

Executive Summary

I. Introduction

1. Research background and objectives

New issues have emerged in recent years, including the increasing role of emerging donors, the diversification of development finance, the re-definition of Official Development Assistance and the expansion of public-private partnerships. These are changing the traditional donor-partner relationship and thereby the international development cooperation environment. In line with the changing context, Korea needs to react in an active and timely manner. Korea also needs to keep a close eye on the changing norms, comprehend, and reflect them in development cooperation plans.

The OECD DAC, which consists of traditional donors, are responding to the changing trends by designing countermeasures. It leads the discussion on development cooperation policies and has significant influence on donor countries. Analyses on the DAC recommendations and guidelines have been conducted around 2010 domestically, but the changing environment calls for an updated research on the DAC norms, guidelines and the peer review standards.

Therefore, the objectives of this research are as follows: first, analyze the current OECD DAC norms and trends; second, review and benchmark the DAC member countries who have been recently peer reviewed; third, prepare for Korea's second peer review that will take place in 2017; and fourth, make policy recommendations in light of Korea's mid-long term development cooperation policy.

2. Research scope and methodology

The scope of this study is four-fold. First, this study analyzes international trend on development cooperation, with special reference to the changing OECD DAC norms. Second, it accounts for the expansion of the OECD DAC outreach such as increasing member countries and implementation of the participation plan. The study also delves into the recent issues in the OECD DAC, including the re-definition of ODA and recent policy documents. Third, policy implications for Korea were drawn from a comparative analysis of the United Kingdom and Japan. The United Kingdom has taken a leading role within the DAC discussions whereas Japan has taken a rather independent path from other DAC members. Fourth, reviews of Korea's development cooperation policy and Korea's first peer review in 2012 were made. Based on the current OECD DAC trends reviewed earlier, this study extracted implications on Korea's development cooperation policy, predicted the future direction of Korea's mid-long term development cooperation policies to become a more advanced donor, and provided policy recommendations.

This study utilized a number of OECD DAC policy documents and literatures to analyze its present norms and trends in depth: the latest official guidelines, 12 peer reviews published from 2013 to June 2015, periodic documents related to the peer review, and academic literatures on international development cooperation.

Field visits to the OECD DAC, the EU DEVCO, United Kingdom and London were made in order to complement the literature review. Interviews were conducted with international development cooperation stakeholders. In addition, the research team carried out extensive interviews with the people in charge of development cooperation affairs at the Prime Minister's Office, the Ministry of Foreign Affairs, Korea International Cooperation Agency, academia, and civil society organizations to analyze Korea's development cooperation trends. The outcomes were reflected in the analysis of the formation process of Korea's mid-long term development cooperation policy, which was announced in November 2015, as well as the policy recommendations.

II. Background to the changes in the OECD DAC norms

This chapter analyzes the latest international development cooperation context and in particular the changing trends in the OECD DAC norms. The DAC is at the center of framing international aid norms and providing guidance. Although it does not enforce, DAC recommends its member countries to reflect diverse recommendations and guidelines. It also provides venues for policy dialogues, peer learning, and exchange of knowledge and experiences. It drafts policy documents and also collects statistical data on aid flows. In this context, the DAC leads the discussions on international development cooperation while emphasizing accountability to its member countries as advanced donors.

1. Formation of the OECD DAC norms

The OECD DAC developed from the Development Assistance Group under the Organization for European Economic Cooperation established in 1960. DAC first started with 11 member countries but the number grew to 23 in the 1990s. In 2010, Korea became a member and five European countries joined in 2013. Now, the DAC has total 29 members. The DAC has recently shifted towards relaxing the membership standards while enhancing responsibilities in order to attract more countries to join. In addition to the OECD Development Cooperation Directorate, the DAC formed partnerships with other OECD bodies that engage with developing countries. It also has various subsidiary bodies including networks and working groups dedicated to eradicating poverty and promoting sustainable development.

2. Post-2015 development agenda

With the MDGs coming to an end in 2015, the United Nations adopted the SDGs for 2016–2030. The SDGs have total of 17 goals and 169 targets. The SDGs

are more comprehensive and unlike the MDGs, it targets both developed and developing countries. The OECD has recommended its member countries and directorates to reflect the SDGs extensively in all works. Moreover, the OECD chose four main areas to which it can provide value-added in reaching the SDGs. The areas are policy coherence, partnerships and initiatives for dialogue and knowledge sharing, mobilization of resources, and measuring and monitoring.

3. Contribution of the non-DAC donors

While the non-DAC donors are similar to the DAC donors in pursuing mutual benefits, it is relatively lacking in certain values such as ownership, independence and transparency. At the same time, it is difficult to generalize the characteristics of the non-DAC donors as they differ from one another in terms of aid volume, policies and patterns. However, non-DAC donors are steadily increasing their participation and aid volume. Hence, the OECD DAC is actively trying to form better partnerships with the non-DAC donors on various issues.

4. Financing for development and development effectiveness

Economic slowdowns in developed countries and aid fatigue have triggered decreasing aid volume from the end of the 1990s. The limited success in reaching the MDGs also showed the different positions between developed and developing countries on aid effectiveness. Increasing involvement of private sector and emerging donors also expedited the discussion on development financial resources. Dialogues on financing for development were initiated in 1997 when a related working party was formed and the Monterrey Consensus was adopted in 2002. At the same time, international community began to discuss the development cooperation quality and effectively more actively. The 1st High-Level Forum on Aid Effectiveness was held in Rome in 2002, and later the 5 principles on aid

effectiveness were adopted through a detailed declaration. International discussion on aid effectiveness was developed further in a continuous and concrete manner. The 4th High-Level Forum on Aid Effectiveness was held in Busan in 2011, at which the international community agreed to shift development cooperation paradigm from enhancing traditional donors' aid effectiveness to development effectiveness. The declaration "Global Partnership for Effective Development Cooperation (CPEDC)" was adopted at the forum. This acknowledged the roles of various actors on development and as a result, increasing different forms of development finance including ODA became an important policy agenda.

III. Changes in the OECD DAC norms

This chapter deals with the status of the OECD DAC outreach strategies including the increasing membership and the participation plan. The OECD also updated the definition of ODA for the first time in 40 years. The chapter also includes the changes in the guideline topics and peer review guides. It will discuss the policy partnerships between the EU and the OECD DAC as the majority of the DAC members are also the EU member countries.

1. Expansion in the OECD DAC outreach strategy

The OECD DAC has had continuous exchange with the non-DAC members since its establishment. It acknowledged the increasing role of emerging donors and their presence in developing countries, which called for further partnerships with the non-DAC members. The DAC Outreach Strategy and the DAC Global Relations Strategy, announced in 2005 and 2011 respectively, reflects the DAC's strong will to extend its outreach, promote participation of the non-DAC members, and expand cooperation among development cooperation stakeholders. It also shows that DAC is improving its relevance, influence and effectiveness as well as transforming to a more inclusive institute in line with the changing context. Ultimate objective of such strategies are to have the non-DAC members join the DAC.

The DAC Global Relations Strategy in 2011 shows the DAC's aim to increase its membership. As a result, Czech Republic, Iceland, Poland, Slovakia and Slovenia became the newest member in 2013. 29 countries out of the 34 OECD member countries are now the DAC members. The new members account for a small share of total ODA given by the entire DAC member countries. However, they have relatively stable legal and political basis and use the small ODA volume strategically.

The OECD announced the Resolution of the Council on Partnerships in

OECD Bodies in 2012. Under this resolution, non-OECD member countries that participate in one or more of the OECD subsidiary bodies are referred to as partners. More specifically, this resolution categorized the partners into associates, participants and invitees. This is based on the importance of strengthening cooperation with the non-OECD member countries and enhancing the role of OECD as an international agenda setter. This resolution also mandated the subsidiary committees to develop a Participation Plan if it wishes for one or more partners to participate in its activities. As a result, the OECD DAC, a subsidiary body of the OECD, also reflected this resolution into its Participation Plan.

Through the DAC Participation Plan, the OECD DAC invited the key partner countries of OECD (Brazil, China, India, Indonesia and South Africa), as well as Romania, Lithuania, Colombia and others as the invitees. In 2014, the United Arab Emirates became the first participant. Rwanda and Sao Tome and Principe were also invited to certain peer review meetings as invitees under the Participation Plan. Such diversification of membership helps induce interest in the DAC activities, expand membership, understand development cooperation of the non-DAC member countries, and enable knowledge sharing.

2. Re-definition of ODA

The definition of ODA was first formed in 1961 when the DAC began to measure aid flows to developing countries. Since then, the DAC has discussed measuring development finance for both quantitative and qualitative improvements. Recent discussions on the re-definition of ODA were triggered when certain member countries borrowed money from the international market at a low interest rate and use them as ODA. This led member countries to question the concessionality of ODA. The discussion occurred at the 2012 DAC High Level Meeting and the outcomes were announced at the 2014 High Level Forum through a communique. Main issues include changing the ODA standards and measurement, adopting

the concept of Total Official Support for Sustainable Development (TOSSD), and increasing ODA to the least developed countries. Member countries reached an agreement on the redefining concessionality and changing the measurement methods. TOSSD appeared as a tool to enhance transparency and accountability of development finance, establish measures to induce finance for sustainable development, and measure a diverse set of development finance.

3. Focus of recently published guidelines

The OECD DAC has published guidelines, manuals, reports, and publications on various issues on development. Each document enables relevant stakeholders to understand the OECD DAC norms and reflect them in aid projects. The guideline offers key recommendations and manuals provide detailed manuals and evaluation indices. Since 2011, four guidelines were published. They are on fragile and conflict-affected countries, accountability and democratic governance and evaluation. Three out of four guidelines deal with issues fragile and conflict-affected countries such as reconstruction and evaluation. This implies that the DAC has concentrated in fragile and conflict-affected countries during the last five years. In addition, issues on accountability, democratic governance and evaluation were dealt with. Values such as local context, policy coherence, and development partnership were emphasized, all of which are in line with guidelines published prior to 2010.

4. Changes in the peer review standards

The OECD emphasizes independence, transparency, accuracy and the quality of analysis in peer reviews. All peer reviews include structural elements such as a basis for proceeding, an agreed set of principles, standards and criteria, designated actors to carry out the peer review and a set of procedures leading to the final

result of the peer review. Peer review is conducted every four to five years. It promotes peer learning and pressure among the member countries. The literature review and field visits showed that there has not been much change in the DAC peer review guides aside from development effectiveness and development finance since 2010. It is likely that development finance and SDGs will be included but the discussion is on-going. The DAC will continue to encourage the member countries to share lessons derived from the peer reviews and internalize agreed principles and values.

5. Stronger cooperation with the EU

EU has 28 member countries and it is one of the largest donors, accounting for nearly 55 percent of total global foreign aid. Also, 19 EU members are members of the DAC. EU disburses its budget through the European Commission and manages aid policies with its member countries. The EU adopted the European Consensus on Development in 2005 based on the Paris Declaration. It was the first time the EU publicized the common position of all member countries. EU has also made efforts to improve policies by providing broad framework of European aid. EU also participated as a co-chair in the DAC High Level Meetings and strived to advance the discussions on policy coherence and fragile states. It also sought stronger policy cooperation with the DAC through high level meetings and working parties. However, policy differences exist between traditional donors such as the United Kingdom, France and Germany. Also, there remains striking difference between the traditional and new donors of the EU. Hence, it is difficult to argue that Europeanization of international development cooperation has occurred.

IV. Case studies

This chapter analyzes the peer reviews from 2013 to mid-2015 in order to identify changes in the norms and draw out action plans for South Korea in light of the upcoming second peer review in 2017. Among the peer reviewed countries, the United Kingdom had the highest rate of implementing recommendations at 80 percent, whereas Japan had the lowest rate at 37 percent. Hence, the two countries were chosen as the case studies and field visits took place in July 2015. This study looked into the outcome of the peer review and the implementation process of the recommendations in detail to understand how the two countries internalized and utilized the DAC norms.

1. United Kingdom

The United Kingdom Peer Review in 2010 gave 19 recommendations in 7 areas. United Kingdom fully implemented 15 recommendations and partially implemented two recommendations. On one hand, it implemented recommendations on △ strategic orientations (further engagement with other government departments), △ organization and management (approval of 2014–15 International Development Act), △ delivery and partnership (provide all information to IATI), and △ humanitarian assistance (draft support strategy for fragile and conflict-affected countries). Furthermore, it was the first country in the G20 to reach 0.7% ODA/GNI share. On the other hand, it was recommended to △ better use its analytical and research capacities and to △ provide aid that meets the development goals of its partner countries.

2. Japan

Japan implemented 7 recommendations, partially implemented 5 recommen-

dations, and did not implement 7 recommendations it received in 2010. It implemented recommendations on △ strategic orientations (providing clear vision through the ODA Charter and annual priority policy), △ organization and management (clarify the role of the Ministry of Foreign Affairs and Japan International Cooperation Agency), △ aid effectiveness and results (reform evaluation unit), and △ humanitarian affairs (produce a policy statement on the objectives of humanitarian actions in conflict situations, abide by international principles on humanitarian assistance). However, Japan was advised to improve policy coherence, increase assistance to fragile countries, augment aid volume to reach 0.7% ODA/GNI share, raise the share of untied aid, strengthen public awareness and participation opportunities on development, and consolidate organizations and human resources for better development effectiveness.

3. Implications for Korea

The United Kingdom and Japan received different reviews on integrating the DAC norms. The United Kingdom received positive feedback for complying to the DAC norms on the 0.7% ODA/GNI target, untied aid, fragile and conflict-affected country assistance, and mainstreaming cross-cutting issues. However, this was more the result of the United Kingdom's efforts to follow its own aid norms and values. The United Kingdom plays a leading role in international development cooperation. It has internalized its own aid norms into the DAC norms. Hence, it received the positive review for setting a good example in embodying the DAC norms. In addition, the United Kingdom was able to continuously secure its leadership in the field of international development cooperation as well as public support on foreign aid based on outstanding peer review results.

In case of Japan, it was repeatedly recommended to establish a clear aid disbursement criteria, increase untied aid, and maintain balance between diplomatic and development objectives. However, implementation fell short. This

is largely due to the fact that Japan has not actively pursued the DAC norms on enhancing aid effectiveness and accountability, despite Japan being the original DAC member. Japan failed to publicize the detailed outcomes of its aid to the international community by utilizing the peer reviews. The critical opinion of the international community led to low public support on aid in Japan.

As shown in the case studies of the United Kingdom and Japan, the DAC norms and guidelines may not be binding. Yet, the DAC is able to evaluate and compare the implementation progress among members through the peer reviews. In the process, the result of the peer review can influence a member country's leadership in forming an agenda within the DAC. The results can also function as an external factor to secure domestic support base. Therefore, if Korea wishes to strengthen its role as an agenda setter in the DAC and receive wider public support, it needs to maintain an adequate ODA volume, comply to the qualitative standards, and internalize various norms and guidelines as a DAC member.

V. Linkage to Korea's mid-long term development cooperation policy

This chapter analyzes the changes in Korea's domestic development cooperation environment and where Korea's ODA stands today by reviewing the implementation status of the recommendations Korea received from its first Peer Review after joining the DAC in detail. In addition, it makes linkage to Korea's mid-long term development cooperation policy based on the OECD DAC's recent norms and advanced donors' case studies reviewed in the previous chapters.

1. Shifting domestic development cooperation context

In 2013, Korea's aid volume was USD 1.75 billion, which was 0.13% ODA/GNI (the DAC average was 0.29%). The size of Korea's aid has gradually increased since joining the DAC. During the last 5 years (2010–14), annual increase rate was highest among the DAC members at 12%. Yet, in spite of the increase in ODA/GNI share from 0.09% in 2008 to 0.13% in 2013, the ratio is estimated to be around 0.13% in 2014. This makes it challenging to reach the 0.25% target by 2015 and ultimately the 0.7% recommended by the international community. In addition, the share of untied aid has been increasing but still falls short of the 75% target. In 2014, the share of untied aid was 62%.

2. Analysis of the progress in implementing the peer review recommendations

Korea received a special review to join the DAC in 2008, and the first peer review in 2012. Following the recommendations from the 2008 special review, Korea constructed legal and political base by enacting the International Development

Cooperation Law and designing the ODA Roadmap. From the first peer review, Korea was recommended to reach the ODA/GNI share targets, complement development cooperation strategy, fortify aid transparency and accountability, improve evaluation system, increase untied aid to enhance aid effectiveness, and expand humanitarian assistance. As a response, the Korean government approved the second International Development Cooperation Basic Plan (2016–2020) in November 2015. The plan proposed ① comprehensive ODA, ② ODA with substance, and ③ participatory ODA as the three principles. It also encouraged ① formation and implementation of comprehensive strategy to minimize aid fragmentation, ② independence of evaluation system for better substance, ③ provision of opportunities for the civil society organizations, academia and private sector to participate in ODA projects, and 4) participation of various stakeholders to increase development finance.

3. Linkage to the OECD DAC norms

Korea has reflected many recommendations in its development cooperation policies. That is, Korea is sensitive to the outcome of the peer review as a DAC member. On this note, it can be said that peer reviews have significant impact in designing relevant policies. Hence, Korea needs to make continuous effort to observe the norms, guidelines and peer review criteria offered by the DAC to prepare for its second peer review in 2017. Korea should also design concrete policies on financing for development and participation of various private and public stakeholders to reflect the changing development cooperation context. Peer reviews from 2013 shifted focus from aid effectiveness to development effectiveness, and emphasize results and mutual learning. They also apply a broad definition of development finance and include other types of finance including ODA. To reiterate, this implies the need for policy documents on public–private partnership and participation of private enterprises. Better

understanding on the roles of main stakeholders is required. Lastly, detailed targets and implementation strategies on the SDGs should be established for Korea to step up as an exemplary donor.

VI. Policy recommendations

This chapter provides policy recommendations for Korea to react proactively to the recent OECD DAC norms and strengthen its role as an agenda setter.

1. Participate extensively in the OECD DAC working parties

The DAC working parties play a leading role in shaping the DAC norms and guidelines. Hence, Korea should utilize the 7 subsidiary bodies to actively participate in the norm formation process. Furthermore, Korea should reform its own policies to better support the works of the subsidiary bodies and enhance its influence by being elected the chair or vice chair. Korea can also consider making a separate working party that covers a new development issue based on its own development experience.

2. Increase cooperation with emerging donors

The OECD acknowledges increasing role of non members and encourages non members to participate in OECD meetings. In case of the DAC, it prioritizes cooperation with the non-DAC members through the participation plan and the Global Relations Strategy. The DAC member countries are also persuading the non-DAC OECD members, Arab donors and the BRICS to participate in the DAC activities. In this context, Korea should take a more active role. As did Belgium and Portugal with Rwanda and Sao Tome and Principe, Korea should also try to invite the field research country to its peer review meeting. Korea can strengthen its role and status by sharing mutual experiences with the emerging donors and bringing them to the DAC.

3. Better linkages with the SDGs

The OECD announced the four areas to which it can provide value-added in reaching the SDGs by 2030: policy coherence, resource mobilization (including tax reform), partnerships and initiatives for dialogue and knowledge sharing, and measuring and monitoring. Korea can seek for effective strategies to reach the SDGs by taking part in the policy dialogues and knowledge sharing events offered by the OECD. For KOICA, it should create better linkages between its aid projects and the SDGs. As is the case in DFID, Korea can choose and focus on certain areas in which it has comparative advantage and are related to Korea's aid objectives. This will require exchange of ideas with field offices and domestic development cooperation stakeholders.

4 Improve policy coherence

The OECD's commitment to policy coherence will be further emphasized in the SDGs. The OECD states that policy coherence for sustainable development will foster synergies across policies, identify trade-offs, and maximize the spillover. In its first peer review, Korea was recommended to form whole-of-government agenda, secure political capacity and strengthen impact analysis in developing countries for improvements in policy coherence. Realistically, it is challenging to consolidate policy coherence for development (PCD) in Korea where the general understanding of development cooperation is lacking. However, PCD is an urgent matter to tackle, especially to contribute to reaching the SDGs. Hence, Korea may consider forming a sub-committee on PCD under the Committee for International Development Cooperation under the Prime Minister's Office. With the participation of the persons in charge from relevant ministries and civilian members, the sub-committee can enhance the awareness on PCD by developing a government guide and manual on PCD, and by preparing substantial policies on reaching the PCD.

5. Design utilization strategy of various development finance

The OECD DAC decided to re-define ODA in late 2014 after realizing the limitations of the old definition. The DAC will develop statistics based on the new definition and reflect them in the peer reviews. The same goes for diverse forms of financing for development which will be emphasized to reach the SDGs. Discussions on scaling-up development finance to induce private finance inflows have been made by related ministries and implementing agencies individually. However, ministries should share their positions on increasing development finance and develop coordination and cooperation plans among agencies through the Committee for International Development Cooperation. KOICA should develop innovative project types based on diversification of development finance by conducting research on other aid agencies that have made use of various private funds in grants and carrying out joint pilot projects with them.

6. Provide concrete support strategy for fragile and conflict-affected countries

The OECD DAC published three guidelines on support to the fragile and conflict-affected states since 2011. The DAC provided new principles, goals and means for countries that lack the capacity to transform aid to development due to conflict, war, poverty, etc. With the on-going conflicts at present, support to the fragile and conflict-affected countries will continue to be an important issue in the DAC. On this note, Korea should increase public awareness on fragile and conflict affected states, and establish relevant principles and guidelines. KOICA was the only implementing agency in Korea to prepare the 'Guideline on supporting fragile countries' in 2012. KOICA should then reflect the new OECD DAC guidelines and update the framework for grant projects in fragile countries. In addition, the current aid programs on fragile and conflict-affected countries are very broad.

KOICA needs to develop programs that fit its strengths.

Korea's membership to the DAC in 2010, organizations of the Busan High Level Forum in 2011, and the first peer review in 2012 paved the way for more ODA volume, improvements in aid architecture and increase of public awareness on development cooperation. The OECD DAC peer reviews in particular provide opportunities for Korea to review its aid practices, understand its problems, and ignite policy dialogues. With the second peer review in 2017, Korea will have another chance to review its aid and seek for new policy directions to accommodate the changing norms and trends. When used effectively, Korea will be able to solidify the base for the comprehensive, participatory and substantive ODA as mentioned in the second International Development Cooperation Basic Plan, as well as reinforce its humanitarian diplomacy.