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**Round Table Discussion Session 2:
Sustainable Future and Development Cooperation**

Recent Development of Korea's ODA Policy: Future Challenges

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Korea's ODA Policy

- History

- 1963: First invitational training program
- 1977: Started using own funds for technical cooperation
- 1987: Economic Development and Cooperation Fund (EDCF)
 - Loan operation entrusted to Korea Exim Bank (KEXIM)
- 1991: Korea International Cooperation Agency (KOICA)
 - Established under the Ministry of Foreign Affairs, dedicated to delivering grants.
- **2010:**
 - Enacted Framework Act on International Development Cooperation (Framework Act) and First Strategic Plan (2011-2015)
 - Creation of CIDC to oversee Korea's ODA policy and undertake strategic and thematic evaluations.
 - Integrated policy coordination between loan and grant operations.
- **2020:**
 - **Institutional reforms through the overall revision of the Framework Act.**
 - **Third Strategic Plan (2021-2025)**

Institutional Reforms 2020

- Enlarged and Strengthened CIDC
 - Clear legal authority to deliberate and approve comprehensive strategic plans, mid-term strategic plans for priority countries
 - Strengthened strategic policy setting functions and coordinating role of CIDC
- Creation of Office for International Development Cooperation at the Prime Minister's Office (PMO)
 - Increased capacity to support the CIDC, as the Secretariat.
 - Reinforced research function by newly establishing the Center for International Development Cooperation at KIEP
- Strengthened delivery system
 - MOEF is required to respect comprehensive strategic plans for IDC when preparing the government budget.
 - Reflecting evaluation findings in new interventions has been made mandatory, and public access to evaluation reports improved, strengthened monitoring procedures for ongoing operations.
- Establishment of Committees to strengthen coordinating functions of supervising agencies
 - EDCF Management Committee (led by MOEF)
 - Committee on Grant Strategy (led by MOFA)
 - * 41 implementing agencies as of 2020 (KOICA, EDCF, line Ministries, and 10 local governments) undertaking 1,551 operations , with total ODA of 3.427 trillion won.

Third Comprehensive Strategic Plan for IDC (2021-2025): New Challenges

- Global crisis requiring urgent response and global solidarity
 - Global pandemics, climate change, natural disasters
- Income polarization
 - Uneven effects of the pandemic, rising gap between middle income countries and conflict-fragile regions, digital divide
- Mainstreaming SDG
 - Rising demand for PSE/PSI to complement development finance to implement SDGs by 2030
- Need to “defend” ODA, with the fall of official resources after the world financial crisis
 - Emphasis on results based ODA, accountability and effectiveness
 - Increasing nationalistic tendencies in IDC motivation: using ODA to open trade and investment opportunities
 - Need to diversify sources of development finance
- Increasing need for policy coherence between ODA and non-ODA policies
 - Spread of global value chain, the need for international cooperation in climate change, and security
- Importance of cooperation with diverse partners
 - Increased number and kinds of implementing agencies
 - Increased need for policy dialogue with the private sector (CSOs, foundations, private enterprises)
 - Increased public awareness and demand for transparency

Korea's New Strategy: 4 Missions + Implementation Strategy

Inclusiveness

- Strengthen resilience against global health threats
- Expand humanitarian aid to the vulnerable
- Improving quality of life

Co-prosperity

- Socio-economic development
- Green transformation
- Strengthening policy coherence with non-ODA policies

Innovativeness

- Enhancing innovative capability in developing countries
- Adopt innovative IDC programs.
- Diversify channels of development finance

Partnership

- Strengthen partnership with the civil society
- Deepen cooperation with international partners
- Expand partnership with private firms and foundations

Implementation Strategy for development effectiveness

Sustainability

Accountability

Efficiency

Inclusiveness

- Strengthen resilience against global health threats
 - Expand ODA in the health sector in response to the COVID19 pandemic
 - 2020: 2.773 trillion won -> 2021: 3.36 trillion won (21% increase)
 - May 2020 plan to provide 60 billion won to 60 countries in cooperation with the private sector
 - Strategy to overcome the COVID19 pandemic (July 2020)
 - Demand based assistance by sector:
 - Health administration
 - Prevention & monitoring
 - Diagnosis & examination
 - Treatment and management
 - Raising health and medical capability in partner countries
 - Provision of essential medicines and quarantine goods
 - Training health and medical professionals
 - Assist development of appropriate technology in the health and medical area.
 - Building sanitation infrastructure
 - Continue ODA for clean water
 - Expand integrated WASH (water, sanitation, and hygiene) programs

Inclusiveness

- Expand humanitarian aid to the vulnerable
 - “Reach the furthest first”: priority assistance to places where conflict, natural disasters continue but do not receive attention of the international community
 - Assistance to the most vulnerable (children and women) by mainstreaming gender and human rights in ODA policies and programs.
- Strengthening the humanitarian-development-peace nexus
 - Assisting the vulnerable to prevent conflict risks and achieve lasting peace and development
 - Continue actively engaging in DAC’s International Network on Conflict and Fragility and other international fora.
 - Creating synergies: providing ODA to regions where Korea participates in peace keeping operations.
- Improving effectiveness of humanitarian aid
 - Expand multi-year assistance and non-designated assistance
 - Improve transparency
 - Joined the “Grand Bargain” of the UN in 2020

Inclusiveness

- Improving quality of life
 - Continue emergency provision of food(rice) in response to food crisis caused by climate change and supply chain bottlenecks due to the global pandemic.
 - Assistance programs to ensure food security, improve nutrition and raise income
 - Integrated rural development and smart farm programs to improve agricultural productivity (irrigation, machinery and technology transfer, appropriate technology)
 - Assistance in response to natural disasters
 - Complement emergency assistance with preventive measures and efforts to strengthen resilience
 - Public policy ODA: knowledge sharing in building comprehensive disaster management system
- Education
 - Focusing on improving literacy of the disadvantaged, basic education for maintaining livelihood, especially for women
 - Meeting increased demands for e-learning and closing the digital divide gap
 - Human resource development in cooperation with universities in partner countries

Co-prosperity

- Socioeconomic development
 - Economic infrastructure building
 - Infrastructure building to meet increased demand in high population density areas of ASEAN and India
 - High value added infrastructure projects: [ICT-based transportation system \(ITS\)](#)
 - Urbanization programs in South East Asian countries
 - Social infrastructure development
 - Legal and institutional reforms and capability building in data management to improve development policy assessment
 - Institutional reforms to improve education, health and social safety net services to the disadvantaged
 - Creating synergy between tourism and cultural heritage
 - Engaging the private sector in infrastructure ODA programs
 - Strengthening cooperation between the implementing agencies in the field, embassies and private enterprises

Co-prosperity

- Green transformation
 - Responding to climate change
 - Deepen cooperation with international environmental organizations such as GGGI and GCF
 - Linking loan programs with MDB programs
 - Strategic Green New Deal ODA
 - Roadmap to raise green ODA share to DAC average levels
 - Assistance to SMEs involved in Green New Deal ODA follow up projects
 - Efficiency improving programs in energy and sanitation sectors
 - Bilateral climate change cooperation agreements with partner countries to identify cooperative projects to lower carbon emission
 - R&D assistance, legal reform consulting, carbon emission reduction at the origin (industry, transportation and electricity generation)

Co-prosperity

- Policy coherence
 - Creating synergies between ODA and foreign policy
 - [New Southern Policy Plus \(2021\)](#) to assist post-COVID cooperation in the health sector based on the “people first” principle.
 - [New Northern policy \(2020\)](#): initiatives for capacity building in the health sector, smart farm, smart city programs.
 - Creating synergies between ODA and high level diplomacy: facilitate agenda setting and accelerating momentum for implementing ODA policies.

Innovativeness

- Enhance innovative capability in partner countries
 - Assist building innovative capability in partner countries
 - R&D personnel, technology policies, networking among scientists
 - Patent transfer for developing appropriate technology
 - Technology matching, dedicated transfer organizations, commercialization consulting
 - Mitigating the digital divide
 - Making digital technology accessible to disadvantaged groups and those in remote areas.
 - Digital New Deal ODA
 - Creating synergies between existing ODA programs and ICT: eg. medical data system, quarantine system, e-learning, smart farm, large smart city operations
 - Digitalizing government administration: health care, procurement , trade

Innovativeness

- Adopt innovative IDC programs
 - Using technologies of social ventures and startups for sustainable development in partner countries
- Innovation in methods of delivery
 - Engaging the private sector and the civil society to provide “package programs”
 - Creating synergies between grant and loan ODA programs
 - Undertake training and conferences
- New ODA contents
 - Cooperation in the areas of culture
 - Developing business models based on cultural contents, cultural contents production technologies

Innovativeness

- Diversify channels of development finance
 - Expanding PSE
 - policy finance, blended finance, investment and guarantees
 - Expanding PSD
 - Assistance to private projects in middle income countries to meet rising demands in infrastructure building
 - Investment in PPPs to improving management capability for PPP
 - Using development finance to utilize private sector talents and develop strategic project models
 - Expand cooperation with international organizations and other donors
- Legal and institutional reforms to promote PSI
 - Promoting development financing function of the public sector (eg KEXIM)

Partnership

- New foundation for civil society partnerships
 - Implementation Plan for Government-Civil Society Partnership (2021)
 - Regular policy dialogue
 - Activating consultation mechanisms between CSOs and implementing agencies.
 - Sharing evaluation results with CSOs, improving transparency, improving accountability of CSOs, preventing potential adverse effects (environmental, social, human rights)
 - Civil society capacity building
 - Expand assistance to civil society for capacity building
 - Enhancing cooperation with the civil society in humanitarian aid, health and education sectors, assistance to the disadvantaged
 - Enlarge size of assistance to the civil society
 - Creating synergies with ODA programs and local civil society programs
 - Expanding cooperation between regional governments and public organizations and civil society

Partnership

- Deepen cooperation with international partners
 - Strategic cooperation with WHO, UNICEF, WFP, UNDP, UNHCR
 - Cooperation with MDBs in agenda setting and establishing trust funds
 - Amended [Multilateral Cooperation Strategy \(2016\)](#)
 - Performance assessment of multilateral cooperation
 - Participation in the MOPAN (Multilateral Organization Performance Assessment)
 - Creating synergies with bilateral cooperation
- Expand cooperation with other donors
- Diversifying cooperation modalities
 - Triangular ODA in cooperation with BRICs and newly industrialized middle income countries to improve development effectiveness
 - Creating synergies with other donors and utilizing regional networks
 - Active utilization of KSP (knowledge sharing and consulting based on Korea's development experience)

Partnership

- Expand partnership with private firms and foundations
 - Creating synergies with technologies and CSR activities of the private sector and ODA
 - Promote PSE and PSI through sharing relevant information with the private sector
 - Consensus building with the private sector, both internally and globally.
 - Expand cooperation with public organizations and universities
 - Deepen research regarding ODA policies
 - Promote campaign to raise public awareness of ODA issues
 - Promote cooperation through sister-cities in partner countries, and linking private sector activities to ODA projects.
 - Sharing knowledge in administration at local government levels.

Implementation Strategy

- Sustainability
 - Roadmap for human resources development specialized in IDC
 - Establish a network of IDC experts
 - Assistance to returnees in partner countries (eg KOICA Step up)
 - Recognition of experience in ODA related work in job searches.
- Accountability
 - Enhance evaluation and feedback mechanisms, evaluability assessment, consulting services to implementing agencies
 - Enhance safeguard mechanisms by strengthening ESG assessment
 - Raise transparency
- Efficiency
 - Overhauling the ODA delivery system: enhanced policy steering, coordinating and monitoring authority of the CIDC.
 - Utilize ODA Information Portal to deepen cooperation between relevant institutions
 - Strengthen KOICA's platform function to coordinate ODA by different Ministries
 - Giving the leading role to the field for on-going and ex-post monitoring
 - Promotion and advocacy of ODA through public diplomacy

Innovative programs and new aid modalities

- Tapping innovative talents in the private sector
 - KOICA's Development Innovation Program (DIP)
- New aid modalities
 - EDCF's new programs and cooperation with international institutions

KOICA's Development Innovation Program (DIP)

- New growth project consisting of three sub-programs.
 - Inclusive Business Program (IBS)
 - Contributes to sustainable development by actively integrating corporate finances and strategies with development cooperation projects
 - 43 projects 11,250 million won (2019)
 - Creative Technology Solution (CTS)
 - Improves the development effectiveness by supporting prospective entrepreneurs and social ventures
 - 46 projects, 6,910 million won. (2019)
 - Innovative Partnership Solution (IPS)
 - Strategic partnership project conducted with various overseas partners based on the results obtained from piloting new fields, regions and methods that KOICA had not attempted previously
 - 11 projects, 4,150 million won (2019)

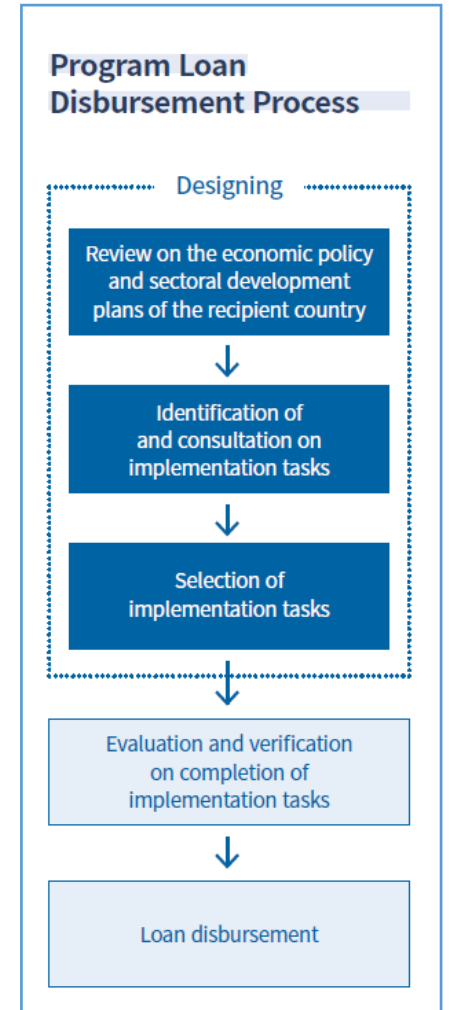
KOICA's DIP - CTS

- 2018 Portfolio
 - **IDIM International**: development and distribution of ultra-small hydro-solar hybrid generators suitable for remote alpine regions of Nepal.
 - **Dot**: distribution of affordable braille module and development of educational content for visually impaired in Kenya and India.
- Annual Report 2019
 - MOU with Korea East-West Power in 2019 to foster start-ups and small venture businesses to cope with climate change. East-West Power will conduct feasibility studies and provide financial support to CTS partners to develop, verify and commercialize CDM technologies.
 - **Launched first CTS program (King Sejong and Jang Young-sil Prize) to foster local social ventures in developing countries**
 - Solving plastic problem in Indonesia: four promising local social ventures were selected and given \$50,000 each to support its business. They were able to improve their investment attraction capabilities and eventually secured \$6.13 million worth of impact investment.

EDCF's New Aid Modalities

- Program loan for Paraguay, May 2020.
 - EDCF co-financed with the IDB to support Paraguayan government to implement policy goals in response to health and economic crisis caused by COVID-19. This was EDCF's first program loan to support partner country response to the pandemic.
 - EDCF also shared Korea's experience in ICT-based quarantine measures through its KSP program.
- Packaged loan to Ethiopia for COVID-19 response in 2020.
 - EDCF deployed a program loan (USD 40 million) and an equipment loan (USD 30 million) to Ethiopia in support of Ethiopia's National Emergency Response Plan.
 - The program loan was co-financed with AfDB's "Crisis Response Budget Support Program," and is expected to not only mitigate the economic and social impacts of COVID-19 on the most vulnerable, but also to enhance Ethiopia's capacity to contain the pandemic.
 - The equipment loan for purchasing 31 items of medical equipment, such as PCR machines, ventilators, and masks. This operation took place under the "Guidelines on Emergency Equipment Loans for Responding to COVID-19" which EDCF established in 2020, which reduced average timeline from loan request to disbursement from 34 months to 3-4 months.

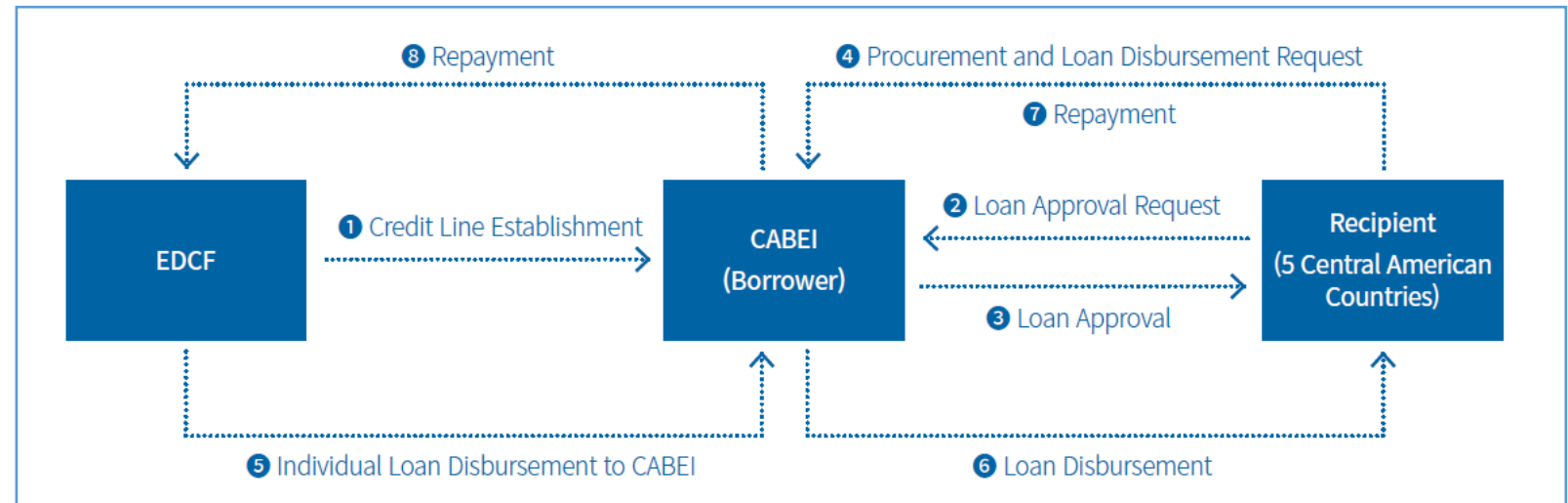
EDCF(2020) Annual Report, pg 34.



EDCF's New Aid Modalities

- Credit facility with the Central American Bank for Economic Integration(CABEI)
 - To support the five Central American countries respond to the COVID-19 emergency, CABEI, the main multilateral development bank in the region, launched the Emergency Support and Preparedness Program for COVID-19, totaling USD 2.4 billion and requested EDCF's participation in the program.
 - Accordingly, EDCF committed a USD 50 million Loan, and established a credit line at CABEI, which would then on-lend to Central American countries. This was the first time EDCF set up a credit facility with an international development finance institution.
 - Such a structure is expected to increase the efficiency of the intervention as it can serve several countries to support multiple projects simultaneously, and in a timely and flexible manner. Further, the structure adds stability to the operation as CABEI has higher credit rating than individual Central American countries, and can ensure repayment of loans.

Structure of Credit Line Establishment with CABEI
EDCF (2020) Annual Report, pp 36.



Integrated Strategic Plan for Green New Deal ODA (2021)

1. Green transformation (Co-Prosperity)

- Enlarge share of green ODA to OECD DAC average
 - Korea's current share in 2015~2019 = 19.6%, OECD DAC average = 28.1%
- Adopt unified green ODA concept and measurement across relevant ministries, and require environmental screening for all new interventions.
- Tailor made programs suitable for development stages of recipient countries.
 - Program loans as budget support, policy consulting and invitational training programs
 - Climate change and environmental divisions set up under various inter-ministry consultation councils on international development cooperation.
- Identify flagship projects to serve as role models for tailor made projects (recipient demand based, large scale, loan-grant integrated, private and international participation – eg Karian Multi-purpose Dam project in Indonesia)

Integrated Strategic Plan for Green New Deal ODA (2021)

2. Global green ODA initiative (International partnership)

- Take advantage of various international policy fora and high level diplomacy to create momentum for green ODA.
- P4G, G7, COP26, bilateral high level diplomacy
 - Establish fast track procedures for rapid implementation of urgent projects.
- Increase contributions and cooperation with international environmental institutions such as GCF, GGGI, and AfFoCO
 - GCF: committed to contribute a total of \$300 million until 2027. EDCF soon to be an accredited entity, in addition to KOICA and KDB.
 - GGGI: Green New Deal Fund to be established in 2022 to invest in energy, mobility, smart city, water, sanitation and agriculture.
 - AfFoCO: Korea is the largest contributor. Seeking to use Korea's experience in forestation to counter climate change, desertification
- Strengthen cooperation with UN institutions (UNDP, FAO, UNCCD), MDBs, regional organizations, and intensify bilateral mechanisms
 - Plan to contribute to the ADB's Climate Action Catalyst Fund (CACF)
 - Contribute \$350 million to ADB's ASEAN Catalytic Green Facility (ACGF), in line with the New Southern policy.
 - Contribute \$600 million to AfDB's energy framework to support energy sector in Africa
 - Use of trust funds and co-financing with MDBs to facilitate effective green ODA.
 - Strengthen cooperation with regional organizations: eg. Mekong River Commission (MRC), Eurasian Economic Union (EAEU) to respond to environmental and climate change challenges
 - Bilateral MOUs with national aid agencies
 - Development Cooperation MOU between Korea's MOFA and AusAID (2019): cooperate in projects to mitigate effects of climate change in South East Asia, Pacific islands.

Integrated Strategic Plan for Green New Deal ODA (2021)

3. Partnership for co-prosperity (Partnership, co-prosperity, policy coherence)

- Focus assistance in areas where partner country demand matches Korea's strength
 - Eg. mobility, application of ICT to energy and water management.
- Climate change cooperation agreements with partner countries
 - Eg. Korea-Vietnam Climate Change Agreement (2021). Agreements with Peru and Sri Lanka under negotiation.
- Policy coherence with New Southern and New Northern policies
- Strengthen private sector participation
 - Eg. provide incentives to SMEs and innovative start-ups to identify follow up projects to green new deal ODA projects.

Critical assessment and future challenges

- Many of the green ODA projects are infrastructure, water, waste and sanitation projects of the past, recast and reframed thematically as "green new deal ODA."
 - What is new is the effort to enlarge projects and programs, especially in cooperation with international green platforms, such as international environmental organizations and funds, UN organizations, MDBs, regional organizations and bilateral cooperation with partners
 - These efforts are supported by institutional reforms to support new aid modalities in Korea
 - But should mainstream "inclusiveness," ie impact on the poor, excluded groups etc. by requiring impact analysis to include measurement on inclusiveness. This is not explicitly spelled out in the Integrated Strategic Plan for Green New Deal ODA.
- Refrain from providing aid in kind (eg food, health goods and equipment) so as to promote local procurement in partner countries and to facilitate untying of aid.
 - Often emergencies and famines are created not for the lack of goods but lack of efficient distribution within developing countries.
- Further strengthen safeguard policies, not only with respect to the environmental and social issues but also with respect to financial governance mechanisms with increased participation of the private sector