

Executive Summary

As the volatility of the development cooperation environment increases and domestic interest is strongly pursued due to global political and economic instability, the public's demand for efficient ODA implementation is increasing. In order to efficiently execute ODA and improve development effectiveness in response to the variable ODA business environment, it is necessary to clearly establish mandates for each agency in charge and improve the communication system between agencies to move toward an efficient ODA implementation system. Korea's ODA implementation system is categorized as a non-integrated institutional system that a ministry has overall responsibility for policy and a separate executing agency responsible for implementation. This paper aims to derive implications for Korea's efficient ODA implementation system with improved performance in terms of development effectiveness while maintaining the current model. To this end, this study conducts a comparative analysis with the Swedish and Norwegian ODA implementation systems which have similar organizational structures as Korean.

Since the start of Korea's activities as a donor, loan and grant aid has been implemented separately as grant and loan executing agencies have been established respectively. However, as the scale of aid gradually expanded after joining the OECD DAC in 2010, the ODA promotion system was transformed in the direction of coordinating grant and loan aid through the overhaul of the Framework Act on International Development Cooperation and the establishment of the Committee for International Development Cooperation(CIDC). Currently, Korea's ODA promotion system has a three-tiered organizational structure with an ODA policy making and coordinating institution - the supervising institutions - and the implementing agencies. Under the supervision and coordination of the CIDC, the Ministry of Economy and Finance(MoEF) and the Ministry of Foreign Affairs(MoFA) supervise loan aid and grant aid, respectively, and the Export-Import Bank of Korea and KOICA

are in charge of implementation. However, in the case of grant aid, various ministries and organizations other than KOICA participated, and the problem of aid fragmentation was constantly pointed out. Accordingly, it seeks to prevent duplication and overlaps in grant programs and to strengthen linkages between them by operating an ‘Inter-Agencies Grants Committee’, and strengthening the coordination function of the Office for Government Policy Coordination.

KOICA, as a grant aid executing agency, carries out various types of development cooperation projects, and also carries out tasks such as surveys and researches to assist establishing policies for international development cooperation. The headquarters organization is intuitively organized according to the type of project and target region, and overseas offices are operated in partner countries. The business connection between KOICA and supervising ministries is revealed throughout budget operation and project management process.

The KOICA budget proposal is drafted through consultation with the MoFA, then reviewed by the MoEF and decided by the National Assembly. KOICA's budget drafting for year ‘n’ begins in year ‘n-1’. The MoEF should take the grant aid implementation plan with the attached list of specific projects into consideration while reviewing the budget draft. As the budget and the project plan are interconnected, project identification begins from year n-2, prior to budget drafting. The KOICA budget has a structure of chapters – sections – paragraphs – sub-paragraphs. In terms of KOICA project, chapters are regional, sections are national, paragraphs are types of modality, and sub-paragraphs are project levels. In budget management, transfer between chapters requires approval from the MoEF, and transfer between sections requires approval from the Ministry of Foreign Affairs. Although adjustments between paragraphs are at KOICA's discretion, there are cases in which clarification on the relevant details is required during the settlement of accounts at the National Assembly.

KOICA carries out all the processes of project identification, formation, and planning before contracting project implementing partners, and in this process, it goes through

consultations with the MoFA and diplomatic missions overseas. In addition, it needs the approval of the MoFA in case of reflection of new projects, cancellation of projects, and plan changes that require a budget of more than 1 million dollars. In addition to Grant implementation, KOICA supports the ODA strategies and policies establishment, and plays an expected role as a subject of management performance evaluation of public institutions conducted by the MoEF.

Both Sweden and Norway have a long history of development cooperation and are highly evaluated in terms of ODA scale and effectiveness. In addition, they both show a high proportion of project execution through multilateral organizations and NGOs. They also have the Minister for Development Cooperation within the Ministry of Foreign Affairs(MFA).

In Sweden, the MFA establishes the development cooperation policy, and Sida implements it. Besides the project execution, Sida is responsible for assisting and advising on ODA policy establishment. Sida's budget is also approved through deliberation of MFA, and the Ministry of Finance and the National Assembly. However, budget proposals are prepared and approved only up to the amount set for each region or theme that corresponds to the budget line. After the annual appropriation letter is received from MFA, the budget is allocated to each responsible department in Sida, and the authority to allocate detailed budgets rests with the head of the department. Adjustments between budget lines are subject to approval by the MFA, but within the same regional or thematic budget line, the amount of detailed items may be adjusted at Sida's discretion as long as the requirements set out in the strategy are met.

Sida's annual project plan is established after budget allocation. The composition of the project portfolio for each strategy and the formulation and implementation of individual projects are entirely Sida's own decisions. Sida entrusts all project planning and execution to the project implementing partners through contribution agreement, and focuses on the role of management and evaluation. On the other hand, Sida puts considerable effort into drafting the strategy and reporting on the implementation

of the strategy to the MFA, and assignments specified in the annual letter. Regarding Sida's annual performance and financial audits, and the settlement of accounts, the MFA responds to the Board of Audit and Inspection and the National Assembly as a supervisory ministry in responsible of Sida.

In Norway, while the MFA establishes development cooperation policies and strategic directions, Norad implements thematic aid and the embassy implements bilateral aid. As a result of redefining the roles and tasks of Norad through organizational reform in 2020, it executes and manages half of the development cooperation budget, provides technical advice based on development cooperation expertise, and conducts performance evaluations on the overall Norwegian development cooperation activities through an independent department of evaluation. Because Norad administers thematic aid, its organization is organized into thematic departments and does not operate overseas offices.

The Norad budget is also finalized after consultation with the Ministry of Foreign Affairs, and approval by the Ministry of Finance and the National Assembly. The finalized budget is set only up to the amount set for each theme or multilateral organizations, corresponding to budget posts. It is sent through an annual appropriation letter from MFA. Afterwards, Norad establishes an annual project plan for agency based on the priorities and tasks specified in the letter, and each department responsible for the budget post organizes a project plan and a detailed budget. All of this process is at Norad's discretion.

Budget adjustments between budget chapters and posts are subject to approval by the MFA, and the approval are informed through an supplementary letter. In addition, the budget within the budget post can be adjusted at Norad's discretion. The MFA communicates with Parliament during settlement of accounts of Norad, as public institutions are prohibited from directly communicating with Parliament by law.

Norad is also not directly involved in project formation, and selects projects through calls for proposal and makes agreements with implementing organizations. Norad

manages project implementation and monitors achievement of performance indicators. All changes that occur during project implementation are subject to Norad approval, and reporting to the Ministry of Foreign Affairs is unnecessary. In addition to budget execution and project management, Norad also carries out tasks assigned by the MFA through an annual appropriation letter. Assignments mainly correspond to evaluation and consultation, and also includes support for strategy establishment.

As a result of comparative analysis of the three countries, Sweden and Norway show many differences from Korea in the ODA implementing system, the mandates of agencies, the budget approval and operation system, the project identification and implementation system, and the reporting and evaluation system. In Sweden and Norway, the main ministry in charge of development cooperation policies is the MFA, but in Korea, the MoEF and the Office for Government Policy Coordination also play a major role in policy establishment. Moreover, Sweden and Norway have a minister for development cooperation, but not in Korea.

In terms of the mandates of ODA implementing agency, Sida and Norad perform advisory function other than ODA execution, and it accounts for a large portion of their work. In regard to budget management, both Sida and Norad have relatively more discretion compared to KOICA, since Sweden and Norway draw up the budget only up to the amount by region or theme. In addition, the time to materialize the annual project plans both for Sida and Norad is after budget allocation, and the biggest difference is that they operate with a focus on management rather than project identification and planning, as projects are selected through call for proposals based on partnerships with NGOs and international organizations. Finally, Sida and Norad receive annual guidelines and tasks from the MFA through an annual appropriation letter. And when there is an inquiry from the National Assembly or other ministries other, the MFA responds at the level of ministries.

Based on the comparative analysis, this study suggests some implications for KOICA to assist improving development effectiveness and the efficiency of the ODA implementing system. First, it is possible to think about ways to minimize the changes

that occur due to the time gap between project identification and the actual project implementation by converting the project discovery system to an ‘n-1’ year system. In addition, project identification and planning can be delegated to the private sector with sector expertise through a public contest, and KOICA can shift its focus to the area of performance management. Then, Koica can more concentrate on conducting in-depth researches and providing technical advices based on its expertise in development cooperation and partnerships accumulated so far. By doing so KOICA can redefine its institutional identity as an eminent global development cooperation organization. As the size of the development cooperation budget is constantly expanding and the number of implementing agencies is increasing, demands for skills and expertise in development cooperation is also increasing. In response to this trend, KOICA can share its knowledge and experience, contributing to enhancing the effectiveness and efficiency of overall national ODA implementation.