

# PUBLIC INSTITUTIONS IN KOREA

September 2017

Research Center for State-Owned Entities  
Korea Institute of Public Finance



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RESEARCH CENTER FOR STATE-OWNED ENTITIES

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# 01 Overview of Public Institutions

1. Introduction
2. Financial Conditions
3. The National Economy and Public Institutions



## 1. Introduction

Public institutions are funded, invested or financially supported by the government to deliver a public or government service, though not as a ministerial department, central or local government.

- There are various types of public institutions, from those whose businesses are as commercial as private enterprises, to those that function as government agencies.
- Such characteristics may vary depending on each institution's roles and financial structure.

In general, public institutions deliver public goods and services on behalf of the government while they overcome the operational constraints of government agencies. In doing so, public institutions have made various contributions to the national economy.

- They help facilitate economic development, by venturing into new markets which private enterprises find it difficult to enter.
- They operate as natural monopolies to supply public goods and services at an affordable price.
- They build and maintain public infrastructure(SOC) such as roads, railroads and airports that form the basic foundations of economic growth and industrial development.

There are 332 public institutions in Korea as of 2017.

- 35 public corporations<sup>1)</sup>, 89 quasi-governmental organizations, 208 non-classified public institutions.

1) Public corporations are what we generally regard as state-owned enterprises. The term was first used in the classification of public institutions according to the Act on the Management of Public Institutions.

<Table I-1> Designation Status of Public Institutions as of January 2017

| Classification                        | Number of Public Institutions |
|---------------------------------------|-------------------------------|
| ■ Public corporations                 | 35                            |
| - Market-type                         | 14                            |
| - Quasi-market-type                   | 21                            |
| ■ Quasi-governmental institutions     | 89                            |
| - Fund-management-type                | 16                            |
| - Commissioned-service-type           | 73                            |
| ■ Non-classified public institutions  | 208                           |
| ■ Total Number of Public Institutions | 332                           |

※ Korea Foundation for Human Tissue Donation was merged into Korea Organ Donation Agency on April 1, 2017 and Korea Institute for Food Safety Management Accreditation and Korea Livestock Products HACCP Accreditation Service were merged into Korea Agency of HACCP Accreditation on February 13, 2017. However, merged institutions were not officially designated as public institutions by the Ownership Steering Committee and so the changes have not been reflected in this table.

## 2. Financial Conditions

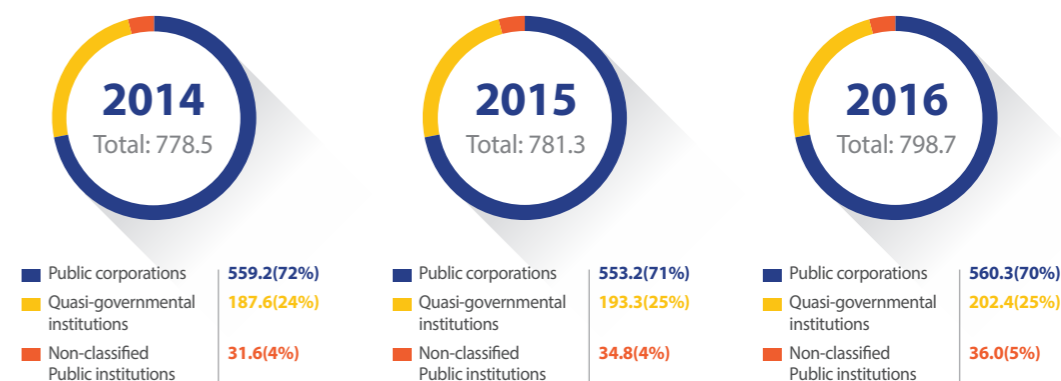
### 1) Assets

The total amount of assets owned by public institutions has continuously increased overtime and reached 798.7 trillion KRW in 2016.

- The assets held by public corporations constitute approximately three-quarters of the total assets held by all public institutions.

<Figure I-1> Assets by Type of Public Institutions

(Unit: one trillion KRW)



Source: ALIO system

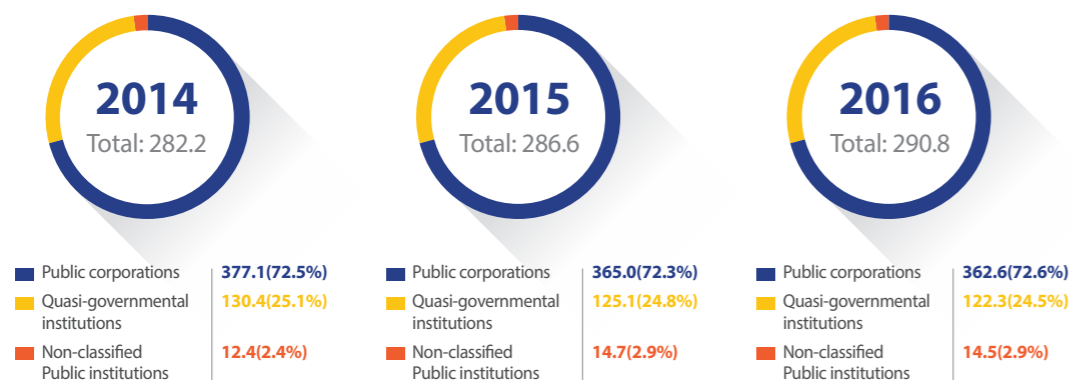
## 2) Liabilities

The total amount of liabilities of public institutions has been in decline for the last three years due to the previous administration's strong policy measure to control the increase of debt of public institutions.

- The proportion of the liabilities of public corporations to those of all public institutions has been stable for the last three years.
- The liabilities of quasi-governmental institutions are in decline.

<Figure I-2> Liabilities by Type of Public Institutions

(Unit: one trillion KRW)



Source: ALIO system

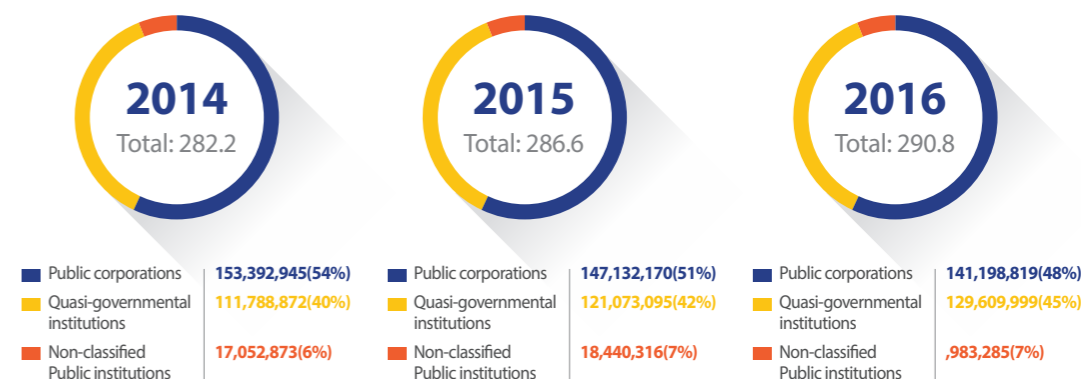
## 3) Sales

The total sum of sales generated by all public institutions has increased for the last three years, the public corporations contributing the most.

- The proportion of sales produced by public corporations decreased by approximately 6 percent between 2014 and 2016 while that of quasi-governmental institutions and non-classified public institutions increased by 4 percent and 1 percent respectively during the same period.

<Figure I-3> Sales by Type of Public Institutions

(Unit: one trillion KRW)



Source: ALIO system

## 4) Net Income

Public institutions did not have an annual fiscal deficit during the last three years, and the surplus has been continuously increasing.

- There has been a great increase in the total net income of public corporations.
- There has been a relatively big increase in the total net income of non-classified public institutions, too, while the surplus of quasi-governmental institutions decreased by 1 trillion KRW in 2016.

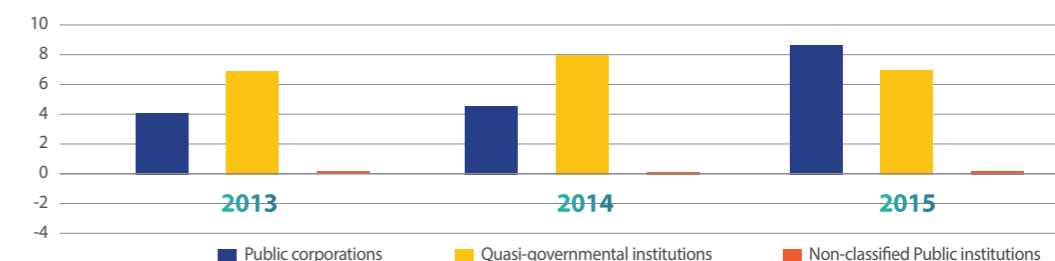
<Table I-2> Net Income by Type of Public Institutions

(Unit: one trillion KRW)

|                                    | 2014        | 2015        | 2016        |
|------------------------------------|-------------|-------------|-------------|
| Public corporations                | 4.0         | 4.6         | 8.6         |
| Quasi-governmental institutions    | 7.3         | 7.9         | 6.9         |
| Non-classified public institutions | 0.1         | 0.1         | 0.6         |
| <b>Total</b>                       | <b>11.4</b> | <b>12.5</b> | <b>16.1</b> |

Source: ALIO system

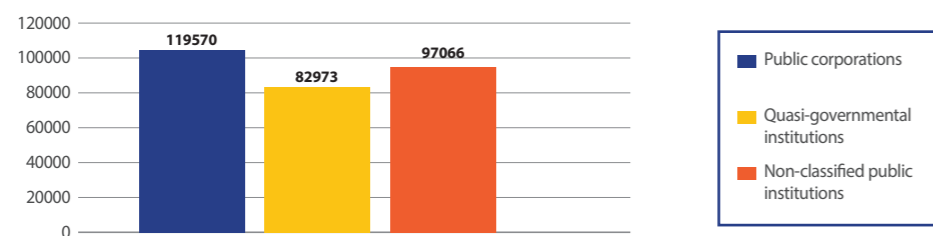
<Figure I-4> Net Income by Type of Public Institutions



### 3. The National Economy and Public Institutions

The total number of employees working in public institutions stands at 299,609 as of December 2016.

<Figure I-5> Size of Public Institution Workforce



Source: ALIO system

The total number of employees in public institutions and the economically active population has continually increased for the last three years, and the ratio of public institution workforce to the economically active population has remained approximately 1 percent.

<Table I-3> Workforce Size in Public Institutions

(Units: thousand people, %)

|                                  | 2014   | 2015   | 2016   |
|----------------------------------|--------|--------|--------|
| Personnel in public institutions | 280    | 288    | 300    |
| Economically active population   | 26,536 | 26,912 | 27,247 |
| Percentage                       | 1.05   | 1.07   | 1.10   |

Source: ALIO system

Total budget size of all public institutions in Korea increased considerably in 2015, but showed downward fluctuation in 2016.

- The budget size of public corporations has been in decline since 2014 while that of non-classified public institutions has been on the rise.
- The ratio of budget size for all public institutions to GDP decreased below 40 percent in 2016.

<Table I-4> The Budget Size of Public Institutions

(Unit: one trillion KRW)

|                                    | 2014    | 2015    | 2016    |
|------------------------------------|---------|---------|---------|
| Public corporations                | 254.3   | 242.5   | 226.2   |
| Quasi-governmental institutions    | 219.8   | 278.8   | 256.6   |
| Non-classified public institutions | 133.5   | 140.7   | 152.3   |
| Total                              | 607.6   | 662.0   | 635.2   |
| Nominal GDP                        | 1,486.1 | 1,564.1 | 1,637.4 |
| The ratio to GDP                   | 40.9%   | 42.3%   | 38.8%   |

Source: Calculated based on the data from the ALIO system

## 02 The Management System of Public Institutions

1. Designation
2. Classification
3. External Governance
4. Internal Governance
5. Executive Officers
6. Budget and Accounting System
7. Public Disclosure System
8. Performance Evaluation System



## 1. Designation

The Minister of Strategy and Finance may designate any institution in the table below as a public institution, which are a legal entity, organization, or institution other than the State or a local government.

<Table II-1> Conditions of Designation as a Public Institution<sup>2)</sup>

|   | Conditions  | Examples   |
|---|---|--|
| 1 | An institution directly established pursuant to another Act with an investment by the Government.   | Korea Credit Guarantee Fund, Korea Transportation Safety Authority, etc.   |
| 2 | An institution for which the amount of the Government grants (in cases of an institution to whom some affairs of the Government are directly commissioned, or a monopoly is granted, pursuant to statutes, the revenue earned from its commissioned affairs or monopoly shall be included; hereinafter the same shall apply) exceeds one-half of the amount of its total revenue. | Korea Gas Corporation, Korea Racing Authority, etc.                        |
| 3 | An institution which the Government holds at least 50/100 of the outstanding shares of, or secures de facto control over decision-making on policies through the exercise, etc. of the power to appoint executive officers with at least thirty percent of such outstanding shares  | Incheon Port Authority, Korea Tourism Organization, etc.                   |
| 4 | An institution which the Government together with an institution falling under any of subparagraphs 1 through 3 hold at least 50/100 of the outstanding shares of, or secure de facto control over decision-making on policies through the exercise etc. of the power to appoint executive officers with at least thirty percent of such outstanding shares.                      | Korea Electric Power Corporation, Korea District Heating Corporation, etc. |
| 5 | An institution which a single institution, or two or more institutions, falling under any of subparagraphs 1 through 4, hold at least 50/100 of the outstanding shares of, or secure de facto control over decision-making on policies through the exercise, etc. of the power to appoint executive officers with at least 30/100 of such outstanding shares.                     | Korail Retail, Korea Southern Power Co, Ltd., etc.                         |
| 6 | An institution established by an institution falling under any of subparagraphs 1 through 4 with an investment by the State or the establishing institution.  | Korea Electrical Engineering & Science Research Institute, etc.            |

The designation of public institutions follows several steps as below.

- The head of the competent ministry should 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 nominated, the Minister of Strategy and Finance selects institutions that fulfill the conditions stipulated by the Act on the Management of Public Institutions and asks for deliberation and resolution of the Ownership Steering Committee on the designation of those selected.
- The Committee makes final decisions on designating a new public corporation, quasi-governmental institution, or non-classified public institution, or cancelling or changing such designation.
- The Minister of Strategy and Finance announces the designation result by the Committee.

2) Article 5, of the Act on the Management of Public Institutions

(<http://www.law.go.kr/eng/engLsc.do?menuId=1&query=public+institutions&x=0&y=0#liBgcolor0>)

## 2. Classification

Public institutions are classified into three groups mainly depending on the number of personnel, asset size, and self-generating revenue.

Depending on the classification, the way in which institutions are managed and overseen may differ.

- Public corporations and quasi-governmental institutions are subject to all of the articles of the Act including the ones concerning the articles of association, board of directors, executive officers, performance evaluation, budget and accounting, etc.
- Non-classified public institutions are subject to the articles relating to public information disclosure, customer satisfaction level survey, adjustment of functions, and innovation.
- Public corporations and quasi-governmental institutions differ in aspect of internal corporate governance structure, external governance actors(oversight agencies), nomination procedures for board of directors & executive officers, approval procedures for budget, settlement of accounts, and operating plans.

<Table II-2> Classification of Public Institutions

| Classification  | Classification Criteria   |
|---|---|
| ① Public corporations(35)   | <ul style="list-style-type: none"> <li>• Public Institutions designated by the Minister of Strategy and Finance, whose prescribed number of personnel are at least 50 people and whose self-generating revenue<sup>3)</sup> accounts for at least 50% of their total revenue</li> </ul> |
| <ul style="list-style-type: none"> <li>• Market-type public corporations</li> </ul>                           | <ul style="list-style-type: none"> <li>• Public corporation whose self-generating revenue accounts for at least 85% of their total revenue (with a minimum asset size of two trillion KRW)</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Quasi-market-type public corporations</li> </ul>                     | <ul style="list-style-type: none"> <li>• Public corporations other than market-type public corporations</li> </ul>  |
| ② Quasi-governmental institutions(89)   | <ul style="list-style-type: none"> <li>• Institutions whose prescribed number of personnel are at least 50 people and whose self-generating revenue accounts for less than 50% of their total revenue</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Fund-management-type quasi-governmental institutions</li> </ul>      | <ul style="list-style-type: none"> <li>• Quasi-governmental institutions that manage (or are commissioned to manage) funds in accordance with the National Financial Act</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Commissioned-service-type quasi-governmental institutions</li> </ul> | <ul style="list-style-type: none"> <li>• Quasi-governmental institutions other than fund-management-type quasi-governmental institutions</li> </ul>   |
| ③ Non-classified public institutions(208)   | <ul style="list-style-type: none"> <li>• Public institutions excluding public corporations and quasi-governmental institutions</li> </ul>   |

3) A self-generating revenue refers to the revenue excluding contributions, subsidies, and other financial support from the government. The proportion of the self-generating revenue to the total revenue of an institution is calculated after being weighted according to the monopolistic and mandatory usage of products or services that an institution supplies.

### 3. External Governance

#### 1) Ownership Steering Committee

Ownership Steering Committee (the "Committee") is working under the jurisdiction of the Minister of Strategy and Finance for deliberation and resolution on matters regarding the operation of public institutions.

##### A. Composition of the Committee

The Committee is comprised of 1 chairperson who is the Minister of Strategy and Finance, Vice-Minister-level government officials, and 11 or less non-governmental members commissioned by the President on the recommendation of the Minister of Strategy and Finance from among persons in various fields including law, economy, press, academia, labor, etc.

The term of office of the Committee members is three years, and they may be appointed once more after the first appointment.

##### B. Meetings of the Committee

The Committee's meetings should be convened with 20 or less members including the chairperson, and the members to attend each meeting should be selected by the chairperson depending upon the agenda (non-governmental members shall constitute a majority of the members of the meeting).

The Committee's meetings should be held with the presence of the majority of the members and adopt a resolution with the affirmative vote of the majority of the members present at the meeting.

##### C. Responsibilities of the Committee

The Committee should resolve and disclose matters regarding the designation of public institutions, public institutions reform policies, day-to-day operation of public institutions, appointment and removal of executives of public institutions and the oversight system on public institutions.

Matters subject to deliberation and resolution by the Committee are as follows.

- Designation of public corporations, quasi-governmental institutions, and non-classified public institutions, and cancellation and change of such designation
- Examination on the establishment of a new institution
- Appointment of the non-standing senior directors of market-type public corporations and quasi-market-type public corporation

- Appointment of executive officers of public corporations and quasi-governmental institutions
- Guidelines for remuneration
- Performance evaluation of non-standing directors and auditors
- Performance evaluation of public corporations and quasi-governmental institutions

##### D. Subcommittees

The Committee may have subcommittees composed of some of the committee members for carrying out its business affairs in an efficient manner. Subcommittees, should assist the decision-making process of the Committee by conducting in-depth discussions on relevant agenda items and report the discussed results to the Committee.

#### 2) Ministry of Strategy and Finance

The Ministry of Strategy and Finance oversees policies regarding the operation of institutions as stipulated by the 'Act on the Management of Public Institutions'.

Based on the Act, the Ministry

- sets guidelines for oversight of public institutions
- has supervisory responsibilities such as performance evaluation, public disclosure, and regulations on the establishment of a new public institution.
- organizes and operates the Management Evaluation Team for public corporations and quasi-governmental institutions to ensure the efficient enforcement of performance evaluation and to provides professional consultation concerning performances of public institutions.

#### 3) Competent Ministries

Competent ministries oversee policies regarding the industries in which individual institutions under their control operate.

- They have influence over public institutions through permission on the initiation and termination of businesses and policies regarding the promotion of relevant industries and the creation of new markets.

&lt;Table II-3&gt; Competent Ministries and Public Institutions under each Ministry

| Competent Ministries                            | # of Public Institutions under the Ministry | Competent Ministries  | # of Public Institutions under the Ministry |
|---|---|---|---|
| Ministry of Strategy and Finance                | 4   | Office for Government Policy Coordination, Prime Minister's Secretariat | 24  |
| Ministry of Education                           | 22  | Korea Communications Commission   | 2   |
| Ministry of Science & ICT                       | 46  | Nuclear Safety and Security Commission                                  | 3   |
| Ministry of Foreign Affairs                     | 3   | Financial Services Commission   | 7   |
| Ministry of Unification                         | 2   | Fair Trade Commission   | 2   |
| Ministry of Justice                             | 4   | Ministry of Patriots and Veterans Affairs                               | 3   |
| Ministry of National Defense                    | 3   | Defense Acquisition Program Administration                              | 2   |
| Ministry of the Interior and Safety             | 3   | Cultural Heritage Administration  | 1   |
| Ministry of Culture, Sports and Tourism         | 33  | Korea Forest Service  | 2   |
| Ministry of Agriculture, Food and Rural Affairs | 10  | Rural Development Administration  | 1   |
| Ministry of Trade, Industry and Energy          | 41  | Ministry of SMEs and Startups   | 9   |
| Ministry of Health and Welfare                  | 23  | Korean Intellectual Property Office                                     | 5   |
| Ministry of Environment                         | 8   | Ministry of Food and Drug Safety  | 5   |
| Ministry of Employment and Labor                | 12  | Korea Meteorological Administration                                     | 3   |
| Ministry of Gender Equality and Family          | 5   | National Police Agency  | 1   |
| Ministry of Land, Infrastructure and Transport  | 23  | Ministry of Personnel Management  | 1   |
| Korea Customs Service                           | 1   | National Fire Agency  | 1   |
| Ministry of Oceans and Fisheries                | 17  |   |   |

## 4. Internal Governance

### 1) Board of Directors

The board of directors should be comprised of no more than 15 directors including the head of institution.

The conditions for a chairperson of the board may vary depending on the type of public institution and the asset size.

- For market-type public corporations and quasi-market-type public corporations with the asset size of no less than two trillion KRW, a non-standing senior director shall become a chairperson.
- For quasi-market-type public corporations with the asset size of less than two trillion KRW, or quasi-governmental institutions, the head of the institution shall become the chairperson.

On average, there are 8 to 10 directors on the board of directors, with 6 to 8 being non-standing directors.

&lt;Table II-4&gt; Status of Board of Directors Structure

| Category                                 | Total No. of Directors | Standing | Non-standing | Average (by Institution) | Standing | Non-standing |
|--|------------------------|----------|--------------|--------------------------|----------|--------------|
| Public corporations (35)                 | 338                    | 128      | 210(62.1%)   | 9.7                      | 3.7      | 6.0          |
| Quasi-governmental Institutions (89)     | 859                    | 176      | 683(79.5%)   | 9.7                      | 2.0      | 7.7          |
| Non-classified Public Institutions (208) | 1,566                  | 88       | 1,478(94.4%) | 7.5                      | 0.4      | 7.1          |
| Total (332)                              | 2,765                  | 394      | 2,371(85.8%) | 8.3                      | 1.2      | 7.1          |

Source: ALIO system

\* As of 2017

### 2) Audit Committee

Any market-type public corporation or quasi-market-type public corporation, whose asset size is no less than two trillion KRW, is obligated to establish an audit committee.

- The audit committee should include three or more board members; the committee should be chaired by a non-standing director, and more than two thirds of the members should be non-standing directors.
- The committee should include at least one financial or accounting expert as a committee member.

The audit committee should audit business affairs and accounting in accordance with the provisions of Article 32 of the Act on the Management of Public Institutions, and should report the results to the board of directors.

Among 16 quasi-market-type public corporations, 8 quasi-market-type public corporations are obliged to establish an audit committee in accordance with the Act on the Management of Public Institutions while all the market-type public corporations have the same obligation.

## 5. Executive Officers

### 1) Composition

Every public corporation and quasi-governmental institution should have standing and non-standing directors, including the head of the institution and auditors. No individual auditor will be appointed where an audit committee is established.

### 2) Appointment and removal

The head of a public corporation is appointed by the President, on the recommendation of the head of the competent ministry, among multiple candidates recommended by the Committee for Recommendation of Executive Officers and then selected through the deliberation and resolution by the Committee.

- The head of a public corporation with 500 employees or less and less than 100 billion KRW in total revenue is appointed by the head of the competent ministry from among multiple candidates recommended by the Committee for Recommendation of Executive Officers and then selected through deliberation and resolution by the Committee.

The head of a quasi-governmental institution is appointed by the head of the competent ministry from among multiple candidates recommended by the Committee for Recommendation of Executive Officers.

- The head of a quasi-governmental institution described below is appointed by the President through the same process as the head of a public corporation with more than 500 employees and 100 billion KRW in total revenue.
  - › Commissioned-service-type quasi-governmental institutions with more than 500 employees and 100 billion KRW in total revenue.
  - › Fund-management-type quasi-governmental institutions with more than 500 employees and 1 trillion KRW in total asset size in which operating funds on consignment is included.
  - › Seven other quasi-governmental institutions designated by presidential decree due to particularity of their functions<sup>4)</sup>.

The appointment of executive officers in non-classified public institutions is provided by legislation or the articles of association.

4) The Independence Hall of Korea, Korea Workers' Compensation & Welfare Service, Korea Consumer Agency, Korea Housing Finance Corporation, National Research Foundation of Korea, Korea Student Aid Foundation, Korea International Cooperation Agency

<Table II-5> Appointment of the Heads (CEOs) of Public Corporations and Quasi-governmental Institutions

| Category                        | Appointment Procedure*   |
|---------------------------------|--|
| Public corporations             | The Committee for Recommendation of Executive Officers nominates multiple candidates → Deliberation and resolution by the Ownership Steering Committee → Recommendation from the head of competent ministry → Presidential appointment |
| Quasi-governmental Institutions | The Committee for Recommendation of Executive Officers nominates multiple candidates → Recommendation from the head of competent ministry → Presidential appointment   |

\* Applicable to large public corporations and quasi-governmental institutions with over 500 employees and 100 billion KRW in total revenue (1 trillion KRW asset size as for fund-management-type quasi-governmental institutions).

Source: The Act on the Management of Public Institutions

<Table II-6> Authority to Appoint the Head of Institution (CEO), Directors, and Auditors

| Category               |                          | Public corporations   | Quasi-governmental institutions |
|------------------------|--------------------------|---|---------------------------------|
| Head of institution    | Large-scale institutions | Recommendation by the head of competent ministry → Presidential appointment       |                                 |
|                        | Small-scale institutions | The head of competent ministry  |                                 |
| Standing directors     |                          | Head of institution   |                                 |
| Non-standing directors |                          | Minister of Strategy and Finance  | The head of competent ministry  |
| Auditors               | Large-scale Institutions | Recommendation by the Minister of Strategy and Finance → Presidential appointment |                                 |
|                        | Small-scale Institutions | Minister of Strategy and Finance  |                                 |

Source: The Act on the Management of Public Institutions

<Table II-7> Appointment Procedure of the Head, Directors, and Auditors of Public Institutions

| Institution                     | Position                   | Appointment Procedure                                  |  |
|---------------------------------|----------------------------|--|--|
|                                 |                            | The Committee for Recommendation of Executive Officers | Ownership Steering Committee (Deliberation and Resolution) |
| Public corporations             | Head of institution        | ○  | ○  |
|                                 | Standing directors         | ×  | ×  |
|                                 | Auditors/Standing auditors | ○  | ○  |
|                                 | Non-standing directors     | ○  | ○  |
| Quasi-governmental institutions | Head of institution        | ○  | ×  |
|                                 | Standing directors         | ×  | ×  |
|                                 | Auditors/Standing auditors | ○  | ○  |
|                                 | Non-standing directors     | △<br>(small-scale institutions are exemption)          | ×  |

Source: The Act on the Management of Public Institutions

The head of public corporation and quasi-governmental institution can be removed by his/her appointing authority in such cases written below<sup>5)</sup>.

- if he/she commits an act in violation of a statute or the articles of association, neglects his/her duties, or he/she has a serious trouble in performing his/her duties as the institution head
- if he/she fails or neglect to perform his/her duties and responsibilities
- if the results from the performance evaluation show poor performance of the public corporation or quasi-governmental institution
- if there is a ground for removal as specified in the articles of association

### 3) Term of Office

The term of office of the head of institution is three years, while it is two years for standing directors, non-standing directors and auditors.

<Table II-8> Executive Officers' Term of Office Policy

| Category                      | Past  | Present  |
|-------------------------------|---|--|
| Head of institution           | The term of 3 years is guaranteed but consecutive appointment is virtually restricted | Initial tenure of 3 years + Consecutive appointment decided on a yearly basis (After consideration of performance-evaluation results)                      |
| Standing director             | The term of 2 years is guaranteed but consecutive appointment is virtually restricted | Initial tenure of 2 years + Consecutive appointment decided on a yearly basis (After consideration of performance evaluation results)                      |
| Non-standing director/auditor | The term of 2 years is Guaranteed but consecutive appointment is virtually restricted | Initial tenure of 2 years + Consecutive appointment decided on a yearly basis (After consideration of results from an evaluation of performance of duties) |

Source: The Act on the Management of Public Institutions

### 4) Executive Officers' Duties

The head of institution (CEO) has overall control over its business affairs and take responsibility for its performance.

Directors should deliberate on the matters brought up to the directors' meeting and participate in the adoption of a resolution.

Auditors should audit the business affairs and accounting of public corporations or quasi-governmental institutions according to the audit guidelines and submit their opinions to the board of directors.

5) Article 25 and 26 of 'The Act on the Management of Public Institutions'

(<http://www.law.go.kr/eng/engLsSc.do?menuId=1&query=public+institutions&x=0&y=0#liBgcolor0>)

## 6. Budget and Accounting System

### 1) Accounting Principles

The accounting of public corporations and quasi-governmental institutions should be accrual-based to accurately show its business performance and the changes of assets and liabilities.

- The detailed accounting criteria should conform to the 'Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions', and should first be applied to the settlement of accounts for the first year of designation as public institutions and the budgets for the following year.

### 2) Budget Compilation

The budget proposal of each public institution for the following fiscal year should separately be compiled for its general provisions, the estimated income statement, the estimated balance sheet, and the financial plan.

- The budget bill should be prepared in accordance with the business goals and the Guidelines for Budget Compilation of Public corporations and Quasi-governmental institutions and the head of the institution should submit the bill to the board of directors.
- The submitted budget bill should be finalized by the resolution of the board of directors no later than the beginning of the following fiscal year before being reported to the Minister of Strategy and Finance, the head of the competent ministry and the Chairperson of the Board of Audit and Inspection of Korea.
- Once the budget is finalized, each public institution should establish its management plan accordingly.
- Then, the public corporations among public institutions should submit the plan to the Minister of Strategy and Finance and the head of the competent ministry within two months after the budget is finalized.

### 3) Settlement of Accounts

Every public corporation and quasi-governmental institution should prepare statements on the settlement of accounts for the corresponding year, without delay, at the end of each fiscal year, and select an accounting firm to conduct an external audit.

- All public corporations should submit financial statements that includes the opinion of an external accounting auditor and the accompanying documents to the Minister of Strategy and Finance (the quasi-governmental institutions to the head of the competent ministry), no later than the last day of February of the following year, and shall finalize the settlement of accounts by obtaining the approval of the Minister no later than the last day of March.

- The finalized statements on the settlement of accounts should be submitted to the Board of Audit and Inspection of Korea, and the Board should inspect the statements and submit the results to the Minister of Strategy and Finance by no later than July 31.
- The Minister should report the statement of accounts to the Cabinet Council and submit them to the National Assembly by no later than August 20.

## 7. Public Disclosure System

### 1) ALIO (All public Information In One)

The management publication system is designed to disclose information regarding the business performance, the status of personnel, and the financial conditions of public institutions with the intention of establishing a public monitoring system and, ultimately, of improving their management efficiency.

Every public institution should disclose its management information on its official website and the Minister of Strategy and Finance may prepare a separate standardized form for consolidating main items and publish such items in the consolidated form on the public disclosure system, ALIO (All public Information In One, [www.alio.go.kr](http://www.alio.go.kr)).

### 2) Guidelines for Public Disclosure

A total of 40 items are grouped into six categories as follows.

<Table II-9> The List of Disclosed Items

| Category   | Item  |
|--|---|
| I . General status   | 1. General status   |
| II . Operation of Institution                                    | 2. Number of executives and employees<br>3. Current status of executives<br>4. New employment and flexible hours arrangements<br>5. Annual salary of executives<br>6. Average monthly salary of employees & salaries of new employees<br>7. Business expenses spent by the head of institutions<br>8. Welfare expenses<br>9. Details of executives' overseas business trips<br>10. Current status of labor unions<br>11. Internal regulations<br>12. Disciplinary system<br>13. Litigation & litigation representatives<br>14. Support system for work and life balance |
| III . Core businesses and Management performance                 | 15. Condensed balance sheet<br>16. Condensed income statement<br>17. Revenue and expenditure<br>18. Core businesses<br>19. Ongoing investments<br>20. Status of capital and shareholders<br>21. Short and long term borrowings<br>22. Investments and contributions<br>23. Annual endowments and grants<br>24. Other burdensome costs<br>25. Tax payment status<br>26. Audit reports  |
| IV . Internal and external evaluation                            | 27. Feedback from the National Assembly<br>28. Feedback from the Board of Audit and Inspection of Korea & the competent ministry<br>29. Results of performance evaluation<br>30. Feedback from the results of performance evaluation<br>31. Results of customer satisfaction surveys<br>32. Results of auditor's job performance evaluation<br>33. Articles of association, Minutes of directors' meetings, and internal audit results  |
| V . Notification   | 34. Management innovation practices<br>35. Information for job applicants<br>36. Bidding information<br>37. Research reports<br>38. Other information   |
| VI . Debt management and control over excessive welfare benefits | 39. Detailed information on the debt status of major overleveraged institutions<br>40. 8 items of employee benefits   |

Disclosure items are classified into those for regular periodic disclosure and those for irregular disclosure.

- Items for regular periodic disclosure are used to publish related materials regularly at a certain time.
  - Information such as an institution's organizational structure, personnel, financial reports, or annual salary of employees is subject to regular periodic disclosure.
- 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 should be posted within 14 days from their generation.
  - Information such as feedback from independent institutions, minutes of directors' meetings, and information for job applicants is subject to irregular disclosure.

<Table II-10> Deadline of Regular Periodic & Irregular Public Information Disclosure

|                             | Frequency   | Disclosure deadline                         |
|-----------------------------|-------------|---|
| Regular periodic disclosure | Every year  | The end of April                            |
|                             | Half a year | The end of April & October                  |
|                             | Quarter     | The end of January, April, July and October |
| Irregular disclosure        |             | Within 14 days                              |

### 3) Operation of Public Disclosure System

#### A. Periodic Disclosure of Public Institution's Information

Before the end of April when the periodic information is disclosed, a briefing session is provided to public institutions to explain the integration of disclosed information for all public institutions and the newly designated public institutions.

An institution designated as a public institution should disclose its management information such as the financial status of the five previous years during the periodic disclosure period every year.

#### B. Examination and Confirmation of Disclosure

In order to ensure the credibility and accuracy of the information disclosed every year, the Minister of Strategy and Finance checks and confirms them.

- He/she imposes penalties for any disclosure in accordance with the penalty criteria and carries out follow-up measures after deliberation and resolution by the Committee.

### 4) Penalties for Non-compliance with the Disclosure Rules

The following three types are regarded as non-compliance:

- Non-conformance occurs when an institution fails to disclose material that is supposed to be disclosed or discloses information past the prescribed time of publication
- False publication occurs when an institution discloses false information and the violation is discovered by an external agency
- Alteration of the disclosed information is the case where an institution identifies and makes changes to correct the false information that had already been disclosed.

Penalty is imposed depending on the type of non-compliance of disclosure.

- In order to ensure the credibility and accuracy of the disclosed information, if a public institution fails to perform its duty of disclosure and falls under one of the non-compliance of disclosure mentioned above, the Minister of Strategy and Finance should impose penalty points depending on the gravity of the violation and the time delayed according to the Standards on the Integrated Publication of Public Institutions.
- If the total penalty points imposed on a public institution during a year exceed 20 points, the Minister of Strategy and Finance may, after deliberation and resolution by the Committee, issue a disciplinary warning against the institution. If the total penalty points exceed 40 points, the Minister will declare the institution 'a non-compliance institution of disclosure' and can order disciplinary measures against the persons who are responsible.

## 8. Performance Evaluation System

### 1) Overview

Evaluating performance of public institutions can be characterized as a cyclic process in which the annual performance of public institutions is assessed based upon the evaluation indicators. Performance payments based on the evaluation results, are distributed while the results are also reflected onto successive business plans.

The major purposes of the performance evaluation are as follows.

- To improve management efficiency, accountability and motivation for goal achievement
- To set clear targets(objectives) and to effectively deal with the principal-agent problems
- To introduce competition and apply pressure to stimulate management innovation
- To reflect the feedback from the evaluation results for management improvement
- To enhance the transparency of management in public institutions

## 2) Components of Performance Evaluation System

### A. Evaluation on Performances of Public Corporations and Quasi-governmental Institutions

The overall performances of public corporations and quasi-governmental institutions are placed under annual evaluation.

- The evaluation aims at ensuring accountable management through external evaluation on their performance, establishing management accountability, improving transparency, and streamlining operational process of institutions and utilize the results for managerial improvement.

### B. Evaluation on the Performances of the Head of Institutions based on their Performance Agreements

Performance agreement of the head of institutions has been introduced in 2014 to enhance the performance-oriented management and the accountability of the head of institutions in the long run.

- Agreements are made between the head of competent ministry and the head of institution on a three-year basis within three months after the appointment.

The head of institution who has been in office for more than one and a half year is subject to evaluation and he/she is evaluated once during his or her tenure.

- The evaluation results are used as a ground for personnel actions.

### C. Evaluation of Auditors

Performance of standing auditors and audit committee members are subject to evaluation.

- The evaluation aims at improving accountability of auditors and audit committee members as well as the propriety of audit activities.

Standing auditors or members of the audit committee in public corporations and quasi-governmental institutions are subject to evaluation, and he/she is evaluated once during his/her tenure.

- Standing auditors or members of audit committee who are absent or have been employed less than six months by the end of the year are exempted from evaluation.

## 3) Performance Evaluation Indicators

The evaluation on managerial performances of public corporations and quasi-governmental institutions is composed of 15 indicators across two categories as of 2016: common and main business activities.

<Table II-11> Categories and Main Indicators of the Performance Evaluation of Public Institutions<sup>6)</sup>

| Category                     | Main Indicators (weights)  |
|------------------------------|--|
| Common management activities | <ul style="list-style-type: none"> <li>• Business strategy &amp; Corporate social responsibility(18)</li> <li>• Business process efficiency(5)</li> <li>• Management of organization and human resources(4)</li> <li>• Management of finance &amp; budget and its accomplishments(10)</li> <li>• Management of remuneration and employee welfare benefits(13)</li> </ul> |
| Main business activities     | <ul style="list-style-type: none"> <li>• Aggregate evaluation of core business plans, activities and performances(50)</li> </ul>   |

The evaluation indicators and their weighted values can differ depending on the classification of institutions and whether the institution is required to submit Mid- and Long-term Financial Management Plan.

The evaluation on the performances of the head of institutions based on their performance agreements is conducted based on 6 evaluation indicators across two categories as of 2017: common tasks and performance tasks.

<Table II-12> Categories and Main Indicators of the Evaluation on the Head of Institutions<sup>7)</sup>

| Category          | Main Indicators (weights)   |
|-------------------|---|
| Common tasks      | <ul style="list-style-type: none"> <li>• Leadership(15)</li> <li>• Management accountability(15)</li> </ul>   |
| Performance tasks | <ul style="list-style-type: none"> <li>• Management of finance &amp; budget and its accomplishments(20)<sup>8)</sup></li> <li>• Management of employee remuneration and employee benefits(20)<sup>9)</sup></li> <li>• Mid- and long-term strategic task(1)(15)</li> <li>• Mid- and long-term strategic task(2)(15)</li> </ul> |

The evaluation on auditors and audit committee members is practiced based on 7 evaluation indicators across 3 categories as of 2017: the proprieties of audit activities & job performances, results from external evaluations, and the results from the performance evaluation of public institutions.

6) The following evaluation indicators and their weighted values are applied to public corporations that are required to submit Mid- and Long-term Financial Management Plan.

7) The following evaluation indicators and their weighted values are applied to public institutions that are targets of priority of the previous administration's SOE policy measures because they are overleveraged or they provided excessive employee benefits. Indicators and their weighted values can be a bit different for other public institutions.

8) The result from the performance evaluation of public institutions is converted into a 20-point scale and applied here.

9) The same as above

**<Table II-13> Categories and Main Indicators of the Evaluation on Auditors and Audit Committee Members**

| Category  | Main Indicators (weights)   |
|---|---|
| Proprieties of audit activities & job performances      | <ul style="list-style-type: none"> <li>· Professionalism of auditors(10)</li> <li>· Morality &amp; independency of auditors(10)</li> <li>· Strengthening of internal control(15)</li> <li>· Prevention, exposure, and prevention of recurrence of practices of excessive employee benefits(25)</li> </ul>   |
| Results from external evaluations                       | <ul style="list-style-type: none"> <li>· Performances of internal audit activities and adequacy of ex-post management(25)<br/>(Results from the evaluation of the Board of Audit and Inspection of Korea)</li> <li>· Integrity of the institutions(5)<br/>(Results from the evaluation of the Anti-Corruption &amp; Civil Rights Commission)</li> </ul> |
| Results from the performance evaluation on institutions | Results from the performance evaluation of institutions(10)   |

#### 4) Evaluation System and Procedures

The procedure for the performance evaluation is as follows:

- Ministry of Strategy and Finance delivers the performance evaluation manual for the year in January.
- The Management Evaluation Team is formed in February and executes the performance evaluation from March to May.
- The evaluation results are confirmed through the deliberation and resolution of the Committee and announced by June 20.

#### 5) Follow-up Measures of the Evaluation

There are two main follow-up measures for the results from the performance evaluation of public institutions.

- The incentive bonus based on the evaluation results and the bonus rate is decided as prescribed in the Guidelines on Budget Compilation of Public Corporations and Quasi-governmental Institutions and the Guidelines on Executive Remuneration.
- The Minister of Strategy & Finance can propose dismissal of the head of institutions or standing directors to the appointing authority after the deliberation and resolution by the Committee, if the corresponding institutions receive negative results from the performance evaluation.

The results from the evaluation on the head of institutions, auditors, and audit committee members are used for deciding whether they should serve consecutive terms.

- Their bonus rates are decided by the results from the performance evaluation of public institutions.

# 03 Public Institutions in Korea

1. Public corporations
2. Quasi-governmental institutions
3. Non-classified public institutions



In this chapter, basic information of 10 public corporations (4 market-type and 6 quasi-market-type), 13 quasi-governmental institutions (3 fund-management-type and 10 commissioned-service-type) and 4 non-classified public institutions are introduced to provide better understanding and clear portfolio of public institutions in Korea.

## 1. Public corporations

### 1) Market-based public corporations

#### A. Korea Electric Power Corporation (KEPCO)

Korea Electric Power Corporation (KEPCO) was founded with the objective to facilitate the development of electric power supply in Korea. Currently, in the Korean electric power industry, 6 power generating companies, independent power producers (100% owned by KEPCO), and community energy systems are producing electric power, and KEPCO transports the electric power it purchased from the Korea Power Exchange through the transmission and distribution network, and sells it to general customers.

|                              |   |
|------------------------------|---|
| <b>Assets</b>                | 177.8 trillion KRW in 2016<br>3.8 trillion KRW in 2016 (fund)   |
| <b>Sales</b>                 | 60.2 trillion KRW in 2016   |
| <b>Employees &amp; Staff</b> | 21,449 in 2016  |
| <b>Shareholders</b>          | Korea Development Bank 32.90%, Central government 18.20%, National Pension Service 6.50% (Korean government 57.60%), foreigners 30.74%, minority shareholders and others 11.66% |
| <b>Public Listing</b>        | Korea Exchange (1989, KRX), New York Stock Exchange (1994, NYSE)  |

#### B. Incheon International Airport Corporation (IIAC)

Established in 1999, Incheon International Airport Corporation (IIAC) opened for business in early 2001 to replace the Gimpo International Airport as the primary international airport in Korea. Incheon International Airport Corporation has been voted No. 1 in the annual Airport Service Quality (ASQ) by the Airports Council International (ACI) for 11 straight years, from 2005 to 2015.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 10.9 trillion KRW in 2016 |
| <b>Sales</b>                 | 2.2 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 1,261 in 2016             |
| <b>Shareholders</b>          | Central government 100%   |

### C. Busan Port Authority (BPA)

Busan Port Authority (BPA), the first port authority in Korea, was founded in January 2004 for the development of Busan Port and to enhance the efficiency and professionalism of its management. The port ranked sixth on the world by processing 19.47 million TEUs of cargo volume, and ranked third in transshipment cargo volume with 10.08 million TEUs in 2015.

|                              |  |
|------------------------------|--|
| <b>Assets</b>                | 5.7 trillion KRW in 2016                                   |
| <b>Sales</b>                 | 429.5 billion KRW in 2016                                  |
| <b>Employees &amp; Staff</b> | 200 in 2016  |
| <b>Shareholders</b>          | Central government (Ministry of Strategy and Finance) 100% |

### D. Korea National Oil Corporation (KNOC)

Korea National Oil Corporation was founded in 1979 to help stabilize Korea's national economy by ensuring a stable supply of energy even during an oil crisis through strategic petroleum stockpiling and development after the two oil shocks during the 1970s shook the national economy. Since its foundation, KNOC has built nine underground and aboveground oil stockpiling bases with the total capacity reaching 146 million barrels. KNOC operates oil and gas fields in 21 countries around the world.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 22.1 trillion KRW in 2016 |
| <b>Sales</b>                 | 2.4 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 1,586 in 2016             |
| <b>Shareholders</b>          | Central government 100%   |

### 2) Quasi-market-based public corporations

#### A. Korea Railroad Corporation (KORAIL)

Established in 2005, KORAIL is the only railway operator in Korea. KORAIL provides commuter, subway, intercity and freight trains throughout Korea. KORAIL provides all the long distance rail lines in Korea as well as local rail lines. KORAIL has a 115 year history, and the current corporation was established after the former Korean National Railroad was divided into KORAIL, which runs the railroad operation, and Korea Rail Network Authority, which is in charge of rail track maintenance. The KTX (Korean Train Express), the high-speed express train which passes through most of the country, has been used by more than 400 million people.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 18.5 trillion KRW in 2016 |
| <b>Sales</b>                 | 5.7 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 28,441 in 2016            |
| <b>Shareholders</b>          | Central government 100%   |

### B. Korea Land and Housing Corporation (LH)

Established in 2009 with the merger of the Korean Land Corporation and the Korean Housing Corporations, LH provides stable housing for the country's citizens and efficiently utilizes the national land. It also has developed the housing land, new towns, Multi-functional Administrative City and Innovation Cities, and executes city regeneration projects to create comfortable residential spaces and urban environment. In addition, LH has developed industrial and logistics complex, such as the Kaesong Industrial complex, and the Free Economic Zones (FEZs). It also overseas national land to boost national competitiveness and create employment, and performs land reserve and management, rental housing management, and land and housing informatization.

|                              |   |
|------------------------------|---|
| <b>Assets</b>                | 172.3 trillion KRW in 2016  |
| <b>Sales</b>                 | 23 trillion KRW in 2016   |
| <b>Employees &amp; Staff</b> | 6,484 in 2016   |
| <b>Shareholders</b>          | Central government 84.05%, Korea Development Bank 13.31%, Korea Export-Import Bank 2.64% (Korean government 100%) |

### C. Korea Water Resources Corporation (K-Water)

Korea Water Resources Corporation (K-Water) was established in 1967 in accordance with the national development plan by the government. K-Water has been implementing national water resources management policies regarding multi-purpose dams, water supply dams, and regional water supply systems. Local water supply systems are owned by local governments, but K-water manages local water supply systems in 22 municipalities on consignment.

|                              |   |
|------------------------------|---|
| <b>Assets</b>                | 20.3 trillion KRW in 2016   |
| <b>Sales</b>                 | 3.6 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 5,091 in 2016   |
| <b>Shareholders</b>          | Central government 92.09%, Korea Development Bank 7.82%, Local government 0.09% |

### D. Korea Expressway Corporation (KEC)

Korea laid a foundation for its national economic growth and expedited its speed of development with the opening of the Gyeongbu Expressway in 1970. The Gyeongbu and many other expressways that cut across the country were constructed by the Korea Expressway Corporation, founded in 1969. The Korea Expressway Corporation conducts expressway construction and maintenance and provides traffic information to road users.

|                              |   |
|------------------------------|---|
| <b>Assets</b>                | 59.6 trillion KRW in 2016   |
| <b>Sales</b>                 | 8.2 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 6,003 in 2016   |
| <b>Shareholders</b>          | Ministry of Land, Infrastructure and Transport 84.71%, Ministry of Strategy and Finance 0.43%, The Export-Import Bank of Korea 10.63%, Korea Development Bank 3.00%, Industrial Bank of Korea 0.73%, Kookmin Bank, 0.02%, Korea Housing Finance Corporation 0.48% |

### E. Korea Broadcast Advertising Corporation (KOBACO)

Since its establishment in 1981, KOBACO has been selling terrestrial broadcast advertising for more than 30 years. KOBACO has promoted the public-service nature and diversity of broadcast media. Currently, KOBACO is the largest media representative in Korea, and its role has expanded from the previous terrestrial broadcasting to new media such as cable TV, satellite TV and IPTV. KOBACO sells the advertising airtime for 27 broadcasters; 4 TV channels, 16 radio channels, and 7 DMB (digital media broadcasting) channels. As a public company, KOBACO also has been carrying out public service advertising campaigns to raise public awareness about diverse social issues ranging from environmental protection to racial discrimination.

|                              |                                       |
|------------------------------|---------------------------------------|
| <b>Assets</b>                | 691.3 billion KRW in 2016             |
| <b>Sales</b>                 | 179.5 billion KRW in 2016             |
| <b>Employees &amp; Staff</b> | 294 in 2016                           |
| <b>Shareholders</b>          | Ministry of Strategy and Finance 100% |

### F. Korea Housing & Urban Guarantee Corporation (HUG)

Korea Housing & Urban Guarantee Corporation was established in 1999 to help achieve the government's policy goal of improving the quality of life for all people by supporting housing welfare and the revitalization of urban renewal projects. HUG offers various types of housing guarantees throughout the stages of a housing project and implements government policies to improve people's residential welfare and encourage urban regeneration. It is a specialized housing guarantee organization that guarantees

security for potential homeowners and facilitates a supply of housing through the support of building contractors. HUG changed its previous name of KHGC in July 2015, reconstituting itself as a public corporation with the enforcement of National Housing & Urban Fund (NHUF) Act, which designated the company as the exclusive institution to operate the NHUF that is worth about 115 trillion KRW.

|                   |  |
|-------------------|--|
| Assets            | 6.3 trillion KRW in 2016   |
| Sales             | 875.5 billion KRW in 2016  |
| Employees & Staff | 496 in 2016  |
| Shareholders      | Central government 67.85%, financial institutions 9.22%, HUG 18.74%, housing companies 3.13%, minority shareholders and others 1.07% |

## 2. Quasi-governmental institutions

### 1) Fund-management-type quasi-governmental institutions

#### A. National Pension Service (NPS)

The National Pension Service (NPS) was established in 1987 to help secure the retirement benefits of Korean citizens with income security, thereby promoting national welfare in case of retirement, disability or death. The national pension scheme is now available to all employees, employers, and the self-employed. The NPS has broadened its operation scope to include retirement planning and welfare services for the disabled, in addition to its basic services, such as contributor's pension history management, contribution-imposing, and benefits payment.

|                   |   |
|-------------------|---|
| Assets            | 1 trillion KRW in 2016<br>559.1 trillion KRW in 2016 (Fund) |
| Sales             | 17.7 trillion KRW in 2016                                   |
| Employees & Staff | 5,668 in 2016   |

#### B. Korea Deposit Insurance Corporation(KDIC)

The Korea Deposit Insurance Corporation (KDIC) was established in 1996 in accordance with the Depositor Protection Act (enacted in 1995) to protect depositors and maintain the stability of the financial system by efficiently operating a deposit insurance system in order to prevent a situation in which a failed institution is unable to reimburse its depositors. The main functions of KDIC are the management of Deposit Insurance Funds, risk management, resolution of insolvent financial institutions, management of bankruptcy estates, and investigations related to insolvency.

|                   |  |
|-------------------|--|
| Assets            | 15.2 trillion KRW in 2016<br>7 trillion KRW in 2016 (Fund) |
| Sales             | 1.8 trillion KRW in 2016                                   |
| Employees & Staff | 699 in 2016  |

### C. Small & medium Business Corporation (SBC)

The Small & medium Business Corporation (SBC) is a non-profit, government-funded organization established in 1979 to implement government policies and programs for the sound growth and development of Korean small and medium-sized enterprises (SMEs). SBC operates financial and non-financial programs for SMEs. Through financial programs, SBC provides financing for SMEs to expand operations, develop new products and convert their business structures. With advisory programs including consulting, training, marketing and global cooperation programs, SBC supports SMEs to enhance their global competitiveness.

|                   |                           |
|-------------------|---------------------------|
| Assets            | 15.9 trillion KRW in 2016 |
| Employees & Staff | 917 in 2016               |

### 2) Commissioned-service-type quasi-governmental institutions

#### A. Korea Student Aid Foundation (KOSAF)

Korea Student Aid Foundation (KOSAF) was established in 2009 by the Act on the Establishment of the Korea Scholarship Foundation. Working closely with the Ministry of Education, the foundation administers government-supported assistance to students in higher education. Its programs provide financial assistance primarily through scholarships, loans, and work-study programs. KOSAF's Sharing & Volunteering programs give students a platform for developing leadership that effectively helps people.

|                   |                           |
|-------------------|---------------------------|
| Assets            | 12.8 trillion KRW in 2016 |
| Sales             | 4.5 trillion KRW in 2016  |
| Employees & Staff | 361 in 2016               |

#### B. Korea Creative Content Agency (KOCCA)

The Korea Creative Content Agency (KOCCA) oversees the advancement of Korea's creative content, both domestically and internationally. KOCCA was established in 2009 with the merger of several public institutions such as Korea Broadcasting Institute, Korean Game Industry Agency, and Culture and Content Agency. It covers a wide range of Korea's creative industries, including gaming, animation,

character licensing, music, fashion, and broadcasting. The agency actively advances these industries via production support, marketing and promotion, human capital development, and cultural technology implementation.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 138.4 billion KRW in 2016 |
| <b>Sales</b>                 | 282.6 billion KRW in 2016 |
| <b>Employees &amp; Staff</b> | 267 in 2016               |

### C. Korea Rural Community Corporation (KRC)

The Korea Rural Community Corporation (KRC) was established in 1908 to develop, maintain and manage agricultural production infrastructure. Its main purpose is to foster and manage national self-sufficiency in stable grains and its food production base. The corporation also contributes to the growth of the nation's agricultural productivity by using agricultural production infrastructure including reservoirs, pumping and drainage stations, and supplying good agricultural water in a stable and timely manner. KRC has also been leading large-scale national projects such as the world's largest Saemangeum reclamation project, and undertakes agricultural and rural village development projects overseas.

|                              |  |
|------------------------------|--|
| <b>Assets</b>                | 10.3 trillion KRW in 2016<br>11.1 trillion KRW in 2016(fund) |
| <b>Sales</b>                 | 3.7 trillion KRW in 2016                                     |
| <b>Employees &amp; Staff</b> | 6,304 in 2016  |

### D. National Research Foundation of Korea (NRF)

The National Research Foundation of Korea (NRF) was established in 2009 by the merger of Korea Science and Engineering Foundation (KOSEF), Korea Research Foundation (KRF), and Korea Foundation for International Cooperation of Science and Technology (KICOS) NRF is the largest R&D funding agency in Korea. Its main purpose is to support academic and R&D activities and foster & utilize researchers in academia and R&D fields. The Foundation also promotes international cooperation for academic and R&D activities and facilitates the survey, analysis, and application of useful resources for research funding as well as development of policies.

|                              |  |
|------------------------------|--|
| <b>Assets</b>                | 11.5 billion KRW in 2016<br>85.7 billion KRW in 2016(fund) |
| <b>Sales</b>                 | 4.4 trillion KRW in 2016                                   |
| <b>Employees &amp; Staff</b> | 315 in 2016  |

### E. Human Resources Development Service of Korea (HRD)

HRDKorea performs a core role in comprehensive ways to develop and manage national human resources, in cooperation with the business community, in the areas of lifelong competency development, qualification management, foreign workforce employment support, overseas employment support, international cooperation, skills promotion and skills competitions.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 287.1 billion KRW in 2016 |
| <b>Sales</b>                 | 1.3 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 1,307 in 2016             |

### F. Korea Trade-Investment Promotion Agency (KOTRA)

Korea Trade-Investment Promotion Agency (KOTRA) was established in 1962 in accordance with the Korea Trade Promotion Agency Act to contribute to national development by helping trade promotion, domestic and foreign investment, industrial technology cooperation, and etc. KOTRA supports medium and small-sized enterprises to extend their business in overseas markets and attracts foreign investment. They also produce, spread and consult overseas market information.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 184.5 billion KRW in 2016 |
| <b>Sales</b>                 | 408 billion KRW in 2016   |
| <b>Employees &amp; Staff</b> | 1,043 in 2016             |

### G. Korea Environment Corporation (KECO)

Korea Environment Corporation (KECO) was established in 2009 in accordance with the Korea Environment Corporation Act. KECO aims to contribute to eco-friendly development of Korea through the effective operation of greenhouse gas reduction programs to prevent environmental pollution, improve the environment, facilitate resource recycling and respond to climate change.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 137.9 billion KRW in 2016 |
| <b>Sales</b>                 | 1.2 trillion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 2,353 in 2016             |

### H. Korea Infrastructure Safety & Technology Corporation (KISTEC)

Korea Infrastructure Safety & Technology Corporation (KISTEC) was established in 1995 in accordance with the Special Act for the Safety Control of Public Structures. The corporation secures the safety and

maintenance of public infrastructures, and research, develop, and distribute the related technologies. The main functions of KISTEC are safety inspection on major public structures, research, development, guidance and distribution of technology relating to safety inspections. They also develop a scientific maintenance system of public structures and provide training to inspectors.

|                              |                          |
|------------------------------|--------------------------|
| <b>Assets</b>                | 42.3 billion KRW in 2016 |
| <b>Sales</b>                 | 50.6 billion KRW in 2016 |
| <b>Employees &amp; Staff</b> | 482 in 2016              |

#### I. Korea Consumer Agency (KCA)

The KCA was established in 1987 based on the Consumer Protection Act to protect consumer rights and interests. The agency provides consumer counseling and redress, handles dispute cases when the recommended compromise is not accepted, conducts quality or safety tests of various products based on strict standards, and studies consumer protection policies and laws. KCA has Consumer Dispute Settlement Commission (CDSC) established to mediate consumer dispute cases.

|                              |                          |
|------------------------------|--------------------------|
| <b>Assets</b>                | 82 billion KRW in 2016   |
| <b>Sales</b>                 | 38.4 billion KRW in 2016 |
| <b>Employees &amp; Staff</b> | 421 in 2016              |

#### J. Korea International Cooperation Agency (KOICA)

The Korea International Cooperation Agency (KOICA) was established in 1991, to maximize the effectiveness of Korea's grant aid programs for developing countries by implementing the government's grant aid and technical cooperation programs. KOICA is in charge of Korea's ODA to help developing countries' economic and social development and enhance the relationship between Korea and relevant countries by conducting cooperation projects. KOICA also sends global volunteers and expertise overseas and bring public officers, employers and researchers of developing countries to Korea through global training program. It also provides funds for emergency aid to countries experiencing sudden disaster such as earthquakes.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 115 billion KRW in 2016   |
| <b>Sales</b>                 | 726.1 billion KRW in 2016 |
| <b>Employees &amp; Staff</b> | 442 in 2016               |

### 3. Non-classified public institutions

#### A. The Export-Import Bank of Korea (Korea Eximbank)

The Export-Import Bank of Korea was established in 1976 to facilitate the development of Korea's economy and enhance economic cooperation with foreign countries through the provision of financial supports for export and import transactions, overseas investments projects, and the development of overseas natural resources. The Bank is an export credit agency that provides export credits to promote the export of capital goods such as ships and industrial plants, and high technology industries such as the IT industry.

|                              |  |
|------------------------------|--|
| <b>Assets</b>                | 90.4 trillion KRW in 2016<br>4.6 trillion KRW in 2016 (fund) |
| <b>Sales</b>                 | 7.1 trillion KRW in 2016                                     |
| <b>Employees &amp; Staff</b> | 979 on 2016  |

#### B. Korea Legal Aid Corporation (KLAC)

The Korea Legal Aid Corporation was established in 1987 according to the Legal Aid Act. Korean Legal Aid Corporation provides legal advice and legal representation by attorneys both for civil and criminal cases to the public, especially those without financial resources and legal knowledge. It is a social welfare service institution which provides services such as free legal advice, civil/criminal representation by lawyers or public service attorneys, and other miscellaneous legal affairs to those who are not fully covered with equal justice owing to their lack of legal knowledge or economic disadvantage. The Corporation aims to protect their deserved rights by the due process of law and protect the fundamental human rights of people in Korea.

|                              |                           |
|------------------------------|---------------------------|
| <b>Assets</b>                | 121.2 billion KRW in 2016 |
| <b>Sales</b>                 | 81.2 billion KRW in 2016  |
| <b>Employees &amp; Staff</b> | 749 in 2016               |

#### C. Korea Testing Laboratory (KTL)

Korea Testing Laboratory (KTL) was established in 1966 to enhance Korea's industrial technology and competitiveness as an affiliated organization of the Ministry of Trade, Industry, and Energy. KTL has executed various technology support needed in industrial fields as a comprehensive testing organization, including developing testing and evaluation technologies and assisting companies to obtain international certifications, and has contributed to improve industrial technology. The K-mark quality certification system of KTL has been the mark of quality as well as reliability.

|                   |                           |
|-------------------|---------------------------|
| Assets            | 170 billion KRW in 2016   |
| Sales             | 133.1 billion KRW in 2016 |
| Employees & Staff | 720 in 2016               |

#### D. National Cancer Center (NCC)

National Cancer Center (NCC) was established in 2000 based on National Cancer Act to reduce the incidence and mortality of cancer through research, patient care, education & training, and support for the national cancer control programs. In order to effectively achieve the above goals, NCC performs basic and clinical research on cancer, provides medical care services for cancer patients, and offers education and training for health professionals and those engaged in the national cancer programs. The Center also assists the government in formulating and implementing the national cancer control program and provides consulting services to other medical institutions specializing in cancer treatment.

|                   |                           |
|-------------------|---------------------------|
| Assets            | 202 billion KRW in 2016   |
| Sales             | 315.4 billion KRW in 2016 |
| Employees & Staff | 1,292 in 2016             |

## 04

# The recent administration's policies and strategies to reform public institutions

1. Reform Measures
2. Wage Peak System



## 1. Reform Measures

During the annual National Assembly inspection of the government offices in 2013, the inspectors from the National Assembly found that over-leveraged public institutions still handed out performance pay despite their massive debts, and that many public institutions provided their employees with excessive benefits based on collective labor agreements. The National Assembly called for strong measures to curtail such practices.

- At the end of 2012, the total amount of debts of public institutions surged to 493 trillion KRW, a figure which represented 1.7 times higher than the amount of debt in the previous year. The total debts of major 12 public institutions amounted to 412 trillion KRW, of which financial liabilities accounted for 305.2 trillion KRW, a 136.5 trillion KRW increase on those of 2008.
- Inspectors noted that the executives of heavily indebted public institutions in SOC and energy sectors received an inordinate amount of performance incentives, and that the employee benefits provided by many public institutions were unreasonably generous.

As a result, a two-step approach was introduced with the aim of improving the financial health of public institutions. The first step focused on reducing the total amount of debt and reforming employee benefit packages at public institutions. The second step focused on achieving substantial productivity gains.

- The measures associated with the first step were announced in December 2013, and included reduction of the debt ratio to about 180 percent by 2017 and clampdown on excessive employee benefits, requiring disclosure of information to ensure the public is able to monitor the status of public institutions.
- The measures associated with the second step were announced in January 2015 and included the restructuring of businesses to focus on core functions. These included mergers of public institutions with overlapping areas of business, prevention of public institutions from operating in areas where private sector operates, and introduction of performance-driven operational systems, such as a wage peak system and a performance-based compensation system.

### 1) First-step measures

#### A. Debt management

In December 2013, the government announced the “Guidelines for the Management of Debt Reduction Scheme for Public Institutions” to require public institutions subject to annual reporting of their mid- and long-term financial management plan to the Ministry of Strategy and Finance to establish a plan for reducing their debt ratio to about 200% by 2017.

- Such public institutions were required to create a plan to reduce their debt increase rate by at least 30 percent against the amounts forecasted in the mid- and long-term financial management plans which they submitted to the National Assembly in October 2013.
- The institutions were required to pursue all available measures to reduce debts, including business restructuring, asset sale, cost saving and profit maximization.
- In order to reduce debts, they also had to conduct a thorough review of all their ongoing projects, restructure unnecessary projects and assess the feasibility of new projects and financing plans.

The Ministry of Strategy and Finance targeted 18 public institutions with large debts and high debt increase rates for its debt reduction efforts.

The mid- and long-term financial management plans submitted and announced in September 2013 predicted an increase of 85.4 trillion KRW in the total amount of debts by 2017. However, according to estimates in the new debt reduction plans submitted by 18 institutions, debt was expected to increase by 45.9 trillion KRW (39.5 trillion KRW less) corresponding to a decrease in the total debt ratio of 19 percent points (from 286 to 267 percent).

As a result, the expected debt ratio of all 41 public institutions that submitted mid- and long-term financial management plans decreased from 210 percent to about 200 percent.

<Table IV-1> Debt reduction measures and decrease in debt amount

(Unit: one trillion KRW)

| Category                  | Total | Business restructuring | Asset sale | Corporate streamlining | Profit increase | Others |
|---------------------------|-------|------------------------|------------|------------------------|-----------------|--------|
| Decreased amount of debts | 39.5  | 17.5                   | 7.4        | 3.3                    | 3.3             | 8.0    |
| Percentage                | 100%  | 44.3%                  | 18.7%      | 8.4%                   | 8.4%            | 20.2%  |

Furthermore, to ensure sustained control of total amount of debt and debt ratio, the Ministry of Strategy and Finance introduced a separate accounting system, a ceiling for bonds and debentures, and an in-depth evaluation program for completed projects. In addition, it consolidated a preliminary feasibility review for new projects.

There were three reasons why it was deemed necessary to introduce the separate accounting system, which creates financial statements for each business unit.

- Firstly, the system allows public institutions and supervisory authorities (the Ministry of Strategy and Finance) to see the business performance and financial status of each business unit.

- Secondly, the system provides a clear indication of the size of debt arising from each business unit, making it easier for public institutions to manage liabilities.
- Lastly, the system can encourage public institutions to assume a more active sense of responsibility for their debt.

In 2013, the system was piloted in seven public institutions and six more public institutions followed suit in 2014.

#### <Table IV-2> Adoption of separate accounting system at 13 public institutions

| Seven pilot institutions which introduced the system in 2013   | Six institutions which introduced the system in 2014  |
|--|---|
| Korea Land and Housing Corporation<br>Korea Railroad Corporation<br>Korea Electric Power Corporation<br>Korea Water Resources Corporation<br>Korea Gas Corporation<br>Korea Deposit Insurance Corporation<br>Small and Medium Business Corporation | Korea Expressway Corporation<br>Korea Rail Network Authority<br>Korea National Oil Corporation<br>Korea Resources Corporation<br>Korea Coal Corporation<br>Korea Student Aid Foundation |

#### <Table IV-3> Adoption of separate accounting system at seven public institutions in 2013 and their business units

| Name of public institutions               | Business units  |
|---|---|
| Korea Electric Power Corp.                | -Electricity sale<br>-Others (overseas business)  |
| Korea Gas Corp.                           | -Gas supply<br>-Overseas business   |
| Korea Land & Housing Corp.                | -Public housing<br>-Housing rental and lease<br>-Industrial complex development<br>-New town development<br>- Land bank<br>- Others                           |
| Korea Railroad Corp.                      | -Transport: high-speed, general, wide-area, cargo<br>-Business development<br>-Entrusted projects   |
| Korea Water Resources Corp.               | -Water resources management<br>-Water service facility<br>- Industrial complex development<br>- 4 major river restoration projects<br>- Ara canal<br>- Others |
| Korea Deposit Insurance Corp.             | -Deposit Insurance Fund<br>-Deposit Insurance Fund Bond Redemption Fund   |
| Small & Medium Enterprise Promotion Corp. | -Support for small and medium enterprises<br>-Support for small businesses<br>-Entrusted business<br>-Contributions to credit guarantee institutions          |

In January 2015, the Ministry of Strategy and Finance put a maximum limit on the balance of bonds and debentures to discourage them from being issued unnecessarily.

- A total of 16 institutions out of the 18 target institutions for debt reduction (excluding the Korea Deposit Insurance Corporation and the Korea Student Aid Foundation) were subject to this ceiling.
- The ceiling includes all kinds of bonds, such as bonds and debentures, short-term liquidity (CP, electronic short-term bonds, etc.) and ABS.
- The aim of this measure was to reduce the ratio of corporate bonds to total liabilities from 62 percent in 2014 to 58 percent in 2018.

The preliminary feasibility study system was introduced in 2011 to verify the feasibility of any new investment project with a total cost of 50 billion KRW or more, of which the government and the public institution were to be covering at least 30 billion KRW.

- In 2015, the additional article was inserted into the act that the requirement to conduct such a study would be waived only for national policy projects and projects implemented to support recovery from a disaster, to ensure the safety of facilities and tackle health or food safety issues.
- Another additional article was inserted that a feasibility study should be conducted in the event that the total project costs accrued during implementation exceeded 50 billion KRW.
- In 2016, the Act was amended such that a public institution was required to request the Minister of Strategy and Finance a preliminary feasibility study on any new investment project with a total cost of 100 billion KRW or more, of which the government and the public institution were to be covering at least 50 billion KRW.

#### B. Reform of employee benefit packages

In December 2013, the government proposed the "Guidelines on the Employee Benefit Package Reform." The guidelines suggested that public institutions should reform their employee benefit packages in line with the benefit packages for civil servants.

The five basic guidelines to reform public institutions' employee benefit packages were as follows:

- Firstly, to refrain from providing employee benefits at a level considered excessive by the general public, where benefits in excess of those awarded to civil servants were deemed excessive.
- Secondly, to ban the provision of employee benefits which violate "the Guidelines for Budget Compilation in Public Corporations and Quasi-governmental Organizations" and "the Guidelines for Budget Implementation in Public Corporations and Quasi-governmental Organizations."
- Thirdly, to abolish any type of benefits which are not granted to civil servants (such as hereditary employment).
- Fourthly, to avoid duplicate funding of a single employee benefit item from both the corporate budget and an in-house employee welfare fund.

- Lastly, to prohibit from replacing a benefit abolished as part of the employee benefit reform initiative with a similar benefit.

The guidelines were prepared specifically for the following eight types of benefits: ① severance pay, ② education and childcare expenses, ③ medical expenses, ④ cash gifts for family events and corporate souvenirs, ⑤ vacation and leave policy, ⑥ work attitude, ⑦ special recruitment of employees' bereaved family members and ⑧ business management and human resources affairs.

The Ministry of Strategy and Finance designated 20 public institutions with a high per-capita employee benefit cost as target institutions for the reform.

<Table IV-4> Public Institutions subject of an employee welfare package reform (Unit: 10,000 KRW)

| Name of institution  | Employee benefit cost per person | Budget | In-house employee welfare fund |
|--|----------------------------------|--------|--------------------------------|
| Korea Exchange   | 1,488.9                          | 982.0  | 507.0                          |
| Korea Racing Authority                                       | 1,310.6                          | 304.2  | 1,006.5                        |
| Koscom   | 1,213.1                          | 846.1  | 367.0                          |
| The Export-Import Bank of Korea                              | 1,105.0                          | 555.2  | 549.9                          |
| Kangwon Land   | 995.0                            | 603.9  | 391.0                          |
| Incheon International Airport Corp.                          | 980.2                            | 421.1  | 559.1                          |
| Korea Securities Depository                                  | 968.0                            | 508.4  | 459.6                          |
| Korea Gas Technology Corp.                                   | 777.0                            | 734.5  | 42.6                           |
| Korea Housing & Urban Guarantee Corp.                        | 744.9                            | 234.6  | 510.3                          |
| Korea Minting, Security Printing and ID Card Operating Corp. | 744.6                            | 565.9  | 178.6                          |
| Busan Port Authority   | 718.6                            | 466.8  | 251.8                          |
| Korea Institute of Nuclear Safety                            | 707.9                            | 707.9  | -                              |
| KEPCO E&C  | 693.6                            | 384.0  | 309.61                         |
| Pusan National University Hospital                           | 688.7                            | 688.7  | -                              |
| Korea Broadcast Advertising Corp.                            | 655.0                            | 103.1  | 552.05                         |
| Korea District Heating Corp.                                 | 605.6                            | 318.4  | 287.2                          |
| Korea Investment Corp.                                       | 595.6                            | 353.9  | 241.7                          |
| Korea Trade Insurance Corp.                                  | 591.3                            | 531.6  | 59.5                           |
| Korea Agro-Fisheries & Food Trade Corp.                      | 585.1                            | 407.9  | 177.2                          |
| Grand Korea Leisure  | 571.9                            | 357.1  | 214.8                          |

Note: Figures are the average amounts from 2010 to 2012.

The 38 institutions which had been appointed as target institutions for debt reduction and employee welfare package reform reduced employee benefit costs by 154.4 billion KRW (31.3 percent) compared with that of 2013. With an average reduction of 1.37 million KRW (32.1 percent), per-capita employee benefit cost was cut to 5 million KRW or less at most of the institutions.

<Table IV-5> Changes in per-capita employee benefit cost in 38 target institutions

(Unit: number of institutions)

| Institution type             | Year | > 7 million KRW | > 6 million KRW | > 5 million KRW | > 4 million KRW | > 3 million KRW | < 3 million KRW |
|------------------------------|------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Employee benefit reform (20) | 2013 | 5               | 5               | 8               | 2               |                 |                 |
|                              | 2014 |                 |                 | 2               | 8               | 9               | 1               |
| Debt reduction (18)          | 2013 |                 | 2               | 4               | 5               | 2               | 5               |
|                              | 2014 |                 |                 |                 | 3               | 7               | 8               |
| Total                        | 2013 | 5               | 7               | 12              | 7               | 2               | 5               |
|                              | 2014 |                 |                 | 2               | 11              | 16              | 9               |

As of 2015, the reduction in the total cost of employee benefits at all public institutions was as follows:

<Table IV-6> Reduction in cost of employee benefits

(Unit: one billion KRW)

| Category   | 2013  | 2014  | Reduction | Number of public institutions |
|--|-------|-------|-----------|-------------------------------|
| Total cost of welfare benefits (estimated)         | 878.4 | 683.6 | 194.8     | 296                           |
| State-owned enterprises/ quasi-government agencies | 557.5 | 402.7 | 154.8     | 116                           |
| Other public institutions                          | 320.9 | 280.9 | 40        | 180                           |

## 2) Second-step measures

### A. Constant review of functions

The Ministry of Strategy and Finance identified the need for an ongoing program to review the functions performed by public institutions.

- This was in line with business restructuring among public institutions centering around four major areas: ① information technology, ② small-and medium-sized enterprises, ③ employment and employee welfare and ④ overseas resources development.

The Ministry therefore established a special team dedicated to reviewing whether each public institution was fulfilling its original purpose of establishment, with the goal of eliminating inefficient practices. It also set up an advisory board consisting of relevant Ministries and specialists from the private sector.

The review was guided by four principles, which are as follows.

- Firstly, public institutions, which maintained a specific function or team even after the need for that function was lessened due to a change in market demand or policy direction, were encouraged to reduce or redesign the function or team.
- Secondly, public institutions, which used to monopolize a specific public service but which had begun to compete with the private sector in some area, were encouraged to curtail operations in that area or entrust the service to the private sector.
- Thirdly, where a public institution had extended a specific function beyond its original purpose of establishment, the institution was guided to eliminate such functions in order to expand business areas or increase profits.
- Lastly, where there were overlapping or similar functions among public institutions or between institutions from different sectors, such functions had to be coordinated or merged.

For example, in the field of information technology, information and communication technology (ICT) and R&D functions were originally covered by five different public institutions.

- Three public institutions<sup>10)</sup> were in charge of the policy direction of ICT and R&D; three public institutions<sup>11)</sup> were responsible for planning, evaluation and management; and one public institution<sup>12)</sup> was responsible for the commercialization of technology.

After a review of these functions, R&D in the field of ICT was separated from other industries, in accordance with the Special Act on Promotion of Information and Communications Technology, Vitalization of Convergence thereof, etc., and merged to become the sole responsibility of the National IT Industry Promotion Agency.

10) National IT Industry Promotion Agency, the Korea Communications Agency and the Korea Creative Content Agency

11) Korea Evaluation Institute of Industrial Technology, the Korea Communications Agency and the Korea Creative Content Agency

12) Korea Institute for Advancement of Technology

## 2. Wage Peak System

Article 19 of the Act on Prohibition of Age Discrimination in Employment and Elderly Employment Promotion, amended in May 2013, stipulates that an employer shall set the retirement age of workers at 60 or older.

The amended Act applied to public institutions and private-sector businesses employing 300 or more people. It came into effect from January 1, 2016, and led to a decrease in new employment.

Thus, the government decided to introduce a wage peak system to help public institutions mitigate the higher labor costs associated with elderly employees, and create jobs for young people. In May 2015, the Ministry of Strategy and Finance published the "Recommendation for the Introduction of Wage Peak System in Public Institutions" and notified to concerned ministries and public institutions.

Under the wage peak system, an employer adjusts the wages of elderly workers near the retirement age on condition of guaranteeing their employment to a certain age. There are three types of wage peak system.

<Table IV-7> Three types of wage peak system

| Type   | Current retirement age | The measures to implement the system   |
|--------|------------------------|--|
| Type 1 | 60 or higher           | To guarantee the current retirement age, while reducing the wages of the elderly workers from 3 to 5 years before retirement.                |
| Type 2 | under 60               | To extend the current retirement age to 60 and reduce the wages of the elderly workers from 3 to 5 years before the extended retirement age. |
| Type 3 | -                      | To reduce the wages of the elderly workers on the condition of re-hiring them after retirement as contracted workers.                        |

Through the wage peak system, public institutions were required to make active efforts to generate new jobs for young people.

- Public institutions whose current retirement age is 60 or higher were required to set a new employment goal every year based on the number of workers retiring in one year.
- Those institutions which had extended the retirement age were asked to set an employment goal based on the number of workers whose retirement had been delayed as a result of the extended retirement age.

All employees at public institutions whose retirement age had been extended to 60 or whose current retirement age was 60 or higher were subject to the wage peak system. However, those whose wage levels were very low (150% of the minimum wage or lower) were excluded.

By December 2015, all 313 public institutions introduced the wage peak system, creating about 4,400 new jobs in 2016. In 2016, the total number of new jobs created by public institutions stood at about 18,000, a 4.5 percent increase upon the previous year.

# Research Center for State-Owned Entities (SOEs)

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

## Executive Director's Message

There are currently 332 public institutions in Korea which are classified either as public corporations, quasi-governmental institutions, or non-classified public institutions.

The total number of employees of all public institutions is about 300 thousand, and their total budget size reaches roughly 635 trillion KRW, approximately 2.1 times larger than the size of the national budget as of 2016.

Since the performance of public institutions is so crucial to the national economy, Korea has maintained one of the most sophisticated and integrated management systems for public institutions. To support and improve government policies regarding public institutions, Research Center for State-Owned Entities (SOEs) was established by the Ministry of Strategy and Finance in 2009.

The SOEs Research Center conducts various research in regards to public institutions, including its internal and external governance structure, role in the national economy, issues on financial structure, employment structure, public institution in foreign countries, public utility rates, the performance evaluation system, and etc. Our Center specializes in various case studies and uses scientific research & analysis methods to enhance expertise and efficiency, and promotes the conditions necessary for sustainable growth and improvement of public institutions.



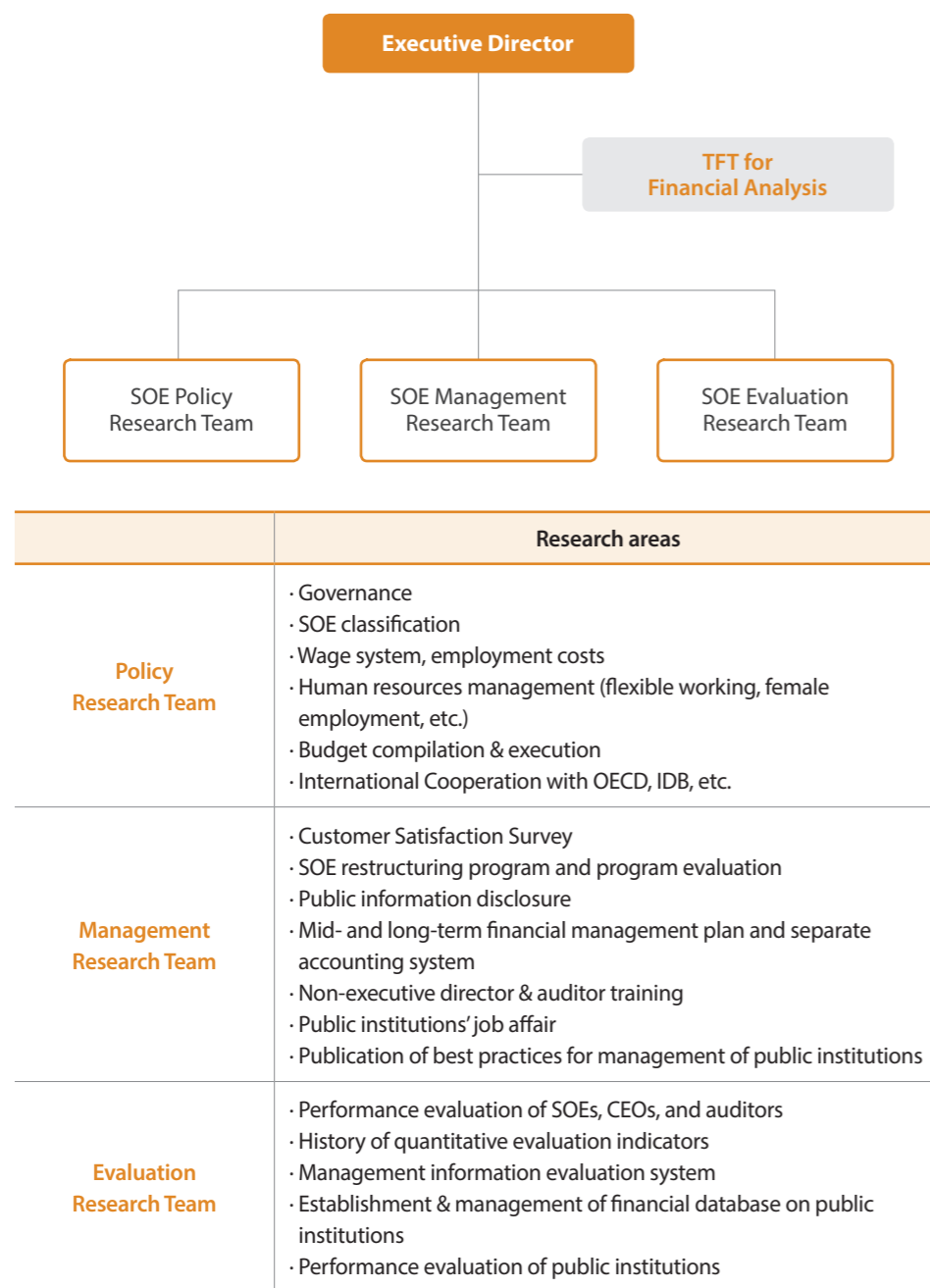
Furthermore, the Research Center is working hard to connect more with academic and field experts such as professors and senior executives of public institutions to produce effective and valid findings and make more balanced policy suggestions. The Center, as a hub of research on public institutions in Korea, will actively cooperate with the international community to learn and share the knowledge and experience on public institutions.

'*Public Institutions in Korea*' is comprised of four chapters. The first chapter covers various aspects of the public institutions of Korea with their general characteristics, financial status, and their contributions and influences to the national economy. The second chapter deals with topics regarding the management and oversight of public institutions in Korea. Chapter 3 gives a brief overview of the 27 individual public institutions in Korea. Finally Chapter 4 summarizes the recent administration's policies and strategies to reform public institutions.

This is the sixth edition of '*Public Institutions in Korea*' and a new chapter has been added to provide information regarding the recent policy measures of reforming public institutions. We hope this book will facilitate the cooperation between Korea and other countries with regard to the management and oversight of public institutions.

Executive Director  
*Dr. Cho, Im Gon*  
[icho@kipf.re.kr](mailto:icho@kipf.re.kr)

## Organizational Chart



## The list of research fellow

|                                 | Position                      | Name             |
|---------------------------------|-------------------------------|------------------|
| <b>Research Center for SOEs</b> | Executive Director            | Cho, Im Gon      |
|                                 | Associate Fellow              | Heo, Kyoungsun   |
|                                 | Head of TFT for Cost Analysis | Moon, Changoh    |
|                                 | Senior Administrator          | Cho, Chong-Eup   |
|                                 | Senior Administrator          | Byoun, Kyoungsuk |
|                                 | Research Specialist           | Byen, Minjung    |
|                                 | Research Specialist           | Song, Kyungho    |
|                                 | Research Specialist           | Jang, Kwangnam   |
|                                 | Research Specialist           | Lee, Jukyong     |
|                                 | Research Analyst              | Min, Kyeongseok  |
|                                 | Research Analyst              | Seong, Yeon Ju   |
|                                 | Research Analyst              | Jeong, Sa Ra     |
|                                 | Research Analyst              | Uhm, Kihyun      |
| <b>SOE Policy Research Team</b> | KICPA                         | Kim, Eunsun      |
|                                 | Head                          | Park, Hanjun     |
|                                 | Research Specialist           | Kim, Jongwon     |
|                                 | Research Specialist           | Lee, Seul        |
|                                 | Research Analyst              | Hong, Sojung     |
|                                 | Research Analyst              | Na, Jinhee       |
|                                 | Research Analyst              | Seo, Young Bin   |
|                                 | Research Analyst              | Yoo, Seunghyeon  |
| KICPA                           | Cho, Jae Woo                  |                  |

|                              | Position            | Name            |
|------------------------------|---------------------|-----------------|
| SOE Management Research Team | Head                | Ha, Sejeong     |
|                              | Research Specialist | Yu, Hyojeong    |
|                              | Research Specialist | Hong, Yoonjin   |
|                              | Research Analyst    | Song, ShinHyung |
|                              | Research Analyst    | Lim, Hee Young  |
|                              | Research Analyst    | Park, Hwayoung  |
|                              | Research Analyst    | Jung, Yeseul    |
|                              | Research Analyst    | Kang, Seok Hoon |
|                              | Research Analyst    | Kwak, Wonwook   |
|                              | KICPA               | Kang, Cho Rong  |
| SOE Evaluation Research Team | Head                | Ra, Youngjae    |
|                              | Research Specialist | Lim, Miwha      |
|                              | Research Specialist | Bong, Woori     |
|                              | Research Specialist | Lee, Kangshin   |
|                              | Research Specialist | Lee, Jinkwan    |
|                              | Research Analyst    | Park, Seonghun  |
|                              | Research Analyst    | Oh, Yun-mi      |
|                              | Research Analyst    | Seo, Nina       |
|                              | KICPA               | Huh, Kyung-pil  |

## Appendix

## Public Institutions in 2017

(Public corporations, quasi-governmental institutions, and classified public institutions, 332, as of August 30, 2017)

| Relevant Ministries                  | Public Corporations |   | Quasi-Governmental Institutions |  | Non-classified public institutions (208)  |
|--------------------------------------|---------------------|---|---------------------------------|--|---|
|                                      | Market-based (14)   | Quasi-market-based (21)                           | Fund-management-based (16)      | Commissioned-service-based (73)  |   |
| Ministry of Strategy and Finance (4) |                     | Korea Minting & Security Printing Corporation (1) |                                 |  | Korea Public Finance Information Service, The Export-Import Bank of Korea, Korea Investment Corporation (3)   |
| Ministry of Education (22)           |                     |   | Teachers' Pension (1)           | Korea Education and Research Information Service, Korea Student Aid Foundation (2) | Gangneung-Wonju National University Dental Hospital, Kangwon National University Hospital, Kyungpook National University Hospital, Kyungpook National University Dental Hospital, Gyeongsang National University Hospital, 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, Institute for the Translation of Korean Classics, Korea Foundation for the Promotion of Private School, Academy of Korean Studies, National Institute for Lifelong Education, Northeast Asian History Foundation (19) |

| Relevant Ministries             | Public Corporations |                         | Quasi-Governmental Institutions |  | Non-classified public institutions (208)   |
|---------------------------------|---------------------|-------------------------|---------------------------------|--|--|
|                                 | Market-based (14)   | Quasi-market-based (21) | Fund-management-based (16)      | Commissioned-service-based (73)  |  |
| Ministry of Science & ICT (46)  |                     |                         |                                 | Postal Savings & Insurance Development Institute, Korea Postal Service Agency, Korea Postal Logistics Agency, National IT Industry Promotion Agency, Korea Foundation for the Advancement of Science and Creativity, National Research Foundation of Korea, Korea Internet & Security Agency, National Information Society Agency, Korea Communications Agency (9) | Commercializations Promotion Agency for R&D Outcomes, Postal Facility Management Agency, Gwangju Institute of Science and Technology, National Research Council of Science & Technology, Institute for Basic Science, Daegu Gyeongbuk Institute of Science & Technology, Specific Post Office Pension Service Agency, Innopolis Foundation, Korea Institute of Civil Engineering and Building Technology, Korea Institute of Science & Technology Evaluation and Planning, Korea Institute of Science and Technology, Korea Advanced Institute of Science and Technology, Korea Institute of Science and Technology Information, Korea Institute of Machinery & Materials, Korea Basic Science Institute, Korea Research Institute of Bioscience and Biotechnology, Korea Institute of Industrial Technology, Korea Food Research Institute, Korea Institute of Energy Research, Korea Atomic Energy Research Institute, Korea Institute of Radiological & Medical Sciences, Korea Electrotechnology Research Institute, Electronics and Telecommunications Research Institute, Korea Institute of Geoscience and Mineral Resources, Korea Astronomy and Space Science Institute, Korea Railroad Research Institute, Korea Research Institute of Standards and Science, Korea Institute of Oriental Medicine, Korea Aerospace Research Institute, Korea Research Institute of Chemical Technology, Gwangju National Science Museum, Daegu National Science Museum, Busan National Science Museum, Korea Data Agency, Korea Advanced Nano Fab Center, Ulsan National Institute of Science and Technology, Center for Women in Science, Engineering, and Technology (37) |
| Ministry of Foreign Affairs (3) |                     |                         |                                 | Korea International Cooperation Agency(1)  | Korea Foundation, Overseas Koreans Foundation (2)  |

| Relevant Ministries                          | Public Corporations |   | Quasi-Governmental Institutions  |   | Non-classified public institutions (208)   |
|--|---------------------|---|--|---|--|
|  | Market-based (14)   | Quasi-market-based (21)                             | Fund-management-based (16)   | Commissioned-service-based (73)   |  |
| Ministry of Unification (2)                  |                     |   |  |   | Korea Hana Foundation, South-North Korea Exchanges and Cooperation Support Association (2)   |
| Ministry of Justice (4)                      |                     |   |  |   | Korea Legal Aid Corporation, Korean Government Legal Service, Korea Rehabilitation Agency, IOM Migration Research & Training Centre (4)  |
| Ministry of National Defense (3)             |                     |   |  |   | The War Memorial of Korea, Korea Institute for Defense Analyses, Military Outplacement Training Institute (3)  |
| Ministry of the Interior and Safety (3)      |                     |   |  | Korea Elevator Safety Agency(1)   | Korea Democracy Foundation, Korean Foundation for Victims of Forced Mobilization under Japanese Colonialism (2)  |
| Ministry of Culture, Sports and Tourism (33) |                     | Grand Korea Leisure, Korea Tourism Organization (2) | Korea Sports Promotion Foundation, Korean Film Council, Arts Council Korea, Korea Press Foundation (4) | The Korea International Broadcasting Foundation, Korea Creative Content Agency, Asia Culture Center (3) | Publication Industry Promotion Agency of Korea, Korea Sports Promotion Foundation & Corporate(KSPO&CO), Korea Copyright Commission, Korean Film Archive, New Seoul Country Club, Korea Arts & Culture Education Service, Korea Culture & Tourism Institute, Literature Translation Institute of Korea, Korea Crafts & Design Foundation, Taekwondo Promotion Foundation, Korea Media Rating Board, King Sejong Institute Foundation, Korean Sport & Olympic Committee, Korea Paralympic Committee, Cultural Foundation of National Museum of Korea, Game Rating and Administration Committee, Korea Culture Information Service Agency, Seoul Arts Center, Korea Arts Management Service, Jeongdong Theater, Gugak Broadcasting Foundation, Korean Artists Welfare Foundation, Korea Copyright Protection Agency, Korea Center on Gambling Problems (24) |

| Relevant Ministries                                  | Public Corporations |                            | Quasi-Governmental Institutions |  | Non-classified public institutions (208)   |
|--|---------------------|----------------------------|---------------------------------|--|--|
|  | Market-based (14)   | Quasi-market-based (21)    | Fund-management-based (16)      | Commissioned-service-based (73)  |  |
| Ministry of Agriculture, Food and Rural Affairs (10) |                     | Korea Racing Authority (1) |                                 | Korea Institute of Planning and Evaluation for Technology in Food, Agriculture, Forestry, Korea Agency of Education, Promotion and Information Service in Food, Agriculture, Forestry, and Fisheries, Korea Institute for Animal Products Quality Evaluation, Korea Agro-Fisheries & Food Trade Corporation, Korea Rural Community Corporation (5) | Livestock Health Control Association, International Plant-quarantine Accreditation Board, Agricultural Policy Insurance & Finance Service, Korea Food Foundation (4) |

| Relevant Ministries                         | Public Corporations  |  | Quasi-Governmental Institutions                                       |  | Non-classified public institutions (208)   |
|---|--|--|---|--|--|
|   | Market-based (14)  | Quasi-market-based (21)  | Fund-management-based (16)  | Commissioned-service-based (73)  |  |
| Ministry of Trade, Industry and Energy (41) | Korea Gas Corporation, Korea National Oil Corporation, Korea Electric Power Corporation, Korea District Heating Corporation, Korea Hydro & Nuclear Power Co., Ltd., Korea Midland 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., Korea Resources Corporation, (11) | Korea Gas Technology Corporation, Korea Coal Corporation, KEPCO Engineering & Construction Company, KEPCO KDN, KEPCO KPS (5) | Korea Trade Insurance Corporation, Korea Radioactive Waste Agency (2) | Korea Trade-Investment Promotion Agency, Korea Energy Agency, Korea Gas Safety Corporation, Mine Reclamation Corporation, Korea Institute of Design Promotion, Korea Institute for Advancement of Technology, Korea Evaluation Institute of Industrial Technology, Korea Industrial Complex Corporation, Korea Petroleum Quality & Distribution Authority, Korea Institute of Ceramic Engineering and Technology, Korea Institute of Energy Technology Evaluation and Planning, Korea Electrical Safety Corporation, Korea Power Exchange (13) | Kangwon Land, Korea Strategic Trade Institute, Korea Institute for Robot Industry Advancement, Korea Nuclear Energy Agency, Korea-Japan Cooperation Foundation for Industry and Technology, KEPCO Nuclear Fuel Company, Korea Testing Laboratory, Korea Smart Grid Institute, Hanil General Hospital, KEPCO International Nuclear Graduate School (10) |

| Relevant Ministries                   | Public Corporations |                         | Quasi-Governmental Institutions                   |  | Non-classified public institutions (208)   |
|---------------------------------------|---------------------|-------------------------|---|--|--|
|                                       | Market-based (14)   | Quasi-market-based (21) | Fund-management-based (16)                        | Commissioned-service-based (73)  |  |
| Ministry of Health and Welfare (23)   |                     |                         | National Pension Service (1)                      | Health Insurance Review & Assessment Service, National Health Insurance Service, Korea Health Industry Development Institute, Korea Labor Force Development Institute for the Aged, Social Security Information Service, Korea Human Resource Development Institute for Health & Welfare (6) | Korea Childcare Promotion Institute, Korea Disabled People's Development Institute, National Cancer Center, National Medical Center, Korean Red Cross, Korea Health Promotion Foundation, Korea Foundation for International Healthcare, National Evidence-based Healthcare Collaborating Agency, Korea National Council on Social Welfare, Korea Medical Dispute Mediation & Arbitration Agency, National Health Personnel Licensing Examination Board, Daegu-Gyeongbuk Medical Innovation Foundation, Osong Medical Innovation Foundation, Korea Organ Donation Agency, Korea Foundation For Human Tissue Donation, National Development Institute of Korean Medicine (16) |
| Ministry of Environment (8)           |                     |                         |   | Korea National Park Service, Korea Environment Corporation, Korea Environmental Industry & Technology Institute, National Institute of Ecology (4)   | Sudokwon Landfill Site Management Corporation, Korea Water and Wastewater Works Association, Nakdonggang National Institute of Biological Resources, Korea Environmental Preservation Association (4)  |
| Ministry of Employment and Labor (12) |                     |                         | 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)  | Construction Workers Mutual Aid Association, Korea Labor Foundation, Korea Testing Institute of Technical Qualification, Korea Polytechnics, Korea University of Technology and Education, Korea Social Enterprise Promotion Agency, Korea Job World (7)   |

| Relevant Ministries                                 | Public Corporations   |  | Quasi-Governmental Institutions |  | Non-classified public institutions (208)  |
|---|---|--|---------------------------------|--|---|
|   | Market-based (14)   | Quasi-market-based (21)  | Fund-management-based (16)      | Commissioned-service-based (73)  |   |
| Ministry of Gender Equality and Family (5)          |   |  |                                 | Korea Youth Counseling & Welfare Institute, Korea Youth Work Agency (2)  | Korea Institute for Gender Equality Promotion & Education, Korea Institute for Healthy Family, Women's Human Rights Commission of Korea (3)   |
| Ministry of Land, Infrastructure and Transport (23) | Incheon International Airport Corporation, Korea Airports Corporation (2) | Korea Housing & Urban Guarantee Corporation, Jeju Free International City Development Center, Korea Appraisal Board, Korea Expressway Corporation, Korea Water Resources Corporation, Korea Land and Housing Corporation, Korea Railroad Corporation (7) |                                 | Korea Transportation Safety Authority, Korea Agency for Infrastructure Technology Advancement, Korea Land and Geospatial Information Corporation, Korea Infrastructure Safety & Technology Corporation, Korea Rail Network Authority (5) | Waterway+, Korea Construction Management Corporation, Korea Housing Management, Korail Tourism Development, Korail Networks, Korail Logis, Korail Retail, Korail Tech, Korea Institute of Aviation Safety Technology (9)  |
| Ministry of Oceans and Fisheries (17)               | Busan Port Authority(1)   | Korea Marine Environment Management Corporation, Incheon Port Authority, Yeosu Gwangyang Port Authority, Ulsan Port Authority (4)  |                                 | Korea Ship Safety Technology Authority, Korea Fisheries Resources Agency, Korea Institute of Maritime and Fisheries Technology, Korea Institute of Marine Science & Technology Promotion (4)   | Busan Port Security Corporation, Incheon Port Security, Korea Fisheries Infrastructure Promotion Association, Korea Institute of Ocean Science & Technology, Korea Association of Aids to Navigation, Korea Hydrography and Research Association, Korea National Maritime Museum, National Marine Biodiversity Institute of Korea (8) |

| Relevant Ministries                            | Public Corporations |   | Quasi-Governmental Institutions   |   | Non-classified public institutions (208)   |
|--|---------------------|---|---|---|--|
|  | Market-based (14)   | Quasi-market-based (21)                     | Fund-management-based (16)  | Commissioned-service-based (73)   |  |
| Ministry of SMEs and Startups (9)              |                     |   | Korea Technology Finance Corporation, Small & Medium Business Corporation (2) | Korea Technology and Information Promotion Agency for Small & Medium Enterprises, Small Enterprise and Market Service (2) | Small & medium Business Distribution Center, Korea Federation of Credit Guarantee Foundations, Korea Institute of Startup & Entrepreneurship Development, Korea Venture Investment Corporation, Korea Small Business Institute (5)   |
| Office for Government Policy Coordination (24) |                     |   |   |   | National Research Council for Economics, Humanities and Social Sciences, Science and Technology Policy Institute, The 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, The 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 (2)            |                     | Korea Broadcast Advertising Corporation (1) |   | Community Media Foundation (1)  |  |
| Nuclear Safety and Security Commission (3)     |                     |   |   | Korea Institute of Nuclear Safety (1)   | Korea Institute of Nuclear Nonproliferation and Control, Korea Foundation of Nuclear Safety (2)  |

| Relevant Ministries                            | Public Corporations |                         | Quasi-Governmental Institutions   |   | Non-classified public institutions (208)   |
|--|---------------------|-------------------------|---|---|--|
|  | Market-based (14)   | Quasi-market-based (21) | Fund-management-based (16)  | Commissioned-service-based (73)                                   |  |
| Financial Services Commission (7)              |                     |                         | Korea Credit Guarantee Fund, Korea Deposit Insurance Corporation, Korea Asset Management Corporation, Korea Housing Finance Corporation (4) |   | The Korea Development Bank, Industrial Bank of Korea, Korea Securities Depository (3)  |
| Fair Trade Commission (2)                      |                     |                         |   | Korea Consumer Agency (1)   | Korea Fair Trade Mediation Agency (1)  |
| Ministry of Patriots and Veterans Affairs (3)  |                     |                         |   | The Independence Hall of Korea, Korea Veterans Health Service (2) | 88 Country Club (1)  |
| Ministry of Personnel Management (1)           |                     |                         | Government Employees Pension Service (1)  |   |  |
| Ministry of Food and Drug Safety (5)           |                     |                         |   | Korea Livestock Products HACCP Accreditation Service (1)          | Medical Device Information & Technology Assistance Center, Korea Institute of Drug Safety & Risk Management, Korea Institute for Food Safety Management Accreditation, National Food Safety Information Service, (4) |
| Korea Customs Service (1)                      |                     |                         |   |   | Korea Institute of Origin Information (1)  |
| Defense Acquisition Program Administration (2) |                     |                         |   |   | Agency for Defense Development, Defense Agency for Technology and Quality (2)  |

| Relevant Ministries                     | Public Corporations |                         | Quasi-Governmental Institutions |  | Non-classified public institutions (208)  |
|---|---------------------|-------------------------|---------------------------------|--|---|
|   | Market-based (14)   | Quasi-market-based (21) | Fund-management-based (16)      | Commissioned-service-based (73)                                |   |
| National Police Agency (1)              |                     |                         |                                 | The Road Traffic Authority (1)                                 |   |
| National Fire Agency (1)                |                     |                         |                                 | Korea Fire Institute (1)                                       |   |
| Cultural Heritage Administration (1)    |                     |                         |                                 |  | Korea Cultural Heritage Foundation (1)  |
| Korea Forest Service (2)                |                     |                         |                                 | Korea Forestry Promotion Institute (1)                         | Korea Forest Welfare Institute (1)  |
| Rural Development Administration (1)    |                     |                         |                                 | The Foundation of Agri. Tech. Commercialization & Transfer (1) |   |
| Korean Intellectual Property Office (5) |                     |                         |                                 | Korea Intellectual Property Strategy Agency (1)                | Korea Invention Promotion Association, Korea Institute of Patent Information, Korea Institute of Intellectual Property, Korea Intellectual Property Protection Agency (4) |
| Korea Meteorological Administration (3) |                     |                         |                                 | Korea Meteorological Institute (1)                             | APEC Climate Center, Korea Institute of Atmospheric Prediction Systems (2)  |