

# 해외원조, 국제금융위기와 국가지원전략

## Foreign Aid, the Global Economic Crisis and Country Assistance Strategies

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### 〈요약〉

한국은 2015년까지 공적개발원조(ODA)의 비중을 점차 확대해 나가기로 국제사회와 약속한 바 있다. 이 공약은 한국을 포함한 세계 경제강국들을 강타한 심각한 금융위기 속에서 나왔다. 이번 경제위기는 자금을 제한하는 동시에 개발조건들을 악화시키며 해외원조 상황에 연타를 날리는 결과를 초래하였다. 이 때문에 한정된 자금으로 가장 효과적인 결과를 도출해 낼 국가지원전략(Country Assistance Strategies)이 그 어느 때보다도 절실히 요구된다. 신중한 국가지원전략 수립과 효율적 활용은 효과적인 원조관리에 있어 가장 중요한 요소가 될 수 있다. 이에 따라 양자·다자원조기구의 선진 국가지원전략 사례를 통한 한국의 국제협력사업 적용 방법을 알아본다.

South Korea is one of the modern world's 13 "success stories" of economic growth, having maintained for over 25 years, increases in Gross Domestic Product(GDP) of 7% or more per year. As a result, the Republic of Korea recovered from the devastation of the Korean War of the early 1950s to become an Asian tiger economy by the 1990s. In that same period, South Korea has transformed itself from a recipient of international assistance into a provider of international aid.

South Korea steps up into a new role as aid provider at a very challenging time for the country and the world as a whole. The U.S. financial crisis has morphed into a global economic crisis, with major negative impact on South Korea itself. This article examines the burgeoning global crisis and comments on the use of Country Assistance Strategies (CAS) as a key tool for South Korea to strategically deploy in order to achieve its foreign assistance goals given scarce resources and a challenging economic environment.

## KOICA and The Asia Foundation

Country Assistance Strategies were discussed at a conference jointly organized in February 2009 by the Korea International Cooperation Agency (KOICA) and The Asia Foundation(TAF). TAF is a non-profit international development organization committed to the development of a peaceful, prosperous, just, and open Asia-Pacific region. The Foundation operates through a network of 17 country offices in East and South Asia, and has operated in South Korea since 1954.

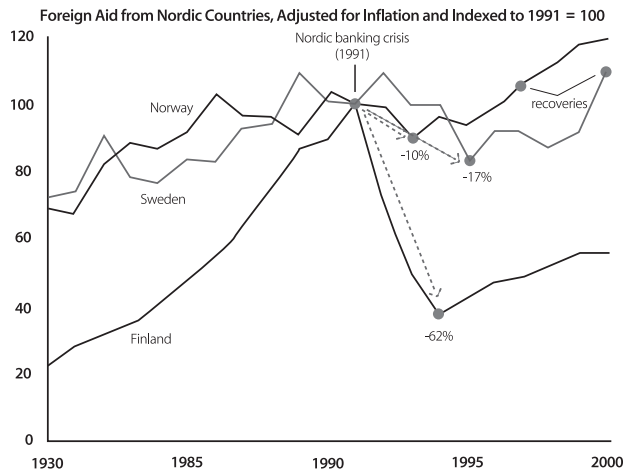
TAF is now collaborating with various elements of South Korea's government and civil society to identify ways to strengthen South Korea's role in international development. The conference on CAS was one of these activities.

## The Financial Crisis and ODA

As of 2008, official development assistance(ODA) provided by the world's wealthiest countries – the members of the Development Assistance Committee(DAC) of the Organization for Economic Cooperation and Development (OECD) – totaled U.S.\$80 Billion. The question is – will the financial crisis severely reduce ODA levels? Many analysts are forecasting the impact of the financial crisis to be severe – that is, for ODA to fall by 10% or more. Yet the member-governments representing the G-20 pledged in their meeting of November 8, 2008 that ODA levels will be at least maintained, or even increased.

## What result is likely to emerge?

Unfortunately, historical experience shows sharp reductions in ODA following financial crises. The United Nations Development Programme(UNDP) reports that ODA usually falls relative to trends by 30% to 40% in recessions. Each financial crisis in a donor country has resulted in a fall in that country's ODA. This was the case for Japan since the bursting in 1990 of the real estate and stock market bubble. After the so-called "Nordic Crisis" of 1991, Norwegian ODA fell by 10%, Swedish ODA by 17%, and Finnish ODA fell by 62%.



Yet it is difficult to predict exactly the full extent and duration of the fall in ODA, given differing circumstances and antecedents. After the Nordic crisis, the international aid levels of Sweden and Norway recovered within eight years. Finnish and Japanese ODA still have not fully recovered, even after close to two decades. The effects of the current crisis may not be fully felt until 2010, given bureaucratic inertia. And when it comes, the decline in ODA may linger for at least five years.

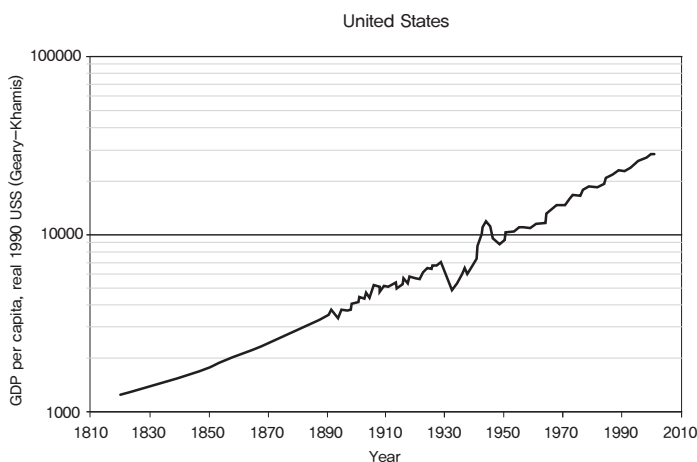
The United States is the world's second largest aid contributor after the European Union, with U.S.\$21.75 Billion in ODA in 2007. Speaking in November 2008, former President George W. Bush pledged that "The U.S. is committed ... to international development ... regardless of the ebb and flow of markets;" The new U.S. President Barack Obama promised during his campaign that he will double U.S. ODA from the level of U.S.\$25 Billion as of 2008. He has yet to act to keep his promise.

How about the impact of the economic crisis on private aid – or on “philanthrocapitalism”? Private U.S. aid actually exceeds ODA, and as of 2007 private giving from corporations, foundations, charities and individuals totaled about U.S.\$34.8 Billion, whereas total U.S. ODA was at \$23.5 Billion. Early indications point to significant – in excess of 10% – falls in private giving, particularly since private wealth in the form of financial assets in the U.S. and other developed countries has been drastically reduced.

## Hope in “the long view”

Painful as the current financial and economic crisis is, in the horizon of a long view,

there is hope. History does show that over time, economic crises do eventually pass – as the ups and downs of economic and business cycles unfold. Mexico underwent a financial and economic crisis that began in 1994, with recovery achieved within three years. After the Asian Financial Crisis of 1997, most Asian countries recovered within six years. After the great depression of 1931, the U.S. economy recovered within eight years. Finally, over the last 190 years, U.S. has grown at average of 2% per year – a small percentage, but over a very large base.



## “Double blow” and Aid Effectiveness

The global economic downturn has dealt a “double blow” to aid – simultaneously restricting giving and funding, while the negative impact has led to increased needs and demands for the services and work of development and humanitarian aid agencies. Indeed, it is imperative that more must be accomplished with even lower levels of aid. Thus the crisis underlines the need to enhance aid effectiveness to speed up global economic recovery.

An examination of aid effectiveness shows that ODA is usually aimed at one of four broad goals. Foremost, ODA is expected to push economic growth through infrastructure, agriculture or other sectoral investments, or new technology. Other objectives of ODA are to (a) strengthen education, health, environmental, or governance/political systems; (b) support relief and humanitarian work; or (c) stabilize an economy following shocks.

The international economic crisis has fueled the debate on whether or not aid influences growth positively. While it is generally accepted that aid does push growth, the

magnitude of aid's impact on growth is affected by many factors, including endemic disease, poor geography and conflict. In conflict areas, aid may have positive impact even when overall growth is weak. The causality between aid and growth may be opposite to what is expected, since donors often direct more aid to slow-growth countries, while restricting aid to rapid growers.

Overall, once all factors are considered, a positive relationship is seen between levels of ODA and growth. However this conclusion is highly qualified. The analysis of the relationship between aid and growth is difficult and thus the results are unclear. Therefore, debate rages on overall trends of aid and the conditions under which aid works or does not work, and on what steps can be taken to make aid more effective. Moreover, while there is research ongoing on aid and growth, the emerging empirical evidence has mixed results, with different studies having varying conclusions depending on time frame, countries involved, and assumptions.

In summary, the debate on aid effectiveness boils down to the following conclusions: (a) Aid is most clearly useful in emergency relief and some health and education investments; (b) Much aid has been wasted, or wasteful; and (c) Aid must focus on strengthening country policies proven to enhance growth – especially those that create and support conditions for increased private investment and entrepreneurship.

## **Key Measures to Improve Aid Effectiveness**

Even while debate continues, current experiences and analysis already indicate some important steps that donors must take in order to enhance aid effectiveness. The first is stricter country selectivity – where donors focus on a few, carefully selected countries that will receive their aid. In this way, more substantial amounts are concentrated on those countries that need aid the most and consistently over longer periods of time.

A second measure to enhance aid effectiveness is to implement “reward” mechanisms of aid. Clearly, conditionality mechanisms have failed, since recipient governments will undertake reforms only if they themselves desire such reforms. Now emerging are “cash on delivery” aid mechanisms, where aid is tied to specific achievements of agreed programs, and funds are released to countries which on their own achieve the agreed goals.

Thirdly, country participation and ownership are crucial to the success and longevity of

aid-financed activities. Participatory mechanisms usually require enhanced roles for civil society and non-profit and non-government organizations.

The scarcity of aid resources also demands that harmonization and coordination on aid interventions be enhanced. Most donor countries have undertaken extensive efforts to improve coordination, as seen in the processes surrounding the Paris Declaration on Aid Effectiveness of 2005, as well as the most recent agreements reached at Accra in October 2008 – documented as the Accra Agenda for Action.

Finally, impact evaluation and “results-based management” of aid is increasingly being introduced. This is crucial to generate learning on what works and what doesn’t, and to reduce waste of precious aid resources.

### **CAS: key to improved aid effectiveness**

The preparation of a Country Assistance Strategy is crucial to effective aid management in specific countries. Once aid agencies decide on which countries will receive aid, the CAS enables the rational identification of those sectors and areas for assistance within each country.

The major international development agencies, both multilateral as well as bilateral use CAS processes. At the World Bank, the CAS serves as the WB’s business plan in support of a country’s development. The WB prepares the CAS in four-year cycles in consultation with country stakeholders. The CAS then serves as key tool for management and review of country programs;

The CAS in the practice of the Asian Development Bank(ADB) is called the Country Partnership Strategy(CPS). The CPS is in turn made up of the Country Strategy(CS) and the Country Operations Plan(COP). The CPS is the primary planning instrument guiding ADB operations in particular countries, and also serves as a key monitoring and evaluation tool and instrument for identifying agreed areas for support. The ADB CPS is prepared on a three-year rolling basis, with annual reviews held jointly with the country authorities.

Among the major bilateral aid agencies, the Department of International Development (DfID) of the United Kingdom, the Canadian International Development Agency(CIDA) and the Australian Agency for International Development(AusAID) also use CAS

processes extensively. The CAS practices of the DfID are generally considered by many in the international development community to represent “best practice”. The aid levels and operations of Australia have grown quite rapidly in recent years and so their aid planning and allocation activities have come to embrace CAS elements in similarly rapid fashion.

Indeed, as Korea steps into the role of member of the OECD/DAC, and as it assumes a larger profile and role in the international development community, it is now intensifying its efforts to build its capacity in aid operations, including the adoption of world-class CAS practices.

## **Toward Enhanced Korea–Asia Foundation Partnership**

The workshop on CAS jointly organized by KOICA and The Asia Foundation is another step in a growing collaboration that enhances the quality and effectiveness of South Korea’s aid architecture. The partnership leverages The Asia Foundation’s comparative advantage as an international agency with strong emphasis on research-based development practice – particularly in Asia. As it implements its commitment to enhancing aid effectiveness, KOICA can rely on The Asia Foundation’s 50 years of experience as a trusted development broker and partner.