Public-Private Partnership (PPP) Paradigm Shift for Sustainable Development of International Development Cooperation: Environment ODA of Korean Government

Sun Hwa Son
Department of Public Administration
Yonsei University
sswha@yonsei.ac.kr

Yong Suk Jang
Department of Public Administration
Yonsei University
yongsukjang@yonsei.ac.kr

14 July 2017

Prepared for

APPAM 2017 ID#8380: Domestic Actors Facing International Challenges
Introduction

The expansion of partnership, one of the main Sustainable Development Goals (SDGs), which has been in force since 2016, aims to have active participation by the central government and other actors (Kang & Ahn, 2017). In addition to changes in international circumstances, Korea’s development cooperation has seen a notable increase in the number of development cooperation actors, and the paradigm shift that it has undergone in regards to international development cooperation has increased the role and importance of local governments. The role of local governments in development co-operation was formally recognized in the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992. The “Agenda 21” plan of action raised awareness of global linkages and called for all actors in society to contribute to sustainable development. With regards to financing aid activities, local governments remain small actors, but being well placed to reinforce pro-development public opinion in donor countries, they can help to mobilize additional resources for aid (OECD, 2005).

Local governments in Korea have used their own budgets to promote official development assistance (ODA) projects independently using the sisterhood relationships between cities. In 2014, 14 municipalities are promoting 70 projects with a budget of about $15 million for ODA. For the most part, in the Republic of Korea’s recent history, local governments have been no more than the agents of the strong, often authoritarian, central government. Since the introduction of the Local Autonomy Act in the 1990s, however, local governments have shed their subservient role and emerged as self-governing, autonomous political entities, exercising discretion over a range of governmental functions. In 1995, as the chair of local governments was elected by direct election, interest in international cooperation, such as international sister city relations, was greatly increased in order to demonstrate the external performance of the chair of the organization. In 2010, with the introduction of the
*Framework Act on International Development Cooperation (Framework Act)*, local governments have become the main executing agencies of legal international development cooperation projects separate from the ODA integration promotion system.

Although local governments in Korea do not have complete political autonomy, the roles of actors in international development cooperation are expanding, presenting a need to study the ODA needs of local governments. Though the business has been actively implemented, there is a limit to the ability to explain with impression management that is not fully explained by the political empowerment factor. In this paper, we examine why this has happened.

The reason that local governments continue to make and spend funding can be explained in several ways, which include the bandwagon effect; even if the functional requirement does not exist, the effect can be explained by seeming legitimacy lent by global norms. Recent studies have shown that public organizations are highly susceptible and influenced by environmental pressures and expectations (Ashworth, Boyne, & Delbridge, 2007; Frumkin & Galaskiewicz, 2004; Villadesen, 2011). This study explains the ODA decision-making of Korean local governments from an organizational institutional theory perspective and identifies the factors that influence the decision-making of ODA expenditure among local governments. Organizational institutional theory is drawn on to explain action and decision-making in public organizations.

In previous studies on local government decision-making, the variables that measured empowered actorhood were limited to the number of NGO facilities, number of mission statement changes, local brand, and leadership, but ODA could also be a proxy for over-actorhood. This is because any explanation based on merely functional and economic conditions is insufficient. In traditional theories, organizational change is obtained by considering internal factors based on rational judgment and efficiency. On the other hand,
according to organizational institutionalism, the cause of organizational change is external factors. Regardless of the unique function or characteristics of an organization, it reflects a socially constructed reality in a relational network (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Although many researchers have tried to measure the empowered actorhood of local governments, this study demonstrates that the ODA local governments are actively responding to the pressure of the world’s society. Local governments transform themselves into organizations that self-manage beyond the agency, polity, and bureaucracy belonging to the central government.

Despite the increased involvement and activities of local governments in ODA policy, there is still little interest in academia and policy practice. Most previous studies have concerned the purpose of the central government’s ODA project and the effectiveness of its aid scale. Additionally, a few studies that have focused on local government ODA have shown that ODA is similar to international exchange in terms of friendship and is limited to the case study and comprehensive understanding. The present study attempted to analyze the ODA expenditure of the Korean local government, which is a socially constructed actor from the institutional theory perspective. In particular, it is important to point out the learning process as a mechanism that induces institutional change in local government decision-making and the realistic perspective that emphasizes economic rationality.

The first mechanism is organizational learning through local governments’ international strategies and policies, and the second is decision-making based on economic rationality. In this study, competing logics based on traditional theory and actorhood provocative factors were examined. Therefore, this study first identifies changes in the ODA paradigm at the level of the central government as being the government’s response to the international development goals, from SDGs to MDGs. We will examine the paradigm shift
of ODA at the local government level through the analysis of the policy isomorphism of ODA expenditures among local governments.

**Theory**

**ODA History and Background of Korean Central Government**

Figure 1  Korea ODA/ratio compared to DAC members ODA/GNI ratio.

![Graph showing comparison of ODA/Ratio to DAC members ODA/GNI ratio](image)


ODA is a term coined by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) to measure aid. In recent years, the term “International Development Cooperation” has been used, referring to the ODA as “mutual cooperation” toward the development of developing countries rather than “unilateral aid.”
The status of the Korean government as a donor country emerged with its 2010 OECD DAC membership, and its history of donor assistance is comparatively short compared to advanced donors. As shown in Figure 1, Korea’s ODA/Gross National Income (GNI) ratio is rapidly increasing year by year, but it was still very low compared to the ODA/GNI ratios of other DAC members in 2015. As a recipient country, Korea received ODA from foreign countries in the amount of 12 billion USD. Ranging from emergency relief to structural readjustment programs, ODA significantly contributed to Korea’s economic and social development. After the Korean War (1950–1953), ODA was the country’s only source of capital, because the Korean economy had been almost completely devastated by the war.

In the 1990s, Korea came to reverse its position from a recipient to a donor. Since the establishment of the Economic Development Cooperation Fund (EDCF) in 1987 and the Korea International Cooperation Agency (KOICA) in 1991, Korea has established a framework for ODA promotion. Korea ended its dependence on the World Bank’s assistance in 1995 and was excluded from the DAC list of ODA recipients in 2000. In 2010, it became the 24th member of the DAC, the international donor’s club. Since joining the OECD DAC in 2010, Korea has continuously improved its ODA system by enacting the Framework Act and devising the Strategic Plan for International Development Cooperation (Strategic Plan) as well as the Mid-term Strategy for 2011–2015. Furthermore, Korea has worked to engage in the efforts of global development by leading the adoption of the Development Agenda at the G20 Seoul Summit in November 2010.

In the national context, the emergence of local governments is part of a broader political process in which a transition from authoritarianism to democracy and subsequent political reforms have created a strong impetus for endowing local governments with more autonomy and authority and, eventually, transforming them into more autonomous, self-
governing political entities. Successfully hosting the Busan HLF-4 in November 2011, local governments played important roles in connecting governments and citizens and demonstrated democratic ownership and a comprehensive approach to national development policy agendas. They have been urged to actively participate with the responsibility of providing aid at the sub-government level.

However, Korea’s ODA spending is the lowest among the OECD DAC member countries, but the ODA budget growth rate is estimated to be the highest in the world. One of the most important advantages of Korea’s ODA policy is that it considers the conditions of the recipient countries and provides the customized assistance that they need. ODA expenditure increased by 66% from US$ 81 billion in 2000 to US$ 135.2 billion in 2014, but Korea’s total ODA, ODA/GNI ratio, and ODA per capita are insignificant compared to the OECD-DAC average, as shown in Figure 1. In 2015, the Korean government selected 24 of 134 partner countries. These included 11 Asian countries, 7 African countries, 4 Central and South American countries, and 2 Middle East and CIS countries.

**ODA Spending of Local Governments as Empowered Actorhood**

Table 1 *Average Net ODA Total and Standard Deviation in Korean Local Governments (2006–2016)*

<table>
<thead>
<tr>
<th>Municipalities</th>
<th>Average Net ODA total ($ million)</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul</td>
<td>1.65</td>
<td>0.78</td>
</tr>
<tr>
<td>Busan</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>Daegu</td>
<td>0.20</td>
<td>0.27</td>
</tr>
<tr>
<td>Incheon</td>
<td>1.35</td>
<td>1.46</td>
</tr>
<tr>
<td>Gwangju</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Daejeon</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>Ulsan</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Gyeonggi</td>
<td>0.79</td>
<td>1.21</td>
</tr>
</tbody>
</table>
The current rise of development cooperation in world discourse is due to decentralized cooperation rather than the monopolistic and exclusive role of the central governments or the expansion of the role of local governments, such as direct partnership between donor and recipient governments (Jang, 2006). As a way to overcome the limitations and problems of ODA, global society began to recognize local governments, NGOs, and

<table>
<thead>
<tr>
<th>Province</th>
<th>r1</th>
<th>r2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gangwon</td>
<td>0.28</td>
<td>0.18</td>
</tr>
<tr>
<td>Chungbuk</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Chungnam</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Jeonbuk</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Jeonnam</td>
<td>0.02</td>
<td>0.03</td>
</tr>
<tr>
<td>Gyeongbuk</td>
<td>2.31</td>
<td>1.99</td>
</tr>
<tr>
<td>Gyeongnam</td>
<td>0.12</td>
<td>0.17</td>
</tr>
<tr>
<td>Jeju</td>
<td>0.10</td>
<td>0.17</td>
</tr>
</tbody>
</table>

Figure 2 Average net ODA total in Korean local governments and independent rate of finance (2006–2016).

Since the implementation of the local autonomy system in 1991, the interest of local governments in international development cooperation and development assistance has begun to increase in Korea. Because Korea joined the OECD in 1996 and received extensive institutional pressure at the global level, the local autonomy system of the Korean local government has been expanded, and projects have been diversified in terms of both scale and type (Jeong, 2016). Local governments have begun to establish cooperative relations based on the sister city relationship and have begun to make efforts to achieve sustainable world development by constructing an international cooperation network (Lim, 2014). From 2001 to 2010, the amount of ODA steadily increased to US$ 1.206 million in an effort to reach the DAC level. However, the amount of public development aid from local governments in Korea is very small, and as the scale is small, it is invested in specific fields.

The volume of Korean local government ODA in most OECD DAC member countries is very small compared to the amount of central government ODA. However, the amount of local government ODA in some countries is not negligible (Hong & Kim, 2016). The major countries in Europe are relatively active in terms of the ODA that local governments are promoting. The countries with higher degrees of decentralization of individual innovation, such as Belgium, Italy, Spain, and Sweden, have higher fiscal expenditures on local government ODA (CEMR, 2003).

The following is a summary of the policy effects of local governments’ contributions to development cooperation, including ODA. First, as the involvement of local governments deepens, more social support for international development cooperation can be secured, and efficient ODA projects can be promoted. Second, local governments of donor countries have the advantage of efficient service delivery under the direct and horizontal partnerships with...
the local governments of the recipient countries. Third, from the viewpoint of partnership, local government ODA enables projects to reflect the direct demands of local governments in the country and creates the effect of establishing democracy through exchange and learning. According to Desmet and Develtere (2002), sub-national authorities enable citizens to engage more easily in development-related activities and so promote greater public awareness and understanding of development issues. Fourth, local government spending on ODA ultimately compensates for central government spending.

**Characteristics of Korea’s Local Government ODA Project**

In the past decade, almost all of the local government ODA (98%) has been promoted as a bilateral aid project, which is a method of providing direct aid funds and materials to recipient countries. Local governments prefer the way that local governments become direct businesses rather than third-party projects through the support of international organizations such as NGOs. In other words, it seems to be the result of utilizing the advantages of bilateral aid projects where local governments can directly use flexible policy tools to cope with the multidimensional development needs of the recipient countries. The project makes up the highest portion, but the proportions of invitation training, private–public cooperation, and development consulting business are increasing in the total budget. Support for NGOs, emergency relief aid, and public–private partnerships also doubled compared to the previous year. While the various public development assistance projects are continuously expanding, the specific performance evaluation of the project operation remains unclear.

Figure 3 below shows the cumulative amount of total expenditure by local governments in ODA and the change in financial independence of local governments. The reverse direction of the graph shows empowered actorhood and institutional logic changes.
We attempted to explain the irrational decision-making of local governments based on organizational institutional theory. Organizational institutionalism views the organization as an actor who is not free from the institutional environment, because the organization is embedded in the organizational field and thus not a “rational actor.” As the complexity and density of the external environment increase, the organization has to behave in a way that elevates and organizes itself beyond its own goals and identities to reflect its environmental changes. Bromley and Meyer (2015) refer to this organization behavior as “hyper-organization.” Public organizations are more likely to respond to administrative demands from a variety of stakeholders, such as individuals, groups, local communities, and global society, than the private sector. ODA actually involves transferring local budgets to other countries. The local government’s policy target is the local citizens, but the beneficiaries of the ODA budget are the people and the government of the recipient country, and the budget is not carried out domestically but overseas.
In the process of accepting the demands of the environment to secure social legitimacy regardless of the internal elements of the organization, decoupling, which is a strategic inconsistency between adoption and organization operation, may also appear. In spite of the limited time and resources, the fact that local governments use ODA resources is explained by organizational institutional theory in terms of organizational responses to institutional pressures. The institutional perspective is a useful approach that focuses on the socially constructed norms and institutional influences on the relationships between organizations and the environment.

Prior studies have been done at the country level, and country-specific factors have been determined. Most studies on Korea’s ODA policy have focused on the determinants of ODA allocation (Kim, 2015). Until recently, the major studies on ODA have focused on central government and have empirically verified the causal link between ODA and the economic growth of the recipient country.

From the theoretical perspective, the issue of development aid has been explained mainly as a result of actors’ strategic choices at the micro level. It is possible to explain in part the realistic approach that donor countries’ ODA is achieved when their own military, political, and economic interests accord with the economic and social needs of recipient countries. It appears that local governments have the authority and formal responsibility to flow to the areas related to local development, including economic development, for the socioeconomic development of developing countries. In recent years, Koo et al. (2011) has made a significant contribution to the literature on the allocation of ODA to the Korean government through globalization, such as the holding of international aid conventions and the change in the total amount of aid. However, studies on local government ODA spending are still relatively rare and limited to local government-level data.
In terms of methodology, many case studies and research studies using quantitative analysis have been based on recent statistics. In this study, the quantitative analysis is attempted using the national unit statistics for the last 10 years. In terms of theory, the use of the institutional theory approach is rare, so it is important to explore the factors that explain the formation of the organizational field and the context of institutional logic through various types of data and historical observations. An analysis of the institutionalization processes of Korean local government ODA projects based on institutional organization theory is meaningful for the following reasons.

First, Korean local governments’ ODA expenditure has been analyzed in terms of economic efficiency, such as performance and effectiveness. The policy isomorphism of ODA expenditure between local governments is to be understood more broadly by observing the concept of the field, including the relationship between institutional logics and actors. Villadesen (2011) defined policy isomorphism as similarity in policy, for instance, expenditure allocation, between public organizations.

Second, we can observe changes in the role of local government as an embedded actor in the institutional environment within the organizational field. An organization’s acceptance of any institution, culture, value, or norm means that a positive perception has been expressed, and the implementation of ODA projects implies social legitimacy for local governments.

**ODA Logic Model of Local Governments**

The institutional perspective focuses on how decision-making is often not instrumental but shaped by environmental pressures as well as normative and cultural expectations (Villadesen, 2011). The proliferation of new organizational forms facilitates changes in norms, beliefs, and practices. Some agency is built into modern pictures of the
agentic authority and responsibility of the state and other organizations, but much devolves to the modern individual, who is empowered with more and more godlike authority and vision (Meyer & Jepperson, 2000). Organizational institutionalism has focused on the role of peer organizations, nation-states, and professionals in the institutional process. While the research on institutionalism explains institutionalization through the isomorphism of the driving factors, Purdy and Gray (2009) considered how actions at the individual and organizational levels recursively interact with field-level dynamics to shape diffusion mechanisms and the process of institutionalization in the emerging field. Institutional logic is a social norm that is perceived to be appropriate and rational and that influences the behavior of an organization. Scott (2003) argued that the institutional logic approach offers precision in understanding how individual and organizational behavior is located in a social context and the social mechanisms that influence that behavior. In Korea, where a rapid paradigm shift occurred, institutional logic is useful. The emerging field, such as the ODA of local governments, is an ongoing one, so dynamics can be observed.

The big theoretical assumption of institutional logic is that there is a change mechanism and inter-organizational variation. The existence of institutional pressure outside the organization does not mean that all actors within the organization are perceived as being of the same intensity at the same time, and the actors respond differently to institutional pressures according to their individual strategic positions and goals (Oliver, 1991; Suchman, 1995; Tolbert & Zucker, 1983; Westphal, Gulati, & Shortell, 1997). We identify the fact the local governments are expressed in embedded agencies as a factor affecting variation. It is also a factor that causes a large variation in ODA expenditure among local governments.

Thornton and Ocasio (2008) presented event sequencing as one of the factors explaining the change of institutional logic. The accumulation of events can result in a path-dependent process in which shifts in the symbolic interpretation of events are locked in place
by simultaneous shifts in resources (Scott, 2008). For example, Chandler (2014) presented major events that affected institutional diffusion and change in the introduction and implementation of the ECO (Ethics and Compliance Office) from 1990 to 2008. The institutional logic shift of Korean local government ODA, which we have noticed in this study, has shown that responsibility is strengthened by changing from a ruling society (from command and control to decentralization and autonomy) to an evaluation society (efficiency and accountability). Based on these critical events and empirical data, we attempted a timely division of institutional logic changes as follows.

1) 1995–2010: command and control

In the early 1990s, there was great interest in the status and role of local governments as polities independent from the central government. Local governments first initiated international exchange and cooperation in 1990. The international exchange of local governments in Korea began with the first sisterhood in January 1961 when Jinju, Gyeongnam aligned itself with Washington County, Oregon. Prior to 1995, 165 sisterhood alliances were signed, 382 from 1995 to 2010 and 683 as of 2016. In the case of friendly cooperation, a total of 549 cases were concluded by 2010, and 910 cases were signed as of 2016, starting with the first contract in 1960 between Anyang in Gyeonggi Province and Edmonton in Alberta, Canada. However, this period is hardly regarded as characterized by actual international exchange and cooperation of local governments. To better enable local initiatives to promote international exchange, the committee acted as a consultant for local government bodies on international cooperation, and the number of new sister affiliations increased steadily until the 1990s. However, local governments have increased international exchange without any clear evaluations of performance.

Organizations recognize policies and programs as powerful myths and accept them as ceremonial to secure legitimacy. Legitimacy is a generalized perception or assumption that
the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). Legitimacy-enhancing inter-organizational relationships arise from decisions by other organizations to affiliate with the subject entity (Scott, 2008). Although some organizations may be unreasonable to accept institutionalized rules, they are receptive to securing the survival and success of an organization by securing the legitimacy of the act from the outside in an uncertain environment (Scott, 1987).

Early on, ODA also started to diffuse among local governments in the extension of sisterhoods without clear goals and achievements. Over the years, as ODA became institutionalized, many ministries and agencies began promoting ODA as part of international cooperation activities. In addition, the need for strengthening ODA to overcome the problem of segmentation was greatly emphasized. Through this process, the idea that not only a small number of ODA agencies but also various government agencies should be able to engage in ODA activities was recognized.

**H1** *The more local governments learn from the experiences of international exchange and cooperation, the greater the ODA expenditure.*

**H2** *The more sensitive local governments are to the pressures of the civil society, the greater the ODA expenditure.*

2) 2010–present: decentralization and autonomy

Local governments have been implementing policies separately from the integrated ODA system. In the local government ODA process, the year 2010 was a crucial turning point. Since joining the DAC in 2010, Korea has made a great deal of effort to enhance its role in international development cooperation (Kim, 2015). Major changes since 2010 are as follows.
First, Korea enacted the *Framework Act* and the *Presidential Decree* that came into force in July 2010 and laid the legal basis for a more effective ODA system. Prior to 2010, there was no legal basis for local government ODA, and there were no enforcement rules or evaluation systems. The *Framework Act* defines the basic principles and objectives, the role of the Committee for International Development Cooperation (CIDC), the formulation of the mid-term *ODA Policy*, the roles and functions of agencies supervising international development cooperation, the selection of priority partner countries, evaluation, support for civil organization, and public relations to enhance transparency and people’s participation. The *Presidential Decree* stipulates the detailed mandates for the enforcement of the *Framework Act*.

It is meaningful that Korea has expressed its willingness to cooperate with the international society externally, because Korea has a more systematic ODA policy and system infrastructure. However, at this time, the integration has a rather limited scope without budget, personnel, and organizational control rather than a strong, centralized integration.

**Article 2 (definition)**

“‘Implementing agency’ means a central administrative agency, local government or public institution that carries out programs related to international development cooperation.”

Second, the enactment of the legislation in 2010 brought about the introduction of the evaluation system. It was aimed at distinguishing between areas that needed management and those that did not need management and reducing unnecessary expenditures and making them more efficient. In the process of institutionalization of local government ODA, various values, such as administrative efficiency and achievement of social responsibility through performance evaluation, are added together with international development cooperation based on local government autonomy.

**Article 11 (the evaluation system)**
“Each implementing agency shall prepare a plan for the implementation of international development cooperation in accordance with the basic plan every year and submit it to the competent authority.”

Taken together, the enactment of the legislation in 2010 institutionalized the legal status of local governments, which can be seen as an “institutional package” for promoting activeness and publicity. Local governments’ ODA has been regarded as a peripheral area of the organization that is not so important in the field of international exchange and cooperation in the public sector. Now, these peripheral elements of public organizations are also influenced by rationalization. “Logic of management” is being enforced based on past performance, management, regulation, governance, and actor communication rather than past orders, control, and strong regulatory tools (Sahlin & Wedlin, 2008). Korea officially joined the OECD DAC and institutionalized the relevant laws, which changed the size of local government ODA as well as the strategy for dealing with institutional pressure. It not only changed the relationship between organizational actors but also ultimately triggered change in institutional logic.

Local governments adopt the system due to pressure, but the so-called decoupling phenomenon appears in the internal operation of the organization. Local governments have the status of implementing agencies under the Framework Act, but they are excluded from the budget allocation related to the international development cooperation policy. Therefore, local governments independently promote ODA projects as follow-up projects of their sister city relationships using their own budgets. In addition, there are no departments dedicated to public development cooperation in any local governments. Most of the international cooperation departments have one or two individuals in charge. That is to say, diffusion appears without questioning why they are accepted as institutionalized “myths” (Meyer & Rowan, 1977). Thus, we suggest the following hypothesis.
H3 The higher the economic rationality of local governments, the greater the ODA expenditure.

Table 2 Logic Model of Korean Local Governments’ ODA

<table>
<thead>
<tr>
<th></th>
<th>1995–2010</th>
<th>2010–present</th>
<th>Going forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational identity</td>
<td>Embedded agency</td>
<td>Empowered actor</td>
<td>Hyper-organization</td>
</tr>
<tr>
<td>Legitimacy</td>
<td>Compliance &amp; control</td>
<td>Autonomy &amp; Investment</td>
<td>Create new value</td>
</tr>
<tr>
<td>Authority structures</td>
<td>Unilateral</td>
<td>Interactive</td>
<td>Mutual partnership</td>
</tr>
<tr>
<td>Mission statements</td>
<td>Economic growth and development</td>
<td>Democracy</td>
<td>Happiness, humanity</td>
</tr>
<tr>
<td>Strategy</td>
<td>Marginal</td>
<td>Functional ownership</td>
<td>Mainstream</td>
</tr>
<tr>
<td>Logic of ODA</td>
<td>Command, control</td>
<td>Decentralization and autonomy</td>
<td>Efficiency and accountability</td>
</tr>
<tr>
<td>Governance</td>
<td>Defensive</td>
<td>Reactive</td>
<td>Responsive, pro-active</td>
</tr>
</tbody>
</table>

Therefore, in this study, we examine the factors associated with the changes in ODA spending among local governments.

Research Design

Data, Variables and Analyses

We analyzed 16 municipalities of local government. It is difficult to collect statistical data in the district unit, and the current national ODA statistics collection unit is also the municipality. Even if the survey were extended to districts, considering the financial status of domestic local governments, it is expected that the lack of budget to promote ODA projects in the district unit would be obvious, which would not be effective. This study utilized the ODA statistical data provided by the Foreign Economic Cooperation Fund (EDCF) for the
analysis. The analysis period is 10 years from 2006 to 2015. The ODA statistics provided by the EDCF are divided into net expenditure, total expenditure, and commitment amount. In this study, total expenditure (in million dollars) by year was set as the analysis unit. The total expenditure, including administrative costs, is the total amount the local government used for its intended purposes.

The results of the analysis of local government ODA for the past 10 years (2006–2015) based on the collected data are as follows. First, 14 local governments carried out ODA projects, with the exception of Jeonbuk, which shows that all municipalities had experience in promoting ODA projects. The total expenditure of these 16 municipalities over the past 10 years has reached 78.26 million dollars, showing an annual average growth rate of 31.4%. Compared to Korea’s average annual ODA growth rate of 17.8% in recent years (Ministry of Strategy and Finance, 2015), local governments’ ODA expenditures have increased to a very high level. In particular, local governments’ ODA expenditures have been increasing markedly since 2012, which is a relatively recent increase in interest in ODA. The average project budget being promoted is small at about 2.3 billion.

On the other hand, local governments with the highest proportion of ODA expenditure over the past decade are Gyeongbuk, Seoul, Incheon, Gyeonggi, and Gangwon. In particular, the total expenditure of ODA in Gyeongbuk Province over the past 10 years was 25.38 million dollars, much higher than that of other local governments, making it the most active organization. Table 1 reports descriptive statistics.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs.</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min.</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distance from average without focal organization</td>
<td>128</td>
<td>0.608</td>
<td>0.817</td>
<td>0.011</td>
<td>6.141</td>
</tr>
<tr>
<td>ODA net total</td>
<td>128</td>
<td>0.451</td>
<td>0.984</td>
<td>0</td>
<td>6.370</td>
</tr>
<tr>
<td>Number of international exchange and cooperation agreements</td>
<td>128</td>
<td>21.227</td>
<td>9.385</td>
<td>6.000</td>
<td>51.000</td>
</tr>
<tr>
<td>One-year lagged ODA net total</td>
<td>128</td>
<td>0.406</td>
<td>0.971</td>
<td>0</td>
<td>6.370</td>
</tr>
<tr>
<td>One-year lagged distance from ODA expenditure</td>
<td>128</td>
<td>0.569</td>
<td>0.830</td>
<td>0.011</td>
<td>6.141</td>
</tr>
<tr>
<td>Welfare voluntary organization in area</td>
<td>128</td>
<td>93.005</td>
<td>5.175</td>
<td>79.387</td>
<td>99.387</td>
</tr>
<tr>
<td>Independence of finance</td>
<td>128</td>
<td>41.823</td>
<td>20.326</td>
<td>10.430</td>
<td>90.440</td>
</tr>
<tr>
<td>Ratio self-budget to policy budget</td>
<td>128</td>
<td>84.229</td>
<td>5.732</td>
<td>63.710</td>
<td>91.880</td>
</tr>
<tr>
<td>GRDP per person</td>
<td>128</td>
<td>27468.590</td>
<td>10625.870</td>
<td>14327.000</td>
<td>63402.000</td>
</tr>
<tr>
<td>Population</td>
<td>128</td>
<td>14.656</td>
<td>0.731</td>
<td>13.237</td>
<td>16.343</td>
</tr>
</tbody>
</table>
Dependent Variables

\[ y_i = \frac{\sum_{j=1}^{n} \text{Expenditure}_j}{n-1} (i \neq j) \]

This study constructs the dependent variables by measuring the degree of distance from the ODA total average expenditure per year for local government. The ratio of ODA to total budget, which is the total expenditure of ODA, is too small, and the total expenditure of ODA was controlled in the previous year. The dependent variables are based on national data obtained from the EDCF. We obtained per capita data on the local governments’ annual spending on ODA to calculate a composite measure of expenditure isomorphism. For year \( t \), we calculate the absolute difference between a local government’s relative spending on ODA. We calculate the mean of ODA across all local governments in the field at time \( t \). In this study, we conceptualize institutional distance as the extent of difference between local governments in the institutional context. When the variable increases by one, it means that a local government is becoming more similar to the average (Salomon & Wu, 2012). This study explains the changes in the institutional norms and environments that enable the differentiation of strategic isomorphism of local governments and the extent of ODA implementation. The possession, allocation, and use of resources are important means of control within local governments. This is true in terms of tangible resources, such as a department’s budget (Covaleski & Dirsmith, 1983), as well as intangible resources, such as access to influential others (Sparrowe & Liden, 1997).

Legitimacy spillovers (Kostova & Zaheer, 1999) occur when greater social recognition for one organization (or group of organizations) leads to similar organizations receiving greater social recognition as well (Kuilman & Li, 2009). As more ODA is supported in other regions, ODA annual spending is likely to accelerate. ODA shares a
similar identity with sisterhood and friendship cities already recognized socially. It is a legitimacy spillover from the existing similar organization group. Previous studies on legitimacy spillover have measured the number of similar organizations (i.e., density) (Dobrev et al., 2006; Li et al., 2007). In a longitudinal study, lagged dependent variables can be controlled to allow for a more rigorous description of the remaining variates.

Figure 4 Average and coefficient of variation of Korean local government ODA expenditure (2006–2016)

**Independent Variables**

In this study, we analyze the factors of local government ODA project implementation from the economic, functional, and institutional perspectives. Either the economic rationality or the prior international experience influences the decision-making of local governments significantly.

The first independent variable is the level of internationalization in which learning takes place through experience in international exchange and cooperation by local governments. The real origin story is in the assembly of a new package, a combination of
cultural and organizational forms that develop into full-fledged institutional structures (Greening the Globe, 2013).

Using the data from the Governors Association of Korea, we measured the cumulative duration of sister cities and friendship cooperation. In addition, we measured the ICLEI (International Council for Local Environmental Initiatives) membership accumulation period to measure the pressure of global society. The ICLEI - Local Governments for Sustainability, founded in 1990 as the ICLEI, is an international association of local governments and national and regional local government organizations that have made a commitment to sustainable development.

Second, the pressure of professional and civil society was measured by the ratio of registered social welfare volunteer centers to local governments. Professionals acquire the legitimacy of the system they introduce and play an important role in the process of institutionalization that is taken for granted. In other words, professionals justify and rationalize the use of such systems through information gained through the feedback of international societies. In this study, the pressure of international society was measured using the cumulative period of ICLEI membership year. The interaction of “local government” units rather than countries through international organizations has two meanings. First, local governments gain a sense of belonging to global society by joining international organizations (Jeong, 2012).

Third, the rationality for determining the expenditure of economic resources as an internal resource was measured by the financial autonomy rate and the ratio of self-budget to policy budget. We collected the data of local governments from the Local Government Fact Book published annually by the Ministry of the Interior. The financial autonomy rate is reported by each local government to the Ministry of Interior. We measured the proportion of own budget in the budget of the policy projects implemented by the local governments.
Control Variables

We control for several other variables at the local levels that have the potential to influence ODA spending. First, we control for the prior ODA spending and distance from the average of local governments (abs). In a longitudinal study, the lagged DV (lagged dependent variable) can be controlled to allow for a more rigorous description of the remaining variates. Gross Regional Domestic Product (GRDP) was measured by the GRDP of each local government. Population size was measured as the natural logarithm value of the local population. If an organization similar to a focal firm accepts a new form, the institutional pressures of global society will have more significance to the focal firm. The organization considers similar organizations as reference groups based on size. If the feedback on the new form is positive, it is highly likely that the organization will not accept such feedback as an important signal unless it has accepted such a form in the reference group’s organizations.
## Results

Table 4 *Regression Results*

<table>
<thead>
<tr>
<th>Variables</th>
<th>Distance from average without focal organization</th>
<th>ODA net total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational learning</td>
<td>Number of international exchange and cooperation agreements</td>
<td>0.0169* 2.18</td>
</tr>
<tr>
<td>Civil society</td>
<td>Welfare voluntary organization in area</td>
<td>0.0303** 2.86</td>
</tr>
<tr>
<td>Economic rationality</td>
<td>Financial autonomy rate</td>
<td>-0.00948* (-2.18)</td>
</tr>
<tr>
<td></td>
<td>Ratio of self-budget to policy budget</td>
<td>-0.0294* (-2.13)</td>
</tr>
<tr>
<td>Institutional pressure of international society</td>
<td>ICLEI membership year cumulative period</td>
<td>-0.0294** (-2.85)</td>
</tr>
<tr>
<td><strong>Control Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lagged dependent variable</td>
<td></td>
<td>0.624*** 9.34</td>
</tr>
<tr>
<td>Lagged dependent variable</td>
<td></td>
<td>0.593*** 8.94</td>
</tr>
<tr>
<td>GRDP per capita</td>
<td></td>
<td>0.0000154** 2.62</td>
</tr>
<tr>
<td>Population</td>
<td></td>
<td>0.156 1.34</td>
</tr>
<tr>
<td>_CONS</td>
<td></td>
<td>-2.544 (-1.44)</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>128 128</td>
</tr>
<tr>
<td>Adjusted R2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*p < .05, **p < .01, ***p < .001.
Table 2 reports the results of the analyses of policy isomorphism in Korean local governments. The results of the quantitative analysis show that local governments with experience of international cooperation are more likely to spend ODA and diverge from the average expenditure policies of the field.

This suggests that firms may become embedded in the local institutional environment as they accumulate experience and that an increased understanding of the local environment provides some latitude in strategy selection (Salomon & Wu, 2012). On the other hand, the higher the economic rationality of the local government, the smaller the local government’s ODA expenditure and convergence to the other local government expenditure scale. In other words, the higher the rate of financial autonomy, the greater the ratio of self-budget relative to policy projects and the more likely it is that the pattern will be diffused. As an external resource, the experience of international exchange and cooperation under international pressure and the pressure of civil society increase the actorhood variation of local governments.

By contrast, local governments with a high degree of economic rationality are less likely to spend on ODA projects themselves, and they usually decide to spend close to the average. The results of the control variables show that all of the lagged dependent variables have a significant effect, and the higher the GRDP per capita, the larger the expenditure and the more diffuse the influence from the mean.

Figure 4 shows the local governments’ positions by standardizing the financial independence of local governments and the amount of ODA expenditure. According to the results of the analysis of the Korean local governments of 16 provinces, they are all conducting ODA business except for one area (Jeonnam).
On the other hand, some local governments also lead as “institutional entrepreneurs,” which were already leading ODA organizations and programs before the central government law. Most municipalities, except Seoul and Busan, have no separate policies and strategies for ODA projects, and the linkage with the national cooperation strategy is not considered. In the case of Seoul and Gyeongbuk, the ODA projects of Seoul-type ODA and Saemaul ODA (Gyeongbuk-type ODA) are being promoted. In the case of Seoul, the financial autonomy rate and ODA expenditure are both high, but in the case of Gyeongbuk, the financial autonomy rate is low while ODA expenditure is relatively high. One of these past programs was the Saemaul Movement, or New Community Movement, initiated by President Park Jung Hee in South Korea in the early 1970s (Reed, 2010). The Saemaul Movement has become a national brand in Korea’s program for sharing its own development experience with other countries. Governments and local leaders from countries in Asia, Africa, and Latin America
have expressed interest in learning how Korea’s countryside was transformed so rapidly in the early period of Korea’s development.

Gyeongbuk is attracting and executing the central government’s policy projects to spread the Saemaul Movement model to developing countries. In this regard, the central government’s support and effort should be accompanied by local governments’ efforts to activate ODA.

**Discussion and Conclusion**

Although many studies have focused on the economic effects derived from the changes in ODA status in the history of the Korean government, research on ODA spending of the local government as an actor of ODA is rare. This study contributes to public policy research by demonstrating the usefulness and explanatory power of the theoretical approach of organizational institutionalism.

We have focused on the ODA of the local governments in Korea and identified the factors affecting the ODA expenditure and policy isomorphism through a quantitative analysis. We argue that the effect on spending and distance from average expenditure by other local governments will be differentiated. The significance of this study is as follows: First, Korean local governments’ ODA is small, but it has been steadily promoted for the past 10 years, confirming that the local governments’ ODA is a voluntary and continuous policy phenomenon. Second, we identified factors that affect local governments’ ODA expenditures, which has proceeded without formalization. In this study, the dependent variable was measured by the amount of expenditure and the distance from the average, and panel regression analysis was utilized.

The policy implication derived from the analysis results is the budget expansion through cooperation with the central government. Local governments’ ODA has been
increasing in diversity and number of activities as well as budget, but they may have limited capacity. The effectiveness of local governments’ aid with small budgets for each project is thus controversial. To improve efficiency and accountability, since the lack of financial resources is presented as a real problem, resources should be supported through cooperation with the central government and public–private partnerships.

The limitations of this study are as follows. First, in terms of data collection, unfortunately, local governments’ ODA data were not available for several of the independent variables. At present, various government agencies gather data by individually requesting local governments’ business status, resulting in inefficiency and statistical inaccuracies. Local governments report their business status separately to the national government office, the Ministry of Foreign Affairs, and the export and import bank monitoring system, so the status of ODA projects is not known, and it is difficult to manage the precise status of projects. Second, the dynamics of the institutional environment were limited by the empirical analysis. The variable that measured the rationalized capacity worked as a bundle, which might have caused reverse causality.
References


OECD (2005). *Aid Extended by Local and State Governments,* DAC Journal, Vol. 6 No. 4


