

Abstract

Programme-based Approach (PBA) emerged as an effort to promote effective development cooperation, and was directly integrated in the Paris Declaration (2005), Accra Agenda for Action (2008) and indirectly in the Busan Partnership (2011). Against this backdrop, OECD DAC members have been pulling efforts to adopt PBA in new development cooperation activities.

As for PBA in South Korea's foreign aid, OECD DAC recommended that South Korea strengthen partner countries' ownership and the use of partner country system in 2008 Special Review. In the 2012 Peer Review, South Korea was recommended to improve its performance in areas where it was lagging the most, one of which was the use of PBA. DAC also recommended that South Korea strengthen further the human resources of main ministries and implementing agencies (including KOICA) to equip these people with necessary skills to support new aid modalities such as PBA. In the 2018 Peer Review, South Korea was recommended to engage actively in, and learn from, existing initiatives and discussions on joint-donor programmes or sector budget support mechanisms as it lacks experience. South Korea could use such opportunities to develop a realistic plan to carry out PBA.

In line with such background, the main purpose of this research is to 1) analyze the norm and trend in PBA, 2) assess DAC members' implementation of PBA including South Korea, 3) analyze PBA policies, strategies and guidelines of the European Union and Denmark 4) evaluate the effectiveness of South Korea's PBA aid program in Tanzania and Rwanda and 5) draw contributions and recommendations on KOICA' PBA strategy.

To do so, this research used combination of literature review, data analysis, field research and in-depth interviews. In case of data analysis, the research team used OECD Creditor Reporting System (CRS) to assess donors' contributions on different PBA aid modalities. The research team also visited Germany, Rwanda and Tanzania to conduct in-depth interviews with relevant stakeholders from KOICA field offices and other DAC donors to assess the effectiveness of KOICA's PBA programs and identify challenges, implications and ways forward. In-depth interviews were conducted in South Korea with experts on PBA.

II. Use of PBA by OECD DAC members

The definition and features of PBA was laid out by the OECD DAC in the guideline 'Harmonising Donor Practices for Effective Aid Delivery (Volume 2)' published in 2006. PBA shares the following four features: Leadership by the host country or organization; a single comprehensive programme and budget framework; a formalized process for donor co-ordination and harmonization of donor procedures for reporting, budgeting, financial management and procurement; and efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. Sector-Wide Approach(SWAp) is a PBA operating at the level of an entire sector.

As an aid modality, PBA includes general budget support, sector budget support, pooled or basket funds, pooled technical assistance and project support as long as the four features are in place. On one hand, implementing PBA has advantages of achieving economies of scale, reducing transaction costs, using country system, developing partner country's capacity, enhancing domestic accountability, improving harmonization and coordination among donors, etc. On the other hand, there are challenges such as difficulty in assessing performance and results, increasing coordination cost among donors and existing risk of corruption in implementing PBA.

When reviewing different PBA modalities, general budget support saw the most visible decrease in both numbers and scale since late 2000s. This was partly due to lack of impact and foreign aid scandal of certain developing countries. In addition, some donors preferred stand-alone projects where the use of financial resources was more clear. Emphasis on value for money also led to decrease in general budget support.

Sector budget support and pooled funding had more positive outcome. For instance, sector budget support positively contributed to improving the quality of service delivery and equity. It also had less risk of corruption compared to general budget support. Policy dialogue in pooled funding was particularly productive. As a result, donor participation in sector budget increased between 2009 and 2016 and priority sectors were social infrastructure and services such as health and education. Donor participation also increased in pooled funding, particularly that of new DAC members such as Czech Republic, Poland and Slovakia. This implies that the entry point for pooled funding is relatively lower for emerging donors including South Korea than other PBA modalities.

III. PBA management system of major donors

This section will review PBA management system and strategies of EU and Denmark. EU published revised budget support guidelines in 2017 and Denmark has been publishing and updating guidelines on sector-based programs. Here, EU's budget support is that provided by the European Commission and is bilateral in character.

EU has the highest share of budget support in country programmable aid among the DAC members. EU provides budget support as vector of change for improving public financial management, macroeconomic stability, sustainable and inclusive growth, and the fight against corruption and fraud; for promoting sector reforms and improving sector service delivery; for reducing aid dependency; and for promoting human rights, democratic values and gender equality.

EU's budget support is in three forms: general budget support, sector budget support for developing countries and general budget support for fragile and transition situations. All three budget support forms are subject to the four eligibility criteria covering national and sector policies and reforms, stable macroeconomic framework, public financial management and transparency and oversight of the budget.

In the design and implementation stage, the EU delegation must draw budget support intervention logic matrix and assess public policy eligibility, macroeconomic eligibility, public finance management eligibility, budget transparency and oversight eligibility and risk. The risk assessment is also conducted in the evaluation phase. EU presented detailed guideline and framework per assessment. While EU may draw from partner country sources and consult with EU member states, external information or reports cannot replace the EU delegation's own analysis. Following the last budget support disbursement, a brief final report needs to be prepared by the delegation and submitted to headquarters. Monitoring is done in a constant and rigorous manner, and it monitors whether the implementation of the budget support program contract is consistent with the provisions of the financing agreement at any time of the year. There are two types of evaluation, one of which is strategic evaluation of comprehensive budget support provided to a partner country irrespective of donors. The other is program evaluation that only focuses on budget support contract(s) financed by the EU. As for the audit, reliance is placed on the audited national accounts prepared by the partner country's own supreme audit institution.

In the case of Denmark, it has similar annual aid volume to South Korea. However, DANIDA has been strategically pursuing PBA by re-orienting aid away from traditional, free-standing project assistance towards sector program support since 1994 and adopting sector program support as the default aid modality in 2008. Implementing PBA using country system is also widespread. For instance, the share of funding through

countries' system and funding recorded in countries' national budgets was 89.1% and 86.3% respectively in 2016.

It is basic principle of Denmark to promote PBA in its 14 priority partner countries. Denmark establishes sector program support strategy based on the country policy papers, which is equivalent to South Korea's Country Partnership Strategy. A country program includes a maximum of three thematic programs and general budget support if needed. DANIDA recommends Danish embassies to make most use of country system when designing aid programs. In this context, budget support and pooled or basket fund are suggested as preferred aid modalities. In particular, Denmark's PBA aid programs are based on cooperation with other donors and common principles discussed and established by the Nordic+ are applied.

Denmark's country program consists of four stages from preparation, formulation and appraisal, implementation and completion. In the preparation stage, Danish embassy in the partner country suggests sector and optimal aid modality to achieve development results in light of partner country context. Preliminary assessment report includes assessment of partner country's capacity and national or sectoral development plan achievement rate and that of partner institutions in partner countries. Furthermore, all aid grants above around 6.5 million US Dollar is subject to budget support eligibility based on ten budget support criteria prepared by the Danish government. In the formulation and appraisal stage, embassies draft program support documents that include detailed support agreement, risk management plan and policy dialogues. Once the Ministry of Foreign Affairs of Denmark approves eligibility, a joint steering committee or a separate implementation team can be established in partnership with partner country to implement the program. Denmark provides detailed guidelines and documents to be drafted in implementing PBA through the 'Guidelines for country programmes'.

IV. KOICA's implementation of PBA

South Korea's implementation of PBA began in 2011 with pooled funding. It has not provided general budget support so far. However, South Korea has been trying to diversify its PBA aid modalities since 2012. Most PBA aid programs are implemented by KOICA in education, health and agriculture sectors. It is usually implemented in South Korea's priority countries including Tanzania, Rwanda and Cambodia where other donors implement PBA.

The research team selected <Health Basket Fund Program in Tanzania> and <Capacity Building for Technical/Vocational and Skills Development System in Rwanda> as the two

case studies for in-depth evaluation. To analyze effectiveness of the two projects, the research team visited each country and interviewed stakeholders from KOICA field offices and other donor agencies. The team used World Bank's analytical framework to analyze relevance, efficiency and sustainability and focused on program design to output.

Tanzania's program was relevant in the sense that it was aligned with Tanzania government's health sector development plan, reflected Tanzania's decentralization policy and set up separate financial system for central and local governments. In terms of efficiency, Tanzania government published implementation report with quantitative and qualitative results. Donor agencies would also try to enhance efficiency by conveying joint monitoring and evaluation outcome. Performance management results per result indicator is also made public and there have been efforts to enhance capacity of local government's financial management. The program is also sustainable as the partner country can continue to maintain the system after the program is finalized. As for KOICA, it should try to secure and enhance its role with support provided by the headquarter.

Rwanda's program is also relevant as it is aligned with Rwanda government's education and technical/vocational training strategies. It was also efficient as KOICA dispatched human resource dedicated to the program. The person was in charge of directly engaging with the partner country government and making field inspections. However, additional effort is needed to form better relations with other partners in implementing PBA programs. Lastly, the program is sustainable as it directly contributed to building capacity of beneficiaries and having partner government and institution gain experience with program management.

Based on the analysis of two programs, following implications can be drawn. First, there is need to further engage in different policy dialogues. Second, full-time program expert(s) should be included to secure professional and sustainable management of the program. Third, PBA programs should be pursued while accounting for characteristics of different PBA aid modalities.

V. KOICA's PBA strategy and management

KOICA can implement PBA programs in priority partners with proved fiduciary capacity. Sector-wise, it can focus on public service sectors such as education and health as not only are they part of KOICA's priority sectors but areas in which there have been numerous PBA programs. As for PBA aid modality, pooled or basket funding is

recommended as it is more preferred by emerging donors. KOICA can also consider pooled funding arrangements for fragile states to reduce the risk of fragile state support and implement South Korea's fragile state support strategy.

Following is proposed to efficiently manage PBA programs. First, PBA aid modalities fit for partner countries should be selected led by field offices in the identification and design stage. Program management system should also be drafted and reflected in the program implementation plan with detailed information on monitoring, budget, procurement, audit and results management. Second, sectoral experts should be dispatched in the implementation stage so that the person can fully engage in coordinating PBA program with both partner country and other donor agencies. The person should also monitor and review whether the PBA program is managed appropriately. Third, in the evaluation and ex-post management stage, decisions to end or implement a follow-up program (project) should be made based on the final report submitted by partner countries and/or other participating donors. Also, the evaluation regarding whether the program has been eligible as PBA program should be made and lessons and implications can be drawn for future PBA programs. Lastly, when the review of a follow-up program(project) is done, it is recommended to diversify the type of program(project) and to expand the size of program(project) for strengthening the effectiveness of PBA programs.

VI. Conclusion

KOICA has strived to further adopt PBA in line with the global discussion and internal efforts to diversify its aid modalities. To do so, capacity development and awareness-raising should go hand in hand. As suggested above, KOICA can choose to focus implementation of PBA in education and health sector of South Korea's priority countries with fiduciary capacity. It can focus on pooled funding arrangements as an aid modality to enhance policy leverage. Second, constant policy dialogue with partner country and other donor agencies from formulation phase is crucial for pooled fund. Guideline by each program cycle should be formulated, and specific tasks for various stakeholders (e.g. KOICA headquarter, field office, program expert) should be laid out. Third, as South Korea lacks experience in PBA compared to traditional donors, it may participate in pre-existing PBA programs to gain experience and knowhow while reducing risk. Furthermore, systematic and constant monitoring and review of PBA programs is required. Lastly, KOICA may consider providing incentives to partner countries (or institutions) and to its staff for outstanding PBA programs.