

Executive Summary

Since the 1950s, the international community has provided Official Development Assistance (ODA) for the economic development and welfare of developing countries. The international community has led discussions on the definition of ODA to clarify its meaning and to accurately calculate the flow of ODA, among other flows. The current definition of ODA was adopted by the OECD Development Assistance Committee (DAC) but has been subject to discussions on redefining it as the global development architecture evolved. Recently, this issue has been more actively discussed against the backdrop of the global financial crisis and low interest rates.

Accordingly, OECD DAC has agreed to modernize the definition of ODA and the OECD DAC High Level Meeting (HLM) in December 2014 reached a final agreement to revise the current ODA accounting rules and the definition of concessionality for ODA loans. In addition, it decided to adopt a new measure provisionally named Total Official Support for Sustainable Development (TOSSD) by the end of 2015. It also showed reaffirmation to define the nature and scope of the concept. The introduction of TOSSD will have a direct impact on the calculation of aid volume and represents a shift in the existing paradigm of aid. A clear understanding of the new definition of ODA and the significance of TOSSD is necessary to adopt relevant policies

and pursue effective aid programs. In this relation, this study will delineate numerous arguments regarding the definition and scope of ODA and TOSSD, and the significance of modifying the concessionality of ODA loans. The purpose of this research is to analyze how these recent changes will influence our current ODA system and come up with effective suggestions.

The analysis of this research suggests that the recently proposed changes ranging from modified concessionality of ODA loans, redefinition of ODA to introduction of TOSSD, will have significant impact on existing development aid programs, both domestic and international. A new way of measuring grant equivalents of ODA loans is expected to bring about changes in the total ODA volume for each donor countries, which would also affect the global ODA/GNI target of 0.7%. As a result of change in the percentage of the grant element of ODA loans, most donor countries including Korea may experience statistical illusion by which the ODA volume goes up temporarily. Due to modified concessionality of ODA loans, loans and private sector investments in the future may be focused on developing countries in middle-income countries (MICs) and high-income countries (HICS), rather than the least developed countries (LDCs) or fragile states.

The new TOSSD measure seeks to acknowledge the development efforts of donor countries by capturing broadened development flows in the DAC statistics. Moreover, TOSSD will measure the total volume of

development inflows to developing countries, thereby allowing these recipient countries to effectively establish country strategies and budget plans. Meanwhile, there are remaining concerns that TOSSD would replace ODA or actual ODA would decrease as a consequence of increasing TOSSD.

The OECD/DAC member countries are engaging in a heated debate and have different stances on redefining ODA based on national interests, as the outcomes have direct influence on each countries' ODA performance. Republic of Korea too, needs to scrutinize the impact of the changes and ongoing discussions and come up with response strategies including modifying ways to achieve the current objective of increasing ODA. The most urgent issue is to devise measures against criticisms about the quality degradation of assistance, as ODA loans take up a larger portion of aid. Equally important is the issue of modernizing how aid projects are carried out and improving the project management system. Finally, we need to reinforce our research capacity from a long-term perspective so that we are able to suggest proactive alternatives to OECD agreements in the future.