

PUBLIC INSTITUTIONS IN KOREA

April 2014
Research Center for State-Owned Entities
Korea Institute of Public Finance

PUBLIC
INSTITUTIONS
IN KOREA



PUBLIC INSTITUTIONS IN KOREA

The Korean government will create jobs by fusing science and technological innovation with imagination and creativity based on economic democratization, and we will shift our economic paradigm to one of entrepreneurship that will improve the quality of life for our citizens.



Table of Contents

02	Public Institutions
03	Assets of Public Institutions
03	Liabilities of Public Institutions
04	The Sales of Public Institutions
04	Net Income of Public Institutions
05	The National Economy and Public Institutions
07	Management System for Oversight of Public Institutions
07	Designation of Public Institutions
09	Classification of Public Institutions
10	Governing Bodies of Public Institutions
15	Board of Directors and Audit Committee
17	Executive Personnel System
20	Budget and Accounting System
21	Public Disclosure System
24	Management Evaluation System
28	Appendix
40	Research Center for State-Owned Entities (SOEs)



01 Public Institutions

1. Assets of Public Institutions
2. Liabilities of Public Institutions
3. The Sales of Public Institutions
4. Net Income of Public Institutions
5. The National Economy and Public Institutions

Public institutions are established by the government, possessing both a public character and traits of a business.

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

Public institutions fill the needs for overcoming the operational constraints of government agencies, or deliver public services instead of the government. In doing so, public institutions have been able to lead the recovery from economic crises.

- They act as the facilitator of economic development, by venturing into the fields in which private enterprises find it difficult to penetrate the new market.
- They act for the public good by operating monopoly enterprises.
- They construct and manage social overhead capital such as roads, railroads and airports designed to serve as the basic foundations of national and industrial development.

Total of 304 institutions designated as public institutions in 2014.¹⁾

- 30 state-owned enterprises, 87 quasi-governmental institutions, 187 non-classified public institutions.

1) See appendix for details.

1. Assets of Public Institutions

The assets of public institutions have been under a trend of continual increase since 2011 and the size of asset increase is most salient in the case of public corporations (assets held by public corporations constitute approximately three-quarters of the total assets held by all public institutions).

<Assets of Public Institutions by Type>

(Unit: trillion won)



* For the year ended 31 December

2. Liabilities of Public Institutions

The total amount of liabilities in public institutions have been continuously increasing, however, the increasing rate is slowing down. The proportion of the liabilities of each type of public institutions is very similar every year.

<Liabilities of Public Institutions by Type>

(Unit: trillion won)



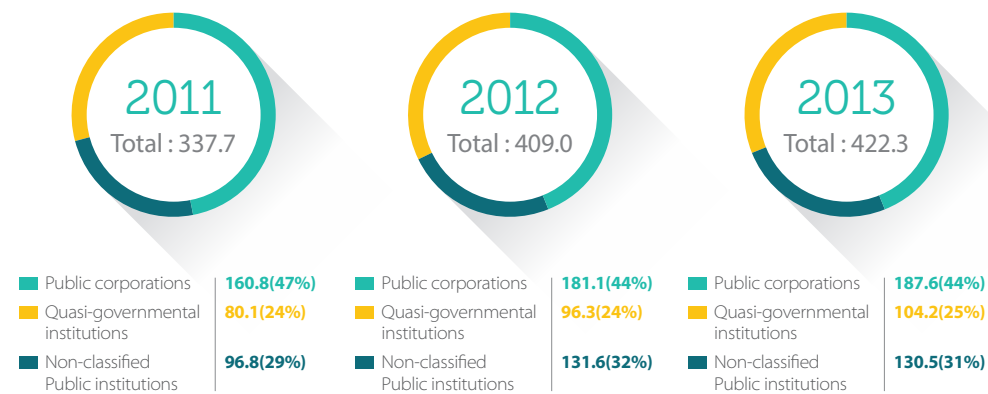
* For the year ended 31 December

3. The Sales of Public Institutions

As the charts in the below show, the total sum of sales generated by all public institutions has been continually increasing and public corporations contribute the most.

<Sales of Public Institutions by Type>

(Unit: trillion won)



* For the year ended 31 December

4. Net Income of Public Institutions

As a total, public institutions turned into having a surplus in 2013 and it is attributed to quasi-governmental institutions.

- Public corporations have had a deficit till 2013 and non-classified public institutions have had a surplus till 2012 and turned into a deficit in 2013.

<Net Income of Public Institutions by Type>

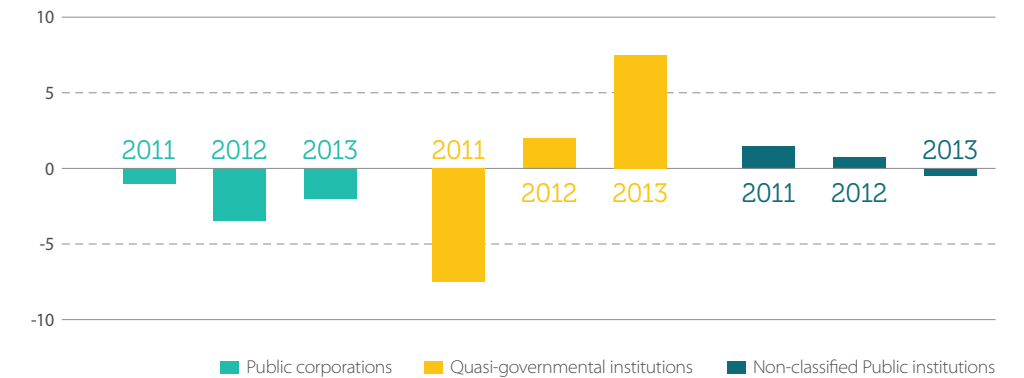
(Unit: trillion won)

	2011	2012	2013
Public corporations	-0.5	-3.4	-2.4
Quasi-governmental institutions	-8.3	1.6	7.9
Non-classified public institutions	0.3	0.2	-0.2
Total	-8.5	-1.6	5.3

* For the year ended 31 December

<Net Income of Public Institutions by Type>

(unit: trillion won)



* For the year ended 31 December

5. The National Economy and Public Institutions

The number of executives and employees working in public institutions stands at approximately 264,000 as of April 2014.

- Public corporations are the largest in terms of the average number of employees per institution.

<Size of Public Institution Workforce >

(Unit: number of people)

Category	Public corporations	Quasi-governmental institutions	Non-classified public institutions	Public institutions in total
Executives	157	295	329	781
Employees	98,675	72,788	91,589	263,052
Total	98,832	73,083	91,918	263,833

* As of April 2014

The total number of employees in public institutions and the economically active population has continually increased since 2009 and the ratio of public institution employees to the economically active population has remained approximately 1 percent.

<Workforce Size in Public Institutions>

(Units: thousand people, %)

	2009	2010	2011	2012	2013
Personnel in public institutions	244	250	256	258	264
Economically active population	24,063	24,911	25,099	25,501	25,873
Percentage	1.01	1.00	1.02	1.01	1.02

* For the year ended 31 December

The budget for public institutions has continually increased since 2011.

- The ratio of the budget for public institutions to GDP temporarily increased from 43.8 percent in 2011 to 46.2 percent in 2012, however, has decreased to the previous ratio as in 2011.

<Budget Size in Public Institutions>

(Units: trillion won, %)

	2011	2012	2013	2014
Public corporations	220.3	237.6	249.3	262.7
Quasi-governmental institutions	182.6	231.0	216.4	219.8
Non-classified public institutions	181.0	168.5	173.1	172.9
Total	583.9	637.1	638.8	655.4
The ratio to GDP	43.8	46.2	44.7	43.2

02 Management System for Oversight of Public Institutions

1. Designation of Public Institutions
2. Classification of Public Institutions
3. Governing Bodies of Public Institutions
4. Board of Directors and Audit Committee
5. Executive Personnel System
6. Budget and Accounting System
7. Public Disclosure System
8. Management Evaluation System



1. Designation of Public Institutions

Conditions on the designation of public institutions.

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

<Conditions of Designation as Public Institution>

	Conditions	Examples
Subparagraph 1	An institution established by direct operation of another Act with an investment by the Government.	Korea Credit Guarantee Fund, Korea Transportation Safety Authority, etc.
Subparagraph 2	An organization to whom the amount of the Government grants (including the revenue from its commissioned affairs or monopoly, if it is an institution to whom some affairs of the Government are commissioned or a monopoly is granted by direct operation under Acts and subordinate statutes) exceeds one-half of the amount of its total revenue.	Korea Gas Corporation, Korea Racing Authority, etc.
Subparagraph 3	An institution in which the Government holds a 50 percent stake or more or whose policy decisions are practically controlled by the government through such means as the appointment of executives with at least 30 percent of outstanding shares.	Incheon Port Authority, Korea Tourism Organization, etc.
Subparagraph 4	An institution in which the Government together with an institution falling under any of subparagraph 1-3 holds a 50 percent stake or more or whose policy decisions are practically controlled by the government through such means as the appointment of executives with at least 30 percent of outstanding shares.	Korea Electric Power Corporation, Korea District Heating Corporation, etc.
Subparagraph 5	An institution in which a single institution or two or more institutions falling under any of subparagraph 1-4 holds a 50 percent stake or more or whose policy decisions are practically controlled by it or them through such means as the appointment of executives with at least 30 percent of outstanding shares	Korail Retail, Korea Southern Power, etc.
Subparagraph 6	An institution established by a public institution falling under any of subparagraph 1-4 with an investment by the Government or the establishing institution	Korea Electrical Engineering & Science Research Institute, etc.

Procedure for the Designation of Public Institutions



2. Classification of Public Institutions

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

<Classification of Public Institutions>

Classification	Classification Criteria
❶ Public corporations(30)	• Institutions whose prescribed number of personnel are at least 50 persons and whose self-generating revenue ²⁾ accounts for at least 50% of their total revenue
• Market-based public corporations	• Institutions whose self-generating revenue accounts for at least 85% of their total revenue (with a minimum asset size of two trillion won)
• Quasi-market-based public corporations	• Public corporations excluding market-based public corporations
❷ Quasi-governmental institutions(87)	• Institutions whose prescribed number of personnel are at least 50 persons and whose self-generating revenue accounts for less than 50% of their total revenue
• Fund-management-based quasi-governmental institutions	• Institutions that manage (or are commissioned to manage) funds in accordance with the National Financial Act
• Commissioned-service-based quasi-governmental institutions	• Quasi-governmental institutions other than fund-management-based quasi-governmental institutions
❸ Non-classified public institutions(187)	• Public institutions excluding public corporations and quasi-governmental institutions

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

3. Governing Bodies of Public Institutions

1) The Committee for Management of Public Institutions

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

A. Formation and Management of the Committee

The Committee for Management of Public Institutions (“the committee”) was established on April, 2007, and has deliberated and resolved managerial agenda.

- The committee is comprised of government members and up to 11 private sector members.

The committee shall be convened with 20 or less members including the chairperson in attendance and the number of private sector members shall constitute the majority of the members of the meeting.

- Generally speaking, there has been nine private sector members in the committee since 2008, therefore, the total number of members is limited to 17.

Committee meetings shall be duly formed to open with the presence of a majority of the members, and shall adopt a resolution with the affirmative vote of a majority of the members present at the meeting.

B. Responsibilities of the Committee

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

<Matters Subject to Deliberation and Resolution by the Committee>

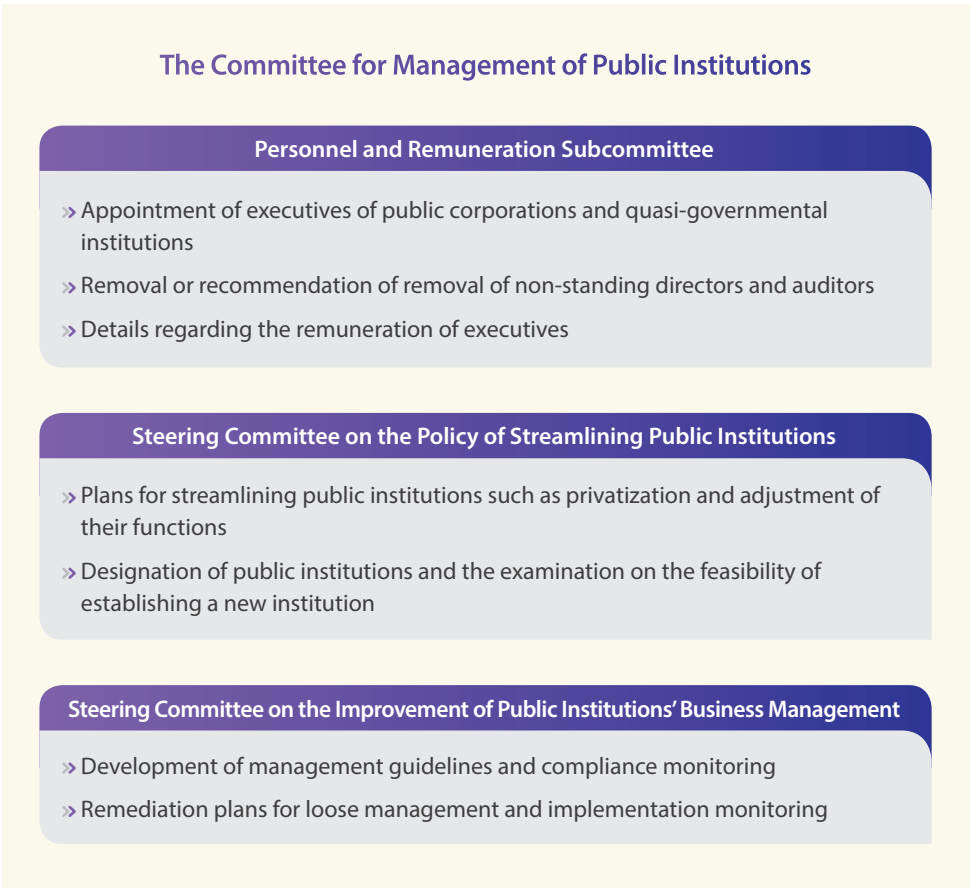
- Designation of public corporations, quasi-governmental institutions and non-classified public institutions, and cancellation and alteration of such designation
- Examination on the feasibility of the establishment of new institutions
- Public disclosure concerning the management of public institutions
- Personnel actions based on a violation of the duty of public disclosure
- Developing plans for the adjustment of the functions of public institutions
- Establishing guidelines on the assistance in the innovating public institutions and examining the level of institutional innovativeness
- Appointment of non-standing senior directors of public corporations
- Appointment of executives of public corporations and quasi-governmental institutions
- Establishing guidelines on the remuneration of executives
- Evaluation of performance of non-standing directors and auditors
- Evaluation criteria for the business performance of public corporations and quasi-governmental institutions and removal (or recommendation of removal) of the executives of institutions with poor performance records
- Monitoring of the adequacy of supervision over public corporations and quasi-governmental institutions and improvement of such supervision
- Guidelines for management of public corporations and quasi-governmental institutions

C. Subcommittees

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

- As of February 2013, there are three steering committees under the Committee.

<The Committee for Management of Public Institution and its Subcommittees>



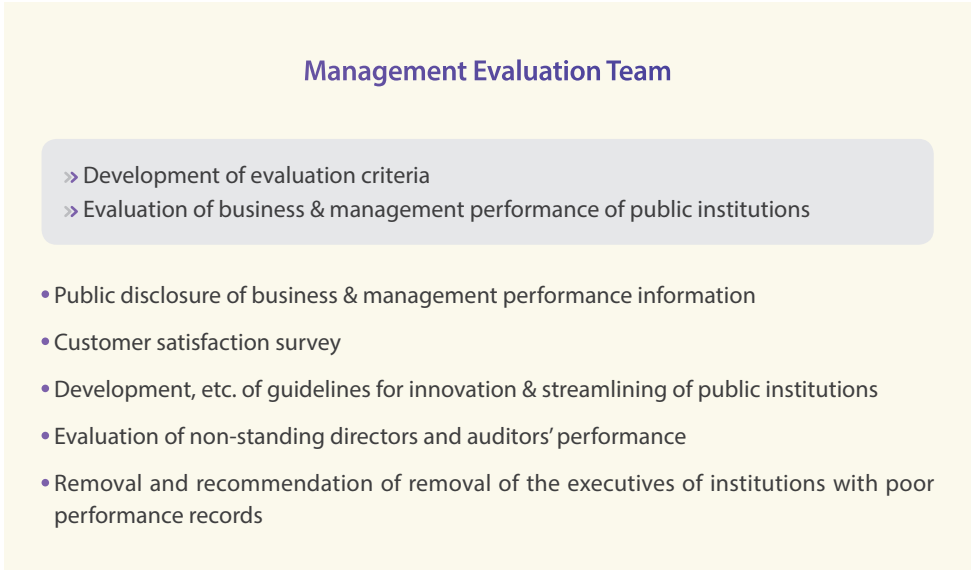
2) Ministry of Strategy and Finance: Public Institutions Policy Bureau

The Ministry of Strategy and Finance oversees policies regarding the operation of institutions as stipulated by the Act on the Management of Public Institutions, enacted in 2007, in order to clearly set up the systemic principles and standards in regards to public institutions.

- Operational guidelines, notifications and oversight of institutions
- Supervisory responsibilities such as management evaluation, performance management, public disclosure, and regulations on the establishment.

- The Minister of Strategy and Finance organize and operate a management evaluation team for public corporations and quasi-governmental institutions to ensure the efficient execution of management performance evaluation and to provide professional and technical research or consultation concerning management performances of public institutions.

<Management Evaluation Team>



3) Competent Ministries

Competent ministries oversee policies regarding the enterprises of individual institutions as administrative institutions charged with core businesses of public corporations, quasi-governmental institutions and non-classified public institutions.

- Permission on the initiation and termination of businesses
- Policies regarding the promotion of relevant industries and the creation of a new market.

<Public Institutions and Competent Ministries>

Competent Ministries	No. of Institutions	Competent Ministries	No. of Institutions
Ministry of Strategy and Finance	3	Ministry of Oceans and Fisheries	14
Ministry of Education	21	Prime Minister's Office	24
Ministry of Science, ICT and Future Planning	39	Korea Communications Commission	1
Ministry of Foreign Affairs	3	Nuclear Safety and Security Commission	2
Ministry of Unification	2	Financial Services Commission	12
Ministry of Justice	3	Fair Trade Commission	2
Ministry of National Defense	2	Ministry of Patriots and Veterans Affairs	3
Ministry of Security and Public Administration	3	Defense Acquisition Program Administration	1
Ministry of Culture, Sports and Tourism	34	Cultural Heritage Administration	1
Ministry of Agriculture, Food and Rural Affairs	9	Korea Forest Service	2
Ministry of Trade, Industry and Energy	41	Rural Development Administration	1
Ministry of Health and Welfare	18	Small & Medium Business Administration	7
Ministry of Environment	5	Korean Intellectual Property Office	4
Ministry of Employment and Labor	12	Ministry of Food and Drug Safety	3
Ministry of Gender Equality and Family	5	Korea Meteorological Administration	1
Ministry of Land, Infrastructure and Transport	23	National Police Agency	1
-	-	National Emergency Management Agency	1

4. Board of Directors and Audit Committee

1) Board of Directors

The board of directors shall be comprised of no more than 15 directors including the institution head(CEO).

In addition, in market-based public corporations and quasi-market-based public corporations, the asset size of which is not less than two trillion won, the non-standing senior director shall be the chairperson of the board of directors; in quasi-market-based public corporations, the asset size of which is less than two trillion won, or quasi-governmental institutions, the institution head shall be the chairperson of the board of directors.

There are 8 to 12 directors including 6 to 8 non-standing directors in one institution.

<Status of Board of Directors Structure>

Category	Total No. of Directors	Standing	Non-standing	Average (by Institution)	Standing	Non-standing
Public corporations (30)	301	112	189(62.8%)	10	3.7	6.3
Quasi-governmental Institutions (87)	855	180	675(78.9%)	9.8	2.1	7.8
Non-classified Public Institutions (178)	1,432	110	1,322(92.3%)	8.0	0.6	7.4
Total (295)	2,588	402	2,186(84.5%)	8.8	1.4	7.4

* For the year ended 31 December, 2013

2) Audit Committee

Any market-based public corporation or quasi-market-based public corporation whose asset size is not less than two trillion won, is obligated to establish an audit committee. Its responsibilities include:

- Active intervention in the deliberation process of the board of directors, to preempt potential risks of public corporations and enhance its role as a checking mechanism of the management body.

- Provision of objective perspectives and reasonable decisions made with the majority of auditors
- The Audit Committee shall be comprised of three or more directors, while a non-standing director shall be selected as the chairperson, and the committee is obligated to appoint at least one financial or accounting expert.

The Audit Committee consists of independent experts, which brings professionalism to the auditing body.

The audit committee should report the results to the board of directors after auditing business performances and accounting materials of the insitution.

<Status of Audit Committee>

Institutions obliged to establish an audit committee by the Act on the Management of Public Institutions (21) ³⁾		Established in accordance with specific laws (2)
Market-based public corporations(14)	Quasi-market-based public corporations with assets over 2 trillion won(7)	
Korea Gas Corporation, Korea National Oil Corporation, Korea Electric Power Corporation, Korea District Heating Corporation, Korea Midland Power Co., Ltd., Korea Hydro & Nuclear Power Co., Ltd., Korea Western Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd., Incheon International Airport Corporation, Korea Airports Corporation, Busan Port Authority, Incheon Port Authority	Korea Water Resources Corporation, Korea Railroad Corporation, Korea Land & Housing Corporation, Korea Racing Authority, Korea Expressway Corporation, Yeosu Gwangyang Port Authority, Korea Resources Corporation	The Korea Appraisal Board and the Korea Exchange, Korea Housing Guarantee Co., Ltd. ⁴⁾

3) Among these institutions, Busan Port Authority, Incheon Port Authority, and Yeosu Gwangyang Port Authority did not establish audit committees because these institutions are subject to the Port Authority Act prior to the Act on the Management of Public Institutions.

4) The concerned legal clause was terminated as of May 4, 2009.

5. Executive Personnel System

1) Executive Structure

Executives of public corporations and quasi-governmental institutions will be comprised of directors (including the institution head) and auditors. Directors are divided into standing and non-standing directors and the number of standing directors will be less than half of the total number of directors including the institution head.

2) Appointment of Executives

In public corporations, the executive recommendation committee nominates institution head candidates, which then passes through the deliberation and resolution of the Committee for Management of Public Institutions. This is followed by the competent minister making a recommendation to the President, who then makes the decision to appoint the nominee.

- The head of a public corporation with 500 employees or less and less than 100 billion won in total revenue is appointed by the competent minister out of those who have been selected by the executive recommendation committee and have passed the deliberation and resolution process of the Committee for Management of Public Institutions.

In quasi-governmental institutions, the executive recommendation committee nominates several candidates, one of which is appointed as the institution head by the competent minister.

- 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 won in total revenue.
 - Commissioned-service-based quasi-governmental institutions with more than 500 employees and 100 billion won in total revenue
 - Fund-management-based quasi-governmental institutions with more than 500 employees and 1 trillion won of the total asset size
 - 6 other quasi-governmental institutions⁵⁾ designated by presidential decree due to particularity of their functions

5) 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

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

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

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

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

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

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

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

<Appointment Procedure for Heads, Directors, and Auditors>

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

3) Tenure of Executives

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

<Tenure Policy for Executives>

Category	Past	Present
Institution Heads	The term of 3 years is guaranteed but consecutive appointment is virtually restricted	Initial tenure of 3 years + Consecutive appointment on a yearly basis (After consideration of management evaluation results)
Directors / Auditors		Initial tenure of 2 years + Consecutive appointment on a yearly basis (After consideration of job performance evaluation results)

4) Duties of Executives

Institution heads(CEOs) represent public corporations or quasi-governmental institutions and oversee their businesses, while being accountable for their institution’s operational performance during their terms of office.

Directors shall deliberate on agendas submitted to the board of directors and participate in the resolution process.

Auditors will inspect business performances and accounting books of public corporations or quasi-governmental institutions according to auditory standards and submit their opinions to the board of directors.

6. Budget and Accounting System

1) Accounting Principles

Public corporations and quasi-governmental institutions apply accrual-based accounting.

- The detailed accounting criteria shall conform to the “Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions,” and shall be applied beginning with the settlement of accounts for the year of designation and budgets for the following year.

2) Compilation and Evaluation of the Budget

A draft budget of each public institution for the following fiscal year shall separately compile its general provisions, the estimated income statement, the estimated balance sheet, and the financial plan in accordance with the guidelines for budget compilation of public corporations and quasi-governmental institutions, and shall 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 Ministry of Strategy and Finance, the competent agency and the Board of Audit and Inspection of Korea.

- Once the budget is finalized, public institutions shall establish their management plans according to the finalized budget and finalize the plan through the resolution of the board of directors, and a public corporation shall submit this plan to the Minister of Strategy and Finance and so does a quasi-governmental institution to the competent minister within two months after the budget is finalized.

3) Settlement of Accounts

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

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

7. Public Disclosure System

1) ALIO: Public Disclosure System

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

Every public institution shall disclose its management information on its official website and publish the same set of information on the public management information system, ALIO (All public Information In One, www.alio.go.kr).

2) Guidelines for Public Disclosure

A total of 36 items are grouped into six categories as follows.

<Public Disclosure Items>

Categories	Items
I . General status	1. General status
II . Operation of Institution	2. Number of employees 3. Current status of executives 4. New employment and flexible employees 5. Annual salary of executives 6. Average monthly salary of employees 7. Business expenses spent by the institution head 8. Welfare expenses 9. Details of executives’ overseas business trips 10. Current status of labor unions 11. Rules of employment
III . Core businesses and Management performance	12. Condensed balance sheet 13. Condensed income statement 14. Revenue and expenditure 15. Core businesses 16. Investment information 17. Capital and shareholders 18. Short and long term borrowings 19. Investments and contributions 20. Annual endowments and grants 21. Management overhead costs 22. Corporate Tax Payment
IV . Internal and external evaluation	23. Feedback from the National Assembly 24. Feedback from the Board of Audit and Inspection of Korea 25. Results of management performance evaluation 26. Feedback in management performance evaluation 27. Results of customer satisfaction surveys 28. Results of auditor’s job performance evaluation 29. Minutes of directors’ meeting, results of internal audit
V . Announcement	30. Examples of management innovation 31. Employment information 32. Bidding information 33. Research report 34. Other information
VI . The Current Administration’s Major Policy	35. Detailed information on the debt status of 12 major overleveraged institutions 36. 8 items of welfare benefits

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

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

3) Operation of Public Disclosure System

A. Revision of the Standard and Manual for Public Disclosure

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

B. Periodic Disclosure of Information on Public Institutions

Before the end of April when the periodic information is disclosed, a briefing session is provided on public institutions to explain the consolidated disclosure for public institutions and the public institutions newly designated in that year are directed to publish the consolidated disclosure.

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

C. Examination and Confirmation of Disclosure

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

- It imposes penalties for any unfaithful disclosure in accordance with the penalty criteria and carries out ex post measures after deliberation and resolution by the Committee for Management of Public Institutions.

4) Penalties for Unfaithful Disclosure

In order to ensure the credibility and accuracy of the publication items, if a public institution fails to perform its duty of publication in good faith, or publishes false information, the Minister of Strategy and Finance may issue an order for correction and the necessary personnel disposition against the person responsible for the publication of false information.

Unfaithful disclosure is defined into three categories: (1) It is regarded as nonconformance when an institution fails to disclose material that is supposed to be disclosed or discloses information past the prescribed time of publication; (2) false publication occurs when an institution discloses false information and the violation is discovered by an external agency; and (3) disclosure correction is the case where an institution identifies and corrects the false information that had already disclosed. Penalty is imposed depending on the type of unfaithful disclosure.

8. Management Evaluation System

1) Management Evaluation System

Evaluating performance of public institutions can be characterized as a cyclic process in which the annual performance of public institutions is objectively assessed based upon evaluation indicators. Performance-based payments, derived from the evaluation results, are distributed while the results are also reflected onto successive business plans. The major purposes of the management evaluation are as follows:

- Enhancement of management efficiency and provision of accountability and motivation for goal achievement
- Setting clear targets and effective control of principal-agent problems
- Introduction of competition and pressure to stimulate management innovation
- Improvements of management based on feedback from evaluation results
- Improvement of management transparency of public institutions

2) Types of Management Evaluation

A. Evaluation of Management Performance of Public Corporations and Quasi-governmental Institutions

The evaluation aims at ensuring accountable management through external assessment on their achievements, and at utilizing the results for management improvement,

It also aims at establishing an accountable management system, improving the transparency, and streamlining management operations of institutions.

- The overall performance of public corporations and quasi-governmental institutions is placed under annual assessment.

B. Performance Agreement of Institution Head

Performance agreement of institution head has been introduced in 2014 to enhance performance-oriented management and the accountability of institution heads in the long-term view.

- Agreements are concluded on a three-year basis between the competent minister and the institution head within three months after the appointment.

The institution heads who have been in office for more than one and a half year are subject to the evaluation and an institution head is evaluated once during his office.

- The evaluation results are utilized as human resources measures and not reflected on incentives.

3) Performance Evaluation Indicators

The evaluation for management performance on public corporations and quasi-governmental institutions is composed of 13 indicators across two categories: business management, core businesses.

<Categories and Main Indicators of the Evaluation System for Public Institutions>

Category	Main Indicators
Business Management	<div><div>• Business strategy & Contribution to society(11)</div><div>• Business process efficiency(8)</div><div>• Organization, human resource, and performance management(2)</div><div>• Management of financial budget and its results(17)</div><div>• Management of remuneration and employee benefits(12)</div></div>
Core businesses	<div><div>• Aggregate evaluation of core business plans, activities and performances(50)</div></div>

* Numbers in parentheses are weights of each indicator.

The evaluation indicators and their weights are a bit different depending on the classification of an institution and whether the institution is supposed to submit Mid- and Long-term Financial Management Plan. The evaluation indicators and their weights of public corporations are as follows:

<Indicators and their weights of the Evaluation System for Public corporations>

Category	Evaluation Indicators	Institutions which submit Mid & Long-term Financial Management Plan	Institutions which do not submit Mid & Long-term Financial Management Plan
Business Management	1. Business strategy & Contribution to society(11) <div><div>• Strategic planning</div><div>• Evaluation by the general public</div><div>• Policies recommended by the government</div></div>	<div>2</div> <div>4</div> <div>5</div>	<div>2</div> <div>5</div> <div>5</div>
	2. Business process efficiency(8)	8	8
	3. Organization, human resource, and performance management(2)	2	3

Category	Evaluation Indicators	Institutions which submit Mid & Long-term Financial Management Plan	Institutions which do not submit Mid & Long-term Financial Management Plan
Business Management	4. Management of financial budget and its results(17) <div><div>• Management of financial budget</div><div>• Results of debt-reducing efforts</div><div>• Achievement of Mid & Long-term Financial Management Plan</div><div>• Operational expenditure(OPEX)</div></div>	<div>6</div> <div>3</div> <div>6</div> <div>2</div>	<div>6</div> <div>6</div> <div>3</div>
	5. Management of remuneration and employee benefits(12) <div><div>• Remuneration & employee benefits</div><div>• Increase rate of the total payroll costs</div><div>• Labor relations management</div></div>	<div>6</div> <div>3</div> <div>3</div>	<div>6</div> <div>3</div> <div>3</div>
	Subtotal	50	50
Core businesses	Aggregate evaluation of core business plans, activities and performances	50	50
Total		100	100

4) Evaluation System and Procedures

- (Jan. 2014)

Delivery of the management performance evaluation manual (Ministry of Strategy and Finance)
- (Feb. 2014)

Formation of a management evaluation team
- (March to May 2014)

Execution of the management evaluation
- (June 20, 2014)

The results of 2013 management evaluation are confirmed and announced by the Committee for Management of Public Institutions

Appendix

2014 Public Institutions

(Public corporations, quasi-governmental institutions, and non-classified public institutions, 304, as of January 24, 2014)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Strategy and Finance (3)		Korea Minting & Security Printing Corporation (1)			Korea Exim Bank, Korea Investment Corporation (2)
Ministry of Education (21)			Korea 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, Gyeongsang National University Hospital, Northeast Asian History Foundation, Institute for the Translation of Korea Classics, Pusan National University Hospital, Pusan National University Dental Hospital, Seoul National University Hospital, Jeju National University Hospital, Chungnam National University Hospital, Chungbuk National University Hospital, Korea Foundation for the Promotion of Private School, Academy of Korean Studies, National Institute for Lifelong Education (18)



Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Science, ICT and Future Planning (39)			Korea Communications Agency (1)	Korea Internet Security Agency, National IT Industry Promotion Agency, Postal Savings & Insurance Development Institute, Korea Postal Logistics Agency, Korea Postal Service Agency, National Research Foundation of Korea, Korea Foundation for the Advancement of Science and Creativity, National Information Society Agency (8)	Postal Facility Management Agency, Korea Advanced Institute of Science and Technology, Gwangju Institute of Science and Technology, Daegu Gyeongbuk Institute of Science & Technology, Korea Institute of Radiological & Medical Sciences, Institute for Basic Science, Korea Research Council of Fundamental Science and Technology, Korea Research Council for Industrial Science & Technology, Korea Institute of Science and Technology, Korea Institute of Science and Technology Information, Korea Basic Science Institute, Korea Research Institute of Bioscience and Biotechnology, Korea Astronomy and Space Science Institute, Korea Research Institute of Standards and Science, Korea Institute of Oriental Medicine, Korea Aerospace Research Institute, Korea Atomic Energy Research Institute, Korea Institute of Construction Technology, Korea Institute of Machinery & Materials, Korea Institute of Industrial Technology, Korea Food Research Institute, Korea Institute of Energy Research, Korea Electrotechnology Research Institute, Electronics and Telecommunications Research Institute, Korea Institute of Geoscience and Mineral Resources, Korea Railroad Research Institute, Korea Research Institute of Chemical Technology, Innopolis Foundation, Specific Post Office Pension Service Agency, Korea Institute of Science & Technology Evaluation and Planning (30)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Foreign Affairs (3)					Korea International Cooperation Agency, Korea Foundation, Overseas Koreans Foundation (3)
Ministry of Unification (2)					North Korean Refugees Foundation, South-North Korea Exchanges and Cooperation Support Association (2)
Ministry of Justice (3)					Korea Legal Aid Corporation, Korean Government Legal Service, Korea Rehabilitation Agency (3)
Ministry of National Defense (2)					War Memorial of Korea, Korea Institute for Defense Analyses (2)
Ministry of Security and Public Administration (3)			Government Employees Pension Service (1)	Korea Elevator Safety Institute (1)	Korea Democracy Foundation (1)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Culture, Sports and Tourism (34)		Korea Tourism Organization(1)	Korea Sports Promotion Foundation, Korean Film Council, Arts Council Korea, Korea Press Foundation (4)	The Korea International Broadcasting Foundation, Korea Creative Content Agency (2)	The Korean Cultural & Arts Centers Association, Cultural Foundation of National Museum of Korea, Korea Council of Sport for All, Grand Korea Leisure, Korea Media Rating Board, Seoul Arts Center, Myeongdong-Chongdong Theater, Literature Translation Institute of Korea, Korea Culture & Tourism Institute, Korea Arts & Culture Education Service, Korean Film Archive, Korea Foundation for the Next Generation Sports Talent, Taekwondo Promotion Foundation, Korea Copyright Commission, Korea Crafts & Design Foundation, Korea Performing Arts Center, Korea Arts Management Service, Korea Culture Information Service Agency, Game Rating and Administration Committee, Korea Sports Association for the Disabled, Korean Olympic Committee, King Sejong Institute Foundation, Institute of Asian Cultural Development, Gugak Broadcasting Foundation, Korea Country Promotion Company Limited, Publication Industry Promotion Agency of Korea, (27)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Agriculture, Food and Rural Affairs (9)		Korea Racing Authority (1)		Korea Agro-Fisheries & Food Trade Corporation, Korea Institute for Animal Products Quality Evaluation, Korea Rural Community Corporation, Korea Agency of Education, Promotion and Information Service in Food, Agriculture, Forestry, and Fisheries, Korea Institute of Planning and Evaluation for Technology in Food, Agriculture, Forestry and Fisheries (5)	Livestock Health Control Association, International Plant-quarantine Accreditation Board, Management of Agriculture Policy Fund, (3)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Trade, Industry and Energy (41)	Korea Gas Corporation, Korea National Oil Corporation, Korea Electric Power Corporation, Korea District Heating Corporation, Korea Midland Power Co., Ltd., Korea Hydro & Nuclear Power Co., Ltd., Korea Western Power Co., Ltd., Korea East-West Power Co., Ltd., Korea Southern Power Co., Ltd., Korea South-East Power Co., Ltd. (10)	Korea Resources Corporation, Korea Coal Corporation (2)	Korea Trade Insurance Corporation, Korea Radioactive Waste Agency (2)	Korea Petroleum Quality & Distribution Authority, Korea Trade-Investment Promotion Agency, Korea Energy Management Corporation, Korea Institute of Ceramic Engineering and Technology, Korea Gas Safety Corporation, Mine Reclamation Corporation, Korea Institute of Design Promotion, The Korea Institute for the Advancement of Technology, The Korea Evaluation Institute of Industrial Technology, Korea Industrial Complex Corporation, Korea Institute of Energy Technology Evaluation and Planning, Korea Electrical Safety Corporation, Korea Power Exchange (13)	Korea Electrical Engineering & Science Research Institute, Incheon Total Energy Company, Kangwon Land, Korea Gas Technology Corporation, KEPCO Engineering & Construction Company, Korea Standards Association, Korea-Japan Cooperation Foundation for Industry and Technology, KEPCO Knowledge, Data & Network, KEPCO Plant Service & Engineering Co., Ltd, KEPCO Nuclear Fuel Company, Korea Strategic Trade Institute, Korea Institute for Robot Industry Advancement, Korea Nuclear Energy Promotion Agency, Korea Testing Laboratory (14)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Health and Welfare (18)			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, Korea Health and Welfare Information Service, Korea Human Resource Development Institute for Health & Welfare (6)	National Cancer Center, Korean Red Cross, National Health Personnel Licensing Examination Board, Korea Disabled People's Development Institute, Korea Foundation for International Healthcare, Korea National Council on Social Welfare, National Medical Center, Korea Childcare Promotion Institute, Korea Health Promotion Foundation, Korea Medical Dispute Mediation & Arbitration Agency, National Evidence-based Healthcare Collaborating Agency (11)
Ministry of Environment (5)				Korea National Park Service, Korea Environment Corporation, Korea Environmental Industry & Technology Institute, National Institute of Ecology (4)	Sudokwon Landfill Site Management Corporation (1)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
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, Korea Elevator Safety Technology Institute (5)	Korea Polytechnics, Korea Labor Foundation, Korea University of Technology and Education, Korea Social Enterprise Promotion Agency, Korea Job World, Construction Workers Mutual Aid Association (6)
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 Land and Housing Corporation, Korea Housing Guarantee Co., Ltd., Jeju Free International City Development Center, Korea Appraisal Board, Korea Expressway Corporation, Korea Water Resources Corporation, Korea Railroad Corporation (7)		Korea Transportation Safety Authority, Korea Agency for Infrastructure Technology Advancement, Korea Infrastructure Safety & Technology Corporation, Korea Rail Network Authority, Korea Cadastral Survey Corporation (5)	Korail Tech, Korail Retail, Korail Tourism Development, Korea Construction Management Corporation, Korea Housing Management, Korail Networks, Korail Logis, Aviation Safety Technology Center, Waterway+(9)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Ministry of Oceans and Fisheries (14)	Busan Port Authority, Incheon Port Authority (2)	Yeosu Gwangyang Port Authority, Ulsan Port Authority, Korea Marine Environment Management Corporation (3)		Korea Ship Safety Technology Authority, Korea Fisheries Resources Agency, Korea Institute of Maritime and Fisheries Technology (3)	Korea Institute of Marine Science & Technology Promotion, Korea Institute of Ocean Science & Technology, Korea Fisheries Infrastructure Promotion Association, Korea Association of Aids to Navigation, Incheon Port Security Co., Ltd., Busan Port Security Corporation (6)
Prime Minister's Office (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)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Korea Communications Commission (1)		Korea Broadcast Advertising Corporation (1)			
Nuclear Safety and Security Commission (2)				Korea Institute of Nuclear Safety (1)	Korea Institute of Nuclear Nonproliferation and Control (1)
Financial Services Commission (12)			Korea Asset Management Corporation, Korea Technology Finance Corporation, Korea Credit Guarantee Fund, Korea Deposit Insurance Corporation, Korea Housing Finance Corporation (5)	Korea Securities Depository, Korea Exchange (2)	Koscom, Korea Finance Corporation, The Korea Development Bank, Industrial Bank of Korea, KDB Financial Group (5)
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)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Defense Acquisition Program Administration (2)					Agency for Defense Development, Defense Agency for Technology and Quality (2)
Cultural Heritage Administration (1)					Korea Cultural Heritage Foundation (1)
Korea Forest Service (2)				Korea Forestry Promotion Institute (1)	Korea Green Promotion Agency (1)
Rural Development Administration (1)				The Foundation of Agri, Tech, Commercialization & Transfer (1)	
Small & Medium Business Administration (7)			Small & Medium Business Corporation (1)	Korea Technology and Information Promotion Agency for Small & Medium Enterprises, Korea Micro Enterprise & Market Development Corporation (2)	Korean Federation of Credit Guarantee Foundations, Small Business Distribution Center, Korea Venture Investment Corporation, Korea Institute of Startup & Entrepreneurship Development (4)

Relevant Ministries	Public Corporations		Quasi-Governmental Institutions		Non-classified public institutions (187)
	Market-based (14)	Quasi-market-based (16)	Fund-management-based (17)	Commissioned-service-based (70)	
Korean Intellectual Property Office (4)					Korea Invention Promotion Association, Korea Institute of Patent Information, Korea Institute of Intellectual Property, Korea Intellectual Property Protection Association (4)
Ministry of Food and Drug Safety (3)				Korea Livestock Products HACCP Accreditation Service (1)	Korea Orphan Drug Center, Korea Institute of Drug Safety & Risk Management (2)
Korea Meteorological Administration (1)				Korea Meteorological Industry Promotion Agency (1)	
National Police Agency (1)				The Road Traffic Authority (1)	
National Emergency Management Agency (1)				The Korea Fire Institute of Industry and Technology (1)	

Research Center for State-Owned Entities (SOEs)

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

Executive Director’s Message

Currently there are 304 public institutions in Korea which are categorized into public corporations, quasi-governmental institutions, and other public institutions.

The total employment by public institutions is about 264 thousand, and their total volume of the budget reaches 655 trillion won, almost twice as much as the size of the national budget as of 2014.



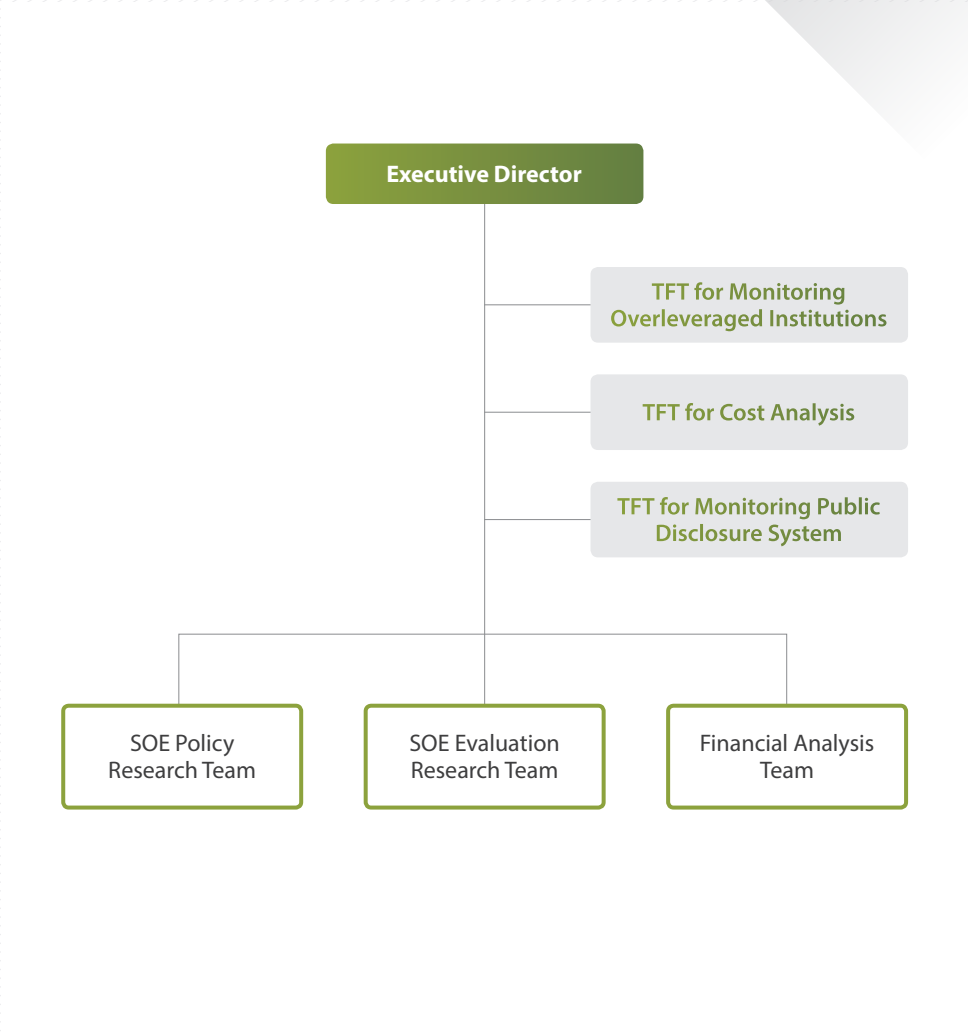
Since the performance of public institutions is critical to Korean economy, Korea has maintained one of the most sophisticated and integrated management systems for public institutions. To support and improve the government policy for public institutions, the Ministry of Strategy and Finance established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

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

Executive Director
Wonhee Lee
wonhee@kipf.re.kr



Organizational Chart



The list of research fellow

Position	Name	Major or Team
Executive Director	Lee Wonhee	Financial Management, Analysis of Planning & Budget
Head of SOE Evaluation Team	Ra Youngjae	Public Sector Reform, Corruption & Governance Theory
Head of SOE Policy Research Team	Park Hanjun	Public Management, Human Resource Management, Innovation & Reform
Associate Fellow	Heo Kyoungsun	Policy Analysis, Public Management
Associate Fellow	Han JongSeok	Macroeconomics
Associate Fellow	Ha Sejeong	Economic Geography
Associate Research Fellow	You Jungsook	Mechanism Design, Public Economics
Head of Financial Analysis Team	Moon Changoh	Financial Analysis Team
KICPA	Park Jinhee	Financial Analysis Team
KICPA	Kim Eunsun	Financial Analysis Team
KICPA	Kim Sohyun	Financial Analysis Team
KICPA	Yun Ju Yun	Financial Analysis Team
Research Specialist	Byen Minjung	SOE Policy Research Team
Research Specialist	Yun Jeongkyu	SOE Policy Research Team
Senior Administrator	Byoun Kyoungsuk	SOE Policy Research Team
Research Analyst	Lee Jukyoung	SOE Policy Research Team
Research Analyst	Yu Hyojeong	SOE Evaluation Research Team
Research Analyst	Lim Miwha	SOE Evaluation Research Team
Research Analyst	Hong Yoonjin	SOE Policy Research Team

Position	Name	Major or Team
Research Analyst	Ha Taewook	SOE Policy Research Team
Research Analyst	Song Kyungho	SOE Policy Research Team
Research Analyst	Lee Seunghye	SOE Policy Research Team
Research Analyst	Kim Jaesung	SOE Policy Research Team
Research Analyst	Kim Jongwon	SOE Evaluation Research Team
Research Analyst	Hong Sojung	SOE Policy Research Team
Research Analyst	Bong Woori	SOE Evaluation Research Team
Research Analyst	Jung Yeseul	SOE Policy Research Team
Research Analyst	Lee Kangshin	SOE Policy Research Team
Research Analyst	Kim Boeun	SOE Policy Research Team
Research Analyst	Lee Seul	SOE Policy Research Team
Research Analyst	Ryu Jae-min	SOE Evaluation Research Team
Research Analyst	Na Jinhee	SOE Evaluation Research Team
Research Analyst	Song ShinHyung	Financial Analysis Team
Research Analyst	Yoo Seunghyeon	SOE Policy Research Team
Research Analyst	Kim Sinjung	SOE Policy Research Team
Research Analyst	Jung A-reum	Financial Analysis Team
Research Analyst	Seo Nina	Financial Analysis Team
Research Analyst	Park Misun	SOE Policy Research Team



Korea Institute of Public Finance

28, Songpa-daero 28-gil, Songpa-gu, Seoul, 138-774, Korea