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Master's Thesis

**Policy Coherence for Development (PCD) of
South Korea's North Korean Cooperation
Policy:**

**Focusing on North Korean Development Cooperation and
Economic Cooperation Policy**

한국 대북정책의 정책일관성 (PCD) 연구:
대북지원 및 경제협력 정책을 중심으로

February 2018

Graduate School of Seoul National University

International Cooperation

JeeHee Hwang

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Cooperation Policy**

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ABSTRACT

Policy Coherence for Development (PCD) of South Korea's North Korean Cooperation Policy:

Focusing on North Korean Development Cooperation and Economic Cooperation Policy

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As the world economy is becoming more interdependent, countries become more prone to influences from domestic as well as foreign policies of other states. The problem of interdependency is that, development interests of developing countries are easily undermined by developed countries regardless of whether they intended or not. Therefore, demands for coordination of policies with global development goals have been raised constantly. Out of this context, the Organisation for Economic Cooperation and Development (OECD) has proposed a concept of policy coherence for development (PCD). The general objective of PCD is to enhance coherence between development policies and other policies with regards to the development objectives. The importance of PCD has been continuously emphasized by the OECD, and OECD DAC member countries' progress in PCD is examined through peer reviews. South Korea's PCD in development policies has also been reviewed in its 2012 DAC peer review, and was given recommendations for improvement. However, since South Korea's North Korean aid policies are not classified as ODA, PCD is a relatively new concept in its North Korean policies. Given the fact that South Korea has been one of the largest donors and trade partners of North Korea in the past two decades, policy coherence and considerations for North Korea's development objectives are necessary. In aid of that, this thesis evaluated the PCD of ROK's North Korean development policies, with a focus on the policy coherence between aid and non-aid policies. Through the research, it was concluded that despite the existence of policy coherence in North Korean policies, South Korea lacks concerns for DPRK's development objectives. In other words, South Korea's policies towards North Korea do not fulfil the standards of policy coherence for development, and improvements are needed, particularly in terms of promoting development interests of its neighbour in the North.

Keywords: Policy Coherence for Development (PCD), South Korea's development policies towards North Korea, policy coordination, inter-governmental coherence, North Korean aid policy, Kaesong Industrial Complex (KIC)

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TABLE OF CONTENTS

I. Introduction	1
II. Literature Review	4
III. Methodology	8
IV. Backgrounds	11
1. Policy Coherence for Development (PCD)	11
1-1. Concept of PCD	11
1-2. Policy Coherence Cycle.....	16
1-3. Implications of PCD	18
2. Coherence of the ROK's Overall Development Policies	21
3. PCD of South Korea's North Korean Policies	24
V. South Korea's Cooperation Policy towards North Korea	27
1. Overview of South Korea's North Korean Policy.....	28
2. South Korea's Aid Policies: Development Cooperation Policies	32
2-1. Case 1: Bilateral Aid.....	37
2-2. Case 2: Contributions to Multilateral Institutions.....	42
3. South Korea's Non-Aid Policies: Economic Cooperation Policies.....	47
3-1. Case 3: Kaesong Industrial Complex (KIC)	51
VI. Analysis on Policy Coherence of the ROK's North Korean Cooperation Policies ..	56
1. Why is PCD Necessary?.....	58
2. Phase 1: Setting and Prioritizing Objectives	63
3. Phase 2: Co-ordinating Policy and its Implementation	67
4. Phase 3: Monitoring, Analysis and Reporting.....	78
5. Policy Coherence for Development?.....	84
VII. Conclusion	86

LIST OF TABLES AND FIGURES

Table

Table 1 Types and Examples of North Korean Policies of MOU	31
Table 2. Development Cooperation Types, Modalities and Instruments.....	33
Table 3. Modalities and Instruments of South Korean Government's North Korean Aid.....	35
Table 4 North Korean Aid from ROK Government	36
Table 5. South Korea's Bilateral Aid to the North	38
Table 6 South Korea's Contributions to Multilateral Institutions	44
Table 7 Inter-Korean Trade Volume by Trade Types	50
Table 8 Comparison of Purposes of Three Case Policies	56
Table 9. Annual Amount of Aid from Major Donors.....	60
Table 10. North Korea's Trade Volume	62
Table 11 Coordination Mechanisms and Purposes	77
Table 12 South Korea's Strengths and Weaknesses of Each Phase	84

Figure

Figure 1. The Policy Coherence Cycle.....	18
Figure 2. Inter-Korean Trade Volume.....	48

Figure 3 Output and Number of North Korean Workers of KIC	54
Figure 4 Total Foreign Aid to North Korea	59
Figure 5 Agendas of Inter-Korean Exchange and Cooperation Promotion Council (2013-2017)	75

Box

Box 1. Five Dimensions of Policy Coherence for Development	14
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Annex

Annex 1 South Korea's Contributions to WFP	95
Annex 2 South Korea's Contributions to WHO	96
Annex 3 South Korea's Contributions to WHO	97
Annex 4 South Korea's Contributions to Other International Organizations	98

ACRONYM

CIDC	Committee for International Development Cooperation
DAC	Development Assistance Committee
DPRK	Democratic People's Republic of Korea
ECOSOC	United Nations Economic and Social Council
EDCF	Korea Eximbank's Economic Development and Co-operation Fund
EU	European Union
EXIM Bank	Export and Import Bank of Korea
FAO	Food and Agriculture Organization
IKCF	Inter-Korean Cooperation Fund
IKRDC	Inter-Korean Relations Development Committee
IVI	International Vaccine Institution
KIC	Kaesong Industrial Complex
KIEP	Korea Institute for International Economic Policy
KOICA	Korea International Co-operation Agency
KOSIS	Korean Statistical Information Service
MOFA	Ministry of Foreign Affairs
MOJ	Ministry of Justice
MOND	Ministry of National Defence
MOSF	Ministry of Strategy and Finance
MOU	Ministry of Unification
NGO	Non-Governmental Organization
NIS	National Intelligence Service

NSC	National Security Council
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
OECD CRS	OECD's Credit Reporting System
PCD	Policy Coherence for Development
PCSD	Policy Coherence for Sustainable Development
PDS	Public Distribution System
ROK	Republic of Korea
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNSF	United Nations Strategic Framework
USA	The United States of America
WASH	Water, Sanitation, and Hygiene
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

I. Introduction

With a combination of collapse of communist neighbours and a series of natural disasters in 1990s, Democratic People's Republic of Korea (DPRK) faced a great national crisis, a famine. The famine was so severe that it took approximately one million lives-five percent of the population. The North Korean government could no longer withstand the crisis and at last sought for international assistance. As a response, the international society convened its humanitarian efforts and initiated relief programs. The Republic of Korea (ROK), as a manifestation of humanitarianism and compatriotism, also granted 150 thousand tons of rice in 1995, and this was the starting point of the South's North Korean aid. Since then, for the last two decades South Korea has endowed a total of \$3.04 billion to the North as humanitarian assistance.

At the same time, thanks to the end of Cold War, the political tensions were eased and South Korea also began to expand its exchange and cooperation policies towards the North. Since the separation of the two Koreas, the unification has been one of the most salient issues in the Korean Peninsula. Therefore, North Korea's open-door policy to international donors was a great opportunity to normalize inter-Korean relationship. Accordingly, with a strong desire for unification, South Korea implemented multiple inter-Korean exchange and cooperation policies as well as development cooperation policies. It was indeed a turning point for both Koreas since the policies became more diversified and complicated. For example, inter-Korean trade has expanded in its businesses and investment projects such as Kaesong Industrial Complex and Mt.

Geumgang Tour were laid out. As a result, South Korea became one of the largest trade partners of North Korea.

As one of the most important donor states and trade partners, the significance of South Korea's policies to North Korea cannot be emphasized enough. Given that North Korea is a developing country with a relatively small economy, the social and economic impacts of Seoul's policies can be great regardless of whether they were intended or not. Therefore, when planning development and economic cooperation policies towards North Korea, more attention should be laid on the ripple effects of each policy. Especially, whether these policies have any negative influence on North Korea's development should be carefully examined. North Korea is currently suffering from various development issues including poverty, food insecurity, and climate change. Therefore, not only the development cooperation policies, but also other policies of South Korea are to be managed with coherence with a purpose of solving North Korea's development issues, or at least not aggravating the situation.

In order to do so, a concept of policy coherence for development (PCD) may be applied to this case. PCD is a concept suggested by the Organisation for Economic Cooperation and Development (OECD) to encourage donor states to align all their policies concerning the development interests of recipient countries. As the world has become more globalized, developing countries have become more vulnerable to the policies of advanced countries. Some of these policies are even detrimental to the development of emerging economies which make international aid efforts to these states meaningless. Therefore, the OECD asserted the

significance of coordinating aid and non-aid policies pursuant of development interests of aid recipient countries. Nowadays PCD is regarded as one of the international aid principles.

However, there are a few obstacles in employing PCD in South Korea's North Korean policies. Whereas PCD is a principle applied to international aid, because South Korea does not categorize North Korean aid as 'foreign assistance', its PCD efforts do not cover North Korean aid. From the perspectives of South Korea, DPRK is not a state. Therefore, its humanitarian assistance to the North is not classified as 'aid' nor 'official development assistance (ODA)'. For this reason, South Korea's North Korean assistance has been exempt from application of general international aid principles. However, given the scale and importance of its assistance to the North, the significance of applying international aid norms has been continuously asserted over the past two decades. Therefore, out of its necessity to design and implement North Korean assistance policies within the context of international aid norms, this thesis aims to evaluate whether South Korea's North Korean policies are pursuing PCD. The thesis will touch upon whether South Korea's aid and non-aid policies, namely development cooperation policy, and exchange and cooperation policy respectively, are designed and implemented coherently. Also, whether the development interests of North Korea were considered in the coordination process is another point to be focused on. The thesis, therefore, will evaluate the PCD of the South's policies towards the North.

In the subsequent chapters, it will first touch upon the previous studies on North Korean aid and policy coherence for development. Then, for the background information, it will introduce

the OECD's concept of PCD and policy coherence cycle which is the basic framework of this thesis. To help the understanding of how PCD is used in ODA policies, it will briefly talk about how South Korea's ODA policies are making a progress in PCD. Afterwards, in chapter V, South Korea's North Korean aid and non-aid policies will be discussed. For the aid policies, the thesis has chosen bilateral aid and earmarked contributions to multilateral institutions as two case policies. In terms of non-aid policies, it will focus on the case of Kaesong Industrial Complex (KIC) project. After introducing the three case policies, Chapter VI will provide an analysis and evaluation on South Korea's PCD efforts using policy coherence cycle as a basic framework.

II. Literature Review

After a series of natural disasters hit North Korea in the early 1990s, Pyongyang sought international aid to overcome the famine. As a response, international humanitarian assistance has been initiated. Since then, numerous studies on North Korean aid have been conducted.

One of the main focuses of the studies were food shortage and famine. Stephen Haggard and Marcus Noland's '*Famine in North Korea: Markets, Aid, and Reform,*' for example, attributed DPRK's long-lasting food insecurity to its politics and economics. A series of natural disasters may have triggered the massive famine in the early 1990s, however, they are insufficient to explain the chronic food shortage according to Haggard and Noland. In terms of politics, DPRK's agricultural self-sufficiency policy and its unwillingness to pursue a more market-oriented

agricultural policy were behind the great food shortage. Economically, on the other hand, the North Korean government's suppression of private production and trade in grain halted productivity growth and smooth food supply. Additionally, the failure of Public Distribution System (PDS), which is the only food distributive system owned by the North Korean government is also known to be another reason for food shortage.

North Korean aid has also been often analysed according to donors and sectors. For the donor's side, state, international institutions and civil sector are frequently mentioned. Among the various donor states, South Korea, the U.S. and the EU are most frequently mentioned because they are the major donor states of North Korea. Therefore, many policy papers have been published by these three states. South Korea, for example, The Export Import Bank of Korea (EXIM Bank of Korea), which is responsible for managing Inter-Korean Cooperation Fund published '*Analysis on International Aid to North Korea: 1945-2014.*' The report gives details of international aid by showing overall trends and comparing major donors. Mark E. Manyin and Mary Beth D. Nikitin, on the other hand, mainly focuses on the U.S. assistance according to aid types-energy, denuclearization, and food aid-through Congressional Research Service. How North Korean aid policies change according to the political stances of administration is also a focus of study in this field. In terms of Non-Governmental Organizations (NGOs), in '*Paved with Good Intentions: The NGO Experience in North Korea,*' L. Gorden Flake and Scott Snyder analysed activities of NGOs resident in North Korea according to the donor countries such as the U.S., EU and South Korea.

Additional issues that always entail North Korean aid are politicization of aid and dilemmas of aid. Jiyoung Kim, in *'The Politics of Foreign Aid in North Korea,'* argues that North Korean aid is very much politicized and this has exacerbated the problem of aid effectiveness. She denotes that the donors have chosen their own political and strategic interests over North Koreans' humanitarian needs in deciding international aid to the North. In terms of dilemmas of North Korean aid, Hazel Smith's *'Overcoming Humanitarian Dilemmas in the DRPK, North Korea'* and *'The Humanitarian's Dilemma: The Experience of International NGOs in North Korea,'* co-authored by Bronwen Dalton and Kyungja Jung dealt with the dilemmas of North Korean aid based on the experiences of resident aid workers of international organizations and NGOs in North Korea.

Regarding South Korea's North Korean aid, some scholars have attempted to apply international principles of official development assistance (ODA) onto the South's aid efforts to the North. Since both Koreas do not acknowledge each other as a state, South Korea does not classify North Korean assistance as ODA. Therefore, the global norms of international aid have not been greatly considered in planning assistance policies to the North. Dongho Jo, as a result, argues that South Korea's North Korean assistance should be improved by applying ODA principles. In his writing *'Policy Recommendations for Improving Assistance to North Korea-Based on Comparison with Official Development Assistance,'* he states that since South Korea is one of the largest assistance provider to the North, it should be conveyed in a more righteous way. In terms of purposes, modalities and instruments, ROK's North Korean assistance and its ODA

to other developing countries are very much alike. Given the importance and modalities of the South's North Korean assistance efforts, he argues that they should employ global norms of ODA. According to Dongho Jo, these policies should be implemented based on the national consensus, and aid effectiveness should be taken more into consideration. He also highlights the necessity of advancing legal and institutional framework for sustainable aid efforts and improvements in evaluation and monitoring system.

While the concept of Policy Coherence for Development (PCD) is usually applied to the international development sector, PCD is a relatively new idea in terms of the ROK's North Korean aid. This is because North Korean aid policies are treated differently from other general foreign aid policies as briefly mentioned above. Therefore, little attention has been placed on employing PCD to North Korean aid policies. Instead, previous literatures, in general, have been focusing on having policy coherence for 'unification' among North Korean policies. Seong-mook Moon's '*Measure to Ensure Consistency in Unification and North Korea Policy*,' for instance, is suggesting to coherently design North Korean policies focusing on unification. Reflecting onto Germany's unification case, he emphasizes that South Korea should achieve social consensus on the importance of unification first. He also urges the ROK government to enhance exchange and cooperation with Pyongyang so as to change North Korea's attitudes towards Seoul. Furthermore, Seong-mook Moon asserts that to achieve unification, not only the North Korean policies but also other domestic and foreign policies should be designed with coherence.

To conclude, little has been researched so far on South Korea's North Korean policy coherence from the perspectives of the North's development. Therefore, this thesis aims to place the OECD's concept of policy coherence for development as the basic framework and apply it to South Korea's North Korean policies. It will particularly focus on the ROK's policies of development cooperation and economic cooperation towards the North and analyse whether they are designed and implemented coherently to achieve the North's development objectives.

III. Methodology

Current world economy has become greatly interconnected with the advent of globalization. Accordingly, with or without intention, domestic and foreign policies as well as aid policies of developed countries tend to affect the development of underdeveloped countries more than before. For example, if a developed country has decided to give subsidies to their own agricultural industry and increase tariffs on imported food products, this will affect another food exporting developing country. Therefore, this raises the importance of employing coherency among policies of various sectors.

The importance of PCD applies the same to Seoul's North Korean policies. Therefore, this thesis will use qualitative method to examine South Korea's policy coherence for development, especially focusing on ROK's North Korean policies. While there are different levels of PCD-internal, intra-governmental, inter-governmental, multilateral and development country, this

paper will deal with internal and intra-governmental coherence. In terms of internal coherence, the unit of analysis will be South Korea's bilateral aid to the North and its contributions to multilateral institutions. The bilateral aid is the government-to-government assistance from ROK to DPRK. The contributions to multilateral institution refers to the aid that the South Korean government has granted to international organizations in order to assist North Korea. To review intra-governmental coherence, the coherence between Korea's aid and non-aid policies towards the North will be reviewed. Here, Kaesong Industrial Complex (KIC) project, which is one of the largest economic cooperation policy between the two Koreas has been chosen as an example case of non-aid policy.

To review the policy coherence for development, this thesis will use OECD's policy coherence cycle as a basic framework. OECD has provided a policy coherence cycle as a process to eliminate any incoherencies among domestic and foreign policies, and to coordinate them with clear links to poverty eradication and international development goals. The cycle is composed of three phases-setting and prioritizing objectives; coordinating and implementing policies; and monitoring, analysing and reporting on the impacts of policies. In order to review whether South Korea is making any progress in policy coherence for development, requisites suggested for each phase by the OECD will be borrowed as basic standards. In addition, it will take into consideration the lessons learnt from OECD/DAC peer reviews as additional factors. Especially, DAC peer review on South Korea will also be a useful source to evaluate PCD of North Korean policies.

In terms of terminologies, because South Korea does not recognize North Korea as another state, its assistance to the North should technically not be called as ‘aid’. This is also why South Korea’s North Korean assistance efforts are not classified as overseas development assistance (ODA). According to OECD/DAC’s definition, ODA refers to resource flows provided by official agencies in order to promote economic development and welfare of developing countries. However, the Constitution of the Republic of Korea does not acknowledge North Korea as a state, but merely a political regime. Therefore, its assistance to the North does not satisfy the definition of ODA, according to South Korea’s argument. Nevertheless, since both Koreas are members of the United Nations and North Korea is regarded as a separate state entity in the international community, this thesis will use the term ‘aid’ to refer to South Korean government’s assistance efforts to the North.

The main sources of statistics used in this paper are generally the Ministry of Unification of Republic of Korea, and the OECD statistics. In terms of the exchange and cooperation efforts between two Koreas, the statistics have been retrieved from the MOU website. For the international aid efforts to Pyongyang, OECD’s Credit Reporting System (CRS) has been the main source. As South Korea does not regard its assistance efforts to the North as ODA, aid flows between two Koreas are not reported to OECD. Therefore, South Korea’s aid to the North are not included in the statistics of North Korea’s total foreign aid.

IV. Backgrounds

1. Policy Coherence for Development (PCD)

1-1. Concept of PCD

As the world is becoming more globalized, national economies are becoming more inter-dependent on each other. In other words, in the current international economic system, a single country's domestic as well as foreign policies could easily influence the development process of multiple sectors of another state (e.g., trade, investment, agriculture, customs, security, migration, and environment). The inter-relatedness is more prominent especially when the 'single state' is an advanced country and the 'another state' is a developing nation. The developing countries tend to be easily affected by the policies of developed countries. For example, if an advanced country decides to subsidize its agricultural industry and impose high tariffs on imported farm products, it would constrain economies of developing countries that are dependent on food exports. In other words, trade barriers of a state may impede long-term sustainable development of emerging economies. Accordingly, to prevent any detrimental effects on the development process of emerging economies and to pursue sustainable development with consistence, advanced countries should be aware of possible effects of their policies and try to minimize any negative effects they might have. Especially those advanced countries that provide aids to emerging economies should make sure that not only their aid but also non-aid policies are designed coherently taking development interests of emerging economies into consideration. That is, the advanced economies

should take a multi-sectoral approach to solve poverty problems of underdeveloped countries. Based on this context, the concept of policy coherence has been raised (Son et al., p.25).

Despite its wide use and growing body of literature and reports, there is no universally agreed definition of 'Policy Coherence for Development (PCD)' (OECD 2005, p.27). According to the 2001 DAC guidelines on *Poverty Reduction*, "policy coherence involves the systematic promotion of mutually reinforcing policies across government departments and agencies creating synergies towards achieving the defined objective". Subsequently in 2003 at a technical workshop on Policy Coherence for Development: Institutional Approaches held in Paris on 13th October 2003, PCD was also defined as "working to ensure that the objectives and results of a government's (or institution's) development policies are not undermined by other policies of that government (or institution), which impact on developing countries, and that these other policies support development objectives, where feasible" (OECD 2005, p.28). Policy coherence is a concept of effective governance and can be related with any goal of government policy. It has to be linked with a precisely defined goal, for example, development, sustainability or security to make PCD operational (Doeze 2009, p.166).

PCD is applied in two ways. In its negative sense, it refers to the 'absence of incoherence', i.e. of inconsistencies between and the mutual impairment of different policies. Thus, for instance, PCD infers that non-aid policies will not impair the goal of development. In its positive form, coherence suggests the interaction of policies to accomplish main objectives (Ashoff 2005, p.11). Coherent policies would have a beneficial complementary relationship, working towards a more

comprehensive common objective of international development. However, over time, the definition of PCD has evolved, and in 2012, OECD suggested a development of its concept: “it entails the systematic application of mutually reinforcing policies and integration of development concerns across government departments to achieve development goals along with national policy objectives” (Lew 2015, p.477). In 2015, along with the implementation of the Post-2015 Development Agenda, the concept of PCD was once again reshaped into Policy Coherence for Sustainable Development (PCSD) by OECD as a new approach to achieve Sustainable Development Goals.

The concept of PCD can be distinguished in five different systemic levels at which governments and institutions may attain better policy coherence. Despite that there are various typologies of PCD, the following dimension is the most common framework (Box 1).

Box 1. Five Dimensions of Policy Coherence for Development

1. Internal coherence: coherence in the policy field itself, which should achieve consistency between its goals and objectives, modalities and protocols
2. Intra-governmental coherence: coherence across all policies and actions of a donor country in terms of their contributions to development
3. Inter-governmental coherence: policies and actions should be consistent across different donor countries (as well as policies adopted at the EU or in regional organizations) in terms of their contributions to development, to prevent one from unnecessarily interfering with, or failing to reinforce, the others
4. Multilateral coherence: coherence of the policies and actions of bilateral donors and multilateral organizations, and to ensure that policies adopted in multilateral for a contribute to development objectives
5. Developing country coherence: developing countries should be encouraged to set up policies that allow them to take full advantage of the international climate to enhance their development

Source: Knoll et al., 2013, p.2

As it is cited above in the 2012 OECD definition, PCD refers to merely the coherence among policies in various sectors of a single donor country. According to its minimalist conception, it is often called as horizontal, inter-departmental or intra-country coherence. However, there is also a broader concept of PCD. Vertical or multilateral coherence includes inter-governmental and multilateral coherence. For example, it applies to a donor state's coherence with a multilateral organization like the United Nations or the European Union, or among donor states themselves. It can also indicate coherence among donors and a recipient country (donor-recipient coherence), which is close to the notion of alignment in the Paris Declaration on Aid Effectiveness. Lastly, the concept of inter-governmental coherence points to coherence among donor countries, which is also labelled as harmonization in the Paris Principles (Lew 2015, p.478).

As the Post-2015 Development Agenda is implemented, the significance of PCD has been enhanced. The international community developed the concept of PCD to PCSD, stating that policy coherence should be accomplished in order to achieve sustainable development goals. PCD was even added onto the Outcome Document: “*Transforming our world: The 2030 Agenda for Sustainable Development*”. In goal 17, two targets focusing on policy coherence are specified as following (OECD 2015, p,24):

17.13 enhance global macroeconomic stability including through policy coordination and policy coherence; and

17.14 enhance policy coherence for sustainable development

Along with the development of concept, PCD has become more significant than ever. Yet, regardless of its importance, achieving policy coherence does not seem to be an easy process. We are currently living in a pluralistic society, in which politics is based on a give and take principle, and the government must weigh up the various and often conflicting interests of multiple stakeholders. It means that key stakeholders of each policy sector have their own perspectives and interests, and if there is any conflict between the interests, the government needs to set priorities and make trade-offs. Moreover, there are also unanticipated events and third-party interventions that would cause changes in policy stances which would generate needs for new policy compromises. Recognizing the uncertainty and diverse interests, some experts assert that policy coherence is more of a process rather than a goal, and it should be reviewed continuously and adjusted to minimize discords and maximize synergies (OECD 2005, p.29).

1-2. Policy Coherence Cycle

The process to achieve policy coherence for development is to guarantee that policies are coordinated for the pursuance of development goals. In order to accomplish policy coherence for development, policy coordination is essential. Therefore, OECD suggests a Policy Coherence Cycle that each donor state can follow and through which it can systematically implement coherency in its policies. The process to policy coherence can be visualized as a cycle which will be composed of three phases: setting and prioritizing objectives; coordinating and implementing policies; and monitoring, analysing and reporting on the impacts of policies (Figure 1). The respective cycle is maintained by one of three institutional building blocks and all these three building blocks should be arranged for the pursuit of progress towards policy coherence. Each phase of the coherence cycle is required to put sufficient emphasis on development for the progress (OECD 2009, p.19).

Assume that there are two policies to be coordinated-policy X and policy Y. The first phase, setting and prioritising objectives, includes specification and determination of policy objectives of policy X and Y, particularly, when there is incompatibility between the two policies. In this phase, political commitment and statements, and how much emphasis is put on development objectives decide the quality of the building block.

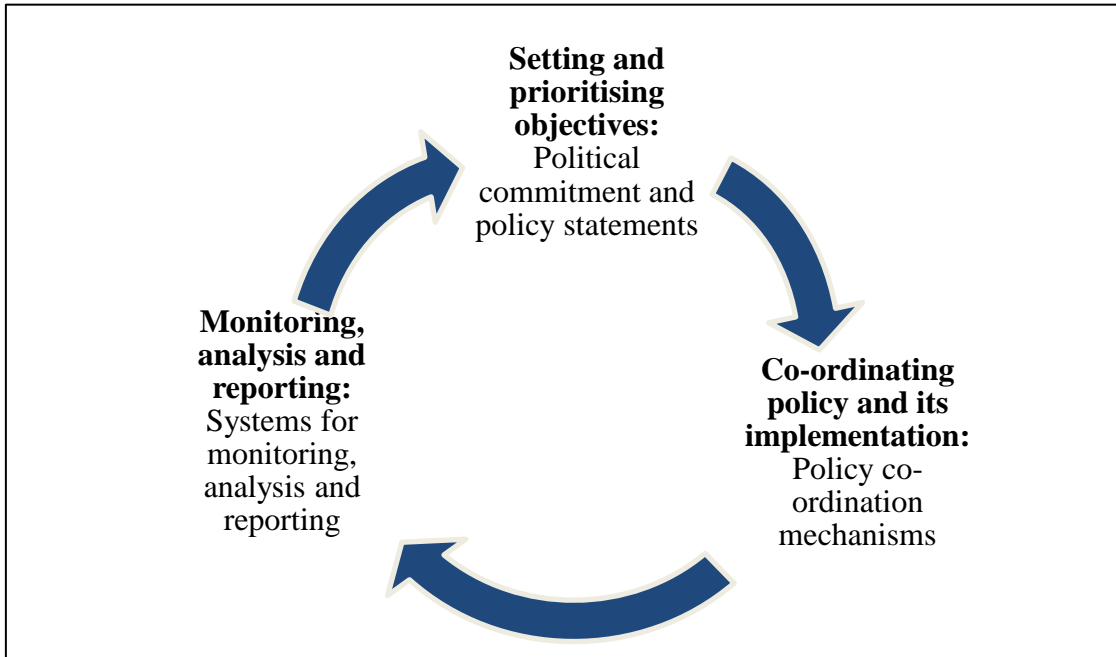
The second phase, co-ordinating policy and implementation, includes the process of modifying policy X and Y and their implementation for the maximization of synergies and

minimization of inconsistency. The quality of its building block is decided by the effectiveness of policy co-ordination and the degree of development interests taken into account during the process.

The third phase, monitoring, analysis and reporting, comprises of the collection and analysis of evidence on the effects of policy X and Y, both individually and jointly, and of the provision of feedbacks to policy makers and to those holding policy makers responsible. Based on the information given policy makers can then revise or reprioritize their policy mechanisms and goals. The building block for the third phase are systems for monitoring, analysing and reporting on policy effects. The efficacy of these systems and the range of impacts they can monitor, analyse and report on determine the quality of the building block (OECD 2009, p.19-20).

Because each state has different scale, history, culture, politics and governance system, it is true that different approaches should be taken in terms of policy formation and coordination process according to the state. However, policy coherence cycle can be a useful universal tool to evaluate PCD and give recommendations to achieve PCD. For instance, OECD DAC used this cycle as a basic framework to evaluate PCD of South Korea. In its peer review in 2012, it examined whether Korea has established the building blocks of each phase for policy coherence for development. Evaluations on South Korea's PCD will be introduced in the following chapter.

Figure 1. The Policy Coherence Cycle



Source: OECD, 2009

1-3. Implications of PCD

As the world is globalized and economic interdependence between the states has intensified, developing countries are more easily influenced by economic policies of industrialized countries. This indicates that developed countries' aid policies are not the sole determinant of emerging economies' development. This naturally leads to the argument that policy coherence between aid and non-aid policies is imperative. As a response, within the OECD and the EU, PCD has become an essential agenda and they have been seeking mechanisms to maintain coherence between aid and non-aid policies, especially those of trade and environment. PCD has become one of the

salient policy standards of the EU, and it is one of the major items to be reviewed in OECD Peer Reviews (Son et al., p.13).

Given that PCD is essential for the collective achievement of development goals, the importance of PCD cannot be emphasized enough. Nevertheless, PCD is often neglected in the development fields of donor countries regardless of international community's implementation efforts. There are several explanations on the causes of donor governments' reluctance in the adoption or implementation of PCD policies. First, the government is deficient of political will. Developed countries often do not regard interests of developing countries seriously. When they implement the policy coherence onto the foreign policy, involving foreign aid, through a "whole-of-government," "comprehensive," or "joined-up" approach, the crucial objective is likely to be security, not development. Aid, therefore, becomes subsidiary to self-interest. In more peaceful circumstances, the overarching goal becomes commercial interests. Thus, policy coherence is not often implemented for development (Lew 2015, p.479).

Second, incoherence is more convenient than coherence. The government is required to come up with a definite, crucial goal and strategy, which are not easy to define and agree on. Also, even if it does come up with a common goal and strategy, accomplishment of policy coherence demands essential administrative mechanisms to guarantee coordination, if not full integration, for the achievement of the joint objective. It extends burdensome procedures that drag decision-making and enforcement (Lew 2015, p.479).

Third, states are not solid, uniform actors and sometimes there is fragmentation of accountability for aid/development in donor states across the ministries and government agencies. For example, rather than the Ministry of Foreign Affairs or the aid agency, the Ministry of Finance is in general in charge of contributions to multilateral institutes, such as International Monetary Fund and the World Bank. Whereas aid agencies would or should at least put its priority on development, other departments are likely to prioritize national gains at the sub-state level. For this reason, multiple sub-units pursue their own purposes and interests, instead of aligning their policies further for the whole national interests (Lew 2015, p.479).

Based on the recommendations of Peer Reviews of OECD DAC countries conducted between 2003 and 2007, the OECD published *OECD Synthesis Report on PCD*, in which it identified nine lessons to follow to achieve PCD. Also, in a series of consecutive publications, the OECD has continuously made suggestions on approaches and methods to achieve PCD in major policy sectors. These reports commonly point out that although the OECD has been consistently emphasizing development issues and policy coordination for development goals, OECD member states have not been effectively employing PCD. The OECD also asserts that both the donor and recipient states have not put precedence on development over other objectives in designing the policies. OECD DAC's peer review on South Korea was conducted in 2012 and it was also criticized for the lack of policy coherence for development.

2. Coherence of the ROK's Overall Development Policies

South Korea, which used to be an aid recipient has become one of the OECD DAC member states in 2009. Now it shares its development experiences and know-hows to promote long-term sustainable growth in other developing countries. Although South Korea's North Korean aid policies are not included in ODA policies, examining coherence of Korea's ODA policies for development would be meaningful since the modalities and instruments of North Korean development cooperation policies and those of other general aid policies are pretty much alike. Therefore, before evaluating PCD of Korea's North Korean policies, this paper would like to introduce how well Korea is doing in terms of policy coherence for development.

In the past decade, a series of evaluations on Korea's PCD have been carried out. It was year 2008 when the OECD made its first official recommendation on Korea's policy coherence in its *DAC Special Review on Development Cooperation of Republic of Korea*. The special review pointed out that Korea's aid efforts lack coordination and therefore raise problems of inefficiency. South Korea's development cooperation is conducted through four main actors- MOFA, KOICA, MOSF and EDCF. The Ministry of Foreign Affairs (MOFA) is in charge of Korea's grant aid policies. It makes bilateral grant aid strategies and is the main cooperation channel for the OECD/DAC. Under the supervision of MOFA, the Korea International Cooperation Agency (KOICA) manages Korea's aid and technical cooperation programs. On the other hand, the Ministry of Strategy and Finance (MOSF) administers concessional loan policy and is responsible for providing expenditure for national development activities. It also supervises the Korea

Eximbank's Economic Development and Cooperation Fund (EDCF), which is the implementing agency of concessional loan plans (OECD/DAC 2008a, p.19).

Outside the four main actors, there are approximately 30 ministries, agencies and municipalities which carry out their own separate aid portfolios. Different assistance operations are implemented in different partner countries by each organization which is the main cause of fragmentation and inefficiency of Korea's development assistance. There is a coordination effort by the Committee for International Development Cooperation (CIDC) led by the Prime Minister involving 15 ministers and 6 civil society representatives. Yet, DAC Special Review evaluated that it still lacks concerns for PCD (OECD/DAC 2008a, p.20).

In 2012, the DAC made a peer review on South Korea, and it made evaluations on how well Korea has founded the building blocks for PCD after the Special Review was published in 2008. Based on the framework of policy coherence cycle, the DAC closely looked at Korea's achievements made in each phase. In its report, it begins its chapter; *Development Beyond Aid*, by emphasizing the effects of Korea's non-aid policies on the development objectives and aid effectiveness of developing countries. It clearly manifests that PCD means to remove any inconsistencies among Korea's non-aid policies and the aid goals. Also, it makes sure that Korea's non-aid policies should be at least neutral in terms of their impacts on developing countries. According to the report, Korea has begun its efforts to make sure that its policies all jointly pursue development goals by providing three institutional building blocks; political commitment, coordination mechanisms, and monitoring systems (OECD/DAC 2012, p.38).

In the 2012 peer review, South Korea was advised to come up with a government-wide agenda to accomplish development-friendly policies. To begin with, it was recommended to give coherence for development sufficient significance in decision-making process. Then, it should make sure that the government is technically and politically capable of coordinating and enhancing policy coherence for development. South Korea was also suggested to strengthen existing analysis of and reporting on how Korea's foreign and domestic policies influence emerging economies. This should be based on research and analysis of the Office for Government Policy Coordination and Prime Minister's Secretariat, and MOFA, and feedback and analysis from the field should be thoroughly delivered. Moreover, it was advised to have better information flows among government departments in Seoul, and analysis by universities, Central Statistical Office and think tanks (Korea NGO Council for Overseas Development Cooperation 2017, p.12-13).

However, there seems to have been little progress in PCD since the 2012 peer review. According to *OECD DAC Peer Review 2017: Korean Civil Society Report*, the MOFA and MOSF still administer ODA projects separately even though CIDC is working as a coordinating body. With an increased ODA budget, a greater number of institutions are conducting stand-alone projects, which are against the OECD recommendations on policy coordination and coherence. Examples of Korean government's reports show that it does not deliberately consider the fragmentation issue. The *Peer Review 2012 Recommendations* presented an assessment that "Korea's system for managing aid is more concentrated than most DAC members, but

fragmentation is becoming an issue.” However, the Korea Eximbank’s EDCF Issue Paper puts forward a different understanding. It stipulates that “Developing countries regard Korea as a source of development knowledge and ideas based on experience. Korea’s ODA system is stable compared to other DAC members, and shows low levels of fragmentation and duplication.” The civil society and the academia, therefore, have incessantly brought up the fragmentation problem. However, it was not recognized by the government (Korea NGO Council for Overseas Development Cooperation 2017, p.12-14).

As a series of reviews on Korea’s PCD clearly show, despite the efforts made in the last decade, that South Korea needs to advance coherency among its foreign and domestic policies; and the objectives of its aid policies. The lessons learnt and recommendations received from these reviews can also be applied to Korea’s North Korean policies.

3. PCD of South Korea’s North Korean Policies

Before introducing South Korea’s North Korean policies and examining whether its policies are coherent for development, this chapter would like to discuss how this thesis defines PCD in terms of the South’s DPRK-related policies. First, with respect to the policy coherence the paper will follow the OECD’s 2012 definition. Therefore, to have policy coherence for development means to apply mutually reinforcing policies and integrate North Korea’s development concerns across government departments to accomplish development objectives along with national policy

goals. In other words, whether South Korea has reciprocally strengthening policies incorporating both the North's development interests and its own national policy goals will be the key point.

Then, what would be the North's development interests? As little has been known about the North's national policies and its objectives, precise identification of North's development goals is difficult. For this reason, the thesis will rely on the sources from *Strategic Framework for Cooperation between the United Nations and the Governance of the Democratic People's Republic of Korea*. The UN Strategic Framework (UNSF) is a planning framework for the programmes and operational activities of the UN system in North Korea (UN 2010, p.3). After a year-long process of consultations between the donor community and government representatives of North Korea, the UN and the Democratic People's Republic of Korea have reached convergence in the goals and objectives which would lead the cooperative work of the United Nations agencies during the period of 2011-2015. Recently, the UNSF was revised for another five-year period (2017-2021) and set out the newly agreed priorities for the UN's country-level work in North Korea. Although the priority objectives of UNSF would not be able to sufficiently represent the North's national development objectives, it would be a great resource to refer to, since it is a result of agreement between the UN and the North Korean government representatives.

The UNSF 2011-2015 outlines four strategic priorities: Social Development, Partnerships for Knowledge and Development Management; Nutrition; and Climate Change and the Environment. To be specific, in accordance with Social Development, to increase access to the quality health services at primary and secondary health care level; to improve the quality of

education and school environments; and to improve access to safe drinking water, sanitation and hygiene (WASH) are the major expected outcomes. That is, better health care service, education and WASH are the focus of social development sector (UN 2010, p.6). In terms of Partnerships for Knowledge and Development Management, the UN aims to develop human resource capacity in national institutions for strategic planning and management of foreign aid; and to strengthen human and national capacities in sustainable development management (UN 2010, p.7). With respect to the Nutrition sector, the UN prioritizes to improve nutritional status of the targeted population; and to sustain household food security (UN 2010, p.9). Lastly, for the Climate Change and Environment, the UN and the DPRK have agreed to improve national capacities in environmental protection and disaster management; and to improve local and community management of natural resources (UN 2010, p.10).

In the recent UNSF 2017-2021 which succeeds the UNSF approved in 2010, the large framework of four priorities have not been modified much. However, these objectives have been intensified and more details have been added. The new objectives are: Food and Nutrition Security; Social Development Services; Resilience and Sustainability; and Data and Development Management. For the Food and Nutrition Security, the UN intends to increase sustainable food production; to increase access to diversified food among the most vulnerable groups; and to improve nutrition status of vulnerable groups. With regards to Social Development Services, its priority is to offer sustained and equitable universal health coverage with emphasis on primary health care; to enhance services to address diseases; to strengthen health emergency preparedness;

to provide coordinated, equitable and sustainable WASH coverage; and to offer quality education. Regarding the Resilience and Sustainability, the UN agreed to increase capacity to respond to impacts of disasters and climate change; to guarantee better access to energy; and strengthen government capacity to apply integrated and equitable approaches to environmental management and disaster risk management. Finally, for the Data and Development Management, the UN aims to increase DPRK's access to humanitarian and development data for programming; to enhance DPRK capacity to apply international technical norms and standards; and to strengthen compliance of DPRK with international treaties (UN 2016, p. 29).

In short, although there have been slight changes, the development objectives of North Korea could be summed up to mainly four areas: Nutrition Security, Social Development, Resilience and Sustainability, and Development Management. Accordingly, this thesis will set these four priorities as North Korea's development objectives, and examine whether Seoul is implementing mutually reinforcing policies with much consideration of these four development goals.

V. South Korea's Cooperation Policy towards North Korea

The purpose of this chapter is to introduce ROK's overall policy approaches to North Korea. Since examining the policy coherence between South Korea's aid and non-aid policies is the objective of this dissertation, the following part will mainly deal with these two. In South Korea, North Korean aid policies are classified as one of the sub-sectors of North Korean development

cooperation policies. Therefore, in terms of aid policies, the paper will first introduce the concept of South Korea's development cooperation policies towards the North. Whereas for the non-aid policies, it will closely look into economic cooperation policies.

1. Overview of South Korea's North Korean Policy

Over the past seven decades, unification has been an overarching national goal for South Korea. The importance of unification to the Korean society cannot be emphasized enough. Its significance is so great that it is highlighted in the Constitution of the Republic of Korea. The Constitution begins with the following statement which clearly specifies the unification as an obligatory and affirmative mission to be accomplished. "We, the people of Korea . . . having assumed the mission of democratic reform and *peaceful unification of our homeland* and having determined to consolidate national unity with justice, humanitarianism and brotherly love" (Constitution of Republic of Korea 1987, Preamble).

Following the Preamble, Article 4 states: "The Republic of Korea shall *seek unification* and *shall formulate and carry out a policy of peaceful unification* based on the principles of freedom and democracy," evidently manifesting peaceful unification as a national goal (Constitution of ROK 1987, Article 4). Also, in Article 66(3), the Constitution states the President's duty to "sincerely *pursue the peaceful unification of the homeland*". It even stipulates that the President is to take the following oath at his/her inauguration: "I do solemnly swear before the people that I will faithfully execute the duties of the President by observing the Constitution, defending the

State, *pursuing the peaceful unification of the homeland*, promoting the freedom and welfare of the people and endeavouring to develop national culture” according to Article 69. By placing the pursuit of peaceful unification of the homeland between the defence of the state and promotion of the freedom and welfare of the people it clearly reveals where unification lies amongst the country’s priorities (de Bear 2015, p.826-827).

Based on this context, South Korea has been implementing North Korean policies pursuant of unification in the long run. Whereas the unification has continuously been the ultimate goal of North Korean policies, the government institution responsible for administering these policies has changed over time. This shift of power between government institutions reflects not only the changes in international politics, but also South Korean government’s approach and strategy towards the overarching goal of unification. Until the Cold War era, reflecting the hostility and competition between two Koreas, National Intelligence Service (NIS) was the main actor in North Korean policies. According to the Government Organization Act, the objective of NIS is “to take charge of duties concerning information, maintenance of peace and order, and criminal investigations concerning national security” (Government Organization Act 2016, Article 17-1). The fact that an organization relevant to national security used to manage North Korean policies indicates that maintaining a stable national security was the most pursued strategy for unification.

However, as the Cold War was put to an end, the Ministry of Unification (MOU), which prioritizes expansion of exchange and cooperation with Pyongyang, has taken over the responsibility to administer overall policies towards the North. Admitting that the prolonged

separation of Korean Peninsula has brought about deep discrepancies between the South and the North, the MOU chose to take a reconciliatory approach. Unlike NIS, the MOU chose to enhance inter-Korean relationship first by promoting social, cultural, and economic exchange between the two states. Accordingly, along with the end of Cold War, the tensions between two Koreas were eased and it naturally led to the expansion of development and economic cooperation policies.

Since this thesis is focusing on the ROK's development and economic cooperation policies towards DPRK between 1995 and 2015, it will focus on the North Korean policies of MOU. It was established in 1969 and its authority of direction and coordination over North Korean policies was laid in 1990 when the 13th President Roh Tae-woo initiated its Northern Diplomacy, or *Nordpolitik*. Since then, it has functioned to systematically assume the full responsibility of North Korean policies. It was from Kim Dae-jung's Administration that the MOU has worked effectively. In the Organization of Ministry of Unification and its Subsidiary Agencies Act Article 3, the duties of MOU are stipulated as the following: "establishment of policies on inter-Korea dialogues, exchange and cooperation between two Koreas, and humanitarian assistance to the North, analysis of North Korea's state of affairs, raise of public awareness on unification, and other unification-related affairs."

Among the duties articulated in the Article 3, the MOU's major North Korean policies may be generally divided into Humanitarian Cooperation Policy and Inter-Korean Exchange and Cooperation Policy. The Humanitarian Cooperation Policy involves humanitarian assistance; and reunion of separated families. The Inter-Korean Exchange and Cooperation Policy, on the other

hand, includes social and cultural exchanges and cooperation policy as well as economic cooperation policy (Table 1). MOU's policies are mostly implemented in order to establish mutual trust and mitigate conflicts with North Korea, and to finally lay foundations for the preparation of unification.

Table 1 Types and Examples of North Korean Policies of MOU

HUMANITARIAN COOPERATION POLICY		INTER-KOREAN EXCHANGE AND COOPERATION POLICY	
Types	Examples	Types	Examples
Humanitarian Assistance	<ul style="list-style-type: none"> • Bilateral assistance to North Korea • Contributions to multilateral institutions • Financial support for NGOs 	Social and Cultural Exchanges and Cooperation	<ul style="list-style-type: none"> • Joint excavation project of Manwoldae in Kaesong • Joint compilation project of Gyeoremal Keunsajeon • Joint participation of international sports games
Reunion of Separated Families		Economic Cooperation	<ul style="list-style-type: none"> • Inter-Korean trade • Consigned processing trade • Mt. Geumgang tours • Non-commercial trade

Among the Humanitarian Cooperation Policy, humanitarian assistance refers to the South Korea's aid efforts to the North. It is an integral part of its Humanitarian Cooperation Policy along with the reunion of separated families program. In terms of social and cultural exchanges and cooperation, two Koreas have recently done joint excavation project of Manwoldae in Kaesong and joint compilation project of Big Dictionary of the Korean People's Language (Gyeoremal

Keunsajeon). There were also exchanges in other sectors such as religion and sports. The economic cooperation policy, on the other hand, is composed of inter-Korean trade, Kaesong Industrial Complex (KIC) project, and Rajin-Khasan Logistics project (three-way cooperation between South and North Korea and Russia).

In order to analyse the policy coherence between aid and non-aid policies, this dissertation will focus on specific case policies. Whereas the MOU's humanitarian assistance policy can be easily classified as aid policies, inter-Korean exchange and cooperation policies may be categorized as non-aid policies. In terms of aid policies, the focus of this study will be the ROK government's bilateral aid and its contribution to multilateral institutions. Among the wide range of non-aid policies, it will mainly deal with economic cooperation policy, especially the Kaesong Industrial Complex (KIC) project. In a nutshell, bilateral aid and contributions to multilateral institutions are the two cases of aid policies and the KIC project is an example case of non-aid policy.

2. South Korea's Aid Policies: Development Cooperation Policies

According to the United Nations Economic and Social Council (ECOSOC)'s 2016 Development Cooperation Forum Policy Briefs, development cooperation is defined as the following: "Activity that aims explicitly to support national or international development priorities, is not driven by profit, discriminates in favour of developing countries, and is based on cooperative relationships that seek to enhance developing country ownership." It is a broader

concept than aid which means “the transfer of resources from donor countries to developing countries, under concessional terms, to promote social and economic development (Alfonso and Glennie 2016).” The official development cooperation involves financial (and in-kind) transfer, capacity support and policy change. Financial transfers include grants and in-kind transfer which are the basic modalities of aid from South Korea to the North (Table 2).

Table 2. Development Cooperation Types, Modalities and Instruments

Type	Main Modalities	Instruments (Examples)
Financial (and in-kind transfers)	Grants	General budget support Investment projects Core supports to NGOs Contributions to Multilateral Institutions Multi-donors Fund (basket funds)
	Loans and equity (and quasi-equity) investment	Concessional loans Multi-donors Trust Funds <i>Aid for Trade (loans)</i> <i>Loans with lower concessionality than ODA</i> <i>Syndicated loans</i> <i>Equity investment</i> <i>Mezzanine finance</i> <i>Risk-mitigation instruments</i>
	International levies and some other innovative finance	Solidarity levy on airlines ticket Pilot advance market commitments for vaccines <i>Caribbean Catastrophe Risk Insurance Facility</i>
	Public-Private Partnership	GAVI Global Fund
	Public climate finance	Mitigation projects <i>Certified Emission Reduction Trading</i>
	In-kind transfer	Food aid Non-food commodities
Capacity support	Organizational and human resources	Decentralized cooperation University cooperation

		Institutions and capacity building programmes
	Technology coop'n	<i>Cooperation among research centres</i>
	Sharing policy experiences	Policy advice Capacity and institution building
Policy change	In-country	Scholarship programmes Refugees in donor countries Administrative costs Debt relief Promotion of development awareness
	Changing global rules	<i>Exceptions in TRIPS: transition period for LDCs concerning patent regarding pharmaceutical product</i> <i>Trade preferences (GSP): Reduction of trade duties</i> <i>Duty-free, quota-free for LDCs</i>
	Policy coherence	<i>Monitoring national improvements by the EC</i>

Source: ECOSOC Development Cooperation Forum 2016

Note: *Italic is official development cooperation transfer but usually non-ODA countable*

As the DPRK lays much restriction on the activities of aid workers, there are certain limitations in deploying various modalities and instruments in terms of assisting North Korea's development. As it is briefly mentioned above, the South Korean government in general provides aids in the modalities of grant and in-kind transfer. Grant includes general budget support, investment projects, core supports to NGOs, and contributions to multilateral institutions. Although the ECOSOC defines investment projects as an example of instrument of development cooperation, the South Korean government classifies investment projects such as Kaesong Industrial Complex or Mt. Geumgang tour as economic cooperation policy. Therefore, this thesis will deal with KIC in the subsequent economic cooperation chapter. In-kind transfer involves both the food and non-food commodities aid. It is interesting to note that Seoul's food aid to Pyongyang

was mostly provided under the name of ‘loan’. Although it was given in the form of loan, however, since it is difficult to regard food loan as financial loan, this dissertation will treat food loan along with food aid as an instrument of in-kind transfer. The South Korean government has been a large food provider to the North and it has shared fertilizers for the advancement of DPRK’s food security as well (Table 3).

Table 3. Modalities and Instruments of South Korean Government's North Korean Aid

Modality	Instruments
Grant	General budget support
	Investment projects (<i>Categorized as Economic Cooperation Policy</i>)
	Core supports to NGOs
	Contributions to Multilateral Institutions
In-kind transfer	Food aid/loan
	Non-food commodities

For the last two decades, South Korea’s assistance to Pyongyang has shown fluctuations in the total amount and they distinctively show the differences between the administrations. After President Kim Young-sam initiated its aid to Pyongyang in 1995, Korea’s bilateral aid has been incessantly provided between years of 1999 and 2007. During these years, President Kim Dae-jung and Roh Moo-hyun laid much weight on the reconciliation and peaceful relationship with Pyongyang, and their political stances are well reflected in the aid flows during their terms. On the contrary, during Lee Myung-bak and Park Geun-hye administration, ROK aid was provided mostly through multilateral institutions, generally for the vulnerable group (e.g., children and

pregnant women). President Lee Myung-bak maintained strict reciprocity approach towards North Korea and after Pyongyang made a torpedo attack on the South Korean naval vessel, Cheonan, he laid 5.24 Measure¹ and stopped all forms of bilateral aid. Since then, all the aids to the North had to be provided through multilateral institutions, and only the humanitarian assistance for the vulnerable groups was allowed. This trend has continued until the Park Geun-hye administration with little modification (Table 4).

Table 4 North Korean Aid from ROK Government

(KRW 100 million)

Year		Bilateral Aid	Supports to NGOs	Contributions to Multilateral Institutions	Total Grant	Food Loan	TOTAL
Kim Young-sam administration	1995	1,854			1,854		1,854
	1996			24	24		24
	1997			240	240		240
Kim Dae-jung administration	1998			154	154		154
	1999	339			339		339
	2000	944	34		977	1,057	2,034
	2001	684	63	229	976		976
	2002	832	65	243	1,140	1,510	2,650
Roh Moo-hyun administration	2003	811	81	205	1,097	1,510	2,607
	2004	949	102	262	1,314	1,359	2,673
	2005	1,221	120	19	1,360	1,787	3,147
	2006	2,000	133	139	2,273		2,273
	2007	1,432	216	335	1,983	1,505	3,488
	2008		241	197	438		438

¹ 5.24 Measure refers to South Korea's economic sanctions laid on North Korea after its attack on South Korean naval ship Cheonan.

Lee Myung-bak administration	2009		77	217	294		294
	2010	183	21		204		204
	2011			65	65		65
	2012			23	23		23
Park Geun-hye administration	2013			133	133		133
	2014			141	141		141
	2015			117	140		140
TOTAL		11,249	1,153	2,743	15,169	8,728	23,897

Source: MOU. Accessed October 29. <http://www.unikorea.go.kr/unikorea/>

2-1. Case 1: Bilateral Aid

South Korean government's bilateral aid includes general budget support, food aid and in-kind transfer of fertilisers. Although the food loan is usually categorized separately from bilateral aid, this thesis will include food loan in this section. This is because even though it is provided in a form of loan, North Korea has never returned it and many Koreans in general do not discern food loan from aid. Bilateral aid excludes in-kind transfers that ROK government contributed through multilateral institutions which will be dealt with in the next part.

It is interesting to note that all the ROK's bilateral aid has been made in the form of in-kind transfer. In 1995, 150 thousand tons of rice were granted from Seoul to Pyongyang and this was the beginning of South's North Korean assistance. Since then it was only year 2006 and 2010 that South Korea gave food aid bilaterally to North Korea. Out of total food assistance from South Korea to the North, only 20% was provided as aid and other 80% was loan-based. The food was mainly composed of rice and corn. The food aid/loan were mostly provided during Kim Dae-jung

and Roh Moo-hyun administrations. It was only once during Lee Myung-bak administration that food aid was provided. In year 2010, South Korea endowed 50 thousand tons of rice to North Korea as a response to the flood in Sinuiju. Regarding the food security, South Korea also has been providing fertilisers. Fertilisers were offered continuously since 1999 until 2007 to assist North Korea in advancing agricultural production. Approximately 3.5 million tons of fertilisers were provided to North Korea (Table 5). Since the South Korean government could not do monitoring in North Korea, they received reports from North Korean government how the foods and fertilisers were distributed across the country. However, it was often criticized for not being transparent and several allegations of diversion of aid were reported.

Table 5. South Korea's Bilateral Aid to the North

(Thousand tons, KRW billion)

Year	Bilateral Aid							TOTAL (General support + fertiliser + food aid/loan)
	General support	Fertiliser		Total (General support + fertiliser)	Food aid/loan			
		Scale	Amount		Scale	Type	Amount	
1995					150	Rice (aid)	185.4	185.4
1996								
1997								
1998								
1999		1150	33.9	33.9				33.9
2000		300	94.4	94.4	300	Imported rice	105.7	200.1
	200				Chinese corn			

2001	Inner wear 1,500 thousand sets	200	63.8	68.4				68.4
2002		300	83.2	83.2	400	Rice	151	234.2
2003		300	81.1	81.1	400	Rice	151	232.1
2004	Emergency kits for Ryongchon disaster	300	94	94.9	100	Rice	135.9	230.8
					300	Imported rice		
2005	3,000 emergency kits for flood recovery	350	120.7	122.1	400	Imported rice	178.7	300.8
	Preventive medicine for avian influenza				100	Rice		
2006	Flood recovery	350	120	200	100	Rice (aid)	39.4	239.4
2007	Flood recovery	300	96.1	143.2	150	Rice	150.5	293.7
					250	Imported rice		
2008								
2009								
2010	Treatments for swine flue			14.3	50	Rice (aid)	4	18.3
	Flood recovery in Sinuiju							
2011								
2012								
2013								
2014								
2015								
TOTAL			787.2	935.5	26,550	Rice	1,101.6	2037.1
					200	Chinese corn		

Source: MOU. Accessed October

Due to the 1996 Gangneung submarine infiltration incident, the bilateral aid was halted for three years after the first food aid in 1995. However, as reconciliation and peace with North Korea were significant agendas of the Kim Dae-jung administration, the bilateral aid was reinitiated in 1999. Likewise, for the past two decades, the South's bilateral aid to Pyongyang has been largely influenced by the domestic politics and the government's strategic goals. Between 1998 and 2006, under the Sunshine Policy, which was President Kim Dae-jung's theoretical basis for North Korean policies, South Korea endowed a significant level of humanitarian aid. This largely explains South Korea's diverging pattern of international assistance to North Korea in the mid-2000s. South Korea maintained the significant level of aid to North Korea whereas the international society reduced its assistance during this period. Nevertheless, political/military tensions between the two Koreas often disrupted the humanitarian assistance to the North even in the era of Sunshine Policy. For example, a naval battle occurred between the two Koreas in the West Sea border on June 15, 1999, and the South Korean government ordered a transport ship which was on its way to North Korea to deliver pesticides to return immediately (Kim 2014, p.446).

Then, what would probably be able to explain the purposes of South Korea's bilateral aid to the North? According to the MOU website, the government has aided North Korea 'to protect and promote the social rights of North Korean people and to restore a *Korean National Community* in the long-term' (MOU website. Accessed December 29). Korean National Community is a concept appeared in President Kim Young-sam's speech in 1994. It refers to a stage that would preserve

the homogeneity of the Korean people before organizing a unified state. South Korea's Three-Stage Reunification Formula, which is a gradual step-by-step approach towards unification, aims to create a Korean national community (Park 2003, 2002). In other words, South Korea's purposes of humanitarian assistance to the North can be organized into: protection of North Korean people's social rights; and promotion of unification.

However, among the two objectives of humanitarian assistance, South Korean government seems to have weighed more importance on the latter (i.e., promotion of unification). First, it clarifies on its website that 'by developing aid effectiveness and transparency, the government tries to contribute to laying foundations for unification and developing inter-Korean relationship'. Also, to look at the bilateral aid provided, most of them were provided as a part of relief programs after the major outbreaks of natural disasters. Other than the emergency reliefs, South Korea's bilateral aid are only limited to food aid/loan or fertilizers. Until 2010, the modalities and instruments of aid has not changed since 1995 without any respect to the needs of North Korea. If South Korean government had a strong will to protect social rights of North Korean people and to assist North Korea's development, it would have had more clear plans with concrete aid targets and various modalities of aid.

Secondly, as it was previously explained, South Korea's bilateral assistance was greatly influenced by the domestic politics. The humanitarian assistance was even often used to support its Sunshine Policy, not the other way around. For example, in June 2000, to achieve a historic summit meeting between South and North Korea, Seoul offered and endowed a huge amount of

humanitarian aid to North Korea. In fact, North Korea often asked for bilateral assistance from the South Korean government as an exchange for participating inter-Korean dialogues or allowing the reunion of separated families. South Korean government, to whom reconciliation with North Korea was significant to maintain domestic political support, has accepted North Korea's suggestions.

Regardless of South Korea's efforts, however, the North's nuclear provocations continued and it constantly carried out attacks, and this led to South Korean people's turning their backs to Sunshine Policy. As a result, this generosity was put to an end with the ascendance of the Lee Myung-bak government in 2008. Going against the former government's engagement policies, the Lee government emphasized the principle of reciprocity in providing assistance to North Korea, making it clear that if Pyongyang does not cooperate in key security issues, Seoul would not provide large-scale aid to North Korea. Accordingly, the amount of humanitarian assistance to North Korea decreased greatly during Lee Myung-bak administration and especially after the Cheonan Incident in March 2010, it became almost negligible (Kim 2014, p.446).

2-2. Case 2: Contributions to Multilateral Institutions

According to the Strategic Framework for Cooperation between the UN and the DPRK 2017-2021, currently there are six resident UN organizations in North Korea: FAO, UNDP, UNFPA, UNICEF, WFP, and WHO. South Korea has been depending on these multilateral institutions in assisting North Korea. Among the six UN organizations, WFP, UNICEF and WHO have been the

main partners of ROK government. To aid DPRK, South Korea has made earmarked contributions to these institutions and as of May 2017 the accumulated aid volume was \$247.68 million (Table 6). The aid has been mostly provided for the humanitarian use, including emergency food aid, prevention on malaria, and aids for the vulnerable (i.e., infants and pregnant women). Multilateral institutions have been used as a useful aid channel and South Korea's contributions have been continuously made even when the inter-Korean relationship deteriorated.

South Korea has provided earmarked contributions mainly to WFP, UNICEF and WHO. Although there have been fluctuations, South Korea continued its donation to these institutions except for year 1999, 2000 and 2010. It is assumed that in year 1999 and 2000, South Korean government stopped its donations to international organizations because it could provide assistance bilaterally and thus it did not need multilateral institutions in the middle. In terms of aid channels, the opinions on which channel to take diverted. The MOU asserted relying on bilateral aid to have more political leverage in inter-Korean dialogues. Meanwhile, the MOFA supported continuing contributions to multilateral institutions. By having constant donations to these institutions, South Korea would have stronger voice in the international community in terms of North Korean issues. In addition, multilateral institutions have advantage over bilateral aid in regards with monitoring and evaluation. Although there are certain limitations, these international organizations offer greater transparency and accountability than a single donor state's bilateral aid in distributing aids. However, despite its advantage, South Korea's contribution to multilateral institutions stopped once again in 2010. It is assumed to have been affected by the deterioration

of inter-Korean relationship and South Korea's 5.24 Measure. 5.24 Measure halted all aids provided from South Korea to the North, yet humanitarian assistance was exempted. Nevertheless, the worsening of public opinion and South Korea's firm stance against the North influenced in halting all forms of assistance to North Korea, including the contributions to multilateral institutions.

Table 6 South Korea's Contributions to Multilateral Institutions

(USD Million, KRW billion)

Year	Multilateral Institutions (USD million)				Total	
	WFP	UNICEF	WHO	Others	USD million	KRW billion
1996	2	1	0	0.05	3.05	2.4
1997	20.53	3.94	0.7	1.5	26.67	24
1998	11	0	0	0	11	15.4
1999	0	0	0	0	0	0
2000	0	0	0	0	0	0
2001	17.25	0	0.46	0	17.71	22.9
2002	17.39	0	0.59	0	17.98	24.3
2003	16.19	0.5	0.66	0	17.35	20.5
2004	23.34	1	0.87	0	25.21	26.2
2005	0	1	0.81	0	1.81	1.9
2006	0	2.3	11.67	0	13.97	13.9
2007	20	3.15	11.81	0.5	35.46	33.5
2008	0	4.08	11.47	0.19	15.74	19.7
2009	0	3.98	14.08	0.3	18.37	21.7
2010	0	0	0	0	0	0
2011	0	5.65	0	0	5.65	6.5
2012	0	6.04	0	2.1	2.1	2.3
2013	0	0	6.05	0	12.08	13.3
2014	7	4	6.31	0	13.31	14.1
2015	2.1	0	0	4.12	10.22	11.7
Total	136.8	36.64	65.48	8.76	247.68	274.3

Source: Ministry of Unification. Accessed October 30.

The fact that South Korea mainly worked with World Food Programme (WFP), United Nations Children's Fund (UNICEF) and World Health Organization (WHO) clearly shows that South Korea made sure its aid was provided only for humanitarian use. Through WFP, South Korean government generally offered food aids including corn, wheat flour, powdered milk and fortifying nutrients. In 2014 and 2015, South Korean government contributed \$7 million and \$2.1 million respectively for maternal and child health care program of WFP (Annex 1). South Korea's contributions were specifically earmarked for this program to make sure its aid goes to the people who are in need. Whereas South Korean government has not given any direct assistance to the North in the health sector, it relied on other channels including WHO and NGOs. Through WHO, South Korea subsidized malaria prevention works in North Korea and medical supports for infants and children (Annex 2). UNICEF was also a helpful aid partner of South Korean government. It primarily supported infants and children by distributing vaccines and nutritional supplements (Annex 3). Other than the three international organizations, there are also World Meteorological Organization (WMO), United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), International Vaccine Institution (IVI) and United Nations Population Fund (UNFPA) that South Korea worked with. In 1996, with WMO, South Korea provided meteorological equipment to the North. The IVI was also a useful channel to provide vaccines and medical education programs to medical workers of North Korea. In 2015, South Korea jointly worked with UNFPA in taking a census in the Northern part of Korean Peninsula (Annex 4).

The financial source of contributions to multilateral institution is usually Inter-Korean Cooperation Fund, which is a government fund for the economic cooperation and social and cultural exchange between the two Koreas. The fund is raised through government contribution and deposits from the public-sector funds. It is established based on the Inter-Korean Cooperation Fund Act. In the Article 8 of the Act, it specifies on which issues the fund may be used. It does not explicitly stipulate ‘North Korean assistance’ nor ‘aid’, however they can be classified as ‘funds necessary for inter-Korean exchange and cooperation which contributes to the restoration of the reliability among the Korean people and the national community, and support of any project to promote inter-Korean exchange and cooperation’. Whether to provide aid through international organizations are generally discussed at Inter-Korean Exchange and Cooperation Promotion Council.

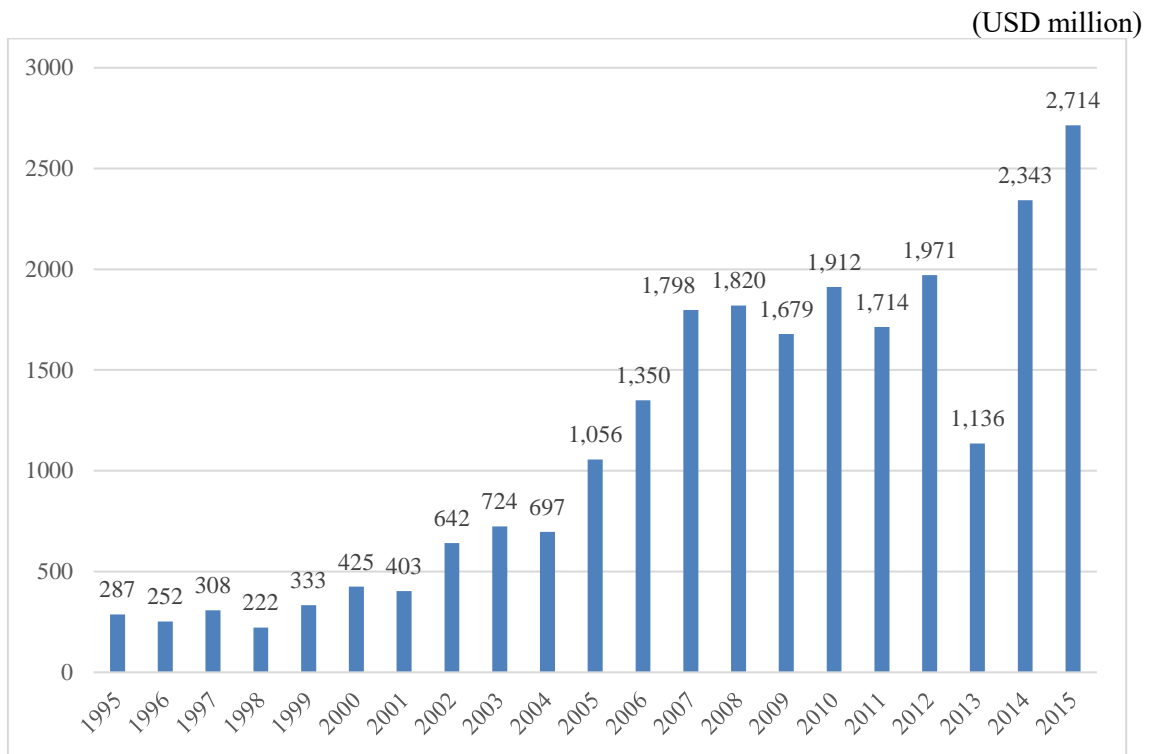
The purposes of South Korea’s assistance through multilateral institutions seem to have been more humanitarian than its bilateral aid. The government has maintained a longstanding principle to separate humanitarian issues from politics. For example, after President Moon Jae-in inaugurated this year, South Korean government offered \$8 million aid package to the North through WFP, which drew various reactions from people. Some experts warned that this aid would undermine international efforts to financially isolate North Korea. However, Moon Jae-in administration made it clear that South Korea’s humanitarian assistance the North Korean vulnerable groups will be continued regardless of political situation. Accordingly, the provision of aid was focused only on humanitarian use, particularly for the vulnerable. Nevertheless, some

analysts and observers point out that Seoul's humanitarian assistance through multilateral institutions despite the political conflict is a diplomatic tactic. Andrew Yeo, an associate professor of politics at the Catholic University of America, in Washington said to VOA News, "By offering a token \$8 million of humanitarian assistance to the U.N., South Korea is signalling that it has not completely shut the door for engagement, humanitarian or otherwise" (VOA 2017).

3. South Korea's Non-Aid Policies: Economic Cooperation Policies

The notion of inter-Korean cooperation was brought up in 1984 during President Chun Doo-hwan administration. However, it was not until the Kim Dae-jung administration that the clear and radical ROK-DPRK economic engagement plan has been implemented officially under the name of 'Sunshine Policy'. President Kim Dae-jung agreed upon a Kaesong Industrial Complex project with Kim Jong-il along with other economic exchanges. President Roh Moo-hyun continued North Korean policies of his predecessor with Peace and Prosperity policy by the provision of assistance and engagement with Pyongyang. The Lee Myung-bak administration retained a hard-liner stance towards the North and its vision of North Korean policy was 'Mutual Benefits and Common Prosperity' (Yoon 2009). It strongly criticized its two predecessor's engagement policies and emphasized strict reciprocity. Nevertheless, the inter-Korean economic cooperation remained relatively high except year 2013 when the North shut down the KIC for four months due to the military drills held by Seoul and Washington. In fact, the economic cooperation increased during the first two years of Park Geun-hye administration until the KIC was shut down once again in 2016 (Figure 2).

Figure 2. Inter-Korean Trade Volume



Source: MOU. Accessed October 29.

Note: The total inter-Korean trade volume includes general trade, consigned processing trade, economic cooperation projects-Kaesong Industrial Complex and Mt. Geumgang tours, and other non-commercial trade.

Economic cooperation has been initiated and expanded with clear goals. The significance and continuation of economic cooperation have been constantly confirmed during Inter-Korea talks and agreements. For example, in Agreement on Reconciliation, Nonaggression, Exchanges and Cooperation between South Korea and North Korea signed in 1991, it states “the two sides shall engage in economic exchanges and cooperation” in order “to promote an *integrated and*

balanced development of the national economy and the welfare of the entire people”. This is reconfirmed during Inter-Korean Summit held in 2000. Here, two Koreas made a Joint Declaration and it agreed on “promoting *balanced development of the national economy* through economic cooperation”. The agreement on inter-Korean economic cooperation has become more specified and emphasized in 2007 in Declaration on the Advancement of South-North Korean Relations, Peace and Prosperity. In the declaration, two Koreas have agreed to “facilitate, expand and further develop inter-Korean economic projects on a continual basis for *balanced economic development and co-prosperity on the Korean Peninsula*”. A series of these agreements made by two Koreas denote that overt objectives of economic cooperation are balanced development of two Korean economies

Economic cooperation between two Koreas are carried out in various forms. According to the MOU, total volume of inter-Korean trade includes general trade; processing on commission trade; economic cooperation; and non-commercial trade. Since 2005, the inter-Korean trade showed an increasing trend until 2015. However, it plummeted in 2016 because the inter-Korean relationship worsened due to security issues. The interesting part of inter-Korean trade is that the total amount of economic cooperation gradually increased since 2006 and became the largest source. It is because general trade and non-commercial trade were all ceased by ROK’s 5.24 Measure after North Korea’s torpedo attack on South Korean naval vessel, the Cheonan. Due to the incident, 46 sailors were killed yet Pyongyang denied any role in this attack. In order to address North Korean responsibility for the sinking, the Measure halted exchange and cooperation

between two Koreas, including visits, trade, and aid projects. However, ROK continued the KIC operation and only new business investments in KID was banned. It was because there were already so many stakeholders in South Korea in terms of KIC and it would have been too much burden on the ROK government to cover all the costs of shut-down. Therefore, since 2010, KIC has been the only source of inter-Korean trade. Yet, even the KIC was entirely closed in 2016, and currently there is hardly any inter-Korean economic exchange and cooperation projects going on (Table 7).

Table 7 Inter-Korean Trade Volume by Trade Types

(USD million)

	Type	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16
Inbound trade	General trade, processing-on commission trade	320	441	646	624	499	334	4	1	1	0	0	-
	Economic cooperation	20	77	120	308	435	710	909	1,073	615	1,206	1,452	185
	Non-commercial trade	0	1	0	0	0	0	1	-	-	0	0	0
	Inbound total	340	520	765	932	934	1,044	914	1,074	615	1,206	1,452	186
Outbound trade	General trade, processing-on commission trade	99	116	146	184	167	101	-	-	-	0	-	-

Economic cooperation	250	294	520	596	541	744	789	888	518	1,132	1,252	145
Non-commercial trade	366	421	367	108	37	23	11	9	3	4	10	2
Outbound total	715	830	1,033	888	745	868	800	897	521	1,136	1,262	147

Source: MOU. Accessed November 11.

Note: *Economic cooperation includes KIC, Mt. Geumgang tours, and light industry projects. Non-commercial trade involves assessment from the government and NGOs/Social and cultural cooperation/light-water reactor project.*

3-1. Case 3: Kaesong Industrial Complex (KIC)

Launched in 2004, Kaesong Industrial Complex (KIC) is a special economic zone in North Korea, jointly operated by both Koreas. It was established and invested by South Korea to enhance inter-Korean cooperation. As of December 2015, 125 Korean companies invested in this area and the accumulated output was \$3.23 billion. In KIC, products are manufactured with a combination of North Korea's cheap labour and South Korea's capital and technology. KIC has been regarded as an indicator of inter-Korean relations and one of the examples of peaceful engagement between the South and the North. Run by the Hyundai Group and the Korea Land Corporation, it is a private venture, yet both the governments of South and North Korea have taken the initiative. South Korean government has offered its companies incentives to invest in the complex, including political risk insurance to cover any losses caused by unstable inter-Korean relationship. With South Korea's efforts to boost the KIC, approximately 55,000 North Korean employees and 820 South Koreans were employed in KIC as of December 2015. However, KIC was completely shut down in 2016 due to the deterioration of inter-Korean relationship.

When South Korea launched the project, its purposes were largely twofold: economic and political. First, South Korea aimed to stimulate economic and political transformation of North Korea. One of the key developers of Kaesong admitted that the first and the foremost objective of KIC was to integrate two Korean markets with a creation of physical infrastructure, economic assets, and trade in a potential war zone. The second goal was to generate mutual economic benefit by putting together the South Korea's comparative advantage in capital and technology and that of North Korea's in labour and land. In terms of politics, South Korea's first objective was to enhance North Korea's engagement in security-related dialogues by creating economic stakes in political cooperation. It also aimed at creating economic engagement and to bring North Korea out of isolation and to prevent the regime collapse. South Korean government expected synergy between economic and political objectives through the KIC. As well as the economic goals of benefitting from comparative advantage, it sought for gradual economic integration and transformation of North Korea for the ultimate goal of unification (Yun 2009, p.186).

There were also some subsidiary purposes such as turning Kaesong into the centre of inter-Korean cooperation and an essential special economic zone in Northeast Asia, revitalizing North Korea's economy, making new jobs for North Koreans, helping Pyongyang to advance technology, and assisting in developing North Korea's diplomatic image in the international community. However, South Korea has underlying covert purposes that are often unnoticed. Drives for South Korea's investment in KIC are not only the economic comparative advantage, but also the leadership's strategy. Accordingly, the KIC is a consequence of good balance between economic

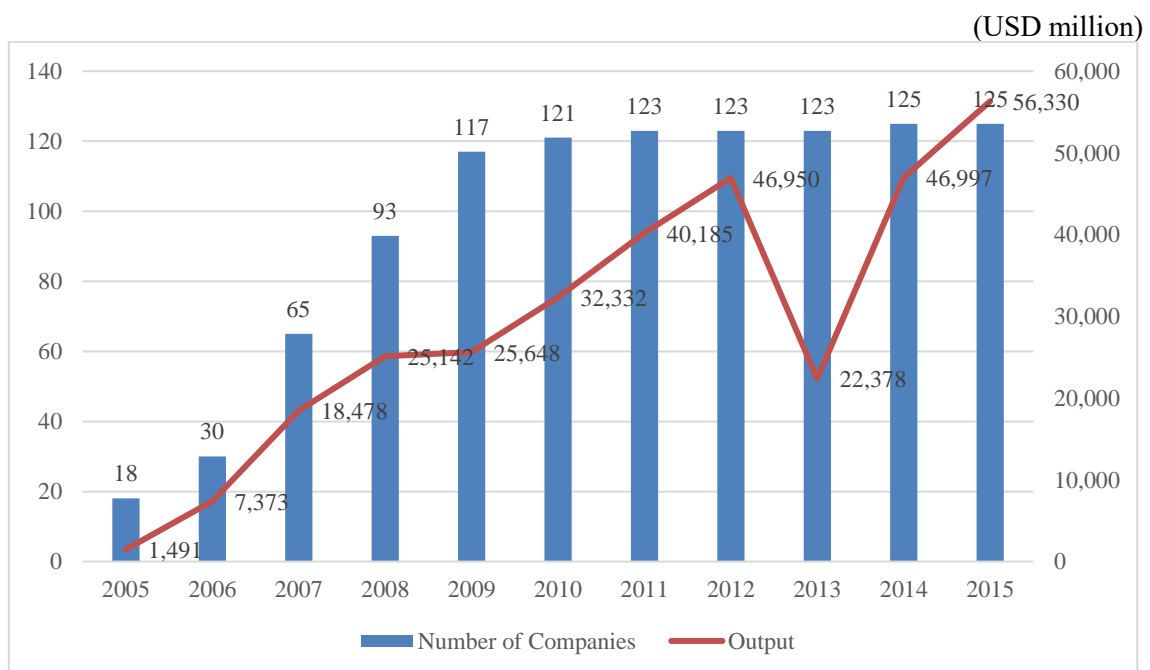
gain and political support, while also fulfilling the emotional obligation of South Koreans to assist their “brothers” in the North.

Both Koreas share convergence on the goal of reviving North Korea’s economy but show divergence on the future influences from North Korea’s economic growth through KIC. From the perspectives of the North, the KIC is merely an instrument to strengthen the national capacity by learning and embracing industrialized market structures. On the contrary, from the South’s view, it is one of the strategies to alter North Korea’s economic system, prevent the regime collapse, and ultimately to induce social and political changes. In essence, both Koreas agree that the KIC is designed to be DPRK’s market-opening experiment, but South Korea has an additional objective of bringing about ripple effects into North Korea’s other parts of social and political structure (Yun 2009, p.187).

As of December 2015, there were 125 tenant companies in the KIC, 123 of which were engaged in production activities (two companies suspended their operations). By sector, textiles accounted for 58% with 73 companies, followed by machinery and metals with 24 companies, electrical and electronics with 13, chemicals with 9, pulp and lumber with 3, food with 2, and non-metallic minerals with 1 company. The number of North Korean workers has remained over 50,000 since 2012. As of December 2015, the number of North Korean workers was 54,988, and the average wage in 2015 were about \$188, which was increased by 30% from the previous year. The volume of production at KIC declined to \$200 million in 2013 due to the suspension of the KIC, but recovered to previous levels in 2014 with \$469.97 million worth of production (Figure

3). The annual output for 2015 was \$563.29 million. Textiles, electrical and electronics are the top two sectors in this area. \$1.7967 billion was produced solely from the textiles sector in 2015, followed by \$615.48 million of output from electrical and electronics (MOU 2016, p.89-91).

Figure 3 Output and Number of North Korean Workers of KIC



Source: MOU. Accessed November 2.

However, KIC was shut down in February 2016 due to the deterioration of inter-Korean relationship. In fact, it was already once closed in April 2013 for four months after the tensions escalated by the U.S.-Korea military drills. Also in 2009, Pyongyang imposed restrictions on the KIC after the military drills of Seoul and Washington. As a result, it closed the entry into KIC and hundreds of South Korean workers were trapped in the KIC for several days. However, regardless

of the constant flare-ups of tensions between two Koreas, the most part of the KIC continued and even expanded its operation until it was entirely shut down in 2016. After KIC was closed in 2013, Seoul made its utmost efforts in normalizing and developing the KIC. When the KIC was resumed, it improved its system such as the 3Cs-Coming-and going, Communications, and Customs in 2013. The government held the 6th meeting of South-North Joint Committee for the KIC in June 2015, and during the meeting it announced the South's position on salient issues for the normalization of the KIC (i.e., reforms in the wage system and the 3C issues based on the principle of joint management through consultations between two Koreas). Also, South Korean government appealed to the North for a positive response. Despite the South's efforts, Pyongyang asserted that labour regulation issues are not a matter of compromise and remained resistant to improving the 3C issue, which stalled the agreement (MOU 2016, p.86).

To conclude, even though the subsidiary purposes are not all the same, South Korea's development and economic cooperation policies have been pursued with an overarching goal of 'unification' (Table 8).

Table 8 Comparison of Purposes of Three Case Policies

Policy	Overt Purpose	Covert Purpose	Long-term Goal
Bilateral aid	<ul style="list-style-type: none"> • Protection of social rights of North Koreans 	<ul style="list-style-type: none"> • Political leverage • Reconciliation with North Korea 	<ul style="list-style-type: none"> • Foundations for Unification • Restoration of Korean National Community • Promotion of Unification
Multilateral aid	<ul style="list-style-type: none"> • Protection of social rights of North Koreans 	<ul style="list-style-type: none"> • Diplomatic tactic 	
KIC	<ul style="list-style-type: none"> • Co-prosperity of both Koreas 	<ul style="list-style-type: none"> • Gradual economic integration and economic transformation of North Korea 	

Especially, even though the government asserts that each policy aims to protect social rights of North Koreans and to assist in the development of North Korea, the long-term objective and the covert purposes of these policies seem to be different from what we usually hear. This, in fact, bears a great significance in analysing the PCD of North Korean policies. While PCD is a concept that prioritizes development objectives of North Korea, how South Korean government would incorporate them along with its own national goal of ‘unification’ is the important question here.

VI. Analysis on Policy Coherency of ROK’s North Korean Cooperation Policies

All three cases of South Korea’s North Korean cooperation policies are administered by the MOU. Therefore, it can be inferred that there is little chance of incoherencies among the policies.

Also, in case of any uncertainties or unexpected conflictual situations between the two Koreas, the MOU can easily coordinate its policies and come up with solutions. For this reason, application of PCD onto the policies managed by a sole actor-MOU may seem meaningless. However, a review of PCD is still significant since it encourages the governments and institutions to take ‘development goals’ into consideration. Accordingly, in this analysis part, this paper will analyse how ROK is coordinating its aid and non-aid policies towards Pyongyang based on OECD’s policy coherence cycle.

For the first phase of the cycle, it will review whether the South Korean government has made any political commitments to North Korea’s four development goals and shown efforts to ensure policy coherence. For the second phase, the paper will examine whether there is any institutional mechanism both within or outside MOU to coordinate its policies. The analysis of this phase will be divided into two parts: internal coherence among two aid policy cases - bilateral aid and contributions to multilateral institutions -; and inter-governmental coherence which touches upon coherence between the first two aid policies and KIC case. Furthermore, in this phase, it will review whether the North’s four development interests-nutrition, social development, environment, and development management-have been considered seriously with clear vision. In terms of the third phase, the focus will be laid on whether ROK has a proper monitoring and reporting system on the development impacts of its three North Korean policies.

1. Why is PCD Necessary?

As it was already introduced, three case policies are all administered by the MOU and hence, conflicts between them are less likely to occur. This may raise questions on why PCD is necessary in ROK's North Korean policies. Therefore, in this part, the thesis would like to suggest two reasons why South Korea should implement PCD: South Korea is both one of the largest donors as well as trade partners of North Korea.

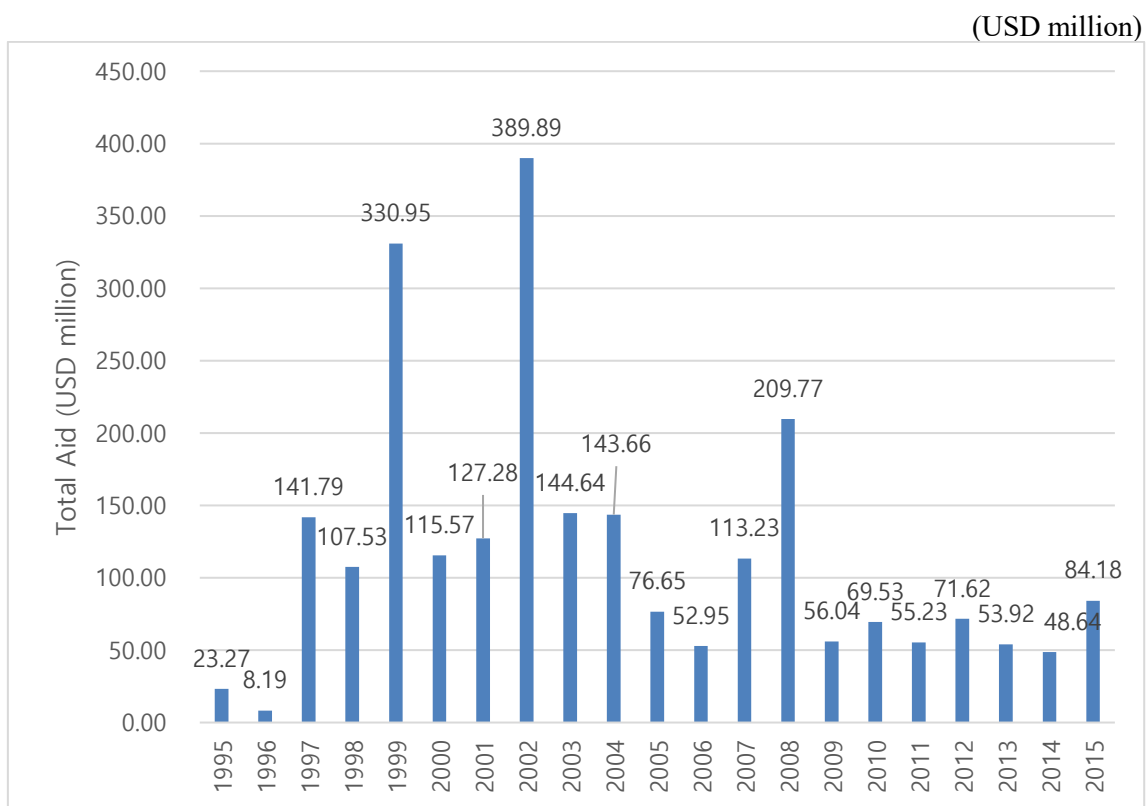
South Korea is One of the Largest Donors to North Korea

International aid to DPRK was initiated in the early 1990s as a response to North Korea's appeal for assistance. From 1995 through 2015, the world community (excluding South Korea) has provided over \$2.4 billion of assistance to North Korea.² While the North Korean aid has started off with only \$23.27 million in 1995, it increased up to \$389.89 million in 2002 which was the largest amount in the last twenty years. Regardless, fluctuations in the total volume of foreign aid were also witnessed in the given period. The aid fluctuated particularly in the years of 1999, 2002 and 2008, wherein North Korea was critically hit by a series of natural disasters. However, other than these large fluctuations, the total amount of aid has remained relatively low since 2009 (Figure 4). It is assumed that North Korean nuclear crisis and donor fatigue are the main causes for the drop. Overall, approximately 66% of total aid is provided by the Organization

² Data for North Korea's total aid are retrieved from OECD statistics webpage (<http://stats.oecd.org>). This thesis will focus on the years between 1995 and 2015 since the official ODA statistics are provided up until 2015. The given OECD CRS statistics excludes South Korea's aid efforts to DPRK.

for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) countries through bilateral aid. Meanwhile, 33% of North Korean aid for the past two decades was channelled through multilateral organizations.

Figure 4 Total Foreign Aid to North Korea



Source: OECD CRS. Accessed October 11. <http://stats.oecd.org>

To go further into depth, among the international donors to North Korea, the U.S. and the EU have been the largest contributors. In the last twenty years, the U.S. has provided \$840.726 million which is 34.7% of international aid given to the North for the same period. This figure is

more than half of the total assistance provided from the DAC countries. The EU is the second largest international donor. It has endowed more than \$553 million for the last twenty years-, which in turn accounts for 22.8% of total aid. Whereas the U.S. and the international community in general have frequently shown fluctuations in its aid, the EU has maintained a constant flow of assistance. This is often interpreted in that the EU's North Korean aid is more humanitarian than other donors (Table 9).

Compared with the international community, South Korea has endowed a great amount of assistance to its neighbour in the North. In the last two decades, South Korea has provided \$2.25 billion. This figure is even higher than the total amount of bilateral aid from the DAC countries (\$1.6 billion). Furthermore, South Korea's total aid is almost equivalent to the total international aid volume - \$2.4 billion, and it clearly highlights the importance of South Korea's role in North Korean assistance efforts (Table 9).

Table 9. Annual Amount of Aid from Major Donors

(USD million)

Year	United States	EU Institutions	DAC Countries	South Korea
1995		0.209	5.539	232
1996	8.191	3.05
1997	..	54.126	51.241	26.67
1998	..	70.706	36.822	11.00
1999	242.028	50.777	278.554	28.25
2000	10.745	66.528	46.980	169.74
2001	0.328	36.213	88.600	75.22
2002	211.540	97.592	287.085	215.56

2003	54.408	35.022	104.931	220.58
2004	69.241	29.139	110.647	238.86
2005	9.808	26.058	43.071	308.42
2006	1.410	13.431	33.306	227.40
2007	55.242	12.147	93.217	367.31
2008	156.102	12.003	192.311	39.96
2009	13.844	10.618	35.990	24.21
2010	5.389	12.892	20.674	17.82
2011	2.492	11.597	33.062	5.65
2012	2.812	..	33.812	2.1
2013	1.247	14.708	28.181	12.08
2014	2.085	..	38.138	13.31
2015	2.004	0.035	30.203	12.2
TOTAL	840.726	553.800	1,600.554	2251.39

Source: OECD CRS. Accessed October 11. <http://stats.oecd.org>, Ministry of Unification of Republic of Korea. Accessed October 29.

South Korea as One of the Major Trade Partners of North Korea

South Korea is also an important trade partner for North Korea. The inter-Korean trade volume has expanded greatly since the establishment of KIC. In 2005, when the Kaesong Industrial Complex started its operation, the inter-Korean trade increased from \$697 million to \$1,055 million. Since the initiation of KIC, inter-Korean trade has taken a considerable share of North Korea's total trade. Except for the years 2013 and 2016, when KIC was shut down, more than 20% of Pyongyang's international trade was made between the two Koreas. This is in fact the second largest share among North Korea's trading partners, following China in the lead. Although North Korea's trade has become highly dependent on China since 2010, South Korea was still Pyongyang's major trade partner. Especially in 2016, when KIC was closed, North Korea's total trade amount declined from \$8,966 million to \$6,864 million. This is a 23% decrease

compared to its previous year. Accordingly, the given trade figures indicate that South Korea is an influential actor in North Korea's trade (Table 10).

Table 10. North Korea's Trade Volume

(USD million, %)

Year	International Trade (A)		Inter-Korean Trade (B)	Total (A+B=C)	Percentage (B/C*100)
	Total	China			
2004	2,857.1	1,385.2	697.0	3,554.1	19.6
2005	3,001.7	1,580.3	1,055.8	4,057.5	26.0
2006	2,995.8	1,699.6	1,349.7	4,345.5	31.1
2007	2,941.1	1,974.0	1,797.9	4,739.0	37.9
2008	3,815.7	2,787.3	1,820.4	5,636.1	32.3
2009	3,413.8	2,680.7	1,679.1	5,092.9	33.0
2010	4,174.4	3,465.7	1,912.2	6,086.6	31.4
2011	6,357.1	5,629.4	1,713.9	8,071.0	21.2
2012	6,811.3	6,012.5	1,971.1	8,782.4	22.4
2013	7,344.8	6,546.5	1,135.8	8,480.6	13.4
2014	7,610.9	6,864.0	2,342.6	9,953.5	23.5
2015	6,251.8	5,710.4	2,714.5	8,966.3	30.3
2016	6,531.7	6,056.4	332.6	6,864.3	4.8

Source: KOSIS. Accessed November 11. www.kosis.kr

Although nearly all inter-Korean activities came to a halt due to the deterioration of inter-Korean relationship, it is undoubtful that South Korea has been one of the major partner countries of DPRK in terms of aid and trade. Based on this fact, it can be inferred that South Korea's policies would influence North Korea in a way or another. This already gives us enough reasons to review and pursue coherence among the policies. Furthermore, even though there is barely any

interaction between the two Koreas these days, past experiences suggest that South Korea would once again deeply engage with its neighbour in the North when the tensions are eased. Therefore, reviewing the policy coherence for development of ROK's North Korean policies itself carries an important connotation from the perspectives of North Korea's development.

2. Phase 1: Setting and Prioritizing Objectives

The building block for phase 1 is political commitment and policy statements. These building blocks are the starting point of progress towards policy coherence for development. Clearly stated political commitment is a basic cornerstone for setting and prioritising objectives. In addition, through manifest political statement the government can clearly convey its political will through prioritised and coherent policies. Outside the political commitments and policy statements, legal frameworks are also a useful building block for the first phase (OECD 2009, p.23). In short, during phase 1, the government clarifies objectives of each policy and its political will to implement coherency among the targeted policies. In case of any incompatibilities between the policies, the government or the institutions can place priorities on certain policy objectives through official statements. Also, through political commitments, the government can raise public awareness of PCD issues.

According to the OECD's 2008 Policy Brief on Policy Coherence for Development-Lessons Learned, three lessons were learned from peer reviews in terms of phase 1 and they as follows:

Lesson 1: Educate and engage the public, working with civil society, research organisations and partner countries, to raise awareness and build support for PCD, on a long-term basis.

Lesson 2: Make public commitments to PCD, endorsed at the highest political level, with clear links to poverty reduction and internationally-agreed development goals.

Lesson 3: Publish clearly prioritised and time-bound action agendas for making progress on PCD.

(OECD 2008b, 6p)

Some OECD member states show good examples of clear political commitment and policy statements in the first phase. Norway, for instance, has put PCD as an explicit political goal wherein PCD is the focal point of its contribution to progress towards international development goals. Austria also has made efforts to involve PCD as part of its legal framework (OECD 2009, p.24).

Consecutively, has there been any political commitment or policy statement in South Korea that emphasized PCD as one of the major agendas of North Korean policies? Unfortunately, PCD has not been a major concern for South Korean government especially in terms of North Korean affairs. Although some past administrations have made efforts to enhance coherence in North Korean policies between departments, policy coherence has never been announced explicitly as one of the major agendas. For example, President Kim Dae-jung had concrete values and ideas regarding North Korean affairs, and through his strong leadership he is said to have made progress

in promoting coherence among North Korean policies. However, even during his term, policy coherence has never been explicitly declared as one of the major agendas.

As it was briefly introduced, legal frameworks can be yet another useful instrument in showing the government's political commitment towards PCD. In addition, the government will to implement PCD can also be found through its public awareness efforts. In terms of legal frameworks, Inter-Korean Exchange and Cooperation Act was enacted in 1990, and in accordance with the law, the Council for Promoting Inter-Korean Exchange and Cooperation was established. The purpose of this council was to coordinate policies on inter-Korean exchange and cooperation. Regarding the public awareness efforts on PCD in North Korean policies, the MOU has added special chapters on its coordination efforts in its annual White Paper. From year 2008 until 2010, under the chapter of *Establishing Internal and External Cooperation Networks to Prepare for National Unification*, the MOU specifically put a section on *Reinforcing Government-wide Cooperation on Unification Policy*. It is therefore true that both the legal framework and the public awareness efforts have been used to enhance policy coherence among North Korea related policies. However, despite these efforts, policy coherence has remained as one of the minor concerns of the South Korean government.

Then, why was policy coherence not one of the major concerns for South Korea in dealing with North Korea? The reason behind this can be explained by the decision-making process of North Korean policies. Reflecting onto the history of the South's North Korean policies, the President's will and leadership have greatly influenced policy coherence. Although South Korean

government has become more democratized than before, its decision-making process is still quite authoritarian especially in terms of North Korean issues (Lee 2001, p.20). Throughout history, ROK's North Korean policies were made under the presidents' strong leadership. As it has been briefly introduced in the previous chapter, the institute responsible for North Korean affairs has changed over time. While the National Intelligence Service (NIS) used to be in charge until the end of the Cold War, the MOU has taken over this role after the Cold War. As President Kim Dae-jung began his role, he bestowed a higher authority on to the National Security Council (NSC) dealing with North Korean issues. Being a leader of NSC himself, he was one of the most important decision-makers of North Korean policies. Since then, in terms of important North Korean issues, inter-ministerial policy coordination has been practiced through NSC under the President's direct supervision. As most of the North Korean policies were decided through the President - with the President him/herself acting as the moderator of the inter-governmental coordination, policy coherence has, in fact, not been problematic.

Korea's lack of political commitment on policy coherence in North Korean policies can be evaluated negatively from the perspectives of OECD's PCD standards. However, given that South Korean government's decision-making process on North Korean policies is relatively more unified than that of other general ODA policies, it is quite understandable that little attention has been directed towards policy coherence. Nevertheless, South Korean government could still improve its PCD efforts by making clear policy statements on PCD with an emphasis on North Korea's development objectives. By doing so, it would be able to encourage other government

institutions to take account of a policy coherence that pursues or at least does not impede development goals of the DPRK.

3. Phase 2: Co-ordinating Policy and its Implementation

The second phase of the policy coherence cycle includes coordination and implementation of policies. The building block for this phase is policy coordination mechanisms which allow multiple government actors and stakeholders to freely consult on policies and solve any discords or incoherencies in their implementation. To make progress towards policy coherence for development, the government must consider development interests and implement them in the process with a clear and strong voice (OECD 2009, p.28).

In terms of phase 2, three lessons were learned from OECD peer reviews. These include:

Lesson 4: Ensure that informal working practices support effective communication between ministries.

Lesson 5: Establish formal mechanisms at sufficiently high levels of government for inter-ministerial co-ordination and policy arbitration, ensuring that mandates and responsibilities are clear and fully involving ministries beyond development and foreign affairs.

Lesson 6: Encourage and mandate the development agency to play a pro-active role in discussions about policy coordination.

(OECD 2008b, p.6-7)

Peer reviews of demographically small countries such as Ireland or New Zealand tell us that formal co-ordination mechanisms are not necessarily a prerequisite. Instead, compact government and short communication lines can replace the official mechanism. However, a more systematic approach to policy coordination seems to be essential in terms of transparency and accountability. For instance, cabinet committees play a significant function in policy coordination and guarantee coordination and leadership from the highest level of government (OECD 2009, p.28). Also, the peer reviews urge the member states to make sure that development interests are represented in the establishing and reinforcing of policy coordination mechanisms (OECD 2009, p.30).

This part, therefore, will focus on whether there is an official coordination mechanism; and on which, how well North Korea's development interests are reflected. With respect to the coherence within the aid policies however, South Korean government's North Korean aid efforts are entirely made by the Humanitarian Cooperation Bureau of MOU. Under the bureau, there is a Humanitarian Cooperation Planning Division which is responsible for coordinating North Korean aid. Therefore, this part will focus more on the coherence between aid and non-aid policies towards North Korea. So far, a combination of official and unofficial efforts for policy coherence has been made both inside and outside the MOU.

National Security Council (NSC)

The highest-level of coordination mechanism on North Korean affairs is the National Security Council (NSC). NSC is a consultative body for the President in regards of national security policy. The council was established in 1962 by President Park Chung-hee to discuss

security-related issues. However, in 1998, the council was transformed into an inter-ministerial organization to administer diplomacy, security and unification policies with a whole-government approach. If the government is to implement any North Korean as well as foreign or military policies relevant to national security, it has to discuss the issue first at NSC before bringing it to the Cabinet meeting. The NSC is composed of the President, Prime Minister, Ministers of MOU, MOFA and the Ministry of National Defence (MOND), the head of NIS, and other additional council members designated by the President. The President him/herself is the Chair of the NSC and he/she administers the meeting. Since 1999, the NSC has been held annually in the beginning of each year and it does performance reviews on previous year's unification, diplomacy and security policies. These reviews are then reflected on the new year's policy plans. However, as we can already assume from the name of the council, the NSC is a coordination mechanism for more of a security purpose, rather than development objectives of North Korea. The NSC may perform as a platform for coordination between North Korean aid policies and non-aid policies, yet security is the number one priority in this mechanism. For example, when there are conflicting issues between aid and national defence policy, this mechanism would lay priority on the security of South Korea and North Korea's development objectives would be often neglected in the decision-making process. In fact, NSC has been held whenever North Korea made nuclear threats and other North Korean policies have been minor agendas.

Inter-Korean Relations Development Committee (IKRDC)

The next coordination mechanism is Inter-Korean Relations Development Committee (IKRDC). The committee is established in 2006 to discuss and coordinate any salient issues of inter-Korean relationship. It is a comprehensive consultative body that includes vice-Ministerial level public officials from the relevant central administrative agencies and non-governmental delegates. The examples of relevant central administrative agencies include MOSF, MOU, MOFA, MOND, and Ministry of Justice (MOJ). According to the Development of Inter-Korean Relations Act, the committee is to be comprised of not more than 25 members. The Minister of Unification is the Chairperson of the committee which is an advantage over NSC since it can better focus on the current agendas of MOU. Furthermore, because the IKRDC is more of a working-level meeting and involves non-governmental committee members, it tends to employ more of a pragmatic approach towards the agenda.

However, it is still difficult to call IKRDC a coordinating mechanism of PCD. As the name of the Committee also implies, IKRDC is established for the development of inter-Korean relationship. In other words, the purpose of the committee is to enhance inter-Korean relationship and in the long-term, to lay foundations for unification of Korea. In the process of coordinating the policies, North Korea's economic and social development are not the major concerns here. According to the Enforcement Decree of the Development of Inter-Korean Relations Act, the IKRDC deals with the master plan for development of inter-Korean relationship, establishment of inter-Korean economic community and settlement of humanitarian problems. Here, settlement

of humanitarian problems mainly refers to the separated family issues. The decree also specifies that the committee shall deliberate on the matters on formulation or modification of a master plan or annual implementation plans, and on the matters on important policies which need a budget or require enactment of Acts concerned with the development of inter-Korean relations. Thus, it can be inferred from the decree that the purpose of IKRDC is an enhancement of the inter-Korean relationship and North Korea's development concerns are neglected here.

Accordingly, even though aid towards the North may be discussed in this committee, it is discussed merely as a tool to strengthen the relationship between the two Koreas. Also, North Korea's development is often included vaguely under the expression of 'co-prosperity of both Koreas'. Therefore, IKRDC, although it may be an effective coordinating tool in terms of inter-Korean relationship, it needs to take into consideration of North Korea's development objectives more concretely and evidently in order to be regarded as a coordination mechanism for PCD.

Inter-Korean Exchange and Cooperation Promotion Council

The last official coordination mechanism is the Inter-Korean Exchange and Cooperation Promotion Council. The Council was established in 1990 according to the Inter-Korean Exchange and Cooperation Act. According to the Act, the Council was installed to discuss and coordinate policies for inter-Korean exchange and cooperation (Inter-Korean Exchange and Cooperation Act. Act No. 10282, 2010. Article 4). The Council is under the MOU and is composed of 18 or less members. The Minister of Unification is the Chairperson for this council, and Vice-Ministers or public officials, civilian specialists with expertise and experience in inter-Korean exchange and

cooperation are the members. The members of the Council are appointed or commissioned by the Prime Minister. Also, since the members can be flexibly added or changed, it enables the Council to include specialists or public officials from relevant Ministries according to the needs. For instance, in 2004, as inter-Korean railroad and Kaesong Industrial Complex projects began, coordination with the construction sector was required. Therefore, the Prime Minister appointed the Vice-Minister of Construction and Transportation as a new member that year. Also, the civilian specialists have begun to get involved in the coordination process since 2006, and the Council is to include more than three experts from the non-governmental sector.

According to the Article 6 of Inter-Korean Exchange and Cooperation Act, functions of Council are the following:

1. The consultation and coordination of policies on inter-Korean exchange and cooperation and the establishment of fundamental principles thereof;
2. The consultation and coordination of important matters on approval of inter-Korean exchange and cooperation and the revocation thereof;
3. Matters on the public notice of goods, etc. subject to approval for taking out or bringing in under Article 14;
4. Overall control and coordination of cooperative projects;
5. Support for the facilitation of inter-Korean exchange and cooperation;
6. Important matters related to inter-Korean exchange and cooperation required for cooperation among relevant ministries and agencies;

7. Others referred to a meeting by the chairperson.

Inter-Korean Exchange and Cooperation Act. (Act No. 10282), 2010. Article 6.

In fact, the Council has been actively working as a forum to discuss and coordinate North Korean policies, including the aid and KIC-related policies since its establishment. It is responsible for reviewing and discussing important agendas that require use of Inter-Korean Cooperation Fund. Since its establishment in 1989 and until September 2017, the meeting was held 287 times and a total of 651 agendas were dealt here. The examples of the agendas dealt within the Council include: bilateral aid to North Korea for emergency relief, provision of food aid/loan and fertilizers, use of Inter-Korea Cooperation Fund for earmarked contributions to multilateral institutions, assistance for South Korean companies and infrastructure construction in KIC, revision of master plans or regulations for inter-Korean exchange and cooperation policies, and other MOU agendas that need to be discussed with other departments. Most recently, in September 2017, the MOU decided to provide earmarked contributions of \$8 million to multilateral institutions-\$3.5 million to UNICEF and \$4.5 million to WFP, and this agenda was also discussed at the Council.

So far, the Inter-Korean Exchange and Cooperation Promotion Council has been an effective coordination mechanism. Although it is under the MOU, it offers a forum for inter-ministerial talks to take various interests and perspectives into consideration in terms of inter-Korean exchange and cooperation policies. Furthermore, with a purpose to strengthen its cooperation capacity, South Korea even established a working committee. The working committee is to

prepare an agenda before the Council is held and to deal with the affairs delegated by the Council (Inter-Korean Exchange and Cooperation Act, Act No. 10282, 2010, Article 9). The working committee is composed of 15 members, including the Chairperson, who is the Vice-Minister of Unification.

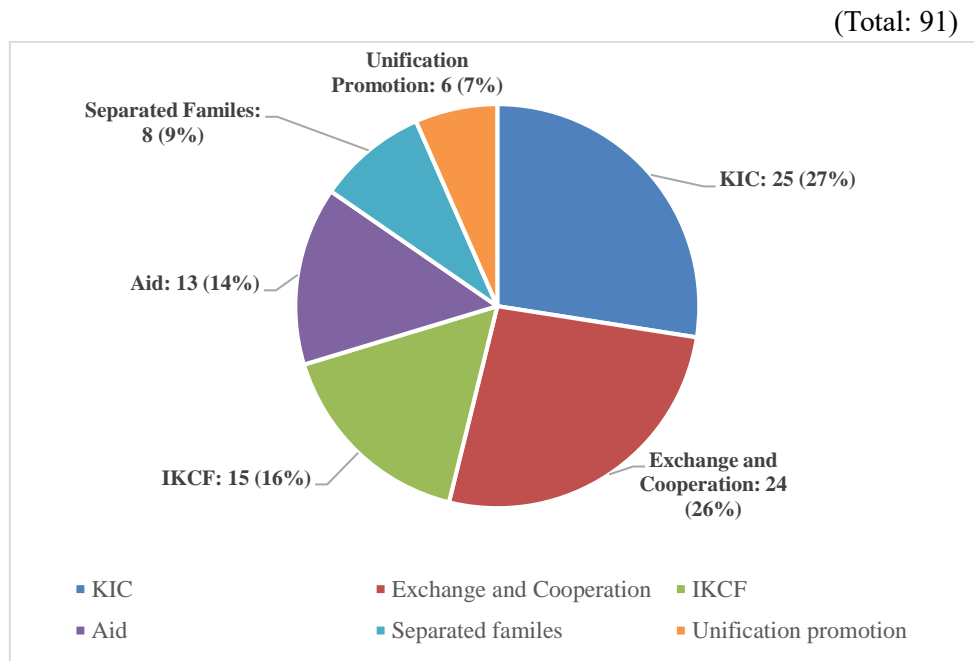
However, whether the Council has been effectively coordinating policies with great concerns of North Korea's development interests is another matter. According to the MOU, the Council touched upon a total of 93 agendas between year 2013 and 2017.³ Yet, the MOU has only revealed 91 agendas and among them, 27% of the issues discussed at the Council were related with KIC. Generally, the focus of KIC-related issues were South Korean companies, dealing with investments on the infrastructures of KIC; and loan supports and compensations for South Korean companies invested in KIC. Following the KIC, Exchange and cooperation policies were also the major issues reviews in the Council. These issues include: joint compilation project of Big Dictionary of the Korean People's Language, supports for South Korean companies invested in Mt. Geumgang, and business insurance for South Korean companies invested in inter-Korean economic cooperation projects. Technically, KIC is also one of the inter-Korean exchange and cooperation policies and therefore, more than half of the issues discussed at the Council were aimed at promoting exchange and cooperation between two Koreas (Figure 7). Among these issues, funds for North Korean sports players participating in 2014 Asian Games held in Incheon

³ Detailed agendas of Inter-Korean Exchange and Cooperation Promotion Council are confidential and only the agendas of recent 5 years were accessible. Among the 93 agendas two of them are unknown.

are the only supported directly provided to North Korea. Other exchange and cooperation policies, on the other hand, are mainly targeted for South Koreans only.

Nevertheless, 14% of the total agendas were on aids to the North (Figure 5). These issues are more directly relevant to the development objectives of North Korea. For example, among the 13 aid related agendas, 7 were on whether to give financial supports to multilateral institutions to help North Korea. South Korea’s contributions to these international organizations were mainly focused on nutrition and health care for infants and pregnant women. Also, the Council discussed supports for North Korea’s environment by subsidizing non-governmental organizations.

Figure 5 Agendas of Inter-Korean Exchange and Cooperation Promotion Council (2013-2017)



Source: MOU internal information. Retrieved December 6.

To conclude, it is still insufficient to call the Council as a coordinating mechanism for PCD, given that the Inter-Korean Exchange and Cooperation Promotion Council has been more focused on strengthening relationship between the two Koreas. Even though aid policies aiming to satisfy North Korea's development objectives were dealt with here, it is highly probable that they were discussed in the context of promoting inter-Korean exchange and cooperation. Development objectives of the North were nowhere to be seen in any of the Council related regulations or political commitments and aid policies have been subordinate agendas of the Council.

Other Unofficial Coordination Efforts

Whereas the above mentioned coordination mechanisms are the official bodies created according to the Government Act, there have also been unofficial efforts within the MOU to improve policy coherence. In 2004, the MOU evaluated its organization-environment and agreed upon the innovation in its system. It brought about 14 assignments to be resolved, and one of them was to promote the participation of private sector in policy implementation; and strengthening of networks with MOFA and security-related central administrative organizations. Furthermore, the MOU held seven joint workshops with other six departments, and had discussions on current North Korean issues. Additionally, the MOU restructured its organization and created more opportunities for the directors and its government officials to share ideas. Although these measures were provisional and unofficial efforts to enhance policy coherence, they are clear evidences of MOU's concerns over coherence.

To sum up, it is obvious that South Korea has been incessantly making policy coherence efforts regarding North Korean policies. It has three official coordination mechanisms with respective purposes and each coordinating system seems to have worked quite efficiently. Nevertheless, such efforts could be summarized into policy coherence for unification, not development. Purposes of these mechanisms are: security, development of inter-Korean relationship and enhancement of exchange and cooperation between the two Koreas (Table 11), which are usually regarded as stepping stones for unification. On the other hand, development interests of North Korea are not sufficiently considered in these mechanisms. This is in fact one of the largest weaknesses and limitations of South Korea's PCD in North Korean policies.

Table 11 Coordination Mechanisms and Purposes

Coordination Mechanism	Level	Purpose	Concerns for North Korea's Development Objectives
National Security Council	Ministerial level	Security	X
Inter-Korean Relations Development Committee (IKRDC)	Vice-ministerial level	Development of inter-Korean relationship	X
Inter-Korean Exchange and Cooperation Promotion Council	Vice-ministerial level under the MOU	Development of inter-Korean exchange and cooperation	Partly

4. Phase 3: Monitoring, Analysis and Reporting

The building block for the third phase is monitoring, analysis and reporting systems. For PCD, the country must lay systems to monitor the impacts of policies, to analyse the evidence collected through monitoring, and to report on the impacts of policies (OECD 2009, p.33). The monitoring, analysis and reporting on policies' development impacts will bring about better policy coherence for development. The following are the last three lessons learned from OECD/DAC peer reviews in terms of the third phase of the cycle:

Lesson 7: Make use of field-level resources and international partnerships to monitor the real-world impacts of putting PCD building blocks in place

Lesson 8: Devote adequate resources to analysing policy coherence issues and progress towards PCD, drawing on the expertise of civil society and research institutes, domestically and internationally

Lesson 9: Report transparently to parliament and the wider public about progress on PCD as part of reporting on development cooperation activities and progress towards meeting the MDGs

Source: OECD 2008b, p.7

The peer reviews reveal that even in countries that are widely known to lead the progress on PCD are lacking in building blocks for the third phase (OECD 2009, p.33). For the evidence and analysis of development effects to be useful, it must include information on policy and actually

be reflected onto the policy-making process. Also, it must be reported with publicity and transparency so that other stakeholders can hold policy makers and their political masters accountable. The monitoring, analysing and reporting can be conducted by various actors. In terms of the monitoring, the state can establish a distinct institution for monitoring, or systematically enable the participation of civil sectors in the monitoring process. Regarding the analysing and reporting, whether the government has any regular reporting or publicizing system can be one of the standards. Many DAC member states contribute considerable efforts on evaluation and reports on their development cooperation programs. Nevertheless, these countries are still in their early stages in terms of reporting to the public or the parliament on the development impacts of other policies.

Monitoring and Evaluation

In terms of monitoring North Korean policies, South Korea greatly lacks evidences in its development effects, which is one of the largest problems of South Korea's inter-Korean economic and cooperation policies. Regarding the aid policies, especially the bilateral aid, South Korea does not have its own monitoring system on North Korean aid. It is because 'no monitoring' was the condition attached on the provision of South Korea's assistance to the North. Such agreement was fiercely criticized by the international donor community, because without the process, aid may be falsely used and those who are really in need of help may be exempt from the assistance. Instead of implementing and conducting the monitoring process, the South Korean government depended on other sources like the Korean Red Cross, International Federation of

Red Cross, and North Korean government for monitoring. For example, to monitor the distribution of food aid, the South Korean government relied on North Korea's reports on food distribution. Some South Koreans were allowed to visit the field and see the distribution process. However, only a very limited access was permitted and because it was not systematized nor had proper legal framework, it is evaluated as an invalid monitoring process.

Since the South's bilateral aid to North Korea has so many obstacles in terms of transparency and monitoring, it has been constantly asserted that the South Korean government should resort to other aid channels. Multilateral institutions, for instance, are evaluated to have better monitoring system regardless of North Korean government's restrictions. Among the many international organizations resident in North Korea, WFP has continuously made monitoring efforts and despite North Korea's denial of WFP's access to distribution sites, it could expand its monitoring visits and number of aid workers in multiple regions of the North. As a result, WFP is currently operating at 60 districts in North Korea. However, aid through international organizations do not exactly represent the development influence of a single donor country. There is abundant data on how much and when South Korea has donated to these institutions but not on the outcomes of these donations. Therefore, it is difficult to scale the development effects of South Korea's multilateral aids on North Korea.

Although the monitoring on aid policies are not sufficient, South Korean government has made efforts to include evaluations and feedbacks from the private sector. The Public-Private Council for North Korean Aid Policies has been established in order to enhance cooperation

between the government and South Korea's humanitarian NGOs involved with North Korean aid. The council consists of two chairmen- the Vice Minister of Unification and the President of Korea NGO Council for Cooperation with North Korea (KNCCCK)- and fifteen committee members. KNCCCK is an NGO council composed of South Korean NGOs that provide humanitarian assistance to North Korea. The committee members are designated by KNCCCK and Minister of Unification. Through the Council, NGOs participate in evaluation and future planning of South Korea's North Korean aid policies. The Council has been working effectively in advancing South Korea's aid policies towards the North.

The monitoring on non-aid policies is better conducted than that of the aid policies. Regarding the Kaesong Industrial Complex project, because it involves many interests of South Koreans, the South Korean government has taken an active role managing the site. The KIC was thoroughly taken care of by the South Korean government, with active interactions with investing companies. The monitoring and analysis on the development effects of KIC was also carried out. The Korea Institute for International Economic Policy (KIEP) published a series of reports on KIC, including the economic effects of KIC in both Koreas. According to the report, North Korea earned \$9.6 billion of economic effect by the first nine years of KIC project. The evaluation was also conducted from the private sector. Hyundai Research Institute, for example, published a report on the evaluation and recommendations on KIC. The report anticipated that Pyongyang would have earned worth \$4.39 billion of income if the KIC had not been shut down. The government also promoted participation of the private sectors in the KIC-related policy making

process by including civil specialists in policy communities (e.g., KIC Forum and KIC Legal Consultative Committee). By involving these civilian experts, the Korean government could gather various opinions and gain more objective evaluations on its policies.

Furthermore, the MOU has made additional channels to include the citizens in evaluation and policy planning for the enhancement of overall North Korean policies. During the Roh Moo-hyun administration, the government has established the Open Forum for Unification and Dialogues with Policy Clients where the Minister of Unification and the citizens could directly share their opinions. Also, the MOU made online programs such as Online Public Hearing or Monitoring on Unification Policies so that its citizens can easily participate in the monitoring and evaluation process of MOU policies. Through Monitoring on Unification program, the government formed a monitoring body comprising multiples stakeholders. The monitoring on North Korean policies was held regularly and was reflected on policy making. Evaluation Council on Unification Policy was also installed for the purpose of advancement in policy efficiency and propriety through more objective and systematic analysis and evaluation. The Council was composed of less than 25 members including specialists from a wide range of sectors such as politics, economy and media.

Reporting

South Korean government has been relatively doing well in terms of reporting North Korean policies. In order to secure transparency and accountability, the Korean government is obligated to disclose its information to the public. Therefore, the government provides profound resources

on its policies. The MOU is also not an exception. It publishes annual Unification White Paper in both Korean and English and the Paper includes detailed information on the current inter-Korean agendas and North Korean policies. Also, the MOU offers statistics on major projects including humanitarian assistance, inter-Korean trade, Kaesong Industrial Complex, inter-Korean dialogue and North Korean defectors. In terms of reporting to the National Assembly, major works of MOU are reported during parliamentary inspection and relevant information is also publicized through MOU website. However, agendas and results of meetings held at coordination mechanisms-National Security Council, IKRDC, and Inter-Korean Exchange and Cooperation Promotion Council-are not sufficiently reported to the public. As a result, recently, there has been a bill proposal on obligating parliamentary reports on Inter-Korean Exchange and Cooperation Promotion Council's use of Inter-Korean Cooperation Fund.

To conclude, there has been determined efforts from the ROK government in advancing monitoring, analysing and reporting on its North Korean policies. This is because North Korean affairs are one of the most salient issues of South Korea. However, development impacts do not seem to have been sufficiently evaluated in the monitoring, analysis and reporting process. This is yet largely due to the limitations in information sources. Pyongyang restricts the number of aid workers and their access to most of the regions in North Korea which greatly hampers the monitoring process. The North Korean government also refuses to disclose any information on its nation. The combination of restricted access to monitoring and scarce information naturally leads to difficulties in evaluation, analysis, and reporting. Accordingly, the donor community,

including South Korea, cannot provide ample evidences on development impacts of North Korean policies. Therefore, it could be regarded as more of a structural problem of North Korean policies.

5. Policy Coherence for Development?

Table 12 South Korea's Strengths and Weaknesses of Each Phase

PCD Cycle	Strength	Weakness
Phase 1: Setting and prioritizing objectives	<ul style="list-style-type: none"> • Policy commitments on policy coherence 	<ul style="list-style-type: none"> • PCD not concerned as a priority • Insufficient concerns of North Korea's development objectives
Phase 2: Co-ordinating policy and its implementation	<ul style="list-style-type: none"> • Various coordination mechanisms with different purposes 	<ul style="list-style-type: none"> • Insufficient concerns of North Korea's development objectives
Phase 3: Monitoring, analysis and reporting	<ul style="list-style-type: none"> • Participation of civil sector in evaluation process • Government's relevantly well systematized reporting system 	<ul style="list-style-type: none"> • Limitations in monitoring • No comprehensive evaluations on South Korea's development influence on North Korea

To conclude, South Korea has made efforts and progress in enhancing policy coherence in North Korean affairs. However, little attention has been paid to development objectives of the North. Instead, the coordination efforts were more focused on pursuing the government's long-term goal of unification. For the first phase, even though the objectives of each policy overtly aim for the protection of social rights of North Korean people and co-prosperity, when it comes to prioritizing the goals, they all became subordinate to unification. For example, the legal framework and public awareness efforts on policy coherence were aimed to coordinate policies

on inter-Korean exchange and cooperation for unification. This reveals that the first phase of coherence cycle is mainly centred on achieving unification, not development concerns of North Korea.

The second phase is also not so different from the first one. As it was already mentioned previously, the coordinating mechanisms for North Korean policies are established for concrete objectives of security, development of inter-Korean relationship, and promotion of inter-Korean exchange and cooperation. These goals are mainly referred to as cornerstones for promoting unification. Therefore, the coordinating mechanisms of second phase can also be evaluated as coherence efforts for unification.

The last phase of monitoring, analysis, and reporting is the weakest stage of South Korea's policy coherence cycle. Even though the government has systematically guaranteed the participation of civil sectors in monitoring and evaluation process, because it is difficult to measure the outcomes from the North Korean policies, there are always limitations in this phase. For this reason, the analysis and reporting on North Korean policies are mostly confined to the policy effects on inter-Korean relationship which can be easily measured in South Korea. Analysing and reporting the development effects of South Korea's policies on North Korea are difficult under the current situation.

Therefore, it is tough to say that policy coherence for North Korea's development is achieved in South Korea. Instead, the policy coherence efforts are pursuant of South Korea's overarching goal, unification.

VII. Conclusion

In 2016 the United Nations and the Democratic People's Republic of Korea concluded a new UN Strategic Framework (UNSF) for the years 2017-2021. Although the details on expected outcome and output levels for each strategic priority are not as well specified as that of previous UN-DPRK Strategic Framework 2011-2016, the new framework has updated the development goals of North Korea in relation to Sustainable Development Goals (SDGs) which were also updated newly as of 2015. The revised four strategic priorities include: food and nutrition security, social development services, resilience and sustainability, and data and development management. UNSF also makes it clear that it will pursue a people-centred approach under which interventions directly address the needs of the civilian population and capacity building is focused on human resources.

Whereas UNSF has analysed the priorities in North Korea's development goals and endeavours to achieve them, the focus of South Korea's North Korean policies has been directed mostly towards unification. Despite the vast amount of humanitarian assistance provided to the North, the North Korean aid has been treated as a subsidiary agenda, merely as one of the political leverages against Pyongyang. Therefore, the assistance to North Korea has been granted without much consideration of recipient's needs. The goals and strategies of North Korean aid policies have maintained consistency in the past two decades regardless of social and environmental changes in North Korea. Reflecting South Korea's negligence to North Korea's development interests, the Souths PCD efforts on North Korean policies are also at a low level.

South Korea's North Korean policies are relatively well structured demonstrating policy coherence. However, its policies are coherently organized for unification which is an overarching national goal of the South. Therefore, South Korea's policy coherence efforts are partly deviated from OECD's concept of PCD. Nevertheless, South Korea should recognize that PCD can in fact be a cornerstone for unification. North Korea's economic and social development is also important for the South. By encouraging the sustainable development of its neighbour in the North, South Korea can lessen the burdens for unification. If the two Koreas reach the stage of actual unification, they will encounter many obstacles of opinion coordination and costs division pertaining to the process. The larger the economic gap between the two countries, the more difficult it would be to coordinate and reach agreements. Additionally, South Korea would have to shoulder a bigger portion in the division of expenses, a task which could prove to be quite burdensome to its capabilities. For this reason, it is more beneficial to the South, if North Korea is first developed to a certain degree. Therefore, South Korea should consider North Korea's development as part of its process towards unification.

Consequently, how should the South Korean government reflect North Korea's development objectives in its policies? It can primarily begin with strengthening each phase of the policy coherence cycle. In the first phase of setting and prioritizing objectives, the government can make clear political commitments towards North Korea's development objectives. It should deliver a clear message by using policy statements or public awareness efforts whilst incorporating policy coherence for development as an additional venue to reaching unification. By portraying a

definitive message, the government can encourage participation of other government institutions. Furthermore, the government should set both short-term and long-term national plans on North Korean policies with an intrinsic concrete vision for North Korea's development as well as unification. Whereas the existing plans are focused only on unification, the South could place a greater emphasis on co-prosperity of the two Koreas.

For the second phase, the current coordination mechanisms should be utilized, but with more considerations for North Korea's development issues. It could be more inclusive of a civil society composed of experts in the development sector. Through the participation of aforementioned experts, coordination mechanisms can better reflect the ideas of North Korea's development. The government could also establish international forums on North Korea's aid policies, with international aid workers, for North Korea. By involving experts from international organizations, NGO workers, and even government officials from other countries, the government can accumulate more information on North Korea and better coordinate assistance policies. The coordination with other international aid workers would enhance overall aid effectiveness.

In terms of the last phase, to strengthen the monitoring, analysis, and reporting processes, the South Korean government needs to first modify its monitoring system. Although currently all the bilateral aids have stopped and there is no active monitoring program, the government may nonetheless try to install a better monitoring and evaluation process. Improving the monitoring process is significant in that it is related to transparency and accountability. Implementing international principles on North Korean aid could also be helpful. South Korea has been reluctant

in applying international aid related guidelines or principles on North Korean assistance because it does not constitute a foreign policy. However, it could still employ international norms in accordance to the Korean context and consecutively seek for improvements. Based on better monitoring and evaluation systems, the Korean government can determine appropriate legal frameworks on the analysis and reporting of North Korean policy outcomes. Published reports should not only account for the output from assistance policies, but also encompass development effects of various other policies.

As the MOU manages overall North Korean policies, they are relatively well coordinated and enjoy a lower possibility for fragmentation. Therefore, with very little effort, policy coherence for development of North Korean policies could be accomplished sooner or later. In order to do so, the government should recognize the PCD as a stepping stone for unification and thus reflect North Korea's development objectives on its policies.

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IX. Annex

Annex 1 South Korea's Contributions to WFP

(USD million, KRW billion)

Year	Details	Total	
		USD million	KRW billion
1996	Blended and mix	2	1.6
1997	Blended and mix, corn, powdered milk	20.53	18.5
1998	Corn, wheat flour	11	15.4
2001	Corn	17.25	22.3
2002	Corn	17.39	23.5
2003	Corn	16.19	19.1
2004	Corn	23.34	24
2007	Corn, pulse, wheat, wheat flour, powdered milk	20	19
2014	Maternal and child health care program (fortifying nutrient and etc.)	7	7.4
2015	Maternal and child health care program (fortifying nutrient-vitamin, mineral-and etc.)	2.1	2.3
TOTAL		136.8	153

Annex 2 South Korea's Contributions to WHO

(USD million, KRW billion)

Year	Details	Total	
		USD million	KRW billion
1997	Medical equipment	0.7	0.63
2001	Malaria prevention works	0.46	0.6
2002	Malaria prevention works	0.59	0.8
2003	Malaria prevention works	0.66	0.8
2004	Malaria prevention works, emergency relief for Ryeongchon disaster	0.87	1
2005	Malaria prevention works	0.81	0.9
2006	Malaria prevention works, support for infants and children	11.67	11.6
2007	Malaria prevention works	1.38	1.29
	Support for infants and children, measles treatment	10.43	9.89
2008	Malaria prevention works, support for infants and children	11.47	14.8
2009	Malaria prevention works, support for infants and children	14.09	16.6
2013	Support for infants and children (Medicine, medical equipment)	6.05	6.51
2014	Maternal and child health care program (Medical facilities, medicine, medical consumables)	6.31	6.7
TOTAL		65.49	7.21

Annex 3 South Korea's Contributions to WHO

(USD million, KRW billion)

Year	Details	Total	
		USD million	KRW billion
1996	Support for infants and children (nutrition)	1	0.8
1997	Support for infants and children (health, medical care)	3.94	3.54
2003	Support for the vulnerables	0.5	0.6
2004	Support for the vulnerables	1	1.2
2005	Support for the vulnerables	1	1
2006	Support for infants and children (vaccine, nutrition)	2.3	2.3
2007	Support for infants and children (vaccine, nutrition)	3.15	2.9
2008	Support for infants and children (vaccine, nutrition)	4.08	4.7
2009	Support for infants and children (vaccine, health care, nutrition)	3.98	4.66
2011	Support for infants and children (vaccine, health care, nutrition)	5.65	6.54
2013	Support for infants and children (vaccine, health care, nutrition)	6.04	6.74
2015	Support for infants and children (vaccine, health care, nutrition)	4	4.48
TOTAL		36.64	39.45

Annex 4 South Korea's Contributions to Other International Organizations

(USD million, KRW billion)

Year	Multilateral Institution	Details	Total	
			USD million	KRW billion
1996	WMO	Meteorological equipment	0.05	0.04
1997	UNDP	Restoration of flood damage	1.2	1.1
	FAO	Farming Material	0.3	0.3
2007	IVI	Vaccine, medical education	0.5	0.47
2008	IVI	Reagent and equipment	0.19	0.26
2009	IVI	Medical education	0.3	0.45
2012	IVI	Vaccine, medical education	2.1	2.34
2015	International NGO	Agricultural development, WASH	0.33	0.38
	International NGO	MR Vaccine	2.82	3.37
	International NGO	Supports for the disabled	0.17	0.2
	UNFPA	Support for census	0.8	0.94
TOTAL			8.76	9.79

국문초록

한국 대북정책의 정책일관성 (PCD) 연구: 대북지원 및 경제협력 정책을 중심으로

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전 세계 국가들이 하나로 세계화하면서 국제경제가 상호의존성이 보다 심화되고 있다. 전 세계 국가들은 주변국의 국 내·외 및 외교정책이 긴밀하게 상호영향을 주고 받을 수밖에 없는 상황에 직면하고 있다. 이러한 가운데 개발도상국의 개발이익이 선진국의 정책에 따라 부정적인 영향을 받는다는 문제가 제기된다. 따라서 최근 국제개발목표 달성과 관련하여 정책 간 일관성이 유지되어야 한다는 요구가 계속해서 잇따르고 있다.

경제협력개발기구 (OECD)는 정책일관성 (Policy Coherence for Development, PCD) 개념을 해결방안으로 제시하게 되었다. PCD란 개발목표 달성을 위해 개발협력정책과 기타 정책 간에 일관성을 추구해야 한다는 개념으로, 그 동안 OECD 가 끊임없이 강조해왔다. 그러한 가운데 한국은 OECD 회원국으로써 개발협력정책 수립에 PCD 개념을 도입하였고, 2012 년 한국에 대한 OECD DAC 동료평가 (Peer Review)에도 이러한 사항이 반영되어 있다.

그러나 현재 한국의 대북지원정책은 공적개발원조 (Official Development Assistance, ODA)로 분류되어 있지 않으며, PCD 개념이 대북정책에도 반영되고 있지 않다. 한국이 북한의 최대원조국가이자 중국 다음으로 가장 큰 교역국가라는 점에 비추어 보았을 때, 북한의 지속가능한 발전을 위해 대북정책에 관한 PCD 개념은 도입되어야 함이 마땅하다.

따라서 본 연구논문에서는 한국의 대북정책 중에서도 대북지원정책과 경제협력정책 간에 PCD 가 유지되고 있는지 살펴보았다. 그 주요 내용은 다음과 같다. 첫째, 한국의 대북정책의 정책일관성은 주로 통일이라는 목표 달성에 집중되어 있다는 점이다. 둘째, 한국의 대북지원정책과 경제협력정책은 북한의 지속가능한발전 보다는 통일에 주안점을 두고 있다는 점이다. 따라서 본 한국의 대북정책은 OECD 의 PCD 기준을 충족하고 있지 못하며 정책설정 시 북한의 지속가능한발전목표를 고려하고 반영해야 한다.

주요어: 정책일관성 (Policy Coherence for Development, PCD), 대북정책, 대북지원, 개발협력, 남북경제협력, 개성공단

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