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정책학석사학위논문

Development Assistance and Policy Transfer:
An Empirical Analysis of Korea's
Knowledge Sharing Program (KSP)

개발협력과 정책이전에 대한 실증분석:
한국의 지식공유사업(KSP)의 사례를 중심으로

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Abstract

Development Assistance and Policy Transfer : An Empirical Analysis of Korea's Knowledge Sharing Program (KSP)

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Since its appearance toward the end of the twentieth century, the practice of policy transfer and knowledge sharing as a type of development aid has been increasing. However, the environment in which policy transfer and knowledge sharing are able to create meaningful policy outcomes has yet to be verified fully. To this purpose, this paper conducts an analysis of the policy environment and inherent project characteristics of Korea's Knowledge Sharing Program (KSP) to identify the factors that affect the adoption of KSP policy recommendations as recipient countries' development policies. In particular, this paper focuses especially on the effects of factors related to volumes of official development assistance (ODA), to find

out whether the adverse effects of aid dependency previously present in traditional development aid programs also appear in policy transfer and knowledge sharing types of development assistance.

Initiated in 2004, the Knowledge Sharing Program has become an integral part of Korea's ODA policy. The analyses in this paper draws upon panel data for 318 KSP projects implemented between 2004 and 2013, in the 15 countries for which follow-up studies have been carried out. To identify the factors that have influenced policy adoption in the case of the KSP, logistic regression type analyses were conducted based on a dataset with variables indicating the outcome results of individual projects, country characteristics, and project characteristics of each KSP project.

The analyses found that aid related ratios such as ODA/GNI ratios, ODA/central government expense ratios, and ODA/gross capital formation ratios decreased the probability of KSP policy recommendations being adopted as policy. On the other hand, the ratios of the volume of Korean ODA to net ODA volumes increased the probability of the adoption of KSP policy recommendations. Still other country and project characteristics variables, such as democracy levels, the managing agency of the project, the continuing status of the recipient partner country, priority partner status, and the country effect were also found to be statistically significant in their effects on the adoption of KSP policy recommendations as proper policy in the

recipient partner countries.

The interpretations and policy implications based on the above results are expected to provide some meaning for better policy recommendations and their adoption in future implementation of policy transfer and knowledge sharing types of aid.

keywords: Knowledge Sharing Program, policy transfer, knowledge sharing, aid dependence, official development assistance
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I . Introduction

1. Purpose of Study

Development assistance activities encompass diverse forms of aid, including those such as comprehensive aid programs, projects, deliveries of goods, training courses, research projects, debt relief operations and contributions to non-governmental organizations (OECD, 2015a).¹⁾ Yet, as total volumes of aid are usually indicated in monetary terms, many people perceive development assistance to be limited to financial payments that are given toward developing countries. As a result, the definition of international development aid has been intentionally qualified at times, to refer only to large systematic cash transfers in the form of concessional grants and loans (Moyo, 2009).

* This paper was developed from the Ministry of Strategy and Finance of Korea funded “Building a New Evaluation System for the Knowledge Sharing Program (Center for International Development Evaluation, 2015)” project, in which I participated, and of which my thesis advisor Suk-Won Lee was principle investigator.

1) Development assistance, development aid, and foreign aid are used interchangeably throughout this paper. Also, the terms ‘knowledge sharing’ and ‘policy transfer’ (which appear below) are used interchangeably in this paper, as development assistance in the form of knowledge sharing can be considered one form of policy transfer.

There has been much controversy concerning the outcomes of aid when adhering to such a definition. In particular, the effectiveness and efficiency of development assistance is often called into question when considering the immense amount of financial flows to developing countries—despite continuous flows of foreign aid, developing countries are still suffering from underdevelopment and its related problems. This doubt was backed through various studies that found that capital accumulation through aid did not necessarily connect with economic growth in developing countries. Perhaps it was because of such criticism that alternative methods of aid have been gaining more attention on the sustainable development agenda. “Knowledge sharing” is another such form of aid, one of many that has emerged only fairly recently in the history of development assistance.

Traditionally, knowledge was not seen on an equal level with capital (and land) or labor, which were once considered the main factors of economic growth. More recent models of economic growth, on the other hand, consider knowledge as another important input towards growth. While the popularized term “knowledge economy” generally indicates a state of evolution in industrial structure, the fact does not change that all kinds of knowledge play an invaluable role in the growth of underdeveloped countries. Thus, since its appearance and refinement toward the end of the twentieth century, there has also been a significant amount of attention on policy transfer and knowledge

sharing activities as development aid. Organizations such as the World Bank and the OECD, and countries such as the United Kingdom, Japan, Germany and Sweden have all gone through a phase in which they incorporated some sort of knowledge sharing initiative as part of their development assistance activities (King and McGrath, 2004).

For over 10 years now, Korea has also been taking part in this new wave of development aid, implementing the Knowledge Sharing Program (KSP) as part of its national ODA policy. The program aims to share Korea's economic development experiences with developing countries through policy consultation projects and development modularization projects; it has acted as a medium of policy advice to approximately 49 countries in total, with over 700 respective policy consultation projects completed since its initiation in 2004 (Korea Development Institute, 2015a). Even today, the Korean government is continuously looking to increase the size for the KSP program, in order for it to become an established method of development assistance. Interest in and the demands to participate in the KSP as a partner country is also high among developing countries.

It is very likely that policy transfer and knowledge sharing will continuously grow as a type of development aid to developing countries in the future. However, in its current stages, there is no certainty as to whether aid in the form of knowledge sharing will not be subject to the same heavy criticism that has been made to other

traditional methods of development assistance, ie. financial disbursements, in not successfully achieving their intended outcomes. Therefore, it would be important to discern the mechanism and environment in which policy transfer to developing countries can better succeed—in other words, be adopted and implemented as a country's socioeconomic development policy.

To this purpose, while it is only but one case of policy transfer, an analysis on the case of Korea's KSP program can provide invaluable empirical evidence toward the effectiveness of knowledge sharing activities as a type of aid. This paper purports to analyze the external environment and inherent characteristics of individual projects in Korea's KSP program to identify the factors that affect the outcomes of policy transfer, which is measured through the adoption or rejection of recommendations given through individual KSP projects. More specifically, this paper focuses especially on the effects that ODA levels in each recipient country have had on the adoption of policy recommendations, to see whether the adverse effects that were previously associated with aid dependency also appear in policy transfer. The relationship between Korean ODA and KSP project outcomes are also examined, for further insight into the factors that affect the adoption of policy recommendations.

2. Research Question

The main question that this study aims to answer is: “Does the volume of development assistance received by a recipient partner country of the KSP program affect the outcome of KSP policy transfer in the same recipient country?”²⁾

As stated before, what this question actually aims to answer is whether the adverse effects of aid, such as from aid dependency, appears and disturbs the adoption of policy transfer in the form of KSP policy advice. Existing literature has shown that large volumes of aid have not necessarily corresponded to their intended outcomes, in other words, economic growth. Then, it would be possible to speculate that large volumes of aid in the recipient country, through similar mechanisms, may have similarly negative effects on the outcomes of policy transfer.

This paper approaches the above question through quantitative analysis and the interpretation of analysis results. First, logistic regression analyses of various factors that could influence policy

2) ODA related quantitative indicators such as net ODA volumes and ratios of ODA are used to represent the volume of development assistance given to a recipient partner country. The outcome of policy transfer measures whether or not the policy recommendation given to a recipient country was successfully passed through the policy formation process to be adopted as a formal policy in the same country. These definitions will be explained further in the literature review and methodology section of the paper.

transfer, including net ODA volumes and the volume of Korean ODA, are conducted to see whether quantitative aid indicators in the recipient partner country have a significant effect on the adoption of KSP policy recommendations. In this process, the marginal effect values of each dependent variable are also calculated for a more intuitive understanding of the effect that such indicators can have on the probability of adoption for KSP projects. Finally, the results of the above analysis will be interpreted mainly in relation to aid dependency to explain the way in which such significant factors support or hinder policy transfer and the adoption of policy recommendations.

II. Literature Review and Theoretical Background

1. Literature Review

1) Knowledge, Policy Transfer and the Policy Process

The significant role that knowledge plays in economic development and growth has been acknowledged by scholars for quite some time now. One of the earlier economists to recognize the value of knowledge was Friedrich Hayek. He claimed that the economic problems of a society are closely related to the matter of knowledge utilization, even more so than resource allocation; therefore it is important to bring together the scattered knowledge of various times and places (Hayek, 1945). Today, having passed through the influence of “post-Fordism, globalization and the ICT revolution” in the past couple of decades, knowledge has come to be considered the single most important factor for sustainable progress—hence the term “knowledge economy (King and McGrath, 2004).” Given such importance of knowledge, if a country possesses the experience and knowledge that is absent in another, it would make sense that this knowledge be shared for mutual growth.

The concept of sharing such knowledge in a policy setting is related with the concept of “policy transfer,” which became

popularized late in the 20th century. Dolowitz and Marsh (1996), as the most recognized authors of research in policy transfer, defined the concept as “a process in which knowledge about policies, administrative arrangements, institutions etc. in one time and/or place is used in the development of policies, administrative arrangements and institutions in another time and/or place.” However, this concept of policy transfer is by no means an innovative one. Even before Dolowitz and Marsh, Rose (1991) recognized the common practice of “lesson drawing”: learning from other countries’ policy experiences and applying the lessons to another. Although similar in their fundamental purpose, the two concepts of policy transfer and lesson drawing differ in that lesson drawing refers only to voluntary acts of policy learning while policy transfer encompasses both voluntary and coercive acts of policy transfer and learning (Dolowitz and Marsh, 1996).

In terms of the policy process, policy transfer can act both as a method of identifying and setting the policy agenda, as well as a method of providing policy alternatives. First, the policy agenda can be subject to a procedure which DiMaggio and Powell (1983) describe as “isomorphism,” a phenomenon in which organizations and institutions become similar with the passing of time. The concept of isomorphism acts as a catalyst to policy transfer by providing legitimacy to the new policy agenda up for adoption (Radaelli, 2000). Once a policy problem is identified and the policy agenda set, the

next step is for policy makers to explore the possible choices that they have in solving the original problem. Rose (1991) viewed policy transfer or in his words, lesson drawing, as one method of finding a policy alternative. Again, existing policies in other countries, especially successful ones, can be sound, legitimate policy alternatives because they have been tried and tested in advance. It is also possible to predict possible pathways and outcomes of a policy through transferred policies. However, it is important to note that the different situations in which the policy is being implemented can always result in different results (Jung et al., 2010).

While policy transfer does not quite constitute a theory in that the basis of universal propositions concerning the workings of such a phenomenon is weak or nonexistent, there have been several attempts to organize the phenomenon of policy transfer into a structured framework of analysis. This was usually done by establishing a set of questions, the answers to which would illustrate the workings of the policy transfer process. In an attempt to understand the entire process of cross-national policy transfer, Wolman (1992) set up several questions and applied them to the case of policy transfer between the U.S. and Britain. Evans and Davies (1999) approached the matter of policy transfer analysis in the three dimensions of global, international, and transnational levels. Based on previous studies, as well as their own previous work, Dolowitz and Marsh (2000) put together a

comprehensive framework of analysis with six questions on the characteristics of and the reasons for policy transfer, attempting to uncover the whole of the policy transfer process.

However, the concept of policy transfer and its literature have not been entirely free from criticism, mostly due to its lesser-than-theory status. James and Lodge (2002) have raised questions on the conventions of the study of policy transfer. They point out fundamental flaws in the literature, claiming that policy transfer is not a separate and distinctive form of policy making when compared to existing theories, and that the policy transfer literature fail to explain why policy transfer is chosen over other methods of policy making. Dussauge-Laguna (2012) goes as far to say that there is more to lose by attempting to strictly distinguish between policy transfer and other associated fields of inquiry.

Nevertheless, despite such criticism, most proponents of policy transfer value the act for its possible role to in providing policy alternatives, and for its possible use as a prospective policy analysis and evaluation tool (Dolowitz and Marsh, 1996, 2000, 2012; Rose, 1991; Mossberger and Wolman, 2003). Furthermore, policy transfer analysis can prove to be invaluable in that they “provide a context for integrating common research concerns of scholars of domestic, comparative and international politics (Evans and Davies, 1999).”

To this end, this paper attempts to address the policy

environment for the success and failure of policy transfer, a topic that is lacking research in the study of policy transfer studies to date, with the KSP as an example case of policy transfer.

2) Foreign Aid and Development Outcomes

The beginning of modern foreign aid is generally associated with the Marshall Plan of 1947, through which restoration funds provided for the reconstruction of Europe after World War 2 achieved more or less satisfactory results. Since then, the target of foreign aid has changed course to be directed more toward the least developed countries in the Southern hemisphere of the world. Today, the main purpose of foreign aid, the apparent motivation behind the practices of donor countries in providing financial and humanitarian aid to developing countries, is to alleviate poverty and promote socioeconomic development in the recipient countries.

Under this purpose, the total volume of aid has increased over the years to reach an all-time high of 135.1 billion US dollars in 2013 (OECD, 2015b). However, the development outcomes that come from such assistance seem to have become stagnated over time. This is an ironical conclusion when considering the heavy flow of development assistance funds. The UN recently acknowledged that the Millenium Development Goals, which were the main development

agenda between the years 2000 to 2015, had “uneven achievements and shortfalls in many areas (United Nations, 2015).” As a result, the goals are set to be renewed through a new set of post-2015 goals, which go by the nickname of the Sustainable Development Goals. Even before it came to this, however, there has been considerable controversy in the field as to whether foreign aid can indeed contribute to the economic development of recipient countries.

When keeping various “gap models” in mind, increased foreign aid and capital accumulation would supplement recipient countries’ savings, foreign exchange, and domestic revenues; this would in turn beget higher levels of investment and economic growth (McGillivray, Feeny, Hermes and Lensink, 2005). According to a study of the literature on the macroeconomic impact of development aid conducted by McGillivray et al. (2005), earlier studies conducted in the 1960s adhered to such a positive viewpoint and belief that foreign aid could indeed benefit developing countries. However, there were also subsequent empirical studies that cast strong doubts on the effects that foreign aid has on development. One instance in which the initial gap model was proved false was given by Griffin (1970), who showed that capital inflows had a negative association with domestic savings. Many other studies also found development aid to have simply no impact on economic growth (Mosley, 1980; Mosley et al. 1987; Boone, 1996).

Then there were those who claimed that aid could indeed be

effective, but only when adding on the condition of good institutions and policy environments, those which play a crucial role in better facilitating aid for growth. The 1998 World Bank publication *Assessing Aid* was one of the first to acknowledge the fact that the levels of aid effectiveness may depend on the different situations of each respective recipient country—that is, “the right timing” and “the right mix of money and ideas (Dollar and Pritchett, 1998).” As the authors of one of the most cited literature from a similar viewpoint, Burnside and Dollar (2000) also qualified the effect of foreign aid, claiming that “aid has a positive impact on growth in developing countries with good fiscal, monetary, and trade policies but has little effect in the presence of poor policies.” The conclusion of these types of studies imply that policies and policy environments can have a very important role in the outcomes of foreign development assistance.

However, controversy on the effectiveness of aid has raged on over the years, and criticism still is going strong. Through a series of empirical analysis, Djankov, Montalvo and Reynal-Querol (2006) showed that development assistance has a negative effect on the democratic status of developing countries, and that it also negatively impacts economic growth “by reducing investment and reducing government consumption.” Their analysis also differentiated between the effects that grants and loans had on growth, and showed that grants, which make up for the majority of aid, were even less

effective in terms of stimulating growth, perhaps because grants provide less incentives for recipient countries. Williamson (2009) argues that foreign aid has not achieved its intended results “because of the difficulty in overcoming the incentives and information problems for both donors and recipients.” Some empirical evidence show that even what positive effects that foreign aid has on growth, a distortion of incentives in the form of rent-seeking activities cancels out (Economides, Kalyvitis and Philippopoulos, 2008). As one of the major objectors to the effects of development aid, Easterly (2007) went as far to claim that development assistance was a “mistake,” as it was based on a set of unclear assumptions on the identification, implementation and agents of development aid.

From the above literature, one can speculate that there is some kind of underlying negative mechanism that can warrant for the discontinuity in the input and output of development, namely, foreign aid and economic development. The motivation for this study was in the belief that such a discontinuity could also appear in the case of knowledge sharing or policy transfer type of aid. Therefore, establishing the KSP program as the aid input and the success of the program as the output, this paper attempts to identify the possible discontinuity and the factors that may influence it. The next section of the literature review introduces the concept of aid dependency as the main causal factor of such discontinuity in development assistance.

3) Other Aid Issues: Aid Dependency

When it comes to development aid, “aid dependency” is a problematic issue related to aid effectiveness that has been receiving much attention. It is also generally considered one of the main causes to the aforementioned discontinuity between foreign aid and its outcomes. Therefore, the concept may be useful in explaining the connection (or disconnection) between the inputs of transferred policy advice and the outcomes of policy adoption.

Although it is often pointed out as one of the main problems pertaining to development assistance, there is no definitive definition of the concept of aid dependency. Some refer to the phenomenon of aid dependency as coming from the sheer amount of aid itself. For example, Azam, Devarajan, and O’Connell (1999) connected aid itself to dependence, stating that “all aid recipients are dependent in the sense that a substantial reduction in aid will hurt in the short run.” Others, on the other hand, believe that there is more to investigate on the matter. Lensink and White (1999) have summed up existing arguments on aid dependence in 5 categories, claiming that aid dependence cannot be determined solely through large amounts of foreign aid or high aid ratios.³⁾ They go on to redefine aid

3) The five categories of previous aid dependence definitions that were grouped by Lensink and White (1999) were as follows: a) receiving aid at all, or above a certain level, b) receiving more aid than can be usefully utilized, c)

dependence on their own terms, stating that “A country is aid dependent if it will not achieve objective X in the absence of aid for the foreseeable future” and attempting to find appropriate indicators that can show whether a country is aid dependent or not. However, as the World Development Indicators from the World Bank do, it is common to use net aid amounts and the ratios of aid amounts to other economic amounts as proxy variables in determining aid dependency (World Bank, 2015; Knack, 2001; Azam, Devarajan and O’Connell, 1999).⁴⁾ Therefore, these measures were what were also employed to indicate aid dependency in the analysis section of this paper.

Although Lensink and White (1999) maintain that aid dependency is not a “bad thing” in itself, many other studies claim that aid dependency can be harmful toward the development of a country. Through a cross-country analysis on the relationship between aid dependency and the quality of governance, Knack (2001) provides evidence that higher amounts of aid given to a developing country can erode the quality of its governance through negative influence on

ineffective aid, d) when aid begets the “need” for aid or acts against achieving intended aid objectives, and e) when the design of aid programmes or policies are dominated by the donor community.

4) Such economic amounts as included in the World Bank database consist: central government expense, GNI, and gross capital formation (World Bank, 2015). Therefore, these indicators were added and included in the dataset used in the analysis of this paper.

the bureaucratic quality, corruption, and the rule of law. This evidence is in part related to the aforementioned study by Burnside and Dollar (2000) which showed that good governance and policy environments are important in achieving aid effectiveness; when the results of the two studies are put together, it can be said that existence of aid dependence would result in less effective development aid. On a slightly different note, Rajan and Subramanian (2005) presented empirical evidence that even in those countries with good policies, aid dependence in the form of aid inflows have “systemic adverse effects on a country’s competitiveness.”

A 2011 *ActionAid* report looked deeper into the problem and succinctly summarized the specific pathways through which aid dependency can bring about negative effects in three points (Thomas et al., 2011). First, aid dependency can cause a loss of political autonomy in the recipient country where the government of the recipient country fails to develop its own policies and programs because it is heavily influenced by donors’ requests and priorities. This, in turn, can lead to the second negative pathway of aid dependency in which the government’s role in delivering public goods and services to its citizens is undermined. Furthermore, similar to the implication that Lensink and White’s definition of aid dependency brings, the report also notes that the governments of aid dependent recipient countries are exposed to the risk of volatile aid flows that

hinder government planning.

Through the discussion as in the literature above, it can be concluded that the existence of aid dependency in a country can do significant damage to the outcomes of aid. Again, this paper looks to the case of Korea's KSP program to find out whether aid dependency afflicts the same damage in the case of the adoption of policy recommendations—the outcomes of aid in the form of policy transfer and knowledge sharing.

2. Korea's Knowledge Sharing Program (KSP)

The object of analysis in this paper is Korea's Knowledge Sharing Program, more commonly known by its abbreviation, KSP. For a better understanding of the analysis to come, this section gives a brief overview of the program, based on the information provided through the KSP website (<http://www.ksp.go.kr>) and the "10 Year History of KSP (2004-2013)" report.

1) An Overview of Korea's Knowledge Sharing Program

The Korean government initiated the Knowledge Sharing Program in 2004, at first with a limited number of bilateral policy consultation projects. To be sure, the program was fairly small in the beginning,

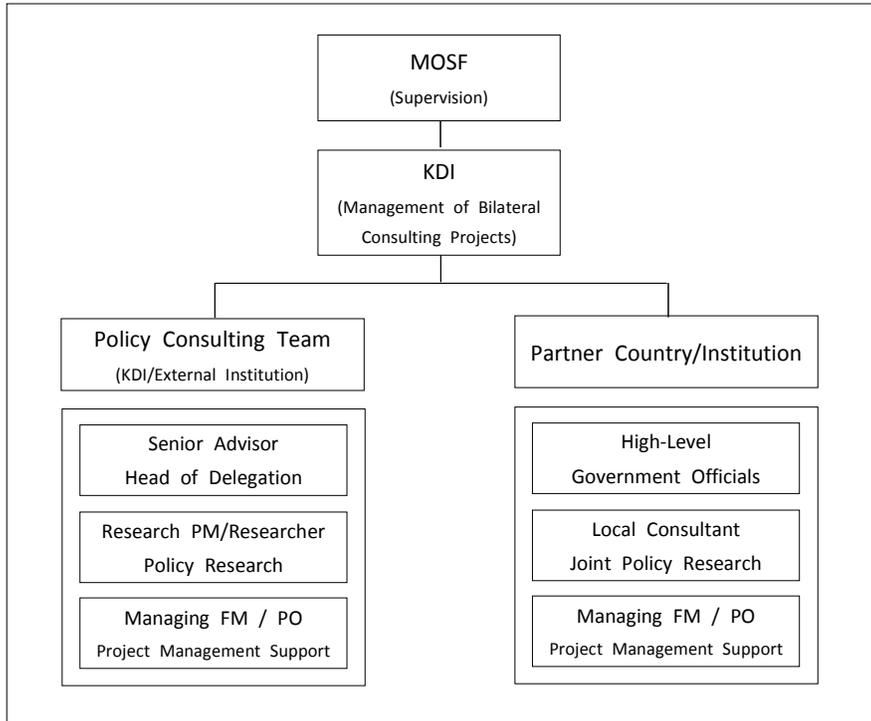
with only two participating partner countries, Vietnam and Uzbekistan.⁵⁾ Since then, the KSP has scaled up to partner with over 40 countries, and the working scope of the KSP has also grown to implement other forms of projects other than bilateral policy consultation projects. Today, the KSP consists of and operates from three pillars: bilateral policy consultation, multilateral joint consulting with international organizations, and modularization of Korea's development experience (Korea Development Institute, 2015a). The analysis in this paper mainly focuses on the bilateral policy consultation projects that have been carried out by the Korea Development Institute (KDI) with the recipient partner countries.

The Ministry of Strategy and Finance (MOSF) of Korea supervises the program and KDI acts as the implementing agency, carrying out overall management of the projects, planning, budget execution, and evaluation. The Center for International Development (CID) at KDI is a central actor in this process, distributing and managing projects among KDI and other external resources. One program manager (PM) and 2 to 5 consultants, either Korean or native to the partner country, are assigned to each country project

5) KDI, the implementing agency, refer to the recipient countries in which the KSP projects are carried out as "partner countries." It is assumed that such a term intends to signify and emphasize the fact that the Korean government is working in partnership with the country receiving the policy recommendations.

(Korea Development Institute, 2015a).

Figure 1. Implementing System of KSP Bilateral Policy Consultation

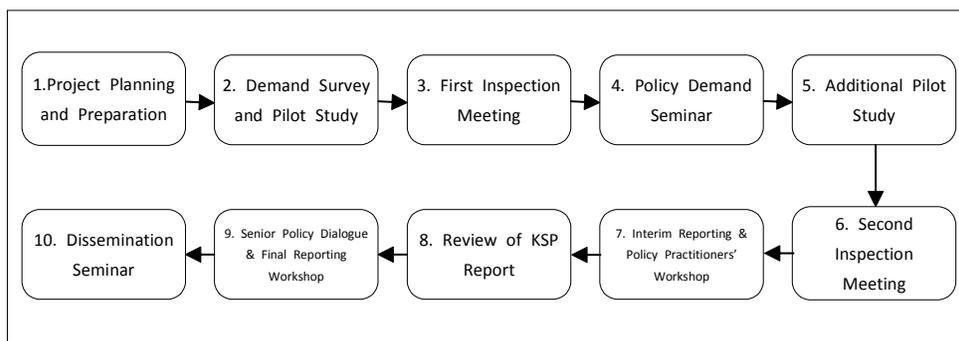


Note: Reconstructed from [Figure 2-1] in Korea Development Institute (2015a: 40).

Bilateral policy consultation is generally provided through a one or three year cycle process, in which the program cycle goes through the 4 stages of demand identification, policy research, policy consultation, and monitoring and evaluation (Korea Development Institute, 2015b). As shown through [Figure 2] below, the entire implementation process consists of 10 procedural steps, 3 of which are carried out in the partner country. Each of these processes were

put in place to ensure the quality of research and consultations (Korea Development Institute, 2015a).

Figure 2. Implementation Process of KSP Bilateral Policy Consultation



Note: Reconstructed from [Figure 2-2] in Korea Development Institute (2015a: 41; 2015b).

In total, over 600 bilateral consultation projects were implemented between 2004 and 2013, with the themes of policy recommendations ranging from sectoral capacity building to national macroeconomic strategy. Considering the fact that the number of partner countries and projects have been growing over time, the total number of projects including those implemented in 2014 and those in the 2015 cycle is expected to be much larger. Furthermore, with the demand for Korea's development knowledge growing in developing countries, the program is also scaling up almost every passing year. The fact that knowledge sharing is one of the latest trends in development assistance also adds justification to the KSP's program.

While it is claimed that the KSP has been a very successful

development assistance program, and that the national brand image of Korea as a country has been significantly improved by the KSP, follow-up investigations that were carried out by KDI indicate that not all policy consultations were actually successfully adopted by the recipient partner countries. Only a handful of policy recommendations were given further consideration by the partner countries' governments, and an even smaller number of recommendations were actually adopted as formal policies and development projects. There could be various reasons for this, such as the different policy environments of each country, underlying aid effects, domestic issues in the recipient country, the quality of the policy recommendations given, and so on. The intention of this paper, as reiterated from above, is to analyze the KSP and to identify such possible influences—especially in the case of aid dependence issues.

2) KSP as a Model of Development Assistance and Policy Transfer

KSP is quite unlike traditional development assistance programs through which donors have provided recipient countries with one-way transfers of monetary funds and material goods. In comparison, the inputs to individual KSP projects are policy research and recommendation activities, for which the main outputs are in the form of final policy recommendation reports. In this sense, KSP projects

differ from traditional conventions of development aid; rather than providing the material means that are needed for development, KSP projects provide policy ideas, analyses results, and plans, along with the best practices that were proven to be useful in Korea's development experience. Furthermore, the process in which KSP policy recommendation reports are provided to the recipient partner country is a mutual, both-sided contribution where both Korea and the recipient partner country need to participate. This feature can be seen as being rather different from existing single-direction development aid practices.

Despite these differences, however, this paper chooses to see the KSP as a model of development assistance for the following reasons. First of all, it closely resembles the conventions of development assistance in the sense that it is given in the direction of a “more developed country” to a “lesser developed country,” for the purposes of economic growth and development in the latter. This is consistent with part of the conditions that constitute the definition of official development aid, i.e., that which is given from OECD DAC countries to countries on the list of ODA recipients, and “is administered with the promotion of the economic development and welfare of developing countries as its main objective (OECD, 2015a).”⁶⁾

6) Although the KSP is also conducted in partnership with countries that are not on the OECD DAC list of ODA recipient countries, it is still considered

Moreover, the essence of the activities of the KSP, which is knowledge sharing, is alike to the knowledge initiatives that many international organizations have been advocating in the past several years as development assistance. In other words, knowledge sharing has already been established as aid by the international development community. Given such resemblance with precedents from official institutions, it would not be too far-fetched to see the KSP as a form of development assistance.

On a different note, this paper has also chosen the KSP as an example of policy transfer. If not all, most of the topics and contents of the recommendations that are given to the recipient partner countries are based on the past experiences of development and policy making of Korea. That is to say, the recommendations are not groundless, theoretical policy reports, but actual policies that have existed and verified to some extent. As the object being transferred through the KSP is mostly policy, in the simplest sense, it must be policy transfer. In addition, the fact that the recipient partner countries undertake voluntary policy-making activities based on the KSP policy recommendations show further how the program fits the definition of

to be a model of development assistance because this condition of ODA holds even in the KSP projects for those countries (OECD, 2015c). Therefore, the analysis in the latter part of this paper chose to include in its dataset non-ODA target KSP partner countries such as Kuwait, Romania, and Saudi Arabia.

lessons learned and policy transfer by Rose (1991) and Dolowitz and Marsh (1996). Therefore, as a program that transfers Korea's development policy experience to developing countries, the KSP can be a fitting model of policy transfer.

III . Research Design and Methodology

1. Scope of Analysis

Although the KSP has been conducted in partnership with more than 40 countries to date, follow-up investigations have not been targeted at the entire sample. Without the reported results of follow-up investigations, it is difficult to determine whether the KSP projects implemented in a partner country had been implemented as a policy or not. Therefore, in an effort to assure the integrity of the data, this paper restricts the spatial scope of analysis to the 15 countries where follow-up investigations into the results of KSP projects have been conducted and completed by KDI CID. These countries were: Uzbekistan, Cambodia, Algeria, Romania, Ghana, Kazakhstan, Columbia, the Dominican Republic, Azerbaijan, Democratic Republic of Congo, Saudi Arabia, Indonesia, Kuwait, Peru, and Vietnam.

Meanwhile, the selection of countries in which follow-up investigations are carried out do not follow a specific set of criteria. To date, countries have been selected based on (but not restricted to) the following two characteristics: if a) the KSP program has been implemented for more than 3 years in the partner country with high possibilities of identifiable outcomes and/or if b) policy outcomes have

been previously observed in the partner country.⁷⁾ Therefore, considering these remarks, this paper acknowledges the possibility of selection bias that would result from the data sample.

In terms of temporal scope, the time-frame for analysis is 2004 to 2013, which are the years for which KSP final reports have been opened up for public perusal. There was a total number of approximately 318 individual policy advice projects provided to the above 15 countries during the given time period.

2. Hypotheses and Core Assumptions

Following the previous examples in existing literature, it was assumed that the foreign aid (development assistance) in a recipient country is best represented through net ODA volumes received, despite the existence of many different aid indicators. Also from existing examples in the literature, it was assumed that large volumes of ODA, or at least the ratio of ODA volumes to GNI and other economic indicators, could be directly associated with the identified problems of aid dependence. Therefore, the indicators for aid dependency were set as net ODA volumes and the ratio of net ODA to other economic indicators such as GNI, central government

7) E-mail correspondence with Kim Haoaram, Latin America and the Caribbean Team Lead at KDI CID, 2015/11/10.

expenses, and gross capital formation.

Based on the research question that this paper is centered on, the following hypotheses were tested on the case of Korea's KSP program to determine the possible influence of aid dependency on the outcomes of KSP projects. The hypotheses were generated based on the prediction that aid dependency would disturb the outcomes of the KSP programs as a policy transfer type of development aid:

H₁. Policy recommendations given through the KSP are less likely to be adopted in countries receiving larger volumes of ODA.

H₂. Policy recommendations given through the KSP are less likely to be adopted in countries with a higher ratio of ODA volumes to other economic indicators.

Meanwhile, an additional hypothesis was generated from the thought that it would also be meaningful to look at the effect that the ODA volumes specifically originating from Korea have had on the outcomes of KSP projects.

H₃. Policy recommendations given through the KSP are more likely to be adopted in countries in which the volume of ODA from Korea comprises a higher portion of net ODA amounts.

While the ratios concerning the net volume of ODA may be able to indicate the effects of the comprehensive level of aid dependency in a country, similarly, the ratio of monetary ODA from Korea out of the net volume of ODA could act as a proxy indicating the relative influence of Korea on the recipient country. Considering that the KSP is a Korean aid project, it is possible to speculate that countries receiving higher portions of Korean ODA would show better progress in terms of KSP project outcomes. In different words, it is possible that the policy transfer type aid given by Korea would be more favorably accepted by those governments when they are more familiar to Korean aid, and receive larger, comprehensive development assistance from Korea.

3. Identification of Variables and Data Collection

Based on the contents of existing KSP project data and KSP policy recommendation final reports, the following variables on country characteristics and project characteristics were organized into a dataset for the purpose of analyses.

1) Dependent Variable: Policy Adoption

The dependent variable in this paper is a binary variable of

whether each of the policy recommendation reports from individual KSP projects were adopted or rejected in the policy process of the recipient partner country. In this case, the policy process refers comprehensively to all relevant activities starting from agenda setting to the actual implementation of policy. If the policy advice given through a KSP project was found to have entered the policy-making process in the recipient partner country through the follow-up investigations conducted by KDI, it would be marked as an adopted, or, successful project. If the records show that there was little or no evidence that the policy advice was adopted, however, then it would be marked as rejected.

The base date for determining the success or failure of each individual KSP project is set to February 10th, 2015, the date on which the latest report for the results of follow-up investigations that is used in this paper was compiled.

2) Independent Variables: Policy Environment Characteristics

The independent variables in this paper can be categorized into the two groups of country characteristics variables and project characteristics variables. All other independent variables except those related the ratio of net ODA volume to other economic indicators, and the ratio of Korean ODA to the net ODA volume in each

respective country, were intended to act as control variables.

(1) Country Characteristics Variables

Country characteristics variables include those variables that reflect country characteristics and the political/economic/social policy environment in the recipient partner country; these variables would surely influence the outcomes of policy transfer. The variables included were: Economist Democracy Index; GDP; net ODA volumes; the ratio of net ODA volumes to economic indicators (GNI, central government expenses, and their gross capital formation); the ratio of the volume of Korean ODA to net ODA volumes; population; and the level of corruption.

Generally, the political situation has a direct influence on the policy process of a country. In this analysis, the political situation was implicitly determined through the level of democracy in a given KSP partner country, instead of using existing conventions of political regimes. To this end, the scores for each country in each year was utilized from the “Democracy Index,” compiled by the Economist Intelligence Unit. This democracy score is an aggregated score using the five sub-categories of electoral process and pluralism, civil liberties, the functioning of government, political participation, and political culture; it was selected because the score seemed to capture

the many different aspects of the political situation in a country.

In depicting the economic development status of a country, Gross Domestic Product (GDP) is one of the most commonly used indicators. The economic status of a country was thought to be important in analyzing the policy environment of KSP partner countries because it can show the economic ability of the country to date. Policy-making and implementation are activities that require funds; the current economic abilities of a country is in essence what can support or discourage such activities. The GDP data used in this analysis are in current US dollars and were exported from the World Bank database.⁸⁾

The net volume of ODA, as was explained beforehand, is one of the main independent variables in this analysis. It is a variable that represents the presence of development assistance in a country; it also intends to represent aid dependency through the logic explained above through existing literature. Furthermore, as more essential measures of the presence of aid and aid dependency in a recipient partner country, the respective ratios of net ODA volumes to the countries' GNI, central government expenses, and their gross capital formation were

8) In this type of analyses it a more common practice to use constant values. Here, the current value is used for both GDP and ODA volumes. This was intended in order to obtain sort of standardization between the two variables, because the base period to which the constant values of GDP and ODA volumes were measured against were different.

included in the dataset as relative ratios.⁹⁾ Looking at ODA related ratios such as these can better show development activities in a country as it normalizes the volumes of ODA in comparison to other economic indicators. Such normalized volumes of ODA can explain the relative influence that ODA volumes constitute in the economic capabilities of a country; a higher ratio would indicate that much of the economic capabilities of a country is dependent on foreign aid, thus representing aid dependency. All of the above ODA related data is also in current US dollars, and were exported from the World Bank's World Development Indicators database.

Additionally, the ratios of Korean ODA to the total volume of ODA in the recipient partner countries were also included in the dataset as a proxy for the influence of Korean ODA, also as mentioned above. This data was included as an independent variable in the regression analysis with the intention to single out the effect of

9) Here it is noted that Lensink and White (1999) claim that "High aid inflows, however normalised, are not in themselves a measure of "dependence", however defined.....high aid ratios do not in themselves signify aid dependence." However, I disagree with this statement. This disagreement is based on the claims and practices of other scholars who have utilized net ODA volumes and ODA ratios in their research; also, in many cases it would be difficult to aggregate the "additional indicators" of real aid impact that Lensink and White mention in their explanation. Therefore, aid ratios are included in the analyses of this study as the main indicators of aid dependency.

Korean ODA. The data on the volume of Korean ODA is also in current US dollars, and was exported from the OECD.Stat database online.

Population data was also included in the dataset. In both of the cases of GDP and ODA related variables, the population data for each recipient partner country can adjust for the number of people in each country, and to somehow reflect the actual per capita value of the economic/aid situation in each recipient partner country. Population can also represent the volume of labor and human capital to a certain extent, which can be used as yet another important indicator of development abilities in a recipient partner country. The data for population was also exported from the World Bank's World Development Indicators database.

Out of many other policy environment variables to consider, the level of corruption was included in the dataset and in the regression analysis. In developing countries, corruption can be one of the biggest influences (barriers) in policy making. Therefore, it is an indispensable variable in accounting for the outcomes of KSP projects, which go through the policy making process. Corruption was included as an independent variable as measured through the Corruption Perception Index (CPI) by Transparency International; on a scale of 0-100, higher scores indicate that the country is less corrupted.

(2) Project Characteristics Variables

Project characteristics variables include variables such as the categorization of topic by KDI, the managing agency of the project, the affiliation of individual consultants, the continuing status of the recipient partner country, and priority status of the recipient country. Although these variables do not influence the policy-making process directly, such logistical data also have a part in explaining the success or failure of KSP projects because of their influence on the outputs of the KSP projects.

For their internal operations, KDI has a categorization system for the topics of policy recommendations given through the KSP. Individual projects are classified into 11 categories, ranging from “1: Finance” to “11: Other” based on their topic and content.¹⁰⁾ They were included in the dataset and the logistic regression analyses as a categorical variable, as it was expected that the topics of the policy recommendations in themselves would also influence the success/failure of individual KSP projects.

The managing agency of project variable is a binary variable that consists of “0: managed by KDI” and “1: managed by subcontracted

10) The 11 categories were: “1: Finance,” “2: Macro, Strategy,” “3: Industry, Investment,” “4: Science, IT, Innovation,” “5: Trade, Exports,” “6: Public Finance, Public Enterprise,” “7: Growth, Development,” “8: Promotion of Businesses,” “9: Labor, Education,” “10: Agro-Fishing Industries,” and “11: Other”

institution.” The managing agency of individual KSP projects are not always limited within the boundaries of KDI. External institutions and university professors have often participated as managing agencies of projects. When considering the unequalled experience and know-how that KDI possesses in terms of implementing KSP projects, and when considering arguments such as the principle-agency problem, it was anticipated that a difference in the managing agency of projects would have an influence on the outcomes of KSP projects.

Similarly, the affiliation of individual consultants would play a big role in the contents of the KSP final policy recommendation reports that they draw up. If the consultants were part of an organization with a restrictive atmosphere, their comments could be constrained; if consultants were independent researchers or scholars, they would be more free to provide diverse recommendations. Therefore, the affiliation of individual consultants were included in the dataset as a categorical variable of “1: Academia,” “2: Public Sector,” and “3: Private Sector.”

Finally, the recipient partner countries’ status were included in the dataset. “New/Continuing Country Status” is a binary variable that refers to whether the country had participated as a KSP partner country previously (1: Continuing), or if it was its first time to learn about and participate in the KSP (0: New). “Priority Partner Country Status” is also a binary variable, and refers to whether the recipient

partner country was selected by KDI as one of its main target countries, with “0: Non-priority” and “1: Priority.”

3) Data Compilation

Most of the data used in this paper, especially for country characteristics variables, rely on existing country data from the World Bank World Development Indicators Database, OECD.Stat, and various other online databases constructed by think-tanks and research organizations. Meanwhile, project characteristics variables were based on information and data provided by the implementation agency, KDI.

[Table 1] summarizes the variables that were used in this study.

Table 1. Variables Used in this Study

Category		Variable	Source
Dependent Variable	Policy Adoption	Policy Adoption of a KSP Project	KDI
Independent Variables	Country Characteristics Variables	Political Situation (Democracy Index)	Economist Intelligence Unit
		GDP (current US dollars)	World Bank WDI Database
		Net ODA volume (current US dollars)	
		Net ODA to GNI (%)	
		Net ODA to Central Govn't Expense (%)	
		Net ODA to Gross Capital Formation (%)	
		Korean ODA volume to net ODA volume (%)	OECD.stat
		Population	World Bank WDI Database
	Corruption Perception Index	Transparency International	
	Project Characteristics Variables	KDI Categorization of Topic	KDI
		Managing Agency of Project	
		Affiliation of Consultant	
		New/Continuing Country Status	
		Priority Partner Country Status	
Year	Year		
Country	Country		

However, due to imperfections in the original databases from which the dataset was compiled from, there were missing variables existing across several variables. In order to impute these various missing values, a modified zero order regression method was employed. In the end, the dataset consisted of complete data for all of the 318 independent KSP projects.

4. Methodology

Using the dataset collected for the variables explained above, this paper uses regression-type analyses to a) identify policy environment variables with significant influence on successful policy adoption, and to b) verify whether the issue of aid dependence influences the adoption of policy recommendations given through the KSP.

As the dependent variable is a binary categorical value of whether or not the KSP policy advice was adopted, a logistic regression method was employed. The regression model takes the following form:

$$\log\left[\frac{Y_i}{1-Y_i}\right] = \alpha + \beta_j \sum_j COUNTRY_{ji} + \gamma_k \sum_k PROJECT_{ki} \quad (1)$$

where Y_i is the binary dependent variable showing whether or not the individual KSP project i was found to be successfully adopted as the recipient partner country's policy, $COUNTRY_{ji}$ represents the country characteristics variable j of the recipient country for each individual project i and $PROJECT_{ki}$ represents the project characteristics variable k that are related to the management of an individual project i . This model intends to measure how much the possibility of the KSP project's success or failure in adoption as a policy would be affected by the independent variables, especially the variables related to ODA.

Meanwhile, as the results of the logistic regression analysis produced in odds-ratios lack intuitiveness, the analysis goes a step further to produce the marginal effects of each variable. By interpreting the marginal effect value, the regression results can be interpreted in a way that shows how much the possibility of the success of the KSP policy recommendation changes upon a one unit change of an independent variable.

IV. Results of Analysis and Interpretation

1. Descriptive Statistics

To better understand the characteristics of the countries and situations being analyzed in this paper, descriptive statistics can be useful. The basic descriptive statistics of the indicators included in analysis is as follows.

Table 2. Descriptive Statistics

Variable	Obs.	Mean	SD	Min	Max
depvar	318	-	-	0	1
democracy	318	3.223491	2.47604	0	6.82
gdp	318	2.00e+11	2.55e+11	7.27e+09	9.18e+11
oda	318	1.00e+09	1.20e+09	-2.56e+08	4.12e+09
odagni	318	2.039472	2.880876	-.1863711	17.77519
odagov	318	8.747735	25.36511	-.9735663	193.1394
odacapital	318	8.777932	14.9094	-.6844568	106.6771
odaimports	318	3.030517	4.778987	-.546902	29.21935
odakorea	318	5.344568	11.90551	-2.500782	59.06619
population	318	6.10e+07	7.26e+07	2538591	2.51e+08
cpi	318	2.933019	.8431638	1.6	4.7
year	318	-	-	2004	2013
country	318	-	-	-	-
kdicategory	318	-	-	1	11
agency	318	-	-	0	1
consultant	318	-	-	1	3
continue	318	-	-	0	1
priority	318	-	-	0	1

Note: The mean and standard deviation of categorical variables were omitted in this table.

The mean scores for democracy levels of the recipient partner

countries included show that the countries were on average, countries with authoritarian regimes. Although it is hard to tell from only the average GDP given in the above table, further research found that only 2 countries out of the 15 included in the analysis were counted as least developed countries (OECD, 2015c). The average ODA/GNI ratios, at approximately 2 percent, could be considered to be relatively low; however, the maximum value shows that the ratio could be as high as 12 percent. In particular, the maximum values for ODA ratios compared to government expenses and capital formation gave values exceeding 100 percent, signifying that through these variables, some countries could be counted as highly dependent on aid. Meanwhile, the ratio of Korean ODA volumes to net ODA volumes averaged at 5 percent, signifying that the relative influence of Korean ODA was not that large.

2. Logistic Regression Results

The results of logistic regression on the above variables to verify the relationship and effect of aid dependency on the outcomes of the KSP recommendation in a recipient partner country is as the following [Table 3] shows.

Table 3. Analysis on Factors Affecting the Outcomes of KSP through Logistic Regression Analysis

Variable	ODA/GNI		ODA/GOV		ODA/CAPITAL	
	(1) OR	(2) ME	(3) OR	(4) ME	(5) OR	(6) ME
Country Characteristics Variables						
Political situation (democracy)	3.127*** (1.032)	0.243*** (0.0760)	3.518** (1.534)	0.242** (0.102)	3.089*** (0.891)	0.239*** (0.0634)
GDP	0 (0)	0 (0)	0* (0)	0* (0)	0* (0)	0* (0)
Net ODA	1.47e-09 (1.37e-09)	1.14e-10 (1.05e-10)	1.23e-09 (1.62e-09)	8.46e-11 (1.11e-10)	1.19e-09 (1.37e-09)	9.22e-11 (1.05e-10)
ODA/GNI ratio	-3.584*** (0.991)	-0.279*** (0.0698)				
ODA/central government expense ratio			-0.187*** (0.0476)	-0.0128*** (0.00290)		
ODA/gross capital formation ratio					-0.531*** (0.145)	-0.0411*** (0.0101)
Korean ODA/net ODA ratio	0.394*** (0.117)	0.0307*** (0.00836)	0.451*** (0.133)	0.0310*** (0.00840)	0.440*** (0.122)	0.0341*** (0.00854)
Population	-3.45e-06*** (1.07e-06)	-2.68e-07*** (7.68e-08)	-4.09e-06*** (1.22e-06)	-2.82e-07*** (7.75e-08)	-4.49e-06*** (1.34e-06)	-3.48e-07*** (9.50e-08)
Corruption (CPI)	-2.627 (3.347)	-0.204 (0.260)	-2.909 (5.451)	-0.200 (0.374)	1.827 (4.108)	0.141 (0.317)
Project Characteristic Variables						
KDI Categorization of Topic						
2: Macro, Strategy	-0.686 (0.978)		-1.305 (1.121)		-0.689 (0.986)	
3: Industry, Investment	-0.842 (0.996)		-0.856 (1.124)		-0.783 (0.962)	
4: Science, IT, Innovation	4.034*** (1.212)		5.063*** (1.427)		4.430*** (1.302)	

Variable	ODA/GNI		ODA/GOV		ODA/CAPITAL	
	(1) OR	(2) ME	(3) OR	(4) ME	(5) OR	(6) ME
5: Trade, Exports	2.567** (1.016)		3.391*** (1.242)		3.111*** (1.125)	
6: Public Finance, Public Enterprise	-2.110* (1.154)		-2.429* (1.266)		-2.179* (1.170)	
7: Growth, Development	0.373 (0.937)		1.002 (1.081)		0.683 (0.948)	
8: Promotion of Businesses	-1.023 (1.165)		-1.077 (1.275)		-0.961 (1.183)	
9: Labor, Education	-1.383 (1.090)		-1.100 (1.177)		-1.417 (1.087)	
10: Agro-Fishing Industries	0.210 (2.936)		1.184 (2.412)		1.019 (3.295)	
11: Other	0.0316 (1.879)		-1.136 (2.094)		-0.0282 (1.991)	
Managing Agency of Project	-6.296*** (2.151)	-0.490*** (0.157)	-4.386* (2.406)	-0.302* (0.161)	-8.548*** (2.453)	-0.662*** (0.172)
Affiliation of Consultant						
2: Public Sector	0.623 (0.643)		1.014 (0.695)		0.710 (0.646)	
3: Private Sector	0.144 (0.705)		0.684 (0.748)		0.261 (0.701)	
New/Continuing Country Status	-3.624* (1.858)	-0.282** (0.141)	-5.348** (2.352)	-0.368** (0.156)	-4.299** (2.140)	-0.333** (0.161)
Priority Partner Country Status	1.980* (1.016)	0.154** (0.0774)	4.400*** (1.573)	0.303*** (0.103)	1.802* (1.038)	0.140* (0.0792)
Year						
2005	-11.06 (10.69)	-0.103 (15.63)	-1.844 (12.24)	-0.0113 (1.280)	-11.51 (10.60)	-0.0445 (25.00)

Variable	ODA/GNI		ODA/GOV		ODA/CAPITAL	
	(1) OR	(2) ME	(3) OR	(4) ME	(5) OR	(6) ME
2006	7.787 (963.1)	0.428 (19.02)	19.57 (2,238)	0.712 (35.20)	10.63 (2,473)	0.186 (28.09)
2007	11.35** (4.483)	0.596 (9.298)	16.76*** (6.233)	0.595 (87.00)	15.65*** (5.870)	0.526 (110.2)
2008	-3.569 (963.1)	-0.0496 (16.61)	4.703 (2,238)	0.0621 (14.69)	1.001 (2,473)	0.0120 (29.16)
2009	24.35*** (6.822)	0.846 (14.49)	35.31*** (9.691)	0.935 (7.333)	29.35*** (7.753)	0.886 (20.55)
2010	6.507 (963.1)	0.340 (18.26)	14.50 (2,238)	0.471 (18.30)	13.79 (2,473)	0.401 (37.26)
2011	4.305 (963.1)	0.180 (19.20)	11.69 (2,238)	0.282 (10.09)	12.14 (2,473)	0.280 (31.37)
2012	4.682 (963.1)	0.206 (19.09)	11.84 (2,238)	0.291 (10.39)	11.93 (2,473)	0.266 (30.78)
2013	4.182 (963.1)	0.171 (19.21)	9.350 (2,238)	0.166 (8.459)	12.25 (2,473)	0.288 (31.72)
Country						
2: Azerbaijan	-85.37*** (26.78)	-0.523*** (0.0493)	-102.5*** (30.07)	-0.522*** (0.0564)	-106.4*** (32.14)	-0.522*** (0.00621)
3: Cambodia	-55.79*** (17.78)	-0.359*** (0.0125)	-81.55*** (23.12)	-0.413 (0.514)	-76.05*** (21.73)	-0.366*** (0.0557)
4: Colombia	26.40*** (8.969)	0.0661*** (0.00514)	28.11*** (9.932)	0.0660*** (0.00479)	33.64*** (10.33)	0.0661*** (0.00524)
5: Dominican Republic	-91.72*** (27.71)	-0.550*** (0.00612)	-109.1*** (31.58)	-0.550*** (0.00627)	-115.4*** (33.36)	-0.550*** (0.00613)
6: DR Congo	169.7*** (49.29)	0.0847*** (0.00644)	163.5*** (49.93)	0.0818*** (0.00523)	203.4*** (59.07)	0.0818*** (0.00546)
7: Ghana	-23.05** (9.588)	-0.199*** (0.0600)	-42.32*** (14.15)	-0.299*** (0.0769)	-42.03*** (13.44)	-0.283*** (0.00578)

Variable	ODA/GNI		ODA/GOV		ODA/CAPITAL		
	(1) OR	(2) ME	(3) OR	(4) ME	(5) OR	(6) ME	
8: Indonesia	674.8*** (211.4)	0.277*** (0.00728)	793.7*** (240.6)	0.277*** (0.00695)	881.0*** (264.5)	0.277*** (0.00720)	
9: Kazakhstan	-60.83*** (20.62)	-0.442*** (0.0562)	-75.27*** (23.44)	-0.365*** (0.0103)	-78.05*** (25.30)	-0.407*** (0.119)	
10: Kuwait	-108.8*** (36.05)	-0.607*** (0.00574)	-125.1*** (42.11)	-0.607*** (0.00508)	-148.4*** (46.82)	-0.607*** (0.00582)	
11: Peru	-29.22*** (9.107)	-0.264*** (0.0419)	-36.25*** (11.20)	-0.205*** (0.0592)	-36.59*** (11.03)	-0.228*** (0.0562)	
12: Romania	-60.78*** (19.97)	-0.441*** (0.0993)	-70.36*** (24.64)	-0.335*** (0.0160)	-82.72*** (25.98)	-0.466*** (0.0749)	
13: Saudi Arabia	-35.33* (18.11)	-0.317*** (0.0151)	-45.49* (24.04)	-0.317*** (0.00919)	-57.24** (25.11)	-0.318*** (0.00535)	
14: Uzbekistan	-25.52*** (8.981)	-0.229*** (0.0393)	-32.77** (13.01)	-0.164 (0.142)	-25.53*** (9.366)	-0.117*** (0.0112)	
15: Vietnam	184.1*** (56.22)	0.195*** (0.00731)	208.2*** (63.94)	0.195*** (0.00719)	234.9*** (70.20)	0.195*** (0.00721)	
Constant	114.6 (963.6)		125.9 (2,238)		129.0 (2,473)		
Number of Observations		318		318		318	
Log-Likelihood	Intercept Only	-213.936		-213.936		-213.936	
	Full Model	-79.0263		-70.2917		-78.4149	

Note: *** p<0.01, ** p<0.05, * p<0.1

Standard errors are in parentheses

The logistic regression analysis process was conducted three times in total, substituting different ODA ratio variables (ODA/GNI, ODA/central government expense, ODA/gross capital formation) each time in the regression model. Each ODA ratio variable, respectively, was found to have a statistically significant effect on the success or failure of KSP policy recommendations being adopted as policy in the recipient partner country. Meanwhile, the ratio of Korean ODA was also shown to have a statistically significant effect on the outcomes of KSP policy recommendations in each of the above three variants of analysis.

It can also be seen from the above table that the policy environment variables that were shown to have a statistically significant effect on the adoption of KSP policy recommendations to recipient partner countries, in all three times, were: political situation, population, managing agency of project, new/continuing country status, and priority partner country status. The analyses also found the categorical variables referring to each country to be statistically significant.

The next section gives an interpretation of the above results.

3. Interpretation of Results

1) Aid Dependency and Policy Transfer

Through the above analyses, hypothesis H_1 was rejected. It was found that the effect of net ODA levels on the outcome of individual KSP policy recommendations to a recipient partner country was not statistically significant. While one may interpret these results as aid dependency having no significant effect on the outcomes of policy transfer, it may have well been that the net ODA levels for the countries included in the analyses were not quite large enough in absolute amounts to create an aid dependent situation based on the net amounts themselves. The controversial views of previous scholars such as Lensink and White (1999) who maintained that large amounts of aid in themselves do not necessarily indicate aid dependency, support such an interpretation as above; it may be that these results are irrelevant with aid dependency itself. Then, one should look at the effects of aid ratios before drawing conclusions.

As stated when explaining the variables used, ODA ratios can be better indicators to show aid dependent situations in developing countries. The results in [Table 3] show that the higher the net ODA ratios to other economic indicators are, the lower the probability of successful adoption of individual KSP projects. More specifically, an 1

percent increase in the ODA/GNI ratio would result in an approximately 27.9 percent decrease in the probability that the KSP policy recommendation would be adopted as a policy. Likewise, an 1 percent increase in the ODA/central government expense ratio and ODA/gross capital formation ratio, would result in an approximately 1.28 percent and 4.11 percent decrease in probability, respectively. Therefore, hypothesis H_2 is accepted. Again, as it was established that in the description of variables that a higher net ODA ratio is used to signify higher levels of aid dependency in a recipient partner country, it can be said that the existence of aid dependency in a country has a negative effect on policy transfer and knowledge sharing.

The reasons for the appearance of such a phenomenon may be explained in a similar way to the reasons how aid dependency has negatively affected traditional development outcomes. It may be, as Knack (2001) claimed, that aid dependency causes an erosion in the recipient partner countries' governance, which leads to insufficient policy processes for the KSP recommendations to be formed into actual policies. It may also be the case that a heavy inflow of development aid has afflicted the recipient countries' political autonomy in setting their own agendas and forming new policies, for the KSP recommendations to take root (Thomas et al., 2011). Finally, it is also possible that some countries just may not feel the need to take up KSP policy recommendations for policies to develop their

countries' society and economy, when they receive large amounts of development assistance that they can depend on to solve immediate problems.

In the long run, the negative relationship between aid dependency and policy transfer can be especially harmful toward the growth and development of a developing country when considering popular claims that institutions and policies are key to economic growth and development effectiveness (Burnside and Dollar, 2000; Dollar and Pritchett, 1998). With lacking policy ideas and options, countries may continue to depend on aid as their main “policy” of growth; this would ultimately result in a vicious cycle of a deficiency of endogenous and autonomous development capacities that are valued in the longer term.

2) Korean ODA and the Knowledge Sharing Program

Meanwhile, the ratios of the volume of Korean ODA in the recipient partner country were also shown to be statistically significant, this time in a positive direction. Specifically, an 1 percent increase in the ratio of Korean ODA would lead to an approximately 3 percent increase in the probability that KSP policy recommendations are accepted and passed through the policy process for implementation in the recipient partner country. Therefore, hypothesis H_3 was also

accepted; KSP policy recommendations were more likely to be adopted in countries in which ODA from Korea comprises a higher portion.

These results may seem contradictory to the previous results concerning net ODA ratios, which derived negative effects from development assistance. At first glance, it seems to be inconsistent that while larger net ODA ratios have a negative effect KSP policy transfer, larger Korean ODA ratios have a positive affect the same outcomes. However, these seemingly conflicting results are logically compatible and even natural; it is merely a matter of volume, also of recipient capability, incentives, and donor familiarity in receiving and giving development assistance.

First, as a variable of relatively smaller volume when compared to the aforementioned ratios of net ODA volume, it is difficult to consider the ratio of Korean ODA to net ODA volumes as a similar indicator of aid dependence. Again, aid dependence is defined and analyzed in this paper as a phenomenon that occurs when development assistance overwhelms the governance and the policy agenda of a recipient country (Knack, 2001; Thomas et al., 2011). The average of the ratio of Korean ODA to net ODA volumes in the countries that were analyzed in this paper, however, was only approximately 5 percent. When compared to the economic indicators used in this paper, Korean ODA constitutes an even smaller portion.

This indicates that in most cases, Korean ODA volumes were only a small influence to the entire volume of ODA given to a recipient country, and of the countries' economic capabilities. Therefore, the occurrence of an aid dependent situation from purely Korean ODA is unlikely; it follows that the negative direction of influence on the outcomes of KSP policy transfer does not hold in this case.

Then, the positive effect of Korean ODA ratios can be explained mainly in terms of recipient capability, incentives, and donor familiarity. In the case of policy transfer type of aid such as the KSP that mainly provides the ideas and recommendations for development, the recipient partner countries often lack the means to implement such recommended policies. With such a deficiency in capability, it can be difficult for the recipient country to find the means and the incentives to adopt foreign policy recommendations. Then, it stands to reason that the outcome of policy recommendation aid programs would be influenced more by factors such as the degree of familiarity to a donor country and possibly, the degree to which a donor provides additional development assistance in the provision of administrative and financial supplements to the policy recommendation. Therefore, as stated above, it is not strange that the variable of the ratio of Korean ODA shows a positive relationship with the policy adoption outcomes of KSP projects.

To elaborate further on this point, we can consider a hypothetical

situation in which competing donors A and B respectively offer a recipient partner country policy transfer/knowledge sharing type of aid in a single sector. If donor A has a previous amiable relationship with the recipient country through ODA and/or promises monetary assistance along with its policy agenda recommendations, while donor B provides only policy recommendations, it is more likely that donor A will be the one selected over donor B for policy-making and implementation. The presence of higher ratios of Korean ODA in KSP policy recommendation recipient countries would resemble donor A in the above given situation.

This interpretation, however, does not mean to imply in any way that development aid should be given with conditionalities for the adoption of policy recommendations. Since the Paris Declaration on Aid Effectiveness of 2005, ownership and alignment have been treated as the two most important principals for aid effectiveness. That is, the recipient country should be autonomous in deciding on their policy agenda without being tied to obligations of development assistance, and donor countries should align with recipient countries (OECD, 2015e). While the above results do signify that there can be a correlation between the development assistance and adoption of policy recommendations given from a single country, and while these results can be meaningful for the donor countries to reflect on in planning for more successful knowledge sharing and policy transfer outcomes,

it is also important that this detail should not be abused.

3) Effects of Other Policy Environment Variables

Aside from the relationship between aid dependency and policy transfer, which was the main purpose of this paper, the results of the logistic regression showed that there were still other variables with significant effects on the outcomes of the KSP. This section attempts to briefly cover those variables and their interpretation. In the country characteristics variables, the political situation as measured through the level of democracy, and the population in the recipient partner country was found to be statistically significant on the adoption of KSP policy recommendations. Although country variables are something that cannot be adjusted by the implementing agency, the implications should still be considered. In the project characteristics variables, the managing agency, new/continuing country status, and priority partner country status were revealed to be statistically significant. These three variables are adjustable, and therefore should be taken into further account. Finally, the categorical variables of each country was also found to be statistically significant.

In the case of the political situation, it was revealed that a 1 point higher score on the Economist Democracy Index would result in a 23.9 percent or larger increase in the probability that the KSP

project would be adopted as a policy in the recipient partner country. That is to say, the more “democratic” the country’s political system is, the better chance a KSP policy recommendation has at becoming implemented as a policy. Such a result may have come from the fact that most of the countries included in the analysis are authoritarian states; small improvements in democratic status may be beneficial for better adoption of policy recommendations in stimulating such economic development. This is an interesting outcome for the KSP when considering the fact that in the original case of Korea’s development policies, a strong political leader and his development initiative is thought to have been one of the most important factors in achieving rapid economic development.

In addition, the population variable was also found to be statistically significant. Although the results indicated that population effected the probability of the adoption of KSP policy recommendations in a negative way, the marginal effects were very close to 0. This may come from the fact that the effect of an increase in 1 person is minimal and hard to measure in changes in probability that the KSP policy recommendation would be adopted. In terms of simple interpretation, however, it can be said that the given population of a recipient partner country has an insignificant effect on the outcomes of KSP policy recommendations being adopted as policy.

As mentioned above, the analysis results concerning project characteristic variables give further implications for the general operation of the program. The KSP projects were found to be up to 66.2 percent less likely to become a policy when the management of the project was subcontracted to an external organization other than the implementing organization of KDI. If the recipient partner country was one that was given priority status, a KSP project conducted in that country was up to 30.3 percent more likely to succeed and become a policy than those conducted in other general partner countries.

Meanwhile, KSP policy recommendations were up to 36.8 percent more likely to fail at becoming a policy if the recipient partner country had been a participant of the KSP in previous years. This may sound strange as policy continuity can be important in the formulation of policy. However, such results can be interpreted as a warning against “falling into practice,” and to show that the topical continuity (follow-up support on the same policy topic) and quality control may be more important than merely the continuous participation in a knowledge sharing/policy transfer program.

Last but not least, the findings related to the country variable show that there is also a certain level of country effect that results in a statistically significant difference in the outcome of KSP policy recommendations across countries. That is, other additional country

characteristics that were not accounted for in the dataset or the logistic regression model of this paper seem to have affected the adoption of KSP policy recommendations. These results from the country variable do not give specific policy implications, as it was treated as a categorical variable and only provide relative results in comparison to each country. However, they do signify that some countries' general environments can be better or worse off for implementing policy transfer. Although this conclusion is quite obvious, still, it would do well for the donor country of policy transfer or knowledge sharing to keep this in mind and consider in depth the unique country policy environments when planning for and carrying out KSP projects.

V. Conclusion

1. Summary of Findings

Knowledge sharing, or policy transfer, is an important emerging type of development aid that purports to show developing countries “how to catch the fish” rather than “catching the fish for them.” By taking the case of Korea’s Knowledge Sharing Program, this paper attempted to verify the policy environment factors that influence the outcomes of such policy transfer and knowledge sharing types of aid programs, with an especial focus on the effects of factors related to volumes of official development assistance (ODA),

The results of an logistic regression analysis showed that aid related ratios such as ODA/GNI ratios, ODA/central government expense ratios, and ODA/gross capital formation ratios had negative effects on the outcomes of KSP, thereby warning against the negative effect that aid dependency can have on policy transfer. On the other hand, the ratio of the volume of Korean ODA to net ODA volumes in a single recipient country had a positive effect on the outcomes of KSP, signifying partly that familiarity to the donor country through additional types of ODA could also have an effect on the outcomes of policy transfer and knowledge sharing. Finally, other variables such as the democracy level, population, the managing agency of the

project, the continuing status of the recipient partner country, priority partner country status, and country effect were shown to be statistically significant in their effects on the probability of the adoption of KSP policy recommendations as proper policy in the recipient partner countries.

2. Limitations

However, this paper is not without its limitations. The limitations of this study may be found in the selection of its sample of analyses and policy environment variables, and in the design of its analyses.

First of all, this study has some limitations in the selection of its scope and sample of analyses. The main problem can be found from the fact that it had but one object of analysis, the KSP, and therefore is difficult to draw conclusions for the entire topic of policy transfer and knowledge sharing types of development assistance. Even inside the KSP, the number of projects on which analyses could be conducted were quite limited due to insufficient follow-up investigation data. As mentioned before, this may have also generated biased results in the analyses. Furthermore, although partially accounted for through the country variable, additional policy environment variables that have important contributions to the effects on the outcomes of the KSP policy recommendations may have been overlooked in creating the

dataset, due to the complex nature of the policy environment. Then, the above shortcomings warn against over-generalization in the usage of the findings of this paper; they also leave room for improvement in future research when more complete data is able to be secured.

Secondly, in hindsight, the design of the analysis could also have been more logical if a mediation effect concerning aid dependency had been tested separately, and not included as an implicit process in the logistic regression model. This would help clear up the causes and definitions of aid dependency first, then test the results for the effect of aid dependency on policy transfer, making the analysis more robust. Furthermore, concerning the relationship between Korean ODA and the outcomes of KSP policy recommendations, the direction of causal effect could have been addressed further in the design of the analyses. There have been instances in which KSP projects and their policy recommendations were followed up by KSP projects providing relevant and more concrete policy advice or development assistance. This would have resulted in an increase in the volume, and possibly the ratio of Korean ODA given to that country; the causal direction analyzed in this paper can become indefinite or actually reversed in these situations. If provided more specific timeline and project data, future research may derive improved results by adequately addressing this problem.

Nevertheless, the results that were derived from this study hold

valuable in that they were among the first to attempt an empirical analysis of policy transfer/knowledge sharing activities, their policy environment, and their project characteristics, to derive the factors that affect the outcomes of policy transfer. The limitations stated above may be addressed and supplemented through future relevant research, which would further advance the findings in policy transfer studies.

3. Policy Implications and Recommendations

Knowledge centered development assistance programs in the form of policy transfer and knowledge sharing have been growing rapidly. It is time for these programs to consider taking more serious account of the problem of overall aid effectiveness for better results in the future. In this respect, the fact that aid dependency and donor familiarity can affect policy transfer, allows for some policy implications and recommendations to be made toward policy transfer and knowledge sharing type of development aid.

First, the policy recommendations given through the KSP or any other policy transfer/knowledge sharing types of aid may expand its reach toward giving policy recommendations targeted directly at addressing and solving the problem of aid dependency. Right now, the topics of the policy recommendations given are mainly focused on economic or social sectors that can be addressed with simple, solid

policies to produce tangible results in themselves. This may be inevitable, considering that most of the topics are based on existing policies from the Korean development experience or other. However, more so in the form of advice targeted at raising the fundamental development ideologies of the recipient country, or through advice directly targeting the aid dependency problem itself, policy recommendations could incorporate solutions for aid dependency.

Second, there needs to be movement toward both comprehensive policy transfer, but also furthered division of development assistance in terms of the system in giving that comprehensive aid. It was seen through the analysis results of this paper that policy recommendations which also provide administrative and financial supplements were more likely to be adopted as policy in the recipient country. Therefore, it would do well for future policy transfer type of development programs to consider incorporating a minimal amount of such supplementary measures to bring in the comprehensive aid that supports better implementation of the policy recommendations being given. However, it is important that these measures be directly connected to the fundamentals of the policy transfer topics being provided and nothing further, to avoid triggering aid dependent situations or obstruction of the recipient countries' ownership.

At the same time, there also needs to be furthered division in providing aid, reinforcing the role of policy transfer and knowledge

sharing types of aid in promoting independent and self-sustainable capacity building. This kind of division is actually already present, and can be seen as the basis of what knowledge sharing/policy transfer types of aid such as the KSP is formed on. Traditional transfers of funds should target the least developed countries, not with projects to make them dependent on aid, but with the purpose of building their minimum capacity to accept knowledge and policy transfers for further growth. Knowledge sharing activities and policy transfer type aid programs should be targeted at fostering the policy foundations for independent and self-sustainable growth in the longer term. Time-wise, these activities may go hand-in-hand or sequentially, but should not be conditional to each other. Such a division would allow for better aid effectiveness and less dependence.

In conclusion, it is important to keep in mind both the growing importance of policy transfer and knowledge sharing in development, and the effects that aid dependency and donor familiarity, can bring to the process. A solution for the aid dependency problem, as well as other improvements to reinforce the role of policy transfer and knowledge sharing aid projects, would benefit advances in development assistance efforts for better aid effectiveness and sustainable development.

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국 문 초 록

새로운 국제개발협력 사업 방식으로의 정책 이전 및 지식 공유형 사업은 20세기 말 처음 등장한 이래 점차 증가하는 추세이다. 하지만 이러한 정책 이전 및 지식 공유형 사업들이 유의미한 정책적 결과로 이어질 수 있는 정책 환경은 아직 완전히 밝혀지지 못하였다. 따라서 본 연구는 한국의 경제발전경험 공유사업 (KSP)에 대한 분석을 실시하여, KSP 사업을 통해 사업 대상 협력국가에 주어지는 정책 제언이 해당 국가의 정책으로 반영되는 데 영향을 미치는 요인을 밝히는 것을 목적으로 하였다. 특히, 본 연구는 기존의 전통적인 개발협력 사업들의 문제점으로 지적되는 원조 의존성의 부정적 영향이 정책 이전 및 지식 공유형 사업의 경우에도 나타나는지 여부를 확인하는 것을 주요 목표로 하였다.

분석은 사후적인 추적 조사가 이루어진 15개 국가에서 2004년부터 2013년까지 수행된 총 318개 KSP 사업을 대상으로 실시하였으며, 구체적인 방법론으로는 로지스틱 회귀 분석 모형이 사용되었다. 그 결과, 사업 대상 협력국가의 GNI 대비 ODA 규모의 비율, 중앙정부 총 지출 대비 ODA 규모의 비율, 총 자본 형성량 대비 ODA 규모의 비율 등, 원조 의존성을 나타내는 변수로 사용된 ODA 규모의 비율이 상대적으로 높을수록 KSP 사업의 정책 제언이 협력국가에서 정책으로 반영될 확률이 줄어드는 것으로 나타났다. 반면 해당 국가의 총 ODA 규모 중 한국에서 주어진 ODA가 차지하는 비율이 높을수록, 즉 한국의 영향력이 상대적으로 높아질수록, KSP 사업을 통해 주어진 정책 제언이 해당 국가의 정책으로 반영될 확률이 높아짐을 발견하였다. 이 외에도, 민주화 정도, 인구수, 사업 관리 주체, 사업 대상 협력국가의 참여 연속성, 사업 대상 협력

국가의 중점국가 여부 등의 국가적/사업적 특성 지표 및 기타 국가적 영향요인들이 정책의 반영에 통계적으로 유의미한 영향을 미치는 것으로 나타났다.

위와 같이 도출된 결과에 대한 해석 및 정책적 함의는 앞으로 정책 이전 및 지식 공유형 국제개발협력 사업을 통해 더 나은 정책 제언을 제 공하고, 그것을 실제 정책 반영으로 이어가는 데 중요한 의미를 가질 것으로 예상된다.

주요어: 경제발전경험 공유사업, 정책 이전, 지식 공유, 원조 의존성, 공적개발원조
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