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Evaluation Report on Policy and Implementation Status of Untying Aid

한국국제협력단

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2012.12





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The Korea International Cooperation Agency (KOICA) performs various types of evaluation in order to secure accountability and achieve better development results by learning.

KOICA conducts evaluations within different phases of projects and programs, such as ex-ante evaluations, interim evaluations, end-of-project evaluations and ex-post evaluations. Moreover, sector evaluations, country program evaluations, thematic evaluations, and modality evaluations are also performed.

In order to ensure the independence of evaluation contents and results, a large amount of evaluation work is carried out by external evaluators. Also, the Evaluation Office directly reports evaluation results to the President of KOICA

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This evaluation study was entrusted to Korea Institute for Development Strategy(KDS) by KOICA for the purpose of independent evaluation research. The views expressed in this report do not necessarily reflect KOICA's position.

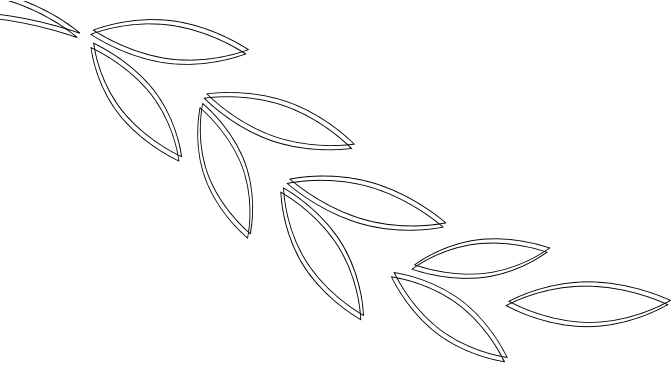




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## **Overview of Evaluation**





# I

## Overview of Evaluation



### 1. Background

The untying of aid is one of the requirements that Korea has to meet as a new member of the Development Assistance Committee (DAC) of the OECD. The government of Korea has set the goal of increasing the percentage of untied aid for all partner countries, specifically towards increasing the percentage of untied aid for least developed countries (LDCs) and Highly Indebted Poor Countries (HIPCs) to 75% and 90%, respectively, by 2015. The Korean government has taken various actions to achieve this goal.<sup>1)</sup> In particular, Korea has made extensive efforts to achieve the goal of increasing the percentage of untied grant aid to 75% by 2012, and to 100% by 2015.

Against this backdrop, there is a need to identify the current status and develop measures for further improvements based on the evaluations of the policy for untied aid and the systems for its implementation.



### 2. Purpose of Evaluation

The purpose of this evaluation is to conduct a fair and objective evaluation of the policy for untying aid and the systems for its implementation in order to track

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1) ODA Advancement Plan (Draft), 5th International Development Cooperation Committee. May 1, 2009

the progress in untying aid and to secure accountability in the implementation of the policy. Based on the evaluation results, an evaluation team will propose methods for improving the efficiency of policy implementation.

In this study, the relevance, efficiency and effectiveness of the policy, strategies and the implementation system of untying aid as well as the representative policy implementation projects were evaluated. Also, suggestions based on practical implications to improve the system of implementing the policy for untying aid based on the issues, implications and lessons learned from the evaluation are provided.



### ■ 3. Evaluation Targets and Items

This evaluation targeted the Korea International Cooperation Agency's (KOICA) policy regarding untying aid, their implementation systems and representative implementation projects.

- Targets of evaluation: KOICA's untied aid policy goal, documents regarding the untied aid policy and strategies, the implementation system, implementation process and representative implementation projects for untying aid from 2009 to 2011.
- Type of inputs and activities: development of policy, strategies and policy implementation activities.
- Outputs and outcomes: improvement of the policy and system, cost effectiveness of aid and related indicators.

The areas that were evaluated are as follows: 1) investment projects, 2) donation of goods, 3) individual investment-related technical co-operation (IRTC) projects, 4) cash grants including emergency relief and 5) support through partnerships with NGOs and international organizations, considering the scope of KOICA's

policy of untying aid. Costs that are outside of the scope of KOICA's policy of untying aid, such as: 1) free-standing technical cooperation, 2) food aid and 3) the costs of general administration and raising awareness on development (research, PR and ODA internships), are excluded from the scope of the evaluation.

## A. Policy of Untying Aid and Implementation Strategy

Evaluation of KOICA's policy for untying aid and implementation strategy

- Plan for implementing untied aid (October 2007)
- KOICA untied aid project operation plan (February 2008)
- Untied aid expansion plan (June 2009)

## B. System for Implementation of Policy for Untying Aid

Evaluation focusing on whether the system and strategy for implementing the policy of untying aid are properly established and managed

- Development of the legal and institutional ground
- Development and operation of the human resource and organization management system
- Management of the status and performance of untying aid policy implementation

## C. Representative Implementation Projects of the Policy for Untying Aid

Three projects representing each bidding method were selected for evaluation among KOICA's 91 untied aid implementation projects operated in 2010 and 2011. Different standards for the different bidding methods and selection of the three projects were applied in the same sector for efficiency and relevance.

1) 1st Phase: Selecting Candidate Projects for Evaluation  
According to Bidding Method

(1) Bidding at the Overseas Office Level

Criteria for the Selection of Candidates

No.	Selection Criteria	Detailed Description
1	KOICA's 91 untied aid implementation projects operated in 2010 and 2011	<ul style="list-style-type: none"> <li>Projects for which contracts were executed as of January 5, 2012</li> <li>Exclusion of the projects that were initially planned as untied aid but failed to be implemented due to various reasons, including delays in bidding</li> </ul>
2	Project type	<ul style="list-style-type: none"> <li>Exclusion of untied aid partnership projects with international organizations, support for NGOs, emergency relief and dispatch of NGO volunteer teams</li> </ul>
3	Projects operated in key partner countries	<ul style="list-style-type: none"> <li>Korea's 26 key partner countries</li> </ul>
4	Projects for which bid price was USD 1 million or higher	
5	Projects for which contracts were signed through competitive bids at the local office level (comprehensive evaluation on technology and pricing)	<ul style="list-style-type: none"> <li>Exclusion of contracts based on the lowest price screening</li> <li>With a focus on design and construction projects</li> </ul>
6	Projects for which KOICA Procurement Team has provided bidding support	<ul style="list-style-type: none"> <li>Provision of bidding support, business trip support and advice on bidding at the local overseas level</li> </ul>

Candidate Projects

1. The Project for Strengthening Provincial Hospital Services in Siem Reap, Cambodia (USD 1.76 million, health sector)
2. The Project for Construction of a Secondary School in Adwa, Ethiopia (USD 3.24 million, education sector)
3. The Project for Improving Public Health and Tuberculosis Control in Caviet, the



Philippines (USD 2.04 million, health sector)

4. Selection of Planning and Construction Partners for the Project for the Establishment of HRD Center in the Royal University of Phnom Penn, Cambodia (USD 4.2 million, education sector)
5. Selection of Construction Partner for the Project for the Establishment of Vietnam-Korea BacGiang College of Technology, Vietnam (USD 3.72 million, education sector)

## (2) International Bidding at the Headquarters Level

### Criteria for Selection of Candidates

No.	Selection Criteria	Detailed Description
1	KOICA's 91 untied aid implementation projects operated in 2010 and 2011	<ul style="list-style-type: none"> <li>• Projects for which contracts were executed as of January 5, 2012</li> <li>• Exclusion of the projects that initially were planned as untied aid but failed to be implemented due to various reasons, including delays in bidding</li> </ul>
2	Project type	<ul style="list-style-type: none"> <li>• Exclusion of untied aid partnership projects with international organizations, support for NGOs, emergency relief and dispatch of NGO volunteer teams</li> </ul>
3	Projects operated in key partner countries	<ul style="list-style-type: none"> <li>• Korea's 26 key partner countries</li> </ul>
4	Projects for which bid price was USD 1 million or higher	
5	Projects for which contracts were signed through international bidding at the headquarters level	<ul style="list-style-type: none"> <li>• Contracts with a focus on Project Management Consultant (PMC) or Construction Manager (CM)</li> </ul>

### Candidate Projects

1. The Project for Modernization of Customs Administration in Nepal (USD 3.82 million, administration sector)
2. The Project for Establishment of ICT and Web-Based Learning System in

Bangladesh Open University (USD 2.02 million, education sector)

3. The Project for Health Services Improvement in Tikapur, Nepal (USD 1.87 million, health sector)
4. The Project for Digital Archive to Upgrade the Integrated Registration and Information System (USD 3.22 million, administration sector)

### (3) Use of Procurement System of Partner Countries

#### Criteria for Selection of Projects

No.	Selection Criteria	Detailed Description
1	KOICA's 91 untied aid implementation projects operated in 2010 and 2011	<ul style="list-style-type: none"> <li>• Projects for which contracts were executed as of January 5, 2012</li> <li>• Excluded projects selected as untied aid pilot projects that failed to be operated as untied aid projects due to their having factors related to tying</li> <li>• Excluded projects planned as untied aid that failed to be implemented due to various reasons, including delays in bidding</li> </ul>
2	Type of project	<ul style="list-style-type: none"> <li>• Excluded untied aid partnership projects with international organizations, support for NGOs, emergency relief and dispatch of NGO volunteer teams</li> </ul>
3	Projects for which contracts were signed through utilization of the partner countries' procurement system	<ul style="list-style-type: none"> <li>• Focus on procurement of equipment</li> </ul>

#### Candidate Projects

1. Selection of Procurement Partners for the Project for Strengthening Primary Health Care in Jenin, Palestine (USD 0.83 million, health sector)
2. Selection of Procurement Partners for the Project for the Establishment of Education Facilities in Hebron, Palestine (USD 0.45 million, health sector)

## 2) 2nd Phase: Selecting Projects for Evaluation in the Same Sector

The untied aid projects in the health sector were selected for the evaluation of representative implementation projects because they were included in the respective bidding type in a manner different from other sectors such as education and administration.

- Bidding at the overseas office level: The Project to Strengthen Siem Reap Provincial Hospital Service, Cambodia
- International bidding at the headquarters level: The Project for Health Services Improvement in Tikapur (HIT), Nepal
- Procurement system usage of partner countries: The Project for Construction of Public Health Centers in Jenin, Palestine



## ■ 4. Method of Evaluation

### A. Criteria and Method of Evaluation

#### 1) Principles and Criteria of Evaluation

The principles and the specific criteria of the overall evaluation process are aligned with the Guidelines for Development Aid Project Evaluation of KOICA (November 2008) and the principles of evaluation suggested by the OECD DAC.

- The Principles of Evaluation: partnership, impartiality, objectivity, transparency and credibility

The scope and criteria of evaluation are defined as follows:

Evaluation Criteria	Scope of Evaluation		
	Aid Policy and Implementation Strategy (Total System Studies)	Aid Policy Implementation System (System)	Representative Implementation Project (Single Project Studies)
Relevance	○		○
Efficiency	○	○	○
Effectiveness		○	○

## 2) Method of Evaluation

### (1) Development and utilization of a comprehensive evaluation model

The comprehensive evaluation model was developed according to the phased evaluation factors of the policy and the representative implementation projects. Techniques for policy and project evaluation were utilized for each target of evaluation to develop the model above.

### (2) Utilization of multi-dimensional and phased evaluation techniques

The reliability of the evaluation results was secured by using at least three multi-layered techniques, including literature reviews, surveys and interviews in Korea and abroad. Implications for Korea's policy for untying aid were derived through case studies on other donor organizations operating untied aid policies (interviews with donor agency staff members at DANIDA, JICA, SIDA, UNDP and World Bank).

## B. Method of Domestic and International Research

### 1) Literature Review

- Collection and analysis of data on KOICA's policy for untying aid, the implementation status and representative implementation projects

As the primary data for evaluation, the evaluation team analyzed the data on Korea's policy for untying aid and its implementation. In addition, the team referred to various domestic and foreign literatures, including reports on the policy for untying aid and evaluations on implementations in the international community as references and secondary data for this evaluation.

### 2) Domestic and International Interviews

- In-depth interviews with KOICA staff members in charge, government officials of partner countries, project operators and staff members of other donor agencies

The team conducted in-depth interviews with KOICA staff members in charge of making the policy on untying aid, implementing this policy and operating the untied aid implementation projects. The team also visited a site at which a bid was made at the overseas office level and had local interviews with government officials of partner countries in charge of procurement and with project operators (construction managers and companies) related to the projects for the evaluation. Also, interviews were conducted with procurement managers of bilateral and multilateral donor agencies providing untying aid for Cambodia by visiting the Cambodian offices of bilateral and multilateral donor agencies such as AusAID, JICA, SIDA, DANIDA, World Bank and UNDP for evaluation case studies.

### 3) Surveys

#### □ Overview of Questionnaire Surveys

Items	Partner countries	KOICA
Contents of Surveys	Contents related to the relevance, efficiency, and effectiveness of the bidding process of the representative untied aid implementation project by the local office	Identification of KOICA staff's awareness on the policy of untying aid and suggestions regarding improvement measures
Targets of Surveys	Stakeholders of the Cambodian government (Ministry of Health and Siem Reap Health Department), Siem Reap Provincial Hospital, and construction company (KimMex)	Staff in charge of the KOICA headquarters and overseas offices
Method of Surveys	Distribution and collection of survey sheets during interviews (collection by employees of KOICA overseas offices)	Utilization of the online survey system of the KOICA headquarters

#### C. Limitations and Significance of Evaluation

##### □ Limitations of Evaluation

An evaluation of all untied aid projects operated according to the untying aid policy of KOICA would be desirable. But due to the physical limitations of the evaluation, representative projects applying each of the bidding systems were selected and evaluated to derive lessons and implications regarding the untied aid projects overall. Another limitation of the evaluations was that the involved parties of partner countries provided limited samples. For example, in the local survey for the evaluation of the Project to Strengthen Siem Reap Provincial Hospital Services which was operated as a bid at the overseas office level, the team collected only 14 respondents directly involved in the bidding process.

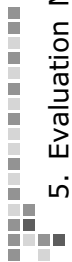
##### □ Significance of Evaluation

Despite the limitations of the evaluation, there was no difficulty in deriving the evaluation results of all the implementation projects of the policy for untying

aid. Projects representing three bidding methods of untied aid were selected and evaluated based on the logical and objective criteria, so that consistent results could be produced for an overall evaluation of the untied aid implementation projects.

Specifically, the limitations of surveys with a small number of samples of a partner country could be overcome because the surveys were conducted by targeting stakeholders from various organizations directly involved in the bidding at the overseas office level. Thus, the representativeness of the samples was ensured.

This evaluation is significant as it is the first evaluation of KOICA's policy for untying aid and the status of its implementation, achievements and limitations since KOICA started to fully implement the policy in 2009. While previous studies related to untying aid in Korea have focused on the adoption of the policy, this evaluation derived practical implications for the foundations of policy implementation and improvements for the system. This was accomplished by assessing the major issues raised during the entire period of policy implementation for untying aid through a review of implementation cases involving bilateral donors.



## 5. Evaluation Matrix

Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Relevance	1.1. Is the goal of KOICA's policy of untying aid aligned with the Korean government's policy on untying aid?	Question 1. Is the goal of KOICA's untying policy appropriate? 1.1.1. How is KOICA's policy of untying aid aligned with the policy of the Korean government on untying grant aid?	1.1.1.1. Alignment of KOICA's policy of untying aid with the policy of the Korean government on untying grant aid	- Resolution on ODA policy of the Committee for International Development Cooperation (CIDC) - ODA policy documents from the Ministry of Foreign Affairs and Trade (MOF) - KOICA's policy documents on untying aid	Literature Review
			1.2.1.1. Alignment of KOICA's untying policy with the Paris Declaration on Aid Effectiveness and the principles of the Busan Partnership for Effective Development Cooperation?	- The Paris Declaration on Aid Effectiveness - The principles of the Busan Partnership for Effective Development Cooperation - OECD DAC Recommendations (2001) on the untying of LDC - KOICA's policy documents on untying aid	Literature Review
Relevance	1.2. Is the goal of KOICA's untying policy aligned with the international standards for untying aid?	1.2.1. How is KOICA's untying policy aligned with the Paris Declaration on Aid Effectiveness and the principles of the Busan Partnership for Effective Development Cooperation? 1.2.2. How is KOICA's untying policy aligned with the OECD DAC Recommendations (2001) on the untying of LDC?	1.2.1.1. Alignment of KOICA's untying policy with the Paris Declaration on Aid Effectiveness and the principles of the Busan Partnership for Effective Development Cooperation	- The Paris Declaration on Aid Effectiveness - The principles of the Busan Partnership for Effective Development Cooperation - OECD DAC Recommendations (2001) on the untying of LDC - KOICA's policy documents on untying aid	Literature Review
			1.2.2.1. Alignment of KOICA's untying policy with the OECD DAC Recommendations (2001) on the untying of LDC?	- The Paris Declaration on Aid Effectiveness - The principles of the Busan Partnership for Effective Development Cooperation - OECD DAC Recommendations (2001) on the untying of LDC - KOICA's policy documents on untying aid	Literature Review



Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Efficiency	Question 2. Is the implementation strategy of KOICA's untying policy relevant to the objectives of the policy?	2.1. Does the implementation strategy of KOICA's untying policy provide detailed measures for achieving the objectives of the policy for untying aid?  2.1.1. Are clear objectives and implementation guidelines provided for each type of project and method of procurement?  2.1.2. Are the appropriate measures for developing the institutional and organizational foundation provided?  2.1.3. Are the appropriate measures for management, monitoring and evaluation of the policy performance results provided?  2.1.4. Are the appropriate measures for HR management provided?	2.1.1.1. Establishment of objectives by type of untied aid project (project/ IRTC/International organization/NGO) and method of procurement (headquarters/overseas office/partner country) 2.1.1.2. Development of clear operation guidelines by method of procurement  2.1.2.1. Provision of measures for developing rules and process of bidding at headquarters/overseas office/partner country 2.1.2.2. Provision of measures for developing an electronic procurement system  2.1.3.1. Development of measures for managing the implementation of the untying policy, including regular monitoring and evaluation of performance  2.1.4.1. Provision of detailed framework regarding general/support offices and HR management for implementing the untying aid policy 2.1.4.2. Provision of detailed framework regarding evaluation of staff performance and staff training on policy, evaluation, and project implementation team	- KOICA's Implementation Strategy for untying aid - Guidelines for the operation of projects	Literature Review, Interview

Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Efficiency	Question 3. Has KOICA's implementation system effectively contributed to achieving the goal of its policy for untying aid?				
	3.1. Was the legal basis appropriately developed?	3.1.1. Were the appropriate rules on bidding defined at the headquarter/overseas office/partner country, and are they practically utilized?	3.1.1.1. Contents of KOICA's International Procurement Guideline and status of use 3.1.1.2. Comparative analysis with rules of bilateral donors	- KOICA International Procurement Guideline - Procurement Guideline of bilateral and multilateral donors	Data Analysis, Literature Review, Interview
Efficiency	3.2. Were the Institutional and Staff Performance Management Systems appropriately developed?	3.2.1. Were Institutional and Staff Performance Management Systems developed for the efficient implementation of the policy of untying aid?	3.2.1.1. Internal business process flow and status of role allocation 3.2.1.2. Recruitment and management of staff specialized in untying aid 3.2.1.3. Implementation of staff performance management system 3.2.1.4. Development and utilization of a bid notification system such as the electronic bid notification system and DAC Bulletin Board 3.2.1.5. Procurement service of providers and internal/external PR 3.2.1.6. Staff training 3.2.1.7. Link with the performance evaluation system	- Stakeholders' opinions - Documents on KOICA's implementation strategy for untying aid	Data Analysis, Literature Review, Interview

Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Efficiency	3.3. Is the system for the implementation of the policy for untying aid fully understood internally?	3.3.1. Do the staff in charge have a clear understanding of the untying aid system?	3.3.1.1. Understanding of stakeholders regarding the business process flow of the system for untying aid	<ul style="list-style-type: none"> <li>- Stakeholder opinions</li> <li>- Results of questionnaire surveys</li> </ul>	Statistical Analysis, Interview, Questionnaire Survey
		3.3.2. Do the managers in charge of untied projects have a clear understanding of the bidding process of the headquarter/overseas office/partner country?	3.3.2.1. Understanding of stakeholders on the bidding process of the headquarter/overseas office/partner country 3.3.2.2. Internal sharing system of strategic documents and project guidelines		
Effectiveness	3.4. Were the targets of the untying policy achieved through effective management?	3.4.1. Were the criteria and procedures in selecting annual untied aid projects and classifying the procurement methods effective in achieving the annual targets?	3.4.1.1. Criteria and procedures of annual selection of untied aid projects and classification of procurement methods	<ul style="list-style-type: none"> <li>- Documents on KOICA's implementation strategy for untying aid</li> <li>- Annual list of plans for untied aid projects and data on implementation</li> <li>- Stakeholders' opinions</li> </ul>	Literature Review, Interview
		3.4.2. Was the untying aid policy implemented by phase, and was the annual/interim target achieved according to the implementation strategy and the annual list of plans for untied aid projects?	3.4.2.1. Comparison of annual targets and performances		

Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
	Question 4. Did the three representative untied aid projects effectively contribute to achieving the objective of the policy of untying aid?				
Relevance	<p>4.1. Are the representative untied aid projects aligned with the Korean government's policy of untying aid?</p>	<p>4.1.1. How are the representative projects aligned with the untying grant aid policy of the Korean government?</p> <p>4.1.2. Was the selection of the representative projects appropriate?</p>	<p>4.1.1.1. Relevance and alignment of the representative projects with the Korean government's policy of untying grant aid</p> <p>4.1.2.1. Criteria and procedures for selection of representative untied aid projects and classification of procurement methods</p>	<ul style="list-style-type: none"> <li>- Resolution on ODA policy of the Committee for International Development Cooperation</li> <li>- ODA policy documents of the Ministry of Foreign Affairs and Trade</li> <li>- Documents on KOICA's implementation strategy</li> <li>- Annual list of plans for untied aid projects and data on implementation</li> <li>- Stakeholders' opinions</li> </ul>	Literature Review, Interview
Relevance	<p>4.2. Are the representative untied aid projects aligned with international standards on the untying of aid?</p>	<p>4.2.1. How are the representative projects aligned with the Paris Declaration on Aid Effectiveness and the principles of the Busan Partnership for Effective Development Cooperation?</p> <p>4.2.2. How are the representative projects aligned with OECD DAC Recommendations (2001) on untying aid to the LDC?</p>	<p>4.2.1.1. Alignment of the representative projects with the Paris Declaration on Aid Effectiveness and the principles of the Busan Partnership for Effective Development Cooperation</p> <p>4.2.2.1. Alignment of the representative projects with the OECD DAC Recommendations (2001) on untying aid to the LDC</p>	<ul style="list-style-type: none"> <li>- The Paris Declaration on Aid Effectiveness</li> <li>- The principles of the Busan Partnership for Effective Development Cooperation</li> <li>- OECD DAC Recommendations (2001) on untying aid to the LDC</li> <li>- KOICA's policy documents on untying aid</li> </ul>	Literature Review

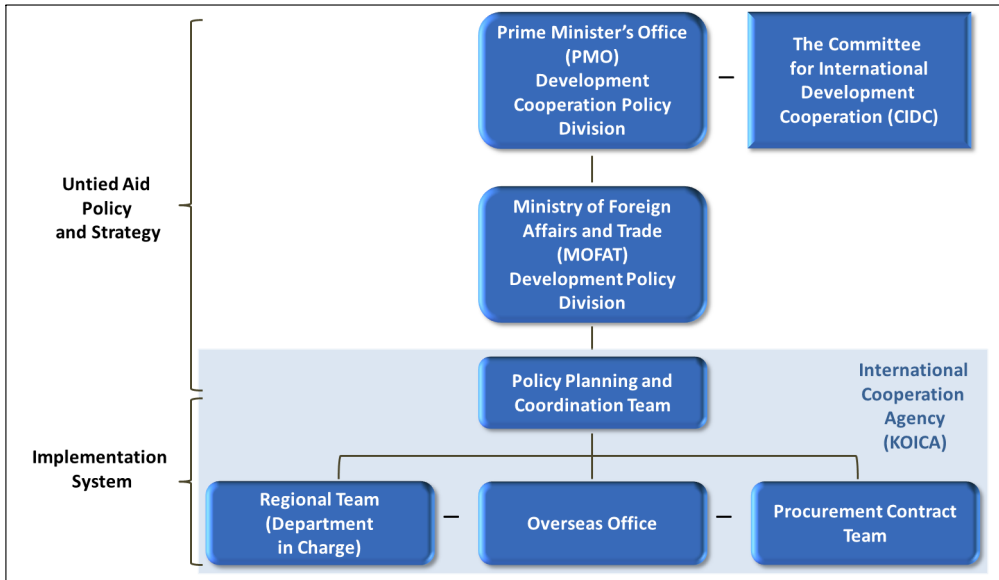
Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Efficiency	4.3. Are the procurement targets of the representative projects set clearly?	4.3.1. Do the procurement targets and methods of the representative projects meet the internal plan and the OECD DAC Recommendations (2001)?	4.3.1.1. Procurement policy of the representative projects 4.3.1.2. Implementation procedure for bidding at the headquarters/overseas office/partner country, by project	- (By project) Bid notice, request for proposal (RFP), bid duration, results of bid evaluation - OECD DAC Recommendations (2001) on untying aid to the LDC	Literature Review, Interview,
	4.4. Were the bids at the headquarters/overseas office/partner country efficiently conducted?	4.4.1. Was the HR and organizational support appropriate for the bidding system?	4.4.1.1. Records of support by Procurement Contract Team/overseas offices/regional team (departments in charge) 4.4.1.2. Evaluation by Procurement Contract Team/overseas offices/regional team (departments in charge)	- Descriptions of support and opinions of regional team (department in charge), overseas office and procurement contract team	Literature Review, Interview, Field Survey
Effectiveness	4.5. Were the procurement targets of the representative projects achieved?	4.4.2. Were the HR management and the organizational support efficient in considering the bids' targets? 4.5.1. Were the procurement targets of the representative projects achieved as planned?	4.4.2.1. Evaluation on the support of Procurement Team/local offices by managers in charge 4.5.1.1. Bidding results at the headquarters/overseas/partner country (contract amount, companies participating in bidding and results of the comprehensive evaluation)	- (By project) Bid notice, request for proposals (RFP), bid duration, results of bid evaluation	Literature Review, Interview, Field Survey

Items for Evaluation	Questions	Specific Items of Evaluation	Evaluation Indicators	Source of Data	Method
Effectiveness	4.6. Did the procurement through the bids at the headquarters/overseas office/partner country effectively contribute to achieving the goal of the policy on untying aid and the objectives of the projects?	4.6.1. How did procurement through united aid positively contribute to achieving the objective of the project?	4.6.1.1. Evaluation by managers in charge and stakeholders in partner countries	<ul style="list-style-type: none"> <li>- Regional team (department in charge)</li> <li>- Overseas office</li> <li>- Procurement contract team</li> <li>- Construction Manager (CM)</li> <li>- Project-related ministries and local construction companies of partner country</li> </ul>	<ul style="list-style-type: none"> <li>Literature Review,</li> <li>Interview,</li> <li>Questionnaire Survey</li> </ul>

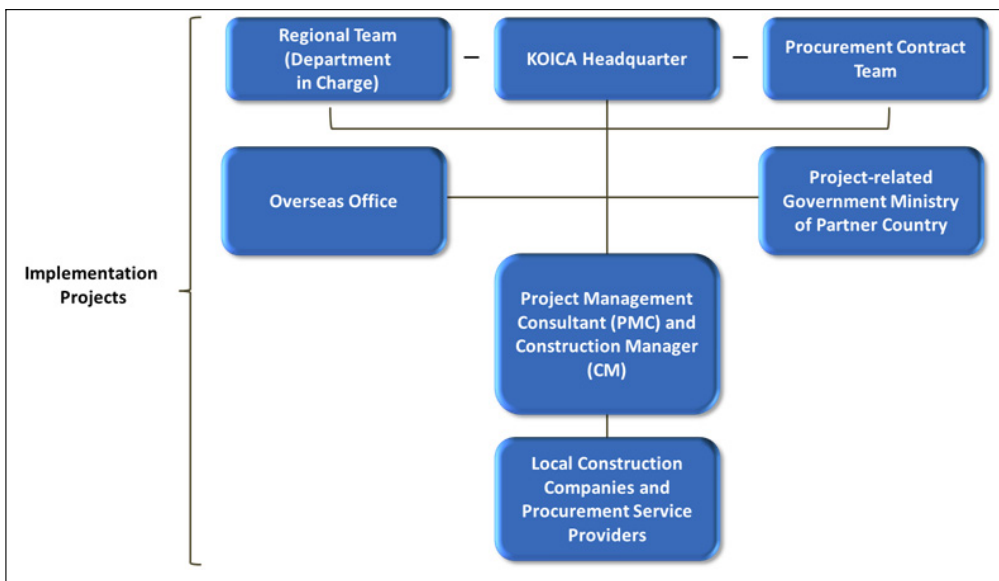


## 6. Analysis of Stakeholders by Category of Evaluation

Policy, strategy and implementation system for the untying of aid

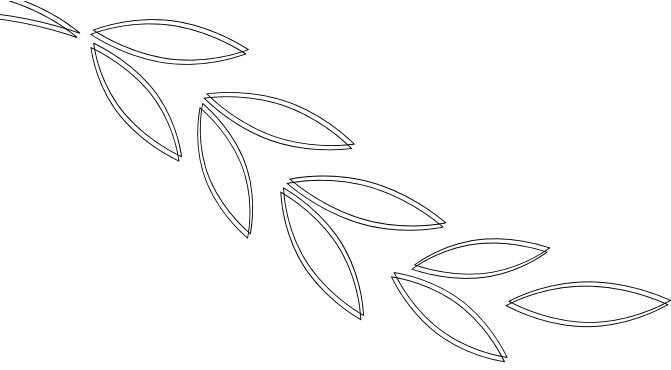


Representative implementation projects of the policy for untying aid









## Evaluation Results





## II

# Evaluation Results



### 1. Policy and Strategy

Evaluation Question 1: Is the goal of KOICA's untying aid policy appropriate?  
Evaluation Question 2: Is the implementation strategy of KOICA's untying aid policy relevant to the policy's objectives?

Questions one and two of the evaluation focused on the policy and strategy of KOICA's untying aid policy. Specifically, they evaluated whether the policy is appropriately aligned with the domestic and international discourses on untying aid and if the implementation strategy contributes to effective implementation. In reference to the evaluation matrix, only the criteria of relevance and efficiency out of the five evaluation criteria of the DAC were assessed.

#### □ Scope and terms of evaluation

Question 1 aims to evaluate whether the goal of KOICA's untying aid policy is aligned with national and international commitments regarding the untying of aid. Accordingly, the question does not intend to examine whether the target percentages for untying aid as set out by KOICA and the Korean government are feasible or reasonable, or whether the policy on the untying of aid is aligned with the Government Procurement Act, the WTO GPA (Government Procurement Agreement) and the Korean government's other foreign policies, including those on commercial expansion overseas.

The goal of the untying policy in this chapter refers to the target percentages as defined by KOICA to achieve 100% untied aid by 2015 and implement the untying aid policy at the trans-governmental level. Implementation strategy refers to the policy implementation measures proposed in the following documents: 1) “The Measures for Implementation of Untied Aid” (October 2007), 2) “The Plan for Untied Operation of KOICA Projects” (February 2008) and 3) “The Plan for Expansion of the Untying Aid” (June 2009).

## A. Relevance

### 1) Alignment with the Korean government’s policy for untying aid

The goal of KOICA’s policy for untying aid appears to be appropriately aligned with the Korean government’s policy. The need to expand untied aid was raised at the 2nd International Development Cooperation Committee (July 2007), and the phased plans for untying grant aids and loans were confirmed by 2009. Accordingly, the goal of KOICA’s policy of untying aid was set in June 2009.

In October 2007, KOICA proposed the target of 90% by 2015, and the International Development and Cooperation Committee accepted the proposal in January 2008, updating the target to 100% of grant aid in May 2009. KOICA confirmed this final target in June 2009. The process enabled KOICA’s target percentage to be completely aligned with the goal of untying grant aid of all government ministries. The government’s target of untying 100% of grant aid is based on the assumption that KOICA’s assistance, which accounts for a large portion of grant aid, should be fully untied. In this regard, KOICA’s target of untying 100% of its aid is appropriate for achieving the government policy.

## 2) Alignment with the OECD DAC Recommendations (2001)

The goal of KOICA's untying policy and its plan to untie 100% of its assistance to LDC and HIPC by 2012 is appropriately aligned with the principles stipulated in the OECD DAC Recommendations (2001) and the revised Recommendations of 2006 and 2008.

## 3) Alignment with the Paris Declaration on Aid Effectiveness and AAA provisions on untying aid

KOICA's policy objectives are aligned with the Paris Declaration on Aid Effectiveness which states the commitment to expanding untied aid by 2010, and with the Accra Agenda for Action (AAA) which encourages the expansion of untied aid and local procurement:

- Article 31 of the Paris Declaration on Aid Effectiveness specified that DAC donor countries will continuously comply with the OECD DAC Recommendations (2001). A continuous increase in the percentage of untied aid within bilateral aid was set as the target in Indicator 8.
- The objectives of Article 18 of the AAA are to: 1) expand the scope of application of the OECD DAC Recommendations (2001) into non-LDC HIPC, 2) urge donor countries to establish plans for further untying of aid and 3) encourage local procurement.

Thus, KOICA's untying policy is appropriately aligned with all of the above provisions.

## B. Efficiency

### 1) Efficiency of Implementation Strategy

The implementation strategy that KOICA developed to achieve the goal of the policy of untying aid<sup>2)</sup> seems to provide efficient policy implementation measures, particularly in terms of the strategies for each method of procurement and suggestions for effective measures on the relevant legal basis. Furthermore, a roadmap was clearly proposed at the strategic planning stage, thus enabling efficient policy implementation.

Specific strategies were suggested according to the method of procurement and type of contract. The strategies were relatively appropriate in establishing international bidding regulations, developing operational guidelines and manuals, setting up the electronic procurement system and reporting the results to the OECD DAC.

However, there were some challenges such as insufficient guidelines covering the full range of aid modalities, monitoring framework and organizational strategy, including human resource management. The proposed implementation strategy focused on untying projects, but failed to provide detailed guidelines for other aid modalities (partnership programs with NGOs, multi-bi aid, emergency relief and commodity support), particularly with regard to commodity support<sup>3)</sup> and emergency relief<sup>4)</sup>.

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2) The measures for the implementation of untied aid (October 2007), the plan for untied operation of KOICA projects (February 2008) and the plan for expansion of the untying of aid (June 2009)

3) According to the OECD DAC Recommendations (2001), the Korean government's untied aid policy and KOICA's untying policy, commodity support must be untied, regardless of whether it is granted in cash or as goods.

4) Under the current operational framework, emergency relief can be provided in cash or as goods. If provided as goods, emergency relief may be recorded as either tied or untied.

Also, monitoring strategies were not provided. As a result, measures for monitoring were temporarily established and operated whenever a need arises. The performance indicators and the reporting forms have varied by year, and as such there has been a failure to provide a consistent framework for multi-year performance monitoring. The repetitive establishment and execution of provisional systems led to inefficiency.

Although organizational efforts to maximize the efficiency of policy implementation management were required to clearly allocate the roles to each department and establish the procedures for implementation and monitoring in the annual strategic plans, no related measures were provided. Only the “expansion of related experts” was mentioned as a measure for human resource management. No measures related to internal information sharing systems, training for employees, performance management or incentive systems for employees were provided.

The aforementioned challenges were gradually managed at a later stage of policy implementation. However, the fact that the policy department did not consider these factors from the initial stage could be pointed out as a shortcoming in terms of the efficiency of the policy implementation process.



## ■ 2. Implementation System

Evaluation Question 3: Has KOICA’s implementation system effectively contributed to achieving the goal of its policy to untie aid?

The efficiency of the legal, organizational and HR systems and the internal awareness strategy are analyzed in this section. Furthermore, the effectiveness of annual planning system annual performance was evaluated. Among the DAC evaluation criteria, only efficiency and effectiveness were assessed.

## A. Efficiency

### 1) Efficiency of Legal Framework

It was evaluated that the international procurement rules established in 2010 in accordance with the implementation strategy provide an efficient base for the implementation of the untying aid policy.

According to the in-depth interviews with KOICA staff members involved in local procurement at the regional departments, procurement team and overseas offices, the international bidding rules have offered a clear legal basis for bidding at the local level. Compared to the previous practices (e.g. discretionary procedures by borrowing similar national competitive bidding rules as a reference to develop a legal background for local procurement; or, the ad-hoc establishment of standards for bidding documents in English), the efficiency of the local procurement process has been significantly improved.

However, there is a need to revise the rules due to a lack of efficiency and the absence of certain provisions. Article 6 of the KOICA International Procurement Rules<sup>5)</sup> is not based on a correct interpretation of KOICA's untying policy, which is applicable to all partner countries without minimum amounts. For this reason, it is likely that the article would cause confusion. Some provisions cannot be applied to the local context, due mainly to the fact that the headquarters-level international bidding rules and procedures, which are very rigid, were mostly

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5) Article 6 (Scope of Application of International Bidding) The following cases shall be subject to international bidding:

1. Assistance to LDC and HIPC, of which the estimated amount for commodity support and infrastructure building is no less than SDR 0.7 million (USD 1 million) or the estimated amount of the service is no less than SDR 0.13 million (USD 0.18 million), or
2. Other cases in which procurement through international bidding is deemed to be efficient in terms of the objective and the nature of the contracts.



borrowed for local procurement.<sup>6)</sup> In the rules, the phrase, “use of local procurement system,” is not clearly defined, and there is no sufficient explanation in regard to how and to what extent the rules are to be utilized. Also, there are no provisions regarding dispute settlement and the use of private procurement companies, international organizations and other donor agencies.

## 2) Efficiency of Organizational Framework

### (1) Development of Project Guidelines

The international procurement guidelines (May 2010) and the manual for international procurement (May 2010) were developed and distributed to staff immediately after the international procurement rules entered into force, in order to provide practitioner-level guidelines for international bidding at the headquarters level as well as procurement for the overseas offices, and partner countries. This was a very timely measure to achieve efficiency. Specific explanations on headquarters-level international bidding and local procurement were provided by stage of the bidding process. Charts were used to enhance user’s understanding.

However, the guidelines for local procurement, which are distinct from those for international bidding at the headquarters level, seem to be insufficient. In particular, the guidelines for the use of the country procurement system<sup>7)</sup> are

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6) For example, performance certificates of projects similar to the level of those required for international bidding at the headquarters level are required for bidding at the local office level, but there is the risk of false statements due to the lack of a certification system and corruption in many partner countries. It was reported that some bidders in Cambodia were rejected from bidding due to the above reasons (source: local surveys in Cambodia). In addition, the percentage of the bidding deposit (10%) is higher than the norm in some partner countries, and thus an adjustment of the percentage to local circumstances is required.

7) In some cases, guidelines on the utilization of the procurement system of partner countries are provided as separate documents, such as Nordic+’s Joint Procurement Policy Guidelines and US Millennium Challenge Cooperation (MCC)’s "Guidelines for the Use of Country Systems in Implementation of Millennium Compact"(2010). In other cases, guidelines on the utilization of the public financial management system or guidelines on PBA such as CIDA’s Business Process Roadmap (2004) and Danida’s Programme Management Guidelines (2009) are provided.

not appropriate, and will require revisions in the future. A staff survey found that areas requiring the most improvement in the category of local procurement are the “establishment of guidelines” (18.7%) and the “unification of guidance by type of case” (16.3%). For the category of the use of country procurement system, 41.3% responded that there was a need for the “establishment of standards applicable to the procurement system for partner countries” (22.4%) and an “improvement in the quality of current guidelines” (18.9%).

## (2) Allocation of Tasks

KOICA’s organizational framework involving the General Policy Team, Procurement Contract Team, regional departments and overseas offices not only contributes to minimizing additional workload but also enables the efficient implementation of the policy of untying aid, when considering the existing procedures and the workflow of project operations.

The internal system focuses on projects, and thus fails to comprehensively manage various types of aid modalities subject to untying, including commodity support and emergency relief. This may become an obstacle to achieving the 2015 target of 100% untied aid. Additionally, there is a lack of cooperation between the General Policy Team that manages and oversees the untying policy and the Humanitarian Aid Office that manages commodity support and emergency relief from the annual planning stage, and as a result, the annual performance of untying aid is not managed in an integrated manner.<sup>8)</sup>

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8) In relation to projects, the systems for the effective annual project planning, decision-making regarding procurement methods, bidding operation and annual monitoring of procurement results are developed based on the allocation of tasks among the General Policy Team, Procurement Contract Team and overseas offices. On the other hand, the Humanitarian Aid Office plans and operates annual emergency relief and commodity support projects related to untying without consulting the Policy Procurement Team. Furthermore, the Office’s untying performance is not integrally reported to the General Policy Team but to the Statistics Specialist, which makes it difficult for the General Policy Team to identify and respond in timely manner.

While commodity support can be untied, it is mostly procured as tied aid through national bidding; as such, this may serve as an obstacle to achieving the 2015 target of 100% untied aid.<sup>9)</sup> Nevertheless, the General Policy Team does not manage the untying of commodities. The General Policy Team also did not manage the untying of emergency relief, despite the fact that it could be provided either tied or untied, because it was provided either in cash or in the form of goods.<sup>10)</sup>

### (3) Performance Management Framework

The performance management framework for the untying of aid, which was not addressed at the policy planning phase, has gradually improved during implementation and enabled the efficient management of performance. Every November, the General Policy Team confirms monitoring criteria and sends requests to the regional departments for performance reporting. Each department records the method of procurement, the status of operation, the contract amount and the bidding information. The General Policy Team collects and manages the records. There was no change in the frequency and procedure of monitoring from 2009 to 2011. However, as more criteria for monitoring were added in 2011, useful and practical data became accessible.

Nonetheless, there is a need for improvement in terms of the comprehensiveness of the monitoring system. In a staff survey, 43.6% of respondents described the current monitoring system as “very” or “slightly” inefficient. There may be various reasons for this, but the key reason would be the lack of a comprehensive and regular monitoring system.

Also, the annual performance management framework operated by the General

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9) The percentage of untied commodity support was a mere 3.9% in 2009, 0.1% in 2010 and 1.1% in 2011.

10) As of 2012, the budget for emergency relief is no longer executed by KOICA, but by the Ministry of Foreign Affairs and Trade. Therefore, issues pertaining to emergency relief are only included in evaluating the current implementation framework, and no future implications should be drawn.

Policy Team is applied only for projects, and there is no comprehensive management framework covering commodity support and emergency relief. Until 2011, information gathered by the General Policy Team did not provide comprehensive, specific data on project components (PMC/construction, materials and equipment), status of operation and contract amount.<sup>11)</sup> As such, there was no data available for multi-dimensional analyses and evaluation of annual performance, and it was difficult to derive implications for future planning. This has meant that the results of the annual performance monitoring could not be reflected in planning the following years' operations.

#### (4) Development and Utilization of the Electronic Procurement System

An electronic procurement system with an English user interface was developed in accordance with the implementation strategy, but the system was used only for a short period of time in 2010 for the purpose of bidding announcement, and has been suspended ever since. This electronic procurement system has still not been used, despite the fact that it could potentially be an optimal tool for maximizing the efficiency of local procurement. It was a victim of inefficient policy implementation.

The system was suspended not because of operational issues or technical updates, but because of the termination of the contract with the server management company. There is an urgent need to resume the operation of the system.<sup>12)</sup>

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11) Currently, annual performance monitoring covering all of the aid modalities subject to KOICA's untying policy is undertaken only for the purpose of reporting to the OECD DAC, and only includes the names of operations, partner countries, amounts and types of aid modality (projects, NGO programs and multi-bi projects), and excludes descriptions of project component (PMC/CM, construction, materials and equipment), procurement method (international bidding at the headquarters level, local procurement and the use of country procurement system), contract amount and status of operation.

12) A new service provider will be selected internally by the Procurement Contract Team this year to re-launch the system and improve its mid-to-long-term usefulness.

### 3) Efficiency of HR Framework

#### (1) HR Management

Human resources were secured by allocating untying-related tasks to existing regular and contract staff. This is a cost-effective HR management practice that reflects KOICA's organizational structure, external circumstances and constraints in recruiting new staff. The decision to hire a contract expert for the Procurement Contract Team in 2009 to provide legal advice was considered as an efficiency measure to prevent any confusion that may have risen by the introduction of international bidding at the headquarters level, the expansion of local procurement and the use of the country system.

Nonetheless, due to an urgent need to increase the number of expert-level personnel at the overseas offices as local procurement steadily increases, excessive workload is being placed on the procurement team staff during the international bidding. As such, the mid-to-long-term HR management plan should be reviewed. Moreover, there are local staff members supporting the bidding at the local levels, but there is no local expert capable of managing and supervising the overall bidding process. Each member of the procurement team manages 60 to 70 international competitive biddings per year, which appears to be an excessive workload.

#### (2) Staff Training

On-demand training on procurement rules and procedures was efficient and appropriate, considering the changes in the project management cycle resulting from the untying policy. The Procurement Contract Team provided introductory training on procurement for new employees and specified training on local procurement for the staff to be dispatched to the overseas offices. The system of "Learning

Mileage” was provided as an incentive to encourage staff participation.

During in-depth interviews, staff at the regional departments appraised the aforementioned training programs as very useful. In particular, they highlighted that the training focused on providing more practical knowledge as opposed to theoretical knowledge, and included customized guidance. The training programs were evaluated to be practical because staff members could apply the lessons learned through these programs to actual situations.

### (3) Institutional and Staff Performance Management System

Until 2011, the institutional and staff performance management system was not fully integrated with KOICA’s untying policy, and it reported only the annual performance data to the International Development Cooperation Committee. The Key Performance Index (KPI) was developed in 2012 by integrating the current systems to evaluate the performance of staff members, institutions and heads of agency.

Of the 30 key targets, untying was set as a target with mid-to-high level importance. This is an effective measure to reinforce accountability for the implementation of the policy of untying aid. In addition, KOICA replaced the MBO system in which goals and indicators were defined voluntarily by each team with the KPI system in which targets and indicators for the teams are generated in accordance with the upper-level institutional target. This is a positive change for efficient target management and accountability for policy implementation. In particular, the KPI<sup>13)</sup> at the individual level serves as the basis for staff performance rating and salary negotiation for the following year; thus, it can be an effective incentive at the individual level.

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13) The KPI are currently created by reflecting the institutional indicators and team indicators (as of October 2012).

#### 4) Efficiency of External Support System

Briefing rounds on aid and procurement, which provide useful information and training opportunities, were appropriate for successful policy implementation. There is a need to increase such opportunities over the mid-to-long term and develop a system that regularly supports contractors in development cooperation.<sup>14)</sup> For the international bidding at the headquarters level, there was only one case in which a foreign company intended to participate. Since domestic companies understand that the opening of the market is a mere formality, there has been no resistance to international bidding thus far. However, it is necessary to improve the support system for domestic companies in preparation for the expansion of international bidding and the widening participation of foreign companies in the future.

#### 5) Internal Awareness

In the staff survey,<sup>15)</sup> over 70% of respondents answered that they were aware of the indicators related to untying in the Paris Declaration, as well as the Korean government's target and roadmap for the untying of grants and loans. This is the foundation for the efficient implementation of KOICA's policy for untying aid.

Also, interviews with staff members at the regional departments, the Procurement Contract Team and KOICA overseas offices found that there was a thorough understanding of the international procurement procedure and the system for the implementation of the policy of untying aid. Information is properly shared

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14) Four briefing rounds on aid and procurement were planned in 2012, reflecting the growing demand, and three briefing rounds were held as of September 2012. The 1st round provided an overview of overseas aid procurement markets, the 2nd round offered training on local procurement and the CM meeting and the 3rd round provided an introductory session for newcomers.

15) Staff at the regional departments, Procurement Contract Team, and overseas offices

within the organization using KOMIS (intranet system), on which policy documents, procurement rules and related guidelines are promptly posted and updated. In contrast, the level of awareness on certain agreements without any specific indicators or monitoring systems, including the 2011 Busan Partnership and the 2008 AAA, was relatively low.

## B. Effectiveness

### 1) Effectiveness of Annual Planning Procedure

The procedure and the method of decision-making for annual untied aid projects were effective for the management of the annual targets, but aid modalities other than projects, including emergency relief and commodity support, were not properly managed.

Although the annual planning system was a typical top-down system, the system was essential for achieving the target within the limited time. Of the aid modalities that are presumed to be untied, NGO support and cooperation projects with multilateral organizations are usually financed in cash by KOICA, so it is appropriate to consider them as 100% untied.

On the other hand, emergency relief is provided as goods or in cash. It can be either tied or untied when procured as goods; therefore, it requires thorough policy management. The annual planning system has failed to consider this factor, and this has been highlighted as a problem. Although commodity support falls within the scope of KOICA's policy of untying aid, it has not had oversight. Consequently, the annual budget between USD 0.5 to 2.5 million has been executed as tied.

Meanwhile, according to the surveys and in-depth interviews, a lack of effectiveness



prevails in current system in breaking down the yearly target, allocating it to each regional department, and making decisions about the types of bidding. The largest portion of respondents (42.9%) answered that the effectiveness of the target allocation system was average. The number of respondents who regarded the system as ineffective (36.5%) was larger than that of respondents who regarded the system as effective (20.6%). The number of respondents who considered the decision-making process regarding a method of procurement (headquarter-level international bidding/local procurement/use of country system) as ineffective (39.6%) was greater than that of respondents who regarded the process as effective (22.2%). The reason for project managers giving this response because decisions are made only at the top to achieve the annual target and without any reference to the local context and particular circumstances in partner countries, resulting in cancellations and changes of procurement methods during project implementation.

## 2) Effectiveness of Progress

The progress towards the annual target for the LDC and all partner countries was significant, and it is expected that performance to date will drive the 100% achievement of the target of 2015.<sup>16)</sup>

- Target for all partner countries: performance in 2010 (45%) fell slightly short of the target (50%), but the targets were overachieved by 32% in 2009 and by 10% in 2011.
- Targets for the LDC: the target was underachieved by 7% in 2010, but it was overachieved by 250% in 2009 and by 8% in 2011.

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16) Unlike 2009 and 2011, performance in 2010 was lower than in the previous year and did not meet the target, due to the time-consuming international bidding for the Afghanistan assistance project, which had not been included in the annual operation plan and had been executed urgently.



### 3. Representative Implementation Projects

Evaluation Question 4: Did the three representative untying aid policy projects effectively contribute to achieving the policy’s objectives?

Projects operated through Headquarters Contracting, Overseas Office Contracting and Host Country Contracting were evaluated according to KOICA’s untying aid policy. Of the five DAC criteria, relevance, efficiency and effectiveness were evaluated in the evaluation matrix.

Projects for evaluation and descriptions of untying aid

Projects	Method of Procurement	Description of Untied aid
The Project for Health Services Improvement in Tikapur (HIT), Nepal (hereinafter “the Nepali Project”)	Headquarters Contracting	Selection of PMC
The Project to Strengthen Siem Reap Provincial Hospital Service, Cambodia (hereinafter “the Cambodian Project”)	Overseas Office Contracting	Selection of design/construction companies for the maternity clinic building and attached buildings
The Project for Construction of Public Health Centers in Jenin, Palestine (hereinafter “the Palestinian Project”)	Host Country Contracting	Selection of medical equipment and office furniture suppliers

#### A. Relevance

##### 1) Alignment and Relevance of the Domestic Policy of Untying Aid

In terms of the alignment of the three representative untied aid projects with the domestic policy for untying aid, it was found that all of the three projects evaluated were appropriately aligned with the government and KOICA’s policy for

untying aid. This can be attributed to the operation of the projects based on the plan for the untied aid projects of KOICA (February 2008) since the roadmap for the implementation of untied aid (January 2008) was announced at the 3rd International Development Cooperation Committee.

The procurement methods of the Nepali Project and the Cambodian Project were aligned with KOICA's policy of untying aid, but the medical equipment procurement service provider was selected through the Host Country Contracting method, not because of the direction of KOICA's policy of untying aid but because of Palestine's specific procurement conditions. It is prohibited to trade equipment in Palestine without the approval of the COGAT (Coordinator of Government Activities in the Territories), so it is common for equipment to be locally purchased through the local procurement agencies of medical equipment and office furniture suppliers.

## 2) Alignment with International Standards for Untying Aid

All three of the projects evaluated were aligned with the provisions on the untying of aid defined in the Paris Declaration, AAA and Busan Partnership. Of the five principles of the Paris Declaration, the projects are aligned with the direction of increasing the percentage of aid through the procurement system of partner countries as well as the percentage of bilateral untying of aid which were mentioned in Index 5a and Index 8, Alignment.

The projects are aligned with the proposals made at the AAA, including the expansion of the scope of application of untying into non-LDC HIPC, the development of separate plans of donor countries for maximization of untying and the encouragement of procurement to the overseas offices.

Of the four principles of the Busan Partnership, the projects are aligned with

the reinforcement of performance-centered aid and the reinforcement of the competency of the partner countries' systems for effective system development, which were proposed in Articles 18 and 19, Performance-Centeredness.

## B. Efficiency

### 1) Relevance of Bidding Procedures

The bidding procedures of KOICA's three representative untied aid projects were operated in accordance with the KOICA International Procurement Guideline (2010). They were also aligned with the OECD DAC Recommendation (2001), except for the number of days for the bidding process. The procurement of equipment for the Palestinian Project was operated by the Host Country Contracting in accordance with Palestine's procurement rules, except when there were material issues.

According to the international procurement standards included in the KOICA International Procurement Guideline (2010), the bidding notice shall be made at least 40 days before the closing date for submission of bidding applications. However, this is not aligned with the OECD DAC Recommendation (2001), thus requiring a review.

According to the OECD DAC Recommendation (2001), if the value of the project does not exceed SDR 50 million, the bidding application period shall be 45 days or longer so that all procurement service providers can prepare and submit the bidding applications. The Nepali Project (17 days) and the Cambodian Project (39 days) did not meet this standard, while the Palestinian Project did (73 days).

In relation to the notification of bidding, the bidding notification of the Nepali Project, which was operated as Headquarters Contracting, was prepared in Korean and in English according to KOICA International Procurement Guideline (2010).

The bidding notification of the Cambodian Project, which was operated through Overseas Office Contracting, and the Palestinian Project, which was operated as Host Country Contracting, were prepared in English and posted in daily newspapers in the respective countries. The briefing on the bidding of the Nepali Project at the Headquarters Contracting was operated in Korean, while the biddings of the other two projects were operated in English.

## 2) Transparency of Bidding Procedure

According to domestic and local interviews, rigorous efforts were made by KOICA to ensure the transparency of the bidding process of the projects for the evaluation. There were no issues of transparency in relation to the Nepali Project, which was operated as Headquarters Contracting, because its international bidding process was the same as the domestic bidding process.

The bidding evaluation for the Palestinian Project, in which equipment was procured by using Host Country Contracting, was led by the Palestinian stakeholders with the participation of KOICA employees.

The Cambodian Project, which was operated as Overseas Office Contracting, included video footage for the sake of transparency by taking the entire technical evaluation process. The video was reviewed and kept by KOICA headquarters. The heads of Siem Reap Provincial Hospital and the Minister of Health participated in the technical evaluation process to maximize transparency. According to the local surveys on the Cambodian Project, a majority of respondents described the bidding/procurement procedures of the Overseas Office Contracting as “transparent” and “clear,” and expressed that it was easy to understand the bidding/procurement processes.

### 3) Cost Effectiveness of Untying

Through a review of the previous literature, including bidding-related documents and domestic/local interviews, it was found that the procurement processes of the two projects other than the Nepali Project, which was operated as Headquarters Contracting, were efficient in terms of influence but not so efficient in terms of the organizational aspect.<sup>17)</sup>

#### (1) Efficiency Evaluation in Terms of Influence

The cost-effectiveness of the Cambodian Project and the Palestinian Project was very high, as both led to the development of experience and skills related to preparations for bidding, the eligibility of applicants and verification of bidding applications, which will prevent the potential problems that may occur during future untied aid projects. The Cambodian Project was the first project operated as Overseas Office Contracting after the KOICA International Procurement Guideline (2010) came into effect. The Palestinian Project was the first project operated by KOICA that used Host Country Contracting. In other words, useful lessons were learned through these two projects. The experiences and skills accumulated through these processes should be shared internally and utilized for the bidding of similar projects in the future.

High standards similar to Korean standards were applied to the local bidders for the Cambodian Project in terms of bidding requirements, but these were later eased to the lowest level after it was realized that the standards did not match the conditions of Cambodia. In relation to verification of the application documents required for Overseas Office Contracting, Korea requires documents to be notarized or certified by CPAs before submission. There is no such system in Cambodia, and so the overseas office of KOICA had to verify the documents through the government organizations.

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17) Efficiency evaluation of the Nepali Project, which was operated as Headquarters Contracting, was meaningless as it was similar to other domestic bidding cases.

## (2) Efficiency Evaluation in Terms of Organizational Competencies

In relation to the Cambodian Project and the Palestinian Project, all bidding processes were managed by the overseas offices at the initial stage of adopting the new bidding system, increasing workloads and lowering the efficiency of the overseas offices. While KOICA has set out the international procurement rules, there is no specific standardized guideline. In addition, circumstances vary by partner country, leading to inconsistency in the process flows of various countries.

### C. Effectiveness

#### 1) Achievement of Procurement Target for the Representative Untied Aid Projects

The level of development and achievement of the procurement targets for the three representative untied aid projects evaluated was high, according to the review of the literature on bidding and interviews. In relation to the Cambodian Project, the majority of respondents answered that the target of the Overseas Office Contracting was effectively set and achieved.

#### Successful Bidders of Projects for the evaluation

Projects	Method of Procurement	Records of Untying	Successful Bidders
The Nepali Project	Headquarters Contracting	Selection of PMC	Korean bidders: The consortium of Industry-Academic Cooperation Group, Yonsei University and TOPEC Engineering
The Cambodian Project	Overseas Office Contracting	Selection of design/ construction companies for maternity clinic building and attached buildings	Local bidder: KimMex Construction & Investment Co. Ltd
The Palestinian Project	Host Country Contracting	Selection of medical equipment and office furniture suppliers	Four local bidders: ACT, LEMIX, Al-Dajani National Company and Nablus Medical Appliance Ltd

## 2) Performance and Contribution of the Representative Untied Aid Projects

According to the local surveys and interviews conducted in Cambodia, the untied aid project contributed to Cambodia in various ways through the implementation of the project by a local company that was selected through Overseas Office Contracting. The greatest contributions were defined as “creation of economic benefits and income growth,” followed by “improvement of policy and systems” and “development of technical and administrative competencies.” On the other hand, the project did not significantly contribute to “improvement of social welfare,” but this can be attributed to the micro-nature of the project for development of a local hospital, which has limitations in terms of contributing to improved social welfare.

### (1) Details of contributions to “creation of economic benefits and income growth”

According to the local surveys, the local construction company hired 150 employees for the construction of the hospital, 80% of which were residents of the construction site, Siem Reap. The company spent USD 29,250 per month in labor costs. Currently hired employees that are not engineers will become laborers in the rural community after the completion of construction, indicating that the project significantly contributes to creating economic benefits and income growth for the rural community of Siem Reap.<sup>18)</sup>

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18) Some may insist that Korean construction companies can make the same contribution as local companies to the creation of economic benefits and income growth by hiring local employees, but Korean construction companies tend to hire Korean employees for key posts, including engineers and construction management, lowering the effects of the creation of economic benefits and income growth.

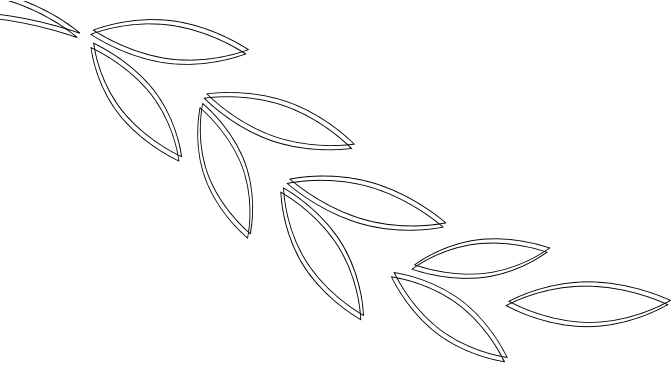


## (2) Details of contributions to “development of technical and administrative competencies”

KOICA adopted the CM system in Cambodia, the Philippines and Vietnam in order to improve the quality of the projects operated in partner countries and dispatched CMs to KOICA overseas offices in three countries. CMs dispatched to each country are in charge of regular management and monitoring of construction for projects operated in each country, and their roles are distinct from the roles of project CMs in Korea. For example, interviews with Cambodian stakeholders found that the Korean CM hired by KOICA and serving at the Cambodia overseas office is performing expertise transfer to the local company through regular monitoring and evaluation. Korea’s relatively richer technology set and project management techniques have been naturally transferred from the CMs to local companies. In relation to the “development of technical and administrative competencies,” the majority of respondents answered that the Korean CM dispatched to each country had a very high level of technology expertise and competencies, and that monitoring and evaluation were conducted on a regular basis.

Also, respondents in the Korean interviews and Cambodian interviews had different opinions about the construction skills of the Korean and the local construction companies in the Cambodian Project. The government organizations of Cambodia preferred the Korean PMC and CM, with their higher technological excellence and competencies, for the quality management of the project. However, they preferred the local companies for construction services. According to the Korean interviews, the construction skills of the local construction companies were lower than those of Korean companies, but were appropriate when taking into account the local circumstances. According to the Cambodian interviews, Korean construction companies and local construction companies had no gap in construction skills, and the quality of the construction output was not determined by the construction companies, but by the contents or factors of the contracts.





## **Conclusions and Recommendations**





# III

## Conclusions and Recommendations



### 1. Results of Evaluation

#### A. Evaluation of Policy of Untying Aid and the Strategy for its Implementation

KOICA's policy of untying aid is appropriately aligned with the government's policy of untying aid, the OECD DAC Recommendations (2001), the Paris Declaration and the AAA. The implementation strategy also provided efficient measures to implement the policy. Therefore, Question 1: "Is the goal of KOICA's untying policy appropriate?" could be answered as "Very appropriate," and Question 2: "Is the implementation strategy of KOICA's untied aid policy relevant to the policy's objectives?" as "Appropriate." However, its implementation strategy requires improvements in some aspects.<sup>19)</sup>

#### B. Evaluation of the Policy Implementation System

Legal, HR and organizational foundations were built through the firm and systematic implementation system, contributing to efficient and effective policy implementation. Thus, Question 3: "Has KOICA's implementation system effectively contributed to achieving the goal of its policy of untying aid?" could be answered in the affirmative.

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<sup>19)</sup> Areas requiring improvements include provision of guidelines by aid modality, improvement of monitoring measures, and improvement of the organizational and HR bases.

The implementation system was developed to correspond with KOICA's project management cycle and operational structure, and it has contributed to achieving remarkable progress to date. Overall performance to date is positive, which would effectively drive the achievement of the 100% target by 2015. For continuous policy implementation, immediate actions are required in the following areas:

- An integrated policy management framework should be developed, and all types of aid modalities, including commodity support, need to be managed in a comprehensive manner.
- The International Procurement Rules should be revised to ensure flexibility, transparency, and fairness.
- Efficiency and competency of the operation need to be enhanced by improving the policy management, practitioners' guidelines, and electronic procurement system.
- For HR management, measures to secure an appropriate level of HR and improve staff expertise should be developed.
- The system to support domestic companies should be improved in a phased approach to counterbalance side-effects that may arise as a result of full untying in the coming years.

### C. Evaluation of the Representative Untied Aid Projects

Three projects evaluated were aligned with KOICA's policy of untying aid and the domestic and international consensus. The projects were efficient and effective. As a result, the answer to Question 4: "Has KOICA's implementation system effectively contributed to achieving the goal of its policy to untie aid?" should be "Yes."

First, in relation to the appropriateness of the untied aid projects, all of the projects evaluated were closely aligned with the domestic policy on untying aid and the international standards for the untying of aid (the Paris Declaration, AAA

and the Busan Partnership); therefore, they were highly appropriate. A medical equipment procurement service provider was selected by using the procurement system of the partner country for the Palestinian Project, which was attributable to the procurement conditions of Palestine rather than the domestic policy on untying of aid. In relation to the international bidding at the headquarters level, the current bidding system, in which the bidding notification is given in English, is aligned with the OECD DAC recommendation, but there is an obstacle when foreign companies participate as bidders because of the asymmetry of information.

Second, in relation to the efficiency of the untied aid projects, the bidding procedures of the projects evaluated were operated transparently in accordance with the applicable rules of KOICA. However, the number of days in the bidding period should be reviewed, as there was a discrepancy between KOICA's policies and the OECD recommendation. The bidding and procurement processes of the projects operated as biddings at the overseas office level were evaluated as transparent and clear; thus, participants had a sound understanding of the procurement and bidding processes. The Nepali Project, which was operated as an international bidding at the headquarters level, had the same bidding process as that of domestic bidding, indicating that the Project had no issues related to transparency.

Third, in terms of the effectiveness of untied aid projects, the procurement targets of the projects evaluated were appropriately set and effectively achieved. Local companies were selected in the bidding at the local office level, and the procurement systems of partner countries were utilized, while PMC was selected for the international bidding at the headquarters level through a competitive bid in which only Korean companies participated.

Lastly, the operation of the project by a local company through bidding at the overseas office level in Cambodia provided the greatest contribution to Cambodia

in the area of creation of economic benefits and income growth, followed by improvement of policy and systems and the development of technical administrative competencies.



## ■ 2. Recommendations

Unlike most DAC member countries, which have implemented untying the Korean government rather radically adopted the untying policy by requiring a firm commitment and an innovative policy implementation system. The foundation that has been built by KOICA in a short time and the resulting achievements are remarkable. As we are midway to the target year, this is a critical moment to review past achievements and improve the capacity for policy implementation. This chapter provides recommendations for this purpose.

### A. Development of Supplementary Implementation Strategy

A supplementary strategy covering aid modalities that were unsuccessfully untied should be prepared and implemented in order to achieve the 2015 target of 100% untied aid. Untying aid has been properly planned and implemented for projects, NGO support and multi-bi projects, but commodity support has not been managed accordingly resulting in millions of dollars per year having been provided as tied aid.

Commodity support accounts for only 1% of the budget that is subject to be untied, but to achieve the target of 100%, this should not be neglected. There is an urgent need to develop and implement detailed measures for untying commodity support. In addition, practical measures should be provided to fully untie some project components (PMC and CM services) that have been executed



as tied thus far.

To this end, the General Policy Team should develop a strategy supplementing the existing one in the course of the first half of 2013, and thereby strengthen the foundations for achieving the 2015 target. The supplementary strategy should touch upon the remaining project components (PMC and CM), the measures to expand the untying of commodity support, the development of an integrated policy implementation system and the strengthening of policy foundations. It also needs to provide a strategic approach to fully implement the provisions of the OECD DAC Recommendations (2001) to secure competitiveness in aid procurement by means of actual untying and to reinforce the support system for domestic industries as mentioned above.

#### B. Development of the Integrated Policy Implementation System

An integrated policy management system should be established, and the General Policy Team should play a pivotal role in this. Both projects and commodity support should be planned, managed and monitored annually in a comprehensively manner. To this end, an integrated management system needs to be established in the first half of 2013 by the General Policy Team, in cooperation with the regional departments, the Procurement Contract Team and Humanitarian Aid Office.

#### C. Strengthening Policy Capacity

It is critical to strengthen the capacity for implementing the untying policy by placing a priority on the matters that require urgent intervention and can be improved in a short period of time. During the 1st phase, the legal ground should be improved by the first half of 2013,<sup>20)</sup> with a focus on the weaknesses

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20) The Procurement Contract Team of KOICA launched a project for revision of the 'International Procurement Guideline' in the second half of 2012. It will be done in the first of 2013.

identified in the implementation strategy. Guidelines and manuals by method of procurement (international bidding, local procurement and use of country system) should also be improved. The operation of the electronic procurement system should be promptly resumed. The General Policy Team and the Procurement Contract Team can jointly undertake the above activities.

During the 2nd phase from 2013 to 2014, a HR management plan should be developed and implemented to maximize efficiency and meet the increasing workload related to procurement at the headquarters and overseas offices. In particular, there is an urgent need to develop a system to hire and train local procurement experts. The General Policy Team can pursue the above activities jointly with the Procurement Contract Team and HR-related departments of KOICA (Planning and Budget Office, and Personnel Affairs Office).

During the 3rd phase beginning in 2014, when the percentage of untied aid will exceed 90%, the details of the external support system should be elaborated to counterbalance the eventual side-effects of the untying policy, raise awareness of domestic industries and successfully implement the untying policy in a cooperative manner. The Procurement Contract Team can undertake the above activities jointly with the General Policy Team and regional departments.

#### D. Strategic Approach to Implementation of the Detailed Provisions of the OECD DAC Recommendations (2001)

It is suggested that the position regarding the scope of compliance with the OECD DAC Recommendations (2001) was determined, and the countermeasures were developed. A strategic approach should be taken considering efficiency to the issue of the ex-ante notification at the DAC Bulletin Board. According to the latest DAC analysis, 15 out of 23 DAC donor countries had posted few notices, and four countries have never used the DAC Bulletin Board since the OECD DAC

Recommendations (2001) were adopted.<sup>21)</sup> Sweden has not posted a notice since 2008, and Canada posted its first notice worth USD 0.5 billion in 2011. Japan had posted notices worth a maximum of USD 0.7 billion per year until 2008, but has suspended posting notices since 2010. Of the donor countries studied in this evaluation, only Denmark has continuously issued notices worth USD 2 million to USD 10 million per year.<sup>22)</sup>

As seen in the above, there has been inconsistency in the use of the DAC Bulletin Board. As the use of the Board does not practically facilitate bidding activities, efficiency would inevitably be lessened due to the increased internal and external workloads relating to the posting of notices on the Board.<sup>23)</sup> As a result, the requirement for notification on the DAC Bulletin Board has failed to take root as a policy, remaining a one-time attempt. There is a need for Korea to carefully observe the trends of the international community rather than making a hasty decision to post notices and to develop measures to balance efficiency and the effect of notification.

Also, it is essential to carefully develop a strategy when it comes to issues related to reporting untying performance to the DAC. The question of whether the performance of the project integrating the technology cooperation and the infrastructure project should be reported based on the total project amount or the amount of international bidding needs to be carefully decided. Canada reports only the amount of untied contracts when projects include multiple contracts. It was difficult to identify cases of other donor countries as it was a sensitive issue. Sweden, Denmark, Australia and Canada have had no difficulties reporting performances as they include technology cooperation in the scope of untied aid.<sup>24)</sup>

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21) Greece, Italy, Luxemburg and Portugal

22) The data is the total of the bidding amounts for the LDC and HIPC, major targets of preliminary notification.

23) Results of interviews in donor countries

Some literature covered issues related to the above practices, but the OECD DAC Recommendations (2001) and various guidelines on DAC statistical reporting have not clarified the related issues. There is no basis for these practices to be considered inappropriate. Therefore, the strategy should be carefully developed through internal discussions at KOICA.

Many DAC member countries tend to provide an ex-post contract award; even the countries that do not upload the preliminary notification to the DAC Bulletin Board also are known to do so. In addition, the scope of disclosure is not broad, so the efficiency will not be lessened. As a result, a plan to provide an ex-post contract award should be actively considered in order to comply with international conventions. Information that should be disclosed includes names of bidders, addresses and nationalities.<sup>25)</sup>

#### E. Securing Competitiveness in Aid and Procurement through the True Untying of Aid

There is a need to eliminate the information asymmetry experienced by foreign companies in cases of international bidding, and benefits should be pursued through true untying. Currently, KOICA only prepares and issues the bidding notification in English for international bidding, which meets the minimum requirement of untying in the OECD DAC. As a result, the untying policy is not generating competitive procurement practices, which is the original purpose of the policy.

It is critical to allow competitive foreign companies to participate in bids in accordance with KOICA's policy of untying aid in order to improve the cost

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24) It is difficult to make a transparent report due to concerns over poor performance. It was impossible to identify the official position of the donor countries, as the issues were sensitive.

25) OECD-DAC Recommendations (2001)

effectiveness of Korea's aid and procurement, and to reinforce the bid competitiveness of domestic companies in the mid-to-long-term. By doing so, domestic companies can develop their competencies and advance into the global aid and procurement market. To this end, more HR should be allocated to roles such as the translation of various bidding documents.

## F. Reinforcement of the External Support System

As the scope of untying is broadened, there are concerns over opposition from domestic procurement service providers, or a negative public sentiment. It is necessary to develop the external support measures that will prevent this risk factor from being an obstacle to the effective implementation of the policy of untying aid.

The existing support system, with a focus on the pre-bidding conference, should be improved for integrated information services in Headquarters Contracting and Overseas Office Contracting,<sup>26)</sup> and training on the bidding processes and documentation of other donor countries and multilateral organizations should be provided for domestic companies. An integrated strategy should be developed and implemented so that the companies not only can participate in KOICA projects but also can join in bids in other donor organizations. The Procurement Contract Team can undertake the above activities in cooperation with the General Policy Team and the teams in charge of the projects. In the mid-to-long term, the support system should be established at the trans-governmental level in cooperation with other granting/aid organizations and the concessional loan sectors.

Furthermore, there is a need to set the direction of the public promotion

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26) Sweden provides domestic companies with information on local bids through the collection of information by embassies in the countries and disclosure by the Swedish Trade Council. For Korea, the English electronic procurement system can be an efficient and effective tool for information sharing.

activities as a response to future demands.<sup>27)</sup> In particular, KOICA needs to undertake public relation activities by highlighting improvements in the transparency and competitiveness of aid procurement, the cost-effectiveness of local bidding and contributions to the promotion of the private sector of partner countries. The General Policy Team can pursue the above activities in cooperation with the Public Relations Office.

### G. Establishment of the Task Force Team for Integrated Untied Aid

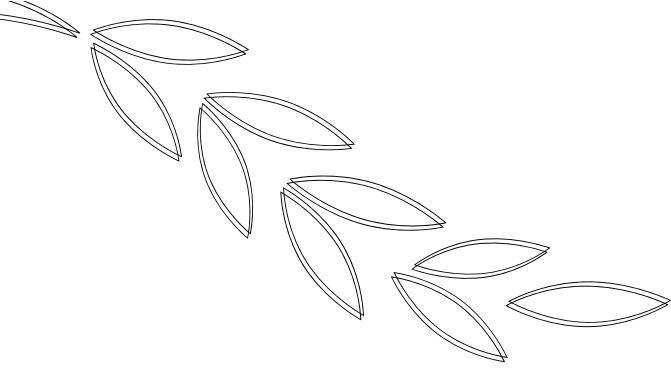
Lastly, the Ministry of Foreign Affairs and Trade should establish a task force team for agreements among organizations, develop an integrated system in which other granting/aid organizations can participate, and manage the performance of the implementation of the untying aid policy. The target of 100% untied aid is achievable only when all aid organizations including KOICA achieve the target of 100% untying. It is true that most of the organizations operate projects that are not included in the scope of untying, such as invitational training, but the Ministry of Education, Science and Technology, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Health and Welfare operate infrastructure projects and supply equipment and materials, requiring integrated management. Thus, there is a need to lay the foundation for sharing experiences among the government agencies, developing solutions and making improvements.<sup>28)</sup>

The task force team should be operated by the Ministry of Foreign Affairs and Trade, and requires cooperation from all granting/aid organizations. Its purposes can include the identification of status, sharing of cases, identification of vulnerabilities and development of measures and consultation.

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27) For example, Australia promotes an increase in opportunities for participation by Australian companies in the international procurement market in accordance with the principle of reciprocity.

28) The Korea Foundation for International Healthcare (KOFIH) under the Ministry of Health and Welfare is known to use Host Country Contracting for projects to strengthen the health sector in some Asian partner countries, but in some cases, other organizations cannot participate in international bidding due to regulations.



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