I. Featured Articles
Understanding North Korea’s Economic Stagnation
Jisoon Lee

Fiscal Behavior of Aid Recipient Countries during the Millennium Era
Ah-reum Lee · Kye-woo Lee

Aid Policy of Recipient Countries in Africa: The Case of Rwanda
Chong-Sup Kim · Eunsuk Lee

Land Reform in Korea and Its Implications
Myungho Park

II. Knowledge Exchange and Sharing
Beyond One-Time, One-Sided Knowledge Transfer: KSP with the Dominican Republic
Wonhyuk Lim

Reforming Institutions to Improve Education Service Delivery and Strengthen Cambodia’s Competitiveness
Naron Hang Chuon
Analysis of Development Policy and International Cooperation

May 2014
Recognizing the growing demands for a source of information that comprehensively analyzes trends in the field of development cooperation, the Center for International Development at the Korea Development Institute (CID@KDI) publishes the ‘Analysis of Development Policy and International Cooperation’.

The first edition of the ‘Analysis of Development Policy and International Cooperation’ 2014 1 (Volume 1, Number 1) is to be released in May 2014. It is a highly-selective, peer-reviewed Journal published semiannually in May and November.
PART I  Featured Articles

1. Understanding North Korea’s Economic Stagnation
   Jisoon Lee... 07

2. Fiscal Behavior of Aid Recipient Countries during the
   Millennium Era
   Ah-reum Lee · Kye-woo Lee... 31

3. Aid Policy of Recipient Countries in Africa: The Case of Rwanda
   (in Korean)
   Chong-Sup Kim · Eunsuk Lee... 53

4. Land Reform in Korea and Its Implications (in Korean)
   Myungho Park... 73

PART II  Knowledge Exchange and Sharing

1. Beyond One-Time, One-Sided Knowledge Transfer: KSP with the
   Dominican Republic
   Wonhyuk Lim... 95

2. Reforming Institutions to Improve Education Service Delivery
   and Strengthen Cambodia’s Competitiveness
   Naron Hang Chuon... 121
PART I

Featured Articles

1. Understanding North Korea’s Economic Stagnation

2. Fiscal Behavior of Aid Recipient Countries during the Millennium Era

3. Aid Policy of Recipient Countries in Africa: The Case of Rwanda

4. Land Reform in Korea and Its Implications
Understanding North Korea’s Economic Stagnation

Jisoon Lee
Professor, Seoul National University (jisoon@snu.ac.kr)

Abstract

Utilizing Lucas’s dynastic model of income and population growth specialized to a slave economy, this paper attempts to understand why North Korean economy has remained stagnant over the last 60 years.

Numerical exercises performed with the proposed model show that the incomes of a slave and a master are respectively $630 and $6,300. When one ends the slavery, the average income would rise to $1,370. This is more than 100 percent increase for the former slaves. However, the former masters’ income will decrease drastically. This suggests why the masters have very strong incentives to maintain the slavery.

What must be done to end the long run stagnation? The paper suggests that we would better come up with ways to implement the needed reform measures in such ways as to make the fortunes of the current leaders be protected or grow in tandem with the overall economic developments of the country.

Keywords: North Korean economy, liberalization and openness, socio-political aspects of reform.

1) Professors Lucas and Stokey (Chicago), Hirano (Tokyo), S. Baik (Hongik), K. Choi (Yonsei), J. Kim (Jeju), D. Lee (Yonsei), S. Noh (Hallym), J. Rhee (Handong), J. Yoo (Kunkuk), and Mr. B. Hong (SIFRE) have given me valuable comments and suggestions. I have also benefited from the critical comments made by the referees. I thank all of them. Financial support from the Institute of Economic Research of Seoul National University is gratefully acknowledged.
I. Introduction

Over the last 60 years, North Korean economy has remained stagnant. According to an estimate made by the Bank of Korea, North Korea’s per capita income in 2012 was about $1,200. This is a 2.4 times increase from about $500 (in current value) recorded in the year 1953. In contrast to this, South Korea’s per capita income has grown 46 times from about $500 to about $23,000 in the same period. This stark contrast between the two Koreas’ growth performances beg the following questions. Why has North Korea failed to grow? If North Korea wants to escape from the long run stagnation, what steps should she take?

This paper is an attempt to shed some lights on these questions. For this purpose, I am going to borrow Professor Lucas’ ideas expounded in his 2002 paper, “The Industrial Revolution: Past and Future.” Lucas provides a theoretical framework, with which we can explain how human being escaped from the Malthusian stagnation to enjoy the present day prosperity.

The fact that North Korea’s average income has remained stagnant in the face of doubling up of the population over the last 60 years suggests that she might have been what Lucas calls a ‘hunter-gatherer society’ where income stagnation and population growth could co-exist.

However, the fact that the elite class of people in North Korea appears to live rather affluently cannot be explained by the subsistence model. It appears as if there have been two distinct classes: an elite class who ‘owns’ everything and a serf class who owns nothing. Taking this into account, I propose ‘a slavery model’ to be added to Lucas’ basic model. The goal is to find out how well the extended model can explain the North Korean situations.

I will study two kinds of slavery model: one land only model and the other land plus physical capital model. The idea is to compare results from these two slavery models with those of a Malthusian model, a privatized land only model, and a privatized land plus physical capital model. (Solutions to the latter three are provided by Lucas.) This may shed some lights on what North Korea must undertake to escape from stagnation.

Lucas shows that in a Malthusian model everyone ends up barely subsisting. I show that in a slavery model, be it a model with or without physical capital, the workers (slaves) end up again barely subsisting. However, the owners (masters) can enjoy a very prosperous living. For example, in numerical exercises I perform, workers’ income would be about $630, but owners’ income would be more than $6,300. In contrast, the per capita income would go up to $1,370 if an egalitarian

2) Data from North Korea Joint Venture Investment Committee says that North Korea’s per capita income in 2010 was $524. That was a 6.9% increase from 2009’s $490. See Mei (2013).

3) The question presupposes that the two Koreas were virtual twins at the time of separation.
redistribution of land is made so that everyone would become an owner. That is, if the slavery is abolished, average income of the mass would go up from about $630 to $1,370. This is a 117 percent increase.

But abolishing the slavery is only a first step. The next step could be industrialization, i.e., transforming an agrarian economy into an industrial one. In this case, too, it is important to allow the workers to become owners of the capital, which is a new means of production for the industrial economy. With industrialization, the per capita income of the privatized economy would grow substantially. For example, in a numerical exercise I perform, the average income would increase to $2,283. This is a 66.3 percent increase from $1,370, the average income of an agrarian economy.

Land reform and capital accumulation, though they would substantially raise income, would not sufficient to make income grow persistently. In order to have persistent income growth, an economy must cultivate various engines for unending growth. The extensive growth literature vividly suggests that the most important such engines are technological progress and human capital accumulation. If these engines make it possible for the economy grow at the rate of 3 percent, say, the average income would double up every 24 years.

In all these, it is critically important for a country to open up her economy. The growth/development literature clearly shows that openness is vital for economic progresses. When North Korea opens up, she would enjoy not only the benefits of openness, but also the benefits of South Korean assistance and cooperation. When North Korea forms an enduring partnership with South Korea, she could grow very rapidly.

In a nutshell, for North Korea to turn the disaster into a miracle, liberalization (reform) and openness are crucial. With neither of them, North Korea cannot grow. With either one of the two, North Korea can grow somewhat. But for real growth, she needs both.

However, it is doubtful that the current leaders would willingly liberalize and open up the North Korean economy. That is because their per capita income would drastically decrease, at least in the short run, when they abolish the slavery system. Moreover, they may feel threatened: When reform measures are undertaken, they may not only lose privileges, but also their lives.

Are there then no hopes? Perhaps North Korea’s leaders can learn lessons from China’s development experiences. China has clearly pulled off an economic miracle while keeping its political system more or less intact. The trick seems to have been to make the masters’ economic lots grow in tandem with economic reforms. Let us take note that, though China’s average income grew from about $500 in 1980 to some $6,000 in 2012, the masters’ income grew much more than the average. Many of them have even become the super rich, too. Let us also take note that an absolute majority of the masters have survived the economic ‘revolution,’ i.e., they
did not lose their lives.

North Korea’s leaders can mimic what China’s counterparts have been doing in the last 30 years. That way they can substantially raise the average income of ordinary North Koreans. How about their own lots? The China’s experiences suggest that most of them would become rich, many of them millionaires, and some of them billionaires. How about their lives? Again China’s experiences show that when the income of the ordinary people keeps on growing, they might remain contented. This indicates that a well thought out economic reform can protect the masters’ interests. That would be much better than the slavery. Already there are signs that maintaining the slavery system is becoming a risky business. An exodus of residents and the proliferation of spontaneous markets, indicate that the slaves have finally decided to take control of their lives. 4)

II. North Korea’s Economy Has Remained Stagnant Since 1953

According to the Bank of Korea, South Korea’s per capita income was $67 in 1953, which is about $480 in current dollars. Since North Korea in 1953 was thought to be better off than South Korea, we might estimate North Korea’s per capita income in 1953 somewhere around $500. According to the Bank of Korea, North Korea’s per capita income in 2012 was about $1,200. This indicates that over the years, North Korea was able to raise her average income by 2.4 times. In contrast to this, South Korea’s per capita income has grown 46 times from about $500 to about $23,000 during the same period. 5) In 1953 both Koreas were extremely poor. After 60 years, South Korea has become very prosperous, but North Korea remains poor. Why?

Before providing some answers to the question, let us note that during the period, population in North Korea grew from about 10 million to about 24 million. Apparently, North Korea has been able to feed 2.4 times as many people as she was able to do in 1953. This is not a small achievement. However, compared to South Korea’s growth, North Korea’s growth has certainly been very slow.

Let us note one more fact. Though the average income is only about $1,200, there are indications that an elite class of people live much better than ordinary people. For example, the residents of Pyongyang, the capital city of North Korea, live much more affluent than the outsiders. Also, most of the high ranking people in the military, in the communist party, and in government live much better

4) Of course, the initial conditions of China when she launched economic development initiatives some 30 years ago were quite different from the conditions that North Korea faces now. Hence we should be careful in drawing analogies between them.

5) South Korea’s PPP income grew from about $1,200 in 1961 to about $32,000 in 2012. How North Korea’s PPP income grew during the same period is not known.
than the average people.

The observation that an elite class of North Koreans live much better than the rest of the ordinary people suggests that the average income of those ordinary people is much lower than the $1,200 for the entire economy. Perhaps a subsistent income of $600 that my model suggests is closer to the actual average income of the ordinary North Koreans. If this conjecture is not wide off the mark, it must have been the case that the average income of the ordinary North Koreans has increased only a little bit in the last 60 years. Recall that in 1953 the per capita income (in current dollars) of North Koreans were about $500.

III. A Slave Economy: An Adaptation of Lucas’ Model

This section studies slave economy models, which are adaptations of Lucas’ 2002 paper. I will consider two such models: a land only model and a land plus physical capital model. Once I derive solutions to the slave economy models, I am going to compare them with solutions of Lucas’ one class models.

1. A Brief Introduction to the Lucas’ 2002 Model

Utilizing an infinitely living dynastic model, where parents decide not only how much to consume, how many hours to work, and how much to save and invest, but also how many children to raise, Lucas studies how human beings might have escaped from the Malthusian stagnation.

His model without human capital accumulation is basically Malthusian in that human beings would never experience persistent growth. Since parents love to have more children, i.e., a child is a normal good, they would bear more children whenever circumstances allow it. Neither discovery of new resources, physical capital accumulation, nor technological progresses would make the average human being richer. Such changes would only increase the number of children, hence population. This is the famous Malthusian trap.6)

As Malthus pointed out, the only way to escape from this trap is to voluntarily reduce the number of children. Why might parents want to have fewer children? Or put it more correctly, why parents had suddenly decided to have fewer children even as they were experiencing phenomenal income growth thanks to the industrial revolution?7) Here Lucas provides a key insight. As human capital became the most

---

6) Of course, there would be a temporary increase in income, which will disappear as the number of children increases.

7) With industrial revolution, population initially grew rapidly, but eventually population growth rates of the rich countries declined as their income grew further.
important source for value creation, parents wanted and needed to invest in their children’s as well as their own human capital. But human capital accumulation requires time inputs and as income grew rapidly, the value of parents’ time increased rapidly, too. This had made raising children increasingly costly. Consequently parents chose to have fewer but better children, when they discovered the value of human capital. This is of course the famous quantity-quality trade off of Becker and Lewis (1974).

In a nutshell, utilizing the Becker-Lewis’ quantity-quality trade off model of children, Lucas shows that human capital accumulation is the ultimate source for persistent economic growth and the eventual decline in population growth rates of nations. Note that what Lucas does here is to endogenously determine both income and population growth rates. Other growth models either explain income growth with exogenously given population growth rates, or explain population growth rates without coherently explaining how income grows persistently.

What I do in this paper is to borrow Lucas’ models in the first half of his paper, i.e., models without human capital accumulation, and attempt to understand a stagnant economy like North Korea.

As I pointed out in Introduction, the average income of North Korea changed from about $500 in 1953 to $1,200 in 2012. At the same time population grew from about 10 million to about 24 million. Although the average income remains small, there exists an elite class of people who live rather affluently. Furthermore, this elite class seems to tightly control the fate of the rest of the ordinary people. This suggests that Lucas’ model adapted to the master-slave situation might explain why in the last 60 years North Korea has remained relatively stagnant, how her population has grown 2.4 times, and why the majority of her citizens has remained poor in the face of the existence of a rather affluent class of people.

The model I study is a rather simple minded variation of the Lucas’ model. I use the same functional forms and notations whenever possible. The only difference is the introduction of two classes: Masters and slaves. The former owns everything and let the slaves work for them. The slaves live with whatever income the masters give them. With the given income, a slave would determine how much it would consume and how many children to raise. In time the children would become slaves, too. Knowing this a master would provide a slave with income just enough to raise the desirable (from the viewpoint of a master) number of slave children, i.e., future slaves. Whereas in Lucas’ basic model, the land per worker is the only state variable, here the number of slave becomes another state variable.

---

8) Needless to say, the material cost rise, too. This reinforces the shift toward quality.
9) The implications of Lucas’ human capital growth models for North Korea are mentioned only on a conjectural basis.
2. Slave Economy Models

1) A Land and Slave Economy

Consider an economy where a population of \( N \) lives on a fixed land \( L \). Assume that the population \( N \) consists of \( N_I \) owners and \( N_S \) slaves. The owners own land \( L \) and slaves \( N_S \) equally. Let \( x = L/N_I \) and \( s = N_S/N_I \) be respectively the land and slaves per owner. The owner lets slaves work on his land to produce an output as follows:

\[
y = \bar{a} x^\alpha s^{1-\alpha}, \quad 0 < \alpha < 1. \tag{1}
\]

Here \( y \) denotes the per owner, \( \bar{a} \) stands for the level of productivity and/or technology of the overall economy, and \( s \) denotes the number of slaves.

Out of the output \( y \), the owner pays \( y_o \) to each slave and uses the remaining \( y - y_o s \) for his own consumption \( c_t \) and child-rearing costs \( k_t n_t \). Here, \( k_t \) is the cost of raising a child of an owner and \( n_t \) is the number of an owner’s offspring. The owner’s budget constraint is given as follows:

\[
c_t + k_t n_t = \bar{a} x^\alpha s^{1-\alpha} - y_o s. \tag{2}
\]

The owner’s preference is as follows:

\[
u_t = W[c_t, n_t, u_{t+1}] = c_t^{1-\beta} n_t^\eta (u_{t+1})^\beta. \tag{3}
\]

In (3), \( W[\ ] \) is assumed to be a well-behaved utility function of an owner of generation \( t \). The term \( u_t \) stands for the utility for an owner of generation \( t \) and \( u_{t+1} \) stands for the utility of his child. In principle, we can utilize a fairly general functional form for the dynastic utility function \( W[\ ] \). However, I will utilize in what follows the specific functional form given after the second equality sign of (3). In (3) the parameter \( \beta \) is a weight given to a child’s utility and \( \eta \) indicates how much an owner cares for his children. The latter indicates that having children directly makes the owner happy. The parameter \( \eta \) is assumed to be larger than the parameter \( \beta \).

The owner, taking \( x \) and \( s \) as state variables, would maximize (3) subject to (2). His choice variables are \( c_t \), \( n_t \) and \( y_o \). Let \( v(x, s) \) denote the ‘value’ of the owner as a function of the state variables. An owner solves then the following:

\[
v(x, s) = \text{Max } W[Ax^\alpha s^{1-\alpha} - y_o s - k_t n_t, n_t, v(x', s')]. \tag{4}
\]
Here $v(x', s')$ is the value of the owner’s child who would begin a life with $x' = x/n_t$ and $s' = s[n_w/n_t]$, where $n_w$ denotes the number of children of a slave.

The income or compensation $y_w$ given to a slave would be used by a slave as follows:

$$c_w + k_w n_w = y_w.$$  \hfill (5)

Here, $c_w$, $n_w$ and $k_w$ are respectively the consumption, the number of children and the child rearing cost of a slave. The slave’s preference is assumed to be the same as that of an owner. It is given as follows:

$$u(w) = W[c_w, n_w, u(w)_{t+1}] = c_w^{1-\beta} n_w^\eta (u(w)_{t+1})^\beta.$$  \hfill (6)

In (6) $u(w)$ stands for the utility of a slave-worker.

What is essential in (5) is the fact that a slave’s income $y_w$ is set by an owner, and as such, it is beyond the control of the slave. This also implies that a slave cannot do anything to affect his children’s income.

With the given income $y_w$, a slave would maximize the utility (6) subject to the budget constraint (5). The slave’s problem is identical to that of a hunter-gatherer in Lucas (2002). A steady state solution to the problem is as follows:

$$c_w = \frac{1-\beta}{\eta} k_w,$$  \hfill (7)

$$n_w = \frac{\eta}{1-\beta+\eta} \frac{y_w}{k_w}.$$  \hfill (8)

Notice that the number of a slave’s children $n_w$ is a function of a slave’s income $y_w$. Since the owner’s state variable $s$ evolves as $s' = s[n_w/n_t]$, hence $n_w$ enters into his value function, an owner will take (8) into consideration when he determines $y_w$.

The owner’s steady state solution for the choice variables is as follows:

$$c_t = \frac{1}{\eta-\beta} k_t,$$  \hfill (9)

$$y_t = \frac{1-\beta+\eta}{\eta-\beta} k_t.$$  \hfill (10)
\[ y_w = \frac{1 - \beta + \eta}{\eta} k_w, \]  
\[ n_t = 1. \]  

The steady state values of an owner’s state variables \( x \) and \( s \) are as follow:

\[ x = \left( \frac{1 - \beta + \eta}{\eta} \right) \frac{1}{A} \left[ \frac{1}{\eta(1-\alpha)\beta} \right]^{1-\alpha} \left( \frac{1}{\eta - \beta} \right)^{-\alpha} \left( \frac{1}{1 - \alpha + \alpha \beta} \right)^{\frac{1-\alpha}{\alpha}}, \]  
\[ s = \left( \frac{\eta}{\eta - \beta} \right) \left[ \frac{(1-\alpha)\beta}{1 - (1-\alpha)\beta} \right] \frac{k_i}{k_w}. \]  

The steady state number of owners and slaves, and the steady state per capita income \( \bar{y} \) of the slave economy are as follow:

\[ N_t = \frac{L}{x}, \quad N_w = sN_t, \]  
\[ \bar{y} = \frac{sy_w + y_t}{1 + s}. \]  

Finally, when \( y_w \) is set as is given in (11), the steady state number of a slave’s children \( n_w \) would be 1.

2) A Land Plus Physical Capital and Slave Model

Suppose now that physical capital stock is added for production, in addition to land and workers. The physical capital stock \( Z \) is again owned only by the owners. Let \( z = Z/N_t \) be the physical capital stock per owner. When physical capital is added, the production function changes into the following:

\[ y = Ax^\alpha z^v s^{1-\alpha - v}, \quad 0 < \alpha, \quad v < 1, \quad 0 < \alpha + v < 1. \]  

A revised budget constraint for an owner is given as follows:

\[ c_t + [k_i + z']n_t = Ax^\alpha z^v s^{1-\alpha - v} + z - y_w s. \]  

Note that in (18) we assume 0 percent depreciation of \( z \). The owner’s value function is \( v(x, z, s) \) and the state variables evolve as \( x' = x/n_t \) and \( s' = s[n_w/n_t] \).

---

10) This is only for convenience.
The state variable $z'$ is directly ‘chosen’ by the current generation owner.\textsuperscript{11)}

The solutions for this problem are as follow:

$$c_w = \frac{1-\beta}{\eta} k_w,$$  \hspace{1cm} (19)

$$y_w = \frac{1-\beta+\eta}{\eta} k_w,$$  \hspace{1cm} (20)

$$n_w = 1,$$  \hspace{1cm} (21)

$$c_i = \frac{1}{\eta-\beta} k_i,$$  \hspace{1cm} (22)

$$y_i = \frac{1-\beta+\eta}{\eta-\beta} \frac{1-(1-\alpha-v)\beta}{1-(1-\alpha)\beta} k_i,$$  \hspace{1cm} (23)

$$n_i = 1,$$  \hspace{1cm} (24)

$$z = \beta v y = \frac{1-\beta+\eta}{\eta-\beta} \frac{\beta v}{1-(1-\alpha)\beta} k_i,$$  \hspace{1cm} (25)

$$y = \frac{1-\beta+\eta}{\eta-\beta} \frac{1}{1-(1-\alpha)\beta} k_i,$$  \hspace{1cm} (26)

$$s = \frac{\eta}{\eta-\beta} \frac{(1-\alpha-v)\beta}{1-(1-\alpha)\beta} k_i,$$  \hspace{1cm} (27)

$$y = \frac{y}{1+s}.$$  \hspace{1cm} (28)

In (25) and (26), $y$ denotes the output per owner, which is divided between the owner’s own income $y_i$ and the worker’s income $sy_w$. The owner determines a slave’s income as is given in equation (20). Then in response to this income, a slave chooses his consumption as is given in equation (19) and decides to have one child.

Note that worker’s consumption and income are the same as the case with no physical capital. Hence, adding physical capital does not change a thing for the worker: The slave-worker remains as poor as before. For the owner solutions are slightly different. Note that his consumption is the same as before, but his income is now bigger. The increased income is used for capital accumulation.\textsuperscript{12)} Another difference is that the number of slaves decreases with the introduction of physical capital. Apparently, the ‘need’ for slaves becomes weaker, when the owners can replace slaves with machines.

\textsuperscript{11)} With a 0% depreciation and assumed malleability of $z$, making an investment is equivalent to directly choosing $z'$.

\textsuperscript{12)} Consumption and income net of capital accumulation of the owner do not change with the introduction of physical capital in our model due to the specificity of utility and production functions.
3. Lucas’ Solutions for a Stationary Economy

Lucas (2002) provides a series of solutions for a dynastic model, where a member of current generation decides how much to produce, how much to consume, how much to invest, and how many children to raise. In making these choices, the typical agent of the model will consider how his choice will affect the utility of the future generation: the utility of his child enters into his own utility. Among the series of solutions Lucas provides, I will consider the following three, because they are directly relevant to this paper’s objective.

1) A Hunter-Gatherer Economy\(^{13}\)

A hunter-gatherer’s steady state solutions are as follow:

\[
c_m = \frac{1 - \beta}{\eta} k_m, \quad (29)
\]
\[
y_m = \frac{1 - \beta + \eta}{\eta} k_m, \quad (30)
\]
\[
x_m = \left( \frac{1 - \beta + \eta}{\eta} \frac{k_m}{A} \right)^{\frac{1}{\alpha}}, \quad (31)
\]
\[
N_m = \left( \frac{\eta}{1 - \beta + \eta} \frac{A}{k_m} \right)^{\frac{1}{\alpha}} L. \quad (32)
\]

In the above, the subscript stands for Malthus, as the solutions are those for a Malthusian economy.

2) Egalitarian Ownership of Land

When land is equally distributed so that each hunter-gatherer becomes an owner, his steady state solutions will become as follow:

\[
c_e = \frac{1 - \beta + \alpha \beta}{\eta - \alpha \beta} k_e, \quad (33)
\]
\[
y_e = \frac{1 - \beta + \eta}{\eta - \alpha \beta} k_e, \quad (34)
\]
\[
x_e = \left( \frac{1 - \beta + \eta}{\eta - \alpha \beta} \frac{k_e}{A} \right)^{\frac{1}{\alpha}}, \quad (35)
\]

\(^{13}\) Lucas calls the primitive Malthusian economy a hunter-gatherer economy. People essentially live on whatever they hunt and gather in the nature.
Analysis of Development Policy and International Cooperation

\[ N_e = \left( \frac{\eta - \alpha \beta}{1 - \beta + \eta} \frac{A}{k_e} \right)^{\frac{1}{\alpha}} L. \] (36)

Here the subscript \( e \) stands for ‘egalitarian,’ as the solutions are those for an egalitarian land owning economy.

3) Egalitarian Ownership of Land and Capital

When physical capital as well as land is equally owned by everyone in a land-physical capital economy, the steady state solutions are given as follow:

\[ c_{ez} = \frac{1 - (1 - \alpha - \eta)}{\eta - (\alpha + \eta)} k_{ez}, \] (37)

\[ y_{ez} = \frac{1 - \beta + \eta}{\eta - (\alpha + \eta)} k_{ez}, \] (38)

\[ x_{ez} = \left( \frac{1 - \beta + \eta}{\eta - (\alpha + \eta)} k_{ez} \right)^{\frac{1 - \alpha}{\alpha}} \left( \frac{1}{A} \right)^{\frac{1}{\alpha}} \left( \frac{1 - \beta}{\beta^v} \right)^{\frac{v}{\alpha}}. \] (39)

\[ N_{ez} = \frac{L}{x_{ez}}. \] (40)

Here the subscripts \( ez \) stand for egalitarian (land and) physical capital ownership, as the solutions are those for an economy where everyone owns an equal share of land and physical capital.

4. Comparison

It is not difficult to observe that the income of the workers will substantially increase from what they got as slaves, when they become owners of land and/or physical capital stock. With the increased income the worker-owners can also consume more than what they had when they were slaves. Having ownership clearly pays off. Notice that the increase in income and consumption has nothing do with the usual incentive effect. Here the (steady state) income and consumption increase not because the slaves exert more efforts when they become owners, but because they are now able to make choices that would benefit their children as well as themselves.

Of course, if we introduce incentive effects into the model, we would derive much stronger implications. That is, having ownership would not only induce people to have fewer but better children, but it can also motivate people to work harder. One way to include the incentive effects is to let the productivity parameter
depend on ownership. I leave this exercise as a future task.

Ⅳ. Numerical Exercise

This section performs simple-minded numerical exercises to see how the above mentioned five solutions compare. The five solutions are: for hunter-gatherer economy, for a land only slave economy, for a land and physical capital slave economy, for an egalitarian land ownership economy, and for an egalitarian land and physical capital ownership economy.

1. The Assumed Parameter Values Explained

The Table 1 contains outcomes of numerical exercises, where the assumed parameter values are given in the second row. The assumed parameter values are all ‘arbitrary’: They are taken only for exhibition purposes. A justification for them is provided below.

For a primitive economy, I assume that land and workers were equally important as factors of production. This is reflected in the parameter value of 1/2 for \( \alpha \). For a slave economy, slaves become much more important than land. This is captured as a small value 1/10 for \( \alpha \) for the slave economy. When physical capital is added to the production process, its contribution is assumed to be 40 percent. Lands still contribute 10 percent, but slaves’ contributions decline from 90 percent to 50 percent.

For preferences, I assume that one’s own consumption contributes four times more to his/her welfare than his/her child’s well-being. And one’s own consumption contributes more than three times to his/her welfare than the number of children contribut es. This is the meaning of \( \beta = 0.20 \) and \( \eta = 0.25 \).

Another important assumptions are about the child rearing costs. I assume $150 for a slave’s child and $300 for an owner’s child. The $150 is taken so that the subsistent income becomes $630 when other parameters take the assumed values. The $300 for an owner’s child is arbitrary: I just assume that a slave-master spends twice as much on his/her own child than a slave spends on its child.
2. Outcomes of the Numerical Exercises

With the assumed parameter values, a hunter-gatherer’s income and consumption would be respectively $630 and $480. These are the Malthusian subsistent income and consumption. With a per capita income of $630, people just subsist. Still he raises one child, spending $150.

When the society is run by owners (masters) who let the workers (slaves) work on his land, the owner’s income and consumption are respectively $6,300 and $6,000. However, the worker’s income and consumption are still $630 and $480. Apparently the worker (slave) remains as poor as when he was a hunter-gatherer.

Notice that the worker’s economic lot would not change, even when physical capital is added. The owner’s consumption does not change, too. However, his own income (economy wide per capita output minus compensation for slaves) increases from $6,300 to $6,915. The difference of $615 is used for capital accumulation (An 8% investment ratio).

When the slavery is abolished and properties are equally owned by everyone in the society, income and consumption change respectively to $1,370 and $1,070 for the land only economy, and to $2,283 and $1,800 for the land and physical capital economy. Apparently, these egalitarian ownership solutions are much better than those for what slave-workers had under a slavery system. Notice, however, that the former owner’s consumption decreases from $6,000 to $1,070 or $1,800. Abolishing
the slavery system would, therefore, be disastrous for the owners.

3. Discussions

The above simple numerical exercises show that as long as one remains without property ownership, he will end up with having a very small income. A person who owns nothing is a de facto slave. He has to accept whatever compensation the nature or the owner offers. However, in a class economy, the owners will live very affluently. For example, in our numerical exercises, the owner’s income in a land only economy will be $6,300, whereas the worker’s income is $630. An owner earns 10 times as much income as a worker. Introducing physical capital into the model will not change the economic status of a worker: He will remain as poor. However, an owner’s income would substantially increase when physical capital is added to the land only economy.

When the slavery is abolished and an egalitarian land redistribution is accomplished, the former slave-workers now become owners. The new owners will experience sizable increases in income and consumption. When an egalitarian ownership of the physical capital is also established, the new owners’ income and consumption increase further.

However, the economic lots of the ‘original’ owners will deteriorate a lot. For example, in our exercises, the original owner’s consumption will shrink to $1,070 or to $1,800 from $6,000 that they have enjoyed as slave masters.

V. Understanding North Korea

1. Is North Korea a Slave Economy?

North Korea, being a communist country, does not permit private property ownership. Consequently most people do not own land and/or physical capital. Though things are changing recently, in the past ordinary North Koreans worked for the state on farms or in factories. In return, they received government determined compensation in goods and services. With the rations, they maintained their lives and raised children. In most cases, the children of workers became workers, too. As we have seen in the introductory section, the per capita income of these ordinary North Koreans has not increased that much since 1953.

However, not everyone in North Korea is poor. To the contrary, there exists an

14) Lucas (2002) shows that even when the worker is paid a competitively determined wage, the conclusion will not change as long as the worker remains property-less.
elite class of people who live rather affluently. They are the insiders who control
the state apparatus and their supporters. Even though North Korea is a communist
country where nobody has private property, this elite class of people are de facto
owners. They behave as if they own the country. As such they can be regarded as
feudal masters.\textsuperscript{15)

If we accept the Bank of Korea’s estimate, the per capita income of North
Korea is about $1,200. This is clearly larger than the slave’s income $630 we
obtained in our exercises. However, remember that in our previous exercises, an
owner-master’s income was $6,300. Since there are a number of people whose
average income is $6,300 and the average income of the entire population is
$1,200, the average income of the ordinary citizens, the workers, must be much
smaller than $1,200. Hence $630, a slave’s income in our exercises, may be close
to what a worker earns in North Korea.

Seen from this angle, North Korea appears to have been operating as if she
were a slave economy, where the elites behaved as masters, treating the ordinary
citizens as slaves. The elites live well, even though the majority of people, the
ordinary citizens, barely subsist.

Is the real culprit for North Korea’s persistent stagnation the central planning,
lack of markets, and/or no openness rather than the lack of ownership? I think all
four are important. Let me elaborate.

What the masters are doing in my model is nothing but the central planning.
They are running the slavery with command and control. But we know from the
optimal growth literature, the social planner can engineer persistent income growth
through human capital investment and/or by promoting technological progresses.
Hence central planning itself might not be the source of the persistent stagnation.
Of course, central planning can easily fail due to a variety of reasons and the
imperfectness of central planning might have been responsible for long term
stagnation. The model I study here is not equipped to assess how much the central
planning is responsible for it, though.

Is the lack of markets more responsible? Lucas shows that when the economy
consists of a land owning and a landless classes, and when the land owning classes
hire the labor services of the landless workers, i.e., labor services are voluntarily
exchanged on the markets, the resulting solutions for the landless workers are no
different from what they would have got when they were mere hunter-gatherers.
This suggests that the lack of property ownership might be a more important cause
for the long run stagnation. Indeed, when we allow the workers to sell not only
their labor services, but also buy land and/or machines (hence become owners),
their long run income would grow beyond the subsistent level. Obviously, an

\textsuperscript{15) In reality, there exists a hierarchy of classes from the top leader to low level ‘technocrats,’ each controlling a different
amount of property and power.}
Ownership of the private property in the form of land or capital leads one to have fewer children, which in turn result in an increase in income and consumption. Of course, this does not prove that the lack of markets is not important. Rather it shows that conferring ownership can go further, when there are markets to trade their possessions and products.

The lack of openness might be another important cause for the long run stagnation. In fact as I argue in the next subsection, openness to the outside world is crucial for any economy to progress. Openness is nothing more than an extension of a country’s markets to the outside world. If domestic free trades are conducive to economic growth, allowing free trades across countries will be much more conducive to growth.

2. What Steps Should North Korea Take to Escape from the Long Run Stagnation?

The stark contrast in the living standards of the elites and the ordinary citizens vividly suggests that, in order to improve the welfare of the masses, it is imperative for North Korea to abolish the slavery system. If the authorities allow her ordinary citizens to own properties such as land and capital goods, the average income would go up by many times. For example, in the numerical exercises made in the above, the income of an ordinary citizen would go up to $1,370~$2,283 from $630. This is 2.2~3.6 times increase, and spanned over, say, 20 years, that implies 3.9 percent~6.4 percent annual growth rates of the average income.

Thus my first advice is to make the ordinary citizens, who have hitherto been property-less, owners of properties. This is what we usually call ‘privatization.’ Note here that what is essential is not citizens’ owning properties, but is having rights to ‘own’ the fruits of those properties. Therefore, allowing citizens to have rights to utilize the properties instead of giving them a full ownership could serve the purpose.

However, giving ownership to the former slaves is only a first step.16) The second step is to allow the markets to evolve. This way the new citizens would have freedom to undertake whatever activities that will make them happy. Furthermore, when they face market competition, they would do their best in whatever activities they will undertake. Therefore, my second advice is to allow markets to proliferate, i.e. liberalize the economy.

Aside from the stark class inequality, a more serious problem is the lack of long run economic progress. If North Korea wants to steadily raise her citizens’ income, she needs to engineer persistent growth in the ‘factors’ of production whose

---

16) The remainder of the section is not based on the models I study in this paper. Rather they reflect the vast literature on economic growth and development.
marginal products do not diminish. Good candidates are persistent growth in human capital and/or technology. Either one of these should make the per capita income grow steadily. Therefore, my third advice is to undertake projects to promote human capital growth of her citizens and to foster more rapid development of technologies.\footnote{17) It is well known that when human capital has external effects, when learning by doing occurs repeatedly, when physical capital has spill-over effects, and/or when new technologies can be used by any, it is possible to overcome the diminishing marginal productivity so inherent in the accumulation of the factors of production.}

How would they promote human capital accumulation and/or technological progresses? Although the authorities can impose top down plans to make citizens accumulate their human capital and develop technologies, it will not work that well unless citizens have incentives to do so. As long as the ordinary citizens remain as de facto slaves, they would not have strong incentives to accumulate human capital and to develop technologies. They will enthusiastically do so, when they can enjoy the fruits of their toils. This is yet another, potentially much more important reason why North Korea must free up the ordinary citizens. When the ordinary citizens, who have been de facto slaves, become ‘property owners’, they would work hard, study hard, raise better children, invest for future and invest more wisely, and undertake activities to develop technologies.

In all these, openness to the outside world is a must. When a country hitherto closed opens up, she can enjoy a multitude of benefits. She can utilize newer, better, and cheaper factors of production, she can consume newer, better, and cheaper goods and services, she can employ newer, better, and cheaper workers with newer and better human capital contents, she can utilize newer, better, and cheaper technologies, and she can apply newer and better ideas and knowledge. The newly opened economy can also enjoy economies of scale, and more importantly, the enhanced competition with ‘outsiders’ will make citizens more efficient and competitive. My fourth advice, therefore, is to open up North Korea to the outside world.

When North Korea allows her citizens to own properties or to have rights to operate them, gives full freedom to her citizens so that they can undertake whatever activities they think fit, and let them face fierce competition, the country would grow persistently. If North Korea opens up to the outside world, the growth process would be hastened. Though it would take time, liberalization and openness will surely make North Korea escape from the poverty trap and steadily move toward affluence. When assistance from the outside world, say from South Korea, Japan, China, EU, and USA, is forthcoming, North Korea’s move toward affluence will be greatly hastened. In that case, she could achieve what China has achieved in the last 30 years in about 20 years.
3. Would North Korea Heed the Advice?

I have provided four pieces of advice for North Korea so that she may achieve prolonged economic progresses that will benefit all of her citizens. They are: Privatize the economy by giving property ownership to all citizens (i.e., abolish the de facto slavery system that has benefitted only the ‘masters’) and give economic freedom to citizens so that they can freely pursue what they want, allow markets to proliferate so that resources get allocated efficiently through free competition, promote efficient growth of human capital of all citizens and foster faster technological progresses, and fully open up the economy to the outside world. If the authorities in North Korea implement these suggestions, the country would become prosperous in due course.

Would the North Korean authorities accept these suggestions? Our numerical exercises show that the ‘masters’ in the slave economies can maintain decent living standards even when the masses, the slaves, suffer from poverty. This suggests that unless the masters can maintain or strengthen their current advantages, they will not willingly accept changes to the status quo. This poses a dilemma. As we have observed, if North Korea privatizes the economy through egalitarian redistribution of properties, the economic lots of the masters will drastically shrink. For example, in our exercises their average income would decrease from $6,300~$6,915 to $1,370~$2,283. It is obvious that no masters would accept such a drastic deterioration.

Furthermore, once the liberated ‘slaves’ become rich, educated, and have access to the outside world, they may not tolerate the privilege that the ‘masters’ currently enjoy. In this regard, human capital growth of ordinary citizens and opening up of the economy appear to be riskier businesses from the viewpoints of the masters. When the newly liberated workers get richer, smarter, and better informed, they may be likely to attempt to topple the existing system. If that happens, it can easily become a deathblow to the masters. Hence telling the masters to undertake reforms and to open up to the outside world would be most likely to meet strong resistance. Are there no hopes then?

Perhaps we can learn lessons from the experiences of countries that have achieved economic ‘miracles’ through economic reforms and opening up. Examples abound. For instance, China has been growing miraculously ever since she undertook economic reforms and opened up the country some 30 years ago. What is noteworthy is that China’s rapid growth has been achieved without noticeable bloodsheds. Notice that most of the former masters have become either more powerful or wealthier with economic progresses. At the same time, the economic lots of the former slaves have improved a lot, too. This suggests that as long as the liberated slaves’ economic lots can keep on improving, they may not mind the former masters’ economic lots to improve even if they are better than theirs. 18)

18) Note that this is only a conjecture.
There may be some limit to how far and how well North Korea might emulate what China has been doing in the last 30 years. The circumstances that China faced with in the 70s or 80s appear to be quite different from what North Korea faces with now. Most of all, North Korea is not a ‘big’ country and her power is much more concentrated to a few. This suggests that we should be careful when we try to draw lessons from China’s experiences.

One important element missing in our discussions so far is the fact that maintaining the slave system is not a free lunch: It may cost a lot to keep workers as slaves. Why would the slaves continue to remain as slaves? Perhaps they do so either because they have no better alternatives or because they are forced to do so. Judging from the fact that the mass have long suffered from extreme poverty and the fact that in recent years increasingly more of them are trying to escape, it must be the case that the North Korean residents without any property rights have remained docile mainly because they are horrified by the threats made by the masters and their agents. When information about the outside world, especially information about how well her next-door neighbors live, spreads into North Korea, it would be increasingly costly to maintain the slavery system. This increasing cost can eventually wipe out whatever advantages the masters currently have.

Can the masters use the costs of maintaining the slave system for better purposes? An option is to give the worker-slaves larger income than the subsistent level. With larger income the slaves may remain contented. This way resources used for ‘unproductive’ activities such as resorting to force to keep the slave system can be used for ‘productive’ activities such as increased compensation to the worker-slaves. Unfortunately, giving a larger income to the worker-slaves will not solve the long run stagnation problem. When a worker-slave receives income larger than the subsistent level, he will use the increased income to raise more children. And he and his children would end up as poor as they were before. This is the famous Malthusian trap.

The only way to escape from the Malthusian trap is to give the slaves an ownership. If giving them a full ownership is difficult, then perhaps it is worthwhile to consider gradual or partial privatization.\(^{19}\) If masters decide to give partial ownerships to the slaves, the latter will utilize the newly acquired properties much more wisely and will produce much more than what they produced when they were full slaves. In this case, even when the masters take away the same amount as they did under the full slavery system, the income of the new (partial) owners can be larger than what they got as slaves. Once the masters become convinced that granting a partial ownership to the slaves brings larger income than when they keep the workers as slaves, the masters may be willing to grant

\(^{19}\) This is only a conjecture. One has to show that the net present value for a master of the gradual privatization exceeds the net present value for a master to keep the slave system. I leave this as a future task.
additional property ownership to workers. When the workers who become partial owners remain contented, the masters would be more confident to grant additional ownership. This way eventually everyone will become a full owner.

At some point in the gradual process of privatization and liberalization, the masters may feel confident that opening up the economy would enhance their interests much better. It is noteworthy that China undertook economic reforms and opening up at the same time when she decided to change for the better. What appears to have been more important, though, is the fact that China undertook those measures gradually and pragmatically.

VI. Concluding Remarks

I have argued in this paper that North Korea appears to have been a de facto slave economy, where an elite class of ‘masters’ let the mass of slave-workers work on or with the masters’ properties. I have done so not to deride the country, but to understand why she has remained so stagnant for so long and to understand what steps she can take to make the country prosperous.

Numerical exercises I have performed indicate that when one operates a country as a slavery system, the slaves would end up barely subsisting, whereas the masters could live affluenty. For example, a slave’s income would only be $630, which is one tenth of a master’s income of $6,300.

If North Korean authorities want to make the majority of their citizens better off, they would be better to take the following advice. It is, to privatize, to liberalize, to open up, and to promote human capital growth of citizens and to foster faster technological progresses.

I have noted that perhaps it would not be easy for the North Korean authorities to take the advice. If they take them too rapidly, they may lose their privileges. And they even lose their lives. Who would undertake such actions, if doing so may undermine their own (the masters’) interests? It is, therefore, important to design reform measures in such ways as to keep the interests of the elite class intact or even better to keep them growing. An option is a gradual and partial privatization, liberalization, and opening up. It would be worthwhile for North Korean authorities to improve upon what China has been doing in the last 30 years or so.

However, we need to be cautious here. Whereas China has maintained a collective leadership system ever since she undertook reforms, North Korea has never nurtured such a system. Indeed North Korea has maintained a one man ruling system: The senior leader Kim Il-Sung’s grandson Kim Jeong-Eun now rules the country, succeeding his father Kim Jong-Il. It is well known that both Kim Il-Sung and Kim Jong-Il had ruled the country singlehandedly. A collective system may be
more amenable to reforms. Under a collective leadership, top leaders may have acquired some tastes for compromise, hence they can be more willing to accept changes. On the other hand, a one man system may pull off reforms much more decisively, since that would depends mostly on the top leader’s decision. It remains to be seen whether North Korea’s one man ruling system is as capable or more capable to achieve the needed reforms as China’s collective ruling system has been able to do so.20)

Recently, interesting development is occurring in North Korea. Many people have apparently decided to take control of their lives and do whatever their self-interests dictate. They are new breeds of farmers, merchants, and factory operators. They dare to defy the authorities: Having nothing to lose, they have become fearless. In response to these initiatives, there have already appeared numerous markets. There appears an evidence that an extensive network of merchants is developing: Equipped with mobile phones, they not only intermediate the exchanges of goods, but also exchanges of information and credits. It is interesting to note that North Korean authorities appear to be unable to suppress this new development. They may have to accommodate the new development. Recent announcements made on North Korean media that the country has decided to ‘liberalize’ the economy may turn out to be genuine commitments.21)

The paper is a very preliminary attempt to understand North Korea. It has many deficiencies. Here I just mention several of them and leave the task of dealing with them for future works.22)

The paper does not provide a literature survey. There have appeared quite a few papers on North Korean economy. Clearly such a review is necessary.

The paper does not discuss how human societies have evolved in the history. Human beings have undergone a series of transformations from a very primitive society of long ago to a affluent and democratic society of today. In order to have more enlightened discourses on the slave system, we must view it in the context of actual human history.

How to transform the essentially extractive system that I call a slavery into more inclusive one is a very difficult issue. One can follow the ques offered by Acemoglu and Robinson’s Why Nations Fail? (2012) and other related works and try to understand the political economy aspects of system changes.

The interactions between the masters and slaves can be seen in lights of agency problems. The moral hazard or adverse selection issues might be critically important in understanding the behaviors of the North Korean leaders.

20) This paragraph is based on a suggestion from Ben Hong, who has kindly made numerous comments.
21) Refer to reports appeared recently on New York Times (2012 and 2013) and an Economist (2013) article on North Korea.
22) What follows below is based on suggestions offered by Professors S. Baik, K. Choi, J. Kim, D. Lee, S. Noh, J. Rhee, and J. Yoo.


Fiscal Behavior of Aid Recipient Countries during the Millennium Era$^1$

Ah-reum Lee  
Capacity Building Specialist, UN-APCICT (argon3015@gmail.com)

Kye-woo Lee$^2$  
Professor, KDI School of Public Policy and Management (kwlee@kdischool.ac.kr)

Abstract

The purpose of this paper is to measure the aid effectiveness, taking the fiscal response approach as the theoretical basis of its model.

This paper paints a picture of improved public sector performance in aid recipient countries during the Millennium era (1990-2011). Foreign aid is positively associated with public investment with the impact of loans being greater than that of grants. Grants are still negatively associated with tax revenue collection, but the size of crowding out effects on tax revenue weakened. Further, grants negatively affected government consumption. These results, together with the finding that foreign aid did not significantly affect the level of government borrowing, suggest that aid tends to decrease fiscal deficits.

The main policy implication of this study is that increasing aid to developing countries would help boost public investment and reduce fiscal deficits, leading to economic growth and poverty reduction.

Keywords: Foreign aid, fiscal effects, public finance management, millennium era, panel data analysis.

$^1$ The authors are grateful to one of the referees and Professor Hyeok Jung for constructive suggestions.

$^2$ Corresponding author.
I. Introduction

This paper aims to analyze the impact of foreign aid on various fiscal variables including government consumption, public investment, tax revenue and borrowing as in fiscal response models to see how foreign aid has affected fiscal behavior of aid recipient countries in recent years. Compared with the earlier studies on fiscal behavior of aid recipient countries, this study expands the coverage of aid recipient countries and covers more recent time periods. By doing so, it aims to see whether the impact of foreign aid has changed in recent years compared to the previous period. It is important to analyze the impact of foreign aid on fiscal behaviors of aid recipient governments, following the fiscal response model on a large set of developing countries in recent years, for theoretical and methodological reasons, as well as for the practical reason of evaluating aid effectiveness during the Millennium era (1990-2015) and setting up post-2015 development agenda.

Official Development Assistance (ODA) is an important component of the public sector budgets in most aid recipient countries and plays a key role in determining fiscal policy, especially in highly aid dependent countries. These external inflows of financial resources supplement resources mobilized through taxation and borrowed domestically and from abroad, and are spent through public sector expenditures. Since most foreign aid is channeled through or goes to the government, its impact on recipient economy depends on how it affects the fiscal behavior of the recipient government (McGillivray and Morrissey [2000]). Therefore, any impact of foreign aid on economic growth or poverty reduction, which ultimately can be interpreted as effectiveness of foreign aid, can be traced through the public sector expenditure or government spending (McGillivray [1994]; Franco-Rodriguez et al. [1998]; McGillivray and Morrissey [2001a]; Marvotas [2002]).

Previous studies have focused on the issue of aid fungibility, the diversion of aid away from its intended uses for investment and development (World Bank [1998]) to account for aid effectiveness in fiscal perspective, and presented the fungible nature of foreign aid as one of the important factors limiting aid effectiveness in promoting economic growth. For example, various researchers (Please [1967]; Papanek [1973]; Weisskoff [1972]; Gang and Khan [1986]) have found evidence for considerable leakage out from aid to consumption (non-investment) purposes.

Fungibility debates, however, provide only a partial explanation for measuring aid effectiveness because consumption spending, in parts, complements public investment projects. For example, expenditures for maintenance and operation of investment projects (e.g. purchases of medicines and wages for nurses) are also included in government consumption, which are critical for improving sustainability of aid projects (e.g. construction of hospitals). Consumption spending such as
short-term training may also often be investment in human capital (Morrissey [2012]). Moreover, low productivity of public spending or investment projects financed by foreign aid may cause ineffectiveness of aid. The argument that fungibility reduces aid effectiveness is, therefore, generally misguided. For optimal resource allocation, a certain degree of aid fungibility is indispensable (McGillivray and Morrissey [2001]).

Such deficiency of fungibility debates has been addressed in several fiscal behavior studies (McGillivray and Morrissey [2000]; Morrissey [2012]), which noted that the aid fungibility debate considers only government expenditure such as public consumption and investment, but does not deal with the broader fiscal impact of foreign aid over time, which includes, for example, government revenue and borrowing. Consequently, too much concern about fungibility of foreign aid may serve to divert attention away from the more crucial issue of how aid influences overall fiscal behaviors of aid recipients, in general.

Contrary to the fungibility debate, the fiscal response approach models the relationship among various fiscal variables including aid, domestic revenue, government expenditure, and borrowing in one research framework. Accordingly, in order to understand the broader impacts of aid on fiscal policy of recipient governments and thereby measure the effectiveness of foreign aid in general, it is preferable to take the fiscal response approach, which shows the varying impact of foreign aid on recipient fiscal behavior.

Past studies on aid’s impacts on fiscal behavior of recipient governments mostly focused on one or a few countries over a short period of time due to data and methodological limitations, and the results were mixed and contradictory. To generalize the past findings, it is necessary to widen the scope of developing countries included in a study.

Moreover, the time period covered in a study needs to be updated to validate the findings of earlier studies during the Millennium era (1990-2015). The ODA declined sharply in the mid-1990s. However, it recovered rapidly during the Millennium era (IDA [2007]). The amount of ODA offered by DAC members increased from 0.22 percent of their GNI or about US$60 billion in 1997 to 0.32 percent of their GNI or about US$128 billion in 2010. In aid recipient developing countries, this global increase in ODA is reflected as a rise in the ratio between aid and their government expenditure (or GNI) from 20.1 percent (or 7.6 percent of GNI) to 29.9 percent (or 8.3 percent of GNI) during the same period. The Monterrey Consensus on Financing for Development (2002) and several G-8 summit meetings, especially the Gleneagles Summit meeting in 2005, contributed to the sharp increases in global ODA. Therefore, it remains to be confirmed whether the findings of earlier studies regarding aid’s impact on the fiscal behaviors of recipient countries would be still valid in the changed environment of international development cooperation to attain the goals of the Millennium Development
Meanwhile, quite a few empirical studies, which covered the earlier time period, demonstrated aid ineffectiveness and attributed it to the weak fiscal management system of aid recipient governments (Boone [1996]; Ovaska [2003]; Rajan and Subramanian [2005]). However, ever since the Millennium Development Summit in 2000, the heads of states and high-level government officials agreed to improve their fiscal and aid management for economic growth and social development. Through the High Level Meetings in Rome (2002), Paris (2005) and Accra (2008), and finally Busan (2011), agreements were made to improve aid effectiveness. Accordingly, fiscal policy and behavior must have also been improved during the Millennium era (1990-2015). However, there is a dearth of empirical studies to test this assumption and this study tries to fill this gap.

In terms of methodology, this study takes the fiscal response approach, first pioneered by Heller (1975) and recently improved by Ouattara (2006), as the basis of its empirical model and applies panel data techniques to 40 aid recipient countries during 1990-2011. In order to distinguish the effects of different types of foreign aid and draw policy implications on the aid composition for aid effectiveness, this paper also allows for disaggregation of the impacts of foreign aid between grants and loans.

The ultimate purpose of this study is to measure the effectiveness of foreign aid in terms of improved fiscal management in recipient countries and suggest possible policy directions to improve aid effectiveness. By taking account such macroeconomic implications of foreign aid for fiscal behavior of recipient countries, this study will contribute to designing aggregate fiscal policy in aid recipient countries, as well as aid allocation policy of donors to improve the benefits of foreign aid.

A limitation of this study is that it does not relate aid and fiscal behavior to economic growth or poverty reduction directly. In principle, there is no reason not to include ‘aid–fiscal behavior–growth’ relationship in one study framework, which may offer a better mechanism to understand the effectiveness of foreign aid in the growth framework (McGillivray and Morrissey [2000]). Due to the data availability and methodological issues, however, such broader relationship is not dealt with in this paper.

The paper is structured as follows; in the next section, the literature on the fiscal responses of aid recipient countries is reviewed. Section 3 follows the hypothesis, data and empirical methods employed in this paper. Section 4 presents major findings from the empirical analysis. The paper concludes with discussion over the results and some policy implications for both aid recipient and donor countries.
Fiscal Behavior of Aid Recipient Countries

Il. Literature Review

Foreign aid is one of the major sources of external finance in many developing countries and an important component of public sector budget. Net Official Development Assistance (ODA) to all developing countries receiving DAC ODA has averaged between 7.8 and 14.3 percent of their GNI, amounting to around 18–45 percent of average central government expenditure during 1990-2011.

The relatively high share of foreign aid in government budgets in some countries have raised concerns about aid dependency of recipient countries and related fiscal management issues. Generally, foreign aid is allocated to or passes through aid recipient governments and finances public goods or services. Therefore, foreign aid affects the size or composition of government expenditure particularly in the low-income countries, which are relatively more dependent on foreign aid (Remmer [2004]).

At the same time, foreign aid may also have impact on tax revenue and borrowing. In fact, it has been suggested that foreign aid can substitute for domestic tax revenue since it may influence tax effort in aid recipient countries by discouraging incentives to mobilize tax revenue domestically (Chatterjee et al. [2007]; Moss et al. [2008]). On the contrary, foreign aid may also contribute to increased tax revenue due to policy reforms that follow conditional lending and such increased tax revenue may contribute to reducing the level of borrowing of aid recipient countries (Morrissey [2012]).

The fiscal response studies model the interactions among major fiscal variables including public expenditures (investment and consumption), government revenue and domestic borrowing in one research framework in order to analyze the effects of foreign aid on them. However, the empirical results are mixed.

Heller (1975) first pioneered a fiscal response model of public sector in aid recipient countries by developing a cross-section time-series econometric model of the public sector of eleven African countries, focusing on the interactions among several categories of public expenditure and of domestic and foreign revenues. He further distinguishes the impacts between alternative types of aid (grants and loans) and colonial legacy on budgetary structures (Anglophone and Francophone countries).

In his study, Heller finds that foreign aid generally increases investment and reduces the level of both domestic taxes and borrowing at the same time. The magnitude of these effects and the precise response of public consumption vary depending on the type of aid, with grants having stronger pro-consumption bias and loans being more pro-investment. In terms of colonial legacy, grants tend to increase consumption than investment in Anglophone countries but induce more investment in Francophone countries.
It is no surprise that the impact of grants and loans differ. While grants have a more stimulative impact on public consumption and a weaker impact on investment, loans tend to increase investment more than consumption. In addition, an inflow of grants tends to induce tax reductions whereas a loan inflow is more likely to induce reductions in borrowing. Such results may reflect the fact that African countries are unwilling to expand public spending through a sharp increase in their debt obligations.

Since Heller, due to limited availability of consolidated data for a large sample of aid recipient countries over a reasonable period of time, many of those previous fiscal response studies have focused on country-specific studies using time-series data (Gang and Khan [1991]; Otim [1996]; Rubino [1997]; Iqbal [1997]; Franco-Rodriguez et al. [1998]; McGillivray and Ahmed [1999]; Franco-Rodriguez [2000]). They have tested varying impacts of the types and sources of foreign aid on recipients’ fiscal behavior and have come up with mixed results.

For example, Gang and Khan (1990) test the aid-public investment hypothesis using time-series data for India. The results of this study confirm Heller’s findings in general. Contrary to the previous works, foreign aid is generally used for development purposes as intended by donors with no significant leakage into consumption purposes. They also find that, in India, bilateral aid pulls resources out of consumption and puts them into development projects. Gang and Khan (1999) confirms again that the chances for success are greater for development strategies involving both growth and distribution if more bilateral aid as opposed to multilateral aid is provided to India although the impact further depends on how policy-makers allocate the aid funds.

Otim (1996) also analyzes the impact of foreign aid on government fiscal behavior, using a pooled sample of three low-income South Asian countries: Pakistan, India and Sri Lanka. He finds that grants leak into consumption more than loans and leads to the conclusion that if the purpose of aid is to generate investment, it is more helpful if donors extend loans to developing countries than by giving grants. However, his results suggest that both grants and loans increase the taxation effort.

Similar results are found by Franco-Rodriguez et al. (1998), who studied the fiscal impacts in Pakistan from 1956 to 1995. Their study finds that aid induces a slight overall increase in investment, but a significant decrease in tax revenues that is more than offset by reduced consumption expenditures. Increased borrowing is needed to compensate for the loss of tax revenue.

Other earlier fiscal response studies also show mixed results across countries. For instance, foreign aid has significantly negative impact on total spending and tax revenue in Indonesia (Rubino [1997]), but positive impact in the Philippines (McGillivray and Ahmed [1999]). Foreign aid has also varying effects on borrowing, as it shows positive association in Pakistan, but significantly negative
one in the Philippines. In addition, the effects of different types of foreign aid on fiscal variables seem to matter, as shown in Otim (1996) and Feeny and McGillivray (2010), but the effects again vary by country. In overall, it is hard to generalize the empirical results especially from such a small number of country-specific studies. Therefore, there is a strong need to expand the scope of countries and the period of time covered when conducting panel-data-based studies. This paper tries to meet the need.

**<Table 1> A Summary of Fiscal Response Studies**

<table>
<thead>
<tr>
<th>Study</th>
<th>Sample</th>
<th>Tax Revenue</th>
<th>Public Investment</th>
<th>Public Consumption</th>
<th>Domestic Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Otim (1996)</td>
<td>Pakistan, India, Sri Lanka</td>
<td>0.7 (grants) 0.8 (loans)</td>
<td>0.3 (grants) 0.2 (loans)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rubino (1997)</td>
<td>Indonesia</td>
<td>-1.4</td>
<td>-0.8</td>
<td>-0.7</td>
<td></td>
</tr>
<tr>
<td>Iqbal (1997)</td>
<td>Pakistan</td>
<td></td>
<td>1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franco-Rodriguez et al (1998)</td>
<td>Pakistan</td>
<td>-3.6</td>
<td>0.1</td>
<td>-2.4 0.9</td>
<td></td>
</tr>
<tr>
<td>McGrillivray and Ahmed (1999)</td>
<td>The Philippines</td>
<td>-0.1</td>
<td>-0.02</td>
<td>0.02 -1.81</td>
<td></td>
</tr>
<tr>
<td>Franco-Rodriguez (2000)</td>
<td>Costa Rica</td>
<td>0.05</td>
<td>-0.02</td>
<td>0.07 -0.08</td>
<td></td>
</tr>
<tr>
<td>Feeny and McGillivray (2010)</td>
<td>Papua New Guinea</td>
<td>-0.16 (grants) -0.23 (loans)</td>
<td>0.11 (grants) 0 (loans)</td>
<td>0 (grants)1) 0.05 (grants)2) 0.04 (loans)3) 0.22 (loans)4) -0.48 (grants) -0.41 (loans)</td>
<td></td>
</tr>
<tr>
<td>Burnside and Dollar (2000)</td>
<td>40 countries</td>
<td></td>
<td></td>
<td>0.53649 (grants)5)</td>
<td></td>
</tr>
<tr>
<td>Ouattara (2006)</td>
<td>68 countries</td>
<td></td>
<td>0.077</td>
<td>0.004 -0.134</td>
<td></td>
</tr>
<tr>
<td>Benedek et al (2012)</td>
<td>118 countries</td>
<td>-0.0055 (grants) 0.0001 (loans)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


1) Human capital related expenditures, consisting of expenditures in the health and education departments.
2) All other recurrent expenditures, defined as expenditures of all other departments and on special appropriations such as the retirement of debt.
3) Human capital related expenditures, consisting of expenditures in the health and education departments.
4) All other recurrent expenditures, defined as expenditures of all other departments and on special appropriations such as the retirement of debt.
5) Log transformed to be compared with Benedek et al. [2012] and the current study.
Since the 2000s, economists including McGillivray and Ouattara (2006) have departed from previous fiscal response literature by using panel data techniques and a relatively large sample of aid recipient countries. In terms of methodology, previous studies generally used estimation techniques such as Three-Stage Least Square (3SLS) or the Nonlinear Three-Stage Least Square (N3SLS) methods due to the possibility of endogenous nature of foreign aid and recipients’ fiscal decisions. These techniques were reviewed by McGillivray and Morrissey (2004) and noted to be highly difficult to estimate and sensitive to data, often resulting in inconsistent estimates of core parameters. Ouattara (2006) also points out that despite the presence of such limitations in methodology, little effort has been made since the initial fiscal response study of Heller (1975).

In an attempt to overcome such limitations, Ouattara (2006) uses a relatively sophisticated technique known as the system GMM estimator to dynamic panel, for a group of developing countries over the period of 1980-2000. In this paper, he finds that aid flows are not used to increase government consumption, but tend to induce increases in development expenditures such as education and health. The impact of aid on government revenue collection is positive but statistically insignificant, implying that aid has only a weak relationship with revenue effort. In terms of borrowing, the results suggest that recipient governments tend to substitute borrowing for aid, almost, on a one-to-one basis. Similar findings are also reported in his study (Ouattara [2006]), which uses fixed and random effect estimators.

In sum, it is hard to generalize the empirical results from previous fiscal response studies, as the results show complex and varying effects by country. This is partly due to the fact that results are highly sensitive to sample, model specification, and the use of different econometric techniques, implying that results and policy implications can be susceptible to the estimation methods used in the analysis (Morrissey [2012]).

In this context, this paper attempts to analyze the effectiveness of foreign aid in terms of its impact on fiscal behavior of aid recipient countries by using the extensive panel data, i.e., the most recent and extended time period of the Millennium Era (1990 to 2011) and comprehensive data sets of 40 developing countries. The fiscal response to aid in this period will be compared with that of the earlier periods, as demonstrated in earlier panel-data studies. In addition, in order to run additional robustness check, this study runs the same model with two different periods of the Millennium Era, based on the Millennium Declaration in the

---

6) Ouattara uses system-GMM estimator rather than standard GMM estimator, which has been extensively used in applied economics in recent years, as Windmeijer (2005) documents that in the presence of weak instruments the standard GMM has large biases and low asymptotic precisions.

7) Samples are not specified in the Ouattara’s 2006 paper.

8) Countries with less than observations in the dependent variables and the major independent variable, grants and loans, have been dropped for robustness of the results (5 missing values allowed).
year 2000: the first half of the Millennium Era, 1990-1999 and the second half 2000-2011. This comparison may also give additional information on the fiscal response seven during the Millennium Era.

In terms of methodology, this study takes the fixed and random effect estimation approach rather than 3SLS or system-GMM, which has been used in the previous papers, because the potential endogeneity of the major independent variable, i.e., foreign aid (grants and loans), has shown to be non-existent in the model through the Durbin-Wu-Hausman (DWH) test.

### III. Methodology and Data

1. **Model Specification**

To test how foreign aid affects fiscal variables in aid recipient countries, the following equation considers a fiscal variable, \( F_i \), as a function of ODA, allowing for disaggregation between Grants and Loans. A large set of control variables are included in \( X \):

\[
F_{i,t} = \beta_0 + \beta_1 \text{GRANTS}_{i,t} + \beta_2 \text{LOANS}_{i,t} + \beta_3 X_{i,t} + \alpha_i + u_t + \epsilon_{i,t},
\]  

where \( F \) represents a vector of selected fiscal variables including public investment, government consumption, tax revenue, and domestic borrowing, all measured as a ratio to GDP. Since all dependent variables take the natural log value in actual estimation, the coefficients of Grants and Loans relative to GDP, as well as all other independent variables included in \( X_{i,t} \) measure the semi-elasticity of the fiscal variable in response to a one-percentage point change in the Grants and Loans variables, respectively. Country and time indicators are referred to \( i=1, \ldots, n \) and \( t=1, \ldots, m \), respectively. Countries included in the actual estimation are listed in Appendix 1. In addition, the one-year lagged dependent variables are included as an independent variable, \( X_{i,t} \), in all equations, since the current levels of fiscal variables may be significantly affected by the past levels. A full set of year dummies is included in all regressions to account for the time effects.

For the other major independent variables, as in the previous fiscal response studies, it is assumed that the level of public investment, government consumption, tax revenue and borrowing depends on the lagged dependent variables, the country’s level of economic development, which is represented by GDP per capita and external debt burden of the country, which is measured by debt servicing to GDP. The level of external indebtedness, which reflects the need to generate
revenue to service debt, may have positive correlation with tax revenue (Gupta et al. [2004]), while it may crowd out other government spending for debt interest payments. Export and import are also included as a ratio to GDP based on the fact that many developing countries obtain revenues from exports as well as imports, which in turn affect the level of other fiscal variables.

For a robustness of the model, a set of other relevant variables is drawn from previous fiscal response literature and are included in the model. Firstly, the share of agriculture in total value-added is expected to be negatively associated with tax revenue and positively associated with public investment and government consumption. This is due to the fact that agriculture is harder to tax, and rural areas are relatively in more need of infrastructure, leading to more demand on public investment and consumption. The share of industry in total value-added is expected to be positively associated with tax revenue but negatively associated with public investment and government consumption for the opposite reason. For the same reason, Urbanization is included and measured by the proportion of urban residents in total population. Secondly, inflation may have revenue effects through both unindexed tax systems and the generation of seigniorage (Gupta et al. [2004]). Inclusion of inflation can also take cyclical factors into account.9) Thirdly, foreign direct investment (FDI) as a ratio to GDP is included, as a government could increase public capital spending and tax revenue to attract FDI. Lastly, in order to control the impact of the quality of institutions, political stability and corruption indicators from the Worldwide Governance Indicators (WGI) are included as proxies in the model. The remaining symbols in Equation (1) represent error terms related to countries, times, and country-time effects.

2. Methodology

For estimation, this study uses fixed effects model,10) which has been favored by the Hausman test for all equations and can control systematic tendency of individual-specific effects and time varying effects.11) Heteroskedasticity of error terms is detected through Breusch-Pagan Test and corrected with robust standard errors in all equations. In addition, the possibility of serial correlation (AR(1)), which is raised due to the persistence of fiscal variable data over time, is confirmed by Wooldridge test for serial correlation and is corrected.

---

9) In the case of counter-cyclical policy, one may expect public spending to be restrained when inflation accelerates and to be increased with rising unemployment levels (Aubin et al. [1988]).
10) The fixed-effects model controls for all time-invariant differences between the individuals, so the estimated coefficients of the fixed-effects models cannot be biased because of omitted time-invariant characteristics such as culture, religion, gender, or race - Ulrich Kohler, KreuterFrauke, Data Analysis Using Stata, Stata press, (2008), 245.
11) In order to find out whether potential endogeneity of the foreign aid variable exists, the author carried out Durbin-Wu-Hausman (DWH) Test. The result shows no existence of endogeneous variables in the model.
3. Data

The data used in this paper comes from three main sources and covers the period of 1990-2011, which is relevant to the Millennium Development Goals (1990-2015). Data on foreign aid (net official development assistance: ODA) and its disaggregated data (grants and loans), relative to GDP, are from the OECD Credit Reporting System Database. Data on government consumption, tax revenue, debt service, exports, imports, GDP per capita, agriculture, industry, urbanization, population, FDI, and inflation are obtained from the World Bank World Development Indicator 2012 and supplemented with NYU Development Database. Data on corruption and political stability are taken from the Worldwide Governance Indicators (WGI) and used as proxies for institutional quality. Data on public investment is calculated by the gap between gross fixed capital formation (private sector) and the gross fixed capital formation\(^{12}\) (total) from IMF World Economic Outlook Database 2013 since official public investment data published by World Bank Global Development Network Growth Database is available up to only 1998 and not suitable for the time length of the analysis of this paper. Data on borrowing is the public sector borrowing requirement, obtained as residual from the budget constraint equation applied to the decision makers in aid recipient governments, as below:

\[
I_g + G = T + A + B; \\
B = (I_g + G) - (T + A).
\]

where \(I_g\) for public investment; \(G\) for government consumption; \(T\) for tax revenue; \(A\) for foreign aid disbursements; and \(B\) for domestic borrowing. However, if we use \(B\) as a dependent variable in the estimation of Equation (1), the coefficient of GRANTS and LOANS can be biased since GRANTS and LOANS are parts of the dependent variable \(B\), and are also used as independent variables in the same equation at the same time. To avoid this problem, \(B\) is transformed into \(B' = B - A = B - GRANTS - LOANS = (I_g + G) - T\), which is used as a dependent variable in the estimation of Equation (1). The estimated coefficients of GRANTS and LOANS were transformed by subtracting 1 from them, and the results are reported as the coefficients of GRANTS and LOANS of Equation (1) with dependent variable \(B\) (BORROWING).

For estimation purposes, all variables except GDP per capita, urbanization, population, political stability, and corruption indicators are expressed as a percentage of GDP. Also, all dependent variables are transformed into natural log. Full details of the dataset and summary statistics are provided in Appendix 2.

\(^{12}\) Formerly gross domestic fixed investment.
IV. Empirical Results

This section shows the results from the panel data estimation for the entire Millennium Era: 1990-2011, with a set of fiscal variables including public investment, government consumption, tax revenue and the level of borrowing, using the fixed effect method discussed in the previous section. The main interest variable, foreign aid, is composed of grants and loans.

The results in Table 2 show that both grants and loans have significantly positive impact on public investment, although the impact of loans is much greater than that of grants. Grants are negatively associated with government consumption, and tax revenue, while loans have no statistically significant impact on these fiscal variables. Both grants and loans do not have statistically significant impact on government borrowing, although both types of aid show a relatively large coefficient with negative sign.

The first finding that both grants and loans are positively associated with public investment may be indicative of some changes in fiscal performance during the Millennium Era (1990-2015). Benedek et al. (2012) study, which shows that loans have positive effects on public investment, while grants do not, covers earlier years (1980-2009) than this study (1990-2011). For government consumption, grants bear negative and statistically significant sign, although the size of the coefficient is very small. This result confirms the findings of Heller (1975), Khan and Hoshino (1992), and Franco-Rodriguez et al. (1998), which found, on the basis of individual country data, there was no evidence that foreign aid increases consumption expenditure rather than public investment. Such results show that aid may increase investment, reducing consumption expenditure at the same time. However, this finding is quite contrary to the earlier panel-data studies. Burnside and Dollar (2000), who found that, on the basis of a panel data of 40 low income countries during the 1970-1993 period, bilateral aid (mostly grants) had the positive coefficient of 0.536 on the natural log transformed government consumption expenditure relative to GDP. Also, Ouattara (2006) found that on the basis of a panel data of 68 countries during the 1980-2000 period, aid had a positive, albeit small, influence on government consumption. Therefore, it can be stated that aid (mostly grants) has changed its impact on government consumption over time, and bilateral aid (mostly grants) must have been used not to increase government consumption expenditures during the Millennium era. In both times, loans had no statistically significant effects on government consumption.13)

13) Ouattara (2006) did not decompose aid into grants and loans.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Public Investment</th>
<th>Government Consumption</th>
<th>Tax Revenue</th>
<th>Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2011 (40 countries)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lagged Dependent Variable</td>
<td>0.871***</td>
<td>0.306***</td>
<td>0.639***</td>
<td>0.337***</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.0922)</td>
<td>(0.0476)</td>
<td>(0.0765)</td>
</tr>
<tr>
<td>Grants</td>
<td>0.0236***</td>
<td>-0.00292***</td>
<td>-0.00241***</td>
<td>-1.0133</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.0011)</td>
<td>(0.0004)</td>
<td>(0.0090)</td>
</tr>
<tr>
<td>Loans</td>
<td>0.0479***</td>
<td>-0.00789</td>
<td>-0.00612</td>
<td>-1.0225</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.0058)</td>
<td>(0.0039)</td>
<td>(0.0218)</td>
</tr>
<tr>
<td>GDP per Capita (log)</td>
<td>-0.818</td>
<td>0.0318</td>
<td>-0.106</td>
<td>-0.705</td>
</tr>
<tr>
<td></td>
<td>(0.50)</td>
<td>(0.1470)</td>
<td>(0.1000)</td>
<td>(0.4430)</td>
</tr>
<tr>
<td>External Debt</td>
<td>-0.00879</td>
<td>-0.000949</td>
<td>0.00183</td>
<td>0.00261</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.0026)</td>
<td>(0.0013)</td>
<td>(0.0078)</td>
</tr>
<tr>
<td>Export</td>
<td>-0.0123</td>
<td>0.00415</td>
<td>0.000374</td>
<td>-0.00243</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.0035)</td>
<td>(0.0012)</td>
<td>(0.0121)</td>
</tr>
<tr>
<td>Import</td>
<td>-0.0035</td>
<td>-0.0016</td>
<td>0.00257*</td>
<td>-0.0192***</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.0026)</td>
<td>(0.0015)</td>
<td>(0.0061)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-0.0135</td>
<td>-0.00667</td>
<td>-0.00782***</td>
<td>-0.0205</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.0054)</td>
<td>(0.0026)</td>
<td>(0.0234)</td>
</tr>
<tr>
<td>Industry</td>
<td>0.0135</td>
<td>-0.0128**</td>
<td>-0.000932</td>
<td>0.0132</td>
</tr>
<tr>
<td></td>
<td>(0.02)</td>
<td>(0.0057)</td>
<td>(0.0028)</td>
<td>(0.0178)</td>
</tr>
<tr>
<td>Urbanization</td>
<td>-0.0438</td>
<td>0.000195</td>
<td>-0.00523</td>
<td>-0.0181</td>
</tr>
<tr>
<td></td>
<td>(0.05)</td>
<td>(0.0065)</td>
<td>(0.0040)</td>
<td>(0.0198)</td>
</tr>
<tr>
<td>Population (log)</td>
<td>1.998</td>
<td>0.357</td>
<td>0.305*</td>
<td>1.063</td>
</tr>
<tr>
<td></td>
<td>(1.48)</td>
<td>(0.2400)</td>
<td>(1.740)</td>
<td>(1.3120)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>-0.00313</td>
<td>0.000446</td>
<td>4.01E-05</td>
<td>-0.00257</td>
</tr>
<tr>
<td></td>
<td>(0.01)</td>
<td>(0.0016)</td>
<td>(0.0012)</td>
<td>(0.0086)</td>
</tr>
<tr>
<td>Inflation</td>
<td>-0.00348***</td>
<td>-0.000314***</td>
<td>-0.00095***</td>
<td>-0.000752</td>
</tr>
<tr>
<td></td>
<td>(0.00)</td>
<td>(0.0002)</td>
<td>(0.0001)</td>
<td>(0.0005)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.203*</td>
<td>0.0208</td>
<td>-0.025</td>
<td>-0.115</td>
</tr>
<tr>
<td></td>
<td>(0.11)</td>
<td>(0.0428)</td>
<td>(0.0265)</td>
<td>(0.2240)</td>
</tr>
<tr>
<td>Political Stability</td>
<td>0.0261</td>
<td>0.0707</td>
<td>0.0135</td>
<td>-0.00148</td>
</tr>
<tr>
<td></td>
<td>(0.08)</td>
<td>(0.0463)</td>
<td>(0.0193)</td>
<td>(0.1370)</td>
</tr>
<tr>
<td>Constant</td>
<td>-25.12</td>
<td>-4.038</td>
<td>-3.066</td>
<td>-31.6</td>
</tr>
<tr>
<td></td>
<td>-20.92</td>
<td>(3.8360)</td>
<td>(2.8460)</td>
<td>(45.5000)</td>
</tr>
<tr>
<td>Observations</td>
<td>357</td>
<td>399</td>
<td>370</td>
<td>191</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.687</td>
<td>0.325</td>
<td>0.749</td>
<td>0.487</td>
</tr>
<tr>
<td>Number of Countries</td>
<td>36</td>
<td>36</td>
<td>36</td>
<td>30</td>
</tr>
<tr>
<td>F-Statistics</td>
<td>F(27,313)=24.69</td>
<td>F(27,355)=6.05</td>
<td>F(27,320)=35.29</td>
<td>F(17,33)=65.94</td>
</tr>
<tr>
<td></td>
<td>Prob&gt;F=0</td>
<td>Prob&gt;F=0</td>
<td>Prob&gt;F=0</td>
<td>Prob&gt;F=0</td>
</tr>
</tbody>
</table>

Note: A full set of year dummies in all regression. Robust standard errors in parenthesis; ***(**,*) indicate significance at 1 (5,10) percent.
Secondly, foreign aid, especially in the form of grants, is still negatively associated with tax revenue collection in aid recipient countries, which indicates that aid may crowd out tax collection efforts. However, the crowd-out effects appear to weaken in recent periods. Whereas Benedek et al. (2012) found an offsetting effect of foreign aid on tax revenues to be about 0.55 percent for the period 1980-2009, this paper obtains an offsetting effect of about 0.24 percent for the period of 1990-2011, using the same panel data technique. While this result is not strictly comparable with the previous study given differences in the sample and time coverage of dependent variable, this fixed effect estimator in more recent years seems to indicate weakening crowding-out effects of grants on incentives to mobilize domestic resources. This would be consistent with the evidence of strengthened efforts by developing countries to mobilize revenue through tax policy and tax administration reforms (Benedek et al. [2012]; Ghura [1998]) during the Millennium era.

Thirdly, the result related to the borrowing equation that neither grants nor loans have significant effects on the government borrowing are difficult to interpret. McGillivray and Ahmed (1999), Franco-Rodriguez (2000), Osei et al. (2005) and Ouattara (2006) found evidence that grants (but not loans) exert a negative effect on public sector borrowing. This results support the view that recipient governments are likely to reduce other forms of borrowing in the presence of grants, because aid is “cheaper” compared to borrowing in terms of the cost of resource mobilization (Ouattara [2006]). It is hard to say that the current study result reflects an estimated impact on borrowing as such. However, it suggests that aid (both grants and loans) tend to be related to decreasing fiscal deficits in the sense that it does not, at least, increase government borrowing. The increasing share of grants in total ODA and softening of terms of loans during the Millennium era, especially since 2002, must have discouraged the governments of developing countries to reduce the amount of borrowings. Also, since donor conditions on macroeconomic management often include measures to reduce domestic borrowing and thus fiscal deficit, the result could be the evidence of effective conditionality for improved fiscal discipline.

Fourthly, the model shows that the composition of official development assistance (ODA) matters for all fiscal variables. For example, on the one hand, although both grants and loans promote public investment, ODA provided in the form of loans has greater positive effects. On the other hand, ODA provided in the form of grants appears to be significantly associated with a lower level of government consumption and tax revenues, while aid offered in the form of loans is not. In fact, according to the estimation results, each additional percentage increase in grants is accompanied by a decrease of about 0.3 percent in government consumption and 1 percent in borrowing, as well as 0.24 percent in tax revenues. Grants do crowd out tax revenues, but also reduces public consumption to a greater extent, resulting in net positive fiscal effects.
Turning lastly to other statistically significant control variables included in the extended model, first of all, as the study has anticipated, the share of agriculture in value-added has a decreasing impact on tax revenue. This result confirms the hypothesis that agriculture is harder to tax than other sectors, particularly if carried out on an informal or subsistence basis. Second of all, inflation has consistently negative and statistically significant impact on public investment and government consumption, tax revenues, and borrowing, indicating that aid recipient governments have counter-cyclical policy and restrain public spending when inflation accelerates. Finally, the quality of institution matters for determining the level of public investment and borrowing. In particular, the results show that as a country gets one more score in the WGI corruption indicator (thus, more corrupted), the level of public investment decreases by 20 percent. While one may use caution in interpreting this result since the WGI scores only reflect perceptions to governance performance of public sector, the statistical as well as economic significance of the coefficient indicates that the quality of institution affects the fiscal behavior of aid recipient countries, in particular public investment.

For an additional robustness check, the same model specification (Equation 1), was applied to two different time periods: 1990-1999 and 2000-2011, separately. Table 3 shows that the statistical results are as robust as the case with the entire Millennium era (1990-2011) with high R squares and significant F statistics for all fiscal variables of the two time periods.

Also, the results do show that fiscal responses to aid changed between the two time periods. Aid variables (both grants and loans) do not significantly affect any of the four fiscal variables during the first half (1990-1999), while they affect the fiscal variables during the second half (2000-2011) in the same fashion as during the entire Millennium era (1990-2011). During the second half, both grants and loans positively and significantly affect public investment, negatively and significantly affect government consumption and tax revenue, and do not significantly affect government borrowing. The direction of impact is the same; only the magnitude of the impact is, in general, softer during the second half than during the entire Millennium era, except the impact on tax revenue. Therefore, it can be interpreted that the fiscal management of aid recipient countries improved over time during the Millennium era. However, this comparison should be made with caution since there is a noticeable difference in the number of observations, which declined sharply during the first half of the period, compared to the second half. Many observations were rejected in the course of computation during the first-half period.

Other control variables also show a similar trend. In general, they rarely affect the fiscal variables during the first half; however, they affect various fiscal variables during the second half, just as they did during the entire Millennium period. As an exception, the lagged dependent variable consistently affects all fiscal variables positively and significantly over the two periods. Also, corruption and political
<Table 3> Effect of Net AID (Grants and Loans) on Fiscal Variables: 1990-1999 and 2000-2011

<table>
<thead>
<tr>
<th>Variables</th>
<th>1990-1999</th>
<th>2000-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public Investment</td>
<td>Government Consumption</td>
</tr>
<tr>
<td>Lagged Dependent Variable</td>
<td>0.861*** (0.0499)</td>
<td>1.071*** (0.0537)</td>
</tr>
<tr>
<td>Grants</td>
<td>0.0132 (0.0117)</td>
<td>-0.0033 (0.0182)</td>
</tr>
<tr>
<td>Loans</td>
<td>0.0288 (0.0207)</td>
<td>0.0322 (0.0385)</td>
</tr>
<tr>
<td>GDP per capita (log)</td>
<td>0.0363 (0.0632)</td>
<td>-0.054 (0.1040)</td>
</tr>
<tr>
<td>External Debt</td>
<td>0.000726 (0.0040)</td>
<td>-0.00453 (0.0070)</td>
</tr>
<tr>
<td>Export</td>
<td>-0.00205 (0.0015)</td>
<td>0.00267 (0.0025)</td>
</tr>
<tr>
<td>Import</td>
<td>0.000661 (0.0016)</td>
<td>-0.00308 (0.0025)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>-0.000332 (0.0032)</td>
<td>-0.00109 (0.0058)</td>
</tr>
<tr>
<td>Industry</td>
<td>0.00233 (0.0026)</td>
<td>-0.00208 (0.0044)</td>
</tr>
<tr>
<td>Urbanization</td>
<td>0.000199 (0.0012)</td>
<td>-0.00078 (0.0019)</td>
</tr>
<tr>
<td>Population (log)</td>
<td>-0.0154 (0.0175)</td>
<td>-0.0168 (0.0282)</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>0.00465 (0.0051)</td>
<td>-0.000269 (0.0085)</td>
</tr>
<tr>
<td>Inflation</td>
<td>-0.000437 (0.0003)</td>
<td>-0.000266 (0.0005)</td>
</tr>
<tr>
<td>Corruption</td>
<td>-0.0204 (0.0338)</td>
<td>0.109* (0.0637)</td>
</tr>
<tr>
<td>Political Stability</td>
<td>-0.0266 (0.0296)</td>
<td>0.0916* (0.0541)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.254 (0.7070)</td>
<td>0.607 (1.1850)</td>
</tr>
<tr>
<td>Observations</td>
<td>57</td>
<td>62</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.965</td>
<td>0.949</td>
</tr>
<tr>
<td>Number of Countries</td>
<td>32</td>
<td>33</td>
</tr>
<tr>
<td>F-statistics</td>
<td>F(17,33) = 10.15</td>
<td>F(17,45) = 2.57</td>
</tr>
</tbody>
</table>

Note: A full set of year dummies in all regression. Robust standard errors in parenthesis; ***(***) indicate significance at 1 (5, 10) percent.
stability variables consistently affect different fiscal variables over the two periods. All remaining control variables do not affect fiscal variables during the first-half period; however, they affect different fiscal variables during the second period in a similar fashion as they do during the entire Millennium period in general.

V. Conclusion

A greater understanding on the interactions between aid and various fiscal instruments is required if aid is to contribute to economic growth and the achievement of the internationally agreed Millennium Development Goals. Most aid spent in a country either directly goes through the budget or indirectly affects the budget by financing the provision of public goods and services. Therefore, donors are concerned on how aid affects the fiscal behavior of recipient governments, and whether their fiscal behaviors are conducive to the promotion of growth and reduction of poverty in aid recipient countries. This issue is important in particular when both developed and developing countries are actively debating about the ways to cope with the 2007-2008 Global Economic Crisis and build up the post-2015 development agenda.

In order to understand the broader impacts of foreign aid on the fiscal policy of recipient economies and measure the aid effectiveness in terms of improved fiscal management, this paper analyzed the relationship between foreign aid and various fiscal variables including public investment, government consumption, tax revenue, and borrowing, taking fiscal response approach as the theoretical basis of its model.

Compared with the findings of earlier studies, and on the basis of the empirical analysis of the two sub-periods during the Millennium era, this paper paints a picture of improving performance of public sector in terms of fiscal management and aid effectiveness. According to the analysis of 40 aid recipient countries during 1990-2011, foreign aid (in the form of both grants and loans) is positively associated with public investment with the impact of loans being greater than that of grants, and negatively associated with government consumption. Although it is hard to say that consumption spending does not necessarily leads to growth since it complements public investment projects and may often be human capital investment, the significantly positive impact of foreign aid on the level of public investments indicates that aid can contribute to economic growth of recipient countries more in the future than was anticipated in the past.

The results also show that foreign aid (in the form of grants, but not loans) is still negatively associated with tax revenue collection, resulting in continued fiscal deficits, but the size of crowding out effects on tax revenue weakened during 1990-2011. Foreign aid (both grants and loans), however, do not affect the level of
borrowing during the same period, which suggests that aid, at least, does not tend
to increase fiscal deficits. These results are consistent with the strengthened efforts
by developing countries to mobilize revenue through tax policy and administration
reforms and to reduce fiscal deficits. Increased use of revenue benchmarks in many
low-income countries to strengthen revenue performance can be the evidence of
such efforts (Benedek et al. [2012]).

In sum, the empirical results of this paper show improved fiscal discipline of aid
recipient countries in recent years. The main policy implication of this study is that
increasing aid to developing countries can help boost public investment, which in
turn might crowd in private investment (Hussen and Lee [2012]). Furthermore,
increases in aid can also help reduce fiscal deficits and debt burden via decreasing
crowd-out effects of tax revenue and no increases in public sector borrowing. This
positive trend will be accelerated if donor countries do channel most of their aid
through the government’s budget, which is one of the 12 Paris Declaration
Indicators (OECD [2005]), but has lagged far behind other indicators in making
progress (OECD [2011]; Lee [2013]).

Further research implication of this paper is that aid effectiveness studies need to
consider the broader macroeconomic impacts of foreign aid on fiscal behavior and
relate them to growth. By considering those two issues in one research framework,
fiscal response studies might shed new light on the aid effectiveness debate.


Chatterjee, Santanu, Paola Giuliano, and Ilker Kaya, “Where has All the Money Gone? Foreign Aid and the Quest for Growth,” IZA DP No. 2858, 2007.


Executive Summary

Global consensus on ‘aid effectiveness’ acknowledges the important role of recipient governments in promoting effective aid management and sustainable development. Many developing countries have established aid management policies and systems in order to strengthen ownership and coordination in development activities. This article deals with aid policies of recipient governments in the region of Africa, focusing on the case of Rwanda which is considered to have a well-structured aid management framework with strong government ownership. Rwanda’s 2006 Aid Policy and following aid management initiatives are discussed in detail. It should be noted that having an aid policy and management system does not necessarily mean that aid management in the country is successful in practice. From a donors’ point of view, good governance and institutional capacity of recipient governments are also important to ensure effective management of aid that they provide. In conclusion, we discuss the implications of strong recipient-led aid management policies from donors’ perspectives.

Keywords: ODA, aid policy, aid management, ownership, Rwanda
I. 머리말

원조정책이라고 하면 주로 공여국의 원조정책을 떠올리게 된다. OECD-DAC를 중심으로 논의되는 국제적인 개발의제 설정에서 수원국의 목소리는 여전히 작은 편이고 원조 조정(aid coordination)도 공여국 또는 공여기관 간의 문제로 인식되곤 한다. 그러나 실제 개별 국가 내에서 개발사업을 이행할 때 수원국 정부의 역할은 매우 중요하다. 그 나라의 개발전략과 지역·분야별 세부적인 개발 수요를 가장 잘 파악하고 있기 때문이다. 개발사업을 이행할 때 발생하는 현지의 사회·문화적인 문제에도 수원국 정부가 가장 잘 대응할 수 있을 것이다. 지방정부와 담당 공무원, 지역사회와 주민을 이해시키고 독려하여 사업이 잘 진행되도록 하는 것도 필요하다. 따라서 그 국가로 들어오는 원조자금이 적재적소에 배치되도록 공여국 또는 공여기관과 의견을 조율하는 한편 국내 제도를 잘 운영하여 지원된 재원이 효과적으로 사용될 수 있도록 관리하는 수원국 정부의 역할이 중요한데, 이것을 수원국의 원조정책이라 할 수 있다.


수원국의 원조정책은 국내 원조 관련 정보체계, 공공재정 및 조달 시스템, 수원국 내 관계 부처 및 지방정부, 사업기관 간의 역할과 책임 분담 및 조율, 공여국 등 개발파트너(development partners)와의 조정체계, 성과관리를 위한 모니터링 체계 등 수원 전 과정에 걸친 내용을 포함할 수 있다. 나라에 따라 20장 내외의 상당적인 내용을 담은 정도에 그치는 경우도 있지만, 구체적인 매뉴얼과 지침이 동반되기도 한다. 이러한 정책문서는 여러 가지 형태의 개발파트너협의의체를 통해 공여국과 논의하고 합의한 내용으로서 이를 존중하
는 것이 상호책무성(mutual accountability)의 기본이 된다고 할 수 있다.
수원국이 명시적인 원조정책을 갖추고 있다는 것이 원조를 성공적으로 관리하고 있음을 의미하는 것은 아니다. 수원국의 원조정책이 효과적인가를 분석하기 위해서는 보다 다양한 국가에 대한 면밀한 분석이 필요할 것이다. 그러나 공여국의 입장에서 원조를 받는 수원국이 어떠한 정책과 제도를 가지고 있으며 원조의 효과를 극대화하기 위해 이를 어떻게 활용할 수 있을지를 점검하는 것은 큰 의미가 있을 것이다.
이 글에서는 아프리카 지역의 수원국 원조정책을 르완다 사례를 중심으로 살펴보고자 한다. 전 세계 총 ODA의 40%를 제공받고 있는 아프리카 지역은 대부분의 국가가 원조 수원국이며, 원조 수혜 경험이 길고 공여국과의 관계에서도 비교적 능동적인 입장을 취하는 것으로 알려져 있다. 특히 르완다는 원조 의존도도 상당히 높은 나라임에도 불구하고 정부의 강력한 리더십 아래 대외 원조를 철저하게 관리하고 있으며, 공여국이나 공여기관에 정부가 원하는 원조 형태와 방식을 적극적으로 요구하고 있다. 먼저 아프리카 지역의 ODA 현황과 변화하는 원조환경, 르완다의 원조정책을 차례대로 살펴본 후에 원조를 제공하는 공여국의 입장에서 수원국의 원조정책이 주는 시사점을 도출해 보고자 한다.

Ⅱ. 아프리카 지역의 ODA 현황과 원조환경의 변화

아프리카 지역에 대한 원조는 전 세계 총 ODA의 약 40%를 차지하고 있으며 지속적으로 증가하고 있다. [그림 1]에서와 같이 아프리카 지역에 제공된 ODA 규모는 2010년 480억달러를 기록하였으며, 이는 2000년과 비교할 때 두 배 이상 증가한 것이다. 유럽의 재정위기 등으로 인해 전체 ODA가 감소한 2009년 이후에도 아프리카 지역에 대한 원조규모는 유지되고 있다.
먼저 2000년대 들어 민주화와 정치적 안정, 지속적인 경제성장을 이루면서 아프리카 지역의 발전에 대한 낙관적인 전망이 지속되고 있다. 아프리카 지역은 2000년대 들어 연 평균 5%를 넘는 성장세를 보이면서 세계 평균 경제성장률은 물론 아시아를 제외한 다른 신흥 경제권보다 높은 경제성장을 지속해 왔다. 이는 전례가 없는 것으로 인도와 중국을 제외한다면 아시아 지역보다도 더 높은 성장세이다. 특히 사하라 이남 지역은 최근 세계 금융위기와 가장 큰 수출시장인 유럽지역의 경제침체에도 불구하고 2010년 다시 경제성장률을 5%대로 회복하였으며 2013년과 2014년 각각 5.4% 및 5.8%의 성장이 전망되고 있다(그림 2 참고).

물론 2000년대 이후 아프리카의 순조로운 경제성장은 국제 원자재 가격의 상승에 기인하는 바가 크고 여전히 대내외적 위험요소가 존재한다. 그럼에도 불구하고 최근 아프리카 경제전망에 대한 낙관적인 시각이 점차 커지고 있는 가장 중요한 이유로 정치 및 경제 시스템의 안정을 꼽을 수 있다. 아프리카 지역의 약대한 자원과 시장 잠재력은 예전에도 알려져 있었으나 그동안 아프리카의 미래에 대한 비판론적인 시각이 지배적이었던 것은 정치·사회적 불안정과 만연해 있는 부정부패, 민주적 거버넌스의 부재, 낙후된 경제구조 때문이었다(박영호 외[2008], pp.68~72). 그러나 아프리카 지역은 2000년대 들어 내전이 크게 감소하고 상당수의 국가에서 민주적 선거를 거친 평화적 정권교체와 복수정당제 도입을 이루어내면서 민주적 한국이 확산되고 있는 등 정치적으로 안정 국면에 진입하였다. 뿐만 아니라 기업환경 개선과 경제 개방, 외국투자 유치정책 등 경제ここ에서들도 많은 성과를 이루었다. 일례로 세계은행의 경영환경개선지수에 따르면 2013년 사하라 이남 아프리카 지역의 경제성장률은 세계 평균 경제성장률을 5%대로 회복하였으며 2013년과 2014년 각각 5.4% 및 5.8%의 성장이 전망되고 있다(그림 2 참고).
리카 국가 중 기업경영환경이 개선되고 있는 국가의 비율은 98%로 88%를 기록한 동아시아, 남아시아, 중남미 지역보다 앞서고 있으며, 이 중 17개국이 세계 경제개혁 상위 50개국에 속한다(World Bank[2013]). 국제투자자들 사이에서도 아프리카 지역이 BRICS와 경쟁할 만한 매력적인 투자대상으로 인식되고 있다는 분석이 나오기도 하였다(Ernst & Young[2011]).

둘째, 개발원조의 규모가 늘어났을 뿐 아니라 전통적인 공여국 외에 새로운 공여국이 가세하면서 재원 공급자가 많아져 아프리카 수원국들은 공여국과의 관계에서 보다 유리한 위치를 점하게 되었다. 앞서 언급했듯이 2000년대 들어 아프리카 지역은 공여국 원조정책의 핵심 지역으로 부상하였다. 특히 중국이 전방위적으로 지원을 확대하면서 국제적인 경쟁을 가속화하였는데, 이에 따라 미국과 영국, 프랑스, 일본 등 전통적인 공여국들이 이 지역에서 기득권을 지키기 위해서 아프리카를 중시하게 되었고 전략적인 원조를 확대해 왔다. 한편, 아프리카 국가들은 NEPAD(New Partnership for Africa’s Development) 등의 지역협의체를 통해 아프리카 국가들이 주도적으로 개발을 이끌고 국제사회와 효과적으로 협력하기 위한 정치·경제적 연대를 강화하고 있다.

마지막으로 원조와 관련된 국제 규범이 수원국 중심으로 바뀌고 있다. 원조의 효율적인 관리와 효과성 증대를 위해 수원국의 역할이 증시되면서 수원국의 오너십과 책임감이 강조되고 원조 집행에 있어 수원국의 제도를 활용하도록 하고 있다. 이에 따라 많은 아프리카 국가들이 개발원조를 효과적으로 관리하고 개발활동을 조정하기 위해 원조관리 경책과 제도를 수립하여 활용하고 있다. 앞에서 예시한 바와 같이 탄자니아, 모잠비크, 우간다, 르완다, 가나, 잠비아 등의 수원국에서는 문서화된 원조정책을 갖추고 있다. 모잠비크와 탄
자나아, 우간다는 수원국 주도 원조정책 수립의 성공적인 사례로 평가되고 있다 (Menocal and Mulley[2006]). 그 외에 명시적인 원조정책은 없지만 아프리카에서 성공적인 개발 사례로 꼽히는 보츠와나나 2000년대 이후 최대 규모의 원조를 받으며 가장 높은 성장률을 기록하고 있는 에티오피아는 비교적 안정된 국내 제도와 정부의 역량으로 공여기관과의 관계 및 협상에서 상당한 통제능력을(ability of control)을 갖춘 것으로 평가된다 (Maipose[2009]; Furtado and Smith[2009]).

아프리카 국가들은 성공적인 원조정책을 서로 벤치마킹하며 원조에 대한 관리를 강화하고 있다. 르완다는 공여국과의 상호책임성 강화정책을 수립하는 데에 모잠비크의 경험을 공유하고 지원을 받았다고 밝히고 있으며, 부룬디와 말라위 등 주변국에 르완다 원조정책의 경험을 전파하고 있다. 다른 지역의 개도국들도 아프리카 국가의 원조관리정책과 공여국과의 관계에서의 위상을 상당히 높게 평가하고 있다. 다음 장에서는 수원국 원조정책의 사례로서 르완다의 정책을 좀 더 자세히 살펴보도록 한다.

Ⅲ. 르완다의 원조정책

1. 르완다의 개발정책과 성과


르완다의 개발정책은 장기 전략인 ‘Vision 2020’을 근간으로 하여 중기 전략인 5개년

1) 르완다 재정경제기획부(MINECOFIN) 담당자와의 면담 내용.
2) 캄보디아 개발위원회(Council for the Development of Cambodia: CDC) 담당자와의 면담 내용.
‘경제개발 및 빈곤감소 전략(Economic Development and Poverty Reduction Plan: EDPRS)’으로 구체화된다. EDPRS는 여러 국가기관의 역할을 각 분야(sector)로 정리하였는데, 이에 따라 해당 부처 및 기관을 중심으로 각 분야의 목표 이행에 초점을 맞추는 ‘분야별 전략계획(Sector Strategic Plan)’이 수립된다. 또한 EDPRS상의 국가적 목표와 지역 단위의 개발목표 간 균형을 꾀하기 위해 지역개발계획(District Development Plan)을 수립하여 다양한 정부기관과 지방정부가 사업 계획 및 실행에 참여하도록 한다.

2000년에 처음 수립된 Vision 2020은 1994년 내전의 여파로 파괴된 르완다를 복구, 재건하고 빈곤을 극복하겠다는 목표가 됐으며, 이에 따르는 빈곤감소전략(PRSP 2002~2005)도 전반적인 경제성장을 뒷받침하기에는 한계가 있었다. 이후 명칭을 바꾸어 5개년 계획인 제1차 경제개발 및 빈곤감소 전략 2008~2013(EDPRS 1)을 수립하고 일자리 창출 및 수출을 위한 지속가능 성장, 농촌 개발, 거버넌스의 3대 대표 프로그램(flagship programmes)을 중심으로 거시경제, 농업, 에너지, 운송, ICT, 사회, 교육, 거버넌스, 공공재정운용 등 광범위한 분야에서 다양한 목표를 설정하여 정책을 시행하였다. EDPRS 1은 르완다 정부의 강한 개발의지를 바탕으로 국민의 지지와 참여를 이끌어내며 빈곤 극복과 경제성장에서 상당한 성과를 이루었다. 또한 EDPRS 1은 르완다 정부의 강한 개발의지를 바탕으로 국민의 지지와 참여를 이끌어내며 빈곤 극복과 경제성장에서 상당한 성과를 이루었다. EDPRS 1은 르완다 정부의 강한 개발의지를 바탕으로 국민의 지지와 참여를 이끌어내며 빈곤 극복과 경제성장에서 상당한 성과를 이루었다.

2012년에 EDPRS 1의 성과를 점검한 르완다 정부는 2000년에 설정한 Vision 2020의 목표가 상당 부분 달성되었다고 평가하고, 목표치를 재설정하고 새로운 목표를 추가하는 등 보다 높은 개발의지를 보여주고 있다. 예를 들어 국민소득 목표치는 990달러에서 1,240달러로 상향 조정하고, 빈곤지표의 목표 비율도 30%에서 20%로 수정하였다. 2000년 전략에는 없던 수출증가율, 농업분야 기계화율, 양호한 도로 비율 등의 경제개발 지표, 전화 및 인터넷 사용 인구, 교사-학생 비율, 여성참여율 등의 사회개발 지표, 공공서비스 만족도, 부패 순위 등 공공부문 지표도 새로 포함시켰다. 또한 EDPRS 1의 모범 사례와 보완해야 할 점을 분석하여 차기 EDPRS에 반영하였다. 이와 같이 르완다의 개발정책은 장기적인 비전을 토대로 실행상의 시행착오를 반영하며 꾸준히 진화하고 있다.

2. 르완다의 원조정책과 원조관리 구조

앞서 밝혔듯이 르완다 정부의 개발재원은 상당 부분 원조에 의존하고 있다. 르완다 정부는 개발에 대한 의지만큼 원조를 관리하는 데에도 적극적인 자세를 보이고 있다. 2006년에 발표한 르완다 원조정책(Rwanda Aid Policy)을 근간으로 르완다 원조정책 매뉴얼

4) 2006년 제2차 가구현황조사(Integrated Household Living Condition Survey: EICV)에 따르면 EDPRS 1이 수립될 당시 르완다의 빈곤률은 57%였으며, EDPRS 1의 목표는 2013년까지 이를 46%까지 줄이는 것이었다. 2011년에 실시된 제3차 EICV 결과 빈곤율 지표는 44.9%로서 목표를 이미 초과 달성한 것으로 조사되었다. 실질GDP 성장률도 2008~11년 평균 8.2%를 기록하여 2013년까지의 목표인 8.1%를 이미 달성하였다(MINECOFIN[2012], pp.12~13).
(Rwanda Aid Policy Manual of Procedures), 공여국 분업체계(Donor Division of Labor in Rwanda), 공여국성과평가들(Donor Performance Assessment Framework) 등의 구체적인 정책을 수립하고 시행함으로써 원조관리에 있어 최대한 주도권을 확보하기 위해 노력하고 있다. 이러한 일련의 정책을 통해 르완다 정부는 공여국과 개발기구가 르완다 정부의 개발 우선순위에 맞춰 원조를 제공하고 르완다 정부가 지정한 절차에 따라 교섭하고 이행할 것을 권장하고 있다.

르완다 원조정책(Rwanda Aid Policy 2006)은 파리선언에 대한 후속 조치로서 원조가 르완다 정책의 발전 및 빈곤 극복에 가장 효과적으로 사용될 수 있도록 지침을 제공할 목적으로 수립되었다. 이 원조정책 문서는 서두에서 르완다 정부가 개발활동에 있어 진정한 주도권(ownership)과 리더십을 발휘할 위치에 있다고 평가하며 동 문서가 향상된 원조관리를 위한 비전과 그 비전의 실현을 위한 정책을 담고 있다고 명시하고 있다.5) 르완다 원조정책 매뉴얼(Rwanda Aid Policy Manual of Procedures)에는 정책을 이행하기 위한 세부 사항을 제시하고 있는데, 원조와 관련된 각 정부기관의 역할부터 원조 조정협의체의 구조, 원조관리 사이클(aid management cycle) 각 단계에서의 협상 및 이행 절차, 공여기 관 보고 양식(donor reporting format) 등이 구체적으로 설명되어 있다(GoR[2011]).

원조의 조정(coordination), 동원(mobilization) 등 르완다로 들어오는 원조에 대한 전반적인 관리는 재정경제기획부(Ministry of Finance and Economic Planning: MINECOFIN)의 책임이다. 원조와 관련한 모든 사항은 초기 단계부터 MINECOFIN에 보고되어야 하며, 원조의 협약, 사전 평가, 원조의 결과 성과 평가, 개발파트너십 관리 등 중요한 사항을 관리한다. 양자간 원조의 경우 외교협력부(Ministry of Foreign Affairs and Cooperation: MINAFFET)가 전반적인 협상을 주도하지만 이 경우에도 MINECOFIN은 여전히 원조 조정기관으로서 중요한 역할을 한다. 각 분야의 관련 부처는 제공된 원조 프로그램/프로젝트의 관리를 맡게 되는데, 행정비용을 줄이기 위해 각 부처 내에 단일프로젝트이행조직(single project implementation unit: SPIU)을 두어 효과적인 원조관리를 도모하고 있다. SPIU는 각 부처가 담당하는 분야별 원조사업을 총괄하기 위해 프로젝트 관리, 조달, M&E 등 업무별 전문 담당자를 두고 있으며, 르완다 정부는 공여국 또는 기관이 신규 프로젝트를 이행하기 위한 별도의 관리조직(또는 project implementation unit)을 두기 보다는 각 부처 내의 SPIU를 활용하도록 권고하고 있다.

공여국과의 개발파트너(development partners)와의 조정체계는 각 수준에서 다양 한 협의체로 구성된다. 이러한 협의체를 통해 르완다 정부는 공여국 및 공여기관 대표와 르완다의 개발정책과 이행 현황, 조화로운 원조 이행을 위한 정책과 파트너십 전략 등에 대해 협의하고 이를 정책에 반영한다. 대표적으로 개발파트너조정그룹(Development Partners Coordination Group: DPCG) 회원가 분기마다 개최되는데, 전반적인 원조정책에 대한 협의뿐만 아니라 원조효과성 및 원조에 대한 평가 등도 논의한다. DPCG가 최고위

5) 르완다 원조정책 para. 1.2(GoR[2006]).

지금까지 르완다 원조정책의 주요 내용과 관련 문서, 르완다 정부 부처의 역할, 공여기관과의 협의체계 등을 간단히 살펴보았는데, 이 외에도 공여국/기관의 입장에서 신경 쓰이는 세부 사항이 상당히 많다. 다음에서는 르완다의 원조정책에서 공여국이 원조를 제공하는 데 있어 반드시 고려해야 할 특징을 정리해 보겠다.

3. 공여국의 입장에서 본 르완다 원조정책의 특징

(1) 선호하는 원조 형태(preferred aid modalities) 명시

最初, 르완다 원조정책은 원조가 제공되는 형태(modality)에 대해서 르완다 정부의 선호도를 명확하게 밝히고 있으며, 원조를 수동적으로 제공받는 것이 아니라 적극적인 자세로 필요한 원조를 선택해서 받겠다는 의지를 표명하고 있다. 르완다 원조정책은 많은 공여국들이 수원국 정부의 오너십을 무시하고 공여국의 목표를 추구하며 원조사업을 계획과 예산의 범위 밖에서(off-plan and off-budget) 추진하는 것을 강하게 비판하며 수원국 정부가 우선순위 목표를 정하고 재원을 할당하는 데에 중심 역할을 해야 한다고 강조한다. 또한 수혜비용(transaction costs)이 지나치게 높은 경우, 정부 우선순위와의 일치가 부족하거나 조건(conditionality)이 지나친 경우, 지속가능성이 낮은 독립 프로젝트인 경우 원조 제안을 거절할 것이라고 명시하고 있다.6)

르완다 정부가 가장 선호하는 형태의 원조는 별도로 사용분야가 지정되지 않은 예산지원(unearmarked budget support)이다. 이러한 일반예산지원의 경우 정부가 원조를 우선순위 개발분야에 효율적으로 배분할 수 있기 때문이다. 예산지원을 제공하는 공여국 정부는 앞서 설명한 예산지원협의체(BSHG)에 참여하는데, 르완다의 개발정책 전반과 원조 관련사항에 대해 일반예산을 지원하지 않는 다른 공여국과 비교할 때 상대적으로 큰 발언권을

---

6) “The Government will decline any or all offers of assistance where it considers transaction costs to be unacceptably high, alignment to government priorities to be insufficient, or conditionality to be excessive. Where assistance is offered in the form of stand-alone projects, the Government may also decline proposals that are not shown to be sustainable.” 르완다 원조정책 para.3.11(GoR[2006]).
가지고 영향력을 행사할 수 있다.

일반예산지원 다음으로 선호하는 형태는 분야별 예산지원(sector budget support)이다. 공여국의 내부 정책상 일반예산지원보다 분야를 지정하는 예산지원이 좀 더 수월하기 때문에, 이 경우에도 EDPRS의 13개 분야 중에서 공여국이 선정하고 그 외 사항은 르완다 정부가 계획하고 실행하도록 한다. 예산지원이 아닌 대부분의 원조는 프로젝트 지원의 형태라고 볼 수 있는데, 프로젝트 지원에서도 르완다 정부의 예산 및 계획에 반영된 사업(on-budget and on-plan project)을 선호하여 공여국의 독자적인 사업(individual project)보다는 공동기금으로 제공(pooled)되도록 권장한다.

수원 주체가 지방정부일 경우 공동개발기금(Common Development Fund: CDF)7)을 통해 지원하도록 하고 있다. 지방정부와 협의하는 경우에도 재정경제기획부(MINECOFIN)가 모든 관리를 할 수 있도록 초기 논의(initial discussion) 단계부터 MINECOFIN에 보고해야 하며, MINECOFIN과의 협의 없이 개별 지방정부가 공여국과 교섭이나 계약을 추진하지 못하도록 하고 있다. 원조정책은 이 외에도 증여와 차관, 기술협력, NGO 활동, 수직적 기금(vertical fund) 등에 대한 선호도와 권장사항을 명시하고 있다.

르완다 정부는 공여국과 함께 르완다 정부의 거버넌스를 평가하는 공동평가(joint governance assessment)와 개발 이행 성과를 평가하기 위한 성과평가틀(CPAF)을 개발하여 시행함으로써 상호배우를 강화하고 공여국이 예산지원을 결정하는 데 있어 도움이 되도록 필요한 정보를 제공하는 체계를 갖추고 있다. 르완다 원조정책은 공여국을 포함한 모든 개발파트너가 서명한 것으로서 르완다 정부는 이 원칙에 따라 공여국이 필요한 사항은 적극 제공하면서 공여국도 이를 준수하도록 당당하게 요구하고 있는 것이다.

(2) 공여국 간 분업체계(Donor Division of Labor)

두 번째 특징으로서, 르완다 정부는 공여국별로 지원분야를 최대 3개로 제한하는 분업체계(Division of Labor: DoL)를 시행한다. 이는 원조가 특정 분야에 집중되는 것과 분절화를 방지하고 거래비용을 줄이기 위한 장치로서 주요 공여국뿐만 아니라 UN을 포함한 다자기구에도 해당된다. EDPRS의 하위 전략적 분야별 전략계획은 각 분야별 실무그룹(sector working group) 안에서 여러 개발파트너가 참여하여 계획되는데, 공여국당 지원분야를 3개 중점분야로 한정자음으로써 원조의 집중과 전문화를 통해 원조의 효과성 향상을 꾀하고 있다. 이것이 2009년에 합의된 개발파트너 간의 분업체계(DoL)이다.

DoL에 따라 각 공여국 또는 기관은 EDPRS에서 정의된 13개 분야 중에서 3개 중점분야를 선택할 수 있다. 조용한 파트너십(silent partnership: SP) 방식8)을 통해 3개 분야 이

---

7) 2006년 발표된 르완다 원조정책에 포함되어 있던 CDF는 2010년에 '르완다지역개발지원기금(Rwanda Local Development Support Fund: RLDSF)으로 명칭이 바뀌었다.
8) 공여국별로 3개 중점분야를 선택하여 지원하도록 하는 한편 공여국이 3개 이상의 분야에 지원하고자 할 경우 추가 지원하는 분야의 대표 공여국과 협력위임협정(delegated cooperation agreement)을 맺고 자금관리, 모니터링 및 활동보고서 감독을 대표 공여국에 위임하도록 하는 방식.
Aid Policy of Recipient Countries in Africa

상에 관여할 수도 있는데, 이는 해당 분야의 원조관리를 담당 공여국에 위임함으로써 비용을 줄이고 원조 조화를 높이는 방식이다. 예를 들어 영국의 경우 교육, 사회 보호, 농업의 3개 분야를 중점 지원하고 있으며, 보건·인구 분야에는 SP로 참여하고 있다.9) 교육분야에 SP로 참여하고 있는 네덜란드는 교육분야 실무그룹의 대표인 영국과 협력위임협정을 맺어 이에 따라 영국에 자금을 지원하고, 영국은 프로그램을 통해 실질적으로 자금을 운용하며 SWG를 통해 진행사항과 운영방식에 대해 네덜란드에 보고하게 된다.

원조의 분절화를 줄이고 효과성을 높이기 위해 각 공여국이 적은 수의 분야에 집중하여 지원하기는 것이 국제적인 합의를 감안할 때, 공여국이 각자의 비교우위와 선호에 따라 분야를 선정하여 지원하도록 하는 르완다의 공여국 분업체제는 바람직한 방향이라 평가할 수 있다. 그러나 현실적으로 공여국의 입장에서 지원분야를 3개로 한정하는 것은 간단한 일이 아니다. 예를 들어 미국과 같이 수원국에 분야별로 일정 예산을 배정하는 경우 분야를 3개로 제한하면 그만큼 해당 수원국에 대한 전체 원조예산이 줄어들 수 있다. 이는 미국의 원조시스템에 따른 문제이기 때문에 공여기관의 의지가 있다고 해도 변경하기가 쉽지 않다. 또한 공여국에서 다수의 부처와 기관이 여러 분야의 사업을 진행하는 경우 공여국내 기관 간에 조정과 협의가 필요한 사항이다.

(3) 공여국에 대한 평가체계(Donor Performance Assessment Framework)

셋째, 르완다 정부는 공여국/기관과의 책임성(accountability)을 강화하기 위해 르완다 정부 및 각 공여국의 개발 성과를 평가하는 방법을 개발하여 시행하고 있는데, 특히 개별 공여국이 제공한 원조가 국제적인 기준과 르완다 원조정책에 얼마나 부합하는지를 평가하는 공여국성과평가틀(Donor Performance Assessment Framework: DPAF)을 도입하여 매년 평가 결과를 발표하고 있다. DPAF의 결과는 개별 공여국이 어느 정도 르완다의 원조정책에 협조적인지 평가한 일종의 점수표와 같다. DPAF는 5개 부문 총 21개 지표로 구성된다. <표 1>에서 알 수 있듯이 상당 부분은 기존 파리선언의 이행 지표이며, 더 나아가 2011년 부산선언의 내용도 반영하고 있다. 예를 들어 성과분야(Results Area) B에서는 공여국의 ODA 총액 중 르완다 정부의 예산집행절차, 회계절차, 재정보고시스템, 조달시스템을 통한 원조의 집행 비율을 평가하도록 되어 있는데, 이는 수원국의 공공재정관리시스템과 조달시스템을 통한 원조의 집행 비율을 평가하도록 하고 있는데, 이는 수원국의 공공재정관리시스템과 조달시스템을 활용하도록 한 파리선언 이행 지표 5번에 해당한다. 성과분야 C에는 사전 계획에 따른, 즉 예측 가능한 ODA 비율의 평가하는 지표를 추가하였는데, 이는 부산파트너십의 내용을 반영한 것이다. 이 외에 공여국 분업(DoL) 관련 지표(성과분야 E)와 BSHG에서 합의한 예산지원 관련 지표(성과분야 G)가 포함된다. 각 지표마다 공여국별로 목표를 설정하고 공여국이 제출한 보고서를 토대로 해당 지표의 달성 여부를 평가한다.

9) (부록 1)의 분야별 공여국 분업 현황(Agreed Division of Labour) 참고.
2013년에 발표한 DPAF FY2011-2012에는 11개의 공여국과 4개의 다자기구에 대한 점수표가 실려 있다. 지표의 목표를 달성한 경우는 초록색으로, 달성하지 못한 경우에는 빨간색으로 표시되어 해당 공여국이 르완다 정부와 합의한 사항을 얼마나 준수하고 있는지 한눈에 파악할 수 있다. 평가 지표로 활용된 파리선언이나 부산파트너십은 물론 르완다 원조정책의 내용은 모두 공여국이 합의한 사항이며 평가할 때 사용하는 통계자료도 공여국이 제출하는 것이기 때문에 공여국 입장에서는 이 정도로 과감하게 결과를 보여주는 것에 대해 불평을 하기도 어렵다.

DPAF는 대외원조를 관리하는 데 있어 공여국에 대한 르완다 정부의 자신감을 상징적으로 보여주는 것이라 평가할 수 있다. DPAF는 미국이나 일본과 같이 국의 시스템을 활용하는 방식의 원조는 좋은 평가를 받기 어려운 구조이다. 2013년 평가에 처음 포함된 우리나라의 경우도 대부분 우리의 제도와 인력을 활용하기 때문에 당분간은 레드카드를 많이 받을 것으로 예상된다. 그러나 공여국은 원조를 제공하는 과정에서 국의 법과 제도를 따라야 한다. 자국의 시스템을 활용하는 방식에 국제적인 협의나 DPAF와 같은 수원국의 평가체계와 다소 맞지 않는 부분이 있다고 해도 이것을 무조건 비판하기는 어렵다. 르완다 정부는 공여국 내의 여러 구조적인 문제를 인지하고 있고 단기간에 개선될 것을 기대하지는 않는 듯하다. 그럼에도 불구하고 이와 같은 공여국 평가를 통해 공여국의 책임을 강조하고 원조관리에 있어 르완다 정부의 주도권을 유지하고 있다.

4. 르완다 원조정책의 평가와 한계

르완다의 원조관리 구조는 상당히 체계적이며 비교적 잘 작동하고 있는 것으로 보인다. 르완다 현지에서 활동하는 공여국과 국제기구 담당자들 사이에서도 상당히 긍정적인 평가를 받고 있다. 원조정책 초기에는 수원국으로서 르완다 정부가 원조를 통제할 수 있는 부분에 한계가 있을 것이라는 우려가 지배적이었다. 그러나 최근 ODI의 자료에서는 수원국 정부가 대외원조를 확고하게 관리하고 감독할 수 있다는 가능성을 보여주었다. 따라서 원조의 효과성에 있어 수원국의 역할이 더욱 강조되고 있는데, 특히 원조의 효과성과 관련하여 수원국을 대표하여 논의를 주도하고 있는 르완다 정부로서는 공여국과의 논의 세션에서 입지가 더 커지고 있는 것으로 평가할 수 있다.

10) 벨기에, 캐나다, 독일, 일본, 르완다, 한국, 스웨덴, 스위스, 영국, 미국.
12) 부록 2의 DPAF 평가 결과 예시 참고.
13) 르완다 주재 KOICA, USAID, JICA, UNICEF, WFP 사무소 담당자와의 면담 내용.
14) 르완다는 One UN 시범국으로서 원조효과성포럼에서 수원국 대표로서 주도적인 역할을 해왔으며, 현 카기예 대통령은 2011년 부산세계원조총회에 참석하여 공여국과 수원국의 공동책임을 강조하기도 했다.
### 공여국성과평가틀(DPAF)의 평가 지표

<table>
<thead>
<tr>
<th>Result Area</th>
<th>지표</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Financing national strategies in support of the MDGs and Vision 2020</td>
<td>A1 % ODA recorded in the national budget (PD indic 3) (ratio inverted where % disb &gt; % budgeted)</td>
</tr>
<tr>
<td></td>
<td>A2 % ODA for GoR sector delivered by GoR agencies</td>
</tr>
<tr>
<td>B. Use of national systems and institutions for strengthened ownership, sustainability and reduced transaction costs</td>
<td>B1 % ODA disbursed using GoR budget execution procedures (PD indic 5a)</td>
</tr>
<tr>
<td></td>
<td>B2 % ODA disbursed using GoR auditing procedures (PD indic 5a)</td>
</tr>
<tr>
<td></td>
<td>B3 % ODA disbursed using GoR financial reporting systems (PD indic 5a)</td>
</tr>
<tr>
<td></td>
<td>B4 % ODA disbursed using GoR procurement systems (PD indic 5b)</td>
</tr>
<tr>
<td>C. Facilitating longer-term planning and implementation through predictable development financing</td>
<td>C1 % of ODA covered by indicative forward spending plans provided at the country level</td>
</tr>
<tr>
<td></td>
<td>C2 Non-binding indication of future aid to cover at least 3 years ahead, on a rolling basis and according to GoR fiscal year? (Y/N)</td>
</tr>
<tr>
<td></td>
<td>C3 % ODA delivered in the year for which it was scheduled (PD indic 7)</td>
</tr>
<tr>
<td>D. Reduction of transaction costs and strengthening of partnerships through the adoption of harmonised approaches</td>
<td>D1 Number of missions without GoR authorisation held during Silent Period</td>
</tr>
<tr>
<td></td>
<td>D2 % of total missions that are joint (PD indic 10a)</td>
</tr>
<tr>
<td></td>
<td>D3 % of donor analytic work that is coordinated (PD indic 10b)</td>
</tr>
<tr>
<td>E. Streamlining delivery at the sector level through effective use of comparative advantage</td>
<td>E1 Average number of sectors of intervention per donor (Aggregate and individual DP level) as per the DoL.</td>
</tr>
<tr>
<td></td>
<td>E2 Percentage of their total aid portfolio for the country that the funding to DoL 3 sectors, GBS and SBS represents (Individual DP Level)</td>
</tr>
<tr>
<td>G. Budget support provided in a manner that enhances ownership, predictability and reduces transaction costs.</td>
<td>G1 Donors informing the Government of the anticipated volume of budget support, both general and sector, to be provided over the next 3-year MTEF period at least 6 months prior to the beginning of the fiscal year in question? (Y/N)</td>
</tr>
<tr>
<td></td>
<td>G2 BS donors confirming to the Government within 6 weeks of the completion of the backward looking review the exact amount, including the amount granted under a variable tranche (if applicable) to be disbursed in the next fiscal year? (Y/N)</td>
</tr>
<tr>
<td></td>
<td>G3 % of BS disbursed within the first quarter of the GoR fiscal year.</td>
</tr>
<tr>
<td></td>
<td>G4 % of BS disbursed within first six months of the GoR fiscal year for which it was scheduled.</td>
</tr>
<tr>
<td></td>
<td>G5 Donor adheres fully to common conditionality (CPAF and SBS MoUs)? (Y/N)</td>
</tr>
<tr>
<td></td>
<td>G6 Donor adheres fully to partnership framework (BSHG MoU)? (Y/N)</td>
</tr>
<tr>
<td></td>
<td>G7 % of BS disbursed in or before the month it was scheduled and withing the GoR FY it was planned</td>
</tr>
</tbody>
</table>

OECD의 파리선언 이행 평가에서도 르완다는 비교적 좋은 평가를 받았다. 2011년 평가 결과 르완다는 13개 지표 중 8개 항목에서 긍정적인 평가를 받았다. 특히 오너십 항목은 최고 점수인 A를 받았으며, 상호책무성, 수원국 시스템 활용, 원조 조화의 항목에서도 상당한 진전을 달성한 것으로 평가되었다. 단, 성과를 위한 관리(manging for results) 항목의 성과 중심의 모니터링 체계(results-based monitoring framework) 지표에서는 과거와 마찬가지로 C를 받았다. 사실 르완다는 정부는 개발계획에 따른 모니터링 및 평가(M&E) 시스템을 갖추고 있다. 앞서 살펴본 공동예산지원검토(joint budget support review), 공동 분야별검토(joint sector review) 등이 이에 해당되며 매년 원조성과보고서도 발간하고 있다. 파리선언 이행 평가에서 이 분야에서 낮은 점수를 받은 것은 르완다 정부의 M&E 역량이 뒤처져 있기 때문인 것으로 분석되고 있다(OECD[2012]). 시스템이 있다고 하더라도 실행이 미흡하다면 의미가 없기 때문이다. M&E 분야는 신뢰할 수 있는 정보를 광범위하게 수집하고 이를 분석하는 기술적인 영역이 있어 수원국 입장에서 주도적으로 이행하기 어려운 부분이기도 한다. M&E 정책을 이행할 수 있는 역량 강화는 장기적으로 이루어져야 할 것으로 보인다.

르완다는 원조정책은 원조의 관리에 있어 르완다 정부의 오너십을 일관되게 강조하고 있다. 그러나 수원국의 오너십이 지나치게 강조될 경우 원조를 제공하는 공여국 입장에서 영향력이 줄어들기 때문에 공여국과의 파트너십을 약화시킬 수도 있다. 공여국이 수원국의 오너십을 존중하여 예산지원을 통해 원조를 제공할 때에도 상호 신뢰가 바탕이 되어야 한다. 르완다는 경우 2012년 콩고민주공화국 동부지역 반군 지원 의혹으로 미국과 영국을 비롯한 주요 공여국이 지원을 중단하여 대외원조가 20%나 감소한 바 있다. 최근 다시 원조가 재개되었으나 이러한 원조의 불확실성은 안정적인 대외자금 유입과 관리에 있어 한계로 지적할 수 있다.

Ⅳ. 맺음말: 공여국내에의 시사점

지금까지 르완다 사례를 중심으로 수원국 원조정책의 내용을 살펴보았다. 수원국이 경제개발에 대한 강한 의지를 가지고 원조를 주도적으로 관리하여 효과성을 강화하려는 노력은 환영할 만하다. 특히 개발 면에서 가장 뒤처져 있는 아프리카 지역에서 이러한 움직임이 보이는 것은 매우 긍정적으로 평가할 수 있다. 물론 수원국의 역량이 어느 정도 갖추여져 있고 제도가 효율적으로 작동하며 원조가 투명하게 관리된다는 전제가 필요하다. 원조의 효과성을 극대화하는 데에는 원조를 조정하고 관리하기 위한 정책과 제도뿐만 아니라 이를 실행 가능하게 됨에 비해 줄 높은 수준의 거버넌스가 요구되기 때문이다. 또한 수원국의 주도권이 너무 강조된 나머지 공여국의 역할이 배제되어서도 안 된다. 정책이 잘 수립되어 있다고 해서 제대로 실행되려는 보장도 없고 수원국 정부가 잘 알고 있다고
援助政策の受容国における現状について

受容国の政策好意が強化される場合、援助国としてはどのように行動するべきか。ルワンダの例のように、受容国の援助政策が強化される場合、援助国としてはどのような役割を果たすべきかについて。

援助国は、受容国の政策立案及び実施の理解を深め、それを国際協力計画（CPS）に反映する必要がある。これは受容国の開発優先度と援助国の支援戦略を一致させるための基本的な事項である。また、分野別計画、地域別開発計画等、中央政府及び地方自治体の開発戦略及び財政、会計及び調達システムなどを明確に把握し、事業が推進され、利用可能性を模索する必要がある。

一方、他の援助国との協力も必要である。援助国間の分業を通じて援助の分割化を防ぎ、効果性を高めることが重要であるが、受容国の影響を握るためには、ある程度の影響力を確保することが必要である。援助国は受容国の開発計画や制度の共通評価に参加することも一つの方法である。

最近発表されたルワンダのCPSを見た場合、受容国の援助政策や管理システムに関する分析や具体的な活用方法に言及はほとんどない。CPSの実施戦略部分は、「受容国システムを活用する」という形の内容を含みますが、具体的な調査結果や他国への活用状況、実施方法に関する内容は含まれていない。

過去には、権限の不足や人材の不足で優先度が低下したと理解できるが、今後数年間の援助政策の根拠となるCPSにおける受容国の援助管理システムに関する詳細な内容は、多少残念である。受容国の援助政策及び制度を必ずそれに従うことは必ずしも正確である。受容国の援助政策を理解する理由の一つは、受容国の制度が弱い場合、援助国が受容国のシステムを活用する援助を慎重に行うべきである。援助をする場合、受容国のシステムを活用するか否かを判断する前に、最小限の調査と分析が必要である。

援助国は、受容国の政策が意味をもつ場合、受容国の環境、経済開発及び国民の幸福を実現する受容国の政府の目標と意欲、及び政策及び制度に対する信頼が後押しされる必要がある。ルワンダのように、強いリーダーシップ、比較的気力のある制度、客観的な指標で示される開発及び改革の成果、国際社会の認識等、受容国の支援政策を信じて協力することができるのが比較的豊富である。

他の受容国については、受容国の援助政策に対する判断の根拠となる資料を信頼するか、また、客観的な資料や指標が不足している場合には、受容国の政策に合わせて支援を提供するか否かを決める問題も、援助国が果たす課題である。直接、多数の受容国の資料を収集し、分析することは費用がかかるが、他国及び国際機関が作成した資料を参考にすることもできる。ただし、援助国は、その資料を受取するか否かを慎重に判断する必要がある。
참고문헌

박영호·박복영·권율·허윤선·강선주,『아프리카 개발협력의 체계적 추진방안』, 대외경제정책연구원, 2008.

Ernst & Young, It’s Time for Africa: Ernst & Young’s 2011 Africa Attractiveness Survey, 2011.
Government of Rwanda (GoR), Rwanda Aid Policy, 2006.
## 부록 1. 분야별 공여국 분업 현황 (Agreed Division of Labour)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIIB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ILO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNEP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNESCO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNFPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNHCR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UN-HABITAT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNICEF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNIDO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UN Women</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WFP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFAD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WHO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNECA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNCDF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

주: X represents internal UN Lead.
S represents silent partners providing Sector Budget Support.
부록 2. 공여국성과평가(DPAF) 결과 예시: 영국

<table>
<thead>
<tr>
<th>Results Area</th>
<th>Indicator</th>
<th>2007 Baseline</th>
<th>FY 09/10</th>
<th>FY 10/11 Target</th>
<th>FY 10/11 Actual</th>
<th>FY 11/12 Target</th>
<th>FY 11/12 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Financing national strategies in support of the MDGs and Vision 2020</td>
<td>A1</td>
<td>Volume of ODA on-budget (RWF)</td>
<td>40,329,000,000</td>
<td>44,038,243,673</td>
<td>43,612,340,403</td>
<td>63,675,997,540</td>
<td></td>
</tr>
<tr>
<td></td>
<td>% ODA recorded in the national budget (PD indicator 3) (ratio inverted where % disb &gt; % budgeted)</td>
<td>96%</td>
<td>94%</td>
<td>100%</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>% ODA for GoR sector delivered by GoR agencies</td>
<td>73%</td>
<td>78%</td>
<td>85%</td>
<td>98%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Use of national systems and institutions for strengthened ownership, sustainability and reduced transaction costs</td>
<td>B1</td>
<td>% ODA disbursed using GoR budget execution procedures (PD indic 5a)</td>
<td>92%</td>
<td>84%</td>
<td>59%</td>
<td>75%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>% ODA recorded in the national budget (PD indicator 3) (ratio inverted where % disb &gt; % budgeted)</td>
<td>96%</td>
<td>94%</td>
<td>100%</td>
<td>85%</td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>% ODA disbursed using GoR auditing procedures (PD indic 5a)</td>
<td>98%</td>
<td>86%</td>
<td>60%</td>
<td>77%</td>
<td>54%</td>
<td>94%</td>
</tr>
<tr>
<td></td>
<td>% ODA disbursed using GoR financial reporting systems (PD indic 5a)</td>
<td>98%</td>
<td>86%</td>
<td>70%</td>
<td>77%</td>
<td>67%</td>
<td>94%</td>
</tr>
<tr>
<td></td>
<td>% ODA disbursed using GoR procurement systems (PD indic 5b)</td>
<td>100%</td>
<td>87%</td>
<td>71%</td>
<td>79%</td>
<td>69%</td>
<td>95%</td>
</tr>
<tr>
<td>C. Facilitating longer-term planning and implementation through predictable development financing</td>
<td>C1</td>
<td>% of ODA covered by indicative forward spending plans provided at the country level</td>
<td>Not available</td>
<td>baseline</td>
<td>TBD</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% ODA delivered in the year for which it was scheduled (PD indic 7)</td>
<td>94%</td>
<td>86%</td>
<td>83%</td>
<td>72%</td>
<td>98%</td>
<td>105%</td>
</tr>
<tr>
<td>D. Reduction of transaction costs and strengthening of partnerships through the adoption of harmonised approaches.</td>
<td>D1</td>
<td>Number of missions without GoR authorisation held during Silent Period</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>% of total missions that are joint (PD indic 10a)</td>
<td>20%</td>
<td>100%</td>
<td>45%</td>
<td>100%</td>
<td>48%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>% of donor analytic work that is coordinated (PD indic 10b)</td>
<td>50%</td>
<td>100%</td>
<td>84%</td>
<td>86%</td>
<td>N/A - No analytic work</td>
<td></td>
</tr>
<tr>
<td>E. Streamlining delivery at the sector level through effective use of comparative advantage</td>
<td>E1</td>
<td>Average number of sectors of intervention per donor (Aggregate and individual DP level) as per the DoL.</td>
<td>Establish baseline 2008</td>
<td>NO DATA</td>
<td>3</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Percentage of their total aid portfolio for the country that the funding to DOL 3 sectors, GBS and SBS represents (Individual DP Level)</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>70%</td>
<td>95%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Results area G applies only to donors providing budget support to Rwanda.

| G1 | Donors informing the Government of the anticipated volume of budget support, both general and sector, to be provided over the next 3-year MTEF period at least 6 months prior to the beginning of the fiscal year in question? (Y/N) | N/A | Yes | Yes | No | Yes | Yes |
| G2 | BS donors confirming to the Government within 6 weeks of the completion of the backward looking review the exact amount, including the amount granted under a variable tranche (if applicable) to be disbursed in the next fiscal year? (Y/N) | N/A | Yes | Yes | Yes | Yes | Yes |
| G3 | % of BS disbursed within the first quarter of the GoR fiscal year. | 50% | 93% | 50% | 99% | 50% | 55% |
| G4 | % of BS disbursed within the first six months of the GoR fiscal year for which it was scheduled. | 100% | 100% | 100% | 100% | 100% | 90% |
| G5 | Donor adheres fully to common conditionality (CPAF and SBS MoUs)? (Y/N) | N/A | Yes | Yes | Yes | Yes | Yes |
| G6 | Donor adheres fully to partnership framework (BSHG MoU)? (Y/N) | N/A | Yes | Yes | Yes | Yes | Yes |
| G7 | % of BS disbursed in or before the month it was scheduled and wihing the GoR it was planned | N/A | n/a | To be assessed in DPAF FY2011-2012 | 100% | 45% |

The final results above are based on MINECOFIN data and DAD data entry completed by UNITED KINGDOM.

### Aid Policy of Recipient Countries in Africa

#### 부록 3. 공여국성과평가(DPAF) 결과 예시: 미국

<table>
<thead>
<tr>
<th>Results Area</th>
<th>Indicator</th>
<th>2007 Baseline</th>
<th>FY 09/10 Actual</th>
<th>FY 10/11 Target</th>
<th>FY 10/11 Actual</th>
<th>FY 11/12 Target</th>
<th>FY 11/12 Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Financing national strategies in support of the MDGs and Vision 2020</td>
<td>A1</td>
<td>61,000,000</td>
<td>0</td>
<td>3,923,114,000</td>
<td>5,893,914,598</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A2</td>
<td>% ODA recorded in the national budget (PD indicator 3) (ratio inverted where % disb &gt; % budgeted)</td>
<td>0%</td>
<td>0%</td>
<td>100%</td>
<td>3%</td>
<td>85%</td>
</tr>
<tr>
<td>B. Use of national systems and institutions for strengthened ownership, sustainability and reduced transaction costs</td>
<td>B1</td>
<td>% ODA disbursed using GoR budget execution procedures (PD indic 5a)</td>
<td>0%</td>
<td>0%</td>
<td>59%</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>B2</td>
<td>% ODA disbursed using GoR auditing procedures (PD indic 5a)</td>
<td>0%</td>
<td>0%</td>
<td>60%</td>
<td>0%</td>
<td>54%</td>
</tr>
<tr>
<td></td>
<td>B3</td>
<td>% ODA disbursed using GoR financial reporting systems (PD indic 5a)</td>
<td>0%</td>
<td>0%</td>
<td>70%</td>
<td>0%</td>
<td>67%</td>
</tr>
<tr>
<td></td>
<td>B4</td>
<td>% ODA disbursed using GoR procurement systems (PD indic 5b)</td>
<td>0%</td>
<td>4%</td>
<td>71%</td>
<td>0%</td>
<td>69%</td>
</tr>
<tr>
<td></td>
<td>B5</td>
<td>% of ODA disbursed that are recorded in the GoR systems</td>
<td>85%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Facilitating longer-term planning and implementation through predictable development financing</td>
<td>C1</td>
<td>% of ODA covered by indicative forward spending plans provided at the country level</td>
<td>Not available</td>
<td>Not available</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>C2</td>
<td>Non-binding indication of future aid to cover at least 3 years ahead, on a rolling basis and according to GoR fiscal year? (Y/N)</td>
<td>Not available</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>D. Reduction of transaction costs and strengthening of partnerships through the adoption of harmonised approaches.</td>
<td>D1</td>
<td>Number of missions without GoR authorisation held during Silent Period</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>D2</td>
<td>% of total missions that are joint (PD indic 10a)</td>
<td>100%</td>
<td>45%</td>
<td>100%</td>
<td>48%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>D3</td>
<td>% of donor analytic work that is coordinated (PD indic 10b)</td>
<td>100%</td>
<td>84%</td>
<td>38%</td>
<td>87%</td>
<td></td>
</tr>
<tr>
<td>E. Streamlining delivery at the sector level through effective use of comparative advantage</td>
<td>E1</td>
<td>Average number of sectors of intervention per donor (Aggregate and individual DP level) as per the DoL.</td>
<td>Establish baseline 2008</td>
<td>NO DATA</td>
<td>3</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>E5</td>
<td>Percentage of their total aid portfolio for the country that the funding to DoL 3 sectors, GBS and SBS represents (Individual DP Level)</td>
<td>To be assessed in DPAF FY2011-2012</td>
<td>70%</td>
<td>94%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Results area G applies only to donors providing budget support to Rwanda:

| G1 | Donors informing the Government of the anticipated volume of budget support, both general and sector, to be provided over the next 3-year MTEF period at least 6 months prior to the beginning of the fiscal year in question? (Y/N) | Establish baselines 2008 | N/A | Yes | N/A | Yes | N/A |
| G2 | BS donors confirming to the Government within 6 weeks of the completion of the backboard looking review the exact amount, including the amount granted under a variable tranche (if applicable) to be disbursed in the next fiscal year? (Y/N) | N/A | Yes | N/A | Yes | N/A |
| G3 | % of BS disbursed within the first quarter of the GoR fiscal year. | N/A | 50% | N/A | 50% | N/A |
| G4 | % of BS disbursed within first six months of the GoR fiscal year for which it was scheduled. | N/A | 100% | N/A | 100% | N/A |
| G5 | Donor adheres fully to common conditionality (CPAF and SBS MoUs)? (Y/N) | N/A | Yes | N/A | Yes | N/A |
| G6 | Donor adheres fully to partnership framework (BSHG MoU)? (Y/N) | N/A | Yes | N/A | Yes | N/A |
| G7 | % of BS disbursed in or before the month it was scheduled withing the GoR FY it was planned | N/A | n/a | To be assessed in DPAF FY2011-2012 | 100% |

The final results above are based on MINECOFIN data and DAD data entry completed by UNITED KINGDOM.

Key: Target Met, Target Not Met, Not Applicable

자료: MINECOFIN(2013), p.40
Land Reform in Korea and Its Implications
한국의 농지개혁과 개도국에 주는 시사점

박 명호
한국외국어대학교 경제학부 교수 (mhpark@hufs.ac.kr)

Executive Summary

Land reform, which became widespread all over the world after World War II, lost steam rapidly after the 1970s. Since the 21st century began, land reform forgotten for a generation has received attention again, because land reform has been recognized as an important policy tool to solve poverty. This paper examines how land reform has made impacts on both economy and society in a country based on Korea’s experience. It is highly expected that Korea’s experience will provide developing countries and international organizations, which have renewed interest in land reform, with a lot of implications.

Korea’s land reform was promoted as part of the U.S.’s anticommunism strategy for the occupying countries after World War II. In order to improve agricultural production and farm household economy under the circumstances where tenant-farming households accounted for 86 percent of the total farm households and tenant farming land ran to 64 percent of the total farmland at that time of liberation in 1945, it is certainly required to convert landlord oriented land ownership into independent farmer oriented land ownership. The 1st land reform was implemented at the instigation of the U.S. Military Government, whereas the 2nd land reform was carried out according to democratic procedure at the instigation of Korean government.

This paper is composed of 4 sections. After short introduction, section 2 deals with background and development process of Korea’s land reform. In the development process of land reform, the legislation and enforcement process of the Land Reform Act are covered. In section 3, the results of land reform are examined from both economic and social perspectives. From an economic perspective, food production, income distribution, industrialization, human capital development are examined while abolition of the landlord system and creation of independent farmers, farmer’s standard of living are investigated from a social perspective.
section 4, the policy implications for developing countries are mentioned from Korea’s experiences.

Keywords: Land reform, Korea, developing countries, development experience

I. 서론


과거 농지개혁은 개도국 및 체제전환국 등에서 다양한 방식으로 시도되었다. 그러나 대부분의 경우 실패로 끝나면서 선진국이나 국제기구에 농지개혁에 대한 부정적 모습을 심어주었다. 농지개혁의 주된 실패 원인은 개혁을 위한 준비가 미흡한 상태에서 정치적 동기를 충족시키기 위해 농지개혁을 실시하였기 때문이다. 그리고 과거의 농지개혁 실패 경험은 사람들에게 농지개혁 자체에 대한 부정적 시각을 만들어 농지개혁은 더 이상 개혁 프로그램의 일환으로 간주하지 않도록 만들었다. 이런 이유에서 농지개혁은 그 당위성에도 불구하고 오랜 기간 잊혀졌다.

한편, 한국의 농지개혁은 세계적으로 가장 성공한 사례의 하나로 지적되고 있다. 특히 지주개혁의 소멸이라는 관점에서 한국의 농지개혁은 가장 두드러진 성과를 기록하였다 (Borras et al.[2005]; Galor[2011]). 한국의 농지개혁은 일부에서는 세계적인 성공 사례로 인정받지만 국내 학계에서는 관심의 대상에서 벗어나 있었다. 물론 일부 연구자에 의해 최근까지 학술적인 연구가 진행되었지만 농지개혁은 경제학계에서는 여전히 낮은 주제였다. 한국정부는 1960년대와 70년대 수차례에 걸쳐 농지개혁 관련 공식 보고서를 준비하였다. 그러나 사전 준비 부족 등으로 인해 정부 차원의 공식보고서는 발간되지 못하였다.

1) 일부 정치 지도자는 농지개혁에 대한 사전 준비도 없이 농지의 분배를 명분으로 대중 영향력인 정책을 추진하였다. 그러나 현실에 부합하지 않는 부실한 정책 프로그램, 집권 정치세력의 막연한 리더십, 그리고 정부의 미흡한 집행 능력 등으로 인해 농지개혁은 반면이 실패하였다. 실패기반으로 농지개혁의 실패는 그 주요요인으로 폭력사태를 유발시켰거나 아니면 사후적으로 매우 강도 높은 규제를 도입하여 정책실패를 더욱 강화시키기도 하였다.


본고의 구성은 다음과 같다. 제2장에서는 한국 농지개혁의 전개과정을 역사적 배경, 입법과정 및 집행과정으로 나누어 살펴보았다. 제3장에서는 한국 농지개혁의 성과 평가를 경제적, 사회적 관점에서 고찰하였다. 제4장에서는 한국 농지개혁의 특징과 더불어 농지개혁이 개도국에 주는 시사점을 도출하였다.

Ⅱ. 한국 농지개혁의 전개과정

1. 농지개혁의 배경 및 1차 농지개혁

한국 사회는 1945년 일본으로부터 해방될 때까지 농촌사회였다. 한국의 농업은 전통적으로 봉건적인 소작제도하에서 운영되었다. 토지는 주로 왕실 및 귀족에 의해 소유되었다. 일부 자영농을 제외하면 대다수 농민은 왕실 및 귀족이 소유한 농지를 소작하였다. 그러나 농가소득은 농업생산, 소득분배, 산업자본 형성 등에 어떤 영향을 미쳤는지 알아보았다. 사회적 측면에서는 농지개혁이 사회구조 및 생활수준에 미친 효과를 살펴보았다. 제4장에서는 한국 농지개혁의 특징과 더불어 농지개혁이 개도국에 주는 시사점을 도출하였다.

3) 본고에서는 한국의 농지개혁 성과 평가 관련 내용을 박명호(2013a)를 중심으로 정리하였다. 박명호(2013a)에서는 한국의 농지개혁 성과 관련 농업생산, 농민 생활수준, 교육 등에 미친 효과를 가능한 데이터를 수집하여 실증 분석을 시도하였다.
지 시기까지 한국의 농업은 봉건제에서 벗어나지 못하였다.

일제 시기 농지와 관련하여 가장 획기적인 사업은 토지조사사업이다.4) 일제의 토지조사사업은 법적으로는 근대적 토지제도의 확립을 의미한다. 등기제도 및 토지 공부(公簿)와 같은 근대적 토지제도가 정착되면서 토지 매매의 거래비용이 축소되어 토지 매매가 급증하였다. 그러나 소농을 보호하기 위한 조치가 없어서 결과적으로 소농 몰락과 지주제 발전에 기여하였다. 일제에는 고유의 소작료 정수가 가능했으므로 농업 경영의 수입률이 높았다. 그러므로 농지 수요가 농지 공급을 능가하면서 농지가격은 상승했다. 특히 부동산을 담보로 하는 농업금융이 발달하면서 토지투자 열기는 고조되었다. 일본은 산업혁명 과정에서 수입국으로 전환되어 그 결과 조선으로부터의 수입으로부터의 수요가 증가하였다. 이는 조선의 농업 경영환경을 유리하게 만들었다(이영훈[2005]). 농업 경영의 합리화를 위해 비농민 자본이 농촌에 유입되었고 지주가 보유한 토지규모 역시 증대되었다. 그리고 소작료를 확보하려는 농민 간 경쟁이 가속화되면서 고유의 소작료 정수가 가능해졌다. 높은 소작료는 결과적으로 소작농의 삶을 더욱 어렵게 하였다(김성호 외[1989]).

1945년 해방 직후에는 전 국민의 3/4 이상이 농업에 종사하였다. 1945년 말 기준 남한의 총경지 223만 정보 중 145만 정보가 소작지였다. 그리고 126만 정보의 대략 89만 정보가 소작지였다. 그리고 소작자의 대부분은 일본인과 조선인 대지주의 소유에 있었다(Pak[1966]). 해방 직후 한국의 토지소유제도는 일제하의 식민지 지주제를 그대로 물려받았다. 결과적으로 해방 이후 한국은 소수 지주의 대토지 소유와 농민의 분산적 영세경영, 그리고 고유의 현물 소작제도를 답습하였다(박영호[2013a]).

미군정은 1945년 9월 8일 미군의 인천 상륙에서부터 시작하여 1948년 8월 15일 남한에 정부가 수립될 때까지 약 2년 11개월에 걸쳐 실시되었다. 미군정은 일본의 귀속재산을 대상으로 한국의 1차 농지개혁을 주도하였다. 여기서 귀속재산이란 1945년 8월 일본이 2차대전에서 패망하고 쫓겨나면서 한반도에 남기고 간 재산으로 그 후 미군정과 한국정부에 귀속된 재산을 의미한다.5)

해방 직후에는 비료와 농기계의 공급 부족 등으로 농업생산이 감소한 반면, 귀환동포는 농업생산이 감소한 반면, 귀환동포는 급증하여 식량사정이 몹시 악화되었다. 미군정은 처음에는 식량에 대한 통제를 풀고 이를 시장의 자율적 조정기제에 맡기려 하였다. 그러나 농산물이 원천적으로 부족한 상태에서 상인들의 투기적 매점매석과 폭리만을 조장하였다(Morrow and Sherper[1970]). 그 결과 식량 자Malloc화 조치는 다시 공출제로 전환되었다. 더욱이 농업부문에 시장기능을 도입하는 것에 대해서는 농민들의 거부감이 매우 컸으므로 시장제도 도입은 더욱 고려하지 않았다. 한편, 미군정의 조사 결과 당시 국민의 77%가 사회주의와 공산주의를 지지하는 것으론 등록되지 않은 한국인의 토지를 몰수하여 일본인 소유로 전환하였다. 이 과정을 통해 당시 농지의 15%, 삼림의 60%가량이 일본인에게 넘어간 것으로 추정된다. 물론 한국인 이름으로 보유된 토지의 상당 부분도 일본인에 의해 소유되었으니 점을 고려한다면 일본인이 토지조사사업을 통해 몰수한 토지 및 삼림 규모는 더 클 것으로 추정된다. 토지개혁 측면에서는 한국인이 보유한 토지의 가치는 전체 토지가치의 32%인 반면, 일본인이 보유한 토지는 전체 토지가치의 68%를 차지하였다. 유인호(1975) 참조.

로 나타났다. 더욱이 1946년에는 북한에서 농지개혁을 실시하였다. 미군정은 이런 문제들을 해결하기 위해서는 농지개혁이 현실적으로 가장 좋은 대안으로 판단하였다. 특히 일제하에서부터 농민운동의 전통이 구축되었으므로 농민 역시 다양한 형태로 자신의 권익을 표출하였고, 이런 농민의 주장이 미군정에 의해 수용되어 농지개혁이 가능할 수 있었다.

미국은 남한을 대소련 전진기지로 삼고자 하였다. 그러므로 농민들의 투쟁을 약화시키고, 한국 사회에 자본주의를 발전시키고자 하였다. 당시 잉여농산물 수출의 필요성을 안고 있던 미국은 식량수입에 반대하는 지주재목을 제거하는 것이 필요하였다. 그러므로 미군의 입장에서 농지개혁은 한편으로는 농민의 지지를 유발하면서, 다른 한편으로는 지주 세력을 약화시킬 수 있다는 점에서 매우 유리하다고 판단하였다. 이와 같이 미국은 농지개혁을 통해 공산주의와 급진적 민족주의에 대항할 보를 구축하였고 동시에 미국의 경제적 이익을도모할 수 있었다. 이런 판단하에 미군정은 신한공사가 보유하였던 일본의 귀속재산 농지를 대상으로 1차 농지개혁을 단행하였다. 특히 미군정은 이미 1946년 일본에서 농지개혁을 단행한 경험이 있었으므로 한국에서 어떠한 방식으로 농지개혁을 실시해야 하는지에 대해 이미 잘 알고 있었다(Morrow and Sherper[1970]).

미군정은 1945년 10월 5일 미군령 제9호 「최고소작료율경정의 건」에 의거하여 소작료 3-1제를 실시하고 결정하였다. 미군정이 한국에 진주한 지 한 달도 안된 상태에서 소작료 문제를 해결하려는 이유는 한국의 농민이 50%가 소작료를 내면서 매우 어렵게 생활하였기 때문이다. 더욱이 미군정은 일본 점령정책의 일환으로 실시된 일본 농지개혁의 연장선상에서 일본의 개혁조치를 한국에 적용시키였다(Kawagoe[1999]). 또한 미군정은 1945년 12월 6일 남한 내 모든 공. 사 일본인 소유재산을 미군정이 점수한다는 법령 제33호를 공포하였다. 군정청 취급 일본인 재산의 보고 및 재산의 경영. 점유 및 사용에 관한 관계령 제2호를 통해 일본 기관이나 단체, 조합재산을 군정청의 소유로 했으며, 공. 사유 일본인 재산을 점수하였다.7) 한편, 동양척식회사의 소유농지와 구일본인 소유농지로 구성된 귀속농지는 1946년 2월 법령 52호에 의해 공식적으로 창립된 신한공사에서 관할하였다. 거대 지주가 된 미군정은 신한공사 토지의 운영과 관리를 통해 매우 커다란 영향력을 행사하였다. 미군정에 의한 강도 높은 소작료 수입은 실제로 신한공사의 가장 중요한 사업의 하나였으므로 미군정은 당시 식량조달의 3분의 1에 해당하는 규모의 소작료를 징수하였다.8)

일본의 농지개혁안을 구상하였던 아서 번스 교수는 미군정의 요청에 따라 1946년 신한공사 소유의 귀속토지를 대상으로 한국의 농지개혁법 초안을 마련하였고, 1947년 한미 공

7) 미군정의 조지는 귀속에는 유례를 찾아볼 수 없는 행동이었다. 이에 대한 교수의 지적대로 미군정의 일본인 재산 접수는 점령지역에서의 사유재산 몰수를 금하는 해고 조치를 유발하였기 때문이다. 그러나 일본은 당시 미군정에 의해 지배를 받았으므로 미군정의 조치를 수용할 수밖에 없었다. 이대근(2011) 참조.
동위원을 구성하여 농지개혁안을 심의하였다. 그러나 미군정의 농지개혁안은 국내의 반발로 실행되지 못하였다. 그러다가 1948년 3월 22일 미군정은 「중앙토지행정처설치령」을 공포하면서 「신한공사해산령」을 통해 신한공사의 재산을 토지행정처로 이관하면서 농지개혁을 단행하였다. 미군정은 농지의 대가를 해당 토지 생산물의 3배로 하고 지불방식은 연생산물의 20%씩 15년간 현물 분납하는 형태의 농지개혁을 실시하였다. 한국 정부가 수립된 뒤까지 분배된 귀속농지의 건수는 727,632건, 분배면적은 245,554정보였다. 그중 논은 189,518정보, 밭은 56,036정보였다. 이는 분배대상 경지의 91%, 분배대상 건수의 87%에 해당하는 것이었다.9)

2. 2차 농지개혁

광복 이후 한국정부에 의한 농지개혁 과정은 길고 험난했다. 1946년 4월 북한에서 무상몰수 무상분배의 토지개혁이 실시되었다. 이에 따라 농민들의 농지개혁운동은 격화되었다. 그러나 지주의 입장을 지지하던 보수 진영과 농민의 입장은 대립하는 전보 전영의 대립으로 농지개혁 방법에 대한 합의점은 찾기 힘들었다(김성호 외[1989]). 이런 와중에 미군정은 1948년 3월 신한공사가 보유하던 구일본인 소유농지를 대상으로 농지를 농민에게 분배하였다. 1948년 8월 이승만 정부가 수립된 후에도 농지개혁의 요구는 매우 거세었고 정치권은 이를 수용할 수밖에 없었다. 그 결과 당시 제헌헌법에 농지개혁의 실시를 명기하였다. 헌법 초안에 ‘농지는 농민에게 분배(Land to the Tillers)’라는 조항을 명시적으로 포함시키지 주로에서 유리한 예외적 조치를 취할 여지를 봉쇄하였다. 임야는 농업생산에서 중요한 비중을 차지하고 있었지만 개혁대상에서 제외되었다.

대한민국에서 농지개혁법의 제정과정은 이승만으로 대표되는 미국 입장, 한민당으로 대표되는 지주 입장, 무소속 소장위원으로 대표되는 농민 입장이 대립, 격충되는 과정이었다(김성호 외[1989]). 주요 쟁점은 소유상한, 매수와 분배시 적용할 토지가격, 그리고 분할 보상 및 상환 기간 등이었다.10)

진보 인사 조봉암이 장관을 맡았던 농림부는 1948년 11월 22일 최초로 정부안을 발표하였다. 당시 농림부 안에는서 ‘농지를 정수당하는 지주에 대해 평균수확량의 15%를 3년 거치 10년 분할 보상, 1호당 2정보의 소유한도, 분배 농지에 대해 농민은 평균수확량의 12%를 6년간 2할씩 상환, 차액은 국가 지원, 모든 농지의 자유매매·증여·전달·소작과 임대차 금지’ 내용을 담고 있었다(김성호 외[1989]). 당시 농림부 안은 사유재산권 행사에 제한, 농지의 국가 관리, 소작제의 완전 철폐 등을 확실히 규정하였고, 당시 농민

9) 박명호(2013a) 참조.
10) 당시 논의되었던 다양한 농지개혁방안, 즉 분배대상 농지 규모, 보상지가, 보상방식, 상환지가, 상환방식과 관련해서는 박명호(2013b)를 참조.
들 대부분은 농림부 안에 찬성하였다. 그러나 당시 국회의 다수당이었던 한국당이 지주의 토지 강매를 막기 위한 새로운 안을 만들면서 지주와 농민 간의 갈등은 보다 체계하게 대립하였다. 그러다가 농지개혁법은 최종적으로 1949년 4월 26일 국회의 통과하였다. 특히 최대 관심사였던 보상 문제는 15할 안이 채택되었고, 소유상한은 3정보로 확정되었다.

농지개혁법이 국회를 통과하면서 정부는 1949년 5월 농지개혁 실시를 위한 주요 사안을 논의하였다. 그 결과 농지개혁을 위한 행정조직을 신설하고, 예산을 편성하며, 농촌실태조사를 실시하고, 농지위원회를 구성하기로 결정하였다. 정부는 농지개혁 실시를 위해 농림부 조직을 재편하게 개편하였다. 그리고 지방행정기구의 개편과 농지위원회를 신설하였다. 일본의 농지개혁과정에서 상당한 기여를 했다고 평가받던 농지위원회의 도입을 통해 농지개혁이 집행능력이 대폭 강화되었다(Kawagoe[1999]). 한편, 농림부는 1949년 5월 농지실태조사를 실시하였고, 같은 해 12월 농가실태조사 결과가 발표되었다. 이와 같이 농가의 경작 실태와 실정이 모두 파악되었으므로 농지개혁법이 통과되자마자 농지개혁이 착수될 수 있었다.

한국의 농지개혁은 유상매입-유상분배 원칙에 따라 이루어졌다. 농지를 분배받은 농민은 보상금액을 5년간 균분해서 갚아야 했다. 그리고 지주가 농지 보상을 받으려면 보상청사를 도지사에게 제출하도록 하였다. 그 결과 정부는 지가증권을 지주에게 교부하도록 하였다. 지가증권은 국가에서 매수한 농지의 가격을 기입하여 국가, 지주에게 교부하는 유가증권이다. 지가증권에는 농지 주상산물 수량이 표시되었는데, 이는 화폐가치의 변동과 관계없이 실질적인 가치를 유지하기 위해 단일지분으로 환산하여 표시되었다. 지가증권은 유가증권의 효력을 지녔으므로 지가증권을 갖고 귀속재산 매각비용을 지불할 수 있고, 귀속농지의 상환액도 납입할 수 있었다. 그리고 지가증권을 담보로 기업자금을 융자받을 수 있었고 명의변경과 분할 역시 자유롭게 이루어졌다(김성호 외[1989]).

한편, 분배 농지의 면적과 상환통계는 농지개혁사업에서 매우 중요한 기초통계이므로 정부는 상환 관련 점검표와 집계표를 직접 만들었다. 그러니 농지개혁사업을 추진하려면 행정비용을 비롯하여 지적정리비 등의 사업비를 마련해야 했다. 이를 위해 정부는 지주에 대한 보상금에서 그 비용을 공제하였다. 그 공제비율을 체감률이라 불렀다. 체감률은 대통령령에 따라 정해졌는데, 75석 미만까지는 체감률이 적용되지 않다가 그 이상부터는 누진적으로 적용하였다. 이렇게 하여 소지주의 부담은 경감시킨 반면 대지주일수도 부담을 크게 만들었다(박명호[2013a]). 농지개혁사업은 농지의 매수·분배, 농지대상의 보상과 상환, 그리고 분배농지의 소유권 이전의 3단계로 진행되었다. 그중에서 소유권 이전 둥기는 정 자유전의 원칙이 실현되는 마지막 과정이었다. 둥기는 농지소유권 효력발생의 요건임에도 불구하고 당시 일반농민들은 경작권과 매매 종시만으로 소유권의 변동이 이루어진 것으로 생각하였다. 따라서 일부 농민은 비용이 발생하는 둥기는 관심이 적거나 의도적으로 회피하기도 하였다. 이는 당시 수매농가의 경우 소작농의 신세를 벗어나지 못하였으므로 등기비용조사도 부담으로 느껴지기 때문이었다. 따라서 분배농지의 소유권을 이전하는 과정에서 이농 및 탈농, 암매매 등의 행위를 가려내고 이를 바로잡는 역할 역시 소유권의 이전만
크 중요하였다(김성호 외[1989]).

마지막으로 농지개혁사업을 원활히 추진하려면 재정적으로 독립적인 회계가 필요하였다. 귀속농지의 경우 귀속농지관리특별회계법에 의해 운영되었으나 새로 착수되는 분배농지의 농지 대가 상환과 지주 보상 등 농지개혁사업의 자금운영을 위해 특별회계의 설치는 불가피하였다. 그 결과 1952년 4월 12일 농지개혁사업특별회계법이 제정되었다. 원래 귀속농지의 세입은 일부 관리비를 제외하고는 농지개량사업 등에 사용되었는데, 당시 국가 재정으로는 이런 사업비를 마련할 수 없었기 때문이다. 그런데 농지개혁사업 기간 진행된 극심한 인플레이션은 농지를 매수당하고 그 대가로 지가증권을 받은 중소지주의 몰락을 가져왔다. 반면, 인플레 덕분에 발생한 농특회계상의 잉여금은 농지개량사업의 재원에 크게 기여하였다. 농업생산력 기반 조성을 위한 농지개량사업은 과거에는 지주 중심으로 시행되었다. 그렇지만 농지개혁 이후에는 농지개량사업을 자영농 스스로 감당해야 했다. 그러나 당시 영세한 자영농이 농지개량사업을 감당하기는 불가능하였다. 따라서 농지개혁법은 국가가 의무적으로 농지개량사업을 하도록 하였다. 이와 같이 농특회계가 농지개량사업을 전면적으로 지원하면서 농지개량사업은 본격적으로 이루어졌다. 1953년부터 1960년 기간 연평균 9,654평이에 해당하는 사업을 추진하였다(김성호 외[1989]).

농지개혁사업은 이런 집행과정을 거쳐 1959년 말에 대부분 마무리되었다. 농지개혁사업 실적을 각 부문별 물량으로 보면 농지대가 보상 96%, 상환 98.7%, 분배농지 지적측량 89.8%, 그리고 분배농지 소유권 토지가 63%로 이전등기를 제외하고는 90% 이상의 진척을 보였다(김성호 외[1989]). 농지개혁법에 따르면 보상 및 상환 기간이 5년이었으므로 1955년부터 정산작업에 들어갔어야 했지만 한국전쟁으로 인해 사업이 중단되면서 정산작업은 지연될 수밖에 없었다. 그 결과 농지개혁은 원안보다는 다소 늦어졌지만 초기의 성과를 거두고 공식적으로는 1968년 사업이 종료되었다.

Ⅲ. 농지개혁의 성과


한국의 농지개혁에 대한 이념적 평가는 1980년대 이후 농지개혁에 대한 실증연구가 이
루어지면서 종식되었다. 한국농촌경제연구원을 중심으로 농지개혁 연구가 실증자료를 근거로 작성되면서 농지개혁의 평가는 이념 논쟁에서 자유롭게 되었다. 더욱이 농지개혁의 성과는 특정 영역에 제한되기보다는 경제, 사회적으로 광범위한 영향을 미치는 것으로 나타났다. 그러므로 농지개혁의 성과는 경제적 측면 외에 사회적 측면에서도 이루어질 때 정당한 평가를 받을 수 있다. 이하에서는 농지개혁 관련 성과 평가를 경제적 측면에서는 농업생산, 소득 재분배, 산업자본 형성 및 인적자본 형성의 관점에서 살펴보았고, 사회적 측면에서는 지주계급의 몰락과 농민 생활수준을 중심으로 살펴보았다.

1. 경제적 측면

(1) 농산물 생산

농지개혁은 농업생산에 긍정적인 효과와 부정적인 효과를 동시에 미친다. 농지개혁의 긍정적 효과가 부정적 효과를 중화하는 경우 농업생산은 증가할 것이고, 반대의 경우 농업생산은 감소할 수 있다. 그렇지만 농지개혁 그 자체만으로는 농업생산에 어떤 영향을 미칠지 사전적으로 알 수 없다. 농지개혁이 농업 생산에 미친 효과를 살펴보기 위해 농지개혁 이전과 이후의 농업생산 증가율 추세를 비교할 수 있다. 문팔용 외(1981)는 농지개혁 이전과 이후의 농업생산 및 미곡생산 증가율을 비교. 분석한 결과 농지개혁이 인한 생산 증가효과는 미미하였다고 지적하였다. 그리고 농업생산이 증가하지 못한 가장 중요한 원인을 자영농의 영세성에서 찾았다(문팔용 외[1981]). 1930년대 지주들은 농지에 대한 일정한 노동 및 자본 투입과 더불어 주요 농업재료의 조달을 담당하였다. 그런데 농지개혁으로 새롭게 탄생한 영세지주는 농업 투자를 감당할 여력을 전혀 지니지 못하였다. 이는 당시 농가 부채의 규모와 구성, 농가 수지 등을 통해 확인할 수 있었다(박명호 외[2013b]).

영세지주가 농업 투자를 감당하지 못하는 경우 농지개혁을 통해 일정한 수익을 확보함 농업 투자는 증가시킬 수 있다. 실제로 1950년대 한국정부는 농지개혁 과정에서 발생한 이익금의 일부를 농업생산 기반사업에 투자함으로써 농업생산의 증진에 일부 기여한 것으로 나타났다(김성호 외[1989]).

위의 내용을 종합해 농지개혁이 한국의 농업생산에 미친 영향을 살펴보면 다음과 같다. 우선, 규모의 경제로 인한 농업생산의 손실은 미미한 것으로 조사되었다(Pak[1966]). 반면, 소작농에서 자작농으로 전환된 영세지주는 투자 여력 부족으로 농업생산 증가에 영향을 미치지 못을 나타냈다. 그러므로 농지개혁 결과 농업생산이 부패 증가할 수 있었던 것은 정부의 농업부문에 대한 투자 확대에서 기인한다(김성호 외[1989]). 그러나 1956년

---

1) 한국의 농지개혁 및 농업생산은 관련된 보다 상세한 내용은 박명호(2013b)를 참조.
부터 미국의 양여농산물이 국내 식량 공급량의 14%에 이르는 규모로 들어오면서 곡가 폭락으로 농민의 생산의욕이 저하되었고, 그 결과 농업생산이 마이너스 증가율을 보이기도 하였다.

한편, 한국의 농지개혁 및 농업생산과 관련된 박명호(2013b)의 실증분석에서 지적하였듯이 한국의 미국생산량에 가장 큰 영향을 미친 요인은 농지면적으로 나타났다. 1950년대 이후 일부 영세지주들이 더 이상 자작 농사를 감당할 수 없게 되어 농지를 매각하면서 소작률은 다시 증가하였다. 그런데 이런 영세지주의 농지이탈은 간척사업과 맞물리면서 농민 1인당 농지면적을 증가시켰고, 이런 현실이 반영되면서 농업생산은 점진적으로 증가한 것으로 나타났다(박명호[2013b]).

(2) 소득 재분배

한국정부의 농지개혁에 대한 염원은 매우 강렬하였다. 이를 반영하여 한국의 독립정부가 들어선 이후 대부분의 정치인들은 경제유전의 원칙을 선거공약으로 하는 정당 강령을 채택하였고, 이는 당시 헌법에도 명시되었다. 해방 이후 한국의 지주는 과거에 일본인에게 협력했다는 오점 때문에 그 지위가 매우 약하였다. 그 결과 지주배급과 이를 대표하는 정치집단인 한민당의 정치인들은 수차례에 걸쳐 농지개혁법의 입법을 막으려 했지만 한계를 넘어설 수 없었다(김성호 외[1989]).

그러므로 한국정부의 농지개혁은 미국정부의 농지개혁보다 높은 강도로 이루어졌다. 지주에 대한 보상금액을 살펴보면 한국정부는 연간 수확량의 1.5배로 미군정 시기 농지개혁에서 정한 연간 수확량 3배의 절반으로 정하였다. 실제로 농지배급의 상황과 보상은 매년 연간 수확량의 30%를 5년간 납부하기로 했다. 그런데 당시의 물가상승률을 감안한다면 5년간 연간 수확량의 30%를 5년간 납부토록 하는 방식은 농민에게는 일종의 특혜라고 할 수 있다. 예시로 10%의 할인율을 적용하여 계산하면 5년간 30%씩 납부하는 금액은 실질 단위로 표시하면 1년간 생산량의 1.13배에 해당하기 때문이다.

한편, 지주는 농지개혁으로 막대한 피해를 입었다. 우선, 지주는 보상금 지불지연에 따른 인플레 피해를 입었다. 1950~67년 지주의 명목 보상량은 1,176만석이었지만 이를 법정 곡가로 계산하면 44.8%에 불과하였다. 이어서 지주들에게 실제로 지불된 금액은 시장가격의 곡가가 아닌 법정 곡가로서 실질보상액은 그만큼 감소하였다. 보상 당시 시중가격으로 환산하면 298만석으로 명목 보상량의 25.3%에 불과하였다. 마지막으로 지주들은 지가증권을 현금으로 보상받기 전에 이를 사전에 매각하였는데, 매각가액은 상환 시기에 따라 달랐지만 대체로 평균 50% 이하의 가격으로 매각하였다. 그러므로 대다수 지주의 토지자본은 산업자본으로 축적되지 못한 채 대부분 소멸되었다.

결과적으로 지주는 엄청난 손실을 입었지만 이 손실이 자동적으로 농민의 이익으로 귀속되지는 않았다. 1950년 6월 한국전쟁이 터지면서 정부는 군량미 조달을 위해 많은 양곡을 필요로 했다. 이 과정에서 정부는 농민들에게는 현물로 상환토록 하였고, 지주에게는 법정 곡가로 지불함으로써 전비를 조달하였다. 특히 전시 중에 농민이 매년 수확량의 30%에 해당하는 곡물을 농지대금으로 상환하는 것은 적지 않은 부담이었다. 그러므로 전쟁과 더불어 지주와 소작인 모두 정부의 농지 분배를 원하지 않는 상황이 초래되었다. 지주는 자신의 농지를 직접 판매함으로써 농지채권을 피하고자 하였다. 소작인은 5년 동안 매년 수확량의 30%를 곡물로 정부에 상환해야 하는데, 이는 시중에서 거래되는 농지채권의 가치보다 높은 가격을 지불하는 것이 되었다.

한편, 일본 식민지 시대에는 농촌인구의 4%에 해당하는 지주들이 주곡생산의 50% 또는 농업소득의 25%에 해당하는 부분을 지대로 받았다(문팔용 외(1981)). 농지개혁 이후 일본인 지주들은 모든 것을 잃었지만, 한국인 지주는 그들이 소유했던 농지에서 농지자산의 1/6~1/4 수준의 보상을 받았다. 농지 이외에 다른 소득이 없는 지주는 사실상 몰락했고, 3정보 이상을 가진 자영농도 순매매를 보았으나 이들은 전체 농촌인구의 4%에 불과했다. 결국 농지개혁으로 해택을 입은 1차적인 수익자는 농지를 분배받은 소작인이라 할 수 있다. 정부 또한 농지대금의 상환기간 동안 재분배된 농지에서 많은 수익을 얻었다. 문팔용 외(1981, p.247)에 따르면 농지개혁으로 인한 소작인의 소득증대에 대해 “농지개혁 전과 농지개혁 후의 농업총생산이 같다고 하면, 상위에 있던 4%에 해당하는 농민의 평균소득 80% 감소는 1948년 이전에 소작농이었거나 자소작농이었던 하위 80% 농민의 평균소득 20~30% 증가와 맞먹는 것이었다”라고 추정하였다.

(3) 산업자본 형성

농지개혁의 주요 목적의 하나는 지주의 토지자본을 산업자본으로 전환하거나 지주를 자본가로 전환하는 것이었다. 농지개혁을 통해 자본적적 촉진하여 한국의 자본가계급 형성이 기여하고자 하였다. 이승만 대통령은 농지개혁과 관련하여 “자본가 대부분 토지에 있는 한국에서는 지주들이 더 토지를 내놓고 그 가격을 받아서 자본을 만들어야 공업에 착수할 수 있을 것”(서울신문, 1948년 12월 17일자)이라며 유상몰수 유상분배 형태로 농지개혁을 진행하였고, 지주들에게 토지대금으로 지급된 자금으로 산업화로 나갈 방침을 밝혔다.

지주들은 소유하고 있던 전담을 내놓는 조건으로 정부로부터 지가증권을 받았다. 그런데 농지개혁이 시행된 지 3개월 만에 한국전쟁이 일어났다. 정부는 전쟁 수행을 위한 자

---

금조달을 위해 돈을 찍어 유통시킴으로써 전시 인플레가 발생하였다. 물가지수는 서울 도 매물가를 기준으로 1945년을 100으로 할 때 1947년 855, 1950년 2,974, 1951년 1만 8,753, 1952년 4만 605, 1953년 5만 863으로 폭등하였다. 정부는 지주에게 체감률을 적응한 지가증권으로 정부의 법정 현물가격으로 5년 동안 곧등 보상하였다. 정부가 지주 1인당 5년 동안 지가를 보상한 금액은 평균은 30.2석으로 나타났다(김성호 외[1989]).

정부는 지주가 받은 보상금을 산업자본으로 유인하고자 하였다. 그러나 지주는 보상금을 산업자본으로 전환시킬 수 없었다. 대부분의 지주는 전시 인플레로 인해 휴지 조각처럼 변한 지가증권을 투매하여 생활비로 사용했다. 그리고 일부 지주는 고등교육을 받았다. 그 결과 대지주계급은 몰락하고, 경제부흥과 산업발전에 사용되어야 할 민족자본이었던 토지자본은 지주들의 생활비나 소비자금으로 유실되었다(김용삼[2000]).

당시 우리나라의 유일한 자산계층이었던 지주는 한국전쟁을 거치면서 전시 인플레에 시달리고 피난살이의 와중에 생활비를 마련하기 위해 지가증권을 액면가의 40~80%로 처분하고 몰락하였다(김성호 외[1989]). 그러나 정부는 귀속 기업체 매수자와 타인 명의의 지가증권을 매입하여 이를 귀속 기업체 인수대금으로 지불할 수 있도록 하였다. 정부는 지주가 아닌 제3자가 지가증권을 매입하여 귀속 기업체 매수에 참여할 수 있도록 문호를 개방함으로써 지가증권을 산업자본으로 유도하고자 하였다. 그 결과 일부 산업 기업가들은 지가증권을 쌓았음에 매입하여 귀속재산 불하대금으로 남입함으로써 손쉽게 산업자본가로 도약하는 기회를 얻었다(김용삼[2000]). 그렇지만 대부분의 지주는 지가증권을 활용해 산업자본으로 전환하는 데는 실패하였다.14) (4) 인적자본 형성

농지개혁은 토지를 많이 갖고 있는 지주로부터 소작인에게 토지를 법적 조치에 의해 유무상으로 배분하는 조치라는 점에서 자산 재분배효과를 지닌다. 그렇지만 농지개혁이 그 자체로 인적자본 형성에 어떤 영향을 미치는지 파악하기는 쉽지 않다. 그러나 최근 개발 경제학 연구에서 정작하였듯이 농지 소유의 불균형 정도가 인적자본 형성에 크게 기여하는 것으로 나타났다(Galor and Vollrath[2009]; Bilancienci and D’Alessandro[2005]; Cinnirella and Hornung[2011]). 지주가 대토지를 소유하는 체제에서는 지주는 공교육 확산에 대한 유인이 적기 때문에 농민 및 농민의 자녀에게 교육기회를 제공할 유인이 적다. 그렇지만 농지개혁으로 대지주의 농지소유가 제한되는 경우 농민 및 농민의 자녀에 대한 교육기회 확대에 대한 지주의 저항이 줄어들면서 공교육기회가 확대되고 이로 인해

인적자본이 향상될 수 있음을 강조한다. 특히 Galor and Vollrath(2009), Galor(2011) 등은 한국을 농지개혁과 인적자본 간의 선순환을 보여준 대표적인 사례로 지적하였다.\(^{15}\)

한국의 농지개혁이 인적자본 형성에 미친 효과는 두 가지 측면에서 고찰할 수 있다. 한편으로는 사학재단의 학교 설립 덕분에 한국 사회의 인적자본 향상을 이루어졌다. 농지개혁 과정에서 개혁대상에서 제외되었던 사학재단은 해방 이후부터 1950년대 중반까지 많은 학교를 설립하면서 교육기회를 확대시켰다(박명호[2013a]). 다른 한편으로는 농지개혁은 지주로부터 소작농에게 자산을 강제 분배함으로써 소작농의 경제적 기반을 향상시켰다(서찬수[1987]; 권병택[1984]). 그 결과 과거 소작농 시절에는 불가능하였지만 자작농으로 전환되면서 농민의 자녀들은 정규교육의 혜택을 누리게 되었다.

전통적으로 한국 사회에서는 영세농민이 자녀를 위한 교육비를 조달할 수 없었으므로 인적자본 촉진이 빈약할 수밖에 없었다. 물론 국가의 재정이 충분하다면 완전한 무상교육을 통해 인적자본 촉진이 가능할 수 있다. 그러나 한국정부의 재정은 무상 공교육을 감당하기에는 너무 취약했다. 그리므로 대부분의 국민에게는 교육기회가 제공되지 못하였다.

그런데 한국의 농지개혁은 의무교육 강화정책과 맞물리면서 인적자본 촉진과 관련하여 획기적인 기회를 제공하였다. 이승만 정부는 1949년 「교육법」 제정 이후 1950년 6월 1일 ‘의무교육 6개년계획’을 수립하였다. 정부는 의무교육 확충을 위해 1948년 정부예산의 8.9%였던 문교예산을 1960년에는 15.2%로 증가시켰고 학교와 학급을 신설하여 국민 대중교육을 확대하였다. 그 결과 의무교육 6개년계획에서 목표로 삼았던 1959년까지 총학생대중의 취학률을 96%까지 올렸다. 이와 같이 이승만 정부의 농지개혁은 교육정책과 동시에 추진되면서 한국 사회의 인적자본 촉진에 크게 기여하였다(서찬수[1987]).\(^{16}\)

2. 사회적 측면

(1) 지주의 몰락과 자작농제의 출현

미군정과 이승만 정부는 농지개혁을 반공의 효과적인 수단이면서 정권의 정통성 확보에도 도움이 되리라 확신하였다. 반면, 농지개혁의 저항세력이었던 지주계급은 과거 일제 하에서의 친일 행적 등으로 인해 농지개혁을 반대하기에는 역부족이었다. 그 결과 농지개혁은 별 저항 없이 추진되었고 한국 사회에서 지주계급은 몰락하였고 소작농의 자작농화가 급속히 진행되었다.


\(^{16}\) 박명호(2013a)는 농지개혁 및 인적자본 형성과 관련하여 구체적인 사례 연구를 시도하였다. 이를 위해 농림축산식품부를 수차례 방문하여 농지개혁 관련 정보가 남아 있는 지역의 학생인구 및 취학 데이터를 구하고자 하였으나 결과적으로는 데이터를 찾기로 구해서 보다 상세한 연구를 진행하지 못하였다.
한편, 광범위한 자작농의 창출은 일본과 마찬가지로 한국에서도 농민을 보수화시켰고, 이는 한국 사회에 시장경제질서를 정착시키는 데 기여했다. 그러나 한국전쟁은 영세한 자작농 체제의 농업에 결정적인 타격을 가했다. 전쟁이 장기전으로 되면서 정부는 전쟁 피해가 상대적으로 적었던 농민에게 전비 부담을 전가하였기 때문이다. 농지분배를 받은 농민들은 상환곡을 현물로 냈고, 임시토지수득세를 비롯한 세금이 농민에게 집중되었으며, 미국의 양여농산물 도입은 농업의 생산기반을 위태롭게 하였다.

그러면 농지개혁 전후 농지소유 형태의 변화를 통해 얼마나 많은 자작농이 만들어졌는지 살펴보자. 김성호 외(1989)에 따르면 1945년 14.2%이던 자작농은 1947년에는 17.0%, 1949년 37.4%였다가 농지개혁 이후인 1951년에는 80.7%로 증가하였다. 반면, 자소작농은 1945년 35.6%, 1947년에는 39.6%, 1949년 41.4%였다가 농지개혁 이후인 1951년에는 15.4%로 급감했다. 즉, 자소작농의 2/3가량이 자작농으로 전환되었다. 소작농은 1945년 50.2%에 달했다가 1947년에는 43.4%, 1949년 21.2%였다가 농지개혁 이후인 1951년에는 3.9%로 대폭 감소하였다. 결론적으로 한국의 농지개혁은 토지에 기반을 두었던 지주계급을 몰락시켰고, 전 농민의 95% 이상이 짧은 기간 내에 자작화를 이루게 하였음을 알 수 있다(김성호 외[1989]).

(2) 농민의 생활수준

농지개혁이 농민의 생활수준에 어떤 영향을 미쳤는지 살펴보려면 농가 소득수준에 대한 데이터가 필요하다. 그러나 현재로서는 당시의 농가소득 데이터가 없으므로(17) 농업생산 수준 및 지대를 토대로 농민의 생활수준을 간접적으로 측정할 수밖에 없다. 측정 결과 1950년대 농업생산 측면에서는 별다른 차이를 보이지 않지만 지대는 현저하게 축소되어 농민 생활수준이 완만하게 개선된 것으로 조사되었다(문팔용 외[1981]).

<table>
<thead>
<tr>
<th>표 1</th>
<th>지대 자분 후의 농가소득(1933~75년: 1934년 불변가격 기준)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>농업생산</td>
</tr>
<tr>
<td>1933</td>
<td>370.55</td>
</tr>
<tr>
<td>1938</td>
<td>406.19</td>
</tr>
<tr>
<td>1962</td>
<td>327.89</td>
</tr>
<tr>
<td>1965</td>
<td>327.74</td>
</tr>
<tr>
<td>1970</td>
<td>382.44</td>
</tr>
<tr>
<td>1973</td>
<td>421.83</td>
</tr>
<tr>
<td>1975</td>
<td>436.82</td>
</tr>
</tbody>
</table>


(17) 한국의 농가경제조사는 1962년부터 이루어졌다.

<table>
<thead>
<tr>
<th>표 2</th>
<th>1950년대 농가호당 평균 경영수지 변화</th>
</tr>
</thead>
<tbody>
<tr>
<td>수입(원)</td>
<td>지출(원)</td>
</tr>
<tr>
<td></td>
<td>농가수입</td>
</tr>
<tr>
<td>1954</td>
<td>146</td>
</tr>
<tr>
<td>1955</td>
<td>307</td>
</tr>
<tr>
<td>1956</td>
<td>460</td>
</tr>
<tr>
<td>1957</td>
<td>485</td>
</tr>
<tr>
<td>1958</td>
<td>429</td>
</tr>
<tr>
<td>1959</td>
<td>412</td>
</tr>
</tbody>
</table>

자료: 한국은행, 『경제통계연보』, 1960, pp.280~283.

당시 농촌생활을 가장 힘들게 한 요인의 하나로 지목되는 것이 임시토지수득세 (temporary farm-income tax)이다. 임시토지수득세는 한국전쟁으로 인한 국가경제의 불안 정을 조정하기 위하여 토지수익에 대한 정세를 물납으로 통합함으로써 통화팽창의 방지와 양곡정책에 기여하기 위해 1951년 9월에 도입되었다. 이승만 정부의 전시 최우선 과제는 군인과 도시 사람에게 식량을 공급하는 일이었다. 양곡 수집을 통해 군대 및 도시 식량을 확보해야 했는데, 이승만 정부는 통화팽창을 막기 위해 임시토지수득세를 만들었다. 당시 정부는 영세농들의 생활을 보장한다는 명분하에 과세율을 토지수확량에 따라 15~28%로 정하였다. 10석 미만의 수확을 하는 영세농들에게는 15%의 세율을 적용하였다. 그렇지만 농지개혁 이후 매년 30%의 생산물을 지가상환에 납부해야 했던 영세농민에게 임시토지수득세는 엄청난 부담으로 작용하였다.18) 이와 같이 농민들은 농지개혁 이후부터 1950년대 중반까지는 생활수준의 급격한 하락을 경험하였다. 영세지주도 신분이 전환된 농민들은 지가 상환과 더불어 임시토지수득세 납부 등으로 인해 큰 부담을 안고 있었다. 설상가상으로 미국으로부터 도입된 양어농산물은 농가소득을 더욱 어렵게 만들었다. 이는 대표적으로 농가 가계수지에 가장 잘 드러난다. 농가 가계는 1957년까지는 적자였지만 그 이후부터는 지속적으로 해를 보이는 것으로 나타났다(박명호[2013a]).19)
Ⅳ. 한국 농지개혁의 특징과 시사점

한국의 농지개혁은 역사, 경제, 사회적인 요인들이 복합적으로 작용하여 단행되었다. 한국은 비교적 짧은 기간 동안 반봉건적 소작제도 및 지주제도를 철폐하였다는 점에서 전 세계적으로 가장 성공적인 농지개혁 사례로 평가받았다(Putzel[2000]). 특히 한국의 농지 개혁은 무상교육 실시와 동시에 이루어졌다는 점에서 1960년대 이후 산업화에 결정적인 기여를 하였다(Galar, Moav, and Vollrath[2009]). 이렇게 볼 때 한국은 농지개혁과 교육 개혁을 통해 물질 자본과 인적자본의 균등화를 동시에 이루어졌다. 그리고 물질자본 및 인적자본의 초기 조건 균등화(low initial inequality)는 경제발전 과정에서 매우 중요한 역할을 수행하였다고 평가받고 있다(Rudolf[2012]). 한국이 농지개혁을 성공적으로 추진할 수 있었던 배경 및 그 특징을 살펴보고 개도국에 주는 시사점을 정리하면 다음과 같다.

우선 농지개혁에 참여하는 이해관계자 입장에서 볼 때 농민 및 농민을 대변하는 집단의 역할이 매우 중요하다. 농민단체 및 농촌의 이익을 대변하는 지식인들은 일제 시대로부터 해방 이후까지 다양한 형태의 농민운동을 전개하면서 강도 높게 농지개혁을 요구하였고, 미군정 및 이승만 정부는 이런 요구를 무시할 수 없었다. 농민의 적극적인 요구가 없었다면 미군정 및 한국정부는 농지개혁을 단행하지 않았을 것이다. 농지개혁 추진과정에서 농민이 농지위원회 등의 활동에 적극 참여한 점 역시 농지개혁의 주된 성공요인의 하나이다. 농지개혁은 기본적으로 농민에게 농지에 대한 권리를 부여하는 행위이다. 따라서 농지개혁을 통해 농가소득을 높이려면 구체적인 후속 조치가 수반되어야 한다. 이러한 사례들에서 볼 때 농지개혁이 단순한 토지의 분배를 넘어 농업생산 향상과 농가소득을 높이려는 구체적인 후속 조치가 수반되어야 한다. 한국의 경험에서 볼 수 있듯이 농지개혁 이후 농민은 농지대금을 상환해야 하므로 농업생산을 위한 투자 여력이 거의 없었다. 그러므로 정부의 투자 지원 없이는 농업생산 및 농가소득 향상을 기대하기 어렵다. 1950년대 이후 한국정부는 농지개혁에 관한 일련의 조치를 취하여 농산물의 생산을 증가시켰다. 그러나 일련의 조치들을 통해 농업부문에 대한 투자를 체계적으로 늘리면서 농산물 생산 증대와 이에 따른 농가소득의 향상이 이루어졌다.
넷째, 농지개혁사업이 효율적으로 집행되려면 3권 분립에 입각한 근대적 국가기구가 갖추어야 한다. 그중에서도 행정조직의 구축이 중요하다. 농지개혁사업이 공정하고 투명하게 이루어지려면 정부는 사의적 판단이 아닌 법률, 규정 등에 따라 사업을 추진하여야 하고 분쟁이 발생할 때 공정하게 처리해야 한다. 이런 의미에서 성공적인 농지개혁을 위해서는 입법, 행정, 사법부가 모두 제각기 자기 역할을 충실히 수행해야 한다. 특히 농지 개혁을 이루어면 토지소유 권리가 제도화되어야 한다. 한국, 일본에서 농지개혁이 성공적으로 이루어진 공통 배경의 하나는 바로 농지의 등기체계를 일찍부터 구축하였다는 점이다(Putzel[2000]). 등기체계가 구축되려면 등기 이전 단계인 토지 조사, 측량 등의 작업이 선행되어야 한다는 점에서 정부 행정체계의 구축은 농지개혁을 위한 전제조건이라 할 수 있다.

마지막으로 농지개혁은 시장친화적으로 이루어져야 한다(Prosterman and Hanstad[2003]). 시장친화적 농지개혁을 이루어면 세계은행의 Deininger 박사의 지적대로 농지의 매매를 원하는 당사자들 간 협상을 통한 농지거래의 활성화가 중요하다(Deininger and Binswanger[1999]). 지주와 소작인 간 자발적인 협상을 통해 새로운 농지 소유 또는 계약 관계를 이루는 경우 최소한의 정부개입을 통한 분권화된 방식의 농지개혁이 가능해지기 때문이다. 한국의 경우 농지개혁이 단행되기 전에 지주와 소작인 간에 상당 규모의 농지 매매가 이루어졌다는 점에서 한국의 농지개혁은 시장친화적 성격을 지녔다고 볼 수 있다.20)

권병탁, 「농지개혁의 과정과 경제적 기여」, 『농업정책연구』 제11권 제1호, 1984, pp.191~207.
김성호 외, 「농지개혁사 연구」, 한국농촌경제연구원, 1989.
박병호, 「한국의 농지개혁」, 경제발전경제철모델화사업, 기획재정부, 2013a.
박병호, 「한국의 농지개혁과 농업생산」, 『비교경제연구』, 제26권 제1호, 2013b.
서찬수, 「한국의 인적자본 축적과정과 그 요인」, 『경제연구』, 제5권, 한국경제통상학회, 1987, pp.69~90.
우대형, 「농지개혁의 생산성 증대효과 분석」, 『농지개혁 연구』, 연세대학교출판부, 2001.
유인호, 「한국농지제도의 연구」, 백문당, 1975.
이대근, 「쟁점: 왜 귀속재산인가?」, 낙성대 연구소 세미나 자료, 2011.
이혜숙, 「미군정의 구조와 성격」, 한국사회학회 1993년도 후기 사회학대회 발표자료, 1993.
한국은행, 『경제통계연보』, 각년도.


PART II

Knowledge Exchange and Sharing

1. Beyond One-Time, One-Sided Knowledge Transfer: KSP with the Dominican Republic

2. Reforming Institutions to Improve Education Service Delivery and Strengthen Cambodia’s Competitiveness
Beyond One-Time, One-Sided Knowledge Transfer: Knowledge Sharing Program with the Dominican Republic¹)

Wonhyuk Lim
Senior Fellow, Korea Development Institute (wlim@kdi.re.kr)

I. Introduction

Korea’s Knowledge Sharing Program (KSP), launched in 2004, is a policy-oriented development cooperation program in which Korea shares its development experiences to support the institutional and capacity building of partner countries through a series of collaborative research works, policy consultations, and technical assistance, on policy issues identified by the partner countries. The KSP is comprised of three parts: (1) the systemization and modularization of Korea’s development experiences into case studies, (2) bilateral policy consultation through knowledge sharing with partner countries, and (3) joint consulting with international organizations in a triangular format.

Figure 1 shows a conceptual diagram of KSP bilateral policy consultation activities, which include interviews and meetings, joint research and dialogue, study tours, and seminars, with a view toward building cross-country and within-country partnerships. The emphasis here is on horizontal or peer-to-peer interaction as it not only facilitates tacit knowledge exchange but also creates empathy and inspiration. This helps to build cross-country partnerships. For effective implementation, coalition building among government officials, experts, and practitioners is also important. This is the vertical or within-country reform partnership aspect.

The KSP has five main features. First, it is a ‘policy-based’ development cooperation program, which applies Korea’s own experience in offering practical development policy alternatives to partner countries. To this end, former high-level policymakers who executed these policies and experts who helped to make the policies, as well as current practitioners from the public and private sectors, participate in the KSP. Second, it is a ‘demand-driven’ program in which the

¹) This article is based on a case study presented in a joint assessment project by the Korea Development Institute and World Bank Institute (2011).
development concerns and needs of high-level policy makers and current policy practitioners of partner countries are taken into consideration. Third, it is a ‘capacity building’ program, aimed at enhancing the policy making and implementing capabilities of the participants through sectoral research, consultation, and training. In particular, the KSP strives to maximize the effectiveness of learning and to strengthen development partnerships by inviting policymakers and experts of a partner country to Korea to discuss policy recommendations and to demonstrate first-hand how policy is implemented by touring relevant institutions. Fourth, it is a ‘comprehensive’ program that seeks to help a partner country achieve its development goals. It is a departure from existing aid programs that merely offer a blueprint for development or directional policy advice. Instead, it tries to assist in developing and implementing result-driven policies, backed by a series of institutional and financial commitments made through other development cooperation programs. Lastly, it is a ‘flexible’ program in which projects can be developed into multi-year cooperation programs, if needed. The KSP also seeks to establish strategic development relationships with non-ODA countries to broaden participation as a way to meet the needs of the international community.

Overview of Program Context

KDI launched the KSP with the Dominican Republic in 2008. The objectives included conducting policy research, consultation and training programs to advance
Beyond One-Time, One-Sided Knowledge Transfer

The 2008 KSP focused on finding policy priorities and challenges of developing exports and providing pragmatic and viable policy recommendations tailored to meet local conditions. It was followed by another KSP in 2009 that focused on infrastructure development for export promotion in conjunction with Korea’s Economic Development Cooperation Fund (EDCF) and improvement in the electric power system in the Dominican Republic.

The program aimed to improve both vertical (within-country) and horizontal (cross-country) interactions. That is, the KSP strived to promote coalition building among relevant stakeholders including policymakers, practitioners, scholars, private sector leaders and exporters within the Dominican Republic. The KSP also tried to encourage peer-to-peer learning between Korean and Dominican participants to assist capacity building of the Dominicans through exchange of knowledge and experience with their Korean counterparts.

At the request of the Dominican Republic, participants were selected from a variety of areas, including policymakers, practitioners, scholars, exporters and export associations from Korea and the Dominican Republic. Participants from the Korean side included the main KSP consultant team of three to four experts as well as representatives from government ministries, public and private agencies, and exporters and export associations. Study tours in Korea were designed to address the needs of the Dominican Republic in both the public and private sector through sharing Korea’s knowledge and experience from several perspectives.

The KSP’s mix of vertical and horizontal interactions facilitated final policy recommendations customized for the local context. This section reports the outcomes of the knowledge exchange based on findings from a qualitative analysis of interviews with program implementers and beneficiaries and relevant program documents (2008 and 2009 KSP final reports). Data were analyzed using the Capacity Development and Results Framework (CDRF), which offers a blueprint for tracing results stories. The CDRF show the knowledge exchange armed change agents to achieve needed intermediate capacity outcomes (ICOs) for supporting the longer-term development of institutional outcomes.

Development Goal and Capacity Development Objectives

During his visit to KDI in July 2006, President Leonel Fernandez Reyna of the Dominican Republic participated in a seminar and engaged in lively discussions on Korea’s development experience. By comparing Korea’s development experience with that of the Dominican Republic, he found out that the Dominican Republic had a higher per capita income than Korea until 1974. Despite similar geopolitical and economic conditions, Korea had pursued strong export-driven policies throughout the 1960s and 1970s, which impressed President Leonel Fernandez and motivated him to instruct Minister Eddy Martinez Manzueta of the Export and
Investment Center of the Dominican Republic (Centro de Exportación e Inversión de la República Dominicana, or CEI-RD) to seek cooperation with KDI to learn from Korea’s export development experience.

Despite the country’s small domestic market of about 10 million people, export was not traditionally strong and not viewed as important in the Dominican Republic. The volume of export was anticipated to decline, from 35 percent of the country’s GDP in the 1990s to 27 percent in 2003 to 15 percent in 2007. The Dominican Republic had an average export growth rate of approximately six percent from 2005 to 2007, among the lowest in the Caribbean region, including the member countries of DR-CAFTA, the free trade agreement between the U.S. and Central American countries and the Dominican Republic (Lim et al. [2009], p.43). Multiple factors explain reasons for the stagnation in the country’s exports: complicated customs procedure; insufficient financial support, including the absence of export financing tailored to the needs of exporters and companies; collateral-based loans; and lack of systematic support.

A key development goal in the Dominican Republic is to promote export development. With the goal of developing its exports, the Dominican government wished to achieve the following objectives through the KSP with Korea:

- Learn and apply best practices that worked in Korea’s development process
- Build capacities of policymakers, practitioners at the actual working level, and exporters through knowledge and experience exchange with Korean counterparts
- Learn from the benchmarking of Korea’s export-oriented strategies and apply the results strategies to become acquainted with key factors that caused export development in Korea to soar

To achieve these objectives, the 2008 KSP focused on the development of policies and systems for export promotion, export financing and human resource capacity building. As a follow-up to the first-year’s policy recommendations, the Dominican government requested related technical and financial assistance on export infrastructure, electric power and establishing an export-import bank in 2009.

Based on an analysis of a series of interviews with Dominican policymakers, practitioners, private sector leaders, and Korean participants, along with in-depth reviews of the final KSP reports, the capacity development objectives of the two KSPs were to:

- Increase the strength of stakeholder ownership by building the commitment of political and social leaders of the Dominican Republic to promote export development
- Improve the efficiency of policy instruments for encouraging export development
- Enhance the effectiveness of organizational arrangements by improving the operational efficiency of state electrical companies to better generate and
II. Program Description

Stages of the Program

The KSP with the Dominican Republic was implemented through a series of program stages set within the KSP framework. The participants from the Korean and the Dominican Republic visited each other’s respective countries to conduct the following activities in the 2008 KSP:

♦ High-level Demand Survey: Identification of policy priority areas regarding export development through interviews between policymakers and export leaders of Korea and the Dominican Republic.

♦ Pilot Study: Interviews with policy practitioners, export agencies and exporters to concretize policy research and consultation topics and to collect data for in-depth research and studies, including respective presentations on the export experiences of Korea and the Dominican Republic.

♦ Local Reporting Workshop and Additional Study: Presentation of preliminary findings and discussion with local participants to tailor policy recommendations.

♦ Interim Reporting and Policy Practitioners’ Workshop: Presentation of interim findings and discussions, seminars and study tours to Korea’s export agencies, ministries and private export companies to experience first-hand Korea’s export development.

♦ Senior Policy Dialogue and Final Reporting Workshop: Presentation and dissemination of findings to local policymakers, social leaders, and local stakeholders, including government officials, export agencies, specialists, media, and local exporters, etc.

The Korean expert group felt that the highlight of the 2008 program was a meeting with President Fernandez held at the National Palace in June 2008. The meeting helped to ensure local ownership and support for the KSP. For Korea, export development – for which the nation has continuously had to measure itself against global benchmarks – has been the engine of growth and the organizing principle under which industrial upgrading, infrastructure development and human resource development could be pursued. To President Fernandez, the Korean expert group suggested that the Dominican Republic similarly use exports to change the Dominican people’s mindset and overcome the limits of its small domestic market. They emphasized that the government could play a significant role by working with the private sector on a regular basis to monitor progress and devise solutions to
emerging problems (Lim et al. [2009], p.8).

The 2009 KSP was implemented based on the same framework, with the exception of High-level Demand Survey and Local Reporting Workshop. The policy priorities and detailed topics were decided at the last stage of the 2008 program through the Senior Policy Dialogue. The Policy Conference for EDCF Country Strategy, which was held during the Pilot Study, replaced the Local Reporting Workshop.

The exchange of visits and interviews with diverse stakeholders, including policymakers, practitioners, and the private sector, provided the Korean consultants with the opportunity to learn varying perspectives from all sectors. Through the KSP, the Dominican delegation—which was composed of a mix of policymakers, practitioners and the private sector—were encouraged to ponder and discuss challenges to export development and possible policy solutions. In addition, by seeing and experiencing Korea’s export development experience firsthand, the Dominican delegation observed in practice the methods and techniques on how to develop their export that they had read about in the literature.

Participants from Korea

For the 2008 program on “Export Development of the Dominican Republic,” the government and KDI selected four topics through a series of discussions with the Dominican counterparts. In line with the number of topics, four Korean consultants, based on their expertise and knowledge on each of the topics, participated in the 2008 program (Appendix).

The Korean ministries, export agencies and private exporters contributed to the content during the Dominican delegation’s study tour to Korea. During the Policy Practitioners’ Workshop, the Dominican delegation met with high-ranking officials at the Blue House and Ministry of Strategy and Finance and visited export-related agencies and organizations as well as firms in the public and private sector including: the Dongdaemun Fashion Center, Korea Electric Power Corporation (KEPCO), Samsung Electronics, Hanyang University Ansan Campus, SK Group Headquarters, and Korea Export-Import Bank (KEXIM Bank).

The same logic was applied to the 2009 KSP, which focused on improving the export infrastructure and electric power system. Four Korean consultants participated, based on their expertise and knowledge on each of the topics (Appendix).

Experts from Korea Electric Power Corporation (KEPCO) contributed heavily to the content, focused on improving the electric power system in the Dominican Republic. KEPCO participated in the pilot study and presented Korea’s development experience in the electric sector. In addition, during the Policy Practitioners’ Workshop when 13 Dominican delegates—composed of government officials and
Beyond One-Time, One-Sided Knowledge Transfer

experts on export and electricity—visited Korea for the study tour, KEPCO, Korea Institute of Energy Research, Korea Advanced Institute of Science and Technology (KAIST), Incheon Free Trade Zone, Kumho P&B Chemical, and Daewoo International Trading Company provided valuable information on Korea’s development experience in export and electric power development.

Participants from the Dominican Republic

Another main characteristic or feature of the KSP, apart from selecting detailed topics and consultants, is its selection of a counterpart organization within the partner country that will coordinate all of the necessary arrangements among different local stakeholders. The Dominican government designated CEI-RD to cooperate with KDI since it was the main organization in charge of promoting Dominican Republic exports.

The participants of the Dominican Republic can be divided into two categories: members of the Dominican delegation who participated in the study tour in Korea, and attendees of the local reporting workshops, such as the Launching Seminars, Policy Conference on EDCF Country Strategy and Final Reporting Workshop. A number of Dominican officials and experts made presentations and comments at these events. In addition, a couple of Dominican experts subsequently contributed to consultant papers on human resource development issues.

The Dominican delegates who visited Korea for the Interim Reporting and Policy Practitioners’ Workshop were selected at the discretion of the Dominican counterpart, CEI-RD, building on the following guidelines provided by the Korean counterpart, KDI:

- Delegation must be led by a senior government official (e.g., vice minister) responsible for policymaking in export development, economic planning, electric sector development or any area relevant to the KSP topics
- Delegation must include a mix of policymakers, practitioners and private exporters
- Delegates must have expertise and knowledge of the relevant areas studied

CEI-RD suggested that the delegation include multiple high-level officials across ministries and agencies so that they could not only see Korea’s development experience firsthand, but also engage in intensive discussions on Dominican policy challenges over the course of the trip and work together to implement reform after returning home. KDI agreed, believing that additional resources committed to the study tour as a result would be fully justified if it led to substantive reform.

Based on these criteria, 15 Dominican delegates were selected for the 2008 program on export development: three minister level policymakers and 12 policy practitioner level experts from various organizations. For the 2009 program on improvements in the export infrastructure and electric power system, 13 Dominican
delegates were selected using the same criteria. The complete list of organizations is found in the Appendix.

For the seminars and workshops held in the Dominican Republic for the 2008 and 2009 KSPs, a wider range of stakeholders from additional relevant organizations participated, to provide comments and feedback on findings and recommendations prepared by the Korean counterparts as well as to make their own presentations on policy challenges for the Dominican Republic. Organizations included ministries, banks, public agencies, the private sector and universities. The complete list of organizations is found in the Appendix.

The KSP process occurs at multiple levels, with assistance to government ministries, public and private organizations, and businesses. Since the KSP is a comprehensive program consisting of policy research and recommendations that aim to assist the socio-economic development of the counterpart country, it is essential to consider the perspectives of all stakeholders in preparing the final policy recommendations. The KSP also provides opportunities to strengthen vertical interactions within the Dominican Republic by bringing various stakeholders together at seminars and workshops to discuss issues related to the topic.

**Policy Recommendations**

After working through each of the stages in the KSP framework, the KSP produced final policy recommendations for each year’s project topic: Export Development of the Dominican Republic (2008) and Improving the Export Infrastructure and Electric Power System of the Dominican Republic (2009).

In the 2008 program, the Korean consultants and the Dominican officials and experts agreed that a resolute pursuit of coordinated export development was necessary to achieve macroeconomic stability and long-term economic growth in the Dominican Republic. In addition, export development strategies had to become the organizing principle under which industrial upgrading, infrastructure development and human resource development would be pursued. Moreover, the Dominican government was advised to recognize that competitive exports based on domestic industrial capabilities could provide a solid basis for maintaining macroeconomic stability.

Based on the main findings, policy recommendations included:

- *Establish Regular Public-Private Consultation Meetings on Export headed by the President to set up various information-sharing mechanisms to monitor progress on export development and devise solutions to emerging problems.*
- *Develop International Trade Networks and Strengthen International Information Collection Efforts to share information on foreign markets, identify foreign buyers, etc.*
- *Establish an Export Promotion Fund and Expand it to an Export-Import Bank*
to provide export financing, insurance and credit services to exporters.

- Set out a Clear Vision in a Multi-year Plan to coordinate mid-to-long-term development policies and ensure policy consistency.

For the 2009 program, the primary objective was to formulate an EDCF Country Assistance Strategy for the Dominican Republic within the framework of a comprehensive export infrastructure development plan, by identifying an extensive list of projects that would allow 3-4 years of stable and continuous EDCF assistance to the country. The main objective for improving the electrical power system was to seek effective solutions to chronic problems in the Dominican electric power sector.

Based on the findings of the electricity sector and identification of the necessary infrastructure for export development, policy recommendations provided by the Korean consultants included:

- Proceed with the EDCF project on the Establishment of CIBAO Trade Center to better assist export development with basic infrastructure.
- Establish a Control Tower in the energy sector in charge of policy implementation as well as its formulation.
- Reform Pricing and Subsidy Policies to reduce massive debt of power distribution companies and thereby securing business certainty.
- Reduce Technical and non-technical losses by changing outdated electricity distribution lines and equipments, legislating a law to prevent power theft, improving meter-reading work, etc.

### III. Outcomes and Analysis

**Summary of the Capacity Development Change Logic**

The KSPs sought to address five main institutional constraints to export development. First, the government was not committed to export development. Second, the private sector did not have the policy incentives in place to promote exports. Third, the financial resources and support for companies to start exporting were not available. Fourth, the infrastructure for exports was weak, particularly in terms of export financing and assistance due to absence of a government authority in charge and in the energy sector because of operational inefficiencies. Fifth, a lack of multi-year strategic planning led to inconsistencies in policies slowing export development.

In order for the government to establish their commitment to export development, government officials and business leaders needed to be able to understand the importance of developing exports to create a socio-political
environment conducive to export development. The KSP allowed the key stakeholders to envision how export development would help the country to transform its economy and improve the lives of its people. The knowledge exchange from the KSP and seeing firsthand the successes of Korea had the catalytic effect of inspiring key governmental decision makers (the president and the ministry heads) and business leaders to commit to export promotion in the Dominican Republic.

It is not until higher-level political officials and private sector leaders established their commitment to export development that progress toward influencing policy changes and organizational efficiencies could begin. The political leadership’s commitment to the development of exports led to a high prioritization of export development in the national strategy, the upgrading of the current infrastructure to improve operational efficiencies in the energy sector, and the facilitation of financing and lending operations for exports.

The KSP imparted knowledge on how to improve energy sector efficiencies and how to establish financing and insurance for exports through practitioner-to-practitioner exchanges. Observing how these models worked in practice and discussing the challenges with the experts who implemented them in Korea motivated and informed local stakeholders not only on what needed to be done, but also in how to take action from a practical level. The KSP connected the Dominican Republic delegation members to their Korean counterparts (i.e., KEPCO and KEXIM) who had grappled with the same issues in the past. This led to formal twinning arrangements whereby the Korean institutions will provide assistance, training, and the technical guidance necessary to implement the new policies.

Likewise, the officials from the Ministry of Economy, Planning and Development learned from the KSP how to engage in strategic long-term planning to achieve national goals. This empowered the Ministry to integrate multi-year planning into the development of their national strategies. The importance of planning to successful development was emphasized by the Minister of Planning Juan Montas’s preface to the The Face of Hope: The Miracle of South Korea Seen by a Dominican Diplomat written by Ambassador Hector Galvan, which he wrote after the KSP (Montas [2008]).

Figure 2 presents an overview of the change logic. The individual results stories in the following sections describe how the KSP influenced key change agentsto achieve ICOs that lead to greater institutional outcomes. The ICOs are critical points in the change process that encompass outcomes achieved by participants in the intermediate term. In the Dominican Republic, participants achieved raised awareness of the importance of export development and were motivated to take action. They enhanced and applied knowledge acquired from the KSP in their respective areas. They also strengthened coalitions between the public and private sectors.
Strength of Stakeholder Ownership: Changes in Mindset and Commitment of the Government toward Export Development

Intermediate Capacity Outcomes

In results-focused capacity development, the achievement of raised awareness demonstrates an ICO. In this KSP, participants’ raised awareness reflected a change in the ability and disposition of stakeholders (or change agents) to take action. After the KSP, Dominican participants were highly motivated to take action to achieve the development goal.

Minister Martinez of the CEI-RD said his awareness had been raised dramatically from his participation in the KSP. During his interview, he said, “There have been numerous country reports that we have read in the literature on the need to develop the export but they never felt real. However, after we visited Korea and engaged in discussions with those who actually participated in the process of developing Korea’s exports, it made us believe that the Dominican Republic could also do it. Seeing was totally different from just reading about it in
the literature. We could now clearly see the future of the Dominican Republic. The Dominican Republic can be the Korea of the Caribbean. This sentiment was echoed at the highest government level when President Fernandez used the same expression in his remarks in March 2011 at a seminar on future challenges for humanity. After specialists in future studies made their presentations at FUNGLODE, the Dominican foundation for democracy and development which he had founded, President Fernandez said: “We try to build the future knowing that is uncertain… Nothing can be done in this world in transition if we do not visualize the future. And we want the Dominican Republic to be the Korea of the Caribbean” (Fernandez [2011]).

Likewise, Minister Juan Temistocles Montas of Economy, Planning and Development of the Dominican Republic demonstrated his awareness had been raised in the preface he wrote for “The Face of Hope: The Miracle of South Korea Seen by a Dominican Diplomat,” by Ambassador Hector Galvan, after his first visit to Korea in September 2008 through the KSP. Montas’ preface was based on his reaction to the stark realization that the Dominican Republic had a higher GDP per capita than Korea until 1974 (Montas [2008]).

The preface begins by stating, “In 1950, South Korea was poorer than the Dominican Republic. The GDP per capita of the Asian nation represented 83 percent of the Dominican Republic’s GDP. In 1965, the Dominican Republic’s GDP per capita still exceeded South Korea’s; however, in 2006, the GDP per capita of South Korea was almost four times superior to the Dominican Republic...” Montas also said the title of the book, The Face of Hope, captured “what South Korea is for all those countries who want to radically transform the social and economic conditions of their people in the course of a single generation.” This statement illustrates the KSP’s inspirational and motivational influence on Minister Montas.

Institutional Outcomes

The KSP enhanced the commitment of high-level government officials and business leaders, which represented improved stakeholder ownership at the institutional level. Several examples demonstrate the public sector’s increased commitment to promote exports.

A presidential decree was issued to hold Private-Public Consultation Meetings. According to the 2008 KSP final report and interviews conducted in April 2011, presidential decrees had been issued to hold Private-Public Consultation Meetings. This action was a direct result of the KSP recommendation that was based on Korea’s experience of the President convening “Monthly Export Promotion Meetings” from the 1960s to 1980s. In the Dominican case, the meetings have been held every three to four months upon the request of the private sector when there was a need for public and private actors to come together and solve problems
relevant to exports. Members of the meetings include the president, relevant ministers, leaders of export agencies, and private sector leaders, such as the president of the Dominican Association of Exporters. The president demonstrates his strong support for exports by convening these meetings.

Direct results from the meetings include the One-Stop Shop for Investment established by the president, high-level government officials, and private sector representatives. Another result is a proposal to establish the Dominican Republic Export Trading Company (DR-ETC), prepared jointly by public and private actors based on the Korean model of general trading companies promoting local export. The CEI-RD collaborated with other ministries and export associations to develop business plans to establish the DR-ETC, which are currently under review. Once established, the DR-ETC will be dedicated to the commercialization of Dominican goods and services in international markets. The DR-ETC is expected to function exclusively as a trader, i.e., serving as a matchmaker for intermediary sales, without taking possession of goods and services.

International trade networks were enhanced, which led to stronger information collection efforts. CEI-RD and the Dominican Ministry of Foreign Relations signed a Memorandum of Understanding to collaborate on strengthening the international trade networks. The first achievement of the collaboration was inviting Dominican representatives from the public and private sector living abroad to Santo Domingo for training. The training encompassed exports, foreign direct investment, and approaches to foster international trade networks, based on Korea’s experience with the Korea Trade-Investment Promotion Agency (KOTRA) and general trading companies.

In addition, the Dominican Republic hosted the first international Food Show (exhibition) and invited foreign buyers to participate. The CEI-RD and Ministry of Foreign Relations arranged over 600 business-to-business meetings between foreign buyers and domestic exporters.

The president established support for mechanisms to facilitate access to funding. Specifically, the president of the Dominican Republic mandated the conversion of the Bank of Housing and Production (BNVP) into the Dominican Export-Import Bank (DEXIM) and has taken concrete steps to facilitate the process. During interviews with BNVP managers and staff, it was noted that President Fernandez directly instructed the conversion of BNVP into a development bank. President Fernandez assigned the presidency of BNVP to a pro-export candidate, Mr. Federico Antun, and explicitly ordered him to oversee the conversion of BNVP to DEXIM. This was corroborated by the 2010 KSP country report, which cited President Fernandez’s strong support for DEXIM and requested regular briefings about its progress. Minister Martinez of CEI-RD reported that the Minister of Economy, Planning and Development and Finance, Governor of the Central Bank, and other officials of related institutions are also supportive of the project. In
addition, the law to implement the conversion of the BNVP to assist Dominican exporters with export credit and insurance is strongly supported by the three largest political parties in Congress.

Currently, CEI-RD, BNVP and Central Bank are collaborating to convert the main functions of the BNVP to conduct export financing and insurance services as the DEXIM. To make a smooth transition, high-level management meetings are being held between the CEI-RD, BNVP, and Central Bank. Together these actions are indicative of concrete commitment from the leadership level toward the establishment of DEXIM and ultimately toward export development of the Dominican Republic.

Efficiency of Policy Instruments for Encouraging Export Development by the Private Sector

Intermediate Capacity Outcomes

The KSP raised awareness of policymakers and private sector leaders on the importance of developing exports. Strong evidence, based on interviews conducted in April 2011 with policymakers and private sector leaders, indicates the mindset of the private sector has become pro-export.

In the past, the private sector was not supportive of export development and unaware of the importance of exports to the country and potential profits. Throughout the 1980s, agricultural associations and industrial associations favored isolationist policies to protect local markets. An interview with the executive vice president of the Dominican Association of Free Zones (ADOZONA) revealed that in the past, exporters and export associations used their 'leftover' production as exports. Today, exporters and associations are producing products with the primary goal of exporting them.

Since the first KSP in 2008, the private sector has become the biggest advocates for pro-export policies in the country. The private sector actively engages in related decision-making processes and frequently requests better incentives and systems to improve their export competitiveness and skills. Newspapers feature frequent reports about the private sector promoting the need to establish policies and incentives for exports. This was unheard of previously because businesses clung to policies protecting domestic markets. Today, these associations are defending international treaties, free trade agreements and policies to keep the borders open. Export associations are strongly demanding policies to promote export development.

The KSP also led to private and public actors strengthening coalitions to facilitate export development. Participation in the KSP brought together public and private actors. It encouraged them to collaborate in formulating strategies and
policies and to solve challenges to economic development by applying models from Korea’s experience through local adaptation and innovation. For instance, private sector representatives participate in presidential meetings and ministerial meetings on export development. Another important example of strengthened public and private sector coalitions is the private sector’s participation in the national development strategy. The Ministry of Economy, Planning and Development requested input from the private sector on formulating the National Development Strategy and incorporated revisions from ADOZONA.

The collaboration to develop the DR-ETC provides further evidence of strengthened coalitions. The private sector is expected to participate as a shareholder of the DR-ETC once it is established. The company will be structured as a Limited Liability Company (LLC) with CEI-RD serving as a majority shareholder (approximately 50%), with the remaining shares divided among the private sector, mostly through powerful private sector associations, including the Dominican Association of Exporters (ADOEXPO), Dominican Industrial Association (AIRD) and ADOZONA.

**Efficiency of Policy Instruments for Providing Export Financing**

**Intermediate Capacity Outcomes**

Exporters in the Dominican Republic currently have little or no access to long-term financing and insurance needed for their businesses. In particular, the Dominican Republic does not yet have an export credit agency and therefore is only able to provide minimal financial assistance in the form of trade finance to exporters through a state-owned development bank and a few commercial banks. This issue has been a critical bottleneck to the promotion of exports in the private sector. The KSP addressed the lack of policies mandating export financing by bringing government officials and representatives from the Dominican Bank of Housing and Production together with the Korean Export Import Bank to learn about KEXIM’s experiences and technical advice for export financing. As a result of the KSP, the Dominican government is in the process of converting the Bank of Housing and Production (BNVP) into the Dominican Republic Export-Import Bank (DEXIM).

BNVP staff applied knowledge and skills acquired from the KSP to transform BNVP into the DEXIM Bank. BNVP staff applied the Korean model for export financing by proposing a reform bill to change its mandate to establish a DEXIM Bank. The preparation and submission of this reform bill represents the application of knowledge and skills gained through the KSP. The reform bill for BNVP’s conversion to DEXIM Bank is currently under revision at the Monetary Board of the Central Bank. According to interviews with the BNVP president and his staff,
the bill is expected to pass the revision process at the Central Bank and the National Parliament.

The KSP also led to a partnership between the BNVP and KEXIM bank formalized through an agreed Memorandum of Understanding. The institutions have established twinning arrangements where KEXIM will provide guidance and technical support to DEXIM. This will lead to ICOs in the near future through its planned activities, including training, secondee arrangements and technical assistance.

**Progress Toward Institutional Outcomes**

Agreement among the change agents – CEI-RD, BNVP, and the Central Bank – on the reform bill to convert BNVP’s role demonstrates strong progress toward an institutional outcome. The policy will clarify and define BNVP’s role and responsibility as the DEXIM Bank. According to the 2010 KSP final reports, intense debate occurred over whether to establish a new DEXIM Bank or to add the role of exporting financing and insurance services to an existing agency. There were also differing views as to which agency should take the responsibility and roles of export financing and insurance services. The agreement reached between the stakeholders to convert BNVP into the DEXIM Bank strongly suggests that the law will be passed, representing an improvement in the efficiency of policy instruments in terms of clarity in defining rights and responsibilities.

**Effectiveness of Organizational Arrangements to Provide the Needed Export Infrastructure**

**Intermediate Capacity Outcomes**

The electrical power system in the Dominican Republic currently suffers from tremendous inefficiencies due to losses caused by obsolete machinery and energy theft. The targeted institutional outcome is to improve the electric power system and export infrastructure through increased operational efficiency in the Dominican Corporation of State Electrical Companies (CDEEE). Learning about how the Korean Electrical Power Corporation (KEPCO) overcame challenges with energy efficiency revealed to the Dominicans not only how low their efficiency rates fared in comparison, but also how quickly they could improve if they applied the right policies.

This knowledge inspired Minister Marranzini, the head of the Dominican Electric Company, CDEEE, and his staff by motivating the adoption of new policies and the design of projects to implement new machinery to improve operational efficiencies
Beyond One-Time, One-Sided Knowledge Transfer

and increase access. Progress toward improvements in organizational efficiencies at CDEEE is evidenced by the achievement of ICOs.

CDEEE adopted and implemented the following measures based on the 2009 KSP recommendations:

The General Electricity Law No. 125-1 was reformed to criminalize power theft. Reducing non-technical losses in distribution systems such as electricity theft was the most important factor in improving the poor status of the power system in the Dominican Republic. Seven thousand cases of power theft have been brought to justice since 2009 when the law was passed, and as a result, according to Minister Marranzini, “the traditional culture where electricity theft was not considered as a wrongdoing or illegal is now changing.”

The CDEEE reformed electricity prices. One of the reasons for the power distribution companies’ losses was low electricity prices. Therefore, the CDEEE increased the electricity prices by five percent in May 2011 and is planning on increasing it by an additional 11 percent in November. With the criminalization of power theft and increase in electricity prices, CDEEE expects to improve the business conditions of its power generation companies.

Old power distribution lines will be upgraded to reduce technical losses. The CDEEE signed a USD 46.5 million contract with the Korea Electric Power Corporation (KEPCO) to upgrade the old electricity distribution lines of over 400 km in three major cities. With this upgrade, CDEEE expects better distribution of electricity in the three cities with fewer technical losses.

An additional intermediate outcome from the KSP was a Memorandum of Understanding to establish a kind of twinning arrangement between CDEEE and KEPCO. The partnership with KEPCO is likely to lead to ICOs in the near future from the technical assistance and training offered by KEPCO to CDEEE.

Efficiency of Policy Instruments for Supporting Export Development

Intermediate Capacity Outcomes

The Ministry of Economy, Planning, and Development applied the knowledge and skills they obtained through the KSP to modify the Constitution and National Development Strategies. According to an interview with Director Magdalena Lizardo of the Ministry of Economy, Planning and Development, the KSP made clear the importance of economic planning in particular, and setting multi-year plans to assure the consistency of policies. As a result, the following measures are in process:

The Ministry of Economy, Planning and Development incorporated the KSP
recommendations into the national development strategy. According to interviews at the Ministry of Economy, Planning and Development, the Korean consultants’ recommendation of establishing a competitive and stable real exchange rate to promote export development is reflected in the national development strategy of the Dominican Republic, which is under review at the National Parliament.

The government modified the constitution and national development strategy according to KSP recommendations. The KSP recommendation of establishing a clear vision for the nation in a multi-year plan catalyzed changes in both the constitution and the national development strategy. The modified constitution now mandates the national development strategy to include multi-year development plans. For example, five-year development plans and the multi-year development plans must reflect the national policy priorities of the Dominican Republic. The Ministry of Economy, Planning and Development is confident that such changes in the Constitution and the national development strategy will assure consistency of policies and facilitate execution of the Dominican Republic’s development goals, such as export development.

Overall, the KSP with the Dominican Republic was effective in providing knowledge to local stakeholders so that they may achieve ICOs that would contribute to institutional changes. As noted above, major changes and reforms are still in progress, and institutional level outcomes are expected in the near future, for example, when the DEXIM Bank is finally established, and measurable operational efficiencies are observed within the CDEEE.

IV. Lessons and Implications

Continued Interest and Participation from High-level Public and Private Actors

It is relatively easy to attract the attention of high-level public and private actors once, by inviting them as speakers at local or international seminars. However, it is difficult to maintain their continued interest and participation throughout the entire program, especially with programs that have a long-lasting cycle, such as the KSP. Therefore, it is important to design knowledge exchange services that provide incentives for high-level public and private actors to pay continued interest and sustain willingness to participate. For that purpose, the KSP provides one-to-one matching of government officials at the policymaker level between Korea and the partner country.

First, KSP starts with a High-level Demand Survey mission, where Korea’s former or present high-level government official meets with high-level government
officials of the counterpart country to identify main policy priorities. Then, high-level government officials of the counterpart country visit Korea, where they meet again with Korea’s high-level officials and discuss the ongoing program, this time, with an emphasis on Korea’s development experience. At the final stage of the program, the same Korean high-level public figure meets with his or her counterpart to disseminate final findings and policy recommendations.

For the KSP with the Dominican Republic, this standard format was modified. During his official visit to Korea in July 2006, President Fernandez of the Dominican Republic met with the president of KDI and subsequently instructed Minister Martinez of CEI-RD to commence KSP between the two countries. President Fernandez also met with the Korean consultants during their visit to Santo Domingo in June 2008 to receive key policy recommendations and lend his support for the program.

In the Written Demand Survey Form, KSP mandates the partner government to designate a high-level government official who will be in charge of the program. For the KSP with the Dominican Republic, Minister Martinez of CEI-RD was placed in charge of the KSP from the Dominican side for two consecutive years. He coordinated local activities, recommended the Dominican delegation to Korea, delivered key remarks during seminars and workshops and reported the findings to the President and other ministers.

Minister Martinez also played the bridging role between the public and private sector, inviting presidents of relevant associations and exporters and informing them of the government’s policy to drive export development. Minister Montas of Economy, Planning and Development visited Korea as the head of the Dominican delegation in the 2008 program and met with the president of KDI, vice-minister of Strategy and Planning, chairman of the National Competitiveness Council and other leading figures of Korea. He participated in the Interim Reporting Workshop and provided comments to the interim findings presented by the Korean consultants. Minister Marranzini of CDEEE and Minister Ramirez of CNE visited Korea as the head of the delegation in the 2009 program and met with the president of KDI, president of KEPCO, and the Ministry of Strategy and Finance, and also participated in the Interim Reporting Workshop.

Therefore, it is important to design knowledge exchange programs that continuously induce high-level public and private figures to participate in the program stages and detailed content-building processes. Through continued involvement, the program should draw out continued interest and monitor that change, which in their disposition influences them to formulate and implement new policies and strategies toward achieving the development goal. In CDRF terms, it is essential to assist and guide the change agents through follow-up knowledge services so that the change agents do not stop at the intermediate capacity level changes, but implement concrete actions or behaviors that can affect institutional
Coalition Building among the Participants

Policymakers and working-level practitioners, along with relevant private actors, must clearly understand the objectives, content and expected outcomes of new policies or strategies for them to be effectively implemented. The vertical (within country) interaction among the relevant stakeholders – public and private – is therefore essential for new policy drives to have positive spillover effects in the relevant sector development. A common understanding has to be established on the government’s new strategies before they are actually implemented.

The KSP with the Dominican Republic aimed to create such a common understanding by encompassing all relevant actors from high-level leaders to working-level officials to private exporters. First, policymakers, practitioners and private exporters were invited to local workshops or seminars. These gatherings provided a forum where all relevant stakeholders discussed and shared KSP’s policy recommendations. The participants had a chance to listen to varying perspectives from government officials and private exporters and think of practical solutions to overcome the challenges with the policy recommendations provided by the Korean consultants. Second, the Dominican delegation to Korea was composed of public and private actors, from ministers and presidents to working-level officials and private exporters. They together saw how Korea had developed its policies and together discussed with the Korean counterparts how to envision their future.

The important factor here is the role of knowledge exchange services in providing opportunities for building coalitions among the participants themselves. Knowledge exchange programs must not aim to involve just high-ranking or working-level officials because then, new knowledge or skills learned may not be properly shared or transferred. Knowledge exchange services must provide a communication channel where vertical interactions can be enhanced.

Demand-oriented Program Design and Strengthening of Ownership

For knowledge exchange programs to have a sustained effect, it is important for the beneficiaries, in this case, the Dominican participants, to have a spirit of ownership. In order to strengthen the ownership of the participants, knowledge exchange programs need to emerge out of genuinely country-led processes, from program initiation to producing outcomes. In addition, the content and results of knowledge exchange programs need to be tailored to meet the demands of the partner country.

KSPs start with a written demand survey where the partner government submits its priority policy areas after coordinating different needs of other ministries. Then
Beyond One-Time, One-Sided Knowledge Transfer

among the policy areas, detailed topics for the KSP are selected after thorough discussions with the Korean counterparts. Throughout the program, government officials and local experts participate in local workshops, practitioner workshops and final reporting workshops and their comments are incorporated in preparing final policy recommendations. Local experts and consultants also participate in analyzing their local conditions and in identifying their strengths and weakness, which then motivates them to look for alternative policy solutions through Korea’s development experience in the relevant area. Such a system of active participation from the Dominican experts helped them to develop the spirit of ownership to the program.

Therefore, knowledge exchange programs need to be demand-oriented from design to implementation. At the initial stage of the program, it is vital to identify the needs of the partner country together with the participants. The contents of the program must not focus on one-sided views and intentions but on the demand from local stakeholders. Knowledge exchange programs must also have diverse participatory mechanisms so that the participants can actively contribute to producing the final outcome. Once the participants’ spirit of ownership is well developed, then the program results are likely to continuously affect the partner country because the partner country will take its own initiative to follow up on the results.

Sharing of Practical and Timely Knowledge Content

For developing countries, it is not easy to implement needed policies at precisely the right times due to capacity constraints in formulating necessary policies and identifying exactly when the policy should be implemented. Even though good policies are developed, if they are not implemented at the appropriate moment, their effectiveness is minimal. Moreover, the country can become even worse off if unpractical policies are implemented at needed times.

For the Dominican Republic, it was a struggle to find a new growth engine to boost its economic growth. The collaboration through the KSP provided the necessary knowledge to identify a breakthrough strategy. The Dominican counterparts realized that the Dominican Republic resembled Korea’s economic situation in the 1960s and 1970s. The Dominican Republic was able to envision its future by looking through the window of Korea’s history at its economic development. Korea could become the benchmark for the Dominican Republic and the Dominican Republic could be the “Korea of the Caribbean,” as Minister Martinez put it. However, this vision could never be realized if it were not for the sharing of practical knowledge and experience between the two partners.

This implies first that the development experiences of knowledge partners, in this case, Korea and the Dominican Republic, should be relevant to each other. In this way, participants know what kind of knowledge or skills are necessary in
similar situations and the participants can expect what will happen with the acquired knowledge and skills. Second, the sharing of knowledge must be based on the demand and active participation of the knowledge beneficiaries. Knowledge can be successfully shared only when participants are able to digest the new knowledge through active involvement in the process.

**Monitoring and Continued Assistance in Application of Program Results**

The experience thus far with the KSP is that most partner countries request second-year programs after the first KSP is complete to obtain detailed technical assistance in applying their newly acquired knowledge and skills in their countries. This request occurs because most knowledge-seeking partner countries lack capacity in the actual process of implementing new strategies. For example, in the Dominican Republic, the first KSP’s recommendation to establish an export-import bank was accepted by the Dominican government; however, the Dominican stakeholders lacked the know-how and experience to readily implement it. Thus, a follow-up KSP was requested and implemented on how to manage and operate export financing and insurance services for an export-import bank.

Knowledge exchange programs, therefore, must not stop at providing knowledge content but also have a follow-up mechanism to monitor and assist how knowledge exchange outcomes are applied in the partner country. In addition, knowledge exchange programs should be linked to other technical assistance programs or loan programs needed by the partner country to implement recommended projects.

For the Dominican Republic, the KSP played a bridging role, linking Korea’s EDCF to financing export infrastructure development projects such as the establishment of the CIBAO Trade Center. KEXIM bank and BNVP have further developed its partnership in the third (2010) and fourth (2011) KSPs, which are currently building the capacity of BNVP staff in export financing and insurance services. In addition, through KSP, CDEEE and KEPCO were able to sign a Memorandum of Understanding to change old power distribution lines of 400 km in three cities. KEPCO is also providing training programs and staff exchanges with CDEEE to build capacity of the Dominican participants to improve efficiency in the electric power sector.

In results-focused capacity development, knowledge exchange programs must be structured to continue to affect institutional outcomes. Knowledge exchange programs should not stop at the ICO level but continue to have follow-up programs or links to other technical assistance programs that can help achieve targeted institutional outcomes.
APPENDIX

Topics for 2008 KSP: Export Development of the Dominican Republic

1. Strategic Re-positioning for the Dominican Republic
   - Dr. Wonhyuk Lim (Project Manager), Director, Office of Development Cooperation, KDI
2. Industrial Upgrading and Export Diversification
   - Dr. Jongil Kim, Professor, Dongguk University
3. Human Resource Development
   - Dr. Byoung-Hoon Lee, Professor, Chung-Ang University
4. Export Financing in the Dominican Republic and Its Medium- to Long-term Promotion Plan
   - Mr. Sung-Kyu Choi, Senior Manager, Korea Export-Import Bank

2008 KSP Dominican participants

- Ministry of Economy Planning and Development—Minister, Director and Advisor in Economic and Social Analysis;
- Ministry of Higher Education, Science and Technology—Under Secretary;
- Ministry of Finance—Economic studies Analyst;
- Export and Investment Center—Minister, Manager in Promotion of Exports, Manager in Communications, Coordinator, Research assistant;
- National Competitiveness Council—Minister;
- Reserves Bank—General Manager in International Business;
- Export Association—Member;
- Free Zone Association—Vice President;
- National Council of Free Trade Zones—Executive Sub-director;
- Bank of Housing and Production—Investment Projects and Working Capital Official
Topics for 2009 KSP: Improving the Export Infrastructure and Electric Power System of the Dominican Republic

1. EDCF Country Strategy for the Development of Export Infrastructure of the Dominican Republic
   - Mr. Sung-Kyu Choi, Senior Manager, KEXIM Bank
2. Improving the Electric Power System of the Dominican Republic
   - Dr. Wonhyuk Lim (Project Manager), Director, Office of Development Cooperation, KDI
   - Mr. Kab-Joon Yoo, Representative, Suez Energy
   - Dr. Jung-Shin Park, Professor, Uiduk University

2009 KSP Dominican participants

- Dominican Corporation of State Electrical Companies – Minister, Advisor;
- Export and Investment Center – Minister, Coordinator;
- National Energy Commission – Minister;
- Industry Association – President;
- EGE Haina – President, General Manager;
- Free Zone Council – Executive Director;
- Presidential Office for the Information and Communication Technologies – Director General;
- Bank of Housing and Production – General Comptroller

2008 and 2009 KSP participants for seminars held in the Dominican Republic

- Banks – Central Bank, Banco Leon, Banco Popular Dominicano, Scotiabank;
- Public Agencies – National Institute for Professional Technical Training, National Customs Agency, Center of Development and Industrial Competitiveness, National Energy Commission, Electricity Coordinator Entity, Superintendency of Electricity, Rural and Sub-urban Electrification Unit, Dominican Confederation of Small and Medium Business;
- Private Sector – Dominican Agro-Business Association, Global Foundation for Democracy Development, Dominican Association of Foreign Investment Companies, Microtek Dominicana, National Association of Young Businessmen;
- Universities – Las Americas Institute of Technology, Santo Domingo Institute of Technology


Montas, Juan Temistocles, “Presentacion,” in El Rostro de la Esperanza: El milagro de Corea del Sur visto por un diplomatico dominicano (The face of hope: The miracle of South Korea seen by a Dominican diplomat), Santo Domingo, Dominican Republic: NG Media, 2008, pp.9~13.


Reforming Institutions to Improve Education Service Delivery and Strengthen Cambodia’s Competitiveness

Naron Hang Chuon1)  
Minister of Education, Youth and Sport (hangnaron@yahoo.com)

I. Introduction

This paper aims to chart a reform agenda to improve the quality of education in Cambodia by prioritizing the issues facing Cambodia’s education system. It offers opinions to stimulate lively debates over these issues and shape education policies. It also envisages activities that would have to be carried out at the central and institutional levels.

The paper is divided into two parts. Part II is organized around the initial phase of education reform in Cambodia, which ensures universal access to primary education. It reviews the impact of increased education budget between 2000 and 2013 on the Royal Government of Cambodia (henceforth the RGC) policies to improve equitable access to education services across the country. These policies include the introduction of the Priority Action Program (PAP).

Part III discusses policy interventions in the second phase of education reform by focusing on supporting students in mastering competencies: this requires providing scaffolding for low-skill teachers, fulfilling all basic student needs, and bringing all schools in the system up to a minimum quality threshold. The interventions in this phase consist of: revising the curriculum and standards, ensuring appropriate rewards, and remuneration structure for teachers and principals, building technical skills of teachers and principals, assessing students, establishing data systems, and facilitating improvement through the introduction of policy...
documents and education laws.

II. Improving Equitable Access to Education

Part II analyzes the RGC’s policy to promote universal access to education through the Priority Action Program (PAP) and the education output and outcome as a result of implementing reform programs.

1. From Priority Action Program to Universal Access to Primary Education

The RGC’s education policy to promote equitable access to education has been implemented through the introduction of the Priority Action Program, which served as a platform to launch a broad-based reform program in the education sector.

1) Priority Action Program

Since 1999, a series of actions have been taken to increase public expenditure on poverty reduction, including rationalizing expenditures on social and economic sectors, and reducing defense and security spending; introducing the PAP to increase budget disbursement to the priority sectors. Although progress has been achieved in reorienting government spending away from defense and security, social sector spending has not been given full priority, reflecting primarily inefficient cash management and Treasury operations at the national and provincial levels. Moreover, expenditure for 2000 and 2001 flood relief and for organizing the commune council elections further constrained budget execution in 2001.

Cambodia has, therefore, rigorously embarked on expenditure rationalization. The thrust of this policy is to implement a «New Social Policy Agenda» for Cambodia. The central idea of this social policy agenda is that growth must take a pro-poor path. Having implemented this «New Social Policy Agenda» for Cambodia, the RGC has increased budget allocations for the priority sectors such as education, health, agriculture and rural development, which are the foundation of future growth, equity and progress. The RGC has been pursuing reforms in the education system and promoting other modes of building human capital to render Cambodians to be more productive and competitive in the global economy. The «New Social Policy Agenda» envisions creation of a socially connected, educationally advanced, and culturally vibrant society in Cambodia. This requires dealing with the problems of poverty, illiteracy, and disease.
After two decades of conflict, the political environment in Cambodia is now conducive to reducing spending on security and defense. As part of this shift in spending priority, the defense-security expenditure was reduced from 4.4 percent of GDP in 1994 to 2.6 percent of GDP in 2012. However, it was estimated that 2013 defense-security expenditure remained unchanged at 2.6 percent of GDP. This was accompanied by increased funding for the social sectors. Education, health, agriculture, and rural development were identified by the RGC as priority areas. Social spending continued to increase dramatically. The lion share of this increase boosted spending on education and health.

A major objective of PAP was to sustain the shift in resource allocation from defense and security to the priority ministries, especially education and health. This pattern is evident in several ways, with a rising share going to priority ministries, in absolute terms, as a share of the budget and as a share of GDP. This is shown in Table 1. It is noted, however, that whether these plans can be realized depends largely on the RGC’s ability to meet its revenue targets as well as improving public expenditure management.

<table>
<thead>
<tr>
<th>&lt;Table 1&gt; Rising Share of Priority Ministries, Falling Share of Defence and Security</th>
<th>2010 Actual</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
<th>2014 Projected</th>
<th>2015 Projected</th>
<th>2016 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>12.2</td>
<td>12.2</td>
<td>11.9</td>
<td>13.0</td>
<td>12.8</td>
<td>13.5</td>
<td>14.1</td>
</tr>
<tr>
<td>Education</td>
<td>14.5</td>
<td>13.7</td>
<td>13.8</td>
<td>16.1</td>
<td>16.1</td>
<td>17.1</td>
<td>18</td>
</tr>
<tr>
<td>Defence and Security</td>
<td>24.1</td>
<td>22.7</td>
<td>22.5</td>
<td>23.0</td>
<td>21.3</td>
<td>21.0</td>
<td>20.4</td>
</tr>
<tr>
<td>Health and Education</td>
<td>26.7</td>
<td>25.9</td>
<td>25.7</td>
<td>29.1</td>
<td>28.9</td>
<td>30.6</td>
<td>32.1</td>
</tr>
<tr>
<td>Health, Education, Agriculture, Rural Dev</td>
<td>30.0</td>
<td>28.7</td>
<td>28.7</td>
<td>32.4</td>
<td>32.2</td>
<td>34.1</td>
<td>35.7</td>
</tr>
<tr>
<td>Current Expenditure, in Million Riel</td>
<td>5,052,480</td>
<td>5,375,377</td>
<td>6,547,417</td>
<td>6,946,684</td>
<td>8,042,615</td>
<td>8,742,690</td>
<td>9,589,295</td>
</tr>
</tbody>
</table>

Source: Ministry of Economy and Finance.

In line with the macroeconomic framework, the government policy provided for a further improvement in social spending and improved resource mobilization. Subsequently, the 2003 budget will be based on increasing domestic revenue to 12.7 percent of GDP, containing current expenditure at 11.4 percent and maintaining a current surplus of 1.1 percent of GDP while the 2012 budget is based on increasing budget revenue to 15.2 percent of GDP, containing current
expenditure at 12.1 percent and maintaining current surplus of 2.5 percent of GDP. The overall deficit was limited to available concessional assistance, with no domestic financing of the budget. Maintaining current budget surplus was important to ensure continued good economic performance. Fiscal and structural reforms mentioned earlier increased the RGC’s revenue growth potential. Part of the fiscal dividend from this improvement could be allocated to increase social and economic spending, and targeted new spending, while still maintaining a sound budget position.

As part of this expenditure policy, the 2003 budget aimed to reduce Defense-Security spending from 3.03 percent of GDP in 2001 to 2.64 percent of GDP in 2003. 2012 budget increased defense-security spending to 2.59 percent of GDP, up from 2.34 percent in 2011. Further, defense-security budget was also expected to increase to 2.6 percent in 2013. It is however projected that the defense-security funding would decrease from 24.1 percent of current budget in 2010 to 20.4 percent in 2018. Social spending will continue to increase dramatically. The lion share of this increase will be used to boost the budget of during the period under review. The lion share of this increase will be used to boost the budget of health and education sector. To support the social policies mentioned earlier, the 2014 budget provided for an increase in education budget from 14.5 percent of the current budget in 2010 to 16 percent in 2014.

To improve disbursement from the Treasury, the RGC needed to improve its accuracy and quality of recording government financial transactions by introducing computerization of treasury for better management implement a simplified chart of accounts untangling current budget codes and treasury account codes to facilitate generation of budget reporting and financial statements from a single data base; and provide training to Treasury officials in new financial management practices.

As part of the drive to reduce poverty, the RGC embarked on reforms with the view to improving financial management, budget formulation and execution, and procurement system to ensure transparency and accountability of the spending units. This includes a range of activities. The RGC intends to conduct a tracking study to identify how much resources actually reach the grassroots level of schools and clinics in order to take remedial actions.

To improve budget execution and disbursement, the RGC intends to take action to further strengthen the PAP mechanism by strengthening the capacity of line ministries to prepare programs before the year of execution and allow for automatic disbursement during the year. The release of the third tranche of PAP will depend on clearing the expenditure of the first tranche, thus allowing the line ministries to have more time for reporting.

The RGC has introduced a number of ad hoc solutions to the above problems through the implementation of PAP. The PAP mechanisms are designed to channel budget funds to education, which bypass the rigidities, delays and leakages of the
normal budget execution process.

PAP was intended to ensure that specific activities gain access to their full budget allocation by removing PAP funding from the discretionary cash allotment system (funds were to be received automatically on a quarterly basis); introduce budget management centers in spending agencies, which manage their own budgets in accordance with pre-approved plans; replace pre-audit with post-audit for all spending; and create dedicated accounts in provincial treasury offices, which are not subject to Treasury discretion on cash release.

The coverage of PAP was restricted to certain program budget in education (all schools). Higher disbursement ratios were achieved for the PAP-funded activities than the same activities funded through the old budget process. A study of school progression indicates much lower repetition rates for students in the PAP provinces than non-PAP provinces in 2000 due to the additional funds available for remedial teaching.

The introduction of PAP was a big jolt to the entrenched budget execution system in Cambodia. It was introduced for selected activities, much like the long-term budget execution system used in more developed countries – using post-audit rather than pre-audit for spending unit decisions, and avoiding changes in the budget through cash allotment decisions during the course of a fiscal year.

Despite some gains under PAP, there is a need to review the spending behavior of associated budget centers and capability building needed to achieve devolution of financial management without significant losses of accountability and control.

The RGC also launched a Poverty Targeted Program (PTP) to address the needs of poor population directly. This used the same financial procedures applied to PAP by providing block grants to Cambodia's poorest provinces, such as Preah Vihear, Oddor Meanchey, Ratanakiri and Mondulkiri, to address the problem of micronutrient malnutrition among populations and improve delivery systems of education in those provinces. Apart from providing scholarship schemes for the children from poor families, the PTP focused on providing remote allowances to school teachers, increasing budget for school facility development programs and giving more support for running costs of schools in remote areas. The PTP increased access for the poor, girls and ethnic minorities wishing to go to school. According to Education Statistics and Indicators, Ratanakiri’s enrollment rates between academic year 2000-2001 and 2001-2002 grew by 30 percent, with increased funding to schools as a result of removing school fees.

2) From Priority Action Program to a Broad-Based Budget Reform

PAP is the so-called, “thin edge of the wedge” strategy in Cambodia’s budget reform. It is a significant step to devolve responsibility to spending agencies. However, in both health and (initially) education, it was introduced only in better
managed spending units. It was not only selective with regard to sectors, but also selective with regard to spending units within the sector to be moved away from the centrally control regime to the more devolved budget execution processes. PAP is, therefore, an intermediate step. Devolved responsibility needs to be accompanied by improved capability and improved accountability.

Looking ahead, a better trade-off between macro efficiency of the budget and allocative and technical efficiency is still needed. Ideally, instead of administering funds according to rules, funds should be managed to achieve goals or targets. This can involve tracking of performance indicators over time or comparison of performance between spending units delivering the service in different parts of the country. Eventually, it provides a path to output and performance budgeting. A key element in migrating beyond PAP is the gradual introduction of accountability for results. This is the intended future direction once the necessary capacity is built up.

To streamline procedures and facilitate disbursements, discussions are underway to decentralize financial responsibility from the MEF to the line ministries by installing financial controllers at the line ministries and shifting limited authority over financial control to the line ministries. At the same time, attention is given to improved cash management and reduction of arrears that have built up in the Treasury system.

Procurement is integral to budget execution. A proportion of public expenditure at every level of government is incurred in the procurement of goods, services and construction. The performance criterion for evaluating procurement activities is economy, i.e., acquisition at the lowest price without sacrificing quality and timely delivery. To improve procurement procedures, in early 2002 the government decided to fully implement public procurement procedures for four priority ministries, Education, Health, Agriculture and Rural Development in the acquisition of goods, services and construction activities. Competitive bidding resulted in considerable savings for the national budget, which can be used for poverty reduction purposes.

Linking Sector Strategies to the Budget and MTEF: The Case of Education

PAP was only gradually introduced for education. Based on an assumption of at least 6 percent of annual economic growth, the medium-term budget includes the aggregate level of public resources – taxes, non-tax revenues, and borrowing – that may be allocated among the RGC’s priority programs over the medium term consistent with the targeted level of overall fiscal balance (surplus or deficit). The strong link, in this case, was underpinned by the very good prior and ongoing work on the Education Strategic Plan (ESP).

The approach to education financing is founded in the ESP. The ESP financing framework was developed so as to link costs to results through agreed and annually
reviewed, result-based priority programs. A joint agreement signed by MoEYS and MEF on key sector performance indicators included targets in terms of financing of the ESP from the government budget. The costs of the programs were established through an iterative process of bottom-up, “need-based” planning and top-down, resource-constrained budgeting. For example, the commitment to “cut costs to parents” and provide operational budgets to schools were cost using estimated basic education unit costs and reversing, over 5 years, the ratio of public versus private finances. This was facilitated by (1) early indications from MEF of a broad medium term “resource envelope for education,” and (2) improved information on donor support.

The ESP financing framework is closely linked to the government budget. The majority of the priority programs are implemented through PAP under the recurrent budget of MoEYS. It is expected that this link will be continuously enhanced with further development of the budget strategy, and better integration of external financing in government budget, whichever is the modality chosen by the donor agency. In education, currently external financing is provided through budget support, project support for capital investment, project support for capacity building and project support to some recurrent priority programs.

Overall, the education financing framework is considered a good expression of the poverty reduction characteristics of the education ESP. The financing framework in the case of education is entirely consistent with the government budget and the Medium Term Expenditure Framework (MTEF). There is a mechanism to adjust the ESP priorities annually, in a broadly consultative manner and based on a thorough review of progress against identified performance indicators.

As already noted, a major objective of the MTEF is to sustain the shift in resource allocation from defense and security to the priority ministries, especially education and health. Table 3 shows the details on the specific case of education. The annual rate of increase in budget allocation was estimated to grow at 23.5 percent in 2013, up from 22.8 percent in the previous year.

The total public spending for education is the sum of government funding and donor program, and project support. The MoEYS’ goal is to develop an inclusive, easily accessible and high quality service that is available to all. The MoEYS’s vision includes an understanding of the critical need for education and training systems to enable economic growth, improved employment prospects and income generating opportunities.
<Table 2> Allocation by Sector and Priority Ministries

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In percent of GDP</td>
<td>In millions of riels</td>
<td></td>
<td></td>
<td>In millions of riels</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Administration</td>
<td>3.394</td>
<td>3.504</td>
<td>3.759</td>
<td>1.917</td>
<td>1,596,812</td>
<td>1,824,578</td>
<td>2,222,207</td>
<td>1,204,496</td>
</tr>
<tr>
<td>Defense and Security</td>
<td>2.590</td>
<td>2.346</td>
<td>2.595</td>
<td>2.606</td>
<td>1,218,573</td>
<td>1,221,312</td>
<td>1,470,920</td>
<td>1,600,640</td>
</tr>
<tr>
<td>Social Administration</td>
<td>3.652</td>
<td>3.472</td>
<td>3.879</td>
<td>4.297</td>
<td>1,718,002</td>
<td>1,807,848</td>
<td>2,198,662</td>
<td>2,639,133</td>
</tr>
<tr>
<td>Of which: Health</td>
<td>1.307</td>
<td>1.256</td>
<td>1.372</td>
<td>1.468</td>
<td>614,855</td>
<td>654,040</td>
<td>777,938</td>
<td>901,501</td>
</tr>
<tr>
<td>Education</td>
<td>1.556</td>
<td>1.418</td>
<td>1.6</td>
<td>1.823</td>
<td>732,038</td>
<td>738,334</td>
<td>906,658</td>
<td>1,119,566</td>
</tr>
<tr>
<td>Rest of Social Services Sector</td>
<td>0.789</td>
<td>0.798</td>
<td>0.907</td>
<td>1.006</td>
<td>371,109</td>
<td>415,474</td>
<td>514,065</td>
<td>618,066</td>
</tr>
<tr>
<td>Economic Administration</td>
<td>0.864</td>
<td>0.749</td>
<td>0.928</td>
<td>0.967</td>
<td>406,311</td>
<td>389,921</td>
<td>525,946</td>
<td>593,858</td>
</tr>
<tr>
<td>Of which: Agriculture, Forestry and Fishery</td>
<td>0.184</td>
<td>0.161</td>
<td>0.177</td>
<td>0.197</td>
<td>86,599</td>
<td>83,716</td>
<td>100,390</td>
<td>121,191</td>
</tr>
<tr>
<td>Rural Development</td>
<td>0.171</td>
<td>0.130</td>
<td>0.163</td>
<td>0.178</td>
<td>80,554</td>
<td>67,894</td>
<td>92,509</td>
<td>109,283</td>
</tr>
<tr>
<td>Rest of Economic Services Sector</td>
<td>0.508</td>
<td>0.458</td>
<td>0.588</td>
<td>0.592</td>
<td>239,158</td>
<td>238,310</td>
<td>333,046</td>
<td>363,385</td>
</tr>
<tr>
<td>Externally Financed Capital Expenditures</td>
<td>7.3</td>
<td>6.5</td>
<td>7.1</td>
<td>5.1</td>
<td>3,420,430</td>
<td>3,402,692</td>
<td>4,022,630</td>
<td>3,146,000</td>
</tr>
<tr>
<td>Locally Financed Capital Expenditures</td>
<td>2.8</td>
<td>2.6</td>
<td>2.1</td>
<td>2.4</td>
<td>1,323,803</td>
<td>1,343,678</td>
<td>1,207,070</td>
<td>1,456,500</td>
</tr>
<tr>
<td>GDP in Million Riel</td>
<td>47,047,985</td>
<td>52,068,693</td>
<td>56,681,569</td>
<td>61,414,291</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Externally Financed Capital Expenditures, in Million US$</td>
<td>843.93</td>
<td>842.46</td>
<td>1006.92</td>
<td>787.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<Table 3> Government Funding for the Education Sector 2009-2013

<table>
<thead>
<tr>
<th>Particulars</th>
<th>2009 Actual</th>
<th>2010 Actual</th>
<th>2011</th>
<th>2012</th>
<th>2013 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Funding, In Million Riel</td>
<td>708,237</td>
<td>732,038</td>
<td>738,334</td>
<td>906,658</td>
<td>1,119,566</td>
</tr>
<tr>
<td>Growth Rate, in Percent</td>
<td>16.8</td>
<td>3.4</td>
<td>0.9</td>
<td>22.8</td>
<td>23.5</td>
</tr>
<tr>
<td>In percent of GDP</td>
<td>1.645</td>
<td>1.556</td>
<td>1.418</td>
<td>1.600</td>
<td>1.823</td>
</tr>
<tr>
<td>As Percent of Current Expenditure</td>
<td>14.9</td>
<td>14.5</td>
<td>13.7</td>
<td>13.8</td>
<td>16.1</td>
</tr>
</tbody>
</table>

2. Education Sector Output and Outcome

The education sector reform has drawn lessons learnt that can be used for further institutional reform to improve education service delivery. This reform has resulted in an equitable and universal access to education at the primary level. This
outcome can be used as a baseline for further institutional reform in the education sector.

1) Lessons Learned from the First Phase of Education Reform

Firstly, comprehensive strategic and operational alignment with the education sector plan goals, strategies, and programs create strong national ownership. The reform program is outlined in the ESP, which focuses on the most pressing challenges of access and quality. The ESP activities were fully reflected in the MoEYS Annual Operational Plans along with all other activities to be funded by the government, development partners, and NGOs.

Secondly, ensuring capacity buildup within mainstream institutions to implement project activities aligns with sustainability.

Thirdly, the scholarship program targets students with high academic potential-while ensuring that the poorest students are among this group, which may be an approach that maximizes both equity and effectiveness that demand-side incentive programs are ensuing. The recipients were targeted on the basis of poverty and of merit. These two targeting approaches shed light on the potential tradeoff between efficiency and equity.

Fourthly, the monitoring of the reform program focuses on measurable outcome indicators. The sector-level monitoring and supervision should proactively restructure the results framework to facilitate measurement of progress and enhance development impact. This is used to serve as a critical tool for management to encourage proactivity.

Fifthly, institutional capacity has been strengthened to improve the implementation readiness conditions for complex initiatives being piloted for the first time. Implementation issues may have been mitigated by a more thorough capacity assessment.

2) Education Policy and Outcome

The first phase of education reform in Cambodia during the 2000s yielded positive outcome as witnessed by the improved education system, through the implementation of well-targeted policy.

A. Cambodia’s Education System

The education system in the Kingdom of Cambodia is structured of four main layers: Early Childhood Education (ECE, covering ages 3 to 5) (a); 9 years of basic education, comprising 6 grades of primary and 3 grades of lower secondary education (b); 3 years of upper secondary education (c); and higher education (d).
MoEYS manages public institutions in all four layers, with greater private and non-governmental sector participation in the upper secondary and higher education levels, than in basic education. In the ECE level, services are also provided by community pre-schools and through home-based care. In 2012/13 there were 11,370 public schools in the ECE, basic education and upper secondary levels. These schools serviced 3.5 million learners. Altogether there are 2,813 ECE schools, 6,910 primary schools, 1,214 lower secondary and 433 upper secondary schools. If private schools are included, there are all together about 7,100 primary and lower secondary schools and nearly 1,750 upper secondary schools. About 4 percent of the schools are private schools.

Children start school at age 6 in Cambodia. They have a statutory right to attend primary and lower secondary school. Students also have a statutory right to upper secondary education. Today, there is a great access to education in Cambodia.

The model below shows how the Cambodian education system is organized.

\[ a) \text{ Early Childhood Education} \]

The expansion of the ECE is relatively recent policy priority for MoEYS. The ESP 2009-2013 sets an objective of expanding access to the ECE at the higher level (age 5 years old) from a baseline of 39.8 percent in 2009/10 to 60 percent by 2013/14. In 2011/12, the sector was on track to hit the target, with 52.7 percent in the formal and informal ECE classes. The expansion of the ECE is seen as an important contributing factor to improved learner performance in primary schools, and the next iteration of the ESP 2014-2018 will also target greater access at the lower two levels of 3 and 4 years old.

The objective was to increase the number of young Cambodians in disadvantaged communes who benefited from the ECE services through the construction of new formal preschool classrooms as well as the development of new community-and-home-based ECE interventions.

Between 2009 and 2011, a total of 424 ECE classrooms (one classroom per school) were constructed to serve 7,462 children (including 3,851 girls) between 3 to 5 years old as the venue for formal preschool education in the academic year 2011-2012. In addition, 25 new preschool resource centers in 24 provinces were constructed. A preschool teacher training center was also constructed in Phnom Penh.

As a result, in 2012/13, there are 2,813 public and 348 private ECE schools, serving 311,154 children (from 0 to age 6 years old), accounting for 16.8 percent of the age group.\(^2\)

\(^2\) The net enrollment rate for children aged 2 to 4 years old was 122,965 or 21.2%, while the enrollment of children aged 5 years old was 157,226 or 56.5% (MoEYS, Report on Education Achievement for 2012/13, Phnom Penh, January 2014).
Community Preschool (CPS): Between 2008 and 2012, some 450 new CPSs were launched under the World Bank project in 12 provinces where no informal ECE service provision previously existed.

Enrollment in the CPS programs in 2010-11 was 7,114 (3,907 girls). This figure increased to 9,131 (4,640 girls) in 2011-12. All CPS programs received hygiene equipment and learning materials provided by the ECE Department of MoEYS.

Home-based Education Program (HBEP): A total of 450 new HBEPs were launched in 10 provinces between 2008 and 2012. The HBEPs work through a volunteer network of mothers led by a volunteer Core Mother. Core Mothers facilitated groups of mothers in local communities to disseminate good practices in caring for preschool children. 450 Core Mothers were trained on early childhood development and care focusing on daily activities at home. The ECE Department worked with the provincial, district and commune levels to develop technical and management networking groups to oversee and provide support to the HBEPs at the village level. During the school year 2010-11, the program benefited approximately 13,403 children of (6,685 girls). In 2011-2012, this figure rose to 15,972 (7,915 girls). The HBEP model brought the ECE services to rural and remote areas where ECE access was previously negligible. The HBEPs were scaled up by the Government during implementation: In 2011-12, there were 1,743 HBEP.

A National Policy on the Protection and Development of Children was adopted in order to provide protection and development of children up to 6 years old, especially among the vulnerable groups and poor households.

MoEYS has made efforts to improve school infrastructures and classrooms, provide free breakfast at some schools to ensure sustainability of learning. To promote the development of children, the policy is to expand preschool classes in the primary schools and to promote the CPS and HBEP.

b) Primary Education

The net enrollment rate in primary schools in Cambodia increased from 87 percent in 2001/2 to 97 percent in the 2011/13 school year. Much of the gain can be attributed to abolishing formal school entry fees in 2001. Between 2001/12 the system saw an expansion of one fifth (1,108 schools) in the number of primary schools. In 2012/13, there are 6,910 primary schools serving 2.17 million learners (97% enrollment rate) of which 1.02 million are girls.

In this respect the Ministry has introduced internal regulations to improve promotion rates and invested in improving other education inputs, such as the capacity of teachers, and the availability and quality of textbooks. It has also implemented a curriculum reform. From 2001/2 the RGC has provided additional resources at the school level through the school operational budgets (SOBs) for school-specific activities aimed at improving education quality. In response to these
and other interventions, by 2011/12 the average completion rate at primary level across the Kingdom increased to 89.7 percent. Similarly, the primary school repetition and drop-out rates improved from 11 and 12 percent, respectively in 2001 to 5.8 and 8.3 percent in 2011/12.

MoEYS adopted the Policy on Child-Friendly Schools (CFS) with the vision of providing not only universal access to education but also high quality primary education to Cambodian children in order for them to participate in socio-economic development in the future. To this end, free breakfast and scholarships have been provided to increase access for poor students to primary education. The implementation of reading programs for Grade 1 to 3 has contributed to improved reading and writing. Means of transportation has been provided to the Monitoring Group at the municipal and district level to implement and provide assistance to Child-Friendly Schools. By implementing inclusive education for children with disabilities, the teachers are able to identify children with learning disabilities and provide them with necessary aid. To promote reading, the policy is geared towards providing equipment and libraries. As a result, the promotion rate for primary education was 91 percent, while repetition rate was reduced to 5.3 percent, and withdraw rate to 3.7 percent.

c) Lower and Upper Secondary Education

Interventions in lower secondary were similar to interventions in primary, with the provision of additional schools, teachers and development; the provision of learner and teacher materials, curriculum development; and the provision of school operating budgets. Emphasis was also placed on the monitoring of curriculum implementation, learning and teaching, management, planning, examination and student learning achievement. As in primary education, community involvement, effective school-based planning and management were key components of the MoEYS strategy.

MoEYS more than doubled the number of public schools providing lower and upper secondary education between 2001/2 and 2011/12, having resulted in improved net enrollment rates (from 19% in 2001/2 to 35.1% in 2011/12 for lower secondary education).

As of 2012/13, there are 1,214 lower secondary schools serving 534,710 learners (37.8% net enrollment rate), of which 163,369 are female students. 84 and 51 percent of these schools have access to toilet facilities and clean water, respectively. The promotion rate for Grades 7 to 9 was 78.5 percent, while the repetition rate dropped to 1.5 percent. Increase in the dropout rate in lower secondary (of 20% in 2012/13, up from 18.8% in 2009/10) explains the lower completion rate, which came down from just under 60 percent in 2007/8 to 44 percent in 2011/12. This signaled greater education equity, quality and efficiency issues at these levels.
Addressing these weaknesses in the education system is a priority for MoEYS. Some 104,708 students passed the Diploma Exam, which is taken at the completion of Grade 9 (95.58%). To increase access and reduce dropout rate, scholarships were granted to some 54,798 students. School Resource Centers (SRS) have been created to provide education edge and improve learning environment for student communities in order to build a strong foundation for knowledge and training high-quality human capital.

As of 2012/13, there are 433 upper secondary schools, of which 26 SRS in every capital city and provincial town, serving some 288,789 students (18% net enrollment rate), of which 134,608 are female students. The completion rate for upper secondary did climb between 2007/8 and 2011/12 (from 20% to 29%). Some 105,297 students passed the end of Grade 12 Baccalaureate Exam (86.7%).

MoEYS also provides technical education to some 344 students in 4 technical colleges. At the secondary level, the policy is to promote education quality and efficiency by teaching simple concept of skills, implementing flexible curriculum that allows students from Grades 11 to 12 to choose subjects according to their aptitude: science and social science options. The implementation of SFS at the secondary level has improved efficiency, while the monitoring framework has contributed to the improvement in quality teaching and learning. The review of curriculum is ongoing, while efforts have been made to publish more manuals, and establish education minimum standards to promote quality.

The curriculum and text books also include the principles of human rights, children’s rights, women’s rights, fight against child trafficking, inclusive education for children with disabilities, gender, democracy, respect for law and social participation. At the same time, some basic living skills have been incorporated into the curriculum such as handicraft, agriculture, civics, general and food sanitation, sewing, cooking, animal breeding, carpentry, environmental protection, fight against HIV/AIDS, drug and human trafficking, mine and UXOs, and indigenous languages. Teacher’s pre-service and in-service training is the top priority.

\[d) \textit{Non Formal Education}\]

Youth literacy rate for ages 15-24 reached 91.5 percent in 2011, while adult literacy rate (ages 15-45) was 79 percent. Some 35,425 people attended professional literacy classes in 2012/13 and 26,890 completed. To promote non-formal education, some 37 libraries and 229 reading centers were established. Some 321 Community Learning Centers (CLC) were created to serve 10,507 people. Some 2,322 students completed the equivalency programs, while 21,913 students attended the re-entry school programs.
e) Higher Education

There are 105 Higher Education Institutions (HEI) in 2012/13, of which 39 are public and 66 private HEIs. These HEIs serve 23,678 associate degree students, 216,053 Bachelor’s degree students, 6,160 Master’s degree students and 142 Ph.D. students. In 2012/13, some 34,978 students graduated from all levels of higher education. Some 423 students were sent overseas for training. At the same time, some 152 foreign students came to study in Cambodia. The challenge for Cambodia is the quality of higher education.

B. Education Policy During the First Phase of Reform

The RGC has introduced a new set of policies, designed to improve primary education by better access and quality.

a) Improving Access and Quality of Primary Education

The objective of this component was to promote the ESP 2006-10 goal of universal primary completion through the construction of new primary classrooms and provision of demand-side incentives, while promoting Child Friendly Schooling (CFS) initiatives to enhance the quality of educational and strengthening professional capacity of teachers. School construction activities and other related quality improvements comprising this policy were achieved.

b) Expanding Primary Education Facilities

The RGC has made serious efforts to build school buildings, in order to increase access to education and ensure equity in delivering education services.

c) Stimulating Demand for Education

In total, 21,870 scholarships were awarded to fourth, fifth and sixth graders in the three target provinces (Mondulkiri, Ratanakiri, and Preah Vihear) resulting in total disbursements of US$453,416 for the category “Scholarship Grants.” A survey found that primary school scholarships program was effective in increasing school participation and education attainment. The impact evaluations confirmed that the method used for selecting scholarship recipients was fair and it reached the intended beneficiaries. They have given MoEYS a strong basis on which to consider creating a primary education scholarship policy along with the draft secondary education scholarships policy that could become the basis for the National Scholarships Policy in the future.
d) Support to Child Friendly Schooling (CFS)

A total of 95 primary schools in 24 districts, 43 clusters and 224 classes across the country were selected as target schools to pilot Child Friendly School (CFS) interventions. Supervision and monitoring visits were jointly conducted by 255 education administrators from the CFS Working Group, Provincial Office of Education (PoE) staff and District Training and Monitoring Team (DTMT) members. The main outputs and findings include the following:

- 66 target primary schools (69.47%) made significant progress in creating a learning environment, which met CFS requirements;
- Promotion rates significantly increased in 70 (73.68%) of the target schools;
- Dropout rates decreased at 65 of the target schools (64.21%)

Specific quality inputs to this policy included inclusive education, effective teaching and learning, a range of teacher training sessions, and a study on disability prevalence.

e) Inclusive Education

Effective Teaching and Learning (ETL) and Accelerated Learning (AL): The ETL and AL programs trained teachers on how to play a number of educational games with their pupils to improve teaching and learning of mathematics and language at classroom level. Formal feedback from the workshops showed that 80 percent of the participants were satisfied with what they had learned. They appreciated the fact that the trainers followed the ETL manual, indicating that the trainers were well prepared with good lesson plans.

Early Screening of Children with Disabilities and Out of School Children: From September 2011 to April 2012, data was collected on 49,283 children aged 2 to 17 from 20,815 households. Every child aged 2 to 9 who tested positive on the World Health Organization (WHO) Ten Question Screen Instrument were referred for medical assessment.

Early Grade Reading Assessment (EGRA) Grade 1: As part of the nationwide rollout, a total of 24,048 Grade 1 teachers and 1,790 District Offices of Education (DoE) and PoE staffs were trained to deliver the new Grade I reading program. 582,338 new Grade 1 Khmer Language books were delivered to schools throughout the country to ensure that every Grade 1 child and teacher had their own copy.

An EGRA test was carried out in 2012 and the results were compared with the baseline reading test carried out in 2010. The test was given to 2,400 children in Grades 1 to 6 in 40 schools in 18 provinces. The initial results are being assessed. Some early evidence indicates that mean overall test scores showed a significant
improvement in test scores in all grades.

EGRA Grade 2: The early grade reading technical working group prepared a Grade 2 Khmer language textbook. The new text book was piloted in early 2011-12 using the same schools as those which piloted the Grade I. 529 teachers and 1,307 DoE and PoE staffs were trained in the use of the new Grade 2 textbook. 492,514 new Grade 2 textbooks were printed and delivered to schools nationwide for school year 2012-13. In addition, 4,791 were delivered to PoE and DoE offices. Use of the new Grade 1 and Grade 2 textbooks together with revisions to the way in which reading is taught has been mainstreamed.

f) Instructional Materials Provision

The establishment of libraries equipped with sufficient supplementary learning materials, and the provision of packages of age-appropriate library books (such as locally illustrated story books) and instructional materials (such as educational games and maps) was made to 590 primary schools. Training on library management was organized for 1,183 school directors and librarians together with 286 DoE and PoE staffs. A total of 917 schools including all 606 schools were given a set of library materials including desks, chairs, shelves and reading books.

g) Institutional Development and Capacity Building

The purpose of this policy was to enable decentralized educational management and monitoring by the District Offices of Education (DoEs), Provincial Offices of Education (PoEs) and the Inspectorate of Education. The impetus for these interventions was the rollout of a new school inspection policy, geared towards enhancing direct support services and responsiveness to school needs.

h) Teacher Training Policy

The teacher education and training system was almost entirely destroyed during the Khmer Rouge regime and subsequent civil war. During that time about 80 percent of teaching staff disappeared. Due to the serious shortage of teachers in the past decades, MoEYS introduced the following qualification requirements for teachers: i) For pre-school and primary education levels: 12 years of schooling (last grade of upper secondary) plus 2 years of pedagogical training for teachers teaching in lowland provinces and 9 plus 2 for those teaching in remote and disadvantaged provinces (this is gradually being phased out); ii) for lower-secondary education level: 12 plus 2; iii) and for upper-secondary education level: Bachelor’s degree plus 1 is required.

There are four types of teacher training establishments: the Pre-school Teacher
Training Center in Phnom Penh trains pre-school teachers; 18 Provincial Teacher Training Centers (PTTC) train primary school teachers; 6 Regional Teacher Training Centers (RTTC) train lower-secondary school teachers; and the National Institute of Education (NIE) trains upper-secondary school teachers. It is generally acknowledged that pre-service training focuses too much on knowledge and not enough on pedagogical skills and teaching methodologies.

There are roughly three types of in-service training (INSET): on-the-job-training (technical meetings and demonstration classes organized at school level); seminar-type INSET organized by PoEs; and workshop-type INSET, organized by MoEYS.

As of 2012/13, there are 87,203 teaching staffs (civil servants). Among them, 66.2 percent are qualified with at least grade 12 + 2, and 97.8 percent with at least Grade 9 + 2. This national average hides significant regional disparities: there are 92.2 percent teachers with at least grade 12 + 2 in Kep compared to only 44.1 percent in Mondulkiri. Only 0.8 percent of teaching staff lack the 2-year pedagogical training. To address teacher shortage, MoEYS is utilizing contract teachers (1,852 contracts in 2012) especially in remote areas; some contract teachers have very low qualifications (less than Grade 6 and no pedagogical training). MoEYS aims at gradually phasing out contract teachers.

i) Financial Management, Procurement and Program Management Capacity Building

Institutional Development and Capacity Building: The objective for capacity building of the Internal Audit Department (IAD) of MoEYS was to enhance the quality and effectiveness of Internal Audit System and Standards. The Internal Audit team is a full-time, mainstreamed department of MoEYS, which received project-based operating costs. 495 staff at national and subnational levels received training in internal audit procedures.

j) Eliminating Gender Disparity

Cambodia has nearly eliminated gender disparity in its entire education system. In 2001, the net enrollment rate for girls in primary schools was 84 percent: by 2011/12 it was 96.1 percent, just under 96.4 percent for both sexes. In lower and upper secondary education, the net enrollment rates for female students were higher in overall by 2.3 and 0.5 percentage points, respectively. Furthermore, an analysis conducted in 2011 indicates that there is very little disparity in the present and projected numbers of male and female graduates in basic education, and for all subsectors within basic education. Upper secondary education is projected to achieve gender parity, potentially by 2012/13. These national results mask significant variations at the provincial level.
Ⅲ. Preliminary Conclusion

As a result of the introduction of PAP, Cambodia had made significant progress in the education sector. The country greatly expanded educational opportunities, especially at the primary level, and a rising share of girls in rural areas and ethnic minorities were able to access education services. The net enrollment rate of primary education steadily grew and reached 97 percent in 2012-13. The education sector also improved its budget planning process and execution, and introduced elements of program-based budgeting. As a share of GDP, education expenditures rose from 0.9 to 1.5 percent between 1997 and 2006, and then to 2 percent in 2014. The education sector share of the total government recurrent budget increased from 15.7 percent in 2001 to 18.9 percent in 2006 but reduced to 16.2 percent in 2014.

The budget of the Ministry of Education, Youth and Sport in 2014 amounted to 1,342 billion riels (US$335 million) or 16.2 percent of current expenditure, compared to 15.6 percent in 2013. Salaries accounted for 75 percent of the total education budget, and registered an increase of 22 percent compared to the 2013 budget law. Program budget (PB) amounted to 172 billion riels, representing 13 percent of the education budget, whereas non-PB expenditure totaled 1,169 billion riels or 87 percent of the total education budget. It is worth noting that if the vocational training budget (the budget of the Ministry of Labor and Vocational Training) is added, the total education budget would represent 17.2 percent of GDP in 2014. Some 82 percent of the education budget was allocated to the provincial departments, while only 18 percent of the budget was used at the central level. Budget allocated to general education accounted for 11 percent of the education budget, 4 percent for higher education and 2.5 percent for youth and sports.

Nonetheless, the education sector is faced with the following significant challenges: (i) late entry to primary school, (ii) low primary completion, high primary repetition and dropout rates, (iii) high direct and indirect costs of education, (iv) high pupil-teacher ratios, (v) low quality of education, and (vi) difficulties in implementing decentralization of education management.

Late entry to primary school was pervasive in basic education. Trends in gross and net intake rates showed that the bulk of new student intake occurred among children older than six years of age. Vulnerable groups were much more likely to be over-aged. Age seven was the most common school entry age, and almost half of children were entering school at least two years behind schedule.

Most of the gains in primary net enrollment were due to a net gain in the proportion of children, mostly over-aged, that entered school rather than children of appropriate age completing the primary cycle. Repetition and dropout rates in primary school were still high, though Cambodia was experiencing a downward
trend in these areas. Between 1997 and 2012 the primary repetition rates fell from 26.3 percent to 5.8 percent. Girls are at a slightly greater risk of dropping out than boys, and children in remote and rural areas are more than likely to drop out than children in urban areas. Given the high rate of student dropouts, the upper primary grades were comprised of significantly wealthier segments of the population. On the supply side, there were a high percentage of incomplete primary schools, which did not offer the complete cycle of Grades 1 through 6.

Barriers to access also include the demand side factors such as high direct and indirect costs of schooling. Although the introduction of the PAP in 2000 helped reduce households’ direct costs to some degree, the costs were still substantial. PAP provided schools with public resources that partially compensated for registration fees, learning materials, and tests – particularly at the primary level. However, these expenses were relatively small in comparison to other household costs such as uniforms, pocket money, transport, and supplementary tutoring.

The national average primary pupil to teacher ratio fluctuates from 48.1 to 50.8, despite an overall increase in the number of classrooms. Teacher capacity is generally weak, presenting the risk of declining instructional quality and learning outcomes. Furthermore, teachers and school directors were not equitably deployed throughout Cambodia, a reality due in part to low salaries and a lack of sufficient incentives to draw staff to rural and remote areas. Low salaries drove teaching staff to seek alternative income-generating opportunities, which were harder to find in comparatively poorer areas.

These challenges in the education sector translated into poor learning performance, which were intermittently measured. Students’ knowledge of the official curriculum is low. This result is fairly uniform across subjects, cognitive skills, and content areas. The achievement deficiencies that are present in Grade 3 strongly suggested that students were not learning basic Khmer and mathematics skills in earlier grades.

Decentralization of education management has also been a priority for MoEYS. Yet, local capacity to take responsibility and action for improving education services is weak. The budget allocation and expenditure on wages as a share of recurrent education expenditure has fallen considerably due to policy efforts to increase non-wage funding.

Ⅳ. Education Reform to Strengthen Cambodia’s Competitiveness

Part IV discusses priorities for education reform and intervention in the education sector.
1. Priorities for Education Reform

The Education Strategic Plan (ESP) was formulated to ensure there is connection between education policies and strategies with development programs and action plans as well as between planning and budgeting. In this phase, the Ministry intends to continue to give highest priority to equitable access with high quality education, especially basic education, in order to realize the National Education for All (EFA) Plan by 2015. The ESP 2009-13 also gives greater emphasis to expanding early childhood education, expanding non-formal education, technical and vocational training, and expanding opportunities to access secondary education and post-secondary education.

On the basis of the Rectangular Strategy and Education Strategic Plan 2014-2018, the Ministry of Education, Youth and Sport has identified a number of challenges facing the education sector and laid out some key measures in order to reform the education sector without having to mention major achievements that the Royal Government of Cambodia made in the past decade:

1) Current Challenges Facing the Education Sector

Currently, the education sector is facing four major challenges, namely:

A. Personnel Management

There are 112,704 education personnel in 2013, and there are three challenges.

a) Teachers’ Distribution

Teachers assigned to remote areas always request transfer to urban areas, resulting in teacher surplus in urban locations and teacher shortage in remote, disadvantaged areas.

b) Unsteady Rise in Salary Grades

Samdech Prime Minister has decided that the rise in salary grades should be implemented automatically.

c) Internal Exams, a Sensitive Issue for the Ministry

The Ministry has modified the criteria to encourage existing personnel to change their salary grades, from A to B; but teachers who have worked for a long period do not have the right to do so, making them feel discontent. Samdech Prime
Minister decidedly allowed all teachers to take exams in order to move up the ladder of the salary grades.

**B. Examinations at All Academic Levels**

There is prevalent misconduct during exams, such as cheating on exams, using cellular phones to take exams using Internet. These actions place negative impact on public reaction to not trust state institutions and further, greatly damage the image of teachers.

**C. Education quality**

The quality of education at all academic levels has declined and technical and professional training does not match the needs of country’s development.

**D. Youths with Low Skills**

Investors are unable to find a sufficient number of skilled workers while university graduates have difficulty in finding appropriate jobs due to the mismatch in supply and demand of jobs in the market. In Cambodia, the cause of low salary is due to low-skilled workers.

**2) Key Measures**

Samdech Prime Minister has already laid out the reform on salary and allowances, which are key factors for academic personnel. The reform on salary and allowances is as follows:

- Sub-decree No. 468 dated August 6, 2013 on raising the basic salary of officials under the Grade C, Rank 3 and Grade D Rank 2, of civil servants to 320,000 Riels, went into effect on September 1, 2013.
- Raising Salary in 2014: providing 40,000 Riels per month in addition to the base salary of Grade A; providing 80,000 Riels per month in addition to the base salary of Grade B, C and D; raising the lowest salary to 424,000 Riels
- Medium-term Reform on Salary 2015-2018: Salary payments through banks: The Ministry of Education, Youth and Sport is selected as the key ministry for this implementation in 2014, beginning from the central to sub-national levels.

The Ministry of Education, Youth and Sport has introduced some short-term key measures that will produce quick-win results.
A. Short-term, Lower-hanging Fruit Measures to Achieve Immediate Results

1st Measure: Implement in-depth reform on public financial management: strengthening financial management aimed at using existing resources with high effectiveness and mobilizing additional external resources: The Central Office of MoEYS needs to serve as a role model for the departments of education, youth and sport, and other units under its management. The Ministry will prepare for the introduction of budget entity to ensure that education policies will be implemented efficiently with adequate human and financial resources.

2nd Measure: Strengthen personnel management: implementing the civil service reform, introducing performance-based promotion, and personnel management based on staff experiences and capability, especially improving governance in order to eliminate discontentment among personnel.

3rd Measure: Quality enhancement of all exams: Upgrading the quality of exams by enforcing four principles: law, justice, transparency, and reliability. Eliminating cheating in exams will promote respect and honor for teachers.

4th Measure: Create an education think-tank selecting experts from universities with an aim to strengthen institutional capacity and to lay out reform measures for the education sector.

B. Medium-Term Measures for the Fifth Legislature

5th Measure: Higher education reform: enhancing the management of public higher education institutions and the regulation of private higher education institutions aimed at developing human resources with high skills and competency, in order to respond to the direction of economic development, i.e. linking university-industry-public institutions.

6th Measure: Raise quality and efficiency of education services at all levels and technical and professional training in line with the need of the country’s development.

7th Measure: Develop technical and soft skills of youths: preparing for the ASEAN Economic Community 2015 through competency contest, responding to the needs of labor market, and increasing employment opportunities by organizing “Career Forum” for youths and students in order to connect youths with company representatives for possible employment once out of school.

8th Measure: Reform Physical Education and Sports: in order prepared for the SEA Games in 2023.
2. Policy Intervention in the Education Sector

The Government places education at the heart of its development agenda, and considers the education sector central to reducing poverty and increasing shared prosperity. The Rectangular Strategy-Phase III emphasizes the following policy actions: Increasing quality and effectiveness of education services at all academic levels, in particular, technical and skill training for both public and private institutions in accordance with international standards; meeting domestic development needs through: pre-service and in-service training teachers, improvement in curriculums, strengthened inspection and management capacity, stimulating teachers’ motivation to increase their teaching capacity, upgraded examinations at all academic levels, encouraging study of foreign languages, improved learning environment, expanding libraries and science laboratories, increasing supply of learning materials as well as participation of parents, guardians and communities.

The ESP also called for the promotion of equity in educational opportunities as an enabling factor for income generation and job creation. Its main pillars are: (i) Equitable Access to Education Services; (ii) Quality and Efficiency of Education Services; and (iii) Institutional Development and Capacity Building for Decentralization.

1) Priorities of Education Policy

The following are the priorities in the education policy:

A. Early Childhood Education

Increased participation of 5 year olds in the Early Childhood Education (ECE) is the key to improving children’s school readiness, reducing repetition in primary education (especially in Grade 1), reducing dropout, and increasing parental awareness on education. In 2012/13, there were 56.5 percent of 5 year-old children enrolled in the Early Childhood Care and Development - ECCD (of whom 49.5% were girls), and only 17.4 percent of 3 and 4 year-old children enrolled in the ECCD, including those children participating in the Home-based Education.

The National Policy for the ECCD was officially approved in 2010. The objective of the ECE program is to improve the quality as well as to expand ECE services for children from 0 to less than 6 years of age, especially for children from poor families, ethnic minorities and disabled children with priority given to community and home-based pre-school services. Priority is placed on expanding access to ECE programs for children aged 3 to less than 6 years old and is targeted
on those communes with low net enrollment rates and high repetition rates in primary schools.

The management of community-based pre-schools (CBPS) was delegated to commune councils, which are responsible for covering all costs for the schools, including teacher salaries. There is a need to finalize learning standards, teacher training modules, core trainer regulations, M&E framework, and data collection.

The RGC established in March 2014 an ECCD National Committee to implement the ECCD Action Plan by promoting a holistic and inter-sectoral approach including nutrition, hygiene, bilingual education, inclusiveness, and to establish an ECE national system that manages learning standards, teacher training modules, core trainer regulations, M&E framework, and data collection.

B. Increase of Primary Completion Rate (PCR)\(^3\) in Lower Performing Districts

The national average of PCR is relatively high (87.3% in 2012/13, 87.8% for girls), but it ignores the fact that there are many over-aged children in Grade 6 (20% over-aged pupils in primary) as well as important regional disparities. Strategies to deal with the issue include: “Ensure entry of all 6-year olds into primary school including marginalized groups such as children with disabilities, children from ethnic minorities, etc.” and “Reduce parental cost barriers of all aspects such as informal payments.”

To this end, MoEYS will give supplemental support to the Child Friendly School Program (4,505 CFS schools in 2011/12 - i.e. 65.8% of all primary schools), which is playing a major role in increasing access, preventing dropouts and encouraging completion. In addition, MoEYS propels School Directors and Monitoring Teams to fully implement the Child Friendly School Policy, provide scholarships, school meal program at primary schools, implement bilingual education, re-entry programs, accelerated learning program, flexible timetable, etc. and support textbook provision to ensure quality teaching/learning so that children acquire cognitive and problem solving skills.

C. Increase of Lower Secondary Completion Rate (LSCR)\(^4\) in lower performing provinces

Lower secondary school extends and consolidates the basic skills learned in primary school and is identified as an important determinant of earnings, with private and social rates of return in excess of many other investment opportunities. The idea is to provide skills for early employment for some students whilst

\(^3\) PCR: Number of new pupils in Grade 6 in year N divided by the total population aged 11 in year N.

\(^4\) LSCR: Number of new pupils in Grade 9 in year N divided by the total population aged 14 in year N.
preparing other students for further education and is therefore inclusive of disadvantaged youth to gain access to good jobs on the basis of merit.

Enrollment is low (53.6% gross enrollment rate and 37.8% net enrollment rate in 2012/13) and dropout is high (20% in 2011/12) principally because of high opportunity costs (child labor earnings), direct costs of education (books, uniforms, transportation and informal fees), farming seasons during the school term as well as physical distance to schools in rural areas and overcrowding in urban areas. The perceived low quality and relevance of education at lower secondary as well as frequent teacher absenteeism and high repetition rates also contribute to the low enrollment and high dropout at secondary.

The lower secondary completion rate has shown downward trends for the last five years from 49 percent in 2008/09 to 40.6 percent in 2012/13, a steady decreasing percentage of the 14-year old population reaching Grade 9. However, this indicator is somewhat unreliable, especially at a district level given the high migration between districts in Cambodia, and the fact that there are a large number of over-aged students in schools. Nevertheless, this trend is decreasing steadily since repetition rates are declining rapidly.

To address this issue, there is a need to ensure an adequate deployment of qualified teachers in remote areas, to increase school operating budget and to strengthen school support committees, to provide scholarships, textbooks and to implement re-entry programs, accelerate learning programs, flexible timetable, and to link all these with technical and vocational education.

D. Reduction of Lower Secondary Dropout Rate

Secondary education offers the best hope for youths to develop necessary skills and give a fighting chance to land good jobs. A focus on the dropout rates provides an ‘early warning’ so that preventive measures to reduce early dropouts can be established early. The earlier the preventive measures begin the broader and less costly the target measures will be.

However, this means that the skills learned at school must be relevant to their needs and extend beyond subject knowledge – i.e. transferable skills to apply knowledge in real work situations, problem solving skills and effective communication skills. Thus schools have an important role to play in promoting resilience by developing activities, classroom practices and mode of instruction that fosters disadvantaged students’ motivation and confidence in their abilities. Dropout at lower secondary education increased from 18.8 percent in 2008/09 to 21.7 percent in 2010/11 (21.9% for girls) and shows great disparities between urban and rural areas.

To this end, MoEYS will develop a comprehensive strategy to address the issue of dropout holistically, based on lessons learnt from the dropout prevention pilot
program by providing scholarships, ensuring deployment of more qualified teachers to remote areas, reinforcing the implementation of child-friendly school policy at lower secondary level integrating specific issues for girls such as girl-friendly classes, toilets, materials, ensuring the implementation of instructional hours. In addition, the Ministry will work to reduce teacher absenteeism, provide remedial support for slow learners, flexible timetable, accelerated learning programs, and strengthen the relevance of curricula linking it to technical and vocational training.

E. Implementation of a National Scholarship Program for Poor and Vulnerable Students in Primary Schools

The provision of scholarships can have a strong impact on indicators of primary school completion, dropout, repetition and regional disparities among others. Moreover, an increase in the level of consumption is related to higher probability of school attendance for rural poor children and with lower probability of being underweight.

The Ministry will continue to implement targeted scholarship scheme (poor, vulnerable, disabled, ethnic minorities, girls, remoteness, etc.) while improving the management of the scholarship scheme (transparency, timely disbursements, monitoring, auditing, etc.).

F. Expansion of the National Scholarship Program for Poor and Vulnerable Students in Secondary Schools

The objectives are: 1) to reduce access barriers for students and 2) to improve the quality and efficiency of education services in order to increase the Grade 7-9 survival rate and Grade 9-10 transition rates, and thus to assure equitable access to upper secondary education, especially in rural and disadvantaged areas. A total of 809 schools receive scholarship grants in Grade 7 with an increase of 5,000 new scholarships in 2012-2013 (representing 283 more schools being part of the program). In total, 24,270 Grade 7 students, 15,401 Grade 8 students and 13,168 Grade 9 students receive scholarships. Among them, there were 9,220 girls (60%) receiving scholarships in Grade 8 and 7,830 girls (60%) receiving scholarships in Grade 10.

G. Increase in the Number of Bilingual Education Schools

Inclusive education is a key element to ensure “equitable access for all children in primary education, including marginalized groups such as children with disabilities, ethnic minorities, those engaged in child labor and so on.”

The first dimension of MoEYS’ Child Friendly School (CFS) Policy makes a
clear reference to inclusive education – schools seeking out excluded children: The CFS schools actively search for children who are not in school, particularly children who are disadvantaged due to poverty, disability, ethnicity, or gender.

As there are 24 ethnic minority groups, accordingly there are 24 different languages in Cambodia, which in turn led to a clear gap in terms of enrollment and dropout rates between those districts where ethnic minorities dwell and other districts. Bilingual education (mother-tongue based) is seen as a key strategy to achieve the ESP goals to ensure equitable access in primary education.

Bilingual literacy programs have been in operation since the mid-1990s in Cambodia, and primary bilingual education was initiated by CARE in 2002, based on a research that has shown that many skills learned in native language can be transferred easily to a second language later in life. Hence it is necessary to increase access and quality learning for children with other mother tongues than the official national language.

From 6 bilingual schools and 278 students in 2003, Cambodia now offers bilingual education in 39 schools to about 2,800 students in 5 ethnic languages. However, in spite of MoEYS’ commitment and involvement in the bilingual education programs, it is noted that these programs are largely funded by Development Partners.

H. Increasing Qualified Teachers

Teachers are the core of education system. The quality and performance of education system depend highly on the qualification of teachers and what they teach in classrooms. This teacher development indicator is particularly important in Cambodia.

In recent years, MoEYS has recruited up to 5,000 new teachers per year. The number will increase to 6,000 in 2014. However, this number is not enough to fully satisfy teacher shortages in Cambodia since 2,000 to 3,500 teachers quit each year (retirement, transfer, resignation, death, etc.). As a result, double shift is implemented in a large number of schools nationwide and there are still 14 percent of schools with incomplete levels of grades at primary level (not offering all grades).

A Teacher Development Master Plan 2010-2014 was approved in 2011 and a Teacher Policy was approved in 2013. However, their implementation is overly dependent on development partners’ financing. Recent positive developments for teachers include an increase in teacher salaries, operating budgets for teacher training centers, and scholarships for teacher trainees. To this end, the policy is to ensure quality and relevance of pre-service and in-service teacher training, implement the Teacher Development Master Plan and the Teacher Policy, ensure link between increased qualifications and promotion, and increase in the number of
new teachers recruited every year (including pre-school teachers).

I. Decentralization Policy in the Education Sector

a) Financial Decentralization

Since the introduction of PAP, the management of education budget has been decentralized. The budget is allocated to all schools in order to introduce school-based performance. The role of the Ministry, Provincial Office of Education (POE), District Office of Education (DOE) and District Training and Monitoring Team (DTMT) has been strengthened in budget management.

b) Technical Decentralization

The Ministry is responsible for policy development, including developing curricula and policy on Child-friendly Schools. In the area of quality assessment, the policy to bring services close to the people is to introduce a system of school inspection, consisting of internal and external inspections. Internal inspection: self-assessment at the school level by teachers and school principals. The general inspection is conducted by the provincial inspectors. The Department of Quality Assurance (DQA) is responsible for thematic inspection.

c) Human Resources Development

The role of the sub-national government in the nomination of officials will be introduced.

d) Autonomy of Public Institutions

The autonomy of Higher Education Institutions will be introduced.

J. Strengthen Budget Efficiency and Transparency

MoEYS is one of the pilot ministries for implementing the Government's Public Finance Management Reform Program. One of the major goals of the reform in the near future is to shift towards full program budgeting in 2015.

MoEYS has achieved sound progress in strengthening financial management systems over recent years. There is now a credible and reliable budget executed through a system and procedures operating at four successive levels, from the center to service delivery. This has enabled the ministry to become increasingly effective in the achievement of its ESP goals and to obtain better value for the
Reforming Institutions to Improve Education Service Delivery

funds employed. Clearly, some challenges remain, such as improving the public procurement process, introducing computerized accounting system, and strengthening internal audit.

The introduction of School Operating Budget (SOB) has a profound impact on the education sector. Prior to the SOB system, schools relied on school fees to finance basic running costs, topping up resources received from the center, which did not always cover all their needs. SOB is aimed to abolish school fees, which is an access barrier to children from poor households, by providing sufficient funds to cover the running costs of schools. A key design feature of SOB is that they allow much more discretion than centralized allocations; schools receive a decentralized cash allocation, enabling them to address local needs in a more efficient manner.

In the SOB system, an annual school budget plan is developed by the school director in collaboration with community representatives on a formally established Local School Support Committee (LSSC), with oversight from the officials of District Office of Education (DOE). The school director, School Management Committee (SMC) and DEO officials are required to sign off on the annual budget plan and verify receipts of the appropriate level of funding. The system facilitates enhanced transparency of school management and strengthens accountability for improving school-based services. The SOB system is monitored by the District Training and Monitoring Team (DTMT), a team that comprises of district education officials, school principal and School Support Committee representatives. The responsibility of the team is to train and monitor school structures on school performance.

The Local School Support Committee (LSSC) has a primary responsibility to budget the SIG funds, as part of the School Development Plan (SDP) preparation process. Schools would plan their SIG activities by June each year, and submit their School Development Plans, to DoEYS to verify that the planned activities represent an effective and efficient use of the funds.

The process of planning and budgeting starts in May at the MoEYS central level. MoEYS issues a circular each year, with the allocations and setting out rules and documentation requirements in addition to those in the Technical and Financial Manual. MoEYS also publishes the allocations to individual schools on its website, and requires provincial, district and schools/institutions to publish the information locally. In addition, MoEYS provides the guideline on prices for standard categories of work, goods and services, to guide schools in planning and budgeting.

After the circular has been issued, PoEYS would call a meeting close to the end of the school year to inform schools of their allocation for the next year and discuss the circular with school directors. Schools would then undertake or complete their planning process. In this phase, DoEYS, the District Grant Management Committee (DGMC), the District Training and Monitoring Team (DTMT) and cluster or resource schools would provide support.
By end June, schools are required to submit their Budget together with the School Development Plan to DoEYS. The school director as Chair of the LSSC must sign off on the Plan. The DGMC reviews and certifies the plans and submit the plans to the PGMC for approval. The DGMC reverts to other schools to correct the issues highlighted in the review. At the PoEYS level, the PGMC requests a sample of plans from the DGMC to review, and bases their assessment on the validity of DGMC reviews.

The Plan and Budget must be displayed publicly at the school level, prior to being sent to the DGMC. The final approved Plan and Budget must also be displayed, recording expected revenue, activities and amounts allocated.

While SOB has been a positive intervention in the education system, four main factors detract from its effectiveness.

Firstly, the value of SOB has declined over time. Prakas 191 sets fixed amounts in Cambodian Riel per school and learner, differentiated by the level of education, with no allowance for inflation. At present, MoEYS and MEF have made adjustment to Prakas, which will be implemented in 2014.

Secondly, the Program Budget (PB) under which SOB is managed limits the discretion of schools significantly. It divides the available funds into activity categories as set out in Prakas 191, and schools are not allowed to shift funds across categories. For example, if a secondary school needs more science laboratory equipment and not textbooks, the SOB format does not allow the school to freely utilize its fund where necessary within that school year.

The inter-ministerial (MEF and MoEYS) Prakas 191 on expenditure for the MoEYS PB provides maximum ceilings for a number of interventions financed under the MoEYS PB, such as school operating budget (SOB), student remedial support, teacher technical meetings and in-service training. Following extensive discussions, MEF finally approved a new Prakas (508), which includes notably a significant increase in SOB and its expansion to all formal pre-schools.

The increase in the MoEYS PB, including the new Prakas 508 (a significant increase in teacher salaries is also expected), is seen as a necessary pre-condition to resource the anticipated wide-ranging reforms of ESP 2014-18 and reach target outputs and outcomes. This can have a major impact on equitable access and quality, and is also supportive of the decentralization process.

Thirdly, the Program Budget funds are released in four rounds from MEF to provincial treasuries, and from there to the Provincial Offices of Education, Youth and Sports (POE). Delays beyond the control of MoEYS can result in the late release of funds to schools, making it difficult for schools to expend funds in time, and limiting the impact of funds on the school year. Furthermore, because the funds are released over the course of the school year, schools are unable to undertake or have to delay interventions that require large amount of expenditure.

Fourthly, the capacity of the system to manage school grants is still limited. In
Reforming Institutions to Improve Education Service Delivery

a survey undertaken by MoEYS, 71 percent of respondents from 150 schools identified lack of training in administration and management as a major difficulty that schools encounter. The proposal, therefore, allocates a significant part of the available budget to training, support and monitoring activities.

SOB will be a key mechanism in furthering the principles of Child-friendly Schools (CFS), a policy initiative of MoEYS in collaboration with UNICEF. The RGC Child Friendly School Policy is based on six dimensions, namely all children have access to schooling; effective learning; health, safety, and protection of children; gender responsiveness; the participation of children, families, and communities in the operation of their local school; and the National Education System supports and encourages schools to become more child friendly. The policy incorporates educational methodologies that are focused on child-centered learning and characterized by creative teaching and learning, participatory learning, research, critical thinking, problem solving, and encouragement of creative and divergent thinking.

2) Education Policy Documents

In this section, the education policy documents are described.

A. The Treaties

Cambodia has implemented the Convention on the Rights of the Child, which states the right to free primary education, human dignity and freedom from violence in education. The Convention places a high value on education, and states that young people should be encouraged to reach the highest level of education of which they are capable. In the Convention, there are several Articles that consider education and the responsibility of the state to control school systems. In the following Articles, there are also descriptions of some values and knowledge that are to be performed within the education system. For example, Articles 48, 65, 66, 67 and 68 in the Constitution regulate education, equal access to education and the national control of schools.

B. Education Law

The Education Law was enacted by the National Assembly on the 19 of October 2007 and was approved by the Senate on 21 November 2007. The first chapter in the Cambodian Law on Education states equal value as well as everyone's right to education. Students should be allowed to obtain knowledge, skills, dignity and good moral behavior and characteristics.

In Article 9, the controlling and evaluation system is mentioned. According to
this Article, the Ministry of Education is responsible for the evaluation system and for controlling, and formulating the mechanisms of monitoring. The inspection and internal auditing of performance are both included here.

The level of quality and the efficiency of education is the topic of Chapter 5. Requirements regarding equipment, establishment of objectives, and schools working toward these objectives are described in this Chapter. There are also requirements stating that schools should have self-assessment mechanisms to monitor and assess the quality of education. External mechanisms of assessment should be created in order to implement and fulfill the requirements according to the education standards.

Chapter 6 mandates the Ministry to set up education policies, principles, plans and strategies.

Educational rights and obligations are expressed in Chapter 7, which focuses on the rights of learners, parents and educational personnel. This Chapter contains the right to access to education for every citizen for at least 9 years. Article 37 (in Chapter 7) defines the rights and obligations of educational personnel (see below).

C. Sub-decree no. 84 on the Organization and Functioning of the Ministry of Education, Youth and Sport

In Sub-Decree no. 84, on the Organization and Functioning of MoEYS and its departments, it is stated that the Education Quality Assurance Department (EQAD) is responsible for studying, researching, analyzing and evaluating the quality and effectiveness of the education sector. EQAD should also monitor and control curriculum implementation and the regulation of national education standards and submit activity reports to the Minister, among other duties.

The objectives of the Sub-Decree are to prepare the mission and structure of MoEYS, to define functions and tasks of MoEYS institutions and to ensure the quality and efficiency of the Education, Youth and Sport Sector.

This Sub-Decree applies to all agencies of central, municipal, district, commune level and institutions in the education sector.

Each department has many tasks and some are inter-linked such as giving support, controlling, monitoring and follow-up e.g. the implementation of education programs. It is, therefore, important to clearly define distinctions between the regulated tasks of various departments when concerning Quality Assurance and inspection. It is important that there is a clear objective and strength for different departments and agencies when dealing with control, inspection and support, also at the provincial and district levels.

The Policy for Curriculum Development sets out the goals and framework for the curriculum, including hours of instruction. The aim of school curriculum is to fully develop talents and capacities of all students so that they will become competent individuals, with parallel and balanced intellectual, spiritual, mental and physical growth and development. There are many general aspects of teaching, learning and quality in education that can be targeted in a systematic inspection. Here are some of the objectives set out for the students:

◆ develop high affinity for learning, which will enable them to pursue employment and continue life-long learning;
◆ have the knowledge, skills and attitudes necessary to improve and maintain their own physical and mental health and to contribute to the improvement and maintenance of the health of their families and the wider society;
◆ have the capacity to manage and take responsibility for their own actions and decisions and be self-reliant;
◆ have employment related skills, an understanding of and positive attitude towards work and a capacity to manage and work effectively and harmoniously with others;
◆ have the capacity to exercise judgment and responsibility in matters of morality and a commitment to identifying, analyzing and working towards solutions of problems experienced by their families and society;
◆ have an understanding and appreciation for people and other cultures, civilizations and histories, which leads to the building of a public spirit characterized by equality and respect for others' rights;
◆ be active citizens and be aware of social changes, understanding Cambodia's system of government and the rule of law, and demonstrating a spirit of national pride and love for their nation, religion and king.

The document also include other aims for schoolssuch as cooperation with society in order to provide facilities and equipment for the delivery of the Local Life Skills Program, involving students in both theoretical and practical learning, ensuring that the education is structured, systematic and student-centered. Schools should also provide equal access to all components of the curriculum for both boys and girls.

E. Curricula

Along with the subject components, there are also issues relevant to the overall capacity in all curricula: For example, in mathematics – reasoning, in Khmer language – working in groups, in social studies – planning and organizing, and in science – solving problems.
The levels of requirement are usually constructed in progression. By using the curricula as a starting point, it is possible to measure obtained knowledge of students in relation to the requirements. In addition, it is possible to check the contents of school education and if the schools and the teachers are helping students to reach the requirement levels. This means national tests as well as frameworks for inspection assessment can be created based on these syllabuses.

**F. Teachers and Educational Personnel**

Teachers and Educational Personnel have rights and obligations as stated in both the Education Law, Article 37 and Sub-Decree No. 126 (RGC) on the Code of Ethics of Teachers (September 2008). The purpose of this Sub-Decree is to promote morality of teachers, to restore dignity of teachers and to improve quality and effectiveness of education. Duties of teachers in relationship to interactions with students and parents or guardians, relations between teachers and teachers and non-teaching staff are stated in detail in this Sub-Decree. The rights and obligations of school directors are also of high importance and a focal point in systematic inspection.

**G. Education Strategic Plan and Other Policy Documents**

In the Education Strategic Plan, the Ministry can, for instance, describe what areas within education that are given highest priority in the coming school year. Those areas can also be targeted and be the objectives of inspection in order to attain high quality education.

Future strategic plans can also describe areas of development and thereby, create a basis for both thematic and regular inspections.

There are several plans, education policies and other documents published that are of importance for inspection, such as, for instance, the Child Friendly School Policy, Policy on Education for Children with Disabilities, Policy on School Health, and Scholarship Application Guidebook.

**3. Quality Improvement through School Inspection**

Good-quality education is an essential factor in the development of a country. Since 1993 Cambodia has had peace and during those 20 years many changes have taken place and much has happened. MoEYS and its development partners have made significant improvements in providing equitable access to education, improving quality and efficiency of education and education management.

Ensuring education is of good quality and of high standard, awareness on contents is indispensable.
1) Quality Assurance Framework

Quality assurance activities will focus on enhancing the process that is used to create end results. For the Cambodian school system, this means that the children and students acquire knowledge, skills, capacity, dignity, good moral behavior and characteristics, which will in turn strengthen each individual to have pride for the nation.

A well-functioning quality assurance system at local levels is a guarantee for continuous activities for improvement. Self-evaluation plays a very important role in the QA system. Therefore, a national inspection must contribute to the development and implementation of routines for an effective self-assessment system at all schools.

School-inspection is a mechanism for controlling and monitoring to see what degree the schools meet the requirements. The inspections assess whether the schools fulfill their responsibilities in relation to the regulations set out in the Education Law. The inspectors also have to evaluate how well educational activities and schools are functioning in relation to other national objectives and the national curriculum.

Perhaps the most important task for inspectors is to check if the schools do have a self-assessment system and strategies for self-improvement. In addition, inspectors should also help schools to implement such system if they have not done so already.

2) Inspection Methods

There are two types of inspection: internal inspection and external inspection.

The internal inspection is based on the school’s self-assessment, performed by school-directors, teachers and students. It also focuses on the quality of internal work at the school using local resources.

The external inspection is exogenous to some degree. This inspection will point out areas that work well or poorly at the school in question, and will contribute to improvement through pointing out areas that need further development. When inspecting schools, two areas are given most attention: (i) assessment of teachers, and (ii) assessment of schools.

The assessment of teachers is mostly carried through classroom observation and teacher interviews. The goal is to observe the teaching methods of teachers. The inspection focuses on the subjects – chemistry, mathematics, etc., teachers’ attitude in class, their teaching practice with given contents, use of textbooks and other teaching materials, and ability to stimulate motivation in students are also observed in the inspection. After each inspection, teachers will receive constructive feedbacks on their performance and recommendations for improvement.
Assessment of schools is often referred to as a systematic inspection because inspectors are reviewing the school system with a holistic approach. The inspectors’ task is to make sure that each school has a system and capacity to follow the requirements set out by the regulations. This means that inspectors are not bound to a specific subject and they can focus on all teachers and school-directors. Also, inspectors may look into the director’s pedagogical work, school’s monitoring and self-assessment systems, teachers’ adherence to curricula and awareness of their mission as teachers, and school equipment and how it is utilized. Interviews with the school director, teachers and students and observations are in this case the main instruments.

Teachers are central to school reforms. Thus, the success of implementing child-friendly models in the context of reform will depend on the caliber of teachers within the system. In many developing countries, a high percentage of teachers lack the requisite level of education and training needed to rise to the challenge of school reform. Moreover, for many reasons, the morale and motivation of teachers in these countries may be at lower levels. If school reform is to succeed, it will be critical to establish well-designed training and mentoring programs that build competency and strengthen the morale of teachers. This will include high quality pre-service and in-service training of teachers enabling them to operate effectively within the challenging rights-based, child-centered and interactive pedagogy that is at the heart of the child-friendly school model.

In Cambodia, the Directorate General of Education and Inspectorate General are responsible for monitoring overall education in the country. Under Inspectorate General, there are two institutions that have controlling tasks: the Inspectorate of Administration and Finance and the Department of Education Quality Assurance (EQAD). EQAD carries out thematic inspections.

3) Thematic Inspections

Thematic inspection refers to a systematic examination and assessment of the quality of business within a defined topic. The assessment is based on an interpretation of national goals and guidelines supported by research findings and best practices. The audit identifies what works well and what needs to be further developed.

EQAD is responsible for thematic inspections. Based on the thematic inspection EQAD further inspects different areas of schools’ work in more detail. Inspections are based on the use of curriculum, goals and guidelines and focus on different aspects of quality. The objective is to instill better teaching practice in the schools examined, with a focus on student learning outcomes. Moreover, once these teaching techniques are identified they will be disseminated to other schools in the country and to the ministry.
4) Regular Inspections

Regular inspection refers to a systematic examination and assessment of all schools, to ensure that they comply with the applicable law and regulations. The assessment is based on the interpretation of national regulations. The audit identifies what works well and what must be further developed.

The regular inspection of schools is carried out by the 24 provincial offices and inspectors. The regular inspection seeks out the general workings of school systems and their ability to fulfill the national objective concerning education. A regular inspection is apply to the following main areas: leadership and management; teaching and learning; students’ achievements; and quality work - school’s self-assessment. The inspectors assess these areas too see how well the school manages to achieve the national objectives.