

# Korea's Aid Transparency:

## Evaluation and Policy Recommendations

The People's Solidarity for Participatory Democracy (PSPD) has been examining, through the publication several policy reports, Korea's current development aid situation. This fourth report on Official Development Assistance (ODA) policy<sup>i</sup> comes at a crucial time for Korea and indeed the entire world's international development cooperation, as it is published in step with the Busan 4th High-Level Forum on Aid Effectiveness (HLF4). The Busan High-Level Forum, starting on November 29th, 2011 is set to continue the international efforts to enhance the effectiveness of aid started in 2003; as such this is an undeniably important rendezvous for all of international development cooperation.

The Korean government has recently shown a keen interest in improving its status in the field of international development cooperation, starting with its joining the OECD's Development Assistance Committee (DAC) in January of 2010, its hosting of the November 2010 G20 Summit, as well as the November 2011 hosting of the fourth High Level Forum. Domestically, the government has established a Development Cooperation Committee under the direction of the Prime Minister's Office, adopting various measures such as structural changes and increases in ODA. These recent changes have been reshaping aid policy for a Korea still adjusting to its 'emerging donor country' status. However, Korean aid policy is still behind the curve in many respects. Korea is still unable to shake itself from its past of almost exclusive focus on economic growth, and so still very much presents international development cooperation as tied to its own prosperity and strategic resource diplomacy.<sup>ii</sup>

The Korean government is especially far behind with regards to aid transparency. According to Publish What You Fund's 2010 report<sup>iii</sup>, Korea is 26th out of 30 countries studied when it comes to measures for aid transparency. In addition, a Brookings Institute report<sup>iv</sup> points to Korea's lack of membership in international aid transparency organizations and its failure to disclose information on its aid-related expenses. This of course reduces the predictability of aid and makes it difficult for recipient countries to plan and carry out aid projects. In June of this year, the Korea Institute for International Economic Policy (KIEP) conducted a national survey on Korean aid, which determined that 'further transparency and disclosure of information' were one of the most pressing needs. Also, of the respondents who stated that Korean aid was not helping developing countries enough, many cited 'lack of transparency' as a reason.

### Why Aid Transparency?

Aid transparency plays a key role in determining aid's effectiveness, accountability and predictability. Transparent disclosure of information is required to ensure that demands may be made of both donor and recipient countries to remain accountable (based on the Paris Declaration's concept of mutual accountability). If the donor country does not divulge information, then the parliaments of both countries and their civil societies will not be able to fairly monitor aid flows or push for any

further accountability. If the recipient country is not able to predict the flows of aid, it will not be able to make informed decisions on resource allocation. Also, the recipient country's parliament or civil society will not have the proper information to act effectively in the policy realm. Needless to say, this affects aid effectiveness in a major way.

It is a fact that aid programs are often plagued with illegal activities, shoddy construction, redundant projects, wastes of funds, environmental problems and rights violations. To effectively fight against these, civil society needs reasonable access to aid-related information through the government. However in practice, access to such information is very limited, making it difficult to judge the accountability, fairness, relevance and effectiveness of aid projects. If the government does not disclose suitable information at the right time, then evaluating and suggesting improvements for development aid projects will become nothing but wishful thinking.

The 2008 Accra Agenda for Action (AAA) placed, among others, emphasis on 'transparency'. The Third High Level Forum at Accra also founded the International Aid Transparency Initiative (IATI), dedicated to creating an international standard for aid transparency, encompassing international civil society and various aid organizations in addition to governments. Aid agencies such as the United Kingdom's DFID, France's AFD and Canada's CIDA have since expanded the breadth of their aid information disclosure in the name of transparency. They have made unprecedented strides in increasing access to a higher quantity of better quality aid. Korea must now also take up the challenge of transparent aid.

This report examines how Korean ODA has been dealing in the post-2008 AAA years by examining and evaluating five separate categories, before making appropriate policy recommendations. This report takes up the call for heightened aid transparency in proposing and putting to work an evaluation of Korea's ODA transparency practices, in order to provide

a suitable improvement strategy. We consider one of the principal tenets of transparency to be 'easy access' and have as such based our evaluations on searches of the websites of various agencies.

## II. Korea's Aid Transparency: Evaluation

To evaluate Korea's situation, we have adapted a list of criteria from Access Info Europe's 2009 Aid Transparency Monitoring Report.<sup>v</sup> The report in question details some twenty two valuation criteria, from organizational structure to the probability of corruption. Our adapted version contains the criteria most suitable to the Korean context, and is showcased in the five categories in the table below.

We will examine the disclosure or not of aid transparency elements based on the preceding breakdown. We will evaluate these criteria in terms of their **accessibility, timeliness, relevance, accuracy, comparability** and **consistency**. Our analysis will focus on the principal agencies dealing with Korean aid: the Korean International Cooperation Agency (KOICA), the Korean Export-Import Bank (Exim Bank), and also the Korean Development Cooperation Committee.<sup>vi</sup>

### 1. Organizational Structure

Disclosing the organization structure of aid-related agencies is an important element in increasing accountability in decision-making. Furthermore it is by knowing which individual is in charge of what that one is able to make more effective requests for information. It is also essential to have a working central website detailing all the information being disclosed.

**Evaluation:**

· Despite the importance of the Development Cooperation Committee and of the legislation that created it, it neither has its own website, details which representatives are in charge of with what material, or even specify the range of their duties. This is the same case with Exim Bank. Only KOICA divulges relevant information including the contact information of key employees, in Korean as well as in English. However, while France’s AFD and the United Kingdom’s DFID have pledged to release information in the recipient country’s language as well, KOICA and Exim Bank provide no additional language service that would take into account non-English-speaking aid recipient countries.

· The portal site for Korea’s international development cooperation is no longer operational. While scheduled to re-open in January 2012, there is currently no *practical* way to access information on Korea’s development work.

**2. Main Aid Strategy**

Korea is still very much in the first stages of setting up a comprehensive aid strategy. Guiding Korea’s efforts are the Development Cooperation Committee’s 2010 ‘ODA Performance Enhancement Plan’ and its still only partially devised ‘Country Partnership Strategy’ (CPS), which outlines a general direction following Korea’s 2008 OECD-DAC Special Review. Our analysis focuses on these two documents.

**Evaluation:**

· While in many cases the Country Partnership Strategy provides broad background analysis, it does not justify the choice of countries included in the Strategy, nor does it detail how or to what extent it takes into account partner country demand and need for aid.

· While the government is making efforts in light of Korea’s upcoming 2012 OECD-DAC Peer Review, building off of the recommendations given during the 2008 Special Review, there is

still a fundamental disregard for the role of transparency in policy coherence. Furthermore there exists no adequate feedback mechanism to any of these new efforts.

**Figure 1 Evaluation Criteria and Detailed Content**

	<b>Evaluation Criteria</b>	<b>Detailed Content</b>
1	Organizational Structure	- Introduction to the related division's work - Organization chart and persons in charge - Information disclosure request methods and responsible parties.
2	Main Aid Strategy	- Work strategy, Implementation plan - Decision-making process - Budget, standards for allocations - Implementation plan by country, area and type of aid.
3	Aid Budget	- Annual and bi-annual budget - Detailed information by country, area, type of aid and project
4	Implementation Procedure	- Aid request form - On-site survey report - Project deliberation report - Bilateral agreement and aid disbursement contract - Project implementing body's selection and contract - Process control report - Project results and accounting report
5	Anti-Corruption	- Anti-corruption and related regulations - Corruption and related reports - Fraudulent commissions and objects, favors not to be exchanged - Whistleblower projection system and outside petitions

- More transparency for policy coherence is also missing. Given that decision-making roles with regards to aid are being split between the Ministry of Foreign Affairs and Trade and the Ministry of Strategy and Finance –especially with the latter scaling up and diversifying its Knowledge Sharing Program (KSP) – it is hard for a coherent aid strategy to emerge.

### 3. Budget

To examine the transparency of the ODA budget (in KOICA and in the Exim Bank), we have determined and evaluated whether or not budgets are disclosed, as well as determined the accessibility of budget information by partner country, channel of aid (bilateral, multilateral), type of aid, and by project.

#### Evaluation:

- Overall the access, readability, relevance and comparability of the information for both agencies is very low.
- KOICA does provide an annual report on its funding, drafted according to OECD-DAC standards. However it does not show grouped relevant data (for example, funding by project and category in a particular country).
- The Exim Bank also publishes an annual report with budgetary information, but it does not

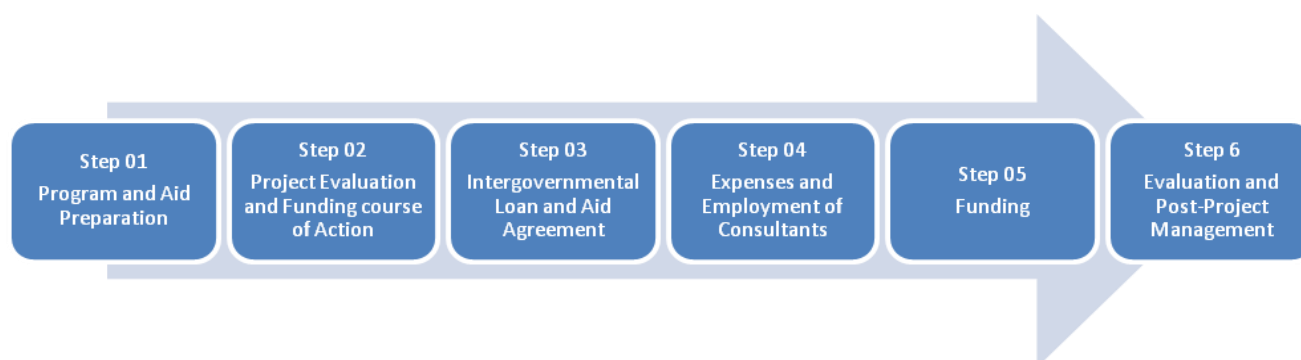
make available any future budget plans. In addition, the budget statistics are not easily approachable to the common citizen.

- It is important to note that simple statistics are not enough to ensure transparency. The significance of the information being presented must be explained, through objective analyses of budget effectiveness, or qualitative analysis. Both agencies fail to provide systematic explanations for the aid budget information they disclose.

### 4. ODA Implementation Procedure

In addition, we have examined the extent of transparency apparent in the implementation of actual aid projects. The main difficulty with this was that, citing diplomatic relations with the partner country, much of the implementation procedure is actively kept confidential. As such the bulk of our inquiries in this section revolved around determining the extent to which relevant information is disclosed. Below is a chart showing the procedural steps in the program implementation process as used by the Korean Economic Development Cooperation Fund (EDCF).

Figure 2 EDCF Program Implementation Procedure ([www.edcfkorea.go.kr](http://www.edcfkorea.go.kr))



**Figure 3 KOICA and Export-Import Bank's Program Implementation Steps and Disclosure**

Step	Program and Aid Preparation	Evaluation and Selection	Intergovernmental Loan and Aid Agreement	Project Contracting	Program Implementation	Post-Program
<b>Items to disclose</b>	-Program Request Form/Proposal	-Field Research Report -Evaluation Report	-Inter-governmental Accord -Loan Agreement	- Detailed Evaluation Criteria - Evaluation Results - Project Contract	-Implementation Report	-Program Results Report -Program Financial Report
<b>Disclosure</b>	No	No	No	No	No	No

**As no information is disclosed, no qualitative analysis is possible**

### Evaluation

· No information is disclosed at any step in the aid program process, from its inception to its post-program stages. In the latter's case, there is no systematic evaluation of completed programs, and it is only recently that summaries of evaluations have been available on the agency's websites.

## 5. ODA and Anti-Corruption

Corruption is another factor that adversely affects aid effectiveness. According to a 2010 Transparency International report<sup>vii</sup>, Korea's corruption Perceptions Index stands at 5.4, 39<sup>th</sup> place out of 178 countries, and 22<sup>nd</sup> in the OECD. This points to a larger corruption problem in the country, and in aid as well. As such it is important to determine what legal and systemic devices and practices are in place to stop corruption. We conducted our research on KOICA and the Exim Bank's websites, focusing on transparency with regards to elements linked to corruption in aid assistance.

### Evaluation

· The Exim Bank only deals with corruption issues superficially within its 'ethical management' standards. While KOICA seems to place slightly more importance on anti-corruption measures, it is still not specifically articulating an anti-corruption policy.

- Specific anti-corruption regulations on the exchange of gifts and/or bribes are still insufficient.
- Evaluations of the influence of corruption on activities, but also information on the types of sanctions to corruption are all undisclosed, meaning that there is no access to information on how corruption is measured or considered within the agencies.
- Both agencies disclose their policies on whistleblower activity on their websites, but these lack in specificity. Furthermore, there is no disposition for foreigners from aid recipient countries to lodge complaints.

## III. Conclusion and Recommendations

At this critical juncture in international development cooperation, and as aid donor countries are establishing new standards in aid transparency, Korea must take heed. Increased aid transparency is an essential part of the country's goal to contribute to international society through ODA. Korea will have to take concrete steps to mend its transparency policies, especially given that it will have to face its fellow OECD partner countries at its DAC Peer Review in 2012.

This is an important crossroads for international development cooperation on a global scale, but also specifically for Korea. It is not yet clear how the 4<sup>th</sup> HLF will decide the new trends and practices in international aid. What is clear, however, is that in the 'Aid Architecture' to be discussed at this forum, transparency will form an important building block for the future. As such this report proposes the following specific policy recommendations for Korea's aid transparency.

(1)The Korean government must adapt its aid strategies and policies to make more information, of a higher quality, available.

(2)Korea must join the IATI, making a concerted effort across agencies to combine aid-related information and build an information sharing system able to increase access and usability.

(3)The Korean government must not choose transparency for its own sake: it must disclose aid budget and statistical information in such a way as to be understood and usable by all.

(4)Agencies in charge of Korean ODA must take concrete steps to ensure that transparency is strived for in every step of the aid process, from the program's inception and proposal to post-program evaluation.

(5)The Korean government must reinforce its anti-corruption policies in aid programs and ensure the transparent disclosure of all related information.

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iii Publish What You Fund, Aid Transparency Assessment (2010).

iv Brookings Institute Global Economy and Development with the Center for Global Development, Official Development Assistance Assessment. 2010.10.05.

<http://www.cgdev.org/content/publication/detail/1424481>. This report evaluates the 28 OECD-DAC countries, 8 multilateral aid organizations and some 150 other aid providing organizations. Cited in KOICA's International Development Cooperation Focus, No. 6.

v Access Info, Not Available! Not Accessible! Aid Transparency Monitoring Report, 2009.

vi KOICA <http://www.koica.go.kr/> Export-Import Bank

<http://www.koreaexim.go.kr/kr/index.jsp/> The Development Cooperation Committee has no website.

vii Transparency International, Poverty, Aid and Corruption, 2007.

*✂ This document is an abridged version of the Issue Report released by the People's Solidarity for Participatory Democracy (PSPD)'s ODA Policy Committee on November 24th, 2011.*

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i This is the fourth in a series of reports on Korean ODA, following "The Goals of ODA and the Aid System in Korea" (2008), "Policy Report on South Korea's ODA Loan Program" (2009), and "The Current State and limitations of Tied Aid" (2010).

ii Youngmi Yang. "The New Human Rights Paradigm in Development Cooperation". International Development Cooperation. 2011 No. 1. KOICA.