

영문요약

In recent years, the international community has been increasingly placing a much greater emphasis on the role that the private sector plays in mobilizing financial resources in the field of development cooperation. In addition to its financial contribution to the field, yet, with the prevailing assumption that the private sector can be utilized to generate income and jobs in developing countries, Private Sector Development (PSD) would attract more attention and be expanded in the near future. In fact, it is believed that PSD fundamentally contributes to poverty reduction in developing countries by creating an environment where those in poverty are able to earn more money and to secure decent jobs while governments can fully enjoy expanded domestic tax revenues. Despite such anticipated positive impacts, however, there has been no enough academic discourse on strategies and directions that Korea can seek, bringing rooms for the nation to improve in this area.

Against this backdrop, this study explores the concept definition of PSD, approaches and objectives. By analyzing their PSD strategies and approaches of other donor agencies, it also intends to provide the possible implications for KOICA and further contributes to adopting its directions and strategies in the scope of PSD.

PSD, according to the OECD (2016), is defined ‘as development co-operation that addresses policies and institutions, market functioning and enterprise resources in order to improve the investment climate and the productive capacity of the local private sector—particularly of Small- and Medium-Sized Enterprises (SMEs)—in developing countries.’ Even though there is no clear concept definition of PSD on which donor agencies have formed a consensus, the common understanding on the scope of PSD is that they all see it as ‘a means of doing things better’ rather than merely as a goal.

When it comes to capturing supports to PSD, OECD applies two analytical frameworks: Investment Climate, Physical Infrastructure, Productive Capacity; and Policies and Institutions (upstream), Market Functioning (midstream) and

Enterprise Resources (downstream) which are classified according to the extent of intervention. Meanwhile, Donor Committee for Enterprise Development (DCED) presents 5 types of approaches to PSD including ‘Business Environment Reform, Private Sector Engagement, Making Markets Work for the Poor (M4P), Small Enterprise Development, and Industrial Policy’ while the objectives of PSD are identified as ‘Employment Creation, Women’s Economic Empowerment, Youth Employment, Green Growth, and Innovation Policy.’

Among donor agencies, GIZ from Germany sees a low level of productivity, a poor degree of competitiveness and a lack of diversification as fundamental obstacles facing the private sector in developing countries. It has adopted its three core strategies for PSD: creating appropriate political, legal and administrative environment; putting in place competitive and sustainable economic structure; and building cooperation with the private sector for sustainable investment. GIZ uses Business Environment Reform, M4P, Small Enterprise Development and private sector engagement as its key approaches to PSD. As of 2015, GIZ, among the three PSD areas, allocated comparatively large proportions of 45% and 44% to productive capacity and investment climate respectively, with the marginal share of 11% to physical infrastructure, implying its special stress on the productive capacity and investment climate. Most of the PSD support projects carried out by GIZ adapt the approach of Small Enterprise Development and support the firms in a long-term period indicating that Germany tactically takes competitive advantage of its strong manufacturing industry.

Japan pursues PSD strategy which can benefit not only developing countries but also its domestic companies and has laid a considerable focus on physical infrastructure. As for the PSD areas, it has made a single effort to introduce policies and institutions for improvement of business environment, promoting trade and investment, improving competitiveness of companies, and promoting economies and industries, while taking the approaches of Business Environment Reform, Small Enterprise Development and Industrial Policy. Furthermore, as large as 77 percent of ODA spending on PSD areas in 2015 in nominal terms was spent for physical infrastructure. It shows that JICA’s stands that physical infrastructure is of the greatest significance to facilitate the private sector in developing countries. What is noticeable is that most of JICA’s PSD practices

are concentrated on Asian countries which are directly connected with Japanese economic benefits. They are, in most cases, capacity building enhancement projects for human resources through technical cooperation.

Meanwhile, although the US has not clarified its national strategy for PSD it has pursued PSD approaches to provide supports to the areas of economic growth and trade. Underscoring the approach of M4P, USAID, with respect to the 2015 ODA spending on PSD areas in nominal terms, distributed its supports to investment climate (49%), physical infrastructure (5%) and productive capacity (47%) respectively. It implies US's high priorities of investment climate and productive capacity. Among successful PSD cases of USAID are the Private Sector Development Project in Serbia with the budget of 7 million USD for a 4-year term, which has contributed to improving competitiveness of private firms in the 12 economically vulnerable cities of the nation.

Korea does not have specific strategies for PSD. However, the in-depth analysis over the recent 5-year projects implemented by KOICA demonstrated that the KOICA has been used the approaches of Private Sector Engagement, M4P and Small Enterprise Development for its PSD support projects. In KOICA, as of 2015, the share of ODA spent on the component of productive capacity was 51%, followed by investment climate (30%) and physical infrastructure (19%), meaning its great stress on productive capacity. In particular, among the PSD projects relating to productive capacity, KOICA has mostly highlighted the establishment of TVET schools. It shows KOICA's perspective that it considers capacity building enhancement for human resources the most underlying factor in intensifying the private sector of developing nations. One of the fruitful PSD cases conducted by KOICA is the Project for the Establishment of the Korea-Nepal Institute of Technology in Butwal. The project brought a result of fostering high-quality workers by strengthening the capacity of local teachers. The project contributed to poverty reduction by receiving more than 50 percent of entering students to the school from vulnerable groups.

Based on the analysis and findings, in order to meet the objective 'Improve Developing Countries' Ability to be Self-Reliant,' in KOICA's Mid-to Long-term Management Strategy, this paper highly suggests that the targeting countries

of PSD projects should be limited to the priority partner countries of KOICA in Asia and Africa, of which have already set the PSD-related agenda as one of their national development plans. When it comes to the least developed countries, downstream interventions such as productive capacity should be carried out so that achievements can be seen in a relatively short-term period. For the middle-income countries, upstream and midstream interventions need to be conducted. Also, in terms of the approaches to PSD, Private Sector Engagement and Small Enterprise Development are recommended for the least developed countries while Business Environment Reform, Industrial Policy, and M4P should be proposed for the middle-income countries. When implementing PSD support projects it must be result-based and be in pursuit of inclusiveness and sustainability. This study lastly emphasizes the importance of setting a results chain implementing plan for results measurement in a systematic manner.