OECD Development Co-operation Peer Reviews

KOREA

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OECD Development Co-operation Peer Reviews: Korea 2024

BETTER POLICIES FOR BETTER LIVES

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Foreword

The OECD Development Assistance Committee (DAC) conducts reviews of the development co-operation efforts of DAC members every five to six years. DAC peer reviews seek to improve the quality and effectiveness of development co-operation policies, programmes and systems, and to promote good development partnerships for greater impact on poverty reduction and sustainable development in developing countries.

From 2021, DAC peer reviews no longer cover all components identified in the peer review analytical framework (https://one.oecd.org/document/DCD/DAC(2022)57/FINAL/en/pdf?#page=14). Instead, they highlight good and innovative practices and reflect on key challenges faced by the reviewed member on select themes, recommending improvements. These themes are selected through consultation with representatives from the reviewed member and its partners.

At the beginning of the process, the reviewed member submits a self-assessment. Based on this, staff from the Secretariat and two DAC members designated as peer reviewers visit the member's capital to interview officials and parliamentarians, as well as representatives of civil society, non-government organisations and the private sector. This is followed by visits to up to two partner countries or territories, where the team meets with the representatives from the reviewed member as well as senior officials and representatives of the partner's administration, parliamentarians, civil society, the private sector and other development partners. The team then compiles the findings of these consultations and prepares a set of recommendations which are then discussed during a formal meeting of the DAC prior to finalisation of the report. During the whole process, the OECD Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining, in close consultation with the DAC, the methodology and analytical framework within which the peer reviews are undertaken.

To support learning between DAC members, the report highlights a number of valuable practices from the reviewed member, from which peers can draw inspiration and learning. These are documented in further detail on the **Development Co-operation TIPs · Tools Insights Practices** online peer learning platform (www.oecd.org/development-cooperation-learning), that offers insights into making policies, systems and partnerships more effective. The peer review report is complemented by the Korea's development co-operation profile (https://doi.org/10.1787/d919ff1a-en) which includes factual information on its policies, development financing, institutional arrangements, and management systems.

The analysis presented in this report is based on (1) a desk review, including Korea's self-assessment and written assessments provided by more than 24 partners (multilateral, non-government and academic partners as well as partner governments); and (2) an extensive process of consultation with actors and stakeholders in Korea and Uzbekistan (listed in Annex C). The work was discussed during the meeting of the DAC on 19 March 2024 and revised to integrate comments. The section titled "The DAC's peer review recommendations to Korea" sets out the recommendations approved by the Committee via written procedure on 22 March 2024.

Acknowledgements

Development Assistance Committee (DAC) peer reviews function as a tool for both learning and accountability. This report is the result of an in-depth consultation and review process. It was produced by a review team comprising peer reviewers from Australia (Dirk Platzen, Australian Delegation to the OECD, and Nicola Ross, Department of Foreign Affairs and Trade) and the European Union (Jose Roman Leon Lora, Delegation of the European Union to the OECD, and Gonzalo Serrano, European Commission). From the OECD Development Co-operation Directorate, co-authors were Emily Bosch as lead analyst and Jieun Kim as policy analyst. Renwick Irvine, Team Lead for Peer Reviews, oversaw the review. Samantha Proteau provided logistical assistance to the review, and formatted and produced the report. Héctor Moreno provided statistical support and Yasmin Ahmad and Elena Bernaldo de Quiros verified the data. The report was prepared under the supervision of Rahul Malhotra, Head of Division, Reforms and Partnerships for Development Impact. The report was edited by Susan Sachs.

The team are grateful for valuable inputs from across the Development Co-operation Directorate – including from the Financing for Sustainable Development division and the Global Partnership for Effective Development Co-operation team and the OECD, in particular the Directorate for Employment, Labour and Social Affairs; the Directorate for Financial and Enterprise Affairs; the Directorate for Legal Affairs; the Directorate for Public Governance; the Environment Directorate; the Global Relations and Co-operation Directorate; the Trade and Agriculture Directorate; the Development Centre; the Financial Action Task Force; and the Multilateral Organisation Performance Assessment Network. Written submissions from 24 of Korea's partners (non-governmental organisations, civil society representatives, the private sector, think tanks and multilateral organisations) helped to focus and enrich the review, including a written submission from Korea NGO Council for Overseas Development Cooperations (KCOC).

The Peer Review of Korea benefited throughout the process from the commitment and dedication of representatives of the Ministry of Foreign Affairs, Korea's International Cooperation Agency, the Office for Government Policy Coordination, the Ministry of Economy and Finance, and the Korean Export-Import Bank. The review team would also like to thank Korea's Embassy in Uzbekistan and KOICA and KEXIM offices for hosting the review team, sharing insights and ensuring smooth contact with local counterparts.

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Abbreviations and acronyms

CIDC	Committee for International Development Cooperation
COVID-19	Coronavirus (SARS-CoV-2)
CSO	Civil society organisation
DAC	Development Assistance Committee (OECD)
EDCF	Economic Development Cooperation Fund
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
HDP	Humanitarian-development-peace
KEXIM	Export-Import Bank of Korea
KOICA	Korea International Cooperation Agency
MoEF	Ministry of Economy and Finance
MoFA	Ministry of Foreign Affairs
ODA	Official development assistance
OPC	Office for Government Policy Coordination
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goal
UN	United Nations

Signs used:

KRW	South Korean won
USD	United States dollar

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1.00 USD = KRW 1 312.74

2016	2017	2018	2019	2020	2021	2022
1 160.59	1 130.64	1 100.19	1 165.29	1 180.13	1 144.46	1 291.41

Executive summary

Fourteen years after joining the DAC in 2010, Korea is at a pivotal juncture as it rapidly scales up official development assistance (ODA) and works to align its interests and ambitions with global values to assume more global responsibility, as outlined in its 3rd Mid-term Strategy and President Yoon's strategic plan for Korea. Korea's own development story has helped bolster public support for Korean development co-operation, which continues to increase. The 2024 approved ODA budget of USD 4.8 billion represents a 31.1% increase in ODA from 2023 and is an amount that would exceed 0.25% of gross national income (GNI). In 2022, ODA represented 0.17% of GNI. Although it no longer sets an ODA-to-GNI target, Korea would be on track to meeting its previous target to reach 0.30% by 2030.

Korea could work to expand its global influence and footprint in development co-operation through more strategic dialogue and partnerships with key bilateral and multilateral partners – likely to be important conduits for scaling-up in the short term. With the increase in ODA, it will be important for Korea to consider the capacity of different partners to absorb a significantly larger ODA budget using the full range of instruments and modalities available. Aside from grant aid, technical co-operation, and loans for infrastructure, these also include programme- or policy-based loans extended by the Economic Development Cooperation Fund (EDCF) that initially served to quickly bridge finance gaps during the COVID pandemic.

The 2022 Framework Act on Sustainable Development has the potential to bring greater coherence between domestic and international policy as it stipulates that the economic development of Korea should not come at the expense of the environment and social justice of other countries. To adopt more development-friendly and coherent policies, Korea should fully operationalise the National Council on Sustainable Development under the Office of the President to consider the transboundary effects of Korea's policies, building on the Council's mandate to review the implementation plans of ministries. Korea could also encourage the inter-ministerial Committee for International Development Cooperation (CIDC) to raise awareness on the effects of domestic policies on developing countries.

Korea has put greater emphasis on providing climate finance and greening ODA as a central pillar of its external climate action, as illustrated by the recent increase in the share of climate-related ODA to 35% – higher than the DAC average of 29%. Building on the Green New Deal ODA Strategy and as it rolls out the EDCF's pilot Climate Change Impact Response Framework, Korea could complement current efforts to expand climate-related ODA volumes by extending such an approach to all parts of the Korean administration. This would set a strong trend for policy continuity throughout this administration and beyond.

Korea concentrates its bilateral ODA largely in countries most in need and could build on this foundation to support stronger partner engagement. Country partnership strategies do not generally set out a theory of change linking priority areas to poverty reduction, but there are good examples of Korea working to reach those left behind while simultaneously taking action to ensure complementary and supportive policies to ensure sustainability. Nonetheless, working to support partner countries' capacity and accountability to manage for results and sustain programmes over time continues to be an important challenge. More upstream and regular dialogue in partner countries on the overall policy environment over time could help increase sustainability and effectiveness of Korea's investments. Adapting more quickly to changing priorities and needs will also require more reactive systems and structures, and these are likely to be best supported through greater delegation to Korean International Cooperation Agency (KOICA) and Export-Import Bank of Korea (KEXIM) country offices.

The 2024 budget proposal to more than double humanitarian assistance is a welcome response to growing needs. Since the 2018 Peer Review, Korea has developed a humanitarian-development-peace (HDP) nexus implementation plan, revised its humanitarian assistance strategy, and recently amended the

Overseas Emergency Relief Act to expand the legal scope of humanitarian activities. These form a strong basis for Korea to consider a more comprehensive cross-government response to crises and to implement the HDP nexus.

The Korean government has clarified its partnerships with civil society through a new policy and implementation plan – a clear achievement since the 2018 Peer Review. ODA funding to civil society, at just 2% of bilateral ODA, is lower than the DAC average. The new policy is an opportunity to strengthen the capacity of Korea's civil society to deliver effectively. There is potential to provide greater incentives for Korean civil society to partner with regional or local civil society that it does not support directly to help build mutual capacity and allow for greater focus on locally led development.

The cross-government experience and expertise Korea brings is a strength, but with 45 different ministries and agencies it also represents risks in terms of quality and impact of Korea's growing development co-operation programme. Strong leadership by the Prime Minister's Office (Office for Government Policy Coordination) working with the Ministry of Foreign Affairs (MoFA), Ministry of Economy and Finance (MoEF) and the line ministries is essential to deliver on Korea's ambition to scale up ODA based on medium-term objectives and results. For this reason, the Expert Committee for Evaluation under the CIDC has commissioned a cross-government institutional capacity review to identify any gaps in performance management. The review is an opportunity to prioritise ODA increases to implementers with high performance management quality and capacity and to draw on the strengths of KOICA and KEXIM in performance management and evaluation to support the delivery and quality assurance of ODA across government.

Korea's strong emphasis on accountability could be more balanced with learning across the system. Different governmental bodies in Korea, in addition to carrying out evaluations, also conduct audits. Organising and responding to such exercises each year take a considerable amount of time away from other tasks. More clearly communicating Korea's contribution to sustainable development and sharing lessons across implementers could reinforce the learning component of performance management.

The 2020 revision of the Framework Act is a sign that Korea expects to adopt a more coherent, cross-government approach to implement a larger budget. It strengthened the integration and co-ordination function of the CIDC, which piloted the strategic packaging of grants, loans, and public and private ODA across a number of Korea's many government entities managing ODA to increase project size and build on synergies. As plans for integrated programmes continue to be refined, Korea should build on lessons learned from this pilot and the grant and loan committees organised by the MoFA and MoEF to bridge and sequence investments to determine how to realise greater efficiencies and impact, including by delegating greater authority to country level to scope, identify, co-create, and manage large-scale, integrated programmes.

Securing sufficient human resources is a key challenge as Korea scales up its ODA. Strengthening and working with civil society, academia, contractors, and the private sector should help increase the pool of development experts. Korea's joint inter-agency plan to cultivate and increase the number of ODA professionals in 2022 could be used to plan for increases and incentivise greater mobility across ministries and implementers. Increasing senior-level and sector expertise in overseas missions and country offices will be essential for Korea to secure and strengthen partnerships and the sustainability of operations in countries where it works. Higher ODA volumes should create more and better opportunities for locally employed staff.

Private sector mobilisation efforts require political will to embrace a greater risk appetite and to expand untied aid, building on tools already available to KEXIM. More private sector engagement will be instrumental to Korea's planned ODA scale-up. Strategic partnerships and co-financing with multilateral development banks (MDBs) and bilateral development finance institutions are being explored as an effective means to rapidly expand private sector operations. Blending operations could also be expanded based on KOICA's experience with private sector programmes, including its Development Innovation Program. Its active private sector also puts Korea in a strong position to drive conversations on responsible business conduct in partner countries where it is present.

The DAC's recommendations to Korea

1. Korea should implement its 2022 Framework Act on Sustainable Development to strengthen Korea's policy coherence for sustainable development and:
   a. fully operationalise the National Council on Sustainable Development to co-ordinate domestic and international policies and their effects on the sustainable development goals
   b. build on the National Council's mandate to review implementation plans of ministries and consider and address the transboundary effects of domestic policies on developing countries, starting with a few key areas
   c. leverage the role of the CIDC to bring a development perspective to inter-ministerial policy deliberations.
2. Korea should strengthen strategic partnerships and dialogue with MDBs, other multilateral partners and bilateral providers beyond the current level of engagement, mainly focused on project support, in order to gain more influence and build trust in line with Korea's ambition to scale up ODA.
3. Building on its Green ODA Strategy, Korea should integrate climate considerations into development co-operation across all implementing ministries and agencies, including by accelerating efforts to roll out the EDCF Climate Change Impact Response Framework and the KOICA Climate Result Management Framework.
4. Korea should consider the cross-government capacity review alongside evidence and learning from evaluations to help prioritise increased ODA volumes to implementers with high performance management capacity, in line with the 3rd Mid-term Strategy objectives.
5. The government should allocate ODA increases in line with needs and absorptive capacity of partners by encouraging the full use of existing modalities, including programme-based loans and policy dialogue.
6. To increase effectiveness and sustainability, Korea should engage in more upstream and regular policy dialogue with partner country authorities, partners and stakeholders on broader reform processes and the policy environment to help ensure the financial sustainability of its programming, using existing co-ordination mechanisms where possible.
7. Korea should strengthen the capacity of Korea's civil society to deliver effectively and incentivise partnering with local civil society to broaden the reach of Korea's programming, strengthen local capacity and foster locally led development.
8. Building on lessons from the CIDC's pilot to create integrated programmes and the work of the grant and loan committees organised by the MoFA and MoEF to bridge and sequence programmes, Korea should delegate more authority to partner country offices to deepen dialogue at country level including by giving them the authority to scope, identify, co-create, manage, and adapt large-scale, integrated programmes.

9. Korea should increase the number of qualified staff working in development across government to scale up high-quality programming. In particular, the government should find ways to incentivise longer periods between rotations in development co-operation posts to help build trust and stronger partnerships, increase the number of staff working in partner countries, and further empower and promote locally hired staff to support a strong country presence.
10. To further expand private sector operations and private finance mobilisation including from local investors in partner countries, Korea should:
    a. provide high-level political leadership and signal support for implementing agencies to increase their risk appetite for private sector operations
    b. continue to expand untied aid modalities including co-financing with MDBs and budget support to improve the business enabling environment in partner countries
    c. further incentivise blended finance pilots including through programmes and facilities that integrate loans, grants, and technical assistance and cross-agency knowledge sharing.

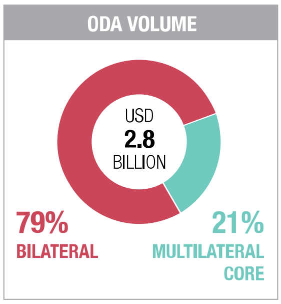
Infographic 1. Highlights from the 2024 Development Co-operation Peer Review of Korea

Infographic 2. Korea’s development co-operation at a glance

Figures expressed are gross disbursements in USD million in constant 2021 prices unless otherwise stated

KOREA PROVIDES MAINLY BILATERAL ODA AND RANKS 29TH OUT OF 31 DAC COUNTRIES ON ODA AS A SHARE OF GNI IN 2022

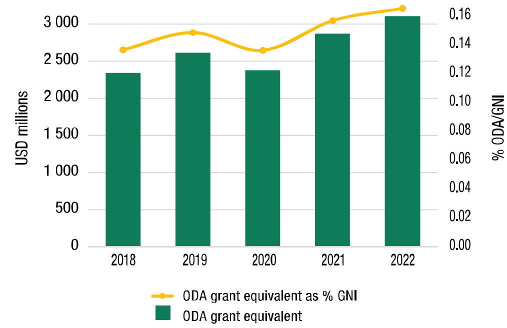
2022, current prices



ODA/GNI

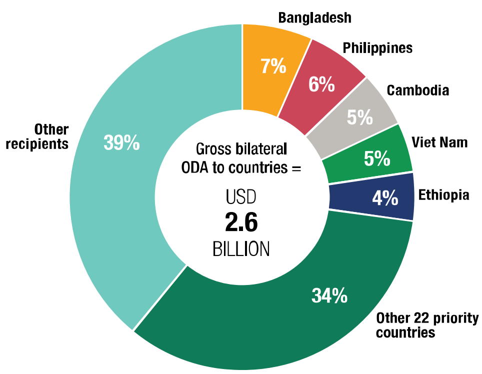
0.17%
of GNI
Compared to
0.37%
DAC average

KOREA REACHED ITS HIGHEST EVER ODA VOLUME AND SHARE OF GNI IN 2022

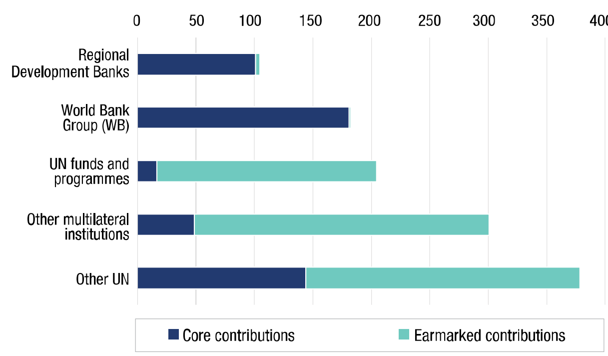


CLOSE TO TWO-THIRDS OF KOREA'S BILATERAL ODA IS FOCUSED ON 27 PRIORITY COUNTRIES

2021-22 average

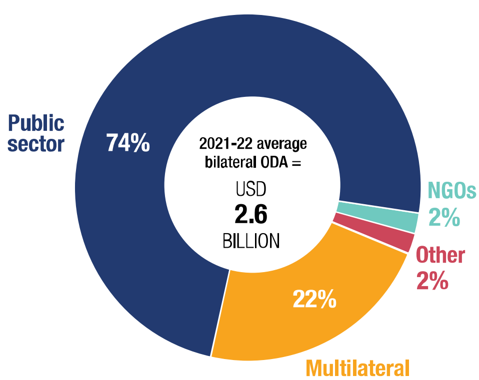


MULTILATERAL DEVELOPMENT BANKS RECEIVE THE BULK OF KOREA'S CORE MULTILATERAL ODA AND HALF OF SUBSTANTIAL EARMARKED FUNDING TO THE UN SYSTEM WAS HUMANITARIAN

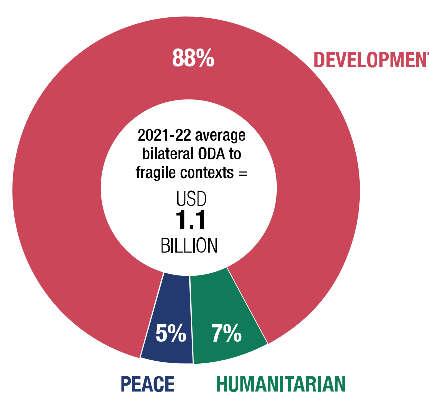


45 GOVERNMENT ENTITIES MANAGE KOREA'S BILATERAL ODA, AND ONLY 2% IS CHANNELLED THROUGH NGOS

% of gross disbursements



IN FRAGILE CONTEXTS, KOREA PRIORITISES DEVELOPMENT CO-OPERATION



Findings

This report presents the findings of the 2024 development co-operation peer review of the Republic of Korea (hereafter Korea) and includes the relevant peer review recommendations approved by the Development Assistance Committee (DAC). In accordance with the 2021 methodology, it does not cover all components identified in the peer review analytical framework. The report focuses on five areas of Korea's development co-operation that were identified in consultation with Korea's partners and Korean government representatives. It first analyses Korea's overall development co-operation and humanitarian assistance architecture and systems from the perspective of Korea as a global development actor in pursuit of policy coherence. It then explores the extent to which Korea is fit for purpose to achieve its ambition and implement its expanding development co-operation programme. The report further examines how Korea manages for sustainable development results and impact, its human resource capacity, and how it could incentivise additional financial resources to meet global challenges. In each of these areas, the report identifies Korea's strengths and challenges, the elements enabling Korea's achievements, and the opportunities and risks that lie ahead.

Context

Political context

The Republic of Korea (Korea) is a presidential republic. The president, elected for a single five-year term, has considerable executive powers, and appoints both the prime minister and the State Council or cabinet.

Two main political parties, the liberal Democratic Party of Korea (DPK) and the ruling conservative People Power Party (PPP), dominate the political landscape. Yoon Suk Yeol, the current president from the PPP, was elected in 2022. Korea has a unicameral legislature, the 300-member National Assembly whose members are elected to terms of four years. The DPK currently controls the National Assembly. The next legislative elections are scheduled for 10 April 2024.

The Yoon Suk Yeol administration presented a vision of a “global pivotal state” contributing to freedom, peace, and prosperity as its foreign policy. The vision reflects Korea’s commitment to assume a more active role advancing freedom, peace, and prosperity around the world.

Economic context

In 2023, Korea ranked as 13th largest among the world's economic powers and the fourth largest in Asia. It is known for its rapid economic transformation, which catapulted it from one of the poorest countries in the world in the 1950s to the high-income country it is today. Korea’s trajectory from official development assistance (ODA) recipient to donor is a powerful example that developing countries aspire to replicate.

Gross domestic product growth is projected at 1.5% in 2023, down from 2.6% in 2022, and is expected to increase to 2.1% in 2024. The National Assembly approved a more fiscally restrained 2023 budget that reflected the new government’s priority to address rising debt dependence.

Against the backdrop of a rapidly ageing population, fiscal consolidation is likely to continue. The proposed ODA budget for 2024 was for a 44% increase and 31.1% was finally approved. This increase will raise pressure on limited human resources since civil service headcounts are unlikely to increase at the same rate (OECD, 2023, pp. 186-188[1]).

At the same time, the overall 2024 budget approved a 2.8% increase over the previous budget – the smallest increase in government spending in almost two decades (Kim, 2023[2]).

Development co-operation in Korea

Development co-operation in Korea has enjoyed broad support across party lines, with the Korean government and citizens eager to share their own development experience with other countries; responses to a recent survey, however, indicate that public support has been declining and hovered at just under 80% in 2022 (Korea Institute for International Economic Policy, 2023[3]). Korea joined the OECD in 1996 and the DAC in 2010. Fourteen years after joining the DAC, Korea seeks to assume greater responsibility in international development co-operation efforts.

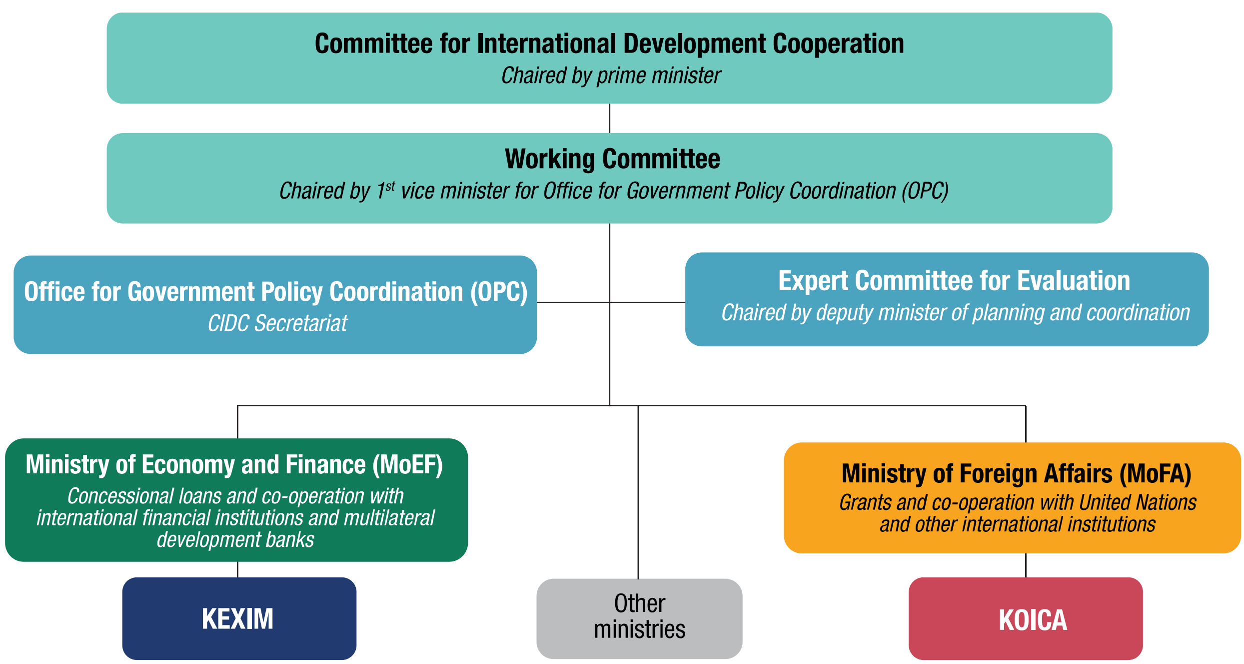
Since the 2018 OECD DAC Peer Review, Korea has laid the foundations of a strong institutional and policy architecture via the 2020 revision of the Framework Act on International Development Cooperation (Framework Act), which strengthens the integration and co-ordination function of the Committee for International Development Cooperation (CIDC) and expands its secretariat, the Office for International Development Cooperation. The CIDC has 29 members, among them the prime minister, who serves as the chair, and ministers from 14 ministries, heads of the Korean International Cooperation Agency (KOICA) and the Export-Import Bank of Korea (KEXIM), and 12 civilian experts. The CIDC, as the co-ordinating organisation, works to enhance development effectiveness and policy coherence through better co-ordination across ministries.

The 3rd Mid-term Strategy for International Development Cooperation for 2021-25 (3rd Mid-term Strategy) aims to realise global values and mutual development through co-operation and solidarity; through inclusive, co-prosperous and innovative ODA; and via partnerships (Government of Korea, 2021[4]). At the same time, President Yoon's strategic plan for ODA sets Korea on a course to become the world's tenth-largest donor with larger-scale projects, a Korean brand, and a more developed ecosystem of private and civil society actors to complement the public administration's efforts to scale up ODA and assume more responsibility in the international community (Korea Office for Development Cooperation, 2022[5]).

As supervising ministries, the Ministry of Foreign Affairs (MoFA) and the Ministry of Economy and Finance (MoEF) are in charge, respectively, of the provision of grants and concessional loans. The MoFA supervises grant projects delivered by implementing agencies, mainly KOICA. The MoEF supervises KEXIM, which delivers loan programmes through the Economic Development Cooperation Fund (EDCF) (Figure 1). Most of Korea's ODA budget is managed by the MoFA and MoEF and their respective implementing agencies, with the rest of this budget spread among 41 other government departments and institutions.[1]

The strengthened Expert Committee for Evaluation under the CIDC has been responsible for the introduction of a performance-based approach across Korea's ODA through amendment of the Framework Act. The committee has a mandate to receive and review self-evaluations for programmes across the 45 ministries and agencies.

Figure 1. Architecture of Korea's development co-operation system



Source: Government of Korea (2023[6]), *ODA Korea - Organization: K-ODA System*, https://www.odakorea.go.kr/eng/cont/ContShow?cont_seq=33.

Korea as a global development actor in pursuit of policy coherence

In the pursuit of its ambition to become a global pivotal state, Korea could leverage its enhanced commitment to international co-operation to strengthen its influence

In the Yoon administration's conception of a global pivotal state, Korea will expand networks and co-operation with like-minded states that share its identity, values and strategic interests. The idea is to restore and maintain relationships for stability in the Indo-Pacific region (Chung, 2023[7]) while also expanding the networks to other parts of the world such as Central Asia and Africa. Extended to Korea's development co-operation policy, this translates to providing co-operation to promote liberal democratic values; expanding ODA volumes and contributing to the Sustainable Development Goals (SDGs) by carrying out high-quality development co-operation in line with that of other DAC members; strengthening global solidarity together with private sector actors; prioritising national diplomatic, economic and security interests; and playing leading roles in sectors where Korea has a comparative advantage (Korea Office for Development Cooperation, 2022[5]).

Korea's growing presence as a donor in its partner countries is an opportunity for it to take the lead in global initiatives. Partner countries value the breadth of technical assistance and knowledge exchange provided by Korea's diverse development actors, including through the knowledge sharing (KSP) and Development Experience Exchange (DEEP) programmes. While these activities often focus on the transfer of technical knowledge and skills in specific sectors, their impact could be amplified if they were better linked to discussions about the wider systemic context of a country and the international development co-operation landscape. Korea could heighten its impact by strengthening different partnerships. Lowering the turnover of staff who work as focal points for these partnerships could help Korea articulate a long-term strategic approach to global agendas and initiatives (see discussion of human resource capacity and the development ecosystem). Moreover, close cultural ties and diverse interactions (people-to-people exchanges and interactions in academia and the public sector) between Korea and partner countries provide a wide array of entry points that Korea could more consciously capitalise on in its development co-operation policies.

Korea has an opportunity to develop more strategic partnerships with several multilateral partners and expand its influence. A growing number of line ministries and agencies engage with multilateral organisations, including through high-level exchanges with senior executives. Often the different ministries and agencies have overlapping interests, which can interfere with the effectiveness of their communication with multilateral organisations. In interviews, multilateral partners remarked that Korea's influence on their strategic direction and policies through their boards is relatively small relative to the size of its financial contributions. The CIDC could identify what Korea wants to achieve with key multilateral partners and help co-ordinate messaging among the ministries and agencies to increase Korea's collective influence on key priorities such as those identified in the 3rd Mid-term Strategy. Lead ministries plan to intensify consultations with key multilateral partners to this end.

Building on its legacy from Busan and important financial support of development effectiveness at the global level, Korea can step up its engagement in donor co-ordination platforms, assuming leadership roles in strategic policy dialogue. By joining forces with other bilateral and multilateral donors in priority sectors, Korea could contribute to and support institutional and governance reforms in partner countries to enhance the effectiveness, impact and sustainability of Korea's own bilateral development co-operation efforts. In Uzbekistan, Korea participates in the newly established donor co-ordination platforms but could be more active and visible, for example by leading working groups in sectors such as health and education where Korea has a significant presence. Such leadership may require adjusting the human resource configuration in partner countries (see discussion of human resource capacity and the development ecosystem). In the new Global Partnership for Effective Development Co-operation (GPEDC) work programme, Korea could also play a more prominent role in mobilising country missions and partners for the GPEDC monitoring.

Engaging the private sector as a partner in achieving sustainable development rather than as implementer of ODA projects is one avenue to leverage Korea's influence for greater development impact (see discussion on incentivising additional financial resources to meet global challenges). In many partner countries, Korean private companies have a sizeable presence as investors and trade partners, pioneering investments in sectors with great potential for development impact such as digital connectivity and manufacturing. On the Center for Global Development's Commitment to Development Index, Korea ranks in the top ten on bilateral investment agreements, which means that it includes fewer clauses that protect Korean investors at the expense of the development policy space of their hosts than do most of the other 40 reviewed countries[2] (Center for Global Development, 2023[8]). Korea is among the ten largest aid for trade donors, having committed USD 1.7 billion (41.5% of its bilateral allocable aid) to promote aid for trade and to improve developing countries' trade performance and integration into the world economy in 2021. There is room to apply a stronger SDG and development lens to trade and foreign investment policies overall. For example, Korea has somewhat restrictive services trade policies in certain sectors and ranks last on the average tariff rates (when weighted inversely by the incomes of its trading partners)[3] (Center for Global Development, 2023[9]).

KOICA's new environmental, social and governance (ESG) initiative, through which KOICA joins with Korean conglomerates to co-create and identify ESG project opportunities in developing countries, sets a promising example (Invest Korea, 2023[10]). Based on this new approach, Korea's development actors shape and define corporate ESG visions and agendas, bringing the development perspective into corporate decision making in Korea (see discussion of incentivising additional financial resources to meet global challenges). This strengthened partnership with the private sector can serve as a mechanism whereby Korean private investors raise their concerns and suggestions about the business enabling environment in partner countries (Government of Korea, 2022[11]). In line with the new OECD Recommendation on the Role of Government in Promoting Responsible Business Conduct (RBC) (OECD, 2022[12]), there is likely to be an opportunity to link Korea's RBC agenda with its development co-operation policies. One option would be to strengthen the cross-agency engagement of the National Contact Point for the OECD Guidelines for Multinational Enterprises, hosted by the Ministry of Trade, Industry and Energy. Korean government authorities and businesses could also be more active in promoting dialogue between local authorities and the local and international business community in the partner country.

While an institutional framework governs policy coherence for sustainable development, the framework is not yet fully operational

There has been progress against the 2018 Peer Review recommendation to integrate SDGs into Korea's development co-operation more systematically. The 3rd Mid-term Strategy is structured along the five Ps of the 2030 Agenda (People, Prosperity, Planet, Peace and Partnerships). SDGs are also incorporated into Korea's country partnership strategies. Since 2016, the SDG targets associated with individual ODA projects must be specified in the annual implementation plan for grants. For this purpose, Korea developed the Performance Indicator Model, which is based on the SDGs and used to help define indicators for development co-operation projects during the project planning stage. The guidelines for drafting the implementation plan for grant projects require the use of these performance indicators. Since 2019, the model has also been incorporated in self-evaluation guidelines.

The current institutional framework governing policy coherence for sustainable development (PCSD) considers transboundary effects on developing countries. PCSD is governed by the 2022 Framework Act on Sustainable Development[4] and its enforcement decree, which contain cross-government commitments to achieve sustainable development. A clause in the Act stipulates that the economic development of Korea should not come at the expense of the environment and social justice of other countries, thus providing a strong foundation for the National Council on Sustainable Development to ensure that government policies consider transboundary effects. The current strategy for sustainable development, the Fourth Basic Plan, serves as the basic platform for integrated policy action related to sustainable development. As the lead institution for PCSD, the National Council on Sustainable Development is mandated to evaluate national sustainability every two years. Previously under the Ministry of Environment, the Council will be under the direct oversight of the President's office, reflecting the willingness to attach greater importance to PCSD. However, the Council is yet to be established.

There is limited reference in ministries' strategies and plans to the effects of domestic policies on the social, economic and environmental sphere in developing countries. Setting the national SDG goals, referred to as K-SDGs, was largely a bottom-up process, and more than half (57%) of the 119 targets address societal concerns specific to Korean circumstances[5] (OECD, 2023[13]). However, these goals are not clearly reflected in the strategies and action plans of individual ministries[6] (Government of Korea, 2020[14]), and Korea does not yet monitor whether and how K-SDGs are reflected at each stage of the policy process from planning to execution and evaluation. Research on trade and development and case studies on the United Kingdom and the Netherlands related to PCSD were commissioned in 2018 and 2021. The Fourth Basic Plan includes ODA as a policy area under SDG 17 (partnerships for the goals) alongside the promotion of a multilateral trade regime and technological innovation in developing countries. Other K-SDGs – including Goal 16 (peace, justice and inclusiveness) and Goal 14 (conserving the marine ecosystem) – also include ODA-related targets (Figure 2). Korea's commitment to knowledge creation through investment in research and development (R&D) in science and technology for developing countries is a further example of its positive contribution beyond ODA (Center for Global Development, 2023[8]).

Figure 2. Korea's Fourth Basic Plan for Sustainable Development includes a handful of K-SDG targets related to international activities

K-SDG Goal	Target and indicators
14 CONSERVING THE MARINE ECOSYSTEM	**7. Increase the transfer of marine science and technology and improve marine science research capacities** • Share of ODA grants dedicated to marine sciences and fisheries
16 PEACE, JUSTICE AND INCLUSIVENESS	**10. Increase international co-operation to strengthen the capacities of public institutions fighting violence, terrorism and crime** • Share of ODA for capacity building of institutions fighting violence, terrorism and crime
17 STRENGTHENING INTERNATIONAL CO-OPERATION	**1. Scale up ODA and diversify development finance resources** • ODA/GNI ratio
	2. Facilitate multilateral trade regimes and support developing countries' trade and investment • Share of developing countries in Korea's international trade • Volume of Korean investment in developing countries
	3. Support science, technology and innovation in developing countries • Number of strategy and policy documents referring to Korea's support for developing countries' science, technology and innovation
	4. Give strategic direction to development co-operation • Share of ODA linked to key foreign policy initiatives such as New Southern / New Northern Policy
	5. Strengthen policy coherence for sustainable development • Institutional measures to strengthen PCSD (e.g. legislation of PCSD principle, SDG-aligned public budgeting, strengthening of policy co-ordination mechanisms tasked with PCSD, etc.) • Improvement of performance against K-SDG indicators
	6. Strengthen various global partnerships for sustainable development in developing countries • Number of multilateral initiatives and dialogues administered by Korea
	7. Encourage and promote effective public-public and public-private and civil society partnerships • Number of participating organisations and meetings of public-private councils for the implementation of SDGs • Share of ODA involving public-private co-operation

Source: Authors' illustration based on Government of Korea (2020[14]), 제4차 지속가능발전 기본계획2021-2040 (Fourth Basic Plan for Sustainable Development 2021-40).

The CIDC is well placed to bring a development perspective to policy deliberations and raise awareness about areas of incoherence in relation to the transboundary effects of domestic policies on developing countries.[7] It has a mandate to co-ordinate, deliberate on and decide policies related to international development co-operation (Art. 7.6 of the Framework Act) and formulates mid-term strategies that set the direction for Korea's development co-operation policies every five years based on an analysis of the relevant domestic and overseas environment for international development co-operation (Art. 11). These strategies could specifically include an analysis of the effects of Korea's domestic policies on development partners, particularly those overseen by KOICA, KEXIM, and the other 14 ministries and agencies represented on the CIDC. The analysis could also feed into the work of the National Council on Sustainable Development, which monitors Korea's overall progress on sustainable development.

While development objectives could be more systematically integrated into Korea's domestic and international policies, some efforts are already being made at the local level in partner countries to align ODA with other policy areas. In Uzbekistan, Korea has begun to explore synergies across policy areas, for example between ODA support for vocational training and migration policies. Uzbekistan is a partner country to Korea's Employment Permit Scheme (EPS), the largest temporary foreign worker programme operating on a bilateral basis among OECD countries. The EPS matches Korean small and medium-size employers with low-skilled workers from partner countries, accompanying them through their application process, selection, training and stay in Korea for up to three years (OECD, 2019[15]). In

Uzbekistan, the EPS provides employment and skills training opportunities for a growing labour force that cannot be fully absorbed domestically. At the same time, Korea prioritises technical and vocational education and training (TVET) in its development co-operation with Uzbekistan to help address the high youth unemployment rate (14%), including through support for the implementation of a national skills certification system. As part of the support, KOICA also set up TVET centres, one of which trains and prepares workers to participate in the EPS (Box 2). Building on the linkages between the EPS and ODA, Korea could further explore ways to facilitate the reintegration of EPS participants after their return to Uzbekistan.[8]

The strong momentum for global climate action has led to a reinforcement of climate commitments and more greening of ODA

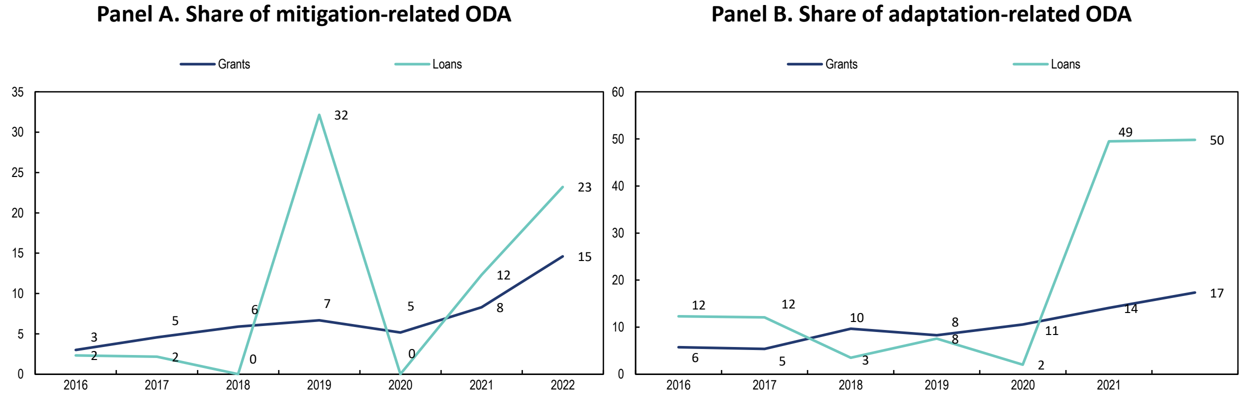
Korea has stepped up its climate ambitions and made efforts to institutionalise policy coherence for carbon neutrality. In December 2021, the government submitted its updated nationally determined contribution (NDC) (Government of Korea, 2021[16]) with the aim of achieving carbon neutrality by 2050. A government-wide, cross-sectoral 2050 Carbon Neutral Strategy formulated in December 2020 established the Presidential Committee on 2050 Carbon Neutrality to lead policy efforts. Under the leadership of this committee, Korea introduced more detailed sectoral planning in the form of green growth promotion and technology innovation strategies that aim to achieve the 2030 NDC and the 2050 carbon neutrality target.

Achieving the emission reduction targets is seen as challenging, however. There are concerns that a rapid reduction of emissions in line with Korea's international pledges could be difficult to realise in light of the policy measures currently in place (Climate Action Tracker, 2023[17]), although the current administration's policy focus on supporting nuclear electricity generation in addition to renewables may improve the chances of achieving targets. Korea is the fifth-largest greenhouse gas emitter among OECD countries. Its industry structure is tilted towards high-emission industries such as iron and steel, cement, and petrochemicals. Further, the electricity market is structured to favour fossil fuels over renewable energy and enable the majority state-owned utility company KEPCO to continue fossil fuel subsidies. Concerns have been raised that such a rapid pace of emission reductions will put too high a burden on business in the emissions-intensive Korean economy as the country's emissions peaked more recently than in most OECD countries (OECD, 2022[18]).

Recently, Korea has put greater emphasis on providing climate finance and greening ODA as a central pillar of its external climate action.[9] Korea made a USD 300 million pledge to the second replenishment of the Green Climate Fund (GCF), a 50% increase over its pledge to the previous replenishment. Its 2021 Green New Deal ODA Strategy elaborates Korea's approach to greening ODA[10] and lays out a plan to provide more strategic and systematic support for partner countries' green transitions, focusing on areas where Korean technologies are more advanced such as batteries, hydrogen, water resources, sanitation, electric transmission and distribution. The strategy set a target of increasing the share of green ODA from its level of 20% (2015-19) to the DAC average by 2025 (Government of Korea, 2021[19]).

The recent increase in the share of climate-related ODA is a positive signal. As a result of Korea's renewed commitment to greening ODA, the share of its climate-related ODA exceeded the average level of DAC members and reached 35% in line with the Green New Deal ODA Strategy. This is largely due to an increase in loans targeting climate adaptation, which jumped from an 8% share of total bilateral ODA in 2019 to a 50% share in 2022 (Figure 3).

Figure 3. The share of climate-related ODA rose significantly in 2021, driven mainly by an increase in climate adaptation loans



Note: Percentage shares are calculated based on ODA commitments.
Source: Authors' illustration based on OECD (2023[20]), "Creditor Reporting System: Aid activities", *OECD International Development Statistics* (database), https://doi.org/10.1787/data-00061-en.

StatLink https://stat.link/5tnozb

However, continued efforts will be necessary to maintain Korea's climate commitment over the long term. Historically, Korea's track record in climate-related commitments has fluctuated, notably for mitigation-related ODA. After reaching higher levels (an annual average of 6% in 2008-13), when Korea promoted green growth and international climate leadership as a flagship agenda, the share of Korea's climate mitigation-related ODA declined to an annual average of 2.5% in 2013-17 before increasing to reach peak levels between 2017-22 when it averaged 11%. This increase likely coincides with the adoption of the Green EDCF Strategy in 2021 and introduction of the Green Index. Establishing a legal basis for a strong climate orientation in ODA, for example in the Framework Act, could work to help ensure policy continuity over time with regard to the greening of ODA (Institute for Climate Change Action, 2023[21]). Furthermore, the climate focus could be more prominent in country partnership strategies through the systematic inclusion of climate assessments and linkages with NDCs and national adaptation plans.[11]

Based on the EDCF's pilot Climate Change Impact Response Framework, Korea could further complement current efforts to expand climate-related ODA volumes by paying equal attention to the impact and quality of targeting of ODA. While Korea attempts to match climate-related ODA with needs by consulting with partner countries in designing and identifying projects, there is room to adopt a more rigorous approach such as climate-informed results frameworks that guide project design, planning, implementation and evaluation based on a quantitative assessment of climate-related needs and vulnerabilities[12] in all ODA projects. The EDCF's Climate Change Impact Response Framework sets a strong example in this regard (Box 1). Sharing and transferring the EDCF's approach across Korea's development co-operation system could contribute to realising the vision of the Green New Deal ODA Strategy to consistently apply criteria across ministries and implementing agencies to guide the classification, screening and monitoring of green ODA projects. The allocation of dedicated financial and human resources will be critical to maintain and operate the EDCF framework in the long term and introduce similar frameworks in other implementing agencies (Export-Import Bank of Korea and Deloitte, 2021[22]) (see discussion of human resource capacity and the development ecosystem).

Box 1. The EDCF's green strategy and Climate Change Impact Response Framework

In line with Korea's Green New Deal ODA Strategy, the EDCF formulated the Green EDCF Strategy and the Guideline for Applying the Climate Change Impact Response Framework (Export-Import Bank of Korea and Deloitte, 2021[22]) in 2021.

The framework introduces climate risk assessments for all projects starting from the feasibility study stage. In a preliminary screening, high-emission projects are flagged. The climate risk assessments further consider a project's exposure to climate change and the nature and extent of the relevant climate hazard as well as climate vulnerability. Based on these risk assessments, projects are categorised as low, medium or high risk.

For medium- to high-risk projects, mitigation measures need to be put in place. The feasibility study must include a list of proposed mitigation measures with an evaluation of their effectiveness and feasibility. The EDCF and the partner country make the final choice jointly based on the priority of the project as well as the capacities and preferences of the partner country.

Moreover, for projects that are classified as climate related, the framework requires the setting of quantifiable performance indicators and goals, which are also integrated into the EDCF's results framework. Baseline data for the indicators are collected during the feasibility study stage and continuously monitored and evaluated throughout the project cycle.

A key challenge to fully roll out the framework is partner countries' resistance to the possible cost increases in EDCF loans due to the integration of climate components. Given the relative novelty of the EDCF framework, the policy direction at headquarters level will require both incentives and time before it translates into a stronger climate focus in KEXIM country offices.

Source: Export-Import Bank of Korea and Deloitte, (2021[22]), EDCF 기후변화 영향 대응체계 [*EDCF Climate Change Impact Response Framework*], https://www.edcfkorea.go.kr/HPHFFE091M01?curPage=1.

Recommendations

1. Korea should implement its 2022 Framework Act on Sustainable Development to strengthen Korea's policy coherence for sustainable development and:
   a. fully operationalise the National Council on Sustainable Development to co-ordinate domestic and international policies and their effects on the sustainable development goals
   b. build on the National Council's mandate to review implementation plans of ministries and consider and address the transboundary effects of domestic policies on developing countries, starting with a few key areas
   c. leverage the role of the CIDC to bring a development perspective to inter-ministerial policy deliberations.
2. Korea should strengthen strategic partnerships and dialogue with MDBs, other multilateral partners and bilateral providers beyond the current level of engagement, mainly focused on project support, in order to gain more influence and build trust in line with Korea's ambition to scale up ODA.
3. Building on the Green ODA Strategy, Korea should integrate climate considerations into development co-operation across all implementing ministries and agencies, including by accelerating efforts to roll out the EDCF Climate Change Impact Response Framework and the KOICA Climate Result Management Framework.

A fit-for-purpose development co-operation system to match Korea's ambition

Increasing ODA levels and Korea's influence is likely to require a step change in modalities and approaches

Fourteen years after joining the DAC in 2010, Korea is aligning its national interests and ambitions with global values to assume more responsibility and scale up ODA, as outlined in both its 3rd Mid-term Strategy and President Yoon's strategic plan for Korea to become the DAC's tenth-largest bilateral donor. To support these efforts, the Office of International Development Co-operation was created in 2021 under the Prime Minister's Office for Government Policy Coordination (OPC) and is working to strengthen partnerships within and outside the government.

The 2024 approved ODA budget equivalent to USD 4.8 billion represents a 31.1% increase in ODA, an amount that would exceed 0.25% of GNI (gross national income), although the 3rd Mid-term Strategy does not put forward an ODA-to-GNI target.[13] The budget increase marks a turning point for Korea's development co-operation and, coming amid fiscal tightening across all other budget lines, will test the aid system's fitness to deliver on such an increase. As set out in the president's 2022 strategic plan for ODA, ODA volume will scale up through an increase in public funding and diversification of financial resources while Korea will also step up its influence and presence in the multilateral development system, connect or bundle projects to form packages, and implement large-scale programmes for infrastructure development[14] (Korea Office for Development Cooperation, 2022[5]). Korea can work to more effectively implement its development co-operation including by exploring new bilateral modalities; expanding existing ones (such as budget support and blended finance); and testing decentralisation efforts by strengthening country office teams and devolving decision-making authority. At the same time, Korea can work to expand its partnerships with multilateral and civil society organisations (CSOs) and seek more cross-government complementarities and efficiency gains (see discussion on incentivising additional development finance to meet global challenges).

Close to two-thirds of bilateral ODA goes to Korea's 27 priority partner countries. The OPC, operating as the CIDC's secretariat, recently published country partnership strategies for the 27 priority partner countries that are identified in the 3rd Mid-term Strategy and collectively receive most (61%) of Korea's bilateral ODA.[15] Currently, 37 staff members work in the OPC. As the role of the OPC broadens to include more dialogue with external partners and early planning across a diversity of actors to secure greater impact through larger programmes, including at partner country level, ensuring that it has sufficient and qualified human resources in place to enable it to play a strategic co-ordination role will be paramount (see discussion of human resource capacity and the development ecosystem).

During the COVID-19 pandemic when many programmes and project-type assistance came to a halt, KEXIM (via the EDCF) extended programme- or policy-based loans to channel resources in a timely manner and bridge financing gaps. In this way, Korea was able to somewhat compensate for the uncertainty in ODA execution, which may remain an ongoing concern as the ODA budget increases. Between 2019-21, 14 countries, all but two of them priority partner countries, received budget support through this modality, which does not require the two-year planning period between project proposal and start of implementation (referred to as N-2). Institutionalising policy-based lending as a core business of KEXIM-EDCF could diversify modalities and help smooth year-to-year fluctuations if also accompanied by increased core multilateral contributions (see discussion on Korea as a global development actor) and co-financing with multilateral development banks (MDBs). This could also help Korea's country dialogue and partnerships evolve over the longer term beyond specific project support.

Korea could consider how to increase its multilateral ODA to absorb spending increases, using its Multilateral International Development Strategy as a basis for decisions (Government of Korea, 2022[23]). To absorb a significant increase in ODA volumes when there is little time to plan for new bilateral ODA spending, many DAC members scale up their multilateral contributions as a way to capitalise on efficiencies. Korea's 50% planned increase in its contribution to the GCF is an example. As Korea looks to gain more influence in international organisations, it could consider how to increase its relatively low share of multilateral ODA (22% of the total) via strategic partnerships. These partnerships can then serve as a foundation for more pooled funding and co-ordination with other donors as well as co-financing opportunities (see discussion of incentivising additional financial resources).

A more consistent poverty focus and gender mainstreaming would demonstrate Korea's ambition to continue improving its development co-operation and its commitment to the SDGs

While its ODA programmes do not set out an explicit poverty focus, Korea concentrates its bilateral ODA largely in countries most in need.[16] Country partnership strategies typically refer to up to three priority sectors and, with few exceptions do not refer to poverty reduction as a strategic objective. As noted in the 2018 Peer Review, Korea's concentration on social sectors and economic infrastructure in partner countries demonstrates a strong intent to focus on poverty reduction programmes. However, the 2018 review found no evidence that Korea consistently demonstrates a strong poverty focus in the way it designs and targets its interventions (OECD, 2018[24]). For this reason, Korea would benefit from a clearer theory of change linking its different interventions to poverty reduction. KOICA's TVET example shows how Korea's Vocational Training Centres are integrated in national programmes, facilitate entry in the various labour markets for some of the most marginalised and vulnerable groups, and were successfully scaled up from their start in Tashkent to other regions in Uzbekistan (Box 2).

Among the universal values Korea is committed to, gender equality appears to be insufficiently recognised as a policy goal across all programming. The 3rd Mid-term Strategy largely refers to women's equality and gender in terms of narrowing the digital divide of vulnerable groups and extending them support, including mentioning education as a means to further women's employment. KOICA's human rights impact assessment checklist refers to human rights protection for women. To enhance gender mainstreaming across the programme cycle, CIDC has issued guidelines for performance management and evaluation, and KOICA provides implementing partners with guidance and results frameworks to better integrate gender perspectives into programme management along with information on how to use the gender marker according to OECD DAC reporting directives. Apart from one person each at KOICA and KEXIM-EDCF in headquarters, there are no dedicated human resources for gender equality and women's empowerment in the OPC, ministries, agencies, or country offices (KCOC; KoFID, 2023[25]). In 2020-21, gender was considered a principal or significant objective in only 25% of Korea's bilateral ODA commitments compared with the DAC average of 44%. Strong academic and civil society institutions do important work on women's empowerment and gender equality in Korea and could more usefully be drawn upon.

Box 2. Korea's grant support for TVET centres in five vocational training centres in Uzbekistan

KOICA's country portfolio evaluation of 16 projects in Uzbekistan cites the high potential of investments in human capital in Uzbekistan – the most populous country in Central Asia with 35 million people, 64% of whom are under the age of 30, and where 500 000 youths are entering the job market each year. The evaluation, which scores the vocational training cluster projects that started in 2012, found TVET to be a cluster of excellence in the overall country portfolio and one with a high potential for future growth (KMA Consultants Inc., 2021[26]).

As acknowledged in a 2020 KOICA lessons learned report, many vocational training centres (VTCs) failed to secure budgets from governments at the end of the project. Thus, an important consideration is dispatching a volunteer and/or advisory team from the beginning to help integrate support to strengthen local capacity both in managing textbooks, workbooks, educational equipment and materials and in operating curriculums (Korea International Cooperation Agency, 2020[27]).

An advantage of VTCs is that they can demonstrate results more quickly than other education programmes. Korea's grant support for five vocational training centres (in Tashkent, Samarkand, Shahrisabz and Fergana plus a centre for the unemployed in the city of Urgench located close to the Republic of Karakalpakstan) is an example of how Korea works to address vulnerable populations and inequality outside of the capital and main cities. Over a period of 11 years, a total of 11 736 people (9 794 men and 1 942 women), completed training in information and communication technology (ICT), electronics, car maintenance, metal working, welding, the textile industry, and cosmetology. Overall, there was an 86% graduation rate leading to a 94% employment rate and a 97% satisfaction rate among hiring enterprises. Korea's EPS also benefits from the skills training of Uzbekistan workers. Some features of the scheme are as follows:

- Tashkent VTC plays an important role in training and improving the overall system in Uzbekistan with strong links to responsible ministries, donors, and the sector working group on education and TVET.
- Samarkand VTC has strong links to 205 local enterprises.
- Shahrisabz VTC has tailored programmes to facilitate women's employment.
- Fergana VTC serves as a teacher training centre for teachers from vocational colleges in 11 regions nationwide.

Lessons learned include the need to work with government from the start to ensure sustainability (Korea International Cooperation Agency, 2023[28]). For example, setting salaries to a level that can assure quality teaching must be done by presidential decree for each centre in Uzbekistan, which takes time. The government also wanted to make sure that the certification from TVETs was recognised beyond Korea and Uzbekistan, including by the European Union, to open further job market opportunities. More ownership by the government and local communities could be fostered if the government and Korea hosted a forum or regular opportunities for stakeholders to share progress and give feedback on projects.

Korea is considering opportunities to expand work on VTCs, improve the institutional system through capacity building, and enlarge the market including through policy- and programme-based loans with a potential to further link KOICA and KEXIM-EDCF activities.

Note: This practice is documented in more detail on the Development Co-operation TIPs • Tools Insights Practices platform at www.oecd.org/development-cooperation-learning.

Source: KMA Consultants Inc. (2021[26]), *KOICA Country Portfolio Evaluation: Uzbekistan*, http://www.koica.go.kr/sites/evaluation_en/article/view/890; Korea International Cooperation Agency (2020[27]), *Evaluation Lessons of Education Sector*, http://www.koica.go.kr/sites/evaluation_en/article/view/909.

The 2020 revision of the Framework Act is a sign that Korea expects to adopt a more coherent, cross-government approach to implement a larger budget

The 2020 revision of the Framework Act strengthens the integration and co-ordination function of the CIDC, the highest development co-operation decision-making body, to help overcome the separate supervision of loans and grants, including those managed outside the two main ministries (MoFA and MoEF). The CIDC has strategic accountability and oversight and the mandate to develop medium-term ODA policy and annual implementation plans and to co-ordinate ODA policies and plans.

The CIDC has an opportunity to drive greater coherence across the increased number of strategies at different levels of government. Since the 2018 Peer Review, several inter-agency strategies have been enacted – for example on multilateral partnerships, green ODA, ICT and Africa. The strategies are detailed, link to the SDGs, and illustrate how Korea is working towards outlined objectives by identifying both projects that are underway and lead agencies and ministries. To support this, the Committee on Grant Strategy (chaired by the MoFA) and the EDCF Fund Management Council (chaired by the MoEF) have established grant and loan ODA strategies by sector and region. At the same time, KOICA and the EDCF (via KEXIM) continue to develop their own mid-term strategies, operational plans, and regional and sectoral strategies. Even though strategies at different levels are expected to align with the 3rd Mid-term Strategy and other strategies approved by the CIDC, the large number of strategies can be confusing to partners that may not understand why they are being approached by different entities or agencies in Korea's aid architecture and which strategy applies (Figure 4).

Figure 4. Korea's various development strategies

Note: ASEAN = Association of Southeast Asian Nations.
Source: Authors' illustration based on Government of Korea (2023[29]), *Self-Assessment of Korea*.

The cross-government institutional capacity review is an opportunity to draw on the strengths of KOICA and KEXIM to support the delivery and quality assurance of ODA across the government. Given that ODA is not the core business of a number of entities responsible for ODA and that the Framework Act places added emphasis on performance management, experts from the evaluation committee are leading an institutional review to determine the capacity of implementers across the government to manage for results (Box 3). One avenue to explore is to draw on KOICA and KEXIM-EDCF expertise and strength in managing for results to lend cross-support to other agencies, although this would require additional resources.

Box 3. The Office for Government Policy Coordination's cross-government effort to assess performance management capacities

In addition to the MoFA and MoEF, which supervise grants from KOICA and concessional loans from the EDCF (KEXIM), 41 other ministries and agencies in various sectors implement bilateral ODA in line with their area of expertise. The structural complexity of the fragmented ODA system creates challenges. One of these, as identified by Korea, is that is there may be gaps related to how different government entities measure performance and results of programmes that have development as a primary objective and that such gaps can affect the overall efficiency and effectiveness of its development co-operation.

The 2020 revision of the Framework Act strengthened the integration and co-ordination function of the CIDC. It established an Expert Committee for Evaluation to strengthen performance management. In May 2021, Korea adopted the Revision of ODA Performance Management System that mandates each implementing entity to conduct self-evaluations, the results of which inform annual implementation plans and future budgeting of programmes. As part of this effort, the CIDC is reviewing the ODA programme and performance management capacity across implementing ministries and agencies. The objective of the capacity assessment is to share experiences and, where feasible, share systems across implementing entities.

The review applies to all institutions with a budget of at least KRW 1 billion (USD 770 000). In 2022, 13 institutions were reviewed and in 2023, 12 were reviewed. The review looks at performance systems in place and the capacity of entities to conduct evaluations. For example, in terms of performance systems, it considers how planning and implementation align to Korea's development co-operation strategies; the clarity of a performance plan and how efforts link across programming; and how consistently efforts are made to follow up on findings and maintain satisfactory or high performance. In assessing the self-evaluation capacity of entities, the review examines the evaluation system and clarity of the evaluation plan, ways in which evaluation quality is improving, and how proactively findings and recommendations are addressed and used.

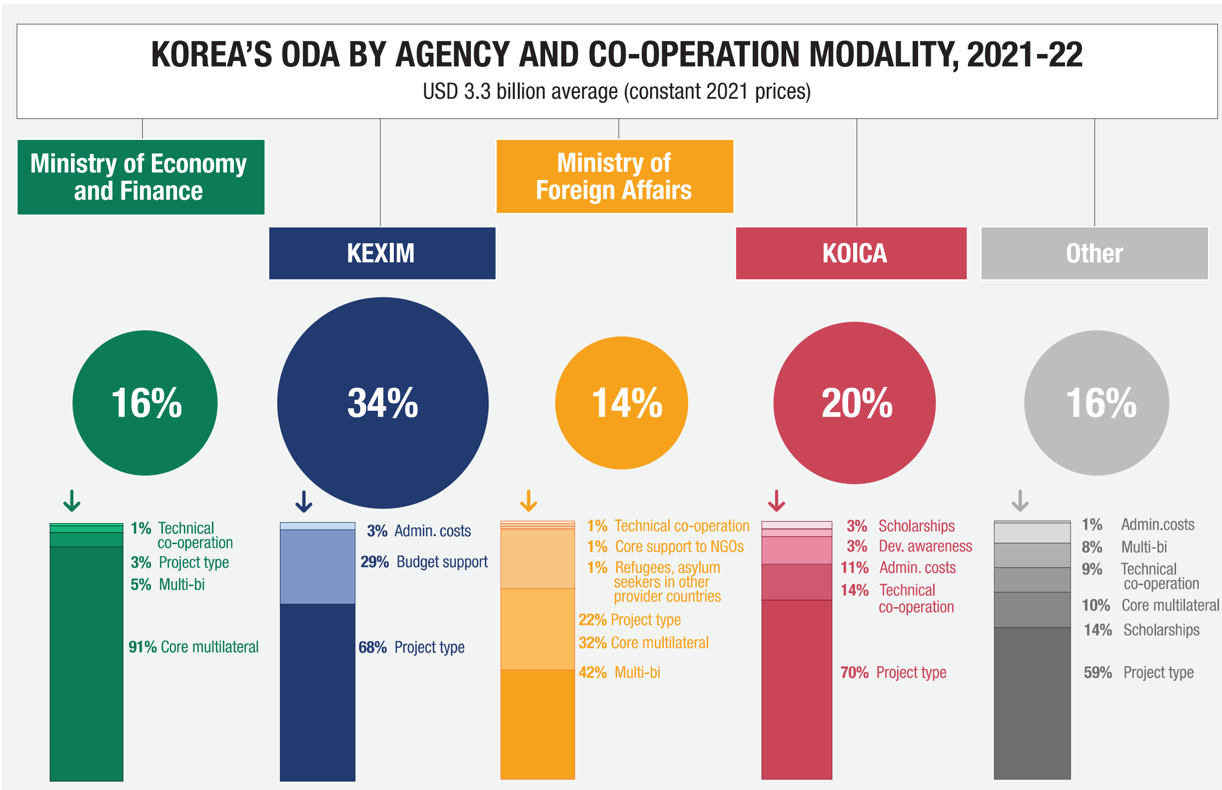
A national research institute conducted the review and improvement plans, which consisted of a briefing session including each organisation and the CIDC, face-to-face interviews conducted by a private commissioner, and a desk review of performance data. Support and further consultation based on the review will continue in 2024. The results of the review will be used to design support to various entities in 2024.

Source: Authors' interviews with Korean authorities.

The spread of Korea's growing ODA programme and budget across over 45 other ministries and agencies represents opportunities and risks

In addition to MoFA, MOEF, KEXIM and KOICA, forty-one different government authorities manage 16% of Korea's bilateral ODA, which risks diluting the quality and impact of Korea's ODA. Yet, the sharing of Korea's own development experience and advising in areas of expertise such as ICT, healthcare and green initiatives are an uncontested strength of Korea's development co-operation (Figure 5). A real-time, integrated ODA reporting system is currently being rolled out, with implementing agencies sharing project information on a voluntary basis alongside incentives to link potential programmes at the country level. Such efforts can encourage entities without a permanent country presence in partner countries to work with other entities that are present. The sharing of experiences, sector expertise and knowledge requires a certain level of familiarity and experience in delivering and implementing programmes in partner countries, experience best drawn from KOICA and KEXIM-EDCF.

Figure 5. Korea's ODA by government entity and co-operation modality, 2021-22



Source: Authors' own illustration based on OECD (2023[20]), "Creditor Reporting System: Aid activities", *OECD International Development Statistics* (database), https://doi.org/10.1787/data-00061-en.

Korean embassies and KOICA country offices regularly support the different ministries and agencies that do not have permanent representatives at country level, which can detract from their more strategic work in partner dialogue and from delivering their own country programmes. As seen in Uzbekistan, where 34% of Korea's ODA is implemented by other agencies,[17] the embassy and KOICA often facilitate the visits of authorities responsible for implementing or evaluating grant projects and liaise with Uzbek officials. These additional tasks take time away from the important project management and stakeholder liaison activities and growing responsibilities of KOICA and the embassies. It would be worth exploring alternative ways of facilitating the development co-operation of Korean entities that do not have a country presence.

Korea will need to carry out integrated and large-scale ODA projects to realise the president's strategic plan for ODA. In Seoul, the OPC is piloting strategic packaging of grants, loans, and public and private ODA to increase project size and build on synergies. Since 2017, project size has increased for KEXIM-EDCF and KOICA, but not for the MoFA.[18] In view of growing ODA volumes, it is laudable that the Korean government is considering ways to create greater efficiencies and impact across its development co-operation programme, including across public and private investments. In an endeavour to create larger and more integrated projects, for example, the OPC is piloting an initiative to bundle ODA projects and programmes across instruments and government entities at the design stage, with a focus on the country level.[19] Programmes identified by the OPC as having a packaging merit are prioritised and fast-tracked through the budget. The CIDC's annual implementation plans also highlight opportunities for bundling grants and loan operations and indicate where duplication has been avoided[20] (Government of Korea, 2023[30]). Since 2021, 19 packages[21] in 10 countries have been identified.

Strategic packaging efforts led by the OPC are a good objective and could be facilitated by more integrated programming across agencies. In its piloting efforts, the OPC has been involved in operational decisions that have been quite detailed at times and also in spending reviews of projects managed by implementing agencies. These activities build on the work of grant and loan committees organised by the MoFA and MoEF since 2021-22 that also consider ways to bridge and sequence programmes across implementers in the same country. Efforts to strengthen linkages across projects have not yet resulted in an integrated approach to programming across implementing partners; each partner continues to plan, program and evaluate its ODA programme and efforts individually. A single overarching performance framework for each package and an evaluation of the pilot could help inform future adjustments. In the future as larger packaged programmes are developed at the initial idea and design stage, efforts across the government could be more streamlined.

Efforts by the OPC to co-ordinate and strengthen linkages across projects are likely to require greater decentralisation and human capacity and speedier procedures. Designing more integrated programming and packaging future investments into larger-scale projects are likely to be more effectively done at the country level. Yet, implementing agencies find more integrated programming challenging due to unsynchronised timelines and planning cycles across agencies and partner organisations. With its political convening power, the CIDC could issue guidance and instructions to cross-government entities managing ODA, embassies and country offices to drive greater collaboration in response to partner country priorities. This would require identifying a responsible party to take the lead on the design or to manage packages or programmes. Additional incentives are likely to be necessary, including in the form of human capacity at the country level where the embassy, KOICA and KEXIM-EDCF are insufficiently staffed to consider any expansion of current activities. By shifting packaging efforts to the partner country level, the CIDC and OPC could play an important role by working to address systemic challenges for a more integrated approach and communicating results in line with OPC's strategic co-ordination role.

Implementing the humanitarian-development-peace (HDP) nexus will require working more across government and with partners

The 2024 budget proposal to more than double humanitarian assistance and Korea's preference for multilateral channels are welcome as responses to growing needs. Ministries other than the MoEF and MoFA managed 13% of humanitarian assistance in 2021-22, with most of this portion managed via the World Food Programme (WFP). Korea is to be commended for the trust it places in and the contributions to the multilateral system, which is by far the preferred channel for its humanitarian assistance.[22] Recent revision of the Overseas Emergency Relief Act opens the possibility to adopt a more flexible approach across humanitarian and development budgets in its multilateral support. This will be particularly crucial in protracted crises where humanitarian and development needs are not clearly delineated and as Korea determines how it could more directly support local communities, in line with the DAC Recommendation on the Humanitarian-Development-Peace Nexus [OECD/LEGAL/5019] and Grand Bargain commitments to localise aid (KCOC; KoFID, 2023[25]). In 2021-22, 78% (USD 269 million) of humanitarian assistance was delivered via multilateral channels, while a very small portion – only USD 1.1 million – was delivered via local CSOs.[23]

Korea's HDP nexus implementation plan and revised humanitarian assistance strategy are opportunities for Korea to consider a more holistic, cross-government response to crises. On average in 2020-21, 43% of Korea's bilateral ODA went to fragile and conflict-affected states and crisis contexts.[24] This share will continue to grow given that KOICA's Conflict and Fragility Program is expected to increase by 266% from 2023 to 2024. The recent amendment enlarging the scope of the Overseas

Emergency Relief Act beyond emergency relief would help make an HDP nexus approach legally binding across the government.[25] The amendment would also helpfully establish a formal space for policy dialogue with all stakeholders including civil society in line with Korea's current support and training to expand the capacity of Korean NGOs. Implementing the DAC Recommendation on the HDP nexus would pave the way towards a more integrated and longer-term engagement in fragile and conflict-affected contexts – one that, in addition to emergency response, considers conflict prevention and peace objectives and aims to reduce vulnerabilities (including those that are climate related). As is the case for most DAC members, such a shift is likely to require more cross-government co-operation and new ways of working that stretch beyond the current core humanitarian team of five officials in the MoFA plus KOICA country offices. Some DAC members have already adapted and modernised their administrative architecture with the nexus in mind. The successful implementation of KOICA's Conflict and Fragility Program will also depend on more fluid co-operation across humanitarian assistance and development budgets. KOICA is working to adapt its administrative architecture to better reflect a more integrated approach in responding to crises in conflict-affected and fragile contexts.

Strengthening and working with civil society, academia, contractors and the private sector will enlarge the pool of development experts

Korea's own development story helps cultivate a favourable public opinion of Korean development co-operation and could also be leveraged to attract more talent. Strong public and legislative support in Korea – even if slightly declining – are enviable compared with other DAC countries, and there is a minimum baseline of public awareness of ODA and the benefits it has already brought to Korean society and will continue to bring to the international community. The human resource plan focuses on supporting development co-operation talent by expanding the development ecosystem and making careers in international development more attractive to young graduates. For example, exploring ways to increase the uptake in the World Friends Korea Overseas Volunteer Program, which decreased in recent years, is one way forward (Government of Korea, 2022[31]).

Cross-government relationships, including with contractors and the private sector, can help operationalise the 3rd Mid-term Strategy and the human resource plan (Box 6). A development ecosystem consists of the public sector as well as the NGOs and private sector present in Korea and partner countries. Employing more development co-operation experts in all three sectors will diversify expertise and could attract development professionals working outside of Korean development co-operation. Promoting co-operation with civil society through longer-term partnerships and working more closely with private companies could help create more opportunities to employ development professionals. Through KOICA's open position system, experts were hired from outside of government for five positions in 2018 and three in 2020. Today, only a handful of development consultants are involved in grant aid and technical co-operation, although efforts are being made to create a greater supply of experts (Box 4)

Historic linkages with academia in Korea and in partner countries are a powerful demonstration of rich people-to-people exchanges. As seen in Uzbekistan, partnerships between academic institutions based in partner countries and Korea are based on learning by doing and capacity building. Faculty exchanges and volunteer opportunities are defined in memoranda of understanding with Korean universities. Partners appreciate how Korea works to co-create concepts to build capacity on e-government and digitalisation and also brings the technical means and infrastructure improvement necessary to implement projects. For example, in 2007, Korea worked to establish the first library information system in Uzbekistan. Through exchanges, Korea is also able to promote global values through a more discrete and collective approach that may take more time but is considered by partners to be more sustainable, for example bringing Korean minorities to advocate for universal rights in Uzbekistan.

Box 4. Developing a pool of external evaluators for EDCF loan operations

KEXIM has historically had more difficulty finding qualified external evaluators for ex-post EDCF loan operations than other ODA agencies in Korea. The major bottleneck was evaluators' lack of knowledge about loan operations more broadly.

To address this challenge more sustainably, in 2023 KEXIM-EDCF decided to work to improve the evaluation ecosystem in the medium to long term through a training programme for evaluators. KEXIM-EDCF had an idea of what the coursework should look like but did not have specific experience in developing such a curriculum. Partnering with the Ewha Woman's University's Graduate School of International Studies, including by offering courses in design and management with faculty members who had knowledge and experience conducting EDCF evaluations, was key to the collaboration to develop the pilot course. In developing a curriculum for international development co-operation researchers, lessons were also drawn from KOICA's association with the Korea Society for International Development and Cooperation. Integrating the programme into a course at the graduate school allowed for more in-depth training and, as part of the coursework, practical experience in conducting an evaluation at a project site. In 2023, 17 students finished the coursework for this course and three students participated in a summer break trip to Viet Nam to do an actual aid post-assessment of a road project. An incidental consequence of the course is that foreign students attending the course – some of whom are government officials from partner countries – will have gained greater awareness of Korea's ODA projects internationally. KEXIM-EDCF benefited from the graduate school's holistic approach to development and focus on cross-cutting issues (environment, gender, targeting vulnerable groups, etc.) that together with more technical infrastructure expertise will continue to add depth to the evaluation of ODA and improve evaluation quality. There are indications that other universities and research institutes have asked to establish similar courses in evaluation.

For KEXIM-EDCF, an important lesson learned was that this type of training was doable but also requires firm commitment from both KEXIM and the graduate school. Moreover, the fact that the course was a project linked to an actual evaluation motivated many students to select the course. Since not all students participate in the fieldwork, which ideally involves four to five students and three to four researchers, the initial evaluation of the pilot course recommended that students who do not take part in the on-site evaluation should be involved in domestic stakeholder interviews that can be conducted in country (Export-Import Bank of Korea, forthcoming[32]). Granting an academic credit to students conducting the field work could attract greater participation. Finally, recognising students' successful participation in the course, for example by awarding a certificate of completion, is worth considering as a way of increasing student interest and future employment opportunities.

Note: This practice is documented in more detail on the Development Co-operation TIPs • Tools Insights Practices platform at www.oecd.org/development-cooperation-learning.
Source: Export-Import Bank of Korea (forthcoming[32]), EDCF M&E 전문가 양성 프로그램: 이화여자대학교 [EDCF M&E Specialist Training Program: Ewha Woman's University].

Since the 2018 DAC Peer Review, the Korean government has clarified its partnerships with civil society through a new policy and implementation plan. The Government-Civil Society Basic Policy Implementation Plan and different platforms for dialogue[26] help monitor the implementation of 31 action points for short-, medium- and long-term implementation. They also are opportunities to explore longer-term partnerships and less transactional support. One example would be to expand the scope of KOICA's incubation programme to build capacity of CSOs, activate multi-stakeholder platforms and diversify support beyond sectoral support to enhance civil society autonomy; another would be to eventually establish a joint government-civil society partnerships fund. In partner countries, the Government-Civil Society Basic Policy

Implementation Plan aims to expand capacity-building support to local civil society; prioritise vulnerable groups; mainstream human rights, peace and women's empowerment; and strengthen Korea's support for prevention of sexual violence in conflict (Government of Korea, 2023[33]).

The Korean government has officially recognised civil society as a partner, but ODA funding to civil society still lags. It is noteworthy that it was only after the 2010 Group of Twenty Summit in Seoul that the internationalisation of Korean civil society took place, with CSOs starting to organise themselves to expand their role beyond that of implementer or facilitator to one that encompasses working to influence policies through advocacy and development awareness activities – as an equal partner (Kim and Hong, 2022[34]). Yet, in 2021-22, civil society only received 2% of Korea's bilateral ODA (in project support only) compared with the 15% average share in DAC countries. There is yet little evidence that civil society's contributions are given weight in the policy-making process. Expanding partnerships with civil society could also be a way for Korea to test a broadening of partnerships including with the private sector, international organisations and foundations. Multi-stakeholder partnerships could build on Korea's narrative around its own development experience to add value and achieve more sustainable impact.

There are strong signs that Korea is prepared to incentivise Korean civil society to partner with regional or local civil society to help build mutual capacity and allow for greater focus on locally led development, including to address more sensitive issues. For example, KOICA projects are required to apply a human rights impact assessment checklist that looks at whether the programme has identified the programme's core risks to human rights and how the programme considers human rights protection for vulnerable populations, gender-sensitive planning, protection of the rights of children and youth, and the safety of planned buildings and facilities. KOICA endeavours to support local partners by building capacity of local CSOs, although direct project-based support for local CSOs was suspended in 2015. As seen in Uzbekistan, finding ways to spend more time engaging with communities at the local level and with civil society, for instance by creating incentives for Korean civil society to partner with local civil society, could extend the scope, depth and reach of Korea's current programming, including in sensitive areas such as gender-based violence. Addressing some of these core planning and implementation risks through civil society and with other donors will also help Korea manage for different risks across public investments.

Recommendations

4. Korea should consider the cross-government capacity review alongside evidence and learning from evaluations to help prioritise increased ODA volumes to implementers with high performance management capacity, in line with the 3rd Mid-term Strategy objectives.
5. The government should allocate ODA increases in line with needs and absorptive capacity of partners by encouraging the full use of existing modalities, including programme-based loans and policy dialogue.
6. To increase effectiveness and sustainability, Korea should engage in more upstream and regular policy dialogue with partner country authorities, partners and stakeholders on broader reform processes and the policy environment to help ensure the financial sustainability of its programming, using existing co-ordination mechanisms where possible.
7. Korea should strengthen the capacity of Korea's civil society to deliver effectively and incentivise partnering with local civil society to broaden the reach of Korea's programming, strengthen local capacity and foster locally led development.

Managing for sustainable development results and impact

Strong leadership by the Prime Minister's Office (OPC) working with the MoFA, MoEF and the line ministries is essential to delivering on Korea's ambition to scale up ODA based on results

The revision of the Framework Act on International Development Cooperation has strengthened performance management across government through a stronger OPC. The 2018 DAC Peer Review of Korea recommended that the CIDC take a stronger role in providing strategic-level oversight and accountability for development results by focusing more on policy-level issues (rather than operational-level decisions) (OECD, 2018[24]). The 2020 revision of the Framework Act[27] strengthens the CIDC's role in performance management throughout the project cycle and expands the use of evaluation results (Republic of Korea, 2020[35]). Evaluation results[28] are considered by the CIDC's Expert Committee on Evaluation when discussing and deciding the next comprehensive strategy and (annual) implementation plan. The MoEF budget office also considers evaluation results alongside national priorities in fine-tuning ODA allocations.

The OPC is well positioned to extract lessons for greater accountability in terms of a focus on sustainability of ODA programmes. The 2018 Peer Review noted that where projects were less than satisfactory, there was often a lack of attention to sustainability and limited understanding of how recurrent costs would be financed at the national or local level (OECD, 2018[24]). Recent evaluations repeatedly identify the sustainability of programming as a key risk. Projects with a high level of sustainability grew out of strong national ownership and political will. For a project on capacity building of e-government in Nigeria, for example, working with the Federal Ministry of Communications, Innovation and Digital Economy played a crucial role in building awareness with ministries, departments, agencies and members of parliament, which led to strong buy-in from the government and parliamentarians. In turn, the government of Nigeria used its own budget to establish an e-government standing committee for the training centre, helping to secure sustainability (Korea International Cooperation Agency, 2022[36]). Continued policy dialogue with the partner government in priority focus areas is a key strategy to mitigate risk and increase the likelihood of sustainability. A good example is the policy dialogue Korea has initiated in Uzbekistan to make its TVET centres more sustainable by securing increases in salaries via presidential decree (Box 2).

In addition to the need for complementary legal, institutional or other support, there is a further need to enhance partner countries' capacity and accountability in managing results and sustainability risks. For example, the Tashkent Medical Cluster, which includes the National Children's Medical Center, a hospital for adults and the National Oncology Centre funded by the EDCF, offers state-of-the-art care. However, the facility is not easily accessible to the public since out-of-pocket costs are considerable. Recognising that the Uzbek national insurance policy does not extend coverage to hospital patients, Korea has been providing policy support to enhance the sustainability of the project. While this risk was likely identified at the onset, greater co-ordination among Korean implementers and dialogue with national authorities and other development partners might have led to a better understanding of ways the investment might have been more accessible to the general population, for instance through better sequencing of complementary investments. Continued dialogue and co-ordination are especially important when different implementers are involved in the feasibility study, design, and construction and supervision stages.[29] For instance, an ex-post evaluation conducted within seven years of completion of a road improvement project in Sri Lanka showed that the minimum budget to maintain roads had not been allocated by Sri Lankan authorities. This was a critical condition for sustainability, not least since the road was in a mountainous region where slope sliding is inevitable (Economic Development Cooperation Fund, 2021[37]).

Country partnership strategies outline priorities that help focus requests from partner governments, as seen in Uzbekistan, and allow for some flexibility to fund outside the scope of

focus areas. In Uzbekistan, the OPC designated KEXIM-EDCF as the lead agency in the elaboration of the country partnership strategy (CPS). The priorities outlined in each CPS allow Korea to have more structured conversations with partner governments on how to advance mutual priorities.[30] Priority sectors specific to each country are allocated 70-80% of resources in a CPS, leaving 20-30% of resources that can be allocated more flexibly. Such flexibility allows for some adaptation based on regular monitoring (see discussion of managing for sustainable development results) and could serve to respond to some of the key risks and challenges identified across programming where these are not directly related to the focus areas.

Drawing lessons from evaluations could also enable the OPC to design instructions and clear criteria to fast-track spending and budget execution. Given the growing ODA budget and typically long lead times required to plan ODA investments, complete budget utilisation is a risk. The strengthened organisational structure[31] and mandate of the OPC to manage for results put it on a strong footing to consider options to fast-track spending in a way that is consistent with the 3rd Mid-term Strategy objectives and performance. Transparent, measurable criteria to fast-track or accelerate implementation could expand upon the current prioritisation of strategic and national objectives. Designing clear instructions and delegating responsibilities at the partner country level to scope and design more packaged and larger programmes, with the expectation that high-quality proposals would be fast-tracked, are good incentives so long as project selection remains insulated from political expediency. The OPC could also help identify larger or more corporate programmes or partnerships that may not be country specific and that could be fast-tracked.

Korea's strong emphasis on accountability could be more balanced with learning across the system. Different governmental bodies in Korea, in addition to carrying out evaluations, also conduct audits. For historical reasons,[32] both the Board of Audit and Inspection and the National Assembly's standing committees conduct audits. These are in addition to MoFA audits. Organising and responding to such exercises each year take a considerable amount of time away from other tasks. It is unclear whether ODA is audited more than other government activities, but evaluation and audit fatigue appears to overcome entities responsible for ODA at certain times of the year, suggesting there is a need to reconsider the balance between learning and accountability. Behind the CIDC's drive to strengthen Korea's ODA performance management is a desire to improve both the public's understanding and the transparency of international development co-operation programmes. More clearly communicating Korea's contribution to sustainable development and sharing lessons across implementers could enhance learning.

An organisational culture for results, reflected in KOICA and KEXIM's strong performance management systems, offers a good example for other ministries and agencies

A strong internal organisation culture, dedicated resources and results methods including a Performance Indicator Model based on the SDGs together form a solid foundation on which Korea can continue to develop its performance-based management system. The 2018 DAC Peer Review underscored that other government ministries did not necessarily match the KOICA and KEXIM-EDCF efforts and that there was work to be done beyond these two agencies to ensure that results-based management is applied throughout the Korean development co-operation system – a point reinforced by a Board of Audit and Inspection finding in 2022 (Board of Audit and Inspection of Korea, 2023[38]). Building on the large number of evaluations, increased communication such as KOICA's lessons learned reports (Box 5), and the solid project results-based management system it has built and fine-tuned over time, Korea is now turning its attention to building the capacity of other Korean actors that operate in partner countries to manage for results (Box 3). Enhancing country ownership, mutual accountability and transparency should be at the centre of such efforts. As a start, monitoring and evaluation reports of projects not managed by KOICA or KEXIM-EDCF could be more systematically shared.

Korea's self-assessment indicates that Korea plans to enhance evaluation quality by diversifying evaluation methods, such as joint evaluations with partner countries and universities, with the aim to embed evaluation results into ODA projects (Government of Korea, 2023[29]). Areas for prioritisation could include strengthening partner capacity, including in conducting joint evaluations as KOICA is doing in many countries, and relying more on partners' monitoring efforts. In Uzbekistan, a joint evaluation by KOICA and the Uzbek Ministry of Investment, Industry and Trade was cited, but this is not usually a main feature of evaluations conducted by overseas missions. Some multilateral development partners indicated that while the emphasis on evaluation for Korean projects and contributions is appreciated, conducting these jointly with partners would likely elevate the role of evaluations as an instrument that can be used to adapt programming and inform future project concept papers.

Korea has professional and robust implementers in KOICA and KEXIM-EDCF with a clear vision for reform and ensuring project and performance management systems and also has strong evaluation and feedback loops in place to adapt and manage for results. Korea – as demonstrated by the MoFA, MoEF, KOICA and KEXIM-EDCF – takes evaluation seriously and good use of public funds is scrutinised. For example, multilateral partners in partner countries speak of detailed feedback sessions and country dialogue with KOICA on grant implementation alongside increasing demands for evaluations to be conducted annually and conducted semi-annually around sector instruments and for ad hoc requests. Ex-post evaluations are conducted by major implementing partners seven years after project completion. Based on Korea's strong performance management, the country's core multilateral contributions already consider the results of the Multilateral Organisation Performance Assessment Network's assessment of Korea's development co-operation together with the government's opinion of the assessment, outcomes achieved and budget execution rates – all elements that can help steer Korea as it considers multilateral ODA increases. Korea is working on a more supportive information technology system to publish evaluation outcomes.

Box 5. KOICA's lessons learned reports

Korean authorities, including KOICA, commission many evaluations. Lessons learned briefs synthesise findings and results to inform future programming. These are based on KOICA country portfolio reviews (for example for Bolivia, Cambodia and Uzbekistan) and include checklists for the next iteration of country partnership strategies from a monitoring and evaluation perspective. Lessons learned are also grouped by sector, for example public administration, healthcare and education. Checklists included in these are used for project planning, execution, and monitoring and evaluation. The following are some lessons highlighted in the healthcare sector (Korea International Cooperation Agency, 2020[39]):

- Understand the partner country's healthcare system and collaboration mechanism for effective decision making and project implementation.
- Identify links between human resource capacity-building projects for healthcare service providers and link to the projects of other donor agencies, NGOs and local authorities in neighbouring regions.
- Reinforce the healthcare human resource pool (physicians, nurses, midwives and community health workers) to prevent work disruption following frequent turnovers.
- When participating in programmes of international organisations, clarify KOICA's role and align to the organisation's system for managing results of the organisation.
- Include vocational training in healthcare projects, e.g., training of eye care professionals and community health workers, and match jobs with private market demand.
- When evaluating healthcare projects, qualitative methods (Facility Guidelines Institute, surveys, interviews) are as important as quantitative ones that collect indicators.

Many of these lessons were considered and applied in Uzbekistan, where KOICA is providing education and training to support the capacity of medical personnel and is working to develop a master's degree programme in health policy and financing. These activities are undertaken alongside EDCF projects for hospital construction and the Korea Foundation for International Healthcare's capacity-building programmes on screening of cervical cancer and infectious disease control, for example.

The next step would be to pull lessons learned across Korean implementers and see how these can best serve to support high-quality, larger-scale integrated programmes.

Source: Korea International Cooperation Agency (2020[39]), Evaluation Lessons of Healthcare Sector, http://www.koica.go.kr/sites/evaluation_en/article/view/910

Adapting more quickly to changing priorities and needs requires more reactive systems and structures

Greater delegation to KOICA and KEXIM country offices would allow for more direct communication and decision making with partners. Streamlining decisions and communication is a recurring challenge. KEXIM is currently testing out more delegation of authority in the larger Viet Nam office.[33] In Uzbekistan, authorities suggested greater early-stage dialogue would assist in better matching their own sectoral needs and priorities to KOICA and KEXIM's intended support and in turn help manage expectations for funding. KEXIM's business model is such that appraisal decisions, procurement, disbursement and to some extent evaluations are largely determined from the beginning by headquarters. There are now more KEXIM country offices than at the time of the 2018 Peer Review. During the COVID-19 pandemic, EDCF emergency relief loans and an uptick in policy- and programme-based lending operations demonstrated that KEXIM could act quickly when required, although via different modalities.

Further delegation of authority to those closest to implementation along the whole project management chain, coupled with clear guidance and dedicated resources to elaborate larger integrated programmes, could have a multiplier effect. A shift in where resources are located and how projects are defined could help accelerate implementation and budget execution and also allow those with more contextual knowledge of partners in country to determine needs and help address bottlenecks. As a sign of greater flexibility, embassies and KOICA country offices are more easily able to allocate earmarked funding to multilateral partners outside of the more formal, centrally controlled calls for proposals especially for humanitarian support. Decentralising and delegating authority closer to partner countries requires not just political will but also a rethinking of human resources to ensure that the right skills are at the right place at the right time (see discussion of human resource capacity and the development ecosystem).

Systems including budgeting and programming may also need to evolve to allow for more space to adapt, manoeuvre and react in a given window of time rather than relying on Seoul for core functions and decisions. Regular partner country surveys and diagnostics as well as recent in-depth country assessments by KEXIM in Indonesia and Cambodia (in collaboration with national think tanks) give Korea some comfort that it can adapt to changing country contexts. Strong evaluation and feedback loops are in place to adapt and manage for results. For example, regular monitoring during project implementation allows for post-project service of up to 10% of the whole budget for KOICA projects. Thus, to some degree, adapting to changing priorities and needs is also built into KOICA and KEXIM-EDCF's costing model. Streamlining processes and developing larger programmes with different modalities will require more risk appetite and innovation across the system. These will also require greater ability to work jointly with others, which on a practical level may be best done at the partner country level (see discussion of Korea as a global development actor and fit for purpose).

The current budget proposal process, based on a compilation of projects designed at year N-2, may not be fit for purpose if greater flexibility closer to the country level is required to adapt programming. KOICA and KEXIM-EDCF's budget drafting for year "N" begins in N-1, when the MoEF takes into consideration the grant aid implementation plan with the list of specific projects that have gone through the grant and loan committees after being identified in partner countries. Since the budget and project plan are interconnected, project identification begins from year N-2, prior to budget drafting, and there is little leeway to deviate from the plans. As an example, the KOICA budget is organised by region, country, modality and project. Any financial transfer between regions requires MoEF approval while any reallocation across partner countries requires MoFA approval. KOICA has some discretion to adjust modalities but may require clarification from the National Assembly. New projects, cancellation of projects and changes that involve a budget of over USD 1 million require MoFA approval (Korea International Cooperation Agency, 2022[40]). Perhaps counterintuitively, the bottom-up approach to budgeting may provide less discretion in Korea than it would in some other DAC members where budgets are drawn up to the amount by region or theme and project plans are detailed together with implementing partners on the basis of an overall budget envelope.

Recommendation

8. Building on lessons from the CIDC's pilot to create integrated programmes and the work of the grant and loan committees organised by the MoFA and MoEF to bridge and sequence programmes, Korea should delegate more authority to partner country offices to deepen dialogue at country level including by giving them the authority to scope, identify, co-create, manage, and adapt large-scale, integrated programmes.

Human resource capacity and the development ecosystem

Securing sufficient human resources is a key challenge as Korea scales up its ODA

Fiscal constraints mean that human resources are unlikely to keep pace with ODA growth, exacerbating pressures on an already stretched system. Despite an 80% increase in its ODA budget over the past five years, the expansion of the workforce, organisational structures and pool of experts in the field of development co-operation have not kept pace (Government of Korea, 2023[29]). While the ODA budget proposal for 2024 was set for a 44% increase, the overall state budget for 2024 proposes a modest 2.8% increase in fiscal expenditure – the smallest proposed increase since 2006 (Economist Intelligence Unit, 2023[41]). While ideally the number of civil servants working in foreign affairs and international development co-operation would be increased in proportion to the growing ODA budget and political ambition, doing so in the current context will be challenging in terms of the sustainability over time of an enlarged corps of civil servants. Heavy workloads for those working in development co-operation in ministries and reports of a feeling of unfair compensation add to the frustration of the highly skilled and competent staff involved in development co-operation.[34] KOICA staff surveys and labour unions have identified establishing a reasonable compensation system and raising salaries as the most important areas for improvement.

High staff turnover and especially high rotation of staff among services and delegations abroad are significant features across the system. Having a dynamic corps of MoFA diplomats and officials who gain experience working on development co-operation is a noteworthy objective and can enhance their professional careers. While only 42 staff in the MoFA currently work on development co-operation directly at any one time, many more have worked on and are familiar with Korea's development co-operation programmes and policies. As Korea looks to expand its partnerships and become one of the top providers of development co-operation, it will be critical to prioritise the fostering of strong relationships. Opportunities in MoFA to rotate after a minimum one-year service (some staff are obliged to serve more than one year) can undermine trust and the quality of external partnerships.[35] For example, multilateral partners expressed frustration at the high staff turnover that results in loss of focal points and networks, saying there is a feeling that they have to "rebuild from scratch" each time a staff change occurs. There is an opportunity to think through what incentives may help secure a minimum amount of time in post.

The OPC put forward a joint inter-agency plan to cultivate and increase the number of ODA professionals in 2022 that can guide medium-term efforts. As the scope and volume of Korea's programming expand, the demands on existing human resources will continue to increase, further straining both the MoFA's limited staff and its co-ordinating role and stretching the already relatively low levels of staffing at KEXIM-EDCF and KOICA (Table 1). So far, agency and ministry requests for increased headcounts have been met with tepid responses. Korea is to be commended for devising a medium-term plan to grapple with human resource challenges. The plan sets out steps to train currently employed professionals, expand the workforce by opening up more entry-level positions, and strengthen collaboration with civil society and the private sector (Box 6). Learning from other DAC members that have experienced rapid staff growth could be useful. Where more and new skills are needed, providers tend to invest in existing staff to build up new competencies and buy and borrow resources from the market and other development co-operation partners (OECD, 2020[42]).

Policies are in place to ensure that staff seconded to international organisations from across the Korean administration return for a minimum number of years. As a sign of a more mature system, more could be made of cross-government placements of staff in international organisations to capitalise on secondments and gain and exert influence in different multilateral organisations. Korea could also consider more systematic borrowing of a larger number of experts from MDBs, the private sector, academia and civil society. Such experts can bring different views and tools as the scope of Korea's development co-operation expands to consider more cross-cutting issues and new instruments, for example.

Table 1. Number of staff working on development co-operation in headquarters and in country offices, by agency

Ministry or agency	Staff in Korea		HQ staff based in partner countries		Staff hired locally in countries	
	June 2017	October 2023	June 2017	October 2023	June 2017	October 2023
Office of the Prime Minister (OPC)	14	37	...	...	...	...
Ministry of Economy and Finance	41	43	...	...	...	...
EDCF (KEXIM)	111	194	26 in 13 countries	28 in 16 countries	10	18
Ministry of Foreign Affairs (MoFA)	33	42	44 in 44 countries	89 in 85 countries	*	*
KOICA	258	296	87 in 43 countries	165 in 47 countries	429	444
TOTAL	**457**	**612**	**113**	**239**	**439**	**462**

Note: *Staff hired locally by embassies are not usually hired as development co-operation officers with an official post per se, although many may work with diplomatic staff on development co-operation. For this reason, it is difficult to obtain the statistics for this staff.
Source: Based on OECD (2018[24]), *OECD Development Co-operation Peer Reviews: Korea 2018*, https://doi.org/10.1787/9789264288829-en and Government of Korea (2023[29]), *Self-Assessment of Korea.*

Box 6. Korea's 2022 human resource plan aims to build the foundations for systematic professionalisation and a healthy development co-operation ecosystem

According to Korea's self-assessment, despite an 80% increase in its ODA budget over the past five years, the expansion of the workforce, organisational structures and pool of experts in the field of development co-operation have not kept pace with this rate of growth. The human resource plan published by CIDC in January 2022 sets out ways to increase the number and quality of human resources (Government of Korea, 2022[31]). Together with the proposed increase in the ODA budget, the plan offers a strong basis for dialogue with the MoEF and the National Assembly about prioritising human capacity. Building the Korean public's interest in ODA and development co-operation is both an objective and the means through which the development co-operation ecosystem in Korea is expected to expand. The professionalisation plan features a three-track approach, outlined as follows with selected interventions:

1. **Build a foundation for systematic training of professionals based on real world skills:**
    a. Improve conditions for volunteer service (volunteers numbered 4 743 in 2019) and systematic development of development co-operation talent.
    b. Through the KOICA International Cooperation Center, establish a system whereby participating universities offer credits to students participating in volunteer work.
    c. Place volunteers to support small-scale field projects and hone programme management skills.
    d. Support returned volunteers and young professionals to enter the implementing agency's workforce and expand mentoring and sharing of experiences through networking.
    e. Make available resources to skill up entry-level positions via a career ladder programme.
2. **Expand the pool of professionals by creating more opportunities for ODA specialists outside of the government:**
    a. Foster the small ODA consulting market to create a place for more professionals to work, including by increasing the proportion of technical co-operation projects (feasibility studies, etc.) open to the development consulting industry.
    b. Expand opportunities for Korean companies and individuals to participate in ODA projects and in Korea's Development Innovation Program's Creative Technology Solution (CTS), Inclusive Business Solution (IBS) and Innovative Partnership Solution (IPS).
    c. Strengthen capacity of businesses to participate in overseas procurement opportunities and increase the pool of private sector actors familiar with ODA and its objectives.
    d. Expand access to talent via civil society by increasing the budget to and partnerships with CSOs.
3. **Strengthen collaboration around expertise:**
    a. Work with CSOs to train and support professionals including via the government-civil society policy council.
    b. Through government-business forums on ODA, foster dialogue on development co-operation ecosystems and make available professional support.
    c. Create an integrated information system for human resources to make information on Korea's development co-operation talent pool easily accessible to all hiring entities.

With this human resource plan, Korea has a vision and strategy in place to create an ecosystem for development cooperation that draws on the strengths of its public and private experts. As highlighted in a DAC peer learning exercise, the skills and capacities to deliver development co-operation effectively are constantly changing. Dedicating time and resources to find ways to exploit any flexibility that may be available to build, buy and borrow the skills needed to deliver development co-operation policies and priorities is the next step for Korea (OECD, 2020[42]).

Source: Government of Korea (2022[31]), ODA 전문인력 양성 및 활용 확대 방안 [Plan to Cultivate and Increase the Number of ODA Professionals]; Government of Korea (2023[29]), Self-Assessment of Korea; and OECD (2020[42]) "Building, buying and borrowing staff and skills" [DCD/DAC(2020)48].

Mapping human resources to evolving needs is critical to deliver quality programmes

As the OPC reviews the human resource capacity across the government, there is an opportunity to determine whether to establish a development career track that allows for greater mobility across ministries and implementers. In view of Korea's ambitious ODA goals, the OPC can play a critical role in surveying how best to deploy limited development co-operation resources across government and at the partner country level. The OPC is looking to create more opportunities for MoFA-KOICA and KOICA-KEXIM exchanges, although the heavy workload all around means there is less appetite from senior officials to facilitate such exchanges. Incentives to continue to attract high-quality government and other officials to the OPC from across the Korean administration could also be put in place. Similarly, seconding staff from other parts of the Korean administration to KEXIM-EDCF and KOICA for fixed periods of time could help promote learning and expand the networks of current staff while also building greater awareness of development co-operation objectives across the administration.

There is generally positive feedback on the opportunities for training and the quality of the training programmes offered by KOICA and KEXIM-EDCF. The availability of training programmes both on site and in Korea to locally employed staff, some of whom benefited from KOICA scholarships to advance their studies, is commendable. KOICA also provides online training videos for about international development co-operation to implementing agencies. As Korea considers the new skills and operating procedures that are likely to be required both to effectively deliver its expanding ODA programme and to strengthen managerial competencies and new responsibilities at different levels, developing and rolling out relevant training material and programmes will be essential.

As Korea looks to expand financing of public-private-partnership projects that support large-scale infrastructure development in partner countries, it will need to address the chronic lack of human resources and put in place incentives to pioneer new instruments (see discussion of incentivising additional financial resources to meet global challenges). For example, one reason for the success in bringing KOICA's private sector programmes to scale was that staff working in this area stayed for several years, embedding an iterative approach that saw programmes evolve over time and become more professional. Scaling up the size of programmes and streamlining procurement, audit and performance management systems require having sufficient and appropriate human resources in the right places. Further delegation of authority and reallocating staff away from headquarters to regional or country offices are likely to require a different business model. Similarly, rolling out KEXIM-EDCF's Climate Impact Framework will require bringing on board external experts to complement the team of only five people who are working on the environment guidelines and safeguards.

Over time, more senior-level and sector expertise will be essential for Korea to secure and strengthen partnerships and the sustainability of operations in countries where it works and to engage more in dialogue with partners. The MoFA provides basic and advanced courses consisting of 12 video lessons for the development co-operation (diplomat) officer present in each priority country embassy. In reality, the focal point for development co-operation has diplomatic responsibilities that go well beyond development co-operation. KOICA country offices generally have four staff from headquarters and KEXIM-EDCF has two. As seen in Uzbekistan, local ODA consultations, quarterly co-ordination council meetings[36] and country partnership strategies are a positive development towards coherence. These also work well for establishing project pipelines and discussing challenges, but they require time and human resources. If Korea also wants to step up its dialogue with partner country authorities and do more in partnership with other donors, it will need more human resources at the country level. To accomplish this, Korea could work to empower or invest in current staff who have policy-influencing skills, relieving them of other co-ordination or programme implementation responsibilities. Korea also could work to attract and recruit development professionals with the necessary skills. Reallocating human resources away from headquarters to increase capacity in a few country offices could help test whether such a move would have an impact on quality, responsiveness and sustainability of operations.

Higher ODA volumes should create more opportunities for locally hired staff

Maximising the contributions of local staff is good for development effectiveness and helps support a strong country presence. Locally hired staff are valued for their deep contextual and institutional knowledge and provide necessary continuity to implement an effective programme. They are proud of their work with Korea and have access to a broad range of short- and long-term training opportunities. Improving the terms and conditions of their employment to provide more predictable employment and salary increases that consider countries' real inflation rates would help locally hired staff feel more valued. Allowing mobility of locally hired staff across Korea's different embassies and country offices would be a welcome initiative for professional development and knowledge exchange.

Promoting local staff to levels of higher responsibility and more permanent contractual status, especially as project management systems become available in the English language, is another avenue to explore. Locally hired staff in embassies and KOICA and KEXIM country offices bring sector and project management experience that includes strong monitoring and problem-solving skills. A combination of further delegation of authority to country offices, increased ODA to programmes and a less-than-proportionate increase in staff numbers should encourage Korea to define clear ways in which it can rely more on locally employed staff. In Uzbekistan as in other countries, there is a deep pool of experienced candidates for such posts and competition for locally hired staff positions is very tight.[37]

Recommendation

9. Korea should increase the number of qualified staff working in development across government to scale up high-quality programming. In particular, the government should find ways to incentivise longer periods between rotations in development co-operation posts to help build trust and stronger partnerships, increase the number of staff working in partner countries, and further empower and promote locally hired staff to support a strong country presence.

Incentivising additional financial resources to meet global challenges

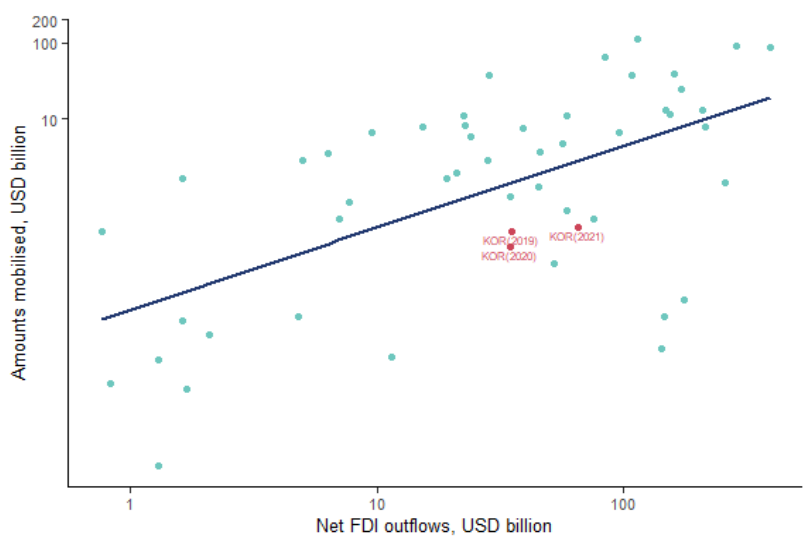
More private sector engagement can be instrumental to Korea's planned ODA scale-up

In light of the anticipated ODA scale-up, expanding Korea's private sector engagement is one way to channel growing resources. As acknowledged in the 2022 Private Sector Engagement Strategy, the private sector's involvement in Korea's development co-operation has been limited, accounting for only 1.3% of all ODA flows between 2017 and 2021 (Government of Korea, 2022[11]). However, it is growing, having risen to 4.1% in 2022[38] (OECD, 2023[20]). There is little diversity in the type of private sector engagement, which is currently limited to contracting engineering, procurement and construction firms.

There is room to expand private sector mobilisation. In addition to using the private sector as a delivery channel for ODA, Korea could step up efforts to use public interventions to mobilise private investments towards sustainable development outcomes. Given that Korea had net foreign direct investment (FDI) outflows of USD 66 billion in 2022 and the world's sixth-largest trade volume (USD 1.6 trillion), the Korean private sector has significant under-utilised potential. Over 2019-21, Korea crowded in an average of USD 18 million through official development finance interventions. These amounts are below the trend line that maps the relationship between DAC members' annual FDI outflows and mobilisation amounts (Figure 6). There is room to bring in more corporate and financial investors, especially with ESG investment[39] gaining momentum in Korea's capital markets (Invest Korea, 2023[10]).

Figure 6. Korea has potential for greater private sector mobilisation based on foreign investment flows

Amounts mobilised from private sector through official interventions (USD billion) versus net FDI outflows (USD billion) of DAC members in 2019-21



Source: Authors' calculation based on International Monetary Fund (2023[43]), *Balance of Payments and International Investment Position Statistics (BOP/IIP)*, https://data.imf.org/?sk=7a51304b-6426-40c0-83dd-ca473ca1fd52 and OECD (2023[20]), "Creditor Reporting System: Aid activities", *OECD International Development Statistics* (database), https://doi.org/10.1787/data-00061-en.

StatLink https://stat.link/d1jmxp

Strategic partnerships and co-financing with MDBs and bilateral development finance institutions (DFIs) are already being explored and provide an effective means to rapidly expand private sector operations and mobilisation. The Private Sector Engagement Strategy highlights the possibilities of greater co-operation with multilateral organisations through initiatives such as the Asian Development Bank (ADB) Ventures Fund and the impact investing vehicles of the UN Capital Development Fund and UN Development Programme. Building on its experience with the Central American Bank for Economic

Integration, Korea could explore establishing ties with other regional DFIs such as the Trade and Development Bank and Private Infrastructure Development Group to explore opportunities in regions and countries where Korea has a limited direct presence. As a GCF-accredited entity, the Korea Development Bank (KDB) is currently preparing a project to support improvements in Indonesia's industrial energy efficiency through new energy service business models and by developing a supportive regulatory framework, mobilising investments from major Korean banks through a GCF guarantee. Greater collaboration with the KDB in Korea's development co-operation efforts, including through partnerships with the EDCF and/or KOICA, can be a way to leverage KDB's well-established relationships with Korea's financial institutions and catalyse participation from a wider range of private sector actors and investors.

Private sector mobilisation efforts will need to be backed by political will to embrace a greater risk tolerance and expand untied aid

The success of private sector engagement efforts at the level of implementing agencies hinges on high-level political will and backing from the government. In particular, MoEF backing, direction and support for a higher risk appetite will be critical for KEXIM to explore and expand existing private sector operations. Ownership and governance often determine the risk appetite of DFIs (Savoy, Carter and Lemma, 2016[44]; OECD, 2023[45]; Attridge and Novak, 2022[46]). KEXIM is wholly owned by the government, 69% directly, 22% through the KDB and 9% through the Bank of Korea. Based on this ownership structure and rigid decision-making procedures that require government approval for individual projects, the direction of the government will crucially determine KEXIM's ability to explore new instruments, sectors and market segments. The example of the US International Development Finance Corporation (DFC) shows that a wholly government-owned agency can effectively take on higher risk levels if it is backed by political leadership.

A significant scale-up of private sector operations will require an expansion of untied loans, which is a key bottleneck in the expansion of MDB co-financing and the use of existing private sector instruments. In 2021, Korea's share of tied aid stood at 34% compared with 19% for DAC members on average. Almost half of the loans (46%) extended by the EDCF are tied. Even for untied loans, there can be an informal requirement for projects to benefit Korean companies or consumers. If Korea were to open procurement opportunities to the international and local private sector in partner countries, it could leverage its expertise and resources and open other sustainable development opportunities.

Besides hampering development effectiveness, tying aid incurs costs to Korea as a donor. A narrow approach that insists on short-term benefits for national companies not only limits the scope of Korea's private sector operations. It also risks forgoing opportunities in the long term. Market development in partner countries, which can be more effectively supported by untied aid (Clay, Geddes and Natali, 2009[47]), would bring indirect benefits for the Korean private sector, for example in the form of more sustainable supply chains and trade possibilities. Conversely, the benefits of tying aid are likely to decrease as Korean companies gain more experience in developing country markets. According to the OECD DAC Contract Awards database, 12.7% of contracts awarded to Korean companies in terms of contract value in 2019-21 were funded by Korea and 87.3% were funded by other donors, suggesting that Korean companies are already successful in bidding for untied ODA projects. Greater exposure to international bidding as Korea moves away from tied aid would further enhance the competitiveness of these companies. Rebalancing the share of tied aid would also be in line with Korea's leadership on development effectiveness principles and allow for more local procurement opportunities and localisation of Korea's development co-operation.

Integrating and co-ordinating private sector operations can give rise to economies of scale

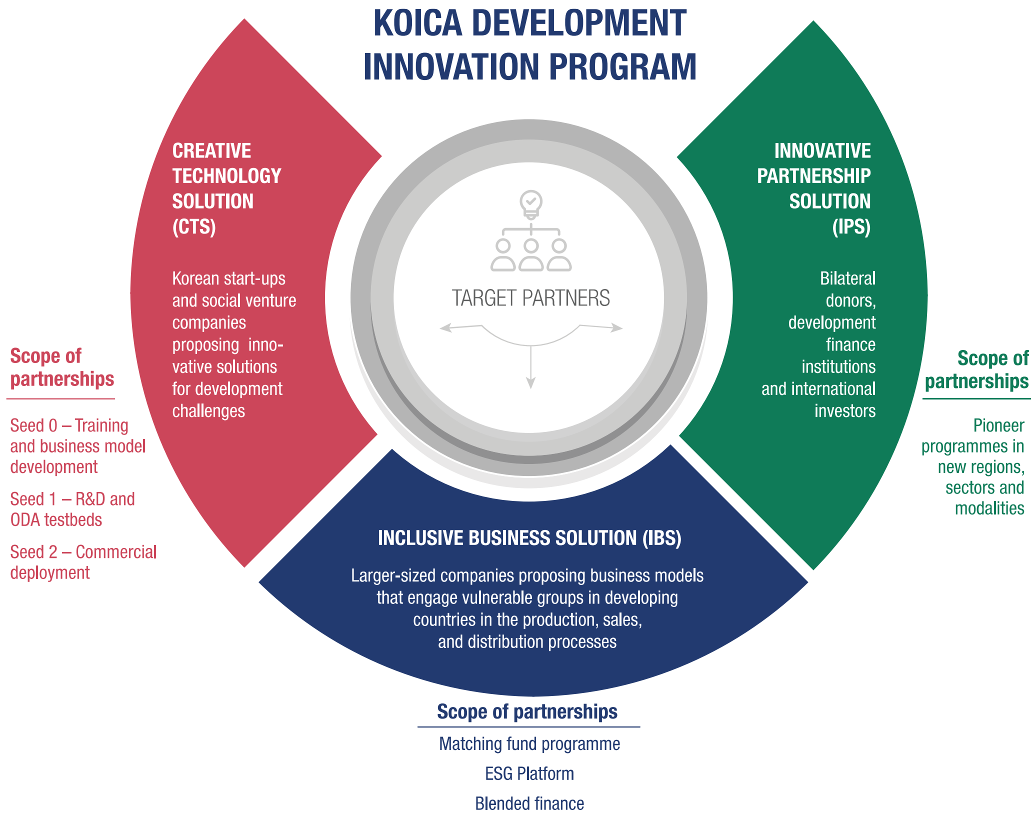
Country-level co-ordination among ODA-implementing agencies helps bring together the different instruments of Korea's development co-operation and streamline private sector engagement. In some instances, KOICA and KEXIM already work with the same private sector actor on related projects. For example, inter-agency co-operation in Uzbekistan led to the sequencing of KOICA grants for a pilot project on the introduction of a geospatial system, with KEXIM-EDCF loans financing their roll-out. However, even where KOICA and KEXIM work together on a project basis, the agencies currently operate in a parallel or sequential way. In consequence, they forgo potential efficiency gains that would be possible if the systems and procedures could work more compatibly together, with a designated lead agency overseeing the different projects and with common contact points and procedures for the design, planning, approval, implementation and evaluation.

Further integrating loans and grants under the leadership of the CIDC could enhance the efficiency of private sector engagement (PSE). The CIDC can lead this effort, for example by building on the PSE strategy and incentivising closer integration of KOICA and KEXIM-EDCF operations without being involved at the individual project level. There could be joint facilities with streamlined one-stop processes that mix grants and concessional loans to enable diversified blended finance approaches, for instance. Moreover, knowledge-sharing programmes led by different line ministries could be more organically integrated and systematically followed up with support from either KOICA or KEXIM-EDCF.

KOICA's private sector programmes have matured and can be brought to scale

As a main pillar of Korea's PSE strategy, KOICA's Development Innovation Program (DIP) has shown flexibility in adapting to the business models of different companies. The DIP consists of a number of matching funds programmes and other initiatives that vary in their eligibility criteria, project period and modalities depending on the type and size of participating companies. For instance, the Creative Technology Solution (CTS) programme targets Korean start-ups and social venture companies that propose innovative solutions for development challenges; the Inclusive Business Solution (IBS) programme is designed for larger-sized companies; and the Innovative Partnership Solution (IPS) programme enables KOICA to collaborate with other bilateral donors, DFIs and international investors (Figure 7). In response to demands from Korean companies for alternative modalities and more strategic partnerships, KOICA launched the Platform ESG Initiative in 2022, wherein the government and the private sector jointly identify project models that align with companies' ESG strategies and also contribute to the SDGs (see discussion of Korea as a global development actor in pursuit of policy coherence).

Figure 7. KOICA's Development Innovation Program consists of private sector programmes tailored to different company types



As the CTS and IBS programmes have matured, KOICA can move towards greater scale and more rigorous impact management. As KOICA's longest-running private sector programme, the IBS has continuously expanded its reach and scale. The average volume of projects increased from USD 430 000 between 2010-12, the early years of the programme, to USD 1.5 million in 2016-18 and USD 2.2 million in 2019-21. Since its establishment in 2015, the CTS has supported more than 100 businesses in 22 countries, providing innovative technologies in various sectors ranging from health diagnostics, energy efficiency and smart farming to education (Box 7). With the experience gained from the projects supported thus far, KOICA could seek to move towards a more comprehensive impact management approach that can help measure the effectiveness of the different private sector programmes in a consistent and comparable way and enhance the aggregate development impact of KOICA's PSEs. A rigorous impact management approach would also help ensure the efficient allocation of growing resources that result from the government's increasing interest in PSE, which is demonstrated by the substantial 46% scale-up in PSE resources allocated to KOICA in 2024.

Box 7. KOICA draws on a variety of partnership modalities to support innovative private sector initiatives

KOICA's CTS programme supported the education technology company Enuma to target the learning needs of children in low-resource and hard-to-reach developing country contexts. As a United States-based software startup, Enuma developed learning apps for children with special education needs. At the time, the company was set up (2012) and much like other online learning apps, Enuma's applications catered to the private education needs of a relatively affluent target audience in developed countries. KOICA's support was crucial in adapting Enuma's technology to a developing country context. By funding various field trials and providing insights about the target countries, the CTS programme supported the R&D necessary to tailor the content and curriculum to the language, culture, learning environment and styles of children in sub-Saharan Africa.

Enabled by its early success in KOICA-supported ODA testbeds, Enuma partnered with a series of other international partners, including the International Rescue Committee and Imagine Worldwide, to target a population of 900 000 Rohingya refugees in Bangladesh. Continued monitoring of the learning progress of children through randomised controlled trials found that the applications achieved high learning outcomes and usage frequency compared with those of peers. In 2019, the application won the Global Learning XPRIZE competition, awarded by Tesla's chief executive officer.

The breadth of KOICA's private sector programmes and modalities allowed the partnership with Enuma to evolve and continue. As it grew in size, Enuma went on to participate in KOICA's IBS programme for larger-sized companies to roll out digital education programmes at scale. With the IBS support, Enuma carried out a digital education project in Indonesia to address the pandemic-induced learning gap, providing digital basic education services in foundational literacy, mathematics and English and supporting 238 public schools across the country.

Note: This practice is documented in more detail on the Development Co-operation TIPs • Tools Insights Practices platform at www.oecd.org/development-cooperation-learning.
Source: Enuma (2023[48]), *Creating a Future Where Every Child Can Learn At Their Own Pace* (webpage), https://enuma.com/en/

With its IPS programme, KOICA is well placed to significantly expand the reach and scope of private sector mobilisation including through blended finance schemes. The IPS, which was established in 2015, allows KOICA to diversify its private sector partnerships to include international donors as well as private investors. So far, the number of projects has been limited (14 from 2015 to 2023), although there are some high-profile initiatives such as the Women's Catalyst Fund (WCF), in which KOICA collaborated with the DFC, gaining exposure to an innovative financing mechanism that provides credit enhancement for gender lens social bonds (the IIX Women's Livelihood Bond Series). The transaction allowed KOICA to explore its level of comfort with the relatively new instrument of guarantees.[40] In the WCF, one of the IPS programmes that are in the form of a blended finance structure, KOICA provides grants and guarantees to mobilise capital from international impact investors. International partners managing these blended finance schemes value KOICA's openness and its flexibility in adapting internal procedures and rules to meet capital market realities.[41] The number of blended finance transactions executed by KOICA increased from 3 in 2017 to 14 as of March 2023. The foreseen budget increase for the IPS scheme is likely to further increase Korea's private sector mobilisation potential. With greater delegation to local offices, there could be more opportunities to identify and directly engage with local private investors.

KEXIM’s attempt to diversify instruments to engage and mobilise the private sector could be complemented by more targeted support for the business enabling environment

While a variety of tools can support the private sector in developing countries on the loan side, these are not fully exploited. As of 2023, the EDCF has provided USD 310 million for four public-private partnership projects, supplying funds for partner governments’ equity investments or subsidies to special purpose entities. Moreover, KEXIM has been operating the Economic Development Promotion Facility since 2016, raising funds from international capital markets through KEXIM bonds and passing them on as concessional loans. While a few projects have been executed and several are in the pipeline for this facility, most involve government-to-government loans rather than private sector operations. Through its two-step loan, the EDCF can support financial intermediaries in partner countries that then on-lend the funds to micro-enterprises and other end-borrowers. However, with only one transaction to date, the use of the two-step loan has been limited.

Openness towards new modalities is a promising sign for greater private sector mobilisation. With impetus from the PSE strategy, KEXIM is considering the implementation of new instruments such as equity and guarantees as well as direct lending to the private sector (Government of Korea, 2022[11]). While these instruments were available to EDCF borrowers in theory, they have not been used in practice due to a lack of internal regulations and procedures that would enable their actual implementation. Apart from the need to adjust the internal EDCF framework, which is currently underway, testing these new instruments will require championing at the senior executive level. Political support from the MoEF will be especially important. Inviting external expertise including from MDBs and the private sector could help accelerate this transition. KEXIM could also learn from KOICA’s recent experience of extending guarantees through its IPS scheme.

Korea could more actively explore and increase the use of policy-based loans (KEXIM’s programme loans) and budget support (sector loans) for reforms to improve the enabling business environment in partner countries. The use of programme loans gained momentum in response to the COVID-19 pandemic in 2019. Going forward, the instrument could be used to contribute to economic development while increasing the commercial viability of private sector investments including from Korean and other international and local investors. Strategically targeting support to sectors where Korean companies have a comparative advantage such as ICT, albeit without specific requirements to tie aid to Korean contractors, could create synergies with other existing PSE initiatives.

Active use of co-financing with other donors, including through partnerships initiated by KEXIM country offices, offers an effective way to expand programme- and policy-based and sector loans. Currently, the majority of KEXIM-EDCF’s programme- and policy-based loans – 15 or 79% of the total number of loans and 75% of the total volume – are co-financed with regional MDBs such as the ADB and Inter-American Development. The EDCF has so far extended one sector loan to Sri Lanka in 2019 and could explore expanding the use of this modality. Continuing to work with and through multilateral organisations in extending sector and programme- or policy-based loans could help Korea gain more experience at relatively low risk. Since KEXIM country offices are often best placed to identify country-specific bottlenecks to private sector investments, a possible way forward to expand partnerships with MDBs and bilateral DFIs in partner countries is to enable and encourage these overseas offices to allocate funding to multilateral channels (see the discussion of fit for purpose). As also explored in the discussion of human resource capacity and the development ecosystem, such delegation of authority and expansion in private sector engagement will necessitate an increase in human resources.

Recommendation

10. To further expand private sector operations and private finance mobilisation including from local investors in partner countries, Korea should:
    a. provide high-level political leadership and signal support for implementing agencies to increase their risk appetite for private sector operations
    b. continue to expand untied aid modalities including co-financing with MDBs and budget support to improve the business enabling environment in partner countries
    c. further incentivise blended finance pilots including through programmes and facilities that integrate loans, grants, and technical assistance and cross-agency knowledge sharing.

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Notes

[1] The 2018 DAC Peer Review of Korea found that in 2015, 64 Korean entities manage its ODA. In 2023, Korea's self-assessment indicates that 45 Korean entities are now involved in managing ODA. Given that in DAC and Creditor Reporting System statistics Korea identifies just four possible agencies (the MoEF, KEXIM, the MoFA and a "miscellaneous" category), the data provided by Korea to the OECD do not make it possible to observe trends on the evolution of the number of Korean entities involved in providing ODA over time. Korea has indicated that aside from the four agencies separately identified in its ODA reporting to the OECD, 41 other entities are involved in managing its ODA in 2023 and include, among others, the Office of the Secretary of State; Ministry of Agriculture, Food and Rural Affairs; Ministry of Education; Ministry of Trade, Industry and Energy; Ministry of Health and Welfare; Rural Development Agency; Ministry of Environment; Ministry of Land, Infrastructure and Transport; Ministry of Oceans and Fisheries; Ministry of Personnel and Innovation; Ministry of Forestry; Ministry of Science and ICT; Ministry of Employment and Labor; Ministry of the Interior; Korea Centers for Disease Control and Prevention; Ministry of Culture, Sports and Tourism; Korea Customs Service; Ministry of Gender Equality and Family; Ministry of Food and Drug Safety; Korea Meteorological Administration; Ministry of SMEs and Startups; Ministry of Justice; Cultural Heritage Administration; Statistics Korea; Patent and Trademark Office; National Police Agency; National Audit Office; Public Procurement Service; National Human Rights Commission; Korea Fair Trade Commission; and the National Election Commission. In addition to these 45 overall, Korea has indicated that 12 local government authorities implement ODA projects overseas.

[2] Korea's overall ranking is 24th on the 2023 CDI. Its best performance is in the technology component, where it is in second place. See https://www.cgdev.org/cdi#/country-report/south_korea.

[3] Korea ranks 34th out of 40 countries in the trade component of the 2023 CDI. See https://www.cgdev.org/cdi#/country-report/south_korea.

[4] This act mandates the formulation every 20 years of basic cross-government strategies for sustainable development, which are reviewed every five years.

[5] The K-SDGs were established in 17 fields with 119 specific targets and 236 indicators that complement the United Nations (UN) SDGs.

[6] The 'Administrative Plan' review system involves the National Council on Sustainable Development in the formulation stage of major administrative plans of each ministry, requesting them to evaluate the impact on the SDGs. From 2018 to 2022, a total of 22 cases covering diverse fields such as the conservation of marine ecosystems, the 5-year plan for balanced national development, energy technology development plan, comprehensive national territorial plan, tourism development, and groundwater management were reviewed. In particular, there has been a proactive inclusion of administrative plans in the field of environment and climate change.

[7] For example, transboundary effects can relate to trade, climate, food security and migration.

[8] Based on interviews from the fact-finding mission, support for the reintegration of returning migrant workers is not currently a key component in either the EPS or ODA programmes.

[9] Korea is not among the Annex II countries that made the pledge for the USD 100 billion in annual climate finance as it was only placed in the UN classification of a developed country in 2021.

[10] Green ODA refers to ODA that targets the objectives of the Rio Conventions on biodiversity, climate change and desertification through the Creditor Reporting System using the Rio markers.

[11] Some country partnership strategies integrate priority areas related to climate change and the environment – for example, environmental protection and conservation (India, Indonesia, Kyrgyzstan, Peru); climate change and the environment (Mongolia, Philippines); environmental and energy initiatives (Egypt); and green energy (India).

[12] When the allocation of ODA that targeted mitigation and adaptation in 2020 and 2021 is mapped against partner countries' CO_2 emission levels (Global Carbon Atlas) and vulnerability to climate change (ND GAIN index), respectively, there is a negative correlation between Korea's climate-related ODA and climate needs. This means that in terms of mitigation, Korean ODA tends to target mitigation in countries with higher emission levels less than it does in countries with lower emissions. In terms of adaptation, Korean ODA in countries that are more exposed to climate change is less focused on adaptation than it is in countries that are relatively less vulnerable. While other DAC countries also showed negative correlation – e.g. between the share of adaptation-related ODA a country receives and its climate vulnerability – the magnitude of the negative correlation was more pronounced (-0.05 for mitigation and -0.04 for adaptation) for Korea.

[13] According to the decision of the June CIDC meeting, summarised in "A Prospect of Quantum Leap in Korea's 2024 aid budget", approximately USD 5.7 billion in ODA was included in the 2024 national budget proposal sent to the National Assembly for approval, an increase of 44% from 2023. For comparison and in the absence of preliminary ODA data for 2023, in 2022 Korea provided 0.17% of GNI as ODA (USD 2.8 billion). See https://www.odakorea.go.kr/core/file/viewFileDown?fileId=FILE_000000000000602.

[14] Korea aims to accomplish these goals by expanding public-private partnerships and by linking the EDCF, the concessional arm of KEXIM, and the less concessional Economic Development Promotion Facility (EDPF) to mobilise the private sector. It is still too early to expect these actions to deliver the surge in development co-operation envisaged in the president's strategic plan for ODA. Although the EDPF is expected to grow, it is only now getting off the ground. For instance, there were two EDPF projects approved in 2023, in Bangladesh and Kenya, and several are in the pipeline for 2024.

[15] The bilateral ODA referred to is country allocable. In 2021-22, 47% of the total grant volume allocated by country and 82% of the total loans extended went to Korea's 27 priority partner countries. Priority countries receive on average USD 58.5 million in Korean ODA per year, while non-priority countries receive on average USD 5.0 million per year.

[16] In 2021, least developed countries received 35.8% of Korea's gross bilateral ODA (USD 877.1 million), a higher share than the DAC average of 22.9%. Korea also allocated 17.2% of gross bilateral ODA to land-locked developing countries in 2021, equal to USD 421.2 million, and 3.7% of gross bilateral ODA to small island developing states, equal to USD 91.3 million. In addition, support to fragile contexts amounted to USD 1 billion in 2021, representing 41.5% of Korea's gross bilateral ODA.

[17] Data are for 2021-22. In Uzbekistan, these other agencies include the Ministry of Health (via the Korean Foundation for International Healthcare) and the Ministry of Agriculture (implemented by the Korea Program for International Cooperation in Agricultural Technology).

[18] Over 2017-22, the average size of projects increased for all ministries and agencies except the MoFA: project size doubled for KEXIM-EDCF (from USD 68 million to USD 139 million) and increased by nearly

50% for KOICA (from USD 3 million to USD 4.4 million). Project size grew substantially for other ministries (from USD 60 000 to USD 3.5 million). During the same period, the MoFA project size grew from USD 600 000 to USD 3.4 million in 2018 before declining to USD 700 000 (in US dollar committed funds).

[19] The Cross-Ministry Project Deliberation Committee was created in 2020 to identify projects in priority countries that are in the pipeline, and it has tried to find ways to link or package grants and loans from one entity with grants and technical assistance from another.

[20] The Korean government has been linking grants and loans, as well as conducting duplication prevention efforts to promote integrated ODA. According to the CIDC's Comprehensive Implementation Plan, such co-ordinated projects amounted to 128 cases involving 294 projects in 2023. It is expected to reach 146 cases with 295 projects in 2024.

[21] Two examples are the Egypt Railway Modernisation Project and the Bali Electric Vehicle Package in Indonesia. The Egypt project includes the Railway Electrification System Construction Project (EDCF 2019-25) and the Railway Modernisation Project (EDCF and EDPF 2023-27). The investment will include human resource development initiatives, and the government of Egypt has requested a construction, operation, management and maintenance component. The railway modernisation project aims to improve the safety and efficiency of railroad operations by automating the manual railroad signalling system in the Nag Hamadi High Dam section. Korea's Ministry of Land, Infrastructure and Transport and its Ministry of Health and Welfare are also involved as the project involves emergency patient transport and treatment, minimising human casualties in rail accidents, and building a first aid centre. Private companies contracted for the project will share expertise, and non-governmental organisations will work to raise safety awareness among rail users. The Bali electric vehicle package links three projects: an electric vehicle and charging infrastructure supply project led by the Korean Ministry of Environment and the Global Green Growth Institute; an intelligent transportation information system pilot project (led by the Korean Ministry of Land, Infrastructure and Transport) to provide information on bus location, dispatch intervals, and up-to-the minute information through a mobile application or signs; and a project to providing electric vehicles for government use involving the MoFA.

[22] In 2021-22, 36% multilateral humanitarian assistance was delivered through the WFP and 22% via the UN Children's Fund (22%), followed by the UN Refugee Agency (14%), International Organization for Migration (7%), UN Population Fund (6%) and UN Development Programme (4%).

[23] In 2021-22, 19% of Korea's humanitarian assistance was channelled through public sector institutions; 2-3% of its humanitarian aid was channelled through non-governmental organisations (NGOs) and only a very small proportion of this, USD 1.1 million, went directly to local civil society.

[24] Of Korea's 27 priority partner countries, 8 are fragile according to the 2022 OECD Fragility Framework: Bangladesh, Cambodia, Ethiopia, Lao People's Democratic Republic, Myanmar, Pakistan, Tajikistan and Uganda.

[25] The MoFA's newly established subcommittee on the HDP nexus within the Committee on Grant Strategy meets one or two times a year to share activities related to the HDP nexus across the government.

[26] Such platforms include the Government-Civil Society Policy Consultation (part of the OPC), the MoFA-Civil Society Policy Dialogue (MoFA) and the Public-Private Partnership Council (KOICA).

[27] Article 16 of the Framework Act specifies that implementing agencies should have annual self-evaluation plans in line with evaluation guidelines and that overseas missions should monitor ODA projects and submit the results to the CIDC.

[28] Evaluation results are made public and are reported to the National Assembly on 30 June of each year.

[29] In this instance, KOICA conducted the feasibility study, the Asian Development Bank undertook the design, and the EDCF was responsible for the construction and supervision stages.

[30] As noted in the 2018 Peer Review, the country programme strategies provide limited information on funding to Korean civil society or on the placement of the approximately 4 000 volunteers at country level and thus do not capture the full scale and scope of Korea's aid activities. See https://doi.org/10.1787/9789264288829-en.

[31] The OPC now has two divisions, one for evaluation and the other for performance management.

[32] The Board of Audit and Inspection was founded under the Korean president as the supreme audit institution, pursuant to the provision of the Constitution, to carry out audits of the central government, local governments, government-invested organisations and other organisations. One of the functions of the National Assembly is also to oversee the executive branch, including government agencies and officials, to ensure transparency, accountability and proper use of public funds. This dual approach helps maintain a system of checks and balances within the Korean government.

[33] Currently, KEXIM-EDCF project concept papers put forward by partner country authorities are submitted to Seoul at the end of September together with comments from the KEXIM country office on the financial and scope of work. Selected projects are long-listed by a committee in Seoul by February of the following year. A preliminary survey is then undertaken, and Korean line ministries may request further information or details from national authorities and the country office before approving a project. Implementation can then begin the following year.

[34] According to Korea's self-assessment, the ODA budget allocated to the EDCF and KOICA grew by 19% and 62%, respectively, since 2019, while staff numbers only increased by 6.3% and 3.8%, respectively. See [DCD/DAC/AR(2023)1/26].

[35] Regular rotation in MoFA occurs twice a year.

[36] Co-ordination councils meet every quarter and are convened by the ambassador. Project management consultants implementing technical co-operation or infrastructure programmes managed by ministries that are not represented in the country also participate in these councils, if they are present. Such discussions help identify implementation bottlenecks and identify issues of incoherence for both the Korean and national authorities.

[37] For one KEXIM post, the team was told there had been 500 applicants.

[38] This volume is derived from a cluster of purpose codes reported to the OECD Creditor Reporting System: 24xxx (banking and financial services), 25xxx (business and other services), 321xx (industry), and 33xxx trade policies and regulations).

[39] The National Pension Service is actively leading the effort by expanding ESG investments (with a target of meeting 50% of assets under management in 2022) and establishing Integrated ESG Strategy

Guidelines. Major Korean financial companies are promoting ESG investment by setting ESG investment targets and installing dedicated teams. Major corporations including Samsung and SK also have recently adopted ESG strategies to actively pursue ESG management in their supply chain management. The number of Korean companies signed up to the UN Principles for Responsible Investment increased from 8 in 2020 to 12 in 2021. See https://www.investkorea.org/ik-en/cntnts/i-3008/web.do.

[40] KOICA provided a first loss guarantee of USD 1 million for a DFC investment of a total amount of USD 10 million to support the issuance of Women's Livelihood Bonds. This combined support enables the WCF to leverage nine times the capital from private sector investors from across the world to empower one million underserved women and girls in developing countries across South and Southeast Asia.

[41] These views were expressed in partner assessments received during the fact-finding process of the peer review.

Annex A. Progress since the 2018 DAC Peer Review recommendations

2018 Peer Review Recommendations	Progress
1. CIDC, in line with its mandate, should continue to improve Korea's ODA system to ensure that strategic and operational decisions are made at the appropriate level to best support effective and efficient programming.	*Partially implemented.* The Office for International Development Cooperation was created under the Office for Government Policy Coordination (OPC) to support the CIDC's strengthened role. Finding a balance between providing more strategic-level oversight and accountability, on one hand, and quite operational-level decision making and direction on the other is a work in progress.
2. All agencies managing Korea's ODA should take a more strategic approach to results management and evaluation, including by: • making better use of risk analysis and the need to learn to decide what to evaluate. • sharing lessons from evaluations and internal learning processes with all stakeholders; and • continuing to improve public access to information on project level financing and development results.	*Partially implemented.* The Framework Act places strong emphasis on performance management and reinforces the role of the OPC in mandating and using evaluations to inform future programming. There is good sharing of lessons with stakeholders but not necessarily across the whole Korean system. ODA portals are being revamped, and communicating to the public remains a work in progress. There is an abundance of evaluations and criteria for prioritisation of what is evaluated based on project amounts and preliminary screening conducted by the Expert Committee for Evaluation.
3. The government should set out a timeframe and targets for allocating 0.3% of its national income as ODA by 2030 and sustain its efforts to untie its aid and to focus resources on countries most in need.	*Partially implemented.* In 2022, Korea provided 0.17% of GNI as ODA (USD 2.8 billion). According to the CIDC, an ODA budget equivalent to USD 4.8 billion for 2024 was approved by the National Assembly in December 2023. This amount would exceed 0.25% of GNI although the 3rd Comprehensive Strategy for International Development (2021-25) no longer puts forward an ODA-to-GNI target. Korea's bilateral ODA allocations reflect support for least developed countries (LDCs) and fragile states. Total net ODA to LDCs amounted to 0.06% of Korea's GNI in 2022. At the same time, 35.8% of Korea's gross bilateral ODA (USD 877.1 million) went to LDCs, a bigger share than the DAC average for LDCs of 22.9% of gross bilateral ODA. Support to fragile contexts reached USD 1 billion in 2021, representing 41.5% of Korea's gross bilateral ODA. Korea allocated 17.2% of gross bilateral ODA to land-locked developing countries in 2021 (USD 421.2 million) and 3.7% of gross bilateral ODA to small island developing states (USD 91.3 million).
4. Korea – including through its partner county offices and embassies – should strengthen, in partnership with government, its strategic view of its unique contribution to each country context. This may include: • deepening policy dialogue with partner governments, using existing coordination mechanisms where possible; and	*Partially implemented.* Deepening policy dialogue with partner governments may have increased during the COVID-19 pandemic when many programmes came to a halt and the government extended some policy or programme-based loans. But there is still room for higher-level dialogue beyond individual programmes and

2018 Peer Review Recommendations	Progress
• furthering strategic-level policy dialogue with other development co-operation providers, starting with a deeper engagement in existing donor coordination mechanisms.	projects, which could be done in partnership with other donors through sector working groups and regular forums.
5. Korea should ensure that the process leading to individual project requests is more robust and inclusive, and that partner governments are in a position to sustain investments once Korea's funding ends.	*Partially implemented.* Evaluations consistently highlight that inclusive processes at the onset make projects more sustainable, and these remain a key challenge highlighted in the EDCF and KOICA evaluations.
6. Korea should update its humanitarian strategy, and consider the scope of relevant legislation, to reflect the changing nature of its humanitarian assistance and to ensure that its humanitarian assistance, peace-keeping efforts and development co-operation are coherent and complementary.	*Implemented* An amended humanitarian strategy and HDP implementation plan are in place. The Overseas Emergency Relief Act (formal legislation) has broadened humanitarian assistance beyond emergency relief and included disaster rehabilitation and early recovery, disaster prevention and crisis reduction, and support for protracted crises.
7. Korea should increase its co-ordination with other donors and organisations to design collective outcomes in fragile contexts and within relevant policy groups working on fragility.	*Partially implemented.* In fragile and conflict-affected contexts, Korea participates in co-ordination mechanisms, including in groups led by the UN Office for the Coordination of Humanitarian Affairs and consults with other donors and international organisations to keep up to speed on context and in-county developments. Its growing Conflict and Fragility Program is increasingly used to engage and design more collective action and outcomes in fragile contexts.
8. In order to respond to new opportunities and challenges as they arise, Korea should: • streamline project approval processes; and • continue to decentralise authority for project-level decisions to the field to improve its ability to respond to new opportunities and challenges as they arise.	*Partially implemented.* KEXIM-EDCF has developed a greater country presence and is piloting further delegation of authority in a few large country offices. KOICA and KEXIM-EDCF have increased their staff presence in country offices. While embassies and country offices identify new projects, most decisions are made centrally with little flexibility to deviate from the N-2 programming cycle.
9. To increase effectiveness and improve communication among all stakeholders, Korea should: • develop a comprehensive overview of its activities in priority partner countries • ensure that embassy or partner country offices manage and co-ordinate all requests from partner governments • monitor the impact of Korea's ongoing efforts to align systems and processes and • develop measures to enhance synergies and rationalise the number of activities across the programme.	*Partially implemented.* Country partnership strategies provide an overview of Korea's ongoing programmes in priority partner countries, and ODA councils work to co-ordinate Korean grants and loans from across the Korean government. Some overseas offices have increased collaboration across overall efforts more than others have and also work to identify opportunities for synergies and larger, more integrated programmes. It is not clear how the impact of Korea's efforts is assessed overall and at partner country level other than programme by programme.
10. Korea should review the capacity and skills needed across the whole of its development co-operation system. This assessment should be used to develop a workforce plan that enables Korean agencies to develop appropriate expertise to deliver on Korea's objectives.	*Partially implemented.* The CIDC has approved a human resource plan. While the expected surge in ODA requires an increase in the number of ODA professionals, this is unlikely to be met by more than a marginal increase in staffing. High rates of rotation in the MoFA and KOICA and lack of technical expertise in partner countries are still important challenges.
11. Korea's government should strengthen policy coherence aspects of its response to the 2030 Agenda for Sustainable Development in relation to developing countries, including through: • better co-ordinating its legislation and policies on domestic and international sustainable development; and • building a mechanism for arbitrating between economic, social and environmental policy priorities in the future, taking into account Korea's positive and negative spillovers on developing countries.	*Partially implemented.* The 2022 Framework Act on Sustainable Development elevated the National Council on Sustainable Development to a Presidential Committee and the Fourth National Basic Plan for Sustainable Development provides a foundation to look at policy coherence. In 2021 and 2018, research and case studies were commissioned on thematic priorities. There is an opportunity to expand work of the Council to co-ordinate sustainable development policies and consider transboundary effects on partner countries.

2018 Peer Review Recommendations	Progress
12. Korea's government should clarify and deepen the partnerships it seeks with civil society through a normative framework acknowledging the different roles of civil society, including as an implementing partner and as an independent development actor in its own right.	*Implemented* The Policy Framework for Government-Civil Society Partnership and accompanying implementation plan fulfil this recommendation. Continuing to build civil society capacity and implementing the plan will also require channelling more resources to and through civil society.

Annex B. Progress against OECD legal instruments under the responsibility of the DAC

Recommendations adopted by the Development Assistance Committee (DAC)

DAC Recommendation on the Terms and Conditions of Aid [OECD/LEGAL/5006]

The average grant element of Korean official development assistance (ODA) commitments was 90.5% in 2020 and 85.2% in 2021, when grants dipped below the norm of 86%. This was the first time since joining the DAC in 2010 that Korea did not meet the requirements of Paragraph 2 of the Recommendation on the Terms and Conditions of Aid. At 0.25%, Korea's ODA commitments as a share of gross national income almost met the DAC average country effort of 0.27% in 2021. This percentage does not meet the requirements of Paragraph 3 of the Recommendation.

In 2020-21, Korea met the commitment on the special terms for least developed countries (LDCs) (Paragraph 8), exceeding the 90% norm. The grant element of bilateral ODA commitments to LDCs reached 95.8% in 2020 and 94.4% in 2021. If this trend persists for 2022 and beyond, Korea will be on track to meet the alternative norm of maintaining a three-year average of grant element of bilateral ODA to LDCs beyond 86%.

DAC Recommendation on Untying Official Development Assistance [OECD/LEGAL/5015]

Korea is not yet aligning with the DAC Recommendation on Untying Official Development Assistance. The share of de jure untied ODA provided to countries covered by the Recommendation stood at 70.5% in 2021 compared with 80.0% in 2020. The majority (~90%) of Korea's tied aid was provided by KEXIM-EDCF to finance infrastructure projects mostly in the transport and energy sectors (OECD, 2022[1]).

On average over the five-year period of 2017-21, Korea awarded 31% of untied contracts (in terms of value) to domestic entities. This share serves as a proxy for de facto share of untying.

Regarding adherence to the transparency provision of the Recommendation, Korea consistently reports to the DAC Secretariat on its ex-post contract awards. It does not, however, report to the DAC Secretariat ex ante. Korea has informed the Secretariat that it will improve its implementation of ex ante notifications in 2022. This additional transparency would allow for a more disaggregated analysis of de facto tying in terms of the sector and procurement regime.

DAC Recommendation on the Humanitarian-Development-Peace Nexus [OECD/LEGAL/5019]

Korea has improved its understanding of the complexity of crisis response beyond humanitarian assistance. The 2019 DAC Recommendation on the HDP nexus came at a time when Korea was very active in the policy discussion in the International Network on Conflict and Fragility (INCAF) and a co-chair of INCAF. In 2019, Korea revised its humanitarian strategy to integrate elements of the HDP nexus approach, and in 2021, Korea also developed a stand-alone HDP Nexus Implementation Strategy. It also funds the Nexus Academy, an online interactive course to promote better understanding within and between organisations of the full range of responses to effectively save lives and deliver sustainable development and peace.

Korea's relatively new KOICA Conflict and Fragility Program emphasises the importance of analysing the root causes of structural drivers of conflict and requires close co-ordination with United Nations (UN) Resident and Humanitarian Coordinators and Special Representatives of the UN Secretary-General. Through the programme, Korea can fast-track spending outside of the N-2 programming cycle. For example, 2023 was the first year since the start of the civil war in Yemen that Korea was able to provide development co-operation in Yemen through this programme. Working with international organisations, Korea contributed to programmes on the rule of law and those promoting social cohesion through water and agriculture investments and a focus on persons with disabilities. Korea's focus on the peace pillar is primarily via social cohesion. Korea's contribution to peace as measured by the OECD is limited: In 2021, Korea's total peace ODA contribution amounted to USD 128.8 million, representing only 0.8% of DAC members' total peace ODA. Korea's humanitarian assistance in 2021-22 averaged USD 171.4 million.

DAC Recommendation on Ending Sexual Exploitation, Abuse and Harassment in Development Co-operation and Humanitarian Assistance [OECD/LEGAL/5020]

While acknowledging progress has been made to prevent sexual exploitation, abuse, and harassment (SEAH) and reiterating its zero tolerance for it, Korea also acknowledges that significant challenges remain. Korea promotes human rights-based approaches in the Korean International Cooperation Agency's (KOICA) business regulation and the Human Rights Management Charter of the Economic Development Cooperation Fund (EDCF) of the Export-Import Bank of Korea (KEXIM). KOICA, the Ministry of Foreign Affairs (MoFA) and the EDCF (KEXIM) revised and/or introduced guidelines for prevention of sexual harassment and sexual violence and have developed manuals for handling incidents; Korea also has indicated that it is stepping up efforts to train staff and partners on preventing SEAH (Government of Korea, 2023[2]). In Uzbekistan, KOICA staff received training on integrity that included preventing SEAH, but this was not yet the case for the EDCF (KEXIM) or, to the best of the team's knowledge, other agencies that provide grant aid.

KOICA has put in place a sexual misconduct desk and response committee, and EDCF (KEXIM) has a grievance deliberation committee that reviews reported cases. But it is unclear whether any cases have been reported or handled. Fully integrating SEAH in regular staff training and risk assessments to underpin a stronger environment of prevention would also support implementation of the Recommendation.

Korea is engaging proactively in global forums related to SEAH and has deployed a military legal expert to the Office of the Special Coordinator on Improving the UN Response to Sexual Exploitation and Abuse during 2020-23. Korea launched the Action with Women and Peace initiative in 2018 to contribute to the women, peace and security agenda and it hosts an annual International Conference on this initiative. Korea also participates in other international conferences on women, peace and security and provides unrestricted funding to the Global Survivors Fund.

DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance [OECD/LEGAL/5021]

In 2021, Korea developed an implementation plan for its Policy Framework for Government-Civil Society Partnership with a results framework consisting of 31 tasks and performance indicators (Government of Korea, 2023[2]). As set out in the 2019 Government-CSO Strategy and Implementation Plan, Korea considers civil society organisations (CSOs) as key implementing partners of Korean development co-operation. While its share increased in 2021, civil society received only 2% of Korea's bilateral ODA (in project support only) compared with 15% on average for DAC countries. To date, Korea does not provide core support to CSOs.

In line with the DAC Recommendation, Korea is encouraged to provide financial support to more diverse civil society actors, including those in partner countries; increase the availability of direct, flexible and predictable support including core support and/or programme-based support to CSOs; work with CSOs to implement mutual capacity building to address CSOs' vulnerabilities; and support more equitable partnerships between provider countries and/or international CSOs and the partner country CSOs it works with.

Recommendations adopted by the Council under the DAC's responsibility (jointly with other OECD committees)

Recommendation on Policy Coherence for Sustainable Development [OECD/LEGAL/0381]

Korea's policy coherence for sustainable development (PCSD) does not yet consider transboundary effects on developing countries. PCSD is governed by the 2022 Framework Act on Sustainable Development[1] and its enforcement decree, which contain cross-government commitments to achieving sustainable development. Clauses in the act consider the transboundary effects on developing countries, and the National Council on Sustainable Development, once it is established, will need to work to ensure that government policies consider and work to address the effects of government policies on partner countries. The 2021-40 Fourth Basic Plan for Sustainable Development serves as the basic platform for integrated policy action related to sustainable development. As the lead institution for PCSD, the National Council on Sustainable Development was mandated to evaluate national sustainability every two years. Previously under the Ministry of Environment, the Council will be under the direct oversight of the President's office, reflecting the country's willingness to attach greater importance to PCSD. However, this Presidential Council on Sustainable Development is yet to be established. Apart from Korea's contribution to other countries in the form of ODA under the Korean Sustainable Development Goals related to partnerships; peace, justice, and inclusiveness; and conserving the marine ecosystem, transboundary effects of domestic policies are not addressed (Government of Korea, 2020[3]).

Recommendation for Development Co-operation Actors on Managing the Risk of Corruption [OECD/LEGAL/0431]

Korea has clear anti-corruption guidelines established by KOICA and the EDCF for staff and stakeholders. It is not clear how other grant aid agencies work to manage the risk of corruption in ODA projects.

Since 2019, KOICA has provided anti-corruption training on foreign bribery for employees and for contractors that partner with KOICA. KOICA also has Regulations on Ethical Practice for Executives and Employees, an employee code of conduct, and ethics charter, and senior-level employees are required to sign a pledge of compliance and agreement of integrity. KOICA provides companies with clear information related to anti-corruption and anti-foreign bribery policy at the beginning of bidding and contracting and requires companies to declare that they have no connection with any corruption and foreign bribery cases and to submit the declaration letter of anti-corruption and fair contract pledge letter to KOICA as evidence. KOICA worked in co-operation with the MoFA to make this latter a legal requirement to ensure that companies convicted of corruption are not involved any bidding processes of KOICA (OECD, 2021[4]).

KEXIM (EDCF) has an anti-corruption policy shared with employees and stakeholders. It has implemented semi-annual training for employees on foreign bribery risks and awareness raising, including an overview of the OECD Anti-Bribery Convention, provisions, and recommendations applicable to the EDCF and the relevant internal regulations.

The Recommendation calls for an active and systematic assessment and management of corruption risks. The Board of Audit and Inspection performs ODA audits every two years, the National Assembly conducts audits of Korea's ODA programme on an annual basis, and the Foreign Affairs Committee makes random inspections. KOICA conducts regular risk assessments and the EDCF undertakes comprehensive risk assessments every three years to detect and monitor areas of weakness and carry out regulation compliance checks. It is unclear how Korea manages for risks that extend beyond the fiduciary dimension (e.g., conflicts of interest, nepotism, reputational risks, etc.).

In 2020, the Financial Action Task Force[2] (FATF) conducted an extensive review of Korea's measure to combat money laundering and the financing of terrorism and proliferation. Korea's legal framework to combat money laundering and the financing of terrorism and proliferation was assessed as generally sound. However, Korea was urged to strengthen its ability to prosecute money laundering related to tax crimes and corruption and to extend measures to other businesses and professions to further protect its financial sector from abuse. To date, Korea has not made substantive progress in this area.

Recommendation on Environmental Assessment of Development Assistance Projects and Programmes [OECD/LEGAL/0458]

At the project concept proposal phase, Korean implementing agencies conduct an analysis of the possible environmental impact that any future programme would incur. The EDCF relies on the environmental and social impact reports of the partner country. The KOICA environmental and social safeguards must consider the effects of the programming on:

- biodiversity conservation and sustainable management of living natural resources
- land acquisition and involuntary resettlement
- resource efficiency and pollution prevention.

In 2020-21, Korea committed 32.2% of its total bilateral allocable aid (USD 1 billion) in support of the environment and the Rio Conventions (compared with the DAC average of 34.3%), up from the 26% share in 2018-19. To elaborate:

- Five per cent of total bilateral allocable aid (USD 138.4 million) focused on biodiversity (compared with the DAC average of 6.5%), up from 0.4% in 2018-19.
- Eleven per cent of screened bilateral allocable aid focused on environmental issues as a principal objective compared with the DAC average of 11.3%.
- Twenty-six per cent of total bilateral allocable aid (USD 826.4 million) focused on climate change overall (compared with the DAC average of 29%), up from 19.8% in 2018-19. Korea had a greater focus on adaptation (25.8%) than on mitigation (8.3%) in 2020-21.

OECD DAC Declarations

OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change [OECD/LEGAL/0466]

Korea announced a commitment to end all public financing for new overseas coal-fired plants and to support the energy transition of countries highly dependent on coal power generation at the 2021 Leaders' Summit on Climate. The 3rd Mid-term Strategy for International Development Cooperation for 2021-25 includes goals for Korea's green ODA. After adopting the mid-term strategy in January 2021, the Korean government formulated several development co-operation strategies and policy documents to integrate environmental and climate objectives into development co-operation. The key strategies are the Green New Deal ODA Strategy, the Green EDCF Strategy and the Green New Deal Grants Strategy.

The key provisions and pillars of the Green New Deal ODA Strategy are helping developing countries achieve green transition, facilitating Green New Deal ODA co-operation as a green leader and extending support for expanding partnerships for co-prosperity. The strategy sets a target of increasing the share of Korea's ODA going to green projects and programmes to more than the average for OECD DAC countries by 2025. In 2021, climate-related ODA increased to a 35% share in line with the Green New Deal ODA Strategy.

Regarding loans, the EDCF's Green Economic Development Cooperation Fund Strategy establishes targets to triple the volume of ODA loans for green projects by 2025 and double the share of green-related loans by 2025. Korea's recent USD 300 million pledge to the Green Climate Fund (a 50% increase over its pledge to the first replenishment) was put forth in the Green New Deal Grants Strategy and underscores Korea's ambition to position itself as a key contributor in climate finance and to work multilaterally.

Korea has further developed several tools to enable the systematic integration of climate considerations into project design and implementation. On grant aid, KOICA has put in place environmental and social safeguards that serve as guidelines for screening environmental and social risks, conducting environmental and social impact assessments, and establishing environmental and social management plans for projects with potential risks. However, there is a lack of clarity on the quality of procedures and safeguards administered by other implementing agencies.

Regarding loans, KEXIM introduced the Safeguard Policy in 2016 followed, in 2021, by the EDCF Climate Change Impact Response System, which requires all projects to conduct a climate risk assessment starting from the feasibility study stage and to devise mitigation measures. The system is currently in a pilot phase and will be fully rolled out and applicable to all projects by 2025.

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Notes

[1] This act mandates the formulation of basic cross-government strategies for sustainable development every 20 years, with the strategies to be reviewed every five years.

[2] The objective of the FATF's mandate is to protect financial systems and the broader economy from threats of money laundering and the financing of terrorism and proliferation. These efforts strengthen financial sector integrity and contribute to safety and security. In this way, effective implementation of the FATF Standards is important for all countries' efforts to achieve the Sustainable Development Goals and improve their ability to collect tax revenue, attract foreign investment, safely leverage the benefits of digitalisation, and protect non-profit organisations and civil society from criminal abuse.

Annex C. Organisations consulted during the peer review

Organisations consulted in Korea

Public authorities

1. Board of Audit and Inspection
2. Export-Import Bank of Korea (KEXIM)
3. Korea Development Bank (KDB)
4. Korea International Cooperation Agency (KOICA)
5. Ministry of Environment
6. Ministry of Foreign Affairs (MoFA)
7. Ministry of Economy and Finance (MoEF)
8. National Assembly
9. Office for Government Policy Coordination (OPC)
10. Presidential Commission on Carbon Neutrality and Green Growth

Civil society organisations and other actors

11. ChildFund Korea
12. Global Health & Development Partners
13. Goodneighbors International
14. Heart To Heart International
15. Korea NGO Council for Overseas Development Cooperation
16. Korean Women's Development Institute
17. Miral Welfare Foundation
18. Save the Children
19. World Vision

Organisations consulted in Uzbekistan

Uzbek authorities

20. Agency for Preschool and School Education
21. Anti-Corruption Agency
22. Ministry of Employment and Poverty Reduction
23. Ministry of Investments, Industry and Trade

24. Ministry of Health
25. Ministry of Justice
26. Ministry of Higher and Secondary Special Education
27. Strategic Reforms Agency

Korean authorities and other development co-operation actors

28. Agence Française de Développement
29. Asian Development Bank (ADB)
30. Embassy of Korea
31. European Union
32. Gesellschaft für Internationale Zusammenarbeit (GIZ)
33. Global Green Growth Institute
34. Japan International Cooperation Agency
35. KEXIM
36. KOICA
37. Korea Development Bank (KDB)
38. United Nations Development Programme (UNDP)
39. United Nations Children's Fund (UNICEF)
40. United States Agency for International Development (USAID)

Civil society organisations and other actors

41. Center for Economic Research and Reforms
42. Chamber of Commerce and Industry of Uzbekistan
43. East Telecom
44. University of World Economy and Diplomacy
45. Yuksalish (Uzbekistan NGO union)

Other organisations consulted for the review

46. African Development Bank (AfDB)
47. Asian Development Bank (ADB)
48. Asian Infrastructure Investment Bank (AIIB)
49. Central American Bank for Economic Integration (Banco Centroamericano de Integración Económica)
50. Crevisse (Korea)
51. Ewha Woman's University (Korea)
52. Food and Agriculture Organization (FAO)
53. Green Climate Fund (GCF)
54. Inter-American Development Bank
55. International Organization for Migration (IOM)
56. Korea Institute for Development Strategy

57. Seoul National University
58. SGH Korea
59. SP R&A
60. UNDP
61. UNICEF
62. WeGO
63. World Bank Group
64. World Food Programme (WFP)
65. World Health Organization (WHO)

OECD Development Co-operation Peer Reviews

KOREA

The OECD's Development Assistance Committee (DAC) conducts peer reviews of individual members once every five to six years. Reviews seek to improve the quality and effectiveness of members' development co-operation, highlighting good practices and recommending improvements.

Fourteen years after joining the DAC in 2010, Korea is at a pivotal juncture as it rapidly scales up official development assistance (ODA) and assumes more global responsibility. The 2020 revision of the Framework Act signals a more coherent, cross-government approach to implement a larger budget. There is potential to bring greater coherence between domestic and international policies supported by legislation on sustainable development. This peer review provides a set of recommendations for Korea to strengthen strategic partnerships and dialogue with partners, and use the cross-government capacity review and evaluations to prioritise larger ODA volumes to implementers. It recommends that Korea increase the number of qualified staff working in development across government, delegate more authority to partner country offices, and increase its risk appetite to expand private sector operations.

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