strategy for Cambodia, which sets out the strategic direction for 2012-2015 with four areas of focus: 1) agricultural and rural development; 2) transport and green energy infrastructure; 3) human resources development, including vocational training; and 4) health and medical services. Korea's Country Partnership Strategy was developed in response to Cambodia's national priorities, as spelled out in the country's NSDP (Figure B.2). The four priority areas have been selected in consultation with the Cambodian government, taking into account:

- Cambodia's NSDP and other sectoral strategies;
- Korea's comparative advantage; as well as
- other development partners active in those sectors.

Cross-cutting development issues, such as gender, poverty reduction and climate change, are mainstreamed across all priority area programmes. Korea plans to allocate at least 70% of its assistance to Cambodia to these four priority areas. However, the Country Partnership Strategy does not clearly define in measurable terms the expected outcomes of Korea's contribution in the four priority areas, including the cross-cutting issues. This will make future evaluation and reporting on the results of Korea's efforts difficult and Korea should look critically at how to improve its Strategy in this respect. At the time of the peer review team's visit, the final draft of the Country Partnership Strategy had been submitted to the Cambodian government for comment.

Figure B.1. Summary of Korea's Partnership Strategy for Cambodia, 2012-2015



Source: GOK (2012), Country Partnership Strategy for Cambodia 2012-2015

How Korea delivers its aid in Cambodia

Under the umbrella of its Country Partnership Strategy, Korea's ODA policies and programmes in the field are supported by the ODA Council. The organisations represented in the Council are the Korean Embassy, KOICA, ten other Korean public agencies (*e.g.* Korea Trade-Investment Promotion Agency), as well as eight Korean private contractors operating in the field. The Council meets regularly to exchange information and report on members' respective aid activities, both ongoing and planned. These meetings perform a helpful field-level co-ordination function. However, fragmentation within the grant component of Korea's support remains an issue in Cambodia and more effort is needed to address it. For example, the peer review team learned that several Korean implementing agencies, namely the Korea Development Institute, the Korean Foundation for International Health Care and the Ministry of Agriculture, were using different procedures and delivering projects directly to their Cambodian partners with limited and often no involvement of the embassy (ODA Council) or KOICA or the central aid coordination body of the Cambodian government. While the Country Partnership Strategy has the potential to promote a whole-of-government approach to Korea's development co-operation in Cambodia, it now needs to be made operational. Korea should produce a truly comprehensive Country Partnership Strategy that captures all Korean supported aid activities in the country, including those funded and carried out by other Korean ministries and agencies. This will also require the

ODA Council to be equipped with the necessary authority to ensure that all aid-funded activities in Cambodia are processed through the embassy.

Korea uses a mix of grants, technical co-operation and concessional lending in Cambodia and largely delivers project-type assistance. It is involved in a number of sectors, though its spending is, without doubt, the highest in the area of economic infrastructure. Korea is among the largest supporters of infrastructure development in Cambodia, behind China and Japan. Its country programme involves a small number of large infrastructure projects, typically funded through EDCF loans, alongside a greater number of smaller grant and technical co-operation projects in a range of sectors implemented by KOICA. Between 2007 and 2011, Korea disbursed some 63% of its aid as concessional loans and another 25% as project aid, while the rest came in the forms of Korea's overseas volunteers (8%), training (3%) and NGO programmes (1%). Korea is making efforts to increase synergies between grants and loans in the field – for example, KOICA sometimes carries out the feasibility study for EDCF loans – but co-operation between Korea's managers of grants and loans appears to be limited. Korea's engagement in infrastructure has the potential for further strengthening this links between grants and loans, thus increasing the impact of Korea's investments in Cambodia. Moreover, in order to meet its untying targets, Korea should set out clearly the steps and timeline necessary for untying all (100%) of its grants and at least 80% of its loans to Cambodia by 2015.

How Korea adds value in Cambodia

Korea's decade-long engagement in Cambodia is valued by its partners as a reliable, long-term development partner. Cambodia's designation as one of Korea's 26 priority partner countries has triggered an increase in ODA, from a yearly average of USD 12.7 million between 1998 and 2007 to more than USD 37 million in 2010. Korea's field team has established effective working relations with their counterparts in the Cambodian government and the TWGs. Stakeholders agree that Korea has made a positive contribution to Cambodia's development; infrastructure, agriculture and rural development were most often highlighted as areas where it has added particular value. Korea's activities in Cambodia also demonstrate its willingness to align its projects with government priorities, for example EDCF's support for infrastructure development. Indeed there is wide appreciation within the Cambodian government of Korea's efforts to increase its ODA and to focus it on the four priority sectors reflecting Cambodia's own priorities in its NSDP. This augurs well for the success of Korea's development co-operation in Cambodia in the years ahead.

The Cambodian government and other donors also welcome the recent increase in Korea's engagement in the aid management architecture. Korea takes part in three TWGs (agriculture, health and infrastructure) and plans to increase its engagement in other TWGs (*e.g.* agriculture, food security, and private sector development). China also participates in the TWG for infrastructure. Korea is a particularly active participant in the TWGs for health and infrastructure where it has contributed to the discussion. That being said, Korea has only recently started to make its voice heard in these forums. It has so far under-used the potential these forums offer for sharing Korea's relevant expertise and experience. Korea should continue to engage and cement its position within the donor community by making its voice heard more clearly in all the aid co-ordination forums in which it participates, and also by tackling some long-standing issues that have constrained the effectiveness of its aid, such as the sustainability of project achievements. Korea could also have more of an impact by closer engagement in policy-level issues most relevant to the donors group, such as regulatory reform or governance issues, and by sharing its

perspectives based on its own development experience. Its engagement in broader dialogue on policy issues will provide an opportunity to lift Korea's profile further. Korea should elaborate in the Country Partnership Strategy how it intends to strengthen such engagement in Cambodia.

How is Korea's decentralisation process working?

As discussed in Chapter 4, Korea's ODA is well managed in the field by decentralised Korean implementing agency staff, with the Korean Embassy playing an important supporting role as the chair of the ODA Council. Links between headquarters and the field are good and supported by strong project management systems. The embassy currently has only one staff member, a career diplomat, covering various aspects of development co-operation, including loans (in the absence of an EDCF field office), he is ably supported by KOICA's large in-country team (13 Korean and 6 local project staff) who manage the country programme and is responsible for co-ordinating the formulation of Korea's Country Partnership Strategy for Cambodia.

KOICA's Cambodia Office is one of the 20 overseas offices that have benefited from the agency's decentralisation reform. It already has delegated powers, within agreed allocation ceilings, to execute project budgets. The division of labour between the main Korean actors in the field is also clear. The embassy supports policy-setting, KOICA implements grants and EDCF manages Korea's loan portfolio (from Seoul). The Korean Embassy represents Korea to the Cambodian government and in aid co-ordination groups, and agrees to the overall strategy. KOICA staff liaise closely with government counterparts on specific projects and are more engaged in co-ordination groups at the sector level. Korea's management of its loan portfolio will be strengthened by the posting of an EDCF officer to Cambodia by the end of 2012. EDCF should consider locating its new field office in the same building as KOICA's at the least (*i.e.* under the one roof) as this would facilitate joint working between the two agencies and ensure greater integration of grants and loans at the field level.

In the context of an expanding aid programme for Cambodia, Korea's field team will need to become more efficient in how it operates and delivers aid in order to absorb large allocation increases. For example, a large part of KOICA's field team's resources (7 full-time staff and 16% of its budget) appear to be consumed by managing its volunteer programme. Some of these field management functions could be contracted out. Korea can also improve efficiency in managing its ODA by supporting fewer and much larger programmes and by engaging more in partnerships with other bilateral and multilateral donors as well as with NGOs. Korea's move towards a programme-based approach in the Cambodian health sector is an example of an opportunity to improve the scale and effectiveness of Korean ODA within Cambodia.

Korea will also need to make more use of its highly competent locally-engaged staff. KOICA has been able to recruit high calibre local staff to play an important role in the delivery of its assistance. Some are also able to progress their careers within the organisation. However, Cambodian staff still face challenges, since many documents and training opportunities are only available in Korean. Career development, equal training opportunities, and appropriate incentives for both Korean specialists and all locally-engaged staff would ensure continued quality support to programmes.

Notes

1. Source: World Bank World Development Indicators, available at http://databank.worldbank.org/ddp/home.do?Step=12&id=4&CNO=2 [accessed 29 August 2012]
2. Information from the *World Economic Outlook Database* of the International Monetary Fund: www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx [accessed 29 August 2012]
3. Source: World Bank World Development Indicators, available at http://data.worldbank.org/country/cambodia [accessed 29 August 2012]
4. Information from UNDP's Human Development Indicators, available at http://hdrstats.undp.org/en/indicators/69206.html [accessed 29 August 2012]
5. Transparency International corruption by country map, at *www.transparency.org/country#KHM* [accessed 29 August 2012]
6. Source: Doing Business 2012 data for Cambodia, available at www.doingbusiness.org/data/exploreeconomies/cambodia/ [accessed 29 August 2012]
7. Source: The World Bank Worldwide Governance Indicators, available at http://info.worldbank.org/governance/wgi/sc_chart.asp [accessed 29 August 2012]
8. Cambodia became a member of the Association of Southeast Asian Nations (ASEAN) in 1999 and the World Trade Organization in 2004.
9. According to ADB, Cambodia's growth performance for 1998-2007 ranks sixth in the world: http://www.adb.org/sites/default/files/cps-cam-2011-2013-pa.pdf [accessed 30 August 2012]
10. Source: World Bank World Development Indicators, available at http://data.worldbank.org/country/cambodia [accessed 29 August 2012]
11. Source: World Bank World Development Indicators, available at http://data.worldbank.org/country/cambodia
12. http://www.worldbank.org/en/country/cambodia/overview [accessed 29 August 2012]
13. Source: World Bank World Development Indicators, available at http://data.worldbank.org/country/cambodia.
14. ODA represented more than 11% of its GNI in 2002.
15. DAC 2a Table, http://dotstat.oecd.org/Index.aspx [accessed 31 August 2012]
16. Source: World Bank World Development Indicators, available at http://data.worldbank.org/country/cambodia.
17. This does not include other providers of development assistance, such as China and NGOs that do not report their aid activities to the OECD Creditor Reporting System.

Description of key terms

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information

ACCRA AGENDA FOR ACTION (AAA): In 2008, three years after the 2005 PARIS DECLARATION ON AID EFFECTIVENESS, the Third High-Level Forum on Aid Effectiveness in Accra, Ghana took stock of progress and built on the Paris Declaration to accelerate the pace of change. The AAA, adopted in Accra on 4 September 2008, reflects the international commitment to support the reforms needed to accelerate an effective use of development assistance and helps ensure the achievement of the MDGs by 2015.

AID: The words "aid" and "assistance" in this publication refer only to flows which qualify as OFFICIAL DEVELOPMENT ASSISTANCE (ODA).

AID EFFECTIVENESS: The efforts of the development community to improve the delivery of AID to maximise its impact on development.

AMORTISATION: Repayments of principal on a LOAN. Does not include interest payments.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with other official or private funds to form finance packages. Associated financing packages are subject to the same criteria of concessionality, developmental relevance and recipient country eligibility as TIED AID credits.

BILATERAL: See TOTAL RECEIPTS.

BUSAN: Often referred to as the Fourth High-Level Forum on Aid Effectiveness, held from 29 November to 1 December 2011, in Busan, Korea.

CLAIM: The entitlement of a creditor to repayment of a LOAN; by extension, the loan itself or the outstanding amount thereof.

COMMITMENT: A firm obligation, expressed in writing and backed by the necessary funds, undertaken by an official donor to provide specified assistance to a recipient country or a multilateral organisation. Bilateral commitments are recorded in the full amount of expected transfer, irrespective of the time required for the completion of DISBURSEMENTS. Commitments to multilateral organisations are reported as the sum of: *i)* any disbursements in the year in question which have not previously been notified as commitments; and *ii)* expected disbursements in the following year.

CONCESSIONALITY LEVEL: A measure of the "softness" of a credit reflecting the benefit to the borrower compared to a LOAN at market rate (see GRANT ELEMENT). Technically, it is calculated as the difference between the nominal value of a TIED AID credit and the present value of the debt service as of the date of DISBURSEMENT, calculated at a discount rate applicable to the currency of the transaction and expressed as a percentage of the nominal value.

COUNTRY PROGRAMMABLE AID (CPA): Tracks the portion of aid on which recipient countries have, or could have, a significant say and for which donors should be accountable for delivering "as programmed". CPA reflects the amount of aid that is subjected to multiyear planning at country/regional level and is defined through exclusions, by subtracting from total gross ODA that is:

- unpredictable by nature (humanitarian aid and debt relief);
- entails no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries);
- does not form part of co-operation agreements between governments (food aid and aid from local governments, core funding to NGOs, aid through secondary agencies, and aid which is not allocable by country).
- CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions.

DEVELOPMENT ASSISTANCE COMMITTEE (DAC): The committee of the Organisation for Economic Co-operation and Development (OECD) which deals with development co-operation matters. A description of its aims and a list of its members are available at *www.oecd.org/dac*.

DAC LIST OF ODA RECIPIENTS: For statistical purposes, the OECD Development Assistance Committee (DAC) uses a list of official development assistance (ODA) recipients which it revises every three years. The "Notes on definitions and measurement" give details of revisions in recent years. As of 1 January 2011, the list is presented in the following categories (the word "countries" includes territories):

LDCs: Least developed countries, a group established by the United Nations (UN). To be classified as LDCs, countries must fall below thresholds established for income, economic diversification and social development. The DAC List of ODA Recipients is updated immediately to reflect any change in the LDCs group.

Other LICs: Other low-income countries; includes all non-LDCs with per capita gross national income (GNI) of USD 1 005 or less in 2010 (World Bank Atlas basis).

LMICs: Lower middle-income countries, *i.e.* those with GNI per capita (Atlas basis) between USD 1 006 and USD 3 975 in 2010. LDCs which are also LMICs are only shown as LDCs, not as LMICs.

UMICs: Upper middle-income countries, *i.e.* those with GNI per capita (Atlas basis) between USD 3 976 and USD 12 275 in 2010.

When a country is added to or removed from the LDCs group, totals for the income groups affected are adjusted retroactively to maximise comparability over time with reference to the current list.

DEBT REORGANISATION (also: **RESTRUCTURING**): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include **forgiveness** (extinction of the LOAN) or **rescheduling**, which can be implemented either by revising the repayment schedule or extending a new **refinancing** loan. See also the "Notes on definitions and measurement" in the Statistical Annex.

DISAGGREGATED MONITORING: Breaking down results from statistical monitoring by sex, sub-national region, and ethnic and social groups.

DISBURSEMENT: The release of funds to – or the purchase of goods or services for – a recipient; by extension, the amount thus spent. Disbursements record the actual international transfer of financial resources, or of goods or services valued at the cost to the donor. In the case of activities carried out in donor countries, such as training,

administration or public awareness programmes, disbursement is taken to have occurred when the funds have been transferred to the service provider or the recipient. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of LOAN principal or recoveries on GRANTS received during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

FRAGMENTATION OF AID: Describes aid that comes in too many small slices from too many donors, creating unnecessary and wasteful administrative costs and making it difficult to target aid where it is needed most.

GRACE PERIOD: See GRANT ELEMENT.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a COMMITMENT: interest rate, MATURITY and GRACE PERIOD (interval to first repayment of capital). It measures the concessionality of a LOAN, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a loan at less than 10% interest. If the face value of a loan is multiplied by its grant element, the result is referred to as the **grant equivalent** of that loan (see CONCESSIONALITY LEVEL). *Note:* In classifying receipts, the grant element concept is not applied to the operations of the multilateral development banks. Instead, these are classified as concessional if they include a subsidy ("soft window" operations) and non-concessional if they are unsubsidised ("hard window" operations).

GRANT-LIKE FLOW: A transaction in which the donor country retains formal title to repayment but has expressed its intention in the COMMITMENT to hold the proceeds of repayment in the borrowing country for the benefit of that country.

GREEN ECONOMY: Defined by UNEP, green economy results in improved human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities. In a green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services.

GREEN GROWTH: Defined by OECD, green growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies. To do this, it must catalyse investment and innovation which will underpin sustained growth and give rise to new economic opportunities.

HIGH-LEVEL FORA ON AID EFFECTIVENESSS: A series of four high-level events held between 2003 and 2011. In the early 2000s, there was growing concern that

aid was not producing the development results that it should. These events led to the formulation and refinement of principles for effective aid with the aim of helping achieve the Millennium Development Goals (MDGs). See Rome Declaration on Harmonisation (2003), Paris Declaration on Aid Effectiveness (2005), Accra Agenda for Action (2008). The most recent event, held in Busan in 2011 and attended by over 2 000 representatives of governments,

international organisations, parliaments, the private sector, civil society and other stakeholders, resulted in the endorsement of the Busan Partnership for Effective Development Co-operation (2011).

IMPUTED MULTILATERAL FLOWS: Geographical distribution of donors' core contributions to multilateral agencies, based on the geographical breakdown of multilateral agencies' disbursements for the year of reference.

LOANS: Transfers for which repayment is required. Only loans with MATURITIES of over one year are included in DAC statistics. The data record actual flows throughout the lifetime of the loans, not the **grant equivalent** of the loans (see GRANT ELEMENT). Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans. This means that when a loan has been fully repaid, its effect on total NET FLOWS over the life of the loan is zero.

LONG-TERM: Describes LOANS with an original or extended MATURITY of more than one year (see SHORT-TERM).

MATURITY: The date at which the final repayment of a LOAN is due; by extension, the duration of the loan.

MULTILATERAL AGENCIES: In DAC statistics, those international institutions with governmental membership that conduct all or a significant part of their activities in favour of development and aid recipient countries. They include multilateral development banks (*e.g.* the World Bank, regional development banks), United Nations agencies and regional groupings (*e.g.* certain European Union and Arab agencies). A contribution by a DAC member to such an agency is deemed to be multilateral if it is pooled with other contributions and disbursed at the discretion of the agency. Unless otherwise indicated, capital subscriptions to multilateral development banks are presented on a deposit basis, *i.e.* in the amount and as of the date of lodgement of the relevant letter of credit or other negotiable instrument. Limited data are available on an encashment basis, *i.e.* at the date and in the amount of each drawing made by the agency on letters or other instruments.

MULTILATERAL: See TOTAL RECEIPTS.

NET FLOW: The total amount disbursed over a given accounting period, less repayments of LOAN principal during the same period, no account being taken of interest.

NET TRANSFER: In DAC statistics, NET FLOW *minus* payments of interest.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on the DAC LIST OF ODA RECIPIENTS and MULTILATERAL AGENCIES that are undertaken by the official sector at concessional terms (*i.e.* with a GRANT ELEMENT of at least 25%) and that have the promotion of the economic development and welfare of developing countries as their main objective. In addition to financial flows, TECHNICAL CO-OPERATION is included in aid. Grants, loans and credits for military purposes are excluded. For treatment of the forgiveness of

loans originally extended for military purposes, see "Notes on definitions and measurement" in the Statistical Annex.

OFFICIAL DEVELOPMENT FINANCE (ODF): Used in measuring the inflow of resources to recipient countries and includes: *i)* bilateral ODA; *ii)* GRANTS, and concessional and nonconcessional development lending by MULTILATERAL AGENCIES; and *iii)* those OTHER OFFICIAL FLOWS which are considered developmental (including refinancing LOANS) but which have too low a GRANT ELEMENT to qualify as ODA.

OFFSHORE BANKING CENTRES: Countries or territories whose financial institutions deal primarily with non-residents.

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF ODA RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE, either because they are not primarily aimed at development or because they have a GRANT ELEMENT of less than 25%.

PARIS DECLARATION ON AID EFFECTIVENESS: The Paris Declaration (2005) – adhered to by over 100 countries – lays out a practical, action-oriented roadmap to improve the quality of aid and its impact on development by 2010. It puts in place a series of specific implementation measures and establishes an international monitoring system to ensure that donors and recipients hold each other accountable for their commitments – a feature that is unique among international agreements. The Paris Declaration's 56 PARTNERSHIP COMMITMENTS are organised around five fundamental principles for making aid more

effective:

Ownership: Developing countries set their own strategies for development, improve their institutions and tackle corruption. In Accra (2008) it was widely recognised that "ownership" should also refer to the inclusion of a wide variety of country stakeholders in the process.

Alignment: Donor countries bring their support in line with the country's objectives and use local systems.

Harmonisation: Donor countries co-ordinate their action, simplify procedures and share information to avoid duplication.

Managing for results: Developing countries and donors focus on producing and measuring results.

Mutual accountability: Donor and developing country partners are accountable for development results to each other and to their electorates.

Designed to strengthen and deepen implementation of the Paris Declaration, the **Accra Agenda for Action** (AAA, 2008) takes stock of progress and sets the agenda for accelerated advancement towards the 2010 targets. The AAA represents an unprecedented alliance of more than 80 developing countries, DAC donors, some 3 000 civil society organisations, emerging economies, United Nations and multilateral institutions, and global funds.

PARTIALLY UNTIED AID: ODA for which the associated goods and services must be procured in the donor country or among a restricted group of other countries that

must, however, include substantially all recipient countries. Partially untied aid is subject to the same disciplines as TIED AID credits and ASSOCIATED FINANCING.

PARTNER COUNTRY: Refers to countries that receive development assistance provided by other countries to support their own development.

PARTNERSHIP PRINCIPLES: See PARIS DECLARATION ON AID EFFECTIVENESS.

PEER REVIEWS: Each DAC member country is reviewed by peers roughly every four years with two main aims: *i)* to help the country understand where it could improve its development strategy and structures so that it can increase the effectiveness of its

investment; *ii)* to identify and share good practice in development policy and strategy. The reviews are led by examiners from two DAC member states.

PRIVATE FLOWS: Consist of flows at market terms financed out of private sector resources (*i.e.* changes in holdings of private LONG-TERM assets held by residents of the reporting country) and private grants (*i.e.* grants by non-governmental organisations and other private bodies, net of subsidies received from the official sector). In presentations focusing on the receipts of recipient countries, flows at market terms are shown as follows:

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF ODA RECIPIENTS. "Lasting interest" implies a long-term relationship where the direct investor has a significant influence on the management of the enterprise, reflected by ownership of at least 10% of the shares, or equivalent voting power or other means of control. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

International bank lending: Net lending to countries on the DAC List of ODA Recipients by banks in OECD countries. LOANS from central monetary authorities are excluded. Guaranteed bank loans and bonds are included under other private (see below) or bond lending (see below).

Bond lending: Net completed international bonds issued by countries on the DAC List of ODA Recipients.

Other private: Mainly reported holdings of equities issued by firms in aid recipient countries. In data presentations that focus on the outflow of funds from donors, private flows other than direct investment are restricted to credits with a MATURITY of more than one year and are usually divided into:

Private export credits: See EXPORT CREDITS.

Securities of multilateral agencies: This covers the transactions of the private, non-bank and bank sector in bonds, debentures, etc. issued by MULTILATERAL AGENCIES. **REDD:** Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD) is a set of steps designed to use market/financial incentives in order to reduce the emissions of greenhouse gases from deforestation and forest degradation.

RIO +20 CONFERENCE: The United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, on 20-22 June 2012. The first UN

Conference on Sustainable Development was the "Earth Summit", held in 1992, and it spawned the three "Rio conventions" – the UNFCCC, the UNCCD and the UNCBD.

SCALING UP: This term, used with reference to aid, refers not only to increased aid flows, but also to an increase in the impact and effectiveness of aid through several measures: distributing aid better, based on partner country needs and priorities; widening

aid to include populations and geographic/thematic areas that receive proportionally too little; applying more broadly the lessons that have been learned on more effective aid delivery and management; following through on commitments (in terms of how much aid is given and how it is delivered and managed); investing greater efforts to overcome known and recognised obstacles to aid effectiveness.

SHORT-LIVED CLIMATE POLLUTANTS (SLCPs): Chemicals that remain in the atmosphere for only a few days or a few decades at the most. They include black carbon particles (or soot, emitted from wood fires, for example); methane (from oil and gas production and municipal waste); and tropospheric ozone (from motor vehicles). In addition to being powerful greenhouse gases, these are dangerous air pollutants, with various detrimental impacts on human health, agriculture and ecosystems.

SHORT-TERM: Describes LOANS with a MATURITY of one year or less (see LONGTERM).

TECHNICAL CO-OPERATION: Includes both: *i)* GRANTS to nationals of aid-recipient countries receiving education or training at home or abroad; and *ii)* payments to consultants, advisers and similar personnel, as well as teachers and administrators serving in recipient countries (including the cost of associated equipment). Assistance of this kind provided specifically to facilitate the implementation of a capital project is included indistinguishably among bilateral project and programme expenditures, and is omitted from technical co-operation in statistics of aggregate flows.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services is limited to the donor country or to a group of countries, which does not include substantially all aid-recipient countries. Tied aid loans, credits and ASSOCIATED

FINANCING packages are subject to certain disciplines concerning their CONCESSIONALITY LEVELS, the countries to which they may be directed and their developmental relevance for the purpose of: avoiding the use of aid funds on projects that would be commercially viable with market finance and ensuring that recipient countries receive good value.

TOTAL RECEIPTS: The inflow of resources to aid-recipient countries includes, in addition to ODF, official and private EXPORT CREDITS and LONG-TERM private transactions (see PRIVATE FLOWS). Total receipts are measured net of AMORTISATION payments and repatriation of capital by private investors. **Bilateral** flows are provided directly by a donor country to an aid recipient country. **Multilateral** flows are channelled through MULTILATERAL AGENCIES. In tables showing total receipts of recipient countries, the outflows of multilateral agencies to those countries is shown, not the contributions which the agencies received from donors.

UNDISBURSED: Describes amounts committed but not yet spent (see COMMITMENT, DISBURSEMENT).

UNTIED AID: ODA for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME (real terms): The flow data of DAC statistics are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period. A table of combined conversion factors (deflators) is provided in the Statistical Annex which allows any DAC figure in current USD to be converted to dollars of the reference year ("constant prices").

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