Issue Briefing

South Korea's ODA Policies at a Crossroads: A New Political Opportunity for Institutional Reforms

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After joining the OECD Development Assistance committee (DAC) in January 2010, South Korea has been working rapidly to catch up to the international standards and good practices of traditional DAC donor countries in order to become a veritable member of the DAC donor club and the global development community. The appearance of South Korea on the stage of North-South cooperation has received a positive response from both donors and recipients given that Korea could be seen as the first country that has successfully transformed itself from aid recipient to aid giver in a relatively short period of time. The advent of the Sustainable Development Goals (SDGs), which were endorsed by the United Nations in September 2015, is marked as another critical momentum for Korea to modernize its domestic architecture to facilitate better decision making and implementation processes regarding its official development assistance (ODA) policies over the next 15 years (2016 to 2030). Under the grand transformation of global governance for development cooperation, however, the 'Korea Aid' program is at risk. Korea's ODA policies have been suffering in the wake of the internally appalling 2016 political scandal (Choi Soon-sil gate) and the chronic misalignment of grants and concessional loans, embedded in the fragmented structure of aid delivery systems. The ensuing decline in the accountability of ODA disbursements has resulted in people's growing distrust in Korea's ODA policies. Nevertheless, the presidential election in May 2017 and the subsequent reshuffling of government organizational structures create a political breakthrough for a new set of institutional innovations to enhance development effectiveness and Korea's soft power for public diplomacy.

Increasing Hopes for the SDGs but People's Distrust in Korea Aid

The new era of the SDGs has inspired a search for a transformative developmental path for universal, inclusive, and multi-dimensional advancement with the globally-aspiring motto of "no one should be left behind." In many aspects, SDGs can be viewed as a comprehensive alternative development package aimed to overcome some of the limits that the 2000 Millennium Development Goals (MDGs) faced: (1) the SDGs expand the purview of targeted goals including social development, inclusive growth,

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environmental issues, governance, and peace and security, while the MDGs focused solely on social development; (2) the SDGs are targets for all UN countries, unlike the MDGs which targeted developing countries only; and (3) while the MDGs relied primarily on state actors, the SDGs employ a multi-stakeholder model. The grand paradigm to transform all countries into the uniform direction of '2030 Agenda for Sustainable Development' prompts Korea to take the initiative for reformative actions by identifying its top priorities among the SDGs, harnessing their institutional foundations to implement effective policy, and finding appropriate global indicators to evaluate progress.

Paradoxically, any increasing hopes for improvements in the quality of our lives in the new era of the SDGs are easily offset by the paucity of political and institutional responsiveness, which the Korean government should have endeavored to bolster for smooth facilitation of the achievement of the SDGs. Indeed, Samuel Huntington's dated conception of 'political decay' has been revived afresh by Korea's institutional debacles in adapting ODA policies to the changing SDG-related environments and growing public expectations. Unsurprisingly, the fragmented structure of ODA planning and implementation – grants vs. concessional loans – has dampened any demand to reorganize current ODA implementation systems into a new arrangement that would promote the SDGs. Such a chronic ailment of Korea's ODA structures overshadows the increased public awareness of citizens' rights to development and the importance of the SDGs. Organized discrepancies between humanitarian assistance and the commercial expectation of real outputs from ODA investments can be seen as not only a longstanding barrier against institutional efforts to integrate a fragmented system, but also a logical outgrowth of compressed modernity under the unremitting ghost of developmentalism.

In reaction to these lingering problems plaguing governmental institutions, the civic voices calling for change have been growing stronger and darker in their predictions of what may occur if the current system is not reformed. The Korea Civil Society Forum on International Development Cooperation (KoFID) and the People's Initiative for Development Alternatives (PIDA- formerly ODA Watch) have worked especially hard to uncover the root causes of the political decay embedded in the accountability deficits of Korea's ODA-related governmental agencies. A recent public opinion poll on ODA reads that public distrust in Korea's ODA policies has been incrementally rising. This is due to a variety of interconnected factors – no clear philosophical justification for aid provision, a lack of accountability, fragmented processes governing ODA policies, instances of corrupt personal use of tax-based ODA, and so forth. Critics warn that without public support, foreign aid will gradually lose ground, fail to build soft power, and subsequently meet its end as the value it provides vanishes.

The New Presidential Election: Opening a New Political Opportunity Structure

The launch of the new government, however, offers a new political opportunity to reform the political decay cultivated by the previous government. The newly-elected president will reshuffle the cabinet portfolios to clean up the long-existing abuses of the previous administrations and differentiate the new administration from the previous one. In this regard, it can be fair to expect the new administration to propose and pass an ODA reform bill. Given that none of the presidential candidates listed ODA and foreign aid as a top national priority during the KoFID symposium that compared the policies of each candidate on development cooperation, the new government is likely to sideline ODA by including it within the larger frame of inclusive economic growth. Doing so will waste this new political opportunity to modernize Korea Aid through critical reforms and

renovations. Having said that, any reform of the ODA system should reorganize institutional alignments to overcome inter-ministerial rivalry. ODA reform will boost Korea's soft power and thus support its national interest. The following issues should serve as the foundation of such reform.

New Settings for Philosophical Principles

The first and most fundamental step that should be taken is a clear proclamation of the philosophical principles that justify why Korea should provide foreign aid at all. Some claims, if philosophical positions may be included within them, at best demonstrate that Korea needs to provide foreign aid as a token of gratitude for the international assistance it received during its rapid economic growth that allowed it to transition successfully from a recipient partner to a donor country. Nevertheless, no past government has ever clearly offered a sophisticated philosophical vision for ODA. The new administration thus faces difficulties in defining mileposts in its roadmap to the SDGs and in explaining the grand and fundamental goals of Korea Aid to the public. In fact, the ODA White Paper that was first published in 2013 received harsh criticism from civil society because it was a simple collection of grant records reported by the Ministry of Foreign Affairs (MOFA) and loan records reported by the Ministry of Strategy and Finance (MOSF) without the description of Korea's aid philosophy and vision. The lack of a clear philosophical vision underpinning the Korea Aid program makes it difficult for the new government to convince the taxpayers of the importance of ODA, and the lack of public accountability continues to garner public disapproval.

All other OECD DAC countries have their own philosophical visions that justify their ODA policies, regardless whether those policies advocate commercialized ODA, security-based ODA, or humanitarian ODA. It is high time for the new South Korean administration to equip Korea Aid with a deep-thinking vision for ODA that has been strategically designed to align with geopolitical national interests.

Integrating the Dichotomy of ODA Modalities

The new government must also devote its attention to reducing the dichotomic fragmentation of Korea's ODA policies. Integration of the existing fragmented structure will undoubtedly prove to be a great challenge for the new administration, as there is not a clear consensus that this is a necessary endeavor. Some pundits even argue that the existing fragmented array as it is will be a fine fit structure that enables different ministries to maximize their own specialties. Korea's loan rate has hit a record high among the OECD DAC for the year of 2017, while the total scale of Korea's ODA budget has remained at the lower level of OECD DAC countries. The impressive scale MOSF's institutional power in the previous governments generated some negative results, drawing Korea in the opposite direction of the prevailing global paradigms: ODA is linked to commercialized purposes (tied aid); there is only a small portion of multilateral aid; and Korea has a high rate of loans against grants. Korea's membership in the OECD DAC would be meaningless if Korea does not comply with the general rules and norms and argues that they are not binding and that national sovereignty surpasses global norms. The new administration should devise institutional measures to overcome 'ministry selfishness', or the effort of individual ministries to take complete ownership over certain policies while shutting others out, and facilitate synergy through cross-ministerial cooperation. One possible measure is the reinforcement of the institutional and legal power of the Committee for International Development Cooperation (CIDC) to supervise both MOFA and MOSF. An extreme

scenario would be to launch an independent ministry integrating loans and grants and specializing in international development.

Strategizing Aid to Achieve Unparalleled Soft Power in Northeast Asia

One of central tasks for foreign aid is the creation and cultivation of the soft power of the aid provider towards targeted partner countries. Strategic utilization of ODA can galvanize public diplomacy into action and enable a middle power to shore up its strategic position in world politics via the enhancement of soft power. More importantly, the new government of Korea needs to recognize that it is competing with Japan and China for foreign aid influence. China has been aggressively investing its money into South-South cooperation, especially into Africa, and expanding its financial influence via the initiation of the Asian Infrastructure Investment Bank (AIIB) and the One-Belt-One-Road policy. The gigantic scale of Chinese aid has distinct character of being high-cost infrastructure-centered, loan-based, and consisting of tied aid. Likewise, Japan, as the first Asian follower of the OECD DAC, strategically plans to distribute its ODA projects to not only contain the expanding influence of Chinese aid in Africa and Southeast Asia but also to secure a bridgehead for Japanese private firms in the domestic markets of developing countries. Half of Japanese ODA has been disbursed in the form of concessional loans. Japan had the highest percentage of loans in its ODA composition rate among the OECD DAC countries until Korea usurped this position in 2017. The Korean and Japanese ODA models share numerous negative similarities, particularly the high rate of loans, but the scale of Korea's ODA budget is absolutely the lowest among the three Northeast Asian countries. If Korea continues with its current ODA policies that allocate a limited budget to foreign aid, the new Korean government will fail to secure either high visibility for the Korea Aid program or positive feedback from partner countries. This is simply because partner countries are unable to find any attraction in Korea's ODA packages. In a nutshell, the new government should do its utmost to find a way to make Korean aid both unique and superior in comparison with the other commercially-oriented Asian donors. The incoming administration must create a type of smart aid that maximizes Korea's national interests and comparative advantages despite a relatively small ODA budget. In this context, it is worthwhile to consider the historical path that explains why Scandinavian donors strategize their ODA as humanitarian aid. The Nordic states, in consideration of not only the historically uncomfortable memories of colonization by their neighboring powers but also their middle power positions in international politics, intentionally differentiated their foreign aid policies from the existing traditional donors by highlighting the normative aspect of a humanitarian and rights-based approach and setting an example for best practices. Eventually, the differentiation strategy of the Nordic donors earned positive feedback from recipient countries and enabled them to take the lead in setting global norms and rules in the international aid community.

ODA as an Integral Part of Korea's Foreign Policy

How can we reform Korean ODA to increase visibility and increase its impact? Most of all, the 'whole-of-government' approach should be positively introduced as a cross-cutting operational principle. Whole-of-government arrangements are targeted at making government policy decisions more effective, improving consistency and control, delivering efficiency and accountability, and minimizing individual ministerial ownership of policy that leads to fragmentation. This approach requires the new government to reidentify

ODA as an integral part of Korea's foreign policy and to modernize ODA as a vital essence for Korea's smart aid representing high visibility with low cost. Most OECD DAC donors – with the exception of Germany and France – place ODA under the purview of their Ministry of Foreign Affairs in order to utilize a whole-of-government approach. The strategic reformulation of Korea's ODA policies under the new presidential leadership will lead to the alternative method for smart aid and its association with institutional integration under MOFA's initiatives and guidelines.

A Grand Strategy for Korea Aid 2.0

It is fair to state that the first version of Korea Aid is now a lifeless machine. The charming name of Korea Aid has been marred by the institutional malfunction and anachronistic nepotism in the previous government. Instead, the new Korean government should seek a grant strategy for Korea Aid 2.0 via a total renovation package that includes a new set of philosophical visions and principles, a systemic plan to address the current fragmentation, a smart aid reflecting Korea's unique attractions, and the re-identification of ODA as a key aspect in foreign policy. ■

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