

# Public Institutions in Korea

Dec. 2012

Research Center for State-Owned Entities



**Public Institutions in Korea**

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## I. Public Institutions

- Public institutions are established by the government, possessing both a public character and traits of a business.
  - Subsequently, there are various types of public institutions, from those whose businesses are as commercial as private sector enterprises, to those that function as government affiliates.
  - Such characteristics may vary depending on each institution's roles and financial structure.
  
- Public institutions fill the needs for overcoming the operational constraints of government agencies, or deliver public services instead of the government. In doing so, public institutions have been able to lead the recovery from the past and present economic crises.
  - They act as the facilitator of economic development, by venturing into the fields in which private enterprises find it difficult to penetrate the new market.
  - They act for the public good by being in charge of operating monopoly enterprises.
  - They construct and manage social overhead capital such as roads, railroads and airports designed to serve as the basic foundations of national and industrial development.
  
- Total of 288 institutions designated as public institutions in 2012<sup>1)</sup>.
  - 28 state-owned enterprises, 83 quasi-governmental institutions, 177 non-classified public institutions.

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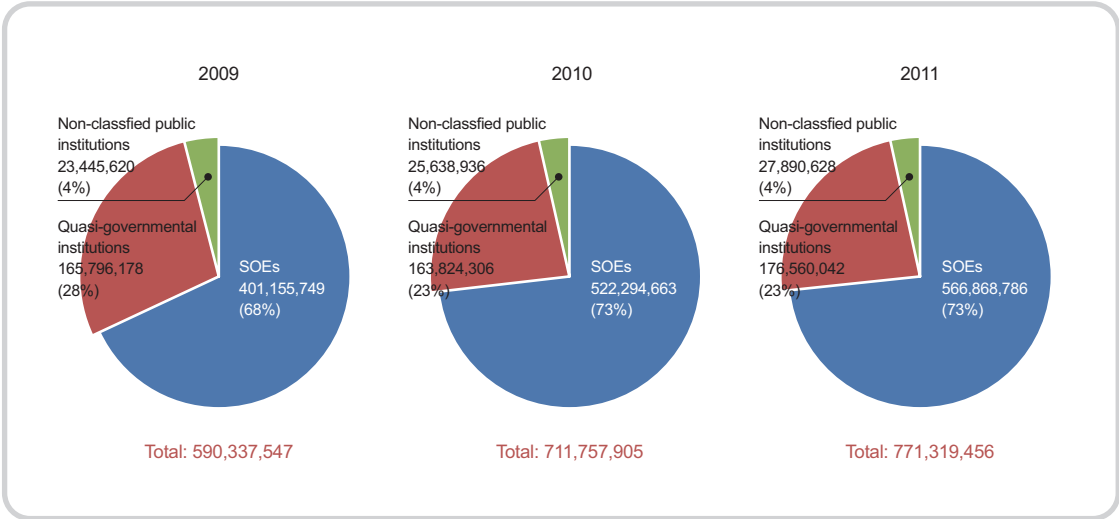
<sup>1)</sup> See appendix for further details.

### 1. Assets of Public Institutions

- The assets of public institutions have been under a trend of continual increase since 2009 and the size of asset increase is most salient in the case of state-owned enterprises (SOEs) (assets held by SOEs constitute approximately three-quarters of assets held by all public institutions).

Assets by Type of Public Institutions

(Unit: million won)



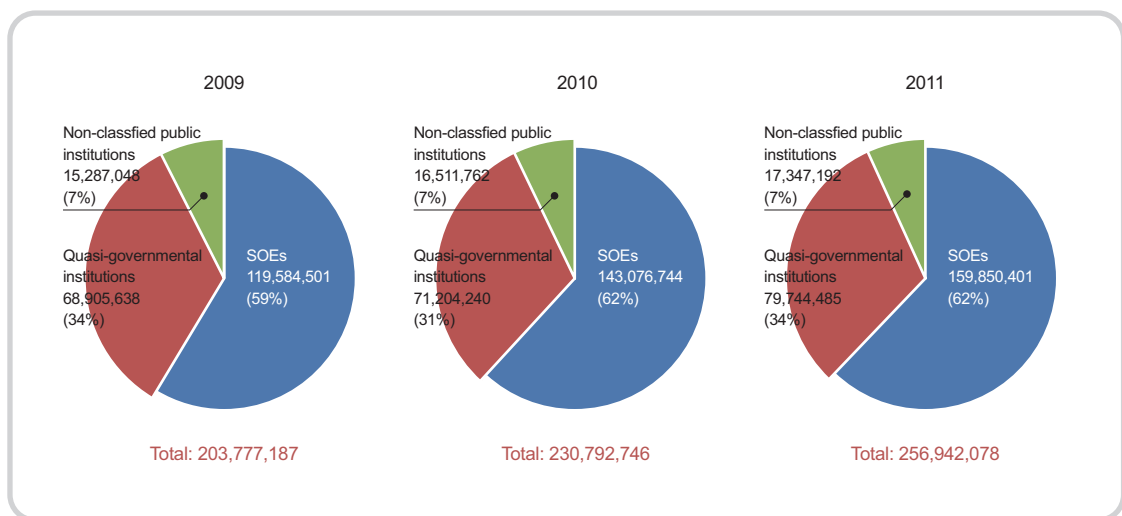


## 2. The Sales by Public Institutions

- As the charts show, the total sum of sales made by all public institutions is continually growing and state-owned enterprises contribute to over half of all sales.

Sales by Type of Public Institutions

(Unit: million won)



### 3. The National Economy and Public Institutions

- The number of executives and employees working in public institutions stands at approximately 246,000 as of December 2011.
  - SOEs are the largest in terms of the average number of employees per institution.

#### Size of Public Institution Workforce

(Unit: number of people)

Category	SOEs	Quasi-governmental institutions	Non-classified public institutions	Public institutions in total
Executives	151	288	321	760
Employees	93,603	71,257	80,753	245,613
Total	93,753	71,545	81,074	246,373

\* As of December 2011

- The ratio of public institution employees to the economically active population has continually increased from 0.84% in 2002 to 1.09% in 2008.
  - However, following the effects of the personnel downsizing that was stipulated by the new reform policy of the current administration, that number has shrunk to less than 1% in 2010.

#### Workforce Size in Public Institutions

(Units: thousand people, %)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personnel in public institutions	191	194	204	244	250	258	262	243	247	247
Economically active population	22,768	22,966	23,394	23,526	23,773	23,993	24,032	24,063	24,911	25,099
Percentage	0.84	0.84	0.87	1.04	1.05	1.08	1.09	1.01	0.99	0.98



- The budget for public institutions in 2010 has increased twofold when compared to that in 2002.
- Over the five years from 2002 to 2007, the budget increased by approximately 100 trillion won, but with the financial crisis in 2008, it skyrocketed to 442 trillion won.
- Consequently, the ratio of the budget for public institutions to the GDP increased from more-or-less 30% to around 40%, a big rise by over 10%.

### Budget Size of Public Institutions

(Units: trillion won, %)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Budget	206.2	230.3	246.6	269.0	299.1	308.4	442.0	450.1	464.3	463.1
GDP	720.5	767.1	826.9	865.2	908.7	975.0	1,026.5	1,063.1	1,173.1	1,237.1
Weight	28.6	30.0	29.8	31.1	32.9	31.6	43.1	42.3	39.6	37.4

## II . Public Institution Management System

### 1. Designation of Public Institutions

- Conditions on the designation of public institutions
  - The head of the competent agency must nominate institutions eligible for designation as public institutions and notify the Minister of Strategy and Finance at least one month before the start of every fiscal year.
  - Out of the institutions listed as being eligible for designation as public institutions, the Minister of Strategy and Finance selects institutions that fulfill the conditions stipulated by the Act on the Management of Public Institutions and designates them as public institutions.

Conditions of Designation as Public Institution

	Conditions	Examples
Subpara. 1	Institutions established by legislation with an investment by the government	Korea Credit Guarantee Fund, Korea Transportation Safety Authority, etc.
Subpara. 2	The amount of direct or indirect subsidies from the government exceeds one half of the total revenue.	Korea Gas Corporation, Korea Racing Authority, etc.
Subpara. 3	The government holds at least 50% of the outstanding shares or secures practical control in making decisions on its policies with at least 30% and less than 50% of such outstanding shares	Incheon Port Authority, Korea Tourism Organization, etc.
Subpara. 4	The government, together with institutions falling under any of subpara. 1-3, holds at least 50% of the outstanding shares or secures practical control in making decisions on its policies with at least 30% and less than 50% of such outstanding shares	Korea Electric Power Corporation, Korea District Heating Corporation, etc.
Subpara. 5	Institutions falling under any of subpara. 1-4 hold at least 50% of the outstanding shares or secure practical control in making decisions on its policies with at least 30% and less than 50% of such outstanding shares.	Korail Retail, Korea Southern Power, etc.
Subpara. 6	Institutions established by a public institution falling under any of subpara. 1-4 with an investment by the government or the establishing institution	Korea Electrical Engineering & Science Research Institute, etc.



■ Procedure for the Designation of Public Institutions



2. Classification of Public Institutions

- Public institutions are classified into three groups by their personnel, asset size, self-generated revenue, etc.

Classification of Public Institutions

Classification	Classification Criteria
① State-owned enterprise(28)	<ul style="list-style-type: none"> <li>• Institutions whose self-generated revenue<sup>2)</sup> accounts for at least 50% of total revenue</li> </ul>
▪ Market-based state-owned enterprise	▪ Institutions whose self-generating revenue accounts for at least 85% of total revenue (with a minimum asset size of two trillion won)
▪ Quasi-market-based state-owned enterprise	▪ State-owned enterprises excluding market-based state-owned enterprises
② Quasi-government institution(83)	<ul style="list-style-type: none"> <li>• Institutions whose self-generated revenue<sup>3)</sup> accounts for less than 50% of total revenue</li> </ul>
▪ Fund-management-based quasi-government institution	▪ Institutions that manage (or are commissioned to manage) funds in accordance with the National Financial Act
▪ Commissioned-service-based quasi-government institution	▪ Quasi-government institutions other than fund-management-based quasi-government institutions
③ Non-classified public institution(177)	<ul style="list-style-type: none"> <li>• Public institutions excluding state-owned enterprises and quasi-government institutions</li> </ul>

2) Self-generated revenue refers to institutional revenue excluding contributions, subsidies and other government financial support and is calculated after being weighted according to the supply monopoly and mandatory usage per type of revenue.

3) Self-generated revenue refers to institutional revenue excluding contributions, subsidies and other government financial support and is calculated after being weighted according to the supply monopoly and mandatory usage per type of revenue.

### 3. Public Institution Management and Inspection System

#### 1) Committee for Management of Public Institutions

- The Committee for Management of Public Institutions is working under the jurisdiction of the Minister of Strategy and Finance in order to efficiently and transparently deliberate and make decisions on issues regarding the operation of public institutions.

##### A. Formation and Management of the Committee

- The Committee for Management of Public Institutions (“the committee”) was established on April, 2007, and has deliberated and resolved managerial agenda.
  - The committee is comprised of government members and up to 11 private sector members.
- The committee shall be convened with 20 or less members including the chairperson in attendance and the number of private sector members shall constitute the majority of the members of the meeting.
  - As there are currently nine private sector members in the committee, the total number of members is limited to 17.
- Committee meetings shall be duly formed to open with the presence of a majority of the members, and shall adopt a resolution with the affirmative vote of a majority of the members present at the meeting.

##### B. Responsibilities of the Committee

- The committee shall resolve and disclose matters regarding the designation of public institutions, policies for the advancement of public institutions, day-to-day management of public institutions, appointment and removal of executives of public institutions and oversight over public institutions.



## Matters Subject to Deliberation and Resolution by the Committee

- Designation of state-owned enterprises, quasi-government institutions and non-classified public institutions, and cancellation and alteration of such designation
- Examination on the feasibility of the establishment of new institutions
- Personnel actions based on a violation of the duty of public disclosure
- Developing plans for the adjustment of the functions of public institutions
- Establishing guidelines on the assistance in the innovating public institutions and examining the level of institutional innovativeness
- Appointment of executives of state-owned enterprises and quasi-government institutions
- Establishing guidelines on the remuneration of executives
- Evaluation criteria for the business performance and removal (or recommendation of removal) of the executives of institutions with poor performance records
- The operation of the management evaluation team for state-owned enterprises and quasi-government institutions

### C. Subcommittees

- Subcommittees, organized under the Committee for Management of Public Institutions, assist the decision-making process of the Committee by conducting in-depth discussions on relevant agenda items and reporting the discussion results to the Committee.
  - There are currently three steering committees under the Committee.

#### Committee for Management of Public Institution and Subcommittees



## 2) Ministry of Strategy and Finance: Public Institutions Policy Bureau

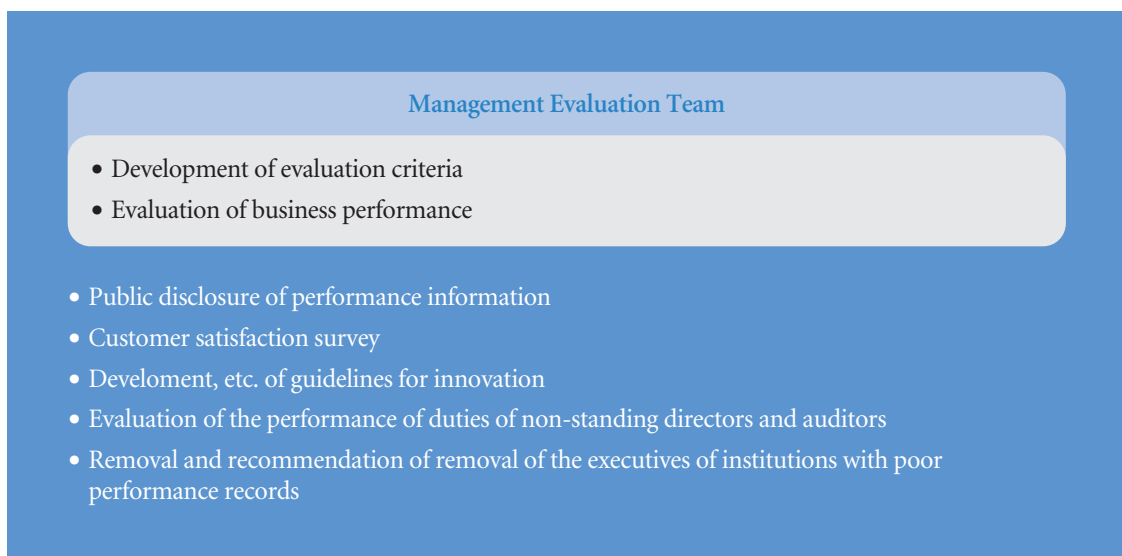
- The Ministry of Strategy and Finance oversees policies regarding the operation of institutions as stipulated by the Act on the Management of Public Institutions, enacted in



2007, in order to clearly set up the systemic principles and standards in regards to public institutions.

- Operational guidelines, notifications and oversight of institutions
- Supervisory responsibilities such as management evaluation, performance management, public disclosure, and regulations on the establishment.
- The Minister of Strategy and Finance organize and operate a management evaluation team for public corporations and quasi-government institutions to ensure the efficient execution of management performance evaluation and to provide professional and technical research or consultation concerning management performance evaluation.

### Management Evaluation Team



### 3) Competent Ministries

- Competent ministries oversee policies regarding the enterprises of individual institutions as administrative institutions charged with the business of state-owned enterprises, quasi-government institutions and non-classified public institutions.
  - Permission on the initiation and termination of businesses
  - Policies regarding the promotion of relevant industries or programs

## Public Institutions and Competent Ministries

Competent Ministries	No. of Institutions	Competent Ministries	No. of Institutions
Ministry of Strategy and Finance	3	Ministry of Land, Transport and Maritime Affairs	32
Ministry of Education, Science and Technology	39	Prime Minister's Office	24
Ministry of Foreign Affairs and Trade	3	Ministry of Patriots and Veterans Affairs	3
Ministry of Justice	3	Cultural Heritage Administration of Korea	1
Ministry of National Defense	3	Korea Forest Service	2
Ministry of Public Administration and Security	4	Rural Development Administration	1
Ministry of Culture, Sports and Tourism	31	Small & Medium Business Administration	8
Ministry of Food, Agriculture, Forestry and Fisheries	10	Korean Intellectual Property Office	4
Ministry of Knowledge Economy	60	Financial Services Commission	10
Korea Communications Commission	3	Defense Acquisition Program Administration	2
Ministry of Health & Welfare	16	Fair Trade Commission	1
Ministry of Gender Equality & Family	2	Korea Food & Drug Administration	1
Ministry of Unification	2	Korean National Police Agency	1
Ministry of Environment	4	National Emergency Management Agency	1
Ministry of Employment and Labor	11	National Science & Technology Commission	1
		Nuclear Safety and Security Commission	2



## 4. Board of Directors and Audit Committee

### 1) Board of Directors

- The board of directors shall be comprised of not more than 15 directors including the institution head(CEO).
- In addition, in market-based state-owned enterprises and quasi-market-based state-owned enterprises, the asset size of which is not less than two trillion won, the non-standing senior director shall become the chairperson of the board of directors; in quasi-government institutions and non-classified institutions, the institution head shall be the chairperson of the board of directors.
- On average, there are 8 to 12 directors, with 6 to 8 non-standing directors

Status of Board of Directors Structure

Category	Total No. of Directors	Standing	Non-standing	Average (by Institution)	Standing	Non-standing
SOEs (28)	286	107	179 (62.6%)	10.2	3.8	6.4
Quasi-governmental Institutions (83)	828	171	657 (79.3%)	10.0	2.1	7.9
Non-classified Public Institutions (177)	1,314	111	1,203 (91.6%)	7.4	0.6	6.8
Total (288)	2,428	389	2,039 (84.0%)	8.4	1.4	7.1

\* As of 2011

## 2) Audit Committee

- Any market-based state-owned enterprise or quasi-market-based state-owned enterprise, whose asset size is not less than two trillion won, is obligated to establish an audit committee. Its responsibilities include:
  - Active intervention in the deliberation process of the board of directors, to preempt potential risks of state-owned enterprises and enhance its role as a checking mechanism of the management body.
  - Provision of objective perspectives and reasonable decisions made with the majority of auditors
  - The Audit Committee shall be comprised of three or more directors, while a non-standing director shall be selected as the chairperson, and the committee is obligated to appoint at least one financial or accounting expert.
  
- The Audit Committee consists of independent experts, which brings professionalism to the auditing body.
  
- The audit committee should report the results to the board of directors after auditing business performances and accounting materials of the institution.

### Status of Audit Committee

Institutions obliged to establish an audit committee by the Act on the Management of Public Institutions (22)		Established in accordance with specific laws (2)
Market-based SOEs(14)	Quasi-market-based SOEs with assets over 2 trillion won(8)	
The Korea Electric Power Corporation, the Korea Gas Corporation, Incheon International Airport Corporation, the Korea Airports Corporation, Busan Port Authority, and Incheon Port Authority, The Korea National Oil Corporation, the Korea District Heating Corporation, Korea Midland Power Co., Ltd., Korea Hydro & Nuclear Power Co., Ltd., Korea Western Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd.	The Korea Housing Guarantee Co., Ltd the Korea Water Resources Corporation, the Korea Railroad Corporation, the Korea Land & Housing , the Korea Racing Authority, and the Korea Expressway Corporation, Yeosu Gwangyang Port Authority, Korea Resources Corporation	The Korea Appraisal Board and the Korea Exchange

\* As of 2011



## 5. Executive Personnel System

### 1) Executive Structure

- Executives of state-owned enterprises and quasi-government institutions will be comprised of directors (including the institution head) and inspectors. Directors are divided into standing and non-standing directors and the number of standing directors will be less than half of the total number of directors including the institution head.

### 2) Appointment of Executives

- In state-owned enterprises, the executive recommendation committee nominates the institution head candidate, which then passes through the deliberation and resolution of the Committee for Management of Public Institutions. This is followed by the competent minister making a recommendation to the President, who then makes the decision to appoint the nominee.
- In quasi-government institutions, the executive recommendation committee selects several recommendations, one of which is appointed as the institution head by the competent minister.
- The appointment of executives in non-classified public institutions is provided by legislation or articles of association.

#### Appointment of the Heads (CEOs) of SOEs and Quasi-government Institutions

Category	Appointment Procedure*
SOEs	Executive recommendation committee nomination → Deliberation and resolution by the Committee for Management of Public Institutions → Recommendation from competent minister → Presidential appointment
Quasi-governmental Institutions	Executive recommendation committee nomination → Recommendation from competent minister → Presidential appointment

\* Applicable to large public institutions with over 500 employees and 100 billion won in total revenue.

- The head (CEO) of a state-owned enterprise with 500 employees or less and less than 100 billion won in total revenue is appointed by the head of the competent ministry out of those who have been selected by the appointment recommendation board and have passed the deliberation and resolution process of the Committee for Management of Public Institutions.

### Authority to Appoint Institution Heads(CEOs), Directors, and Auditors

Category		SOEs	Quasi-government Institutions
Institution Heads	Large-scale Institutions	Recommendation by competent minister → Presidential appointment	
	Small-scale Institutions	Competent Ministers	
Standing Directors		Institution head	
Non-standing Directors		Minister of Strategy and Finance	Competent Ministers
Auditors Standing Auditors	Large-scale Institutions	Recommendation by competent minister → Presidential appointment	
	Small-scale Institutions	Minister of Strategy and Finance	



- Appointment procedure was simplified as a result of the December 2009 amendment to the Act on the Management of Public Institutions.

### Appointment Procedure for Heads, Directors, and Auditors

Institution	Position	Appointment Procedure	
		Executive Recommendation Committee	Committee for Management of Public Institutions (Deliberation and Resolution)
SOEs	Institution Heads	○	○
	Standing directors	×	×
	Auditors/Standing Auditors	○	○
	Non-standing Directors	○	○
Quasi-government institutions	Institution Heads	○	×
	Standing Directors	×	×
	Auditors/Standing Auditors	○	○
	Non-standing Directors	△ (Small-scale institutions are exempt)	×

### 3) Tenure of Executives

- The tenure of an institution head is three years, while it is two years for standing directors, non-standing directors and auditors.

Tenure Policy for Executives

Category	Past	Present
Institution Heads	The term of 3 years is guaranteed but consecutive appointment is virtually restricted	Initial tenure of 3 years + Consecutive appointment on a yearly basis (After consideration of management evaluation results)
Directors / Auditors		Initial tenure of 3 years + Consecutive appointment on an yearly basis (After consideration of job evaluation results)

### 4) Duties of Executives

- Institution heads(CEOs) represent state-owned enterprises or quasi-government institutions and oversee their businesses, while being accountable for their institution's operational performance during their terms of office.
- Directors shall deliberate on agendas submitted to the board of directors and participate in the resolution process.
- Auditors will inspect business performances and accounting books of state-owned enterprises and quasi-government institutions according to auditory standards and submit their opinions to the board of directors.



## 6. Budget and Accounting System

### 1) Accounting Principles

- State-owned enterprises and quasi-government institutions apply accrual-based accounting.
  - The detailed accounting criteria shall conform to the “Rules for Accounting Affairs of State-owned Enterprises and Quasi-government Institutions,” and shall be applied beginning with the settlement of accounts for the year of designation and budgets for the following year.

### 2) Compilation and Evaluation of the Budget

- A draft budget of each public institution for the following fiscal year shall separately compile its general provisions, the estimated income statement, the estimated balance sheet, and the financial plan in accordance with the guidelines for budget compilation of state-owned enterprises and quasi-government institutions, and shall be finalized by resolution of the board of directors no later than the beginning of the following fiscal year before being reported to the Ministry of Strategy and Finance, the competent agency and the Board of Audit and Inspection.
  - When the budget is finalized, a management plan shall be finalized through the resolution of the board of directors, and the state-owned enterprise or quasi-government institution shall submit this plan to the Minister of Strategy and Finance and the head of the competent agency within two months after the budget is finalized.

### 3) Settlement of Accounts

- Every state-owned enterprise or quasi-government institution shall prepare statements on the settlement of accounts at the end of each fiscal year, and select an accounting firm to conduct an external audit.

- All state-owned enterprises and quasi-government institutions shall submit a financial statement including the opinion of an external accounting auditor and accompanying documents to the Minister of Strategy and Finance and the head of the competent agency, respectively, no later than the last day of February of the following year, and shall finalize the settlement of accounts by obtaining approval no later than the last day of March.
- The finalized statements on the settlement of accounts shall be submitted to the Board of Audit and Inspection and the Board shall inspect the statements and submit the results thereof to the Minister of Strategy and Finance by no later than July 31. The Minister shall report the statement of accounts to the State Council and submit them to the National Assembly by no later than August 20.

## 7. Public Disclosure

### 1) ALIO: Public Disclosure System

- The management publication system is designed to publicly disclose information regarding the business performance, the status of personnel, and the financial conditions of public institutions with a view to establishing a public monitoring system and, ultimately, to improving their management efficiency.
- Every public institution shall disclose its management information on its official website and publish the same set of information on the public management information system, ALIO(All public Information In One, [www.alio.go.kr](http://www.alio.go.kr)).



## 2) Guidelines for Public Disclosure

- A total of 34 items are grouped into five categories as follows.

### Public Disclosure Items

Categories	Items
I . General status	1. General status
II . Operation of Institution	2. Number of employees 3. Status of executives 4. New employment 5. Annual salary of executives 6. Average monthly salary of employees 7. Business expenses spent by institution head 8. Welfare expenses 9. Details of executive business trips overseas 10. Status regarding labor unions 11. Rule of employment
III . Management performance and core projects	12. Condensed balance sheet 13. Condensed income statement 14. Revenue and expenditure 15. Core projects 16. Details of investment execution 17. Capital and shareholders 18. Short and long term borrowings 19. Investment and contribution 20. Annual endowments and grants 21. Management overhead costs 22. Corporate Tax Payment
IV . Internal and external evaluation	23. Feedback from the National Assembly 24. Feedback from the Board of Audit and Inspection/competent ministries 25. Results of management performance evaluation 26. Feedback in management performance evaluation 27. Results of customer satisfaction surveys 28. Results of auditor's job performance evaluation 29. Minutes of directors' meeting, results of internal audit
V . Announcement	30. Examples of management innovation 31. Employment information 32. Bidding information 33. Research report 34. Other information

- Disclosure items are classified into those for regular periodic and irregular disclosure.
  - Items for regular periodic disclosure are used to publish related materials regularly at a certain time—the end of a year or quarter.
    - Information on an institution's organizational structure, personnel, financial records, or annual salary of employees
  - Items for irregular disclosure refer to items whose related information is generated on an irregular basis and need to be disclosed to the public, and shall be posted within 14 days from their generation.
    - Feedback from independent institutions, minutes of directors' meetings, information on employment or bidding

### 3) Operation of Public Disclosure System

#### A. Revision of the Standard and Manual for Public Disclosure

- After the inspection of the disclosure system and disclosure of the previous year at the beginning of each year, its revision is deemed necessary by request of the National Assembly. In such cases, a new standard for disclosure is formulated through deliberation and resolution by the Committee for Management of Public Institutions.

#### B. Periodic Disclosure of Public Institution Information

- Before the end of April when the periodic information is disclosed, a briefing session is provided on public institutions to explain the consolidated disclosure for public institutions and the public institutions newly designated in that year are directed to produce the consolidated disclosure.
  
- An institution designated as a public institution shall disclose its management information such as the financial status of the recent five years during the periodic disclosure every year.



### C. Examination and Confirmation of Disclosure

- In order to ensure the credibility and accuracy of the information disclosed every year, the Ministry of Strategy and Finance checks and confirms them.
  - It imposes penalties for any unfaithful disclosure in accordance with the penalty criteria and carries out ex post measures after deliberation and resolution by the Committee for Management of Public Institutions.

### 4) Penalties for Unfaithful Disclosure

- In order to ensure the credibility and accuracy of the publication items, if a public institution fails to perform its duty of publication in good faith, or publishes false information, the Minister of Strategy and Finance may issue an order for correction and the necessary personnel disposition against the person responsible for the publication of false information.
- Unfaithful disclosure is defined into three categories:
  - (1) It is regarded as noncompliance when an institution fails to disclose material that is supposed to be disclosed or discloses information past the prescribed time of publication;
  - (2) false publication occurs when an institution discloses false information and the violation is discovered by an external agency; and (3) disclosure correction is the case where an institution identifies and corrects the false information that had already disclosed. Penalty is imposed depending on the type of unfaithful disclosure.

## 8. Management Evaluation System

### 1) Management Evaluation System

- Evaluating performance of public institutions can be characterized as a cyclic process in which the annual performance of public institutions is objectively assessed based upon evaluation indicators. Performance-based payments, derived from the evaluation results, are distributed while the results are also reflected onto successive business plans. The major purposes of evaluation are as follows:
  - Enhancement of management efficiency and provision of accountability and motivation for goal achievement
  - Setting clear targets and effective control of principal-agent problems
  - Introduction of competition and pressure to stimulate management innovation
  - Improvements of management based on feedback from evaluation results
  - Improvement of management transparency of public institutions

### 2) Types of Management Evaluation

#### A. Evaluation of Management Performance for State-owned Enterprises and Quasi-government Institutions

- The evaluation aims at ensuring accountable management through external assessment on their achievements, and at utilizing them for management improvement,
- It also aims at establishing an accountable management system, streamlining management operations and transparency of institutions.
  - The overall performance of state-owned enterprises and quasi-government institutions is placed under annual assessment.



## **B. Performance Evaluation of Management Plan Executed by Institution Head**

- A systematic evaluation of each institution head's efforts and actual performance in carrying out the management plan is intended to inspect the role, efforts, and capacity of the institutional leadership.
  - Provision of reasonable management guidelines for an institution head
  
- The evaluation subject is the implementation record of a management plan formulated by the head of each institution across state-owned enterprises, quasi-government institutions and non-classified public institutions designated by the Minister of Strategy and Finance.

## **C. Performance Evaluation of Autonomous Management Plan**

- A tailored management system which grants institution heads autonomy and holds them responsible in close alignment with business performance
  - To institutionalize this system, “a pilot program designed to expand autonomous management rights in public institutions” is drafted.
  - Since 2010, the government has been conducting the pilot program for expanding public institutions' management autonomy in some select institutions. (Institutions selected for the 2012 pilot project: the Incheon International Airport Corporation, the Korea Airports Corporation, the Korea Gas Corporation, and the Korea District Heating Corporation)

### 3) Performance Evaluation Indicators

- The evaluation for management performance on state-owned enterprises and quasi-government institutions is composed of 18 indicators across three categories: leadership & accountable management, management efficiency, core businesses.

#### Categories and Indicators of the Evaluation System for Public Institutions

Category	Main Indicators
Leadership & Accountable management	Leadership Evaluation by the general public Accountable management Contribution to society
Management Efficiency	Business process efficiency Organization and human resource management Financial budget (financial budget management, result of financial budget, quantity management expenses) Remuneration and performance management Labor management relations
Core businesses	Aggregate evaluation of core business plans, activities and management performance



- The performance evaluation based on management plans formulated by institution heads adopts 9 indicators across three categories, such as leadership & accountable management, management efficiency and core businesses; and in terms of weight allotted to each category, 20 percent goes to leadership & accountable management, 40 percent to management efficiency, and 40 percent to core businesses.

#### Categories and Indicators of the Evaluation System for Institution Heads

Category	Leadership & Accountable management	Management Efficiency	Core businesses
Weight (%)	20	40	40
Evaluation indicators	<ul style="list-style-type: none"> <li>▪ Leadership(10)</li> <li>▪ Accountable management(3)</li> <li>▪ Evaluation by the general public(2)</li> <li>▪ Contribution to society(5)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Organization and human resource management(10)</li> <li>▪ Remuneration and performance management(10)</li> <li>▪ Labor management relations(20)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Core businesses(30)</li> <li>▪ Sustainable development project(10)</li> </ul>

#### 4) Evaluation System and Procedures

- Delivery of the management performance evaluation manual (Ministry of Strategy and Finance, Nov. 2011) → Formation of a management evaluation team (Feb. 2012) → Execution of the management evaluation (Mar. to May, 2012) → Deliberation and resolution of Committee for Management of Public Institutions confirmed (20 June 2012)

## Research Center for State-Owned Entities (SOEs)

(<http://soe.kipf.re.kr/eng/Main.aspx>)

### 1. Executive Director's Message



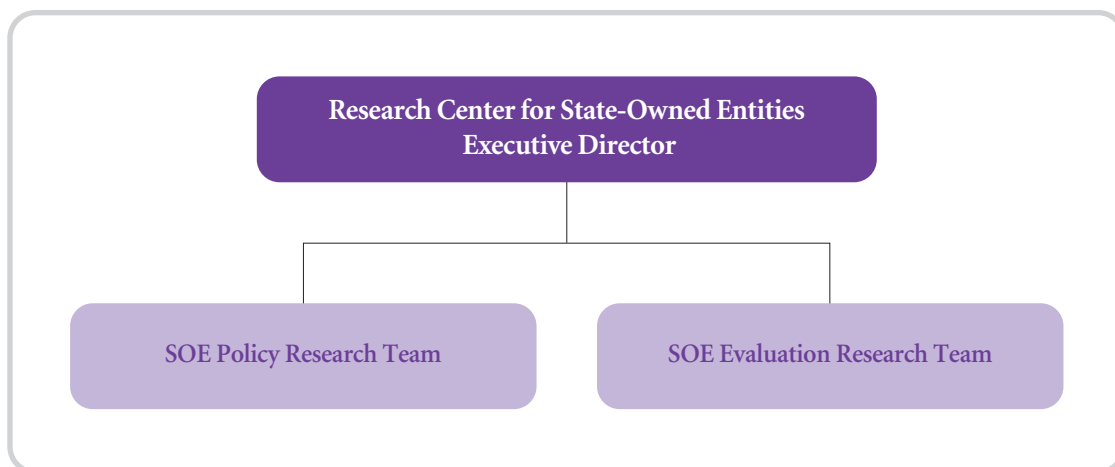
Currently there are 288 State-Owned Entities (SOEs) in Korea which are categorized into public corporations, quasi-government organizations, and other public institutions.

The total employment by the SOEs is about 246 thousand, and their total volume of the budget reaches 463 trillion won, twice as much as the size of the national budget as of 2011.

Since the performance of SOEs is critical to Korean economy, Korea has maintained one of the most sophisticated and integrated management systems for SOEs. To support and improve the government policy for SOEs, the Ministry of Strategy and Finance has established the Research Center for State-Owned Entities in 2009.

The research scope covers internal and external governance structure, financial issues, public utility rates, evaluation methods, employment structure, etc. The Center, as a hub of research on SOEs in Korea, will actively cooperate with the international community to learn and share the knowledge and experience on State-Owned Entities.

Executive Director  
Jin Park  
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### Principles of Public Institution Advancement Policy

Position	Name	Major
Executive Director	Park Jin	Public Sector Reform, Development Economics, Conflict Resolution
Head of SOE Policy Research Team		
Head of SOE Evaluation Research Team	Ra Youngjae	Public Sector Reform, Corruption, Governance
Associate Fellow	Kim Jiyoung	Empirical Industrial Organization, Public Economics, Applied Macroeconomics
Associate Research Fellow	Park Hanjun	Public Management Innovation, Institutional Reform
Associate Research Fellow	You Jungsook	Mechanism Design, Public Economics
Associate Fellow	Heo Kyongsun	Policy Analysis, Public Management
KICPA	Moon Changoh	Accounting & Auditing of Public Institutions
KICPA	Park Jinhee	Auditing of Public Institutions, M&A
KICPA	Kim Eunsun	Accounting & Auditing of Public Institutions
Research Specialist	Byen Minjung	
Research Specialist	Yun Jeongkyu	

Position	Name	Major
Research Analyst	Kim Boeun	
Research Analyst	Kim Yunseung	
Research Analyst	Kim Jaesung	
Research Analyst	Kim Jongwon	
Research Analyst	Na Jinhee	
Research Analyst	Bong Woori	
Research Analyst	Song Kyungho	
Research Analyst	Song Jinmin	
Research Analyst	Yu Hyojeong	
Research Analyst	Ryu Jaemin	
Research Analyst	Lee Kangshin	
Research Analyst	Lee Seul	
Research Analyst	Lee Seunghye	
Research Analyst	Lee Jukyong	
Research Analyst	Lim Miwha	
Research Analyst	Jung Yeseul	
Research Analyst	Choi Jieun	
Research Analyst	Ha Taewook	
Research Analyst	Hong Sojung	
Research Analyst	Hong Yoonjin	
Senior Administrator	Byoun Kyoungsook	

# Appendix

## 2012 Public Institutions

(State-owned enterprises, quasi-governmental institutions, and non-classified public institutions, 288, as of Nov. 26, 2012)

Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Strategy and Finance (3)		Korea Minting & Security Printing Corporation (1)			Korea Exim Bank, Korea Investment Corporation (2)
Ministry of Education, Science and Technology (39)			Korea Teachers Pension (1)	Korea Foundation for the Advancement of Science & Creativity, Korea Education & Research Information Service, National Research Foundation of Korea, Korea Student Aid Foundation (4)	Gangneung-Wonju National University Dental Hospital, Kangwon National University Hospital, Kyungpook National University Hospital, Gyeongsang National University Hospital, Northeast Asian History Foundation, Institute for the Translation of Korea Classics, Pusan National University Hospital, Pusan National University Dental Hospital, Seoul National University Hospital, Seoul National University Dental Hospital, Chonnam National University Hospital, Chonbuk National University Hospital, Jeju National University Hospital, Chungnam National University Hospital, Chungbuk National University Hospital, Korea Foundation for the Promotion of Private School, Academy of Korean Studies, Gwangju Institute of Science and Technology, Korea Research Council of Fundamental Science & Technology, Daegu Gyeongbuk Institute of Science & Technology, Korea Advanced Institute of Science and Technology, Korea Institute of Science and Technology Information, Korea Basic Science Institute, Korea Research Institute of Bioscience & Biotechnology, Korea Astronomy and Space Science Institute, Korea Research Institute of Standards and Science, Korea Institute of Oriental Medicine, Korea Aerospace Research Institute, Korea Ocean Research & Development Institute, Korea Institute of Science and Technology, Korea Atomic Energy Research Institute, Korea Institute of Radiological & Medical Sciences, National Institute for Lifelong Education (34)



Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Foreign Affairs and Trade (3)					Korea International Cooperation Agency, Korea Foundation, Overseas Koreans Foundation (3)
Ministry of Unification (2)					North Korean Refugees Foundation, South-North Korea Exchanges and Cooperation Support Association (2)
Ministry of Justice (3)					Korea Legal Aid Corporation, Korean Government Legal Service, Korea Rehabilitation Agency (3)
Ministry of National Defense (3)					War Memorial of Korea, Korea Institute for Defense Analyses, National Defense Scholarship Foundation (3)
Ministry of Public Administration and Security (4)			Government Employees Pension Service (1)	Korea Elevator Safety Institute, National information Society Agency (2)	Korea Democracy Foundation (1)
Ministry of Culture, Sports and Tourism (32)		Korea Tourism Organization (1)	Korean Film Council, Korea Sports Promotion Foundation, Arts Council Korea, Korea Press Foundation (4)	Korea International Broadcasting Foundation, Korea Creative Content Agency (2)	(Korean Cultural & Arts Centers Association, Kyongbuk Tourism Development Corporation, Cultural Foundation of National Museum of Korea, Korea Council of Sport for All, Grand Korea Leisure, Korean Paralympic Committee, Korea Media Rating Board, Seoul Arts Center, Myeongdong-Chongdong Theater, Korea Publication Ethics Commission, Korea Literature Translation Institute, Korean Olympic Committee, Korea Culture & Tourism Institute, Korea Arts & Culture Education Service, Korea Culture Promotion, Korean Film Archive, Korea Sports Industry, Korea Foundation for the Next Generation Sports Talent, Game Rating Board, Korean Tradition Music FM Broadcasting System, Taekwondo Promotion Foundation, Korea Copyright Commission, Korea Craft & Design Foundation, Korea Performing Arts Center, Korea Arts Management Service (25)



Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Food, Agriculture, Forestry and Fisheries (10)		Korea Racing Authority (1)		Korea Agro-Fisheries Trade Corporation, Korea Institute for Animal Products Quality Evaluation, Korea Rural Community Corporation, Korea Fisheries Resources Agency, Korea Livestock Products HACCP Accreditation Service, Korea Institute of Planning and Evaluation for Technology of Food, Agriculture, Forestry and Fisheries (6)	Livestock Health Control Association, Agriculture Forestry Fisheries Information Service, Korea Fisheries Infrastructure Promotion Association (3)

Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Knowledge Economy (60)	<p>Korea Gas Corporation, Korea National Oil Corporation, Korea Electric Power Corporation, Korea District Heating Corporation, Korea Midland Power Co., Ltd., Korea Hydro &amp; Nuclear Power Co., Ltd., Korea Western Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd. (10)</p>	<p>Korea Resources Corporation, Korea Coal Corporation (2)</p>	<p>Korea Trade Insurance Corporation, Korea Radioactive Waste Management Corporation (2)</p>	<p>Korea Institute of Petroleum Management, Korea Trade-Investment Promotion Agency, Korea Energy Management Corporation, Korea Institute of Ceramic Engineering and Technology, Korea Postal Logistics, Postal Savings &amp; Insurance Associate Corporation, Korea Gas Safety Corporation, Mime Reclamation Corporation, Korea Institute of Design Promotion, Korea Testing Laboratory, Korea Institute for Advancement of Technology, Korea Evaluation Institute of Industrial Technology, Korea Industrial Complex Corporation, Korea Institute of Energy Technology Evaluation and Planning, Korea Post Value Information Express, Korea Electrical Safety Corporation, Korea Power Exchange, National IT Industry Promotion Agency (18)</p>	<p>Korea Electrical Engineering &amp; Science Research Institute, Incheon Total Energy Company, Kangwon Land, Korea Gas Technology Corporation, Korea Productivity Center, KEPCO Engineering &amp; Construction Company, Korea Standards Association, Korea-Japan Cooperation Foundation for Industry and Technology, KEPCO Knowledge, Data &amp; Network, KEPCO Plant Service &amp; Engineering, KEPCO Nuclear Fuel Company, Korea Nuclear Energy Promotion Agency, Special Post Office Pension Service, Daedeok Innopolis, Korea Research Council for Industrial Science &amp; Technology, Korea Institute of Construction Technology, Korea Institute of Machinery &amp; Materials, Korea Institute of Industrial Technology, Korea Food Research Institute, Korea Institute of Energy Research, Korea Electrotechnology Research Institute, Electronics and Telecommunications Research Institute, Korea Institute of Geoscience and Mineral Resources, Korea Railroad Research Institute, Korea Research Institute of Chemical Technology, Korea Strategic Trade Institute, Postal Building Management Association, Korea Institute for Robot Industry Advancement (28)</p>



Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Health, Welfare and Family Affairs (16)			National Pension Service (1)	Health Insurance Review & Assessment Service, National Health Insurance Corporation, Korea Health Industry Development Institute, Korea Labor Force Development Institute for the Aged, Korea Health and Welfare Information Service (5)	National Cancer Center, Korean Red Cross, Korea Human Resource Development Institute for Health & Welfare, National Health Personnel Licensing Examination Board, Korea Disabled People's Development Institute, Korea Foundation for International Healthcare, Korea National Council on Social Welfare, National Medical Center, Korea Childcare Promotion Institute, Korea Health Promotion Foundation (10)
Ministry of Environment (4)				Korea National Park Service, Korea Environment Corporation, Korea Environmental Industry & Technology Institute (3)	Sudokwon (capital area) Landfill Site Management Corporation (1)
Ministry of Employment and Labor (10)			Korea Workers' Compensation & Welfare Service (1)	Korea Employment Information Service, Korea Occupational Safety & Health Agency, Human Resources Development Service of Korea, Korea Employment Agency for the Disabled (4)	Korea Polytechnics, Korea Labor Foundation, Korea University of Technology and Education, Korea Elevator Safety Technology Institute, Korea Social Enterprise Promotion Agency (5)
Ministry of Gender Equality and Family (2)				Korea Youth Counseling Institute, Korea Youth Work Agency (2)	

Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Ministry of Land, Transport and Maritime Affairs (32)	Incheon International Airport Corporation, Korea Airports Corporation, Busan Port Authority, Incheon Port Authority (4)	Korea Housing Guarantee Co., Ltd., Jeju Free International City Development Center, Korea Appraisal Board, Korea Expressway Corporation, Korea Water Resources Corporation, Korea Land & Housing Corporation, Korea Railroad Corporation, Yeosu Gwangyang Port Authority (8)		Korea Transportation Safety Authority, Korea Institute of Construction & Transportation Technology Evaluation and Planning, Korea Infrastructure Safety & Technology Corporation, Korea Rail Network Authority, Korea Cadastral Survey Corporation, Korea Ship Safety Technology Authority, Korea Institute of Maritime and Fisheries Technology (7)	Korail Networks, Korail Logis, Korail Retail, Korail Tech, Korail Tourism Development, Korea Construction Management Corporation, Korea Housing Management, Ulsan Port Authority, Incheon Port Security, Busan Port Security Corporation, Korea Institute of Marine Science & Technology Promotion, Korea Association of Aids to Navigation, Korea Marine Environment Management Corporation (13)

Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Prime Minister's Office (24)					National Research Council for Economics, Humanities and Social Sciences, Science and Technology Policy Institute, Korea Research Institute for Human Settlements, Korea Institute for International Economic Policy, Korea Institute for Industrial Economics & Trade, Korea Energy Economics Institute, Korea Information Society Development Institute, Korea Institute for National Unification, Korea Development Institute, Korean Educational Development Institute, Korea Institute for Curriculum and Evaluation, Korea Transport Institute, Korea Labor Institute, Korea Rural Economic Institute, Korea Legislation Research Institute, Korea Institute for Health and Social Affairs, Korean Women's Development Institute, Korea Institute of Public Finance, Korea Research Institute for Vocational Education & Training, National Youth Policy Institute, Korea Maritime Institute, Korea Institute of Public Administration, Korean Institute of Criminology, Korea Environment Institute (24)
Korea Communications Commission (3)		Korea Broadcast Advertising Corporation (1)	Korea Communications Agency (1)	Korea Internet Security Agency (1)	
National Science & Technology Commission (1)					Korea Institute of Science & Technology Evaluation and Planning (1)
Nuclear Safety and Security Commission (2)				Korea Institute of Nuclear Safety (1)	Korea Institute of Nuclear Nonproliferation and Control (1)



Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Financial Services Commission (10)			Korea Asset Management Corporation, Korea Technology Finance Corporation, Korea Credit Guarantee Fund, Korea Deposit Insurance Corporation, Korea Housing Finance Corporation (5)	Korea Securities Depository, Korea Exchange (2)	Korea Securities Computing Corporation, Korea Enterprise Data, Korea Finance Corporation (3)
Fair Trade Commission (1)				Korea Consumer Agency (1)	
Ministry of Patriots and Veterans Affairs (3)				Independence Hall of Korea, Korea Veterans Health Service (2)	88 Country Club (1)
Defense Acquisition Program Administration (2)					Agency for Defense Development, Defense Agency for Technology and Quality (2)
Cultural Heritage Administration of Korea (1)					Korea Cultural Heritage Foundation (1)

Relevant Ministries	SOEs		Quasi-Governmental Institutions		Non-classified public institutions (177)
	Market-based SOEs (14)	Quasi-market-based SOEs (14)	Fund-management-based (17)	Commissioned-service-based (66)	
Korea Forest Service (2)				Korea Forestry Promotion Institute(1)	Korea Green Promotion Agency (1)
Rural Development Administration (1)				Foundation of Agri, Tech, Commercialization & Transfer (1)	
Small & Medium Business Administration (8)			Small & Medium Business Corporation (1)	Korea Technology and Information Promotion Agency for Small & Medium Enterprises, Small Enterprise Development Agency, (2)	Agency for Traditional Market Administration, Korean Federation of Credit Guarantee Foundations, Small Business Distribution Center, Korea Venture Investment Corporation, Institute of Korea Entrepreneurship Development (5)
Korean Intellectual Property Office (4)					Korea Invention Promotion Association, Korea Institute of Patent Information, Korea Institute of Intellectual Property, Korea Intellectual Property Protection Association (4)
Korea Food & Drug Administration (1)					Korea Orphan Drug Center (1)
Korean National Police Agency (1)				Road Traffic Authority (1)	
National Emergency Management Agency (1)				Korea Institute of Fire Industry & Technology (1)	



