

Korea's ODA Policy for Fragile States in Asia

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Since the Sustainable Development Goals (SDGs) were adopted in New York in September 2015, increased attention has been placed on fragile states, where most people live under the poverty line. Because the SDGs focus more on marginalized people, it will become necessary to address issues concerning fragile and conflict-affected countries.

Major donors have recognized the importance of supporting fragile states since the 1990s. They have each established strategies on fragility, and incorporated it into their country assistance strategies. Such emphasis on supporting fragile states was placed in order to achieve the Millennium Development Goals (MDGs). However, 43% of the world's impoverished population still leads a life in fragile states, and poverty is expected to become more concentrated in those countries by 2030. Therefore, the international community should invest more efforts into reducing poverty and meeting development needs in fragile or conflict-affected countries using multidimensional policy measures on fragility.

Last year, the Korean Prime Minister's Office announced twenty-four priority partner coun-

tries for 2016-2020. Eight of these countries are categorized as fragile states, and five of them are in Asia: Bangladesh, Myanmar, Nepal, Pakistan, and Sri Lanka. Korea plans to establish a new Country Partnership Strategy (CPS) for priority partner countries in 2016. It is necessary to establish cooperation strategies in order to find a way to incorporate fragility issues within the CPS. This study focuses on fragile states in Asia and suggests policy implications on how Korea should prepare a strategy that supports fragile states.

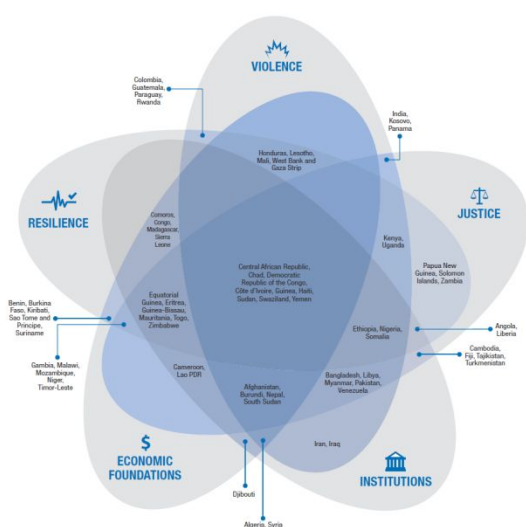
Definition and Scope of Fragile States

Fragility is intrinsically linked to poverty and underdevelopment.¹ Therefore, the definition of and standards for fragile states should be well-understood to provide aid to fragile countries, so as to achieve sustainable and inclusive development by tackling fragilities.

¹ Most Fragile States are categorized as Least Developed Countries (LDCs). In 2015, 62% of the fragile states and economies were also as classified as LDCs among the OECD's list of fragile states.

While there is no overall consensus on the definition of fragile states, most donors regard fragile states as countries that cannot properly function or provide public goods and services for satisfying people's needs.² In other words, fragile states face difficulties in establishing functional relationships between society and government due to lack of governance, weak capacity and institutions, and high social instability.

Figure 1. OECD's Fragility Clusters across Fragile States and Economy



Source: OECD (2015), *State of Fragility: Meeting Post-2015 Ambitions*, p. 20.

The OECD and Fund for Peace has annually published a list and index of fragile states according to their respective indicators. To measure fragility, the OECD provides five standards to capture its multidimensional factors: violence, justice, institution, economic foundation, and resilience. Generally, more than two standards tend to apply for fragile countries (Figure 1). The Fund for Peace categorizes fragility in three parts: social fragility, economic fragility, and political and military

fragility (Table 1). As both organizations understand fragility through diverse standards and indicators, fragility cannot be judged by a single factor. Fragile states and fragility should be analyzed through a multidimensional perspective.

Table 1. Indicators for Fragile States by the Fund for Peace

Category	Indicators
Social	• Demographic Pressure
	• Refugees and Internally Displaced Populations (IDPs)
	• Group Grievance
	• Human Flight and Brain Drain
Economic	• Uneven Economic Development
	• Poverty and Economic Decline
Political and Military	• State Legitimacy
	• Public Services
	• Human Rights and Rule of Law
	• Security Apparatus
	• Factionalized Elites
	• External Intervention

Source: Fund for Peace (2016), *The Indicators*. (Accessed August 1, 2016)

Current Development Situation in Fragile States

Fifty countries and economies are on the OECD 2015 fragile states and economies list (Appendix 1). Around 1.4 billion people, or 20% of the world's population, live in fragile states and this population is projected to grow to 1.9 billion in 2030 and 2.6 billion in 2050.³ The poverty issue is particularly serious in fragile states; 43% of people living on less than USD 1.25 a day are distributed across these countries.⁴

Fragile states continue to lag behind other developing countries in achieving the MDGs, as

² McLoughlin (2012), *Topic Guide on Fragile States*, p. 9.

³ OECD (2015), *State of Fragility: Meeting Post-2015 Ambitions*, p. 31.

⁴ *Ibid.*, p. 31.

demonstrated by an analysis of targets for poverty (MDG 1), education (MDG 2), maternal health (MDG 5) and water (MDG 7). Both fragile and non-fragile states have made impressive progress in reducing child mortality. However, only 22% of fragile states are on track to achieve universal primary schooling, compared to nearly half of non-fragile developing countries. Thirty-two percent (32%) of fragile states have made progress in the under-five mortality rate by two-thirds between 1990 and 2015, compared with 42% of non-fragile states. Only 14% of fragile states have reduced by three-quarters the maternal mortality ratio between 1990 and 2015, in comparison with non-fragile states (28%). As for water, only 28% of fragile states are on track to halve the number of citizens without access to safe water, while 61% of non-fragile states have reached the target.⁵

Development Situation in Asian Fragile States

Twenty-eight out of fifty fragile countries are located in sub-Saharan Africa, and most small island states in the Pacific are fragile countries. After Africa, Asia has the next largest number of fragile states. Eight Asian countries - the Democratic People's Republic of Korea, Myanmar, Timor-Leste, Afghanistan, Bangladesh, Nepal, Pakistan, Sri Lanka - are categorized as fragile states. Most states, except Bangladesh and Sri Lanka, have appeared on the list of fragile states for more than five years. The population in Asian fragile states was 510 million in 2015. The number is projected to reach 620 million in 2030, and 720 million in 2050.⁶

⁵ OECD (2015), *States of Fragility 2015: Meeting post-2015 Ambitions*, p. 36.

⁶ The numbers are calculated based on "World Population Prospects: The 2015 Revision" by the UN Population Division.

There is an urgent need for policy efforts to address the problem concerning fragile states, as 30% of the overall fragile state population is expected to reside in Asia.

The goal to halve extreme poverty (MDG 1) has been achieved years ahead of schedule in Asia and the Pacific, but many fragile states in Asia are still suffering. Among the eight fragile countries, only three - Nepal, Pakistan and Sri Lanka - achieved this MDG target. Bangladesh has made slow progress in reducing extreme poverty and is expected to meet the target after 2015.⁷ However, Afghanistan, North Korea, Myanmar and Timor-Leste have insufficient poverty data to assess progress.

Table 2. Poverty Rate of Asian Fragile States

Country	\$1.25 per day poverty (%)		Country line poverty (5)	
	Earliest	Latest	Earliest	Latest
Nepal	68.0 (1996)	23.7 (2010)	-	25.2 (2010)
Timor-Leste	-	-	-	-
Myanmar	-	-	32.1 (2005)	25.6 (2010)
Bangladesh	70.2 (1992)	43.4 (2010)	56.6 (1992)	31.51 (2010)
North Korea	-	-	-	-
Sri Lanka	15.0 (1991)	4.1 (2010)	26.1 (1991)	6.7 (2013)
Afghanistan	-	-	36.3 (2007)	35.8 (2011)
Pakistan	64.7 (1991)	12.7 (2011)	30.6 (1999)	12.4 (2011)

Note: Numbers in parenthesis indicate the year of the data point

Source: ADB, UN ESCAP, and UNDP (2015), *Making it happen: Technology, finance, and statistics for sustainable development in Asia and the Pacific*, p.65.

Five out of eleven of Korea's 2nd major development partners in Asia are categorized as fragile states (high alert or alert). These states are

⁷ ADB (2015), *Key Indicators for Asia Pacific 2015*, pp. 113-114.

overall fragile socially, economically and politically, but each state has its own distinct features. Pakistan, classified as high alert, shows very weak social indicators as well as political and military indicators. North Korea is relatively

stable in social indicators, but weak in political and military indicators, especially in terms of legitimacy. Group grievance is far higher in Sri Lanka and Nepal compared to other states on their alert level.

Table 3. Fragile States Index of Korea's Priority Partner Countries

Country	Rank	Total	Degree	Social Indicators				Economic Indicators		Political & Military Indicators						
				DP	REF	GG	HF	UED	ECO	SL	PS	HR	SEC	FE	EXT	
Fragile States																
Pakistan	13	102.9	High Alert	9.0	8.9	10.0	7.0	7.3	7.7	8.6	7.9	8.4	9.6	9.2	9.3	
Myanmar	27	94.7	Alert	6.8	8.3	9.7	5.7	8.2	6.5	9.0	8.6	8.3	8.3	8.3	7.0	
North Korea	29	93.8		7.5	4.3	6.3	4.2	8.0	9.0	10.0	8.9	9.7	8.6	8.5	8.8	
Bangladesh	32	91.8		8.1	6.6	8.4	7.5	7.2	6.7	8.5	8.1	7.7	7.7	9.6	5.7	
Sri Lanka	34	90.6		6.0	8.2	9.3	7.8	7.6	5.9	8.0	5.6	8.8	7.9	9.1	6.4	
Nepal	36	90.5		7.9	7.6	9.1	7.0	7.5	6.8	7.1	7.1	7.7	7.0	8.3	7.4	
Non-fragile States																
Cambodia	41	87.9	High Warning	7.0	5.8	7.4	7.5	7.1	6.4	8.4	7.7	8.3	6.7	8.2	7.4	
Philippines	48	86.3		8.2	7.4	8.3	6.2	6.2	6.0	7.5	7.2	5.9	9.1	8.0	6.3	
Laos	55	84.5		7.1	5.6	6.3	7.4	6.9	5.5	9.0	7.7	8.1	6.0	8.3	6.6	
Indonesia	88	75.0	Warning	7.1	5.9	7.3	6.3	6.3	5.2	5.6	6.0	6.8	6.2	7.0	5.3	
Vietnam	97	72.4		6.1	4.7	6.5	5.6	5.5	5.8	8.1	5.2	7.8	5.1	6.9	5.1	
Mongolia	129	57.0	Stable	5.5	2.4	4.3	3.1	6.4	4.3	4.5	5.7	4.8	4.0	5.5	6.5	

Note: **DP**: Demographic Pressures, **REF**: Refugees and IDPs, **GG**: Group Grievance, **HF**: Human Flight & Brain Drain

UED: Uneven Economic Development, **ECO**: Poverty & Economic Decline, **SL**: State Legitimacy, **PS**: Public Service

HR: Human Rights & Rule of law, **SEC**: Security Apparatus, **FE**: Factionalized Elites, **EXT**: External Intervention

Source: The Fund for Peace (2015).

Korea's Policy and Support for Fragile States

Korea's policy for supporting fragile states has concentrated on emergency relief and humanitarian aid for recovery and reconstruction after conflicts or disasters, including Peace Keeping Operations. Korea has yet to make an approach through development cooperation policies and remains focused on international peace and security. South Korea, a relatively recent addition to the OECD DAC, is still in the early stages of providing support for fragile states. There is a lack of a systematic framework based on coun-

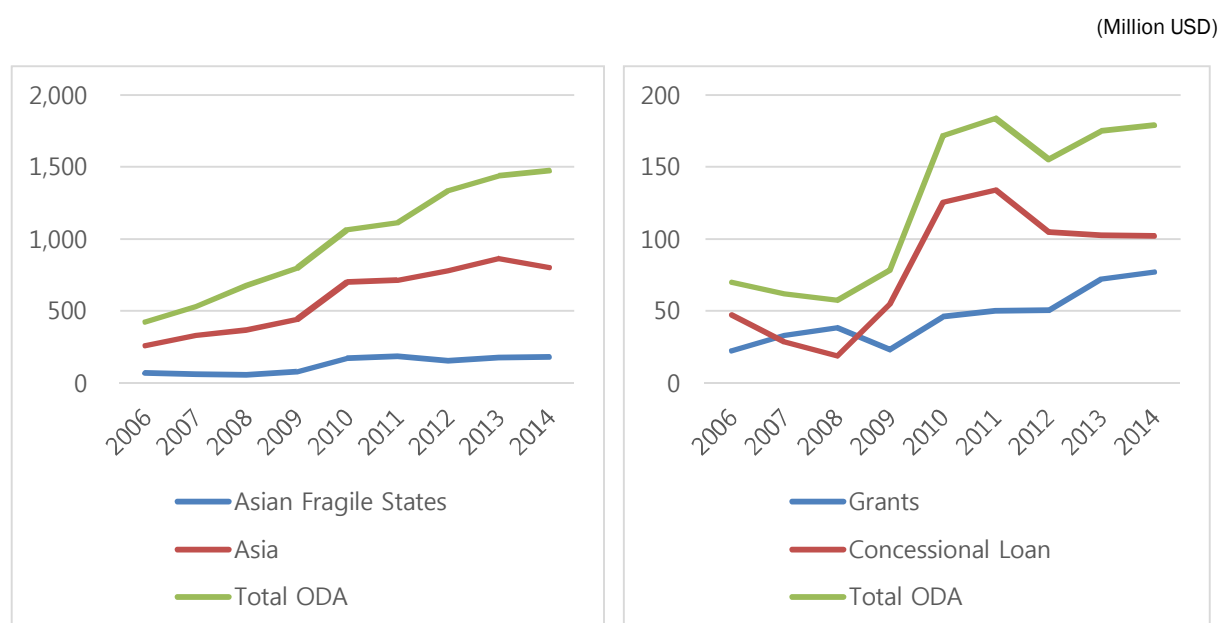
try-specific approaches. However, we are witnessing a steady increase in efforts to support fragile states.

Policies for supporting fragile and conflict states are stated in the "Plan for sectoral international development cooperation (2011-2015)" discussed at the 8th International Development Cooperation Committee (IDCC) meeting. According to this plan, "contribution to world peace and prosperity through humanitarian assistance in response to conflict and disaster and consolidation for peace-building efforts" is one of the six midterm strategies for grant aid. Also, the

OECD DAC guidelines and recommendations for fragile and conflicted states will be phased in the Korean aid project as a subordinated content of the Paris Declaration on Aid Effectiveness. This document also reveals that least developed countries and fragile and conflict-affected countries will receive around 40% of bilateral grant

aid. At the World Humanitarian Summit held in Istanbul on May 23, 2016, the Korean prime minister also mentioned that Korea will expand efforts to root out terrorism and support conflict countries. He added that Korea will double current contributions to the Country-Based Pooled Funds.

Figure 2. Korea's Recent Trends in ODA towards Asian Fragile State*



Note: * Asian fragile states only include Bangladesh, Myanmar, Nepal, Pakistan, and Sri Lanka, priority partner countries of Korea.
Source: OECD CRS Statistics (Accessed August 9, 2016)

Main ODA institutions in Korea such as the Economic Development Cooperation Fund (EDCF), responsible for concessional loans, and the Korea International Cooperation Agency (KOICA), responsible for Korea's bilateral grant aid, established their own strategies concerning aid to fragile states. KOICA's primary goal is to help the transition out of fragility and to support sustainable development and poverty reduction. In 2012, KOICA presented seven principles for supporting fragile states⁸ based on the OECD

DAC's principles for fragile states. KOICA will use these as a guideline when implementing ODA projects. The EDCF has set up an institutional framework to support fragile states and LDCs. In early 2014, the EDCF drew up the Guidelines for Supporting Fragile States for the appraisal, monitoring and evaluation of EDCF projects to meet global standards.

Conclusion

Korea was a conflict-affected country, having

⁸ Contents: 1) Establish country-specific supporting strategies, 2) Strengthen recipient countries' ownership, 3) Long-term support for sustainable development, 4) Do no

harm, 5) Promote non-discrimination, 6) Utilize practical coordination mechanisms, 7) Strengthen risk factor analysis and crisis management

experienced the Korean War in early 1950s while North Korea has been categorized as a major fragile state for a long time. South Korea needs to prepare policies and institution for fragile states with consideration to the unification of the Korean peninsula. We must take concrete steps to establish a systematic strategy for assisting fragile states, beyond refined support such as emergency relief or humanitarian aid.

Above all, Korea should establish a clear definition of fragile states, select the proper target countries for development aid, and subsequently establish the CPS to meet the fragility characteristics of each country. Since every fragile state has different kinds of fragility, it is necessary to strengthen the country-specific approach when establishing and operating the CPS. It is, therefore, necessary to begin with a comprehensive analysis on how and why fragility could affect the development environment and ODA implementation in the country, by studying fragile situations, politics, economic situations, and social and cultural aspects.

Furthermore, it is necessary to provide performance indicators when developing the CPS. If targets and indicators related to fragility are suggested in the CPS, its operational effectiveness could be improved through regular and systematic monitoring and evaluation. Moreover, the incorporation of performance indicators in the CPS can strengthen the connection between the strategy and individual ODA projects. This would help secure a clear direction to conduct aid programs in fragile states.

Lastly, comprehensively connected ODA programs under the CPS should be provided in order to improve aid effectiveness in fragile state. It is crucial to incorporate a comprehensive strategy into the CPS with regard to fragility and based on this to implement proper ODA programs. To this end, it is necessary to determine a

means to effectively link grants and concessional loans. In addition, it is important to consider division of labor and harmonization among donors when providing aid to fragile states. Therefore, Korea should reinforce the basis for cooperation with other donors by pursuing country program-based approaches, such as budget support or pooled funding. **KIEP**

Appendix 1. The List of Fragile States and Economies

Region	Income Level			
	Least Developed Countries	Low-Income Countries	Middle-Income Countries	
			Lower	Upper
East Asia and Pacific (8 Countries)	Kiribati, Myanmar*, Solomon Islands, Timor-Leste, Tuvalu	Democratic People's Republic of Korea	Micronesia	Marshall Islands
South Asia (5 Countries)	Afghanistan, Bangladesh*, Nepal*		Pakistan*, Sri Lanka*	
Europe and Central Asia (2 Countries)			Kosovo	Bosnia and Herzegovina
Latin America and the Caribbean (1 Countries)	Haiti			
Middle East and North Africa(6 Countries)	Yemen		Egypt, Syrian Arab Republic, West Bank and Gaza Strip	Iraq, Libya,
Sub-Saharan Africa (28 Countries)	Burundi, Central African Republic, Chad, Comoros, Eritrea, Ethiopia*, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mauritania, Niger, Rwanda*, Sierra Leone, Somalia, South Sudan, Sudan, Togo, Uganda*	Kenya, Zimbabwe	Cameroon, Congo Côte d'Ivoire, Nigeria	

Note: Countries with * means Korea's priority partner countries.

Source: OECD (2015), *State of Fragility: Meeting Post-2015 Ambitions*, p. 15.