

2014 Modularization of Korea's Development Experience: The Regulatory Reform System and Policy Coordination in Korea: A Guillotine Rule of Regulatory Clearance for Economic Crisis Management

2014



MINISTRY OF
STRATEGY
AND FINANCE



KDI SCHOOL
KDI School of Public Policy and Management

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and Policy Coordination in Korea:
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Preface

The study of Korea's economic and social transformation offers a unique window of opportunity to better understand the factors that drive development. Within about one generation, Korea transformed itself from an aid-recipient basket-case to a donor country with fast-paced, sustained economic growth. What makes Korea's experience even more remarkable is that the fruits of Korea's rapid growth were relatively widely shared.

In 2004, the Korean Ministry of Strategy and Finance (MOSF) and the Korea Development Institute (KDI) launched the Knowledge Sharing Program (KSP) to assist partner countries in the developing world by sharing Korea's development experience. To provide a rigorous foundation for the knowledge exchange engagements, the KDI School has accumulated case studies through the KSP Modularization Program since 2010. During the first four years, the Modularization Program has amassed 119 case studies, carefully documenting noteworthy innovations in policy and implementation in a wide range of areas including economic policy, administration-ICT, agricultural policy, health and medicine, industrial development, human resources, land development, and environment. Individually, the case studies convey practical knowhow and insights in an easily accessible format; collectively, they illustrate how Korea was able to kick-start and sustain economic growth for shared prosperity.

Building on the success during the past four years, we are pleased to present an additional installment of 19 new case studies completed through the 2014 Modularization Program. As an economy develops, new challenges arise. Technological innovations create a wealth of new opportunities and risks. Environmental degradation and climate change pose serious threats to the global economy, especially to the citizens of the countries most vulnerable to the impacts of climate change. The new case studies continue the tradition in the Modularization Program by illustrating how different agents in the Korean society including the government, the corporations, and the civil society organizations, worked together to find creative solutions to challenges to shared prosperity. The efforts delineated include overcoming barriers between government agencies; taking advantage of new opportunities opened up through ICT; government investment in infrastructure; creative collaboration between the government and civil society; and painstaking efforts to optimize

management of public programs and their operation. A notable innovation this year is the development of two “teaching cases”, optimized for interactive classroom use: Localizing E-Government in Korea and Korea’s Volume-based Waste Fee System.

I would like to express my gratitude to all those involved in the project this year. First and foremost, I would like to thank the Ministry of Strategy and Finance for the continued support for the Modularization Program. Heartfelt appreciation is due to the contributing researchers and their institutions for their dedication in research, to the former public officials and senior practitioners for their keen insight and wisdom they so graciously shared as advisors and reviewers, and also to the KSP Executive Committee for their expert oversight over the program. Last but not least, I am thankful to each and every member of the Development Research Team for the sincere efforts to bring the research to successful fruition, and to Professor Taejong Kim for his stewardship.

As always, the views and opinions expressed by the authors in the body of work presented here do not necessarily represent those of the KDI School of Public Policy and Management.

December 2014

Joon-Kyung Kim

President

KDI School of Public Policy and Management

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Summary

The issues of administrative reform and deregulation emerged as national agendas in Korea in the 1980s as the government-led development strategy was challenged. Such a strategy was no longer efficient since the Korean society was democratized and its economy was exposed to intensified competition in the world market. The government took initiatives in launching reform measures such as administrative simplification and deregulation. However, the initiatives were led by bureaucrats, which was not a sufficient approach to deal with demands of the private sector.

Emphasis on administrative reform and deregulation grew since the democratic government took office in the 1990s. There were several reform committees established, such as the Presidential Commission on Administrative Reform (PCAR), the Economic Deregulation Committee, the Council on Business Regulations, and the Joint Council on Administrative Regulations. PCAR with strong support from the President was most active and impressive in making progress and meeting demands and suggestions from the general public and NGOs. The members were comprised of non-government sectors including professors, businessmen, trade unions and NGOs. They played a key role in formulating reform measures by taking a bottom-up and open-window approach to receive suggestions and opinions from the general public. This approach was distinctively different compared to the usual top-down approach dominated by bureaucrats.

However, there were institutional limitations in operating PCAR as a temporary and advisory committee based on a presidential decree. Another limitation was related to the reform scope brought to light by turf fights between diversified reform bodies. In order to overcome the limitations, the Korean Government enacted the Basic Act on Administrative

Regulations (BAAR)¹ in 1997, which integrated diversified reform bodies into a single organization—the Regulatory Reform Committee (RRC)—and given full authority to carry out regulatory reform institutionally and continuously. The RRC was unique in its composition because it was co-chaired by the Prime Minister and a civilian, and a majority of its members were civilians rather than official representatives of some ministries. The chairmanship of the Prime Minister gave the agency full administrative authority in regulatory reform, and its Secretariat was located in the Prime Minister’s Office. The Act granted RRC regulatory review power over existing regulations and new and amended regulations together with reform tools such as regulatory registration and publication, regulatory impact analysis (RIA), and the sun-set rule.

The next Government inaugurated in February 1998 utilized regulatory reform to overcome the foreign currency crisis of 1997 by enforcing BAAR. The most urgent task for the government was to overcome the crisis. Regulatory reform was one of the major reforms for the public sector. The Government took a big step in regulatory reform by establishing the RRC in April. The crisis provided a strong motive for radical reforms including regulatory reform and structural reform.

President Kim Dae Jung set a target to reduce existing regulations by half in 1998, demonstrating his strong will to carry out drastic reform. The RRC, in terms of regulatory reform, tackled policy regulations on such areas as finance, housing construction, venture businesses and professions that did not allow reform bodies to take action in the past. Those regulations had been entirely handled by bureaucrats. The RRC applied market competition in almost all sectors, simultaneously lifting entry barriers by examining existing regulations at ground zero. In addition, the RRC put into practice other reform measures such as regulatory registration, publication, regulatory reviews and RIA. The RRC contributed to implementing regulatory reform in the government at the initial stages.

The President’s strong commitment provided strong support for the RRC to exercise coordinative authority over regulatory arguments between ministries and the private sector. Regulatory reform, in nature, means reducing the regulatory power of ministries. It cannot be equipped with regulatory power without the President’s support. The RRC could apply firm reform principles to policy regulations as part of its reform agenda using this strong political support. Dealing with policy regulations with ministries is directly tied to matters of policy coordination. Moreover, regulatory reform is to coordinate regulatory conflicts between stakeholders including the winners and losers in the private sector.

1. In the current legislation, the Act is titled, “Framework Act on Administrative Regulations.” However, in this report, it is hereby referred to as the Basic Act on Administrative Regulations (BAAR).

The Prime Minister's Office (PMO), officially known as the Office for Government Policy Coordination (hereafter PMO), has conducted policy coordination between ministries under the Prime Minister (PM), who has the authority to supervise and task cabinet ministers. Policy coordination is usually made through meetings with the concerned ministries, which are usually for *ex post* cases. Policy coordination also takes place through committees which are for *ex ante* cases for long-term management with institutional arrangements. The RRC is similar to the latter with institutional arrangements.

The PMO is located at the upper level of ministries for the PM to supervise ministers for consistent policy formulation and coherence in the government. For this, the PMO is in charge of policy coordination over ministries comprehensively and systematically. The desired capacity of the PMO is to quickly grasp key issues and arguments over ministerial disputes and to suggest alternatives based on rationality and feasibility. Regulatory Reform Office staff were deployed at the extension of this capacity because they were recruited at first from the PMO itself. It was, in a sense, a functional combination of regulatory reform with policy coordination in institutional arrangements.

What performance was achieved in the linkage of the RRC with the PMO? First of all, the elimination of 50% of existing regulations during the first year in 1998 can be considered a strikingly impressive performance. Second, the joint effort applied principles of market competition to almost all industries by lifting entry barriers and imposing policy regulation on such areas as financial service, housing construction, the venture business, restaurant business and professional associations—which were previously rarely touched by reformers. Third, it is a significant achievement to register and publicize regulations based on laws for regulatory transparency and quantitative management. It was also a remarkable feature to register regulations by codes based on the type, nature and agency available through web-based management. Fourth, it was to establish a regulatory management system institutionally and comprehensively using the tools of regulatory reviews, registration, RIA and evaluation. Coincidentally, Korea did overcome the financial currency crisis in just a few years. It would not be an exaggeration to say that regulatory reform helped to tide over the crisis by improving national confidence and economic performance.

Korea was closely working with the OECD on regulatory reform by undertaking a country review of regulatory reforms from 1999 to 2000. When the offer was made at the sensitive juncture of hard crisis times and government transition, Korea took the view of enhancing national confidence and transparency by conducting drastic regulatory reform. Korea was proactive and stepped up its reform efforts by opening itself up to the scrutiny of a third party in the form of the OECD. Korea faithfully followed the process and benchmarked the

best practices of OECD member countries, in terms of regulatory reform. Eventually, this effort brought about positive effects for Korea with good remarks from the international community in appreciation of Korea's reform efforts. It also provided opportunities in that Korea's reform achievements were showcased to the international community in the OECD Report on Korea's Regulatory Reform in 2000. The report applauded the comprehensive and drastic reduction in existing regulations, which was needed for the transformation from a government-led to market-driven economy as shocking as these changes were for the country. The Korean case was illuminated as an example of regulatory reform for developing countries, also leading to the launching of the APEC-OECD cooperative program.

In addition to achievements, there were also limitations in regulatory reform. There are still untouched sanctuaries. Because of ideological confrontations coupled with emotional divisionism, regulatory reforms such as metropolitan area zoning, deregulation of service industries in education, health care and other areas could not be tackled substantially. Such issues are still controversial and not moving forward. Resistance from vested interest groups such as the bar association upset reform measures in the process of the National Assembly. Interest group politics in Korea is a reality, revealing a disturbing loophole in parliamentary legislation when concerning regulatory reform and enforcing reform principles. Another fundamental limitation is being unable to deal with issues properly due to a lack of reform ideas and expertise. Regulatory reform should always be responsive to new technology and environment changes for promoting efficiency, effectiveness and innovation for the betterment of society.

Nevertheless, the Korean case is a success story of how regulatory reform slimmed down excessive regulations embedded through decades of government-led development into a market-driven economy. It is a lesson in how regulatory clearance to promote market competition and civic autonomy contributed to overcoming the economic crisis. Eventually, the Korean case showcases how regulatory reform facilitated domestic demand by encouraging entrepreneurship and innovation by providing a business-friendly environment. For this, regulatory reform basically reduced the regulatory power of bureaucrats and promoted market competition and civic autonomy for economic performance and quality of life. Reform was possible with strong leadership at the highest policy maker level together with the people's support. This case offers lessons to developing countries exploring regulatory reform.

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Chapter 1

Introduction

Introduction

Simply waving a magic wand did not eliminate 50% of existing regulations in Korea. Nor was this simply due to voluntary reductions by regulators and a sense of shared painful suffering during the 1997 crisis. The reduction was the result of evolutionary performance stemming from the accumulated reform experiences of administrative simplification and deregulation. The process of setting up a regulatory reform system (RRS) reveals this evolutionary change. When assessing the relationship between regulatory reform and policy coordination, it is clear that the regulators of ministries tend to defend their regulatory power, while the regulated of the private sector desires deregulation. There is a need for a third party to coordinate the conflicted positions in regulation. This implies that regulatory reform is basically the process of policy coordination over the gap between the ministries of regulators and the private sector of the regulated and reformers.

The RRC has played key roles in conducting regulatory reform. The Coordination Office of Regulatory Reform in the Prime Minister's Office (PMO)² also serves the RRC by handling administrative actions. It functions as the secretariat to the RRC and, at the same time, the part of the PMO that works for the PM to supervise cabinet ministers with responsibility for policy coordination over ministries. The Coordination Office is an organizational form to combine regulatory reform and policy coordination. Then we can ask questions of why did Korea make such institutional arrangements? How did it work? What was the performance? This report, as a case study, is going to answer these questions.

2. The Prime Minister's Office is composed of the Secretariat and Office of the Government Policy Coordination. The latter serves the PM on policy and public administration, which is usually called PMO. The head of the PMO was upgraded to the minister level from vice minister of the Administrative Coordination Office in 1998. At that time, the Coordination Office of Regulatory Reform was newly added to the PMO.

If the question is theoretical and abstract, the answer would be logical and deductive. However, this question is about a practical case, so the answer can be concrete and interpretative based on the practical context. More clearly, this report needs to tell the real story with explanation and interpretation based on the practical context. Furthermore, it aims to explore the adaptability to developing countries.

When thinking of the dynamics between regulatory reform and policy coordination, it is obvious that the matter, process and result of regulatory reform are, directly and indirectly, tied to policy coordination. Is there a difference between the viewpoint of regulatory reform by policy coordination and policy coordination by regulatory reform? Indeed, what is the difference? The weight and effect would be different. Regulatory reform is about policy objective and substance, while policy coordination is about policy process and decision making. Regulatory reform should have a policy impact of breaking down the *status quo* to achieve desirable objectives through extraordinary endeavors. This description seems much more substantial compared to policy coordination, which is about the decision making process in the government.

The RRC is composed of mostly civilian members with several ex officio ministers. Civic members more so than ministers take initiative in conducting regulatory reform in the government. Regulatory reform includes coordinative work between stakeholder disputes in the reform process. If the RRC acts as a coordinator in the reform process, regulatory reform is policy coordination itself. In terms of regulatory reform, the RRC played a central role in forming the basis for discussions and arguments between bureaucrats and monitoring private and other affected parties, acting as the place and process for coordination. When compared to other government entities, the RRC played a much more coordinative role in drawing agreements or arbitrations through horizontal cooperation and collaboration between the private and the public, smoothly and effectively. This is an institutional feature of the RRC so that civic members exercise their expertise and capacity in formulating reform agendas and measures. In designing the RRC, such factors were considered.

When we see the change process of the RRS, the first emerging issues centered on administrative simplification and deregulation since the government-led development strategy was no longer efficient in the 1980s. The first attempt was to operate the Committee on Administrative Rules and Processes for Growth and Development by the President's directive to the degree that entire ministries were engaged in seeking and offering reform ideas and solutions—largely to civic grievances and administrative processes—at the

discretionary judgment of bureaucrats. Then, private experts were in part invited to the reform body to reflect civilian perspectives. However, it was still dominated by bureaucrats for economic efficiency and administrative effectiveness.

As democratization progressed and world trade competition intensified, demands for deregulation heightened, especially from the private sector. The government responded to these demands by setting up the Administrative Deregulation Committee, and the Advisory Committee on Administrative Deregulation conducted reforms. The latter placed more focus on the participation of the private sector although bureaucratic dominance still prevailed. The dual approach to reform in the division of economic and non-economic matters still remained.

When the civilian government took office in the 1990s, issues of administrative reform and deregulation took higher priority to break down authoritarian elements. There were several reform bodies such as the Presidential Commission on Administrative Reform (PCAR), Economic Deregulation Committee, Council on Business Regulations, and Joint Council on Administrative Regulations, revealing a diversified approach to regulatory reform. PCAR was the most active and impressive in achievement with strong presidential support. Though PCAR was advisory in nature, functioning as an agent of the President by reporting promptly on reform measures, it also enjoyed presidential approval for implementation in the government. First of all, its members were civilians who were vested in formulating reform drafts that derived from the bottom-up feedback of the public. The PMO (referred to at the time as the Office of Administrative Coordination) served the PCAR as a secretariat. The head of the PMO was the chairman of the sub-Commission, which was composed of 10 junior scholars and 10 assistant ministers that support PCAR as a preliminary examiner at the working level. The PMO was substantially linked to PCAR in terms of policy coordination for reform.

However, there were institutional limitations such as the temporary and advisory nature of the agency because its authority was based on a presidential decree. Another limitation had to do with its job parameters due to the diversified approach rooted in the division between economic and non-economic matters. Accordingly, PCAR dealt with issues deriving from the people and administrative matters on a case-by-case basis, which were insufficient for effecting systematic and comprehensive reforms. To reinforce this limitation, the RRC was declared a formal body based on the BAAR. The PM took the initiative in government legislation in 1997 to institutionalize an RRS for continuity and stability by a single, integrated body. He, as a master of public administration, made most use of the advantages of both the private and government sides in drafting the bill. The

private sector was invited to share ideas for the first draft, and then the PM discussed the draft with the public sector ministries for practical implementation. He played a leading role in seeing the legislation through the stages of introduction to the cabinet to the National Assembly, to include political party dialogue. The idea of co-chairmanship of the PM and a civilian was indeed an ingenious way to link the civilian majority rule in the RRC to an administrative authority. In addition, the PM fully accepted even the radical ideas put forth by civilian experts such as regulatory reviews, registration, publication, RIA, and the sun-set rule. Another important point is that this critical lawmaking occurred during the transitional period of the government.

Enforcement was passed on to the next government in February 1998.³ Though BAAR was enacted in 1997, enforcement depended on the next government. Government priorities tended to change depending on the new President's agenda. Regulatory reform faced this same situation with the new government. However, it was still very urgent and pressing for the new government to overcome the economic crisis at that time. Regulatory reform was a core part of the public sector reforms. It became immediately apparent that implementing BAAR was critical for radical reform. The new government tried to launch regulatory reform by promptly enforcing BAAR, which was enacted in the previous year of 1997 by the former government. The government launched a strong reform drive for regulations with the establishment of the RRC in April. Simultaneously, the Coordination Office of Regulatory Reform in the PMO was brought in to function as the PCAR on Administrative Reform in order to serve the RRC. It was a formal organization for the RRC based on the Government Organization Act. The crisis provided strong motivation for radical reforms, including regulatory reform and structural reform.

President Kim, Dae Jung set a target to abolish existing regulations by half in 1998, further attesting to his will to carry out drastic reforms. The RRC, in terms of regulatory reform, tackled policy regulations in such areas as finance, housing construction, the venture business and professions, which were previously considered off limits to reform bodies. These regulations were entirely handled by bureaucrats. The RRC applied market competition to almost all sectors, simultaneously lifting entry barriers by examining existing regulations at their very origins. In particular, the RRC put into practice other reform measures such as regulatory registers and publication, regulatory reviews and the RIA. It contributed significantly to instilling the spirit of regulatory reform in the government at the initial stages.

3. New Government took office in February in accordance with the presidential elections in December the previous year. The New Government usually does not adhere to the former government's priorities as it focuses on the initiatives of the new President.

The President's strong commitment provided a strong resource for the RRC to exercise coordinative authority over regulatory reform between ministries and the private sector. Regulatory reform, in nature, means to reduce the regulatory power of ministries. However, the President's support is necessary to tackle the regulatory power of ministries to include picking up the reform agenda of policy regulations. Dealing with policy regulations with ministries is directly concerned with matters of policy coordination. Moreover, regulatory reform is to coordinate the regulatory conflict between stakeholders including winners and losers in the private sector.

The status of the RRC including its secretariat has to be posited at least above ministries to deal with regulations of the entire ministry, comprehensively and systematically. Such status is in the Presidential Secretariat or PMO. The former, in terms of policy coordination, is the highest position next to the final decision maker, so it needs to have a buffer zone to allow for trial and error. The key role of the latter is to coordinate policies in working with all ministries. It is about confidential relations between the President and PM and RRC. Eventually, it depends on the President's will and confidence in both. If the President trusts them, the RRC can take a coordinative role over the ministries in reforming regulations.

The PM is in charge of supervising and coordination for policy consistency and coherence in the government—which is unlike the ministers who are responsible for a specific policy area. The PMO allows the PM to perform such roles efficiently and effectively. For this, the PMO monitors major policy issues and coordinates policy conflicts or disputes with network to all ministries. There are largely two ways of policy coordination. One is to hold meetings for coordination, which is temporary or episodic and usually deals with short-term issues by demand. Another is to set up a body such as a committee to deal with specific areas involving diverse stakeholders or inclusive management relating several ministries. The RRC is one kind of committee for policy coordination. Policy coordination takes place during the process of interaction with relating ministries. Interaction between the RRC and ministries is very dynamic because the RRC can raise reform issues and review ministries' regulatory plans in the process of government legislation. This is a well-designed structure to link regulatory reform with policy coordination.

The capacities of the PMO for policy coordination are sometimes underestimated because of the absent administrative tools such as personnel or budget. However, the PMO has the advantage of being able to coordinate ministries in the way of horizontal relations based on rational discussion and arguments. It encourages cooperation and collaboration between ministries compared to vertical relations based on government hierarchy. The perspective of the PMO is much broader and across-the-board than each ministry covering its respective

areas. It is imperative for its staff to quickly comprehend issues and arguments between ministries, and suggest proper alternatives that are rational and feasible. PMO staff work on policy coordination by fostering such capacities. The new Coordination Office for the RRC was filled with PMO staff. It was, in a sense, a functional combination of regulatory reform with policy coordination in institutional arrangements.

What performance was achieved in the linkage of the RRC with the PMO? First of all, the elimination of 50% of existing regulations during the first year in 1998 can be considered a strikingly impressive performance. Second, the joint effort applied principles of market competition to almost all industries by lifting entry barriers and imposing policy regulation on such areas as financial service, housing construction, the venture business, restaurant business and professional associations—which were previously rarely touched by reformers. Third, it is a significant achievement to register and publicize regulations based on laws for regulatory transparency and quantitative management. It was also a remarkable feature to register regulations by codes based on the type, nature and agency available through web-based management. Fourth, it was to establish a regulatory management system institutionally and comprehensively using the tools of regulatory reviews, registration, RIA and evaluation. Coincidentally, Korea did overcome the financial currency crisis in just a few years. It would not be an exaggeration to say that regulatory reform helped to tide over the crisis by improving national confidence and economic performance.

Korea was closely working with the OECD on regulatory reform by undertaking a country review of regulatory reforms from 1999 to 2000. When the offer was made at the sensitive juncture of hard crisis times and government transition, Korea took the view of enhancing national confidence and transparency by conducting drastic regulatory reform. Korea was proactive and stepped up its reform efforts by opening itself up to the scrutiny of a third party in the form of the OECD. Korea faithfully followed the process and benchmarked the best practices of OECD member countries, in terms of regulatory reform. Eventually, this effort brought about positive effects for Korea with good remarks from the international community in appreciation of Korea's reform efforts. It also provided opportunities in that Korea's reform achievements were showcased to the international community in the OECD Report on Korea's Regulatory Reform in 2000. The report applauded the comprehensive and drastic reduction in existing regulations, which was needed for the transformation from a government-led to market-driven economy as shocking as these changes were for the country. The Korean case was illuminated as an example of regulatory reform for developing countries, also leading to the launching of the APEC-OECD cooperative program.

In addition to achievements, there were also limitations in regulatory reform. There are still untouched sanctuaries. Because of ideological confrontations coupled with emotional divisionism, regulatory reforms such as metropolitan area zoning, deregulation of service industries in education, health care and other areas could not be tackled substantially. Such issues are still controversial and not moving forward. Resistance from vested interest groups such as the bar association upset reform measures in the process of the National Assembly. Interest group politics in Korea is a reality, revealing a disturbing loophole in parliamentary legislation when concerning regulatory reform and enforcing reform principles. Another fundamental limitation is being unable to deal with issues properly due to a lack of reform ideas and expertise. Regulatory reform should always be responsive to new technology and environment changes for promoting efficiency, effectiveness and innovation for the betterment of society.

Nevertheless, the Korean case is a success story of how regulatory reform slimmed down excessive regulations embedded through decades of government-led development into a market-driven economy. It is a lesson in how regulatory clearance to promote market competition and civic autonomy contributed to overcoming the economic crisis. Eventually, the Korean case showcases how regulatory reform facilitated domestic demand by encouraging entrepreneurship and innovation by providing a business-friendly environment. For this, regulatory reform basically reduced the regulatory power of bureaucrats and promoted market competition and civic autonomy for economic performance and quality of life. Reform was possible with strong leadership at the highest policy maker level together with the people's support. It is why the RRC is located near the highest policy maker.

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Chapter 2

Relations between Regulatory Reform & Policy Coordination

1. Policy Coordination shown by Regulatory Reform
2. Theoretical Discussion on Policy Coordination
3. Theoretical Discussion on Regulatory Reform

Relations between Regulatory Reform & Policy Coordination

1. Policy Coordination shown by Regulatory Reform

Policy Coordination presumes policy conflicts or disputes. This results from problems inherent in a multitude of stakeholders, differences of policy orientations, turf fights and information asymmetry. Each ministry has a policy portfolio including regulatory power connected to policy clients. Thus, it is very hard to coordinate conflicts stemming from regulatory interests between stakeholders. If the conflict is related to organizational survival or turf fights, it becomes intensified and sharpened. Conflict basically stems from matters of coordination between stakeholders because regulatory reform invariably changes or reduces the regulatory power of ministries. Regulatory reform seeks maximum economic efficiency and effectiveness by realizing a desired order for the economic-society. It attempts to replicate such a state of the society through regulatory coordination. Policy coordination aims to increase the efficiency of the entire government and beyond to society.

If each ministry seeks regulatory reform for maximizing its own interests, this evolves into a collective action problem.⁴ Peters defines coordination as “an end-state in which the policies are characterized by minimal redundancy, incoherence and lacunae.” According to his definition, redundancy refers to when two ministries perform the same task. Lacunae means that in this case, no ministry performs a necessary task. Incoherence refers to a

4. Collective action problem or collective action dilemma means any situation in which the uncoordinated actions of each player may not result in a respective optimal outcome. The terms describes a situation in which individuals, acting independently and rationally according to each one's self-interest, behave contrary to the whole group's long-term best interests by depleting some common resource. This problem is also explained as “the tragedy of the commons,” “prisoner's dilemma” or “free-rider's problem.”

case where policies with the same clients have different goals and requirements (Peters, 1998). To improve coordination, redundancy tends to be more visible, for example, in the case where multiple regulatory requirements exist for a business (Pildes and Sunstein, 1995). Incoherence may be the most difficult coordination problem to address effectively. Each ministry has a rationale for its action, and this is linked with a clientele. There may be no easy solution for a problem of this nature. The best outcome might in this case be negative coordination, referring to when the ministries respect each other's commitments but do nothing to integrate their actions (Scharpf, 1997). Coordination in association with regulatory reform may encompass these kinds of cases. The government may face the situation of incoherence, and lacunae and collective action problems in conducting regulatory reform.

Regulatory reform bodies handle reform issues with the affected ministries in cooperation and collaboration to solve the collective action problems. They need to play the role of leader or driver in facilitating cooperation and collaboration between ministries for coordination. Such a leading role takes initiative in sharing information, making proposals, bargaining over them and terminating the bargaining in the process of coordination (Ostrom, 1990; Thomson, Stokman & Torenviled, 2003). There is no regulatory reform without such a reform driver for coordination. In practical terms, if the highest policy maker does not support the reform body, it will not be attempted to handle collective action problems between regulatory ministries. If there is no coordination mechanism for regulations, the problem would remain in the government hierarchy (Peters, 2013).

In theory, coordination by horizontal cooperation is more desirable than the vertical hierarchy. Vertical integration for coordination in a public organization would restrict the coordinative capacities between sub-organizations. This is due to the top-down approach to decision making, which reflects the vertical hierarchy. Vertical integration may work in a command and control manner. There is less room for cooperation and collaboration (Peters, 1998). The RRC is composed of a partnership between the private sector and government, which emphasizes a horizontal coordination for regulatory reform by cooperation and collaboration rather than a vertical hierarchy. Horizontal cooperation is a solution to collective action problems stemming from regulatory reform through cooperation and collaboration between stakeholders with improving societal efficiency.

There is opposition and resistance to regulatory reform because it invariably reduces the regulatory power of ministries and rents out vested-interests. So the solution to the resistance is not simply cooperation and horizontal collaboration. There needs to be a way for the government hierarchy to handle resistance, especially for ensuring the feasibility

of reform. It is necessary for the reform body to have power to overcome resistance or obstacles by the vested-interest groups. Success eventually depends on reform leadership. In this case, regulatory reform and coordination become political. It is an essential that the reform leadership and people support this political process.

Reform leadership starts by establishing an RRS and allowing competent experts to operate it to achieve the desired outcomes. Because the arenas of regulatory reform are broad and diverse, the reform body must incorporate various experts. It would be good to set up a committee doing collective work for reform. When building such a reform committee, government bureaucrats may oppose the move because their regulatory power is challenged or reduced. Leadership is able to overcome the obstacles by providing the necessary support upon setting up the committee so as to be able to work with the ministries closely and cooperatively.

Efficient and effective regulatory reform is necessary for the reform body to work with ministries closely and cooperatively. However, regulatory reform must also not be captured by ministries. Based on this point, the reform body needs to be placed above the ministries. In Korea, such bodies were placed under the President or PM in consideration of the practical context. Though the body was ruled by civilian experts, it could exercise the administrative authority of the President or PM. This is a way of overcoming resistance from ministries and vested interests. This method also encourages the highest policy maker to be able to obtain ideas flexibly and informally through consultation or discussion with civilian experts. This method also has the advantage of being able to run the body in a low-cost, high-efficiency way by using temporary civilian appointments. However, the result of the reform, including failure, is entirely the responsibility of the government, and not of the regulatory body's civilian members.

It is necessary to link the reform body and ministries when operating a committee composed of civilian experts. Collaboration includes a wide range of cooperation from formulating reform proposals to reviewing the ministries' plans because of sharing information and fact-finding. Therefore, Korea set up the RRC under the President and, at the same time, linked the agency to the PM as a co-chair by creating a new organization within the PMO that had the parallel function of its secretariat. This move was an institutional design to link the RRC with reform leadership and policy coordination. The President appoints members of the RRC, and the PM is responsible for its operation as a co-chair through deployment of the PMO. The perspective of the PMO is much broader and across-the-board than each ministry covering its respective areas. It is imperative for its staff to quickly comprehend issues and arguments between ministries, and suggest proper alternatives that are rational

and feasible. PMO staff work on policy coordination by fostering such capacities. The new Coordination Office for the RRC was filled with PMO staff. It was, in a sense, a functional combination of regulatory reform with policy coordination in institutional arrangements.

Almost all issues of regulatory reform contain matters of policy coordination. The reform agenda presumes regulatory conflict between the RRC and regulatory ministries because the former intends to change the *status quo*. The process of reform includes policy coordination to form a new balance between stakeholders through discussion or arguments. The RRC plays a coordinative role in reaching agreements on reform measures with ministries. In this case, it is more desirable to coordinate through horizontal cooperation and collaboration rather than through a vertical hierarchy between the RRC and ministries, including stakeholders. This is why the RRC invites civilian members for coordination by facilitating horizontal cooperation and collaboration with ministries. In addition, civilian members review and examine reform issues from the viewpoint of the regulated rather than that of the government side of regulators. This is why civilian members participate in the reform body as coordinators—to facilitate cooperation and collaboration between the reform body and ministries by encouraging discussions and arguments since the 1990s. Civilian participation also enhanced the feasibility of reform measures because of agreements reached between stakeholders through discussion and debate.

2. Theoretical Discussion on Policy Coordination

All organizations face problems of coordination, and this is often at the center of politics between organizations (March and Simon, 1958; Hanf and Sharf, 1978). Peters defines coordination as “an end-state in which the policies are characterized by minimal redundancy, incoherence and lacunae.” According to his definition, redundancy refers to when two ministries perform the same task. Lacunae means that in this case, no ministry performs a necessary task. Incoherence refers to a case where policies with the same clients have different goals and requirements (Peters, 1998). To improve coordination, redundancy tends to be more visible, for example, in the case where multiple regulatory requirements exist for a business (Pildes and Sunstein, 1995).

Incoherence may be the most difficult coordination problem to address effectively. Each ministry has a rationale for its action, and this is linked with a clientele. There may be no easy solution for a problem of this nature. The best outcome might in this case be negative coordination, referring to when the ministries respect each other’s commitments but do nothing to integrate their actions (Scharpf, 1997). This is because there are problems raised

from a multitude of stakeholders, different policy orientations, turf fights and information asymmetry. Each ministry has a policy portfolio, including regulatory power, which is connected to policy clients. Thus it is very hard to coordinate conflicts concerned with regulatory interests between stakeholders. When connected to organizational survival or turf fights, the conflict becomes intensified and sharpened. On the contrary, when a ministry does not handle the policy matter and furthermore avoids taking on the matter, one solution may offer additional resources to a related ministry. However, the related ministries are concerned with the negative ripple effects resulting from failure, making it difficult to coordinate when associated with turf fights (You and Ha, 2010).

Policy coordination, in a sense, presumes conflict. Policy conflict arises from the allocation of values and resources between stakeholders in the policy process. Kim & Shin (1991) divided policy conflicts into three types based on surveys on high officials of the central government. First, conflict comes from differences in policy orientations because each ministry has a different mission and serves as one another's client. This means that policy conflict derives from differences in policy logic, reality perception and behaviors between ministries. Second, conflicts comes from ministerial competition to enhance its status and influence by one, trying to reorganize current functions or turf sand, two, trying to produce new functions or turf. It leads to serious turf-fights that struggle for organization, manpower and budget. In this case, it is difficult for the affected ministries to bargain and compromise, necessitating coordination by a third party. Third, conflict comes from the need for fair and trustworthy decisions in the policy process, that is, ensuring fairness and trust in decision rules between the affected ministries (Kim & Shin, 1991; You & Ha, 2010).

Policy conflict arises from differences in policy orientation, budget allocation and portfolios between ministries, which is worsened by gaps between laws and reality (Lee, 1993). According to the survey of ministers and vice ministers, policy conflicts are caused by i) inconsistency in policy orientation and priorities between ministries, ii) duplicative functions and unclear job areas, iii) different views on alternatives between ministries and iv) barriers to communication (Park, 2000). This research also showed that policy coordination is necessary for handling policy conflicts. Furthermore, policy coordination may extend to conflict management in practical terms.

Peters emphasized that “coordination has been the philosopher’s stone for government that presumably could produce better policy and administration were it to be achieved (Peters, 2013).” This saying is a similar concept to policy coherence, policy integration and

collaboration between organizations as alternatives to traditional hierarchies in government. Furthermore, Peters is referring to a policy process itself and an outcome of the process. In accordance with New Public Management as the public sector has fragmented and its autonomy has increased, so has demand for coordination been enhanced to sustain its role of restoring in part hierarchical control in the public sector (Verhoest et al, 2010; Pollitt, 2003; Peters, 2013).

There are obstacles to coordination that have highlighted the differences in the level of professional understanding of policy, turf battles among public organizations, information hoarding, and a host of other familiar bureaucratic and political ills. These problems of coordination result from the self-interest of the individuals and organizations involved, but many simply also result from ignorance and poor institutional design (Baradach, 1998; Peters, 2013). In Peters' terms, "coordination involves multiple actors whose self-interest, or ignorance of the possibilities for improving public services, may prevent them from cooperating in ways that would improve overall performance." Problems of coordination would lead to collective action problems. The inherent competition and possible gains from cooperation is the familiar problem of coordination. Conventionally, the method of hierarchical coordination is the simplest way. However, this imposes a control and transaction cost over the actors. This is not always effective and, furthermore, creates problems for mobilizing political resources coupled with control and costs to overcome resistance. An alternative to hierarchical coordination is a model of self-organization to solve collective action problems through cooperation and collaboration. This model assumes a process proceeded by four stages such as information sharing, proposing solutions, bargaining over the proposition, and terminating the bargaining (reaching agreement) (Ostrom, 1990; Thomson, Stokman and Torenviled, 2003).

An important factor is the role of a lead agency or formal initiator to draw cooperation from actors structurally and formally. The absence of such a lead agency or another formal initiator may make overcoming collective action problems by way of self-organization difficult. Similarly, the absence of an effective policy entrepreneur or other policy leadership may make the role of the coordination approach unviable and instead lead to hierarchical intervention (Peters, 2013).

3. Theoretical Discussion on Regulatory Reform

3.1. Regulatory Concept and Type

In terms of the political economy, there are two basic principles by which the government and market organize and control a society. Here, the government symbolizes power and authority, and the market is a free exchange relationship (Lindblom, 1977). The concept of government regulation is defined so that the government intervenes in the market and restricts businesses, and the people's behavior is modified to realize a desirable order for the economic society. It is rational for government regulation to solve market failure, which results from a monopoly or income inequality brought about by free competition in the market. On the contrary, deregulation aims to solve government failure caused by inefficient government intervention and big government, which implies a return from the domain by government intervention and control to market economy in an extension of the role of the private sector (Choi, 1992).

It is a theory of public interest on regulation that the government can restrict people's rights and impose obligations on people in order to achieve a desirable order for the economic-society. On the other hand, the theory of public choice argues that government regulation is not just harmful to the self-adjusting mechanism but also distorts income redistribution in the market (Stigler, 1971; Posner, 1974; Peltzman, 1976). It is a theory of self-interest on regulation in which regulation is viewed as an economic good. The theory assumes that both politicians and bureaucrats like ordinary people seek to maximize their self-interest and political reward. In the public choice theory, regulation is explained as i) political behavior for maximizing self-interest, ii) dynamics of interest groups, iii) transaction cost (cost of contracting, enforcing or gaining information) and iv) principal-agent relationship. According to this argument, government regulations lead to the loss of social utility rather than an increase in public interest. The most important cause for this seems to be the political process and bureaucratic behavior in association with regulations (B Choi, 1992; J Choi 2002; D Choi, 2004).

The capture theory of regulation explains the dynamics between regulators of government ministries and the regulated of industries, in which regulators tend to follow the request of the regulated or be captured by the regulated industry as time passes (Jordan, 1972). The theory argues that regulators apply advantageous policies to the regulated industry because one feels sympathy and empathy with the position. However, in practice, regulatory policy must be viewed as the complex and complicated interaction among a multitude of

stakeholders such as the president, parliament, other ministries and citizens' groups—and not just interaction between the regulatory ministry and the regulated industry (Choi, 2004).

In Wilson's *The Politics of Regulation* (1980), the author articulates different patterns of regulatory politics which have different consequences depending on the perceived distribution of costs and benefits of the proposed policy. Costs and benefits may be widely distributed or narrowly concentrated. It can be distinguished as four political situations by considering all combinations of the dichotomous cases. According to his theory, there are four patterns of regulatory politics such as majoritarian politics, interest group politics, client politics and entrepreneurial politics (Wilson, 1989).

“First, when both costs and benefits are widely distributed, we expect to find majoritarian politics. All or most of society expects to gain; all or most of society expects to pay. Second, when both costs and benefits are narrowly concentrated, conditions are ripe for interest-group politics. A subsidy or regulation will often benefit a relatively small group at the expense of another comparable small group. Each side has a strong incentive to organize and exercise political influence. Third, when the benefits of a proposed policy are concentrated but the costs widely distributed, client politics is likely to result. Some small, easily organized group will benefit and thus has a powerful incentive to organize and lobby; the costs of the benefits are distributed at a low per capita rate over a large number of people, and hence they have little incentive to organize in opposition. Fourth, a policy may be proposed that will confer general benefits at a cost to be borne chiefly by a small segment of society. When this is attempted, we are witnessing entrepreneurial politics. Antipollution and car-safety bills were proposed to make air cleaner or car safer for everyone at an expense that was imposed, at least initially, on particular segments of industry. Since the incentive to organize is strong for opponents of the policy but weak for the beneficiaries (Wilson, 1980: pp366~371).”

In practical terms, the OECD says “regulation refers to the diverse set of instruments by which governments set requirements on enterprises and citizens. Regulations include laws, formal and informal orders and subordinate rules issued by government (OECD, 1997: p6).” Regulations fall into three categories: economic regulations, social regulations and administrative regulations. Economic regulations intervene directly in market decisions such as pricing, competition, quality standards, market entry, or exit. Such regulations are against excessive competition and monopolies. Social regulations protect public interests such as health, safety, the environment, and social cohesion. The economic effects of social regulations may be secondary concerns or even unexpected, but they can also be

substantial. They are intended for quality of life, protection for the economically weak, and social equity. Administrative regulations are paperwork and administrative formalities through which the government collects information and intervenes in individual economic decisions. Such regulations can have substantial impacts on private sector performance with imposing costs and burdens. They are regarded as internal regulations for administrative management in government (OECD, 1997; B Choi, 1992; D Choi, 2004).

3.2. Logic behind Regulatory Reform and Its Expansion

3.2.1. Rise of New Public Management

In the 1980s, a new public management was emerging from ideas of new liberalism, which introduced the management techniques of the private sector to the public sector for enhancing efficiency and competition. This new philosophy was expressed as downsizing of the public sector and applying market mechanisms to the public sector as seen in the U.S., U.K., Australia and New Zealand. This new public management trend was disseminated to the world by the OECD. Major measures are summarized as market competition, privatization, deregulation and de-bureaucratization, which had an impact on the public sector (Peters, 1996; Lee, 2003). The backdrop to this movement has to do with the west European countries that suffered from serious financial deficits due to excessive welfare programs and inefficient public enterprises. Public sector reform was inevitable. Second, the theory was encouraged by new liberalism and the belief that the government needed to introduce competition and transform to become efficient like the private sector. Third, public sector reforms implemented by Thatcher in the U.K. and Reagan were disseminated to other countries and strongly supported by the OECD⁵ (Choi, 2004).

Based on this new public management, the market was the best mechanism for allocating resources. According to Hayek (1944), as society becomes complicated, price mechanisms are more reliable than the government in allocating resources because of the human being's limited capacity for information. According to Friedman (1980), restrictions on economic freedom inevitably affect democratic freedoms such as freedom of speech and press. Markets have strong mechanisms for price and competition and encourage private ingenuity and innovation, making it a better medium than the government imposing control on people and business. Provision of public service, which were increased in the welfare

5. The IMF and OECD recommended that Korea launch public sector reform, structural reform, and corporate governance reform based on ideas of new public management during the foreign currency crisis of 1997.

state, should be entrusted to the private sector and incorporate competition and market disciplines for improving efficiency.

There are criticisms against new public management that the function and role of government should not be viewed from only the perspectives of the market and business. The role of government is much more complicated and complex than the market because of having to work with diverse and controversial interests. The government always has to consider public interest together with democracy, efficiency, equity and responsibility. Market forces respond more to efficiency centered on consumer and satisfaction and far less to public interest, democracy and equity (Choi, 2004).

3.2.2. Expansion of Deregulation and Regulatory Reform

When economic deregulation yielded positive effects such as productivity improvement, technological innovation and price cuts in the U.S. and U.K. in the 1980s, the idea of deregulation emerged as a new response to economic social problems including stagflation. While there were commonalities among countries, each country was also unique in its background and problems. First, increased government intervention and regulations made the economy inflexible to changes in the market and technology. Second, since the oil crisis in the 1970s, Keynesian aggregate demand policy did not elicit its expected effects, so there was greater emphasis on supply-side economics, which paid more attention to unnecessary regulation of business. Third, as innovations in technology and ICT took place, regulations were perceived as impeding innovation for industrial development. Fourth, as global competition intensified and foreign investment increased, discriminatory regulations against foreigners became a source of trade conflicts. Moreover, such regulations reversed market openness, and free trade became incapacitated (Button and Swann, 1989; B Choi, 1992; D Choi, 2004).

With the advancement of globalization and a digitalized information society, governments have been losing control over domestic industries, and the effectiveness of regulations waned over domestic markets. There has been an increasing tendency for enterprises to move to countries offering more attractive business environments. Governments inevitably take deregulatory action to improve its competitiveness and improve conditions for attracting businesses and investment. Korea achieved remarkable economic performance through a government-led development strategy in which the government directly intervened in resource allocation from the 1960s to 1980s. However, the Korean Government

began to promote deregulation from the late 1980s with the belief that excessive regulation reduced efficiency in resource allocation and stifled civilian ingenuity and autonomy (Ahn, 1997; Choi, 2004).

Regulatory reform, though derived from deregulation, is a broad concept that includes deregulation and an improvement in regulatory quality, which emphasizes market economy as an alternative to government failure. Reform covers not just the abolishment and reduction of regulations but also quality improvement in and overall stronger social regulations. The OECD took initiatives in disseminating deregulation all over the world supported by policy research in practical policy terms. Since publishing the initial report on regulatory reform in 1997 on thematic and comparative sector research, the OECD offered a diverse set of programs such as country reviews, monitoring reports, regulatory governance and regulatory performance indicators. For example, the OECD put forth the following “*Guiding Principles for Regulatory Quality and Performance* (OECD, 2005: pp1~8)”:

- ① *Adopt at the political level broad programs of regulatory reform that establish clear objectives and frameworks for implementation.*
- ② *Assess impacts and review regulations systematically to ensure that they meet their intended objective efficiently and effectively in a changing and complex economic and social environment.*
- ③ *Ensure that regulations, regulatory institutions charged with implementation, and regulatory processes are transparent and non-discriminatory.*
- ④ *Review and strengthen where necessary the scope, effectiveness and enforcement of competition policy*
- ⑤ *Design economic regulations in all sectors to stimulate competition and efficiency and eliminate them except where clear evidence demonstrates that they are the best way to serve broad public interests.*
- ⑥ *Eliminate unnecessary regulatory barriers to trade and investment through continual liberalization and enhance the consideration and better integration of market openness throughout the regulatory process, thus strengthening economic efficiency and competitiveness.*
- ⑦ *Identify important linkages with other policy objectives and develop policies to achieve those objectives in ways that support reform.*

Korea has worked closely with the OECD by joining the country review program and monitoring processes. An outreach program with APEC (Asia Pacific Economic Cooperation), in which Korea's experience in regulatory reform was regarded as a best practice for transitioning from a heavily excessive regulatory system to one that was market-driven. Regulatory reform aimed to improve economic performance, quality of life by policy research and international cooperation among countries (Choi, 2004).

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Chapter 3

Process of Establishing Regulatory Reform System

1. From Administrative Reform to Regulatory Reform
2. Process of Establishing Regulatory Reform

Process of Establishing Regulatory Reform System

1. From Administrative Reform to Regulatory Reform

From the 1960s to the end of the 1980s, Korea was able to escape extreme poverty and achieve rapid economic development through a government-led development strategy in which the government directly intervened in resource allocation and pursued an export-oriented industrial policy. However, in the 1990s, there was a huge expansion of the private sector and market economy. Under these circumstances, there was wide criticism against the government-led development strategy, and the government began to seek alternative strategies.

As the Korean society became increasingly democratized, civic participation also spread, resulting in increased participation in civil society. Thus, there has been increased demand for democratization and transparency in the administration. In the global sense, free trade and market openings intensified competition between nations, and strengthening national competitiveness became a top priority for the government. Thus, administrative reform and deregulation have become important national agendas.

Entering the 1990s, there was a transition from an authoritative government to democratic government. Hence, the country has pursued transforming bureaucratic administrative regulations and procedures into regulations and procedures that serve the interest of the people. To meet this demand, PCAR was established, and it was led by non-government experts and reflected the people's ideas on reform measures. When compared to past administrative reforms where bureaucrats ultimately gained control of the review and formulation of reform measures, and non-government experts only assumed minor roles

such as suggesting reform ideas, there has been a significant change in the approach to administrative reform. This was a radical transition from a bureaucrat-led to civilian-led administrative reform (Choi, 2004).

Although PCAR had its influence, there were limits to their operation due to their status as a temporary and advisory agency authorized by a presidential decree. The overriding limitation of this organization was the existence of the Economic Deregulation Committee under the Deputy PM for economic affairs, which restricted PCAR's authority in economic regulations. Diversification of regulatory reform organizations hindered a comprehensive and systematic approach due to problems of overlapping tasks and obscure roles. In addition, regulatory reform based on suggestions from the public and on a case-by-case basis was not enough for systematic and comprehensive management of reform issues. In order to solve these problems, BAAR was introduced.

BAAR was enacted to enforce a supply-side regulatory reform system and strengthen national competitiveness. PM Koh Gun played a vital role in the enactment of BAAR, and he was committed to having the organization set up under the PMO to play the secretariat function while maintaining a politically neutral stance. Appointed as a PM in March 1997, Koh-Gun was committed to building a single unified regulatory reform system and took the initiative to pass the law on enforcement of BAAR while working jointly with civilian experts and related ministries.

From the global perspective, many countries, including OECD countries, facilitated market competition and pushed regulatory reform for economic growth (Button K & Swann D, 1989; OECD, 1997). In the legislative process, the civilian experts were committed to radical regulatory eliminations, abiding by OECD regulatory reform principles, and benchmarking other countries. Government ministries insisted on enacting the reforms in the next government considering the preparation time taken to enforce the law, as well as the timing of the current government administration (Choi, 2004). However, civilian experts and the private sector strongly demanded regulatory reforms for enhancing national competitiveness. Hence, PM Koh Gun, though at the end of his government term, actively tried to pass the law.⁶ The year 1997 was difficult for assuring consistent and sustainable policy-making due to the presidential election scheduled in December that same year.

6. In 1997, the President was at the end of his term in office. The next Presidential election was also scheduled in December and, with the inauguration of a new government in February, it was difficult to guarantee continuity and coherency of the planned policy.

The economic crisis in 1997 provided a strong motive for seeking drastic and comprehensive regulatory reforms. The economic crisis caused banks and corporations to topple over, one after another, leading to negative economic growth and massive unemployment. Given such circumstances, the government actively promoted public sector reform, which involved drastic and painful restructuring to overcome the economic crisis.

Drastic and systematic regulatory reform was possible due to the accumulation of past experiences in administrative reforms and deregulation. According to the testimony of experts and policy-makers who participated in the legislative design, they were concerned with limitations of the temporary civilian advisory committee. In this regard, they sought to establish a stabilized regulatory reform system with a strong legal basis.

The main contents of BAAR embodies systematic and efficient regulatory management, including regulatory legal care, regulatory review, review of existing regulations and maintenance, regulatory impact analysis, private sector-friendly reforms, regulatory reform organizations, coordination of government branches, and monitoring and evaluation.

BAAR was enacted in August 1997, but the actual enforcement began in March 1998 under the new government. Alternatively, in 1997, a public-private Joint Meeting on Regulatory Reform co-chaired by the PM and a civilian member was introduced. In other words, PCAR and the Economic Deregulation Committee were integrated into the administrative office of the Presidential Commission on Administrative Reform, which was responsible for the secretariat function of the regulatory reform committee. The staff of the administrative office was affiliated with the PMO and sought to utilize the Prime Minister's coordinating role among government ministries.

2. Process of Establishing Regulatory Reform

2.1. System Improvement Committee for Growth and Development (1984.7~1987)

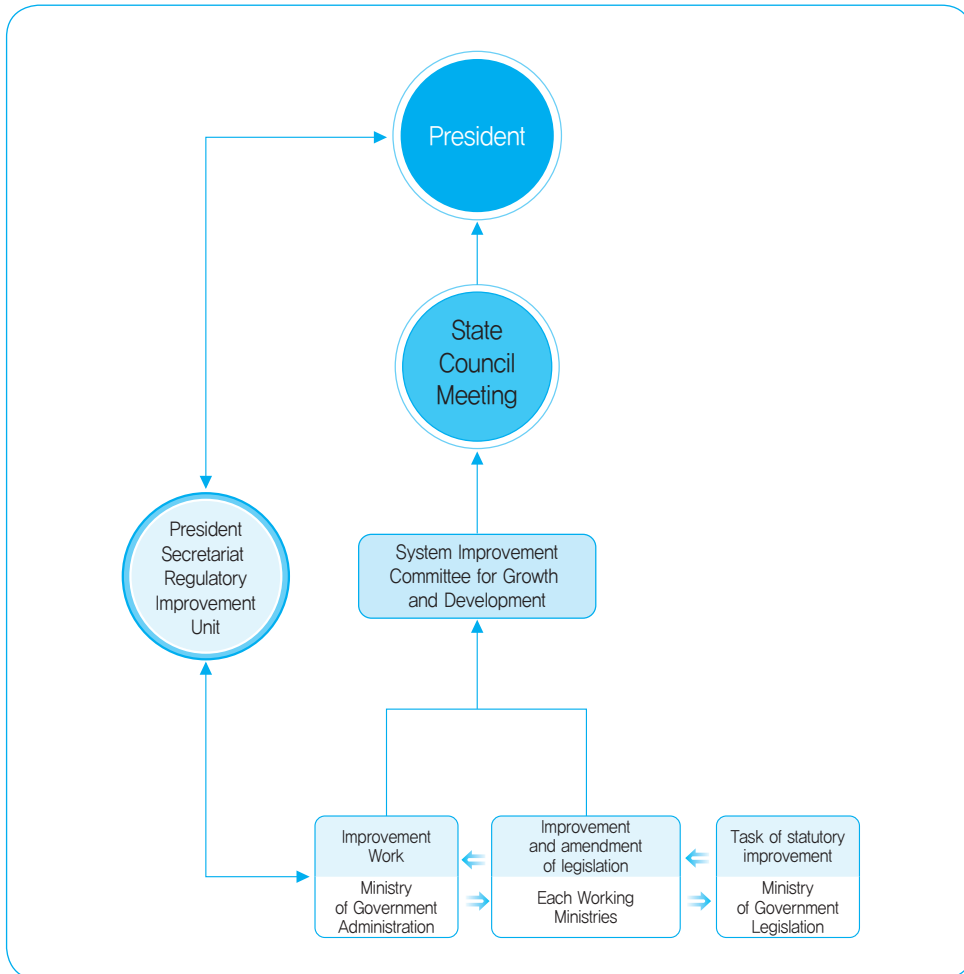
In the 1980s, a movement for alleviating economic regulations began by abiding market economic principles and eliminating policy funds to foster development of the private sector. Openness and autonomy were taken as key indicators of economic liberalization and stabilization of the economic policy. Following the key indicators, government eliminated government regulations that inhibited creativity and dynamics of the private sector (Choi, 1992).

Through the instruction of the PM, the System Improvement Committee for Growth and Development was established and a Regulatory Improvement Assistance Unit was also set up to convene experts from diverse fields in providing expertise in regulatory reform plans (Choi, 2004). The System Improvement Committee for Growth and Development was established because the government realized that the past approach of regulation would not lead to sustainable economic growth. Instead, the government focused on promoting market functions and eliminating various government regulations (Cha, 2005).

The promotion system and the constituents of the System Improvement Committee for Growth and Development can be seen in [Figure 3-1], and <Table 3-1>. Looking at the promotion system of the System Improvement Committee for Growth and Development, the Regulatory Improvement Unit under the Presidential Secretariat played an important role. Practical tasks were distributed by all ministries. In other words, it was most likely that reform work was led by bureaucrats.

The Unit dealt with issues such as 1) rules that create inconveniences to the majority of the people; 2) rules that undermine the people's autonomy; 3) inadequate rules that do not reflect the administrative environmental changes; 4) regulations that hinder societal values and cultural practices; 5) rules that impede the realization of social justice; 6) top-down and unilateral decision approach; 7) inefficient and undemocratic laws and regulations within the government (Choi Byeong Sun, 1992). The role of the civilian committee members was overshadowed by the Presidential Secretariat, which dominated reform processes, and decision making was made through the System Improvement Committee for Growth and Development.

Figure 3-1 | Promotion Structure of System Improvement Committee for Growth and Development

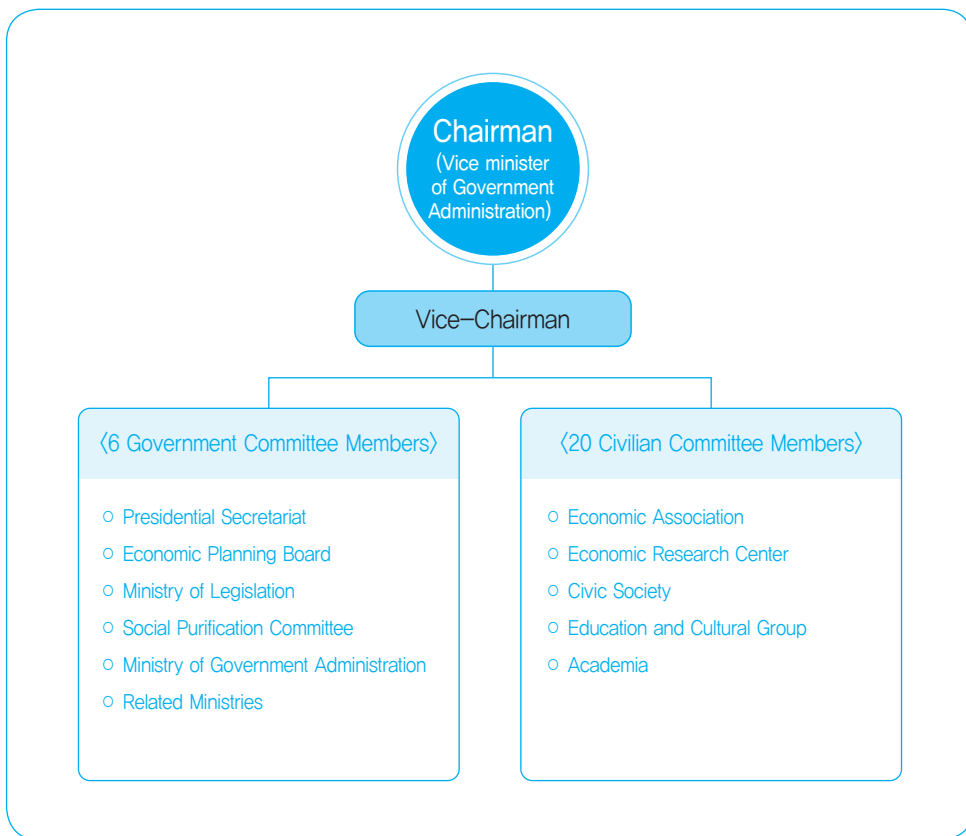


Source: White Paper on System Improvement Committee for Growth and Development (1982).

The System Improvement Committee for Growth and Development consisted of a wide range of civilian committee members from the economic, social, educational, cultural, and academic fields. In the regulatory reform process, the participation of civilian experts provided expertise and added a dimension of rationality and legitimacy of the government-led reform work (Choi, 2004). Civilian experts participated in the reform process through their advisory roles. However, in practice, the Presidential Secretariat played the central role.

[Figure 3-2] shows the organizational structure of the System Improvement Committee for Growth and Development. In the committee's organization, key figures from diverse fields such as economic, social, and educational organizations participated in the system improvement process. However, in the academia, only four regulatory improvement advisory members participated. Hence, this suggests that the government ministries that actually wrote the plan for system improvement played the leading role.

Figure 3-2 | Organizational Structure of the System Improvement Committee for Growth and Development



Source: White Paper on Regulatory Improvement Committee for Developmental Growth (1982).

This approach to regulatory reform contains both authoritative and bureaucratic characteristics. There was a lack of participation by relevant interest groups, and government regulatory reform issues were treated as problems within the administrative institutions and inter-government agencies rather than a social issue (Choi, 1992). Corporations and the

reform demands of the public were not well reflected (Choi, 1992; Choi, 2004). Led by bureaucrats under the authoritative government, people did not have an active role in the reform process (Ahn, 2002).

The System Improvement Committee for Growth and Development was established to overcome the economic situation at the time. Under the President's instructions, regulatory reform was led by bureaucrats. At the time, there was some participation by civilian experts. However, civilian experts only played a minor role in giving legitimacy to the bureaucrat-led regulatory reform.

These deregulatory reforms were not effective because both bureaucrats and the private sector did not sufficiently understand regulatory reform, and so there was insufficient follow-up in each industrial sector. Thus, regulatory reform was treated as a way to solve civilian complaints.

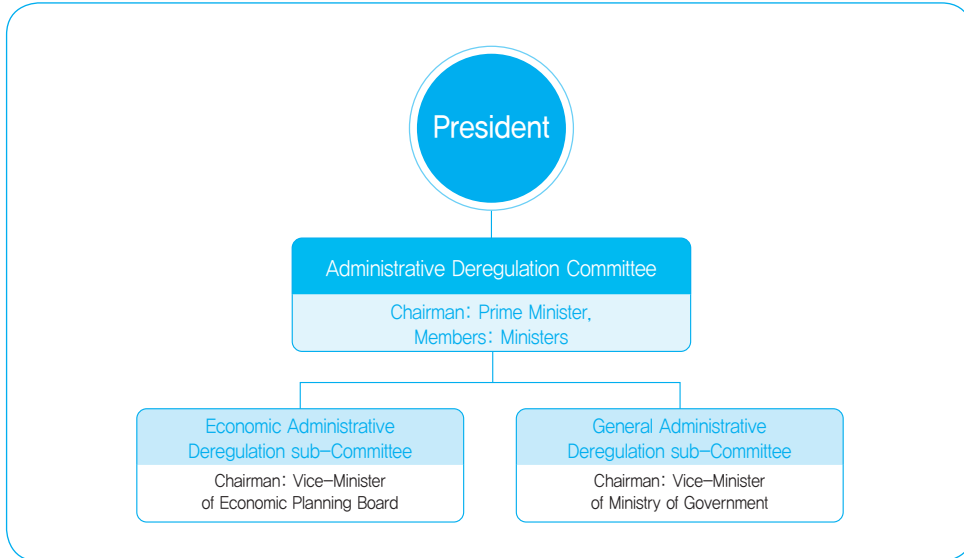
2.2. Administrative Deregulation Committee (1990.4~1991.8)

Since mid-1987, there was a surge in demand for democratization. People protested against the authoritative government and demanded basic civil rights. This demand translated into demand for economic democratization, and there was increased demand for respect for property rights, deregulation of economic policies, equal income distribution, improved consumer protection, and better environmental protections (Choi, 1992). A wide variety of civilian complaints against overly burdensome administrative processes increased during the transition period from an authoritative political system to a democratic system (Ahn, 2002).

In April 1990, the Administrative Deregulation Committee was launched temporarily as a comprehensive measure to revitalize the economy. The PM was appointed as the chairman, and related ministries were appointed as committee members. Under the Committee, there was also the establishment of the General Administrative Deregulation subcommittee with the Vice Minister of the Ministry of Administration appointed as the chairman, and the Economic Administrative Deregulation sub-committee chaired by the Vice Minister of the Economic Planning Board.

[Figure 3-3] shows the organizational structure of the Administrative Deregulation Committee. One of the highlighted features of the organization structure is the establishment of the Economic Administrative Deregulation subcommittee and General Administrative Deregulation subcommittee.

Figure 3-3 | Organization Structure of the Administrative Deregulation Committee



Source: DaeYong Choi.

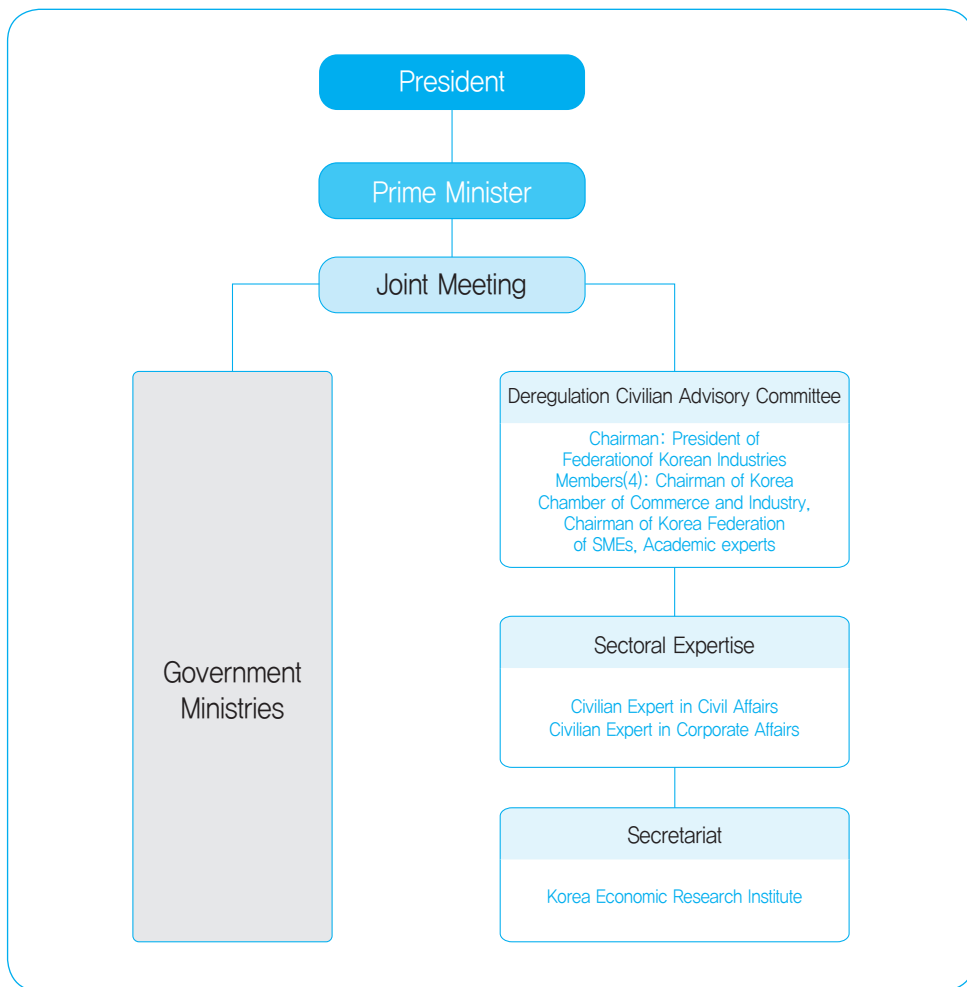
The Administrative Deregulation Committee selected administrative deregulation as a top priority and put forth policy efforts in State Council Meetings. But there was a lack of civilian and corporate participation. After an amendment of this issue, the Administrative Deregulation Civilian Advisory Committee was newly formed.

2.3. Administrative Deregulation Civilian Advisory Committee (1991.9~1993.2)

There was wide-spread criticism of the limitations of the Administrative Deregulation Committee consisting only of government officials, thereby failing to reflect public feedback and lacked reform effect. As democratization continued to grow, social and environmental protection were strengthened, simultaneously advancing economic liberalization. The government installed the Administrative Deregulation Civilian Advisory Committee for encouraging the dynamics of the private sector.

The Administrative Deregulation Civilian Advisory Committee was established under the direct supervision of the PMO and consisted of civilian experts. The committee's role was to come up with a regulatory reform plan reflecting the feedback provided by the private sector. The Korea Economic Research Institute in the private sector was responsible in its secretariat capacity to support the committee and play the leading role in formulating reform proposals.

Figure 3-4 | Promotion Structure of Administrative Deregulation Civilian Advisory Committee



Source: Recommendations on Administrative Deregulation (1992).

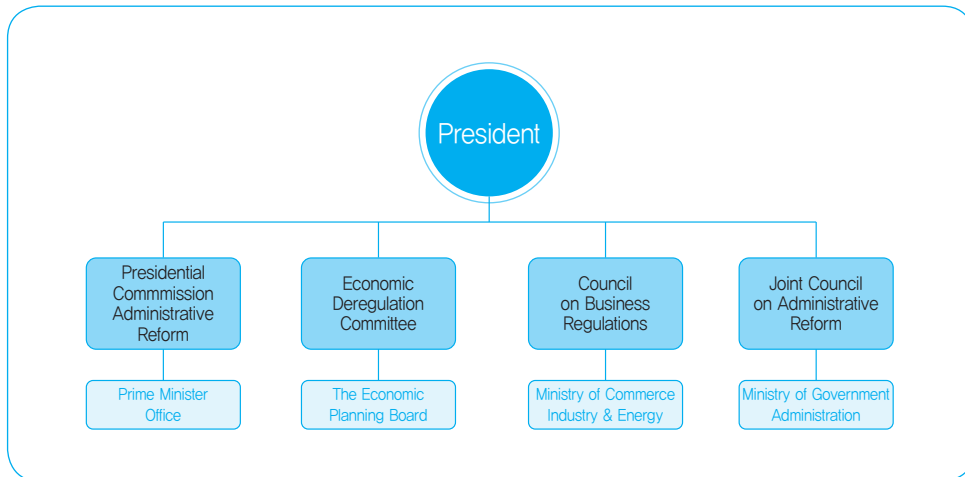
The promotion structure of the Administrative Deregulation Civilian Advisory Committee shows that unlike previous cases, there was an effort to deregulate in favor of the private sector. Another different approach was that there was an effort to deregulate according to the industrial sector closely related to everyday consumer items such as pharmaceuticals, cosmetics, briquettes, alcohol beverages, automobile, and the oil industry. However, there were still limitations in the private sector dealing with government regulatory authorities because actual implementation of these legislative bills had to undergo a review by government ministries and an adoption process.

2.4. Presidential Commission on Administrative Reform (1993.4 ~1997.12)

Entering the 1990s, deregulation policy emerged as an important policy measure to strengthen national competitiveness, which was beyond the level of economic liberalization. At that time, regulatory reform systems were diversified by industry and function, such as the PCAR, Economic Deregulation Committee, Council on Business Regulations, and the Joint Council on Administrative Regulations. PCAR and the Economic Deregulation Committee were especially established as a provisional organization. However, in order to facilitate sustainable regulatory reform, these organizations continuously operated until the end of the government term. In the case of PCAR, it not only actively played an advisory role, but also presumed an executive function (Choi, 2004). PCAR was at the center of the deregulation promotion system.

In addition to PCAR, there were other regulatory reform organizations such as the Economic Deregulation Committee, Council on Business Regulations, and the Joint Council on Administrative Regulation. The Economic Deregulation Committee was an organization aimed at dealing with economic regulations under the Deputy PM. The Council on Business Regulations was established on the basis of the special act on deregulation of business activity. However, the Council on Business Regulations was only responsible for taking in business-related suggestions under the Ministry of Commerce and Industry. Hence, it was limited in scope and authority to handle the whole range of reform issues (Choi, 2004).

Figure 3-5 | Diversified Regulatory Reform System



Source: Choi Dae Yong (2004).

The Joint Council on Administrative Regulations was established in January 1994 on the basis of the Administrative Regulation and Civil Petitions Basic Act, aimed at fostering deregulation in the general administrative field. The Joint Council on Administrative Regulations aimed to strengthen the legal establishment of the regulatory system and perform reviews of the regulations. However, the organization was disbanded in 1997 due to a lack of operational performance output (Cha, 2005). The Joint Council on Administrative Regulations was installed under the affiliation of the Ministry of Government Administration, but it soon became obsolete, unable to achieve the stature of the committee (Choi, 2004).

PCAR consisted of purely civilian members from the academia, economics, media, and civil societies. The Citizens Coalition of Economic Justice and Labor Unions, who had been opposing the government policies, participated as committee members of the PCAR. They were given the practical role of eliminating and reducing government authority (Choi, 2004). As seen from <Table 3-1>, the chairman and committee members were all civilian experts.

Table 3-1 | Members of the Presidential Commission on Administrative Reform

Division	Name	Current Position
Chairman	Park Dongseo	Professor of Public Administration
Committee Members	Kim Gwanwoong	Professor of Public Administration, Seoul National University
	Kim Anjae	Korea Research Institute for Local Administration Chairman
	Kim Younghwan	Vice President of Hanyang Securities
	Kim Jaechul	Vice President of Trade Association, President of Dongwon Industry
	Noh Jeonghyun	Chairman of Korea Administration Research Institute
	Park Sangkyu	President of Korea Federation of SMEs
	Park Youngchul	Chairman of Finance Research Institute
	Park Junghee	President of Seoul YMCA
	Park Jonggeun	Chairman of Korea Confederation of Trade Unions
	Bae Byunghyu	Mail Business Newspaper
	In Myungjin	Representative of Citizen's Coalition for Economic Justice
	Choi Dongsub	Consultant of Korea Institute of Industrial Development
	Hwang Yongju	Professor of Engineering
	Hwang Injung	President of Korea Development Institute

Source: White Paper on PCAR.

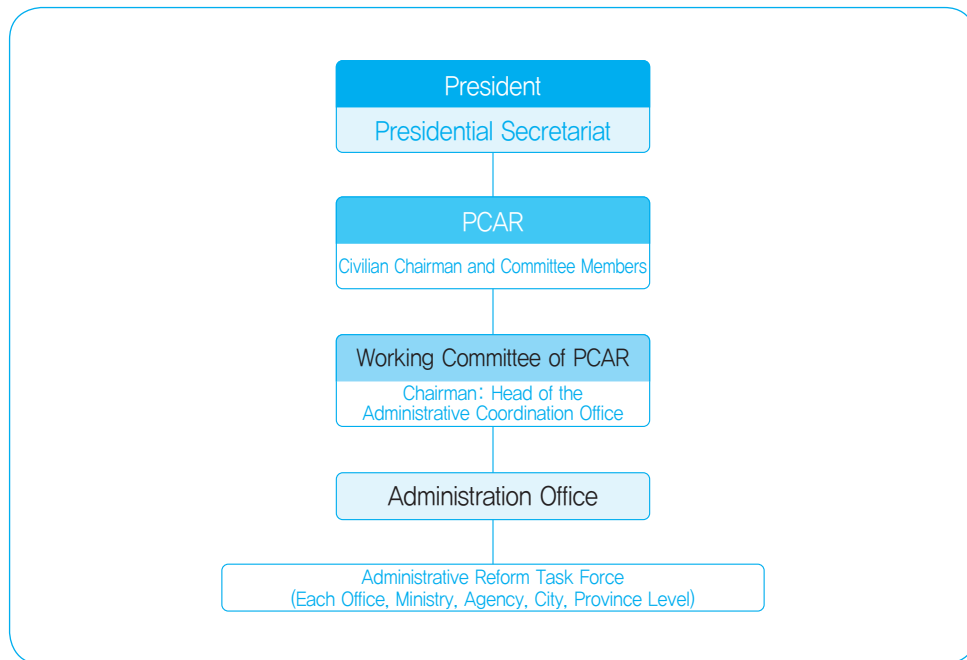
Past administrative reform committees spent a long time drafting reform proposals. Based on the research output, the RRC submitted proposals to the government. Whether or not the government accepted the proposal was left to the discretionary judgment of the government. On the other hand, PCAR reported reform proposals immediately to the President. If there was no special objection, regulatory reform would be put into practice immediately. In other words, as PCAR suggested in the reform proposal, the President would accept the proposal, and relevant ministries would take action for implementation (Choi, 2004).

In addition, one of the biggest differences between PCAR and other reform committees was its approach to collect reform ideas and proposals. Reform committees in the past would first identify the reform ideology, basic directions, and principles, and then use a top-down approach to select agendas deductively. In contrast, PCAR established more practical

institutional arrangements in which civilian members could raise reform agendas and the general public could suggest reform proposals and participate in the discussion process. This was a bottom-up approach in the public-private partnership.

PCAR was a Presidential Advisory Committee but it played a role as a deregulatory review board that had unique features of review processes and methods. PCAR, including the chairman, consisted of civilian members and were directly connected to the President. The members were all invited from diverse fields to include universities, research institutes, businesses, labor unions, media organizations and citizen groups as seen in <Table 3-3>. The working committee, in contrast, consisted of equal components of civilian and government members to reflect a balanced perspective in examining reform proposals at the working level (Ahn, 2002). The working committee headed by the PMO consisted of 20 members—10 junior civilian experts and 10 assistant ministers of major ministries.

Figure 3-6 | Promotion Structure of Presidential Commission on Administrative Reform

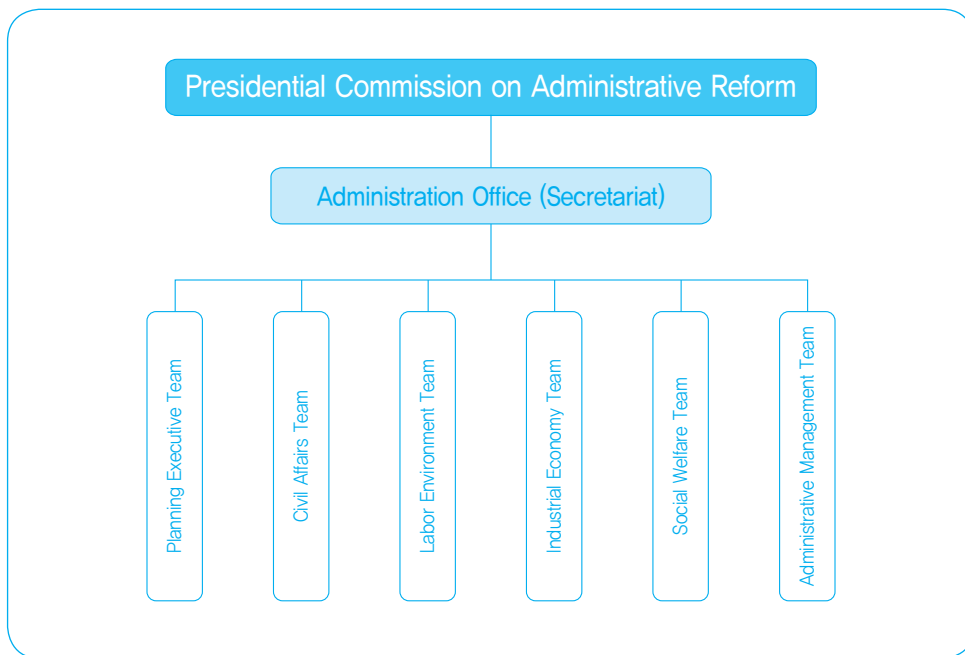


Source: White Paper on PCAR.

In particular, as seen in [Figure 3-7], the Administrative Office of PCAR was served by the PMO and selected government officials who had a lesser connection to and interest in

the related ministries. This was a systematic arrangement to support PCAR, overarching government ministries, and increase the efficiency and connectivity between civilian members and administrative institutions. The operation approach of PCAR became the underlying basis for the future establishment of the RRC. PCAR was successful in operating as a link between ministries and accepting citizen proposals because of its connection to the administrative coordination office, which had a strong policy coordination function.

Figure 3-7 | Organization Structure of Presidential Commission on Administrative Reform

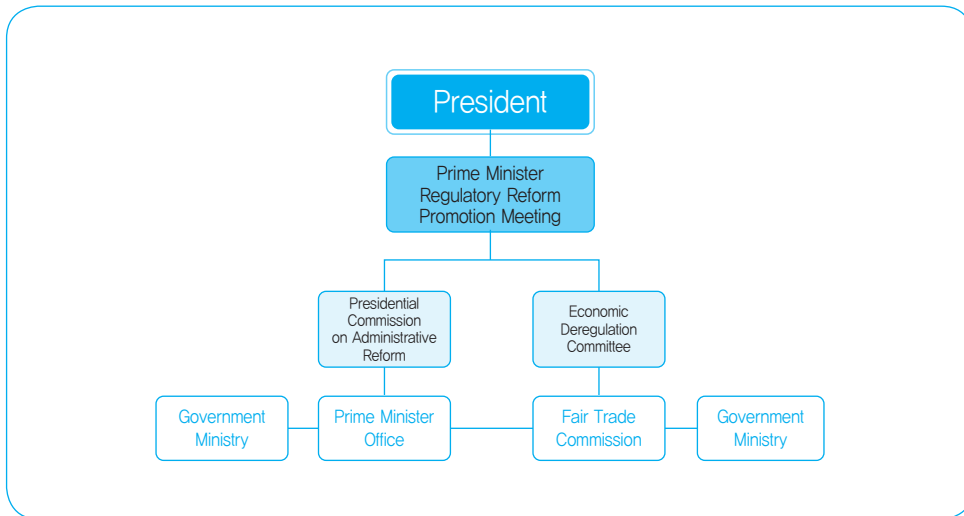


Source: White Paper on PCAR.

2.5. Meeting on Regulatory Reform Promotion (1997. 4~1998. 1)

In 1997, at the end of the Kim Young Sam Administration, the Meeting on Regulatory Promotion was launched in a joint public-private effort to integrate diversified regulatory reform organizations. This launch was intended to rectify PCAR and the Economic Deregulation Committee's dualist approach to ambiguous and overlapping reform areas. The purpose of the newly launched meeting was to complement PCAR's approach and promote sustainable regulatory reforms.

Figure 3-8 | Promotion Structure of Meeting on Regulatory Reform Promotion



Source: White Paper on Regulatory Reform Meeting.

At the time, there was a growing demand for regulatory reform due to the economic crisis. PM Koh-Gun, initiated enactment of BAAR, which included functions of PCAR and ‘Economic Deregulation Committee’. ‘Meeting on Regulatory Reform Promotion’ was organized to integrate the diversified regulatory reform organizations and appoint member committees from various fields including experts from the government, industrial and business community.

Table 3-2 | Members of Regulatory Reform Meeting

	Name	Position
Chairman	Koh-Gun	Prime Minister
	Kim Sangha	Chairman of Korea Chamber of Commerce and Industry
Government Committee Members	Lim Changyoul	Deputy Prime Minister for Economic Affairs
	Jeong Haeju	Minister of Trade Industry and Energy
	Shim Wooyoung	Minister of Government Administration
	Song Jongui	Minister of Government Legislation
	Jeong Yoonchul	Chairman of Fair Trade Commission
	Lee Myonghae	President of Board of Audit and Inspection

	Name	Position
Civilian Committee Members	Park Dongseo	Presidential Commission on Administrative Reform
	Park Seongyong	Chairman of Financial Reform Committee
	Yang Seungdu	Chairman of Deregulation of Corporate Activities Committee
	Choi Jeonghyun	Chairman of Presidential Council on National Competitiveness
	Gu Pyeonghoe	Chairman of Trade Association
	Park Sanghoe	Chairman of Korea Federation of Small and Medium Business
	Kim Changseong	Chairman of Korea Employer's Federation
Appointed Committee Members	Jeong Gwangmo	Chairman of Consumer Union of Korea
	Lim Dongseung	Samsung Securities
	Jeong Ganghwan	President of Tae il Precision Co.
	Lee Sanggyu	Lawyer
	Choi Byeongsun	Professor of Public Administration,
	Lee Hangu	Director of Daewoo Research Institute
	Bae Byeonghoon	Maeil Business Newspaper
	Byeon Doeun	Korea Economic Daily News
	Won Cheolhoe	Chairman of National Agricultural Cooperative Federation

Source: White Paper on Regulatory Reform Meeting.

From the perspective of strengthening national competitiveness, the PM and a civilian member were appointed as co-chairmen, which reflected the growing demand for regulatory reforms from the private sector, while also providing the means to efficiently link the policy process. The PM took the leading role to integrate the regulatory reform organizations with the cooperation and participation of the private sector. Enactment of BAAR was a significant achievement because it implied a rather timely as well as permanent regulatory reform promotion system. BAAR included the general terms of objectives and legal authority, a regulatory review system, maintenance and improvement plan for existing regulations, regulatory impact analysis, civilian centered regulatory reform permanent body, coordination between regulatory reform and concerned government organizations, and regulatory monitoring and evaluation.

Box 3-1 | Institutional Design for Regulatory Reform: Legislation of the Basic Act on Administrative Regulations

In March 1997, foremost on the agenda of PM Koh-gun was regulatory reform when he was appointed. At that time, Korea was in a very critical period—not just in economic terms like the eve of the economic crisis that witnessed big companies going bankrupt, but also in political terms given the uncertainty and unpredictability ahead of the presidential election in December. PM Koh believed regulatory reform to be critical to enhance the competitiveness of business activities coping with intensified global competition. He launched an effort to institutionalize a stable and permanent system for regulatory reform and, at the same time, integrated diversified committees on regulatory reform and held regular meetings on regulatory reform.

The first step involved passing legislation to institutionalize regulatory reform. Koh was a master of public administration and skilled at commanding this work. He requested civilian experts rather than government bureaucrats to draft a bill because regulatory reform implied a reduction in bureaucratic regulatory power. He proceeded with the enactment by consulting and coordinating between ministries based on the draft. Civilian perspectives from the private sector were preferred in the draft. First of all, one of the big controversies was to set up an independent committee on regulatory reform that bureaucrats strongly opposed because it fell beyond their jurisdiction according to the Act of Government Organization. He agreed with bureaucratic views based on rationale and the 'opposition's logic. Second, the scope was accepted as exempting regulatory reform such as military service, tax and administrative penalty due to national duties and judicial affairs. Third, to ensure the agency has the necessary status and authority, the RRC was co-chaired by the PM and a civilian, and served by part of the PMO, which was intended to make the administrative authority dependent on the PM. Fourth, regulatory management tools such as a regulatory review plan, registration, publication, RIA, and sun-set laws were introduced as recommended by the civilian experts.

PM Koh played an active role in gaining support from political parties, lawmakers and the National Assembly by briefing and persuading the rationale and necessity for the authority. As a result, the bill was passed at the National Assembly in August 1997. At last, the institutional framework for regulatory reform was established to conduct continuous and systematic reform of regulations. This achievement constituted an impressive action by the PM to take initiatives in legislation on an act under highly uncertain political circumstances surrounding a transitional government. His success is also a reflection of the urgency and critical nature of regulatory reform from the perspective of the people and businesses. The PM responded to this demand in a proper and timely manner. Nonetheless, it was a great achievement not to be easily accomplished.

Source: DaeYong Choi.

One of the most controversial issues during the process of establishing the regulatory reform system was the scope of the regulatory reform authority. The coordination process is especially significant, considering the many situations in which each ministry might fiercely resist various regulatory reform issues. For instance, the level of authority and status of the RRC were critical in the transition from a temporary and advisory agency to a formal institution. At that time, experts from civil societies and the academia maintained that the RRC should be established as an independent committee. But they were also concerned that if the RRC were established as an independent committee consisting only of civilian members, the RRC would be distanced from the government ministries and lead to conflicted relationships. Hence, the RRC was established under the President's Office in order to take advantage of the PMO's policy coordination role, and the PMO would take responsibility for administrative support.

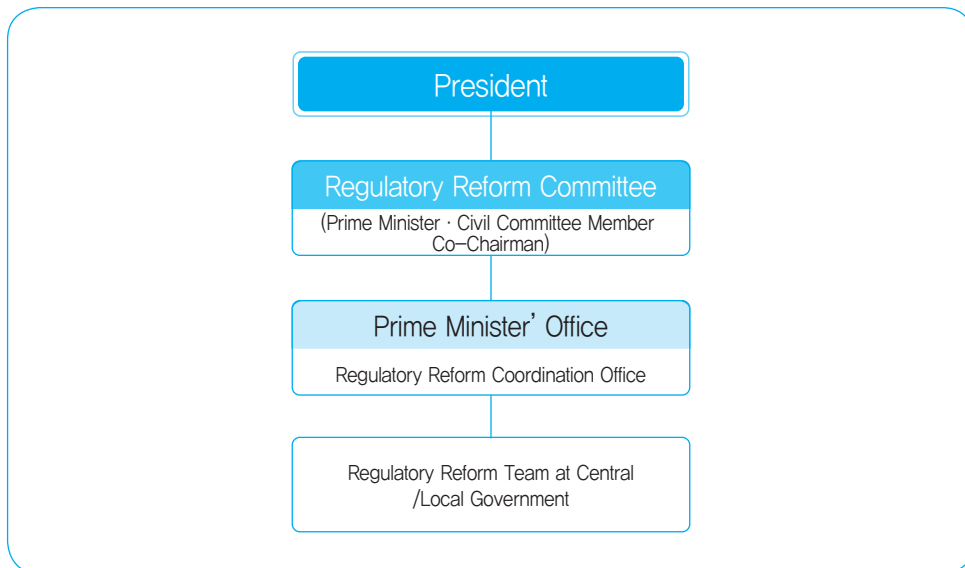
2.6. Regulatory Reform Committee (1998.4~Present)

The RRC was established on the basis of the 1997 BAAR. The RRC reviewed and coordinated regulatory reform policies. Especially during the Kim Dae Jung Administration period, PCAR and other duplicated and divided regulatory reform bodies that handled regulatory reform functions were all integrated and unified as the RRC. In addition, each ministry created regulatory reform bodies associated with the RRC in order to promote consistent regulatory reform (White paper on regulatory reform, 1998). The RRC was established under the President to comprehensively deal with regulatory review and management. The authority of the RRC covered the following areas: 1) basic direction of regulatory policy and research and development on regulatory systems; 2) review of new and strengthened regulations; 3) review of existing regulations; 4) registration and publication; 5) collecting and responding to public opinions on regulatory improvement; 6) monitoring and evaluation of regulatory improvement efforts of the agency; and 7) other matters approved by the chair.

The RRC was set up at a time when regulatory reform was an urgent task to overcome the economic crisis. The RRC drastically eliminated economic regulations that limited competition and did not meet the requirements of global standards. Meanwhile, the RRC increased the quality of regulations that dealt with public interest, such as the environment, safety, and health. The RRC was a key driving force in conducting regulatory reform comprehensively and systematically.

RRC members were appointed by the President and co-chaired by the PM and Civilian Chairman. They attended the full committee meeting and sub-committee meeting to deal with regulatory matters for the term of two years. Each ministry organized self-regulatory reform committees composed of civilian experts and internal staff to deal with its own regulatory matters prior to going to the RRC. Concerned with the implementation and feasibility of regulatory reform, the Ministry of Government Administration and Home Affairs worked with local governments, which had important consequences for the implementation and feasibility of regulatory reform (White Paper on Regulatory Reform, 1999).

Figure 3-9 | Promotion Structure of Regulatory Reform Committee



Source: White Paper on Regulatory Reform, 1999.

2014 Modularization of Korea's Development Experience
The Regulatory Reform System and Policy Coordination in Korea:
A Guillotine Rule of Regulatory Clearance
for Economic Crisis Management

Chapter 4

Policy Coordination and Regulatory Reform System

1. Overview of Policy Coordination
2. Prime Minister Office's Policy Coordination Function
3. Policy Coordination and Regulatory Reform System

Policy Coordination and Regulatory Reform System

1. Overview of Policy Coordination

Policy Coordination between government ministries can be divided into two types—the official coordination office and coordination meetings. The official coordination office includes the PMO (Office of Government Policy Coordination or OPC), Ministry of Finance (authority of budget), and Ministry of Security and Administration (authority of human resource).

In official terms, the PMO has the legal authority over policy coordination. According to the Government Organization Act, the “Office for Government Policy Coordination shall be established under the Prime Minister to assist him/her in administrative direction and supervision, coordination of policies, management of social risks and conflicts, evaluation of government duties, and regulatory reform (Article 20).” On the other hand, the Act states that the Office of the President “shall be established to assist the President in performing his/her official duties ... the Minister of Strategy and Finance⁷ shall concurrently hold the post of Deputy Prime Minister of Economic Affairs, and the Deputy Prime Minister of Economic Affairs shall take overall charge of and coordinate relevant central administrative agencies under the direction of the Prime Minister when concerning economic policy.” These statements point to the limited policy scope of the Minister of Strategy and Finance in which he/she needs the approval of the PM to enforce policy. The planned policy should be limited to economic affairs.

7. In the past Economic Planning Board, the Deputy Prime Minister of Economic Affairs had strong coordination authority. However, the Deputy Prime Minister of Economic Affairs system was abolished after 1990. The system is revived when there is a strong need for an economic policy coordination function.

The Administrative Coordination Office was elevated as a bona fide institution, responsible for policy coordination. The Administrative Coordination Office Chairman played the role of the Senior Vice Secretary to chair the Vice Ministers' Meetings. Meanwhile, the Kim Dae Jung Administration was inaugurated in February 1998, and the Administrative Coordination Office was renamed the Prime Minister's Office (PMO). The Chairman of the PMO was elevated to a minister level. At this time, the Regulatory Reform Coordination Office was newly established under the PMO.

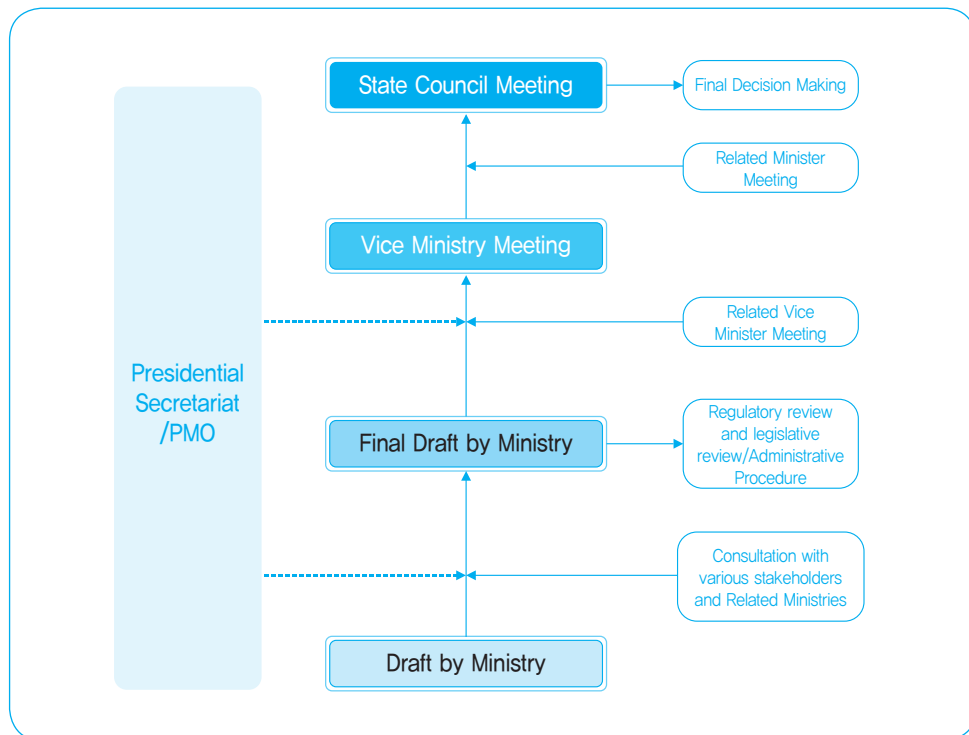
Meeting groups that handle the function of policy coordination are based on a legal statement and held on a regular basis. Meeting groups consist of several members: 1) State Council Meeting (Chairman: President, Vice-Chairman: PM); 2) National Policy Coordination Meeting (Chairman: PM); 3) Prime Minister Committee Meeting; 4) Economic Policy Coordination Meeting (Chairman: Deputy Prime Minister for Economic Affairs); and 5) Vice Ministers Meeting (Chairman: Minister of the OPC). Meanwhile, Ministers Meetings are held on an irregular basis based on various agendas and circumstances. These meetings are either chaired by the President or PM. The PM, supervising all the ministries and not tied to a particular policy field, assumes the role of chairman in many committees to manage and coordinate at a pan-government level. In the RRC, the PM and civilian committee co-chairs also promote regulatory reform on a pan-government level.

One of the most important factors in holding meetings has to do with the specific roles played by the President, PM, and Ministers. In this case, the President delegates authority to the PM to conduct the policy coordination meetings. This approach was first introduced in the 2000 Four-Sector Ministerial Meeting (Economic, Education, Unification & Foreign Affairs, and Social Welfare).

To illustrate the regulatory coordination system, [Figure 4-1] depicts the central government coordination process. First, a ministry develops and then submits a policy proposal. Then, the proposed policy is amended to reflect the opinions of various related stakeholders and other concerned ministries. In the case of a regulation that includes a legislative bill, legislative revision by the Ministry of Government Legislation should be done prior to the Vice Ministers Meeting. Vice Ministers Meetings are held weekly on a regular basis, and each vice minister meticulously reviews the submitted policy. Usually, the proposed policy is subject to review before the Ministers Meeting. When other ministries find issues in the proposed policy relevant to their own tasks, the concerned Vice Ministers may coordinate as needed with the proposing ministry. The

Minister of the OPC guides and supports the coordination effort to ensure that policies are in line with overall government priorities. The outputs of the Vice Ministers Meetings are then provided to the State Council Meetings.

Figure 4-1 | Process of Policy Coordination



Source: Park Jae Hee (200: 38).

2. Prime Minister Office’s Policy Coordination Function

2.1. Organization Structure of the Prime Minister’s Office

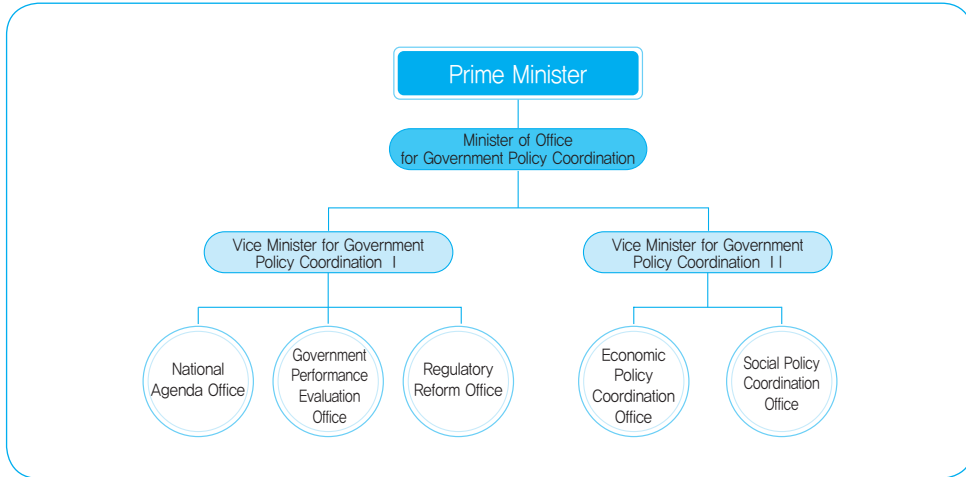
The Prime Minister’s Office (PMO) is commonly referred to as an organization assisting the PM that includes both the Office for Government Policy Coordination and Prime Minister’s Secretariat. During Kim Young Sam’s Administration, the PMO’s policy coordination role was reinforced, and the Ministry of Finance was integrated as the Economic Planning Board to revitalize civilian autonomy and market competition. The PMO assists the PM in policy and administrative tasks.

The PMO oversees central administrative institutions and takes the leading role in regulatory reform issues such as directing the PMO affiliates, policy coordination, reviews, and evaluation. The predecessor to the Office for Government Policy Coordination is the Administrative Coordination Office established in 1973.

Before the establishment of the Administrative Coordination Office, the Cabinet Office of Planning Control and Office of Planning and Coordination in the PMO assumed the role of policy coordination. Since its establishment in 1973, the Administrative Coordination Office underwent major changes in its policy coordination function until 1997. With the inauguration of the Kim Dae Jung Administration in 1998, there was large scale internal restructuring. During this period, the Administrative Coordination Office of the PMO which was originally of the vice-ministerial level was elevated to the ministerial level and then renamed the Office for Government Policy Coordination. The function and role of the Office for Government Policy Coordination were expanded (Prime Minister Office for Government Policy Coordination 2003). One of the major changes in the elevation of the organization was the newly added function of regulatory reform. The establishment of the Regulatory Reform Coordination Office under the PMO indicates that there has been an effort to coordinate regulatory reform at the government-wide level.

The PM is responsible for coordinating each ministry. Hence, the PM utilizes the Office for Government Policy Coordination to support areas where common and comprehensive coordination is needed (Prime Minister Office for Government Policy Coordination 2003). In addition, the Office for Government Policy Coordination assists in meetings such as the State Council Meeting, Ministerial Meeting, and other various Committee Meetings. It also carries out the PM's instructions and evaluates each ministry's tasks (Prime Minister Office for Government Policy Coordination 2003).

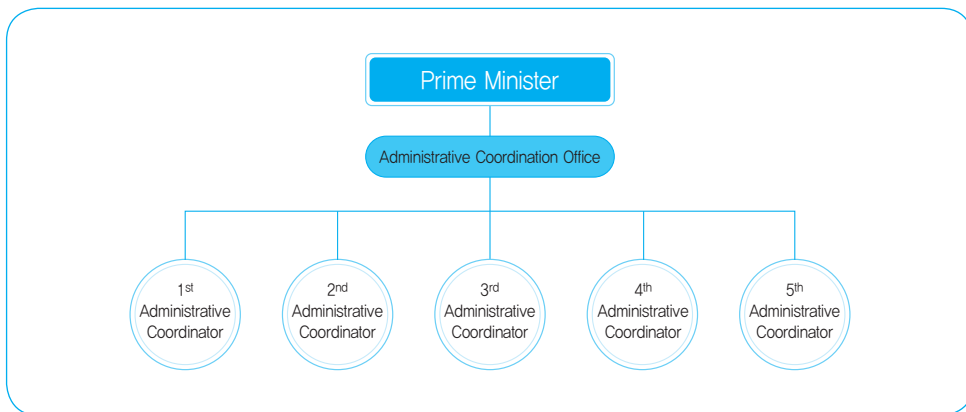
Figure 4-2 | Organization Structure of Office for Government Policy Coordination in 2014



Source: Official site of the Office for Government Policy Coordination, www.pmo.go.kr.

The Office for Government Policy Coordination came about with the establishment of the Administrative Coordination Office in 1973. [Figure 4-3] illustrates the organization structure of the Administrative Coordination Office. At that time, the Administrative Coordination Office was established under the PM and had five Administrative Coordination Officers to work on policy coordination tasks.

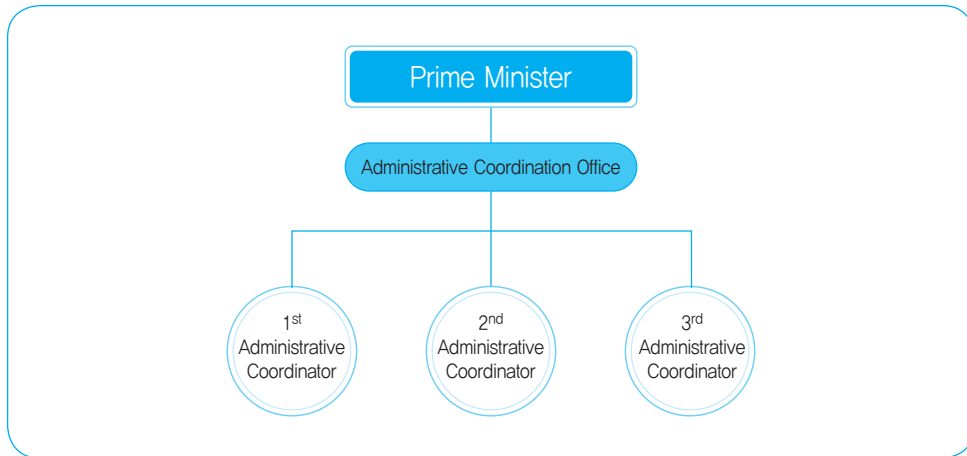
Figure 4-3 | Organization Structure of the Administrative Coordination Office in 1973



Source: Prime Minister's Office, 2003, DaeYong Choi.

In 1981, there was a major government organization restructuring that led to the abolishment of the 4th Administrative Coordinator. The Office took additional charge of overall support for the 1986 Asian Games and the 1988 Summer Olympics. In 1983, the Administrative Coordination Office's size was reduced to the First, Second, and Third Administrative Coordinator.

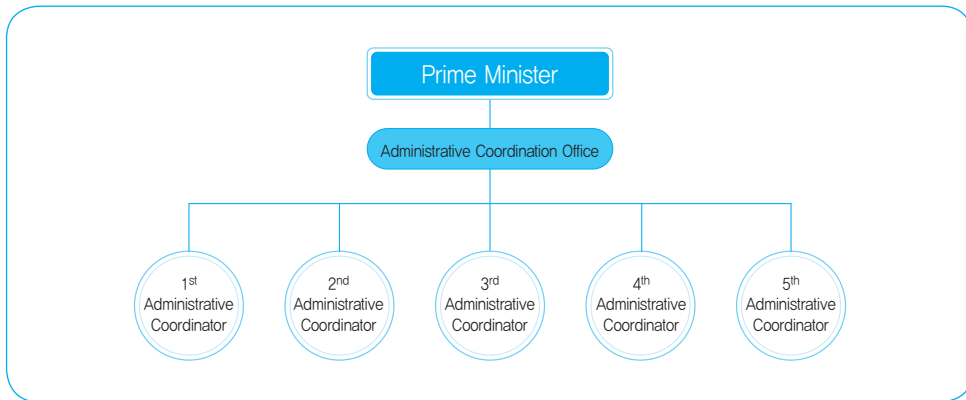
Figure 4-4 | Organization Structure of Administrative Coordination Office in 1983



Source: Prime Minister's Office, 2003, DaeYong Choi.

In 1989, the number of staff at the Prime Minister's Office was increased to 112. The 4th Administrative Coordination and 5th Administrative Coordination Offices were reestablished. The organization structure of the Administrative Coordination Office is illustrated in [Figure 4-5]. In sum, functions were newly added, and the scale of the organization was increased, which led to the expansion of the Administrative Coordination Office's function.

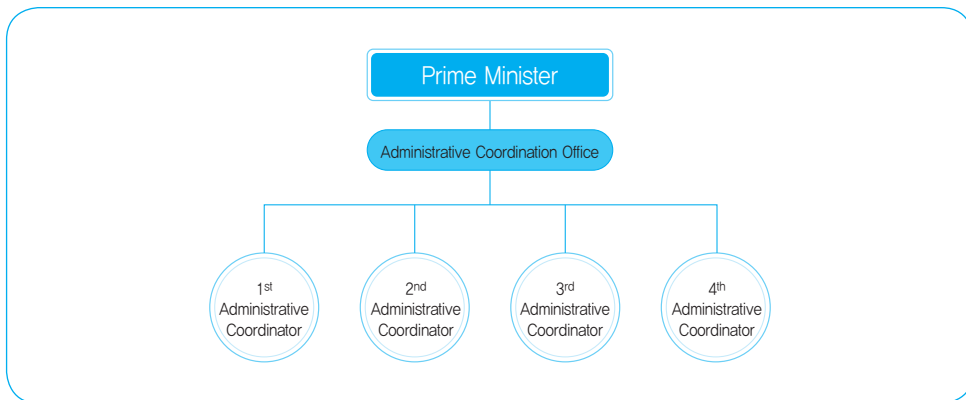
Figure 4-5 | Organization Structure of Administrative Coordination Office in 1989



Source: Prime Minister’s Office, 2003, DaeYong Choi.

In 1989, after the size of the Administrative Coordination Office was expanded, there were changes to the organization structure of the Administrative Coordination Office such as the abolishment of the 3rd Administrative Coordinator and 5th Administrative Coordinator in 1991. In 1994, the examination analysis function of the Economic Planning Board was transferred to the Administrative Coordination Office, and the number of staff was increased to 132. The head of the Administrative Coordination Office was also elevated to the vice-ministerial level and given the authority to preside over Vice Minister Meetings. As mentioned earlier, these Vice Minister Meetings constituted a critical stage in the policy coordination arena. The function of policy coordination was enhanced during this period.

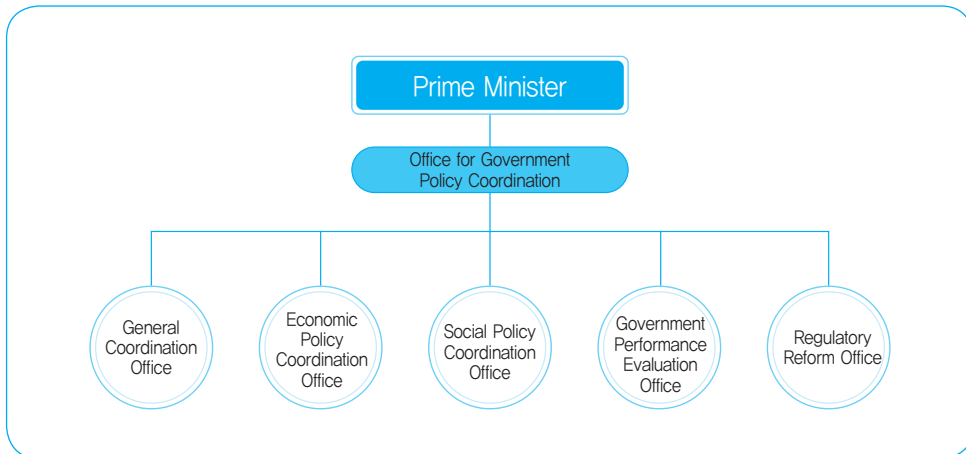
Figure 4-6 | Organization Structure of Administrative Coordination Office in 1994



Source: Prime Minister’s Office, 2003, DaeYong Choi.

In 1998, the Administrative Coordination Office was renamed the Office for Government Policy Coordination, and the organization was elevated from the vice-ministerial level to the ministerial level, indicating that the policy coordination function was further reinforced. With the accumulated experience and elevated status of the organization, the PMO's coordination function was more actively pursued. The Regulatory Reform Office was established to reinforce the PM's regulatory reform function. The role of conducting the State Council Meeting was also transferred to the Administrative Coordination Office from the PM's Secretariat. [Figure 4-7] depicts the organization structure of the Administrative Coordination Office in 1998. A more detailed description of each department can be found in <Table 4-1>.

Figure 4-7 | Organization Structure of Administrative Coordination Office in 1998



Source: Prime Minister's Office, 2003, DaeYong Choi.

Table 4-1 | Division of Labor in the Office for Government Policy Coordination

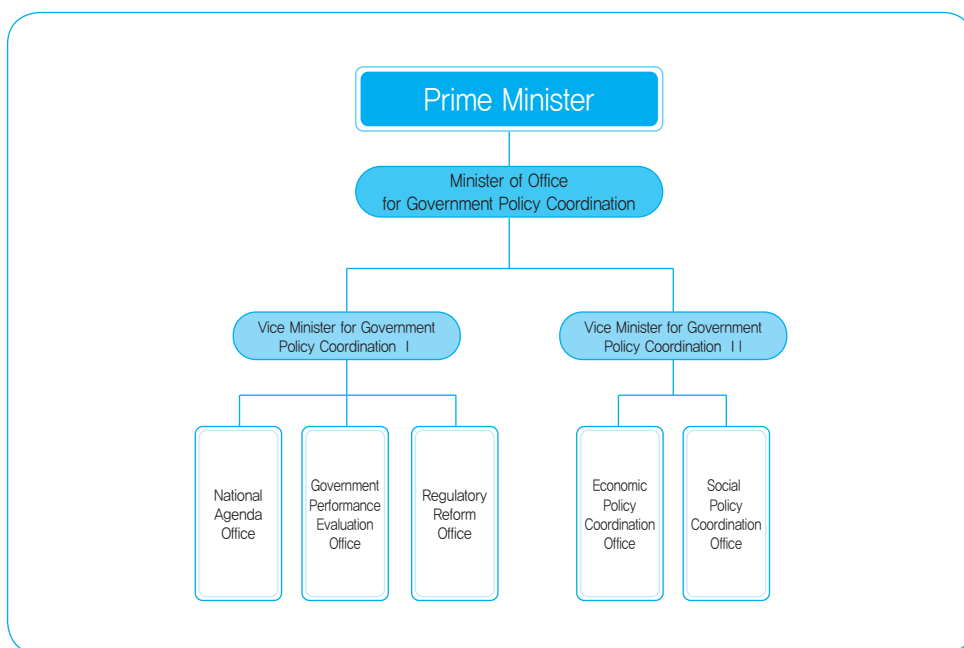
Division	Role Description
General Coordination Office	<ul style="list-style-type: none"> ○ Planning and coordination ○ Operation of State Council Meetings and Vice Ministers Meetings ○ Foreign affairs and tasks related to National Security ○ PR of Government administration, Legislation, and Police
Economic Policy Coordination Office	<ul style="list-style-type: none"> ○ Financial Planning and Budget ○ Industry resource, Information Telecommunication, Science and Technology related tasks ○ Agriculture, Forestry, and Fisheries, Transportation related tasks

Division	Role Description
Social Policy Coordination Office	<ul style="list-style-type: none"> ○ Health and welfare, Labor Relations related tasks ○ Education, Culture, Youth, Women and Veterans relations related tasks ○ Disaster relief, management related tasks
Government Performance Evaluation Office	<ul style="list-style-type: none"> ○ Performance evaluation ○ Anti-Corruption and Public discipline
Regulatory Reform Office	<ul style="list-style-type: none"> ○ Regulatory Reform ○ Public Research Institutes

Source: Office for Government Policy Coordination (2003).

In 2008, the Prime Minister’s Secretariat and Office for Government Policy Coordination Office were merged into the Prime Minister’s Office. In the initial phase, more emphasis was placed on the PM’s resource diplomacy and social integration. However, in the subsequent phase, the function of pan-government policy coordination was revived.

Figure 4-8 | Organization Structure of the Office for Government Policy Coordination in 2008



Source: Office for Government Policy Coordination (www.pmo.go.kr).

Table 4-2 | History of Office for Government Policy Coordination

Division	Date	Description
The Administrative Coordination Office	1973.1.30.	<ul style="list-style-type: none"> ○ The Administrative Coordination Office was established composed of five Administrative Coordinators
	1981.11.2.	<ul style="list-style-type: none"> ○ The 5th Administrative Coordinator was abolished. ○ The number of staff members increased due to a personnel shift following the abolishment of the Office of Planning and Coordination
	1983.3.2.	<ul style="list-style-type: none"> ○ Abolishment of the 4th Administrative Coordinator ○ The Office took additional charge of overall support for the 1986 Asian Games and the 1988 Summer Olympics
	1989.1.30.	<ul style="list-style-type: none"> ○ The 4th and 5th Administrative Coordinators were reestablished and charged with the duty related to audit and inspection and democratic ideology, respectively
	1993.4.9.	<ul style="list-style-type: none"> ○ Abolishment of the 5th Administrative Coordinator
	1994.12.23.	<ul style="list-style-type: none"> ○ 4th Administrative Coordinator reestablished ○ The status of the chief Vice-Minister was conferred on the head of the Administrative Coordination, presiding over the vice-ministerial meetings
The Office for Government Policy Coordination	1998.2.28.	<ul style="list-style-type: none"> ○ The name of the Office was changed to the Office for Government Policy Coordination and the status of the Office was elevated from the level of the Vice-Minister to Minister ○ Regulatory Reform Coordination Office was established
Prime Minister's Office	2008.2.29.	<ul style="list-style-type: none"> ○ Integration of the Office for Government Policy Coordination and Secretariat of the Prime Minister's Office
Office for Government Policy Coordination	2013.3.23	<ul style="list-style-type: none"> ○ Prime Minister's Office separated into the Office for Government Policy Coordination and Secretariat of the Prime Minister's Office ○ Two Vice Ministers in charge of the Office for Government Policy Coordination

Source: Office for Government Policy Coordination (www.pmo.go.kr).

2.2. State Council Meetings and Vice Minister Meetings

State Council Meetings and Vice Minister Meetings are official meetings responsible for deciding important government policies. State Council Meetings feature all State Council members, the President (chairman), and the PM (Vice-Chairman). The State Council Meeting is regarded as an ultimate policy coordination instrument, which the President must

attend before making the final policy decision. State Council Meetings are regularly held once a week, and the bill is passed by a two-thirds majority vote. Although the president is the chairman of the council, the PM nevertheless frequently holds the meeting without the presence of the President. Hence, the PMO arranges policy coordination by conducting the State Council meetings. If there are disagreements and conflicts among the ministries, the submitted policy cannot be passed on as a meeting agenda. Hence, when there are two or more ministries concerned with the submitted policy issue, they consult and coordinate at the Vice Minister Meetings.

State Council Meetings, as the highest policy coordination instrument, formally reviews presidential decrees, enforcement decrees, legal reporting, and decisions concerning the creation of new government projects. These working-level issues covered during State Council Meetings are deliberated and reviewed at the Vice Ministers Meeting. In this regard, some critics argue that the State Council Meetings are perfunctory as all the practical issues are already coordinated prior to the State Council Meetings. However, it is important to note that the State Council Meeting is a coordination stage for reaching the policy decision-making end-state. To officially recognize and finalize any coordination output, Cabinet members and the PM are required to sign off on policy issues passed at the State Council Meeting.

The Minister of the PMO presides over the Vice Ministers Meeting, which acts as a channel for the PMO to demonstrate coordination capacity. The agenda of the State Council Meeting is approved at the Vice Minister Meetings. Hence, many of the practical issues of the State Council Meeting agenda are coordinated at this stage. The Vice Minister Meetings are also held weekly on a regular basis, and the majority of the State Council members should be present at the meeting for it to commence. Decisions are made by a majority vote. Prior to the State Council Meeting, the relevant agenda must be passed at the Vice Minister Meeting. Rejected agenda items are discarded and cannot be passed to the State Council Meeting.

The ministry that intends to pass the agenda needs to consult with other concerned ministries on key issues before submitting the agenda at the Vice Minister Meeting. During this process, the concerned ministry reports and seeks advice from the PMO and the President's Secretariat. If there are serious conflicts or disagreements among ministries, they can request the PM to intervene. In some cases, the concerned ministry reports key issues to the PMO and President's Secretariat in advance in hopes of being able to apply the recommendations and opinions of the PMO and President's Secretariat to the negotiation process with other concerned ministries. Even without a negotiation prior to the Vice

Minister Meeting, and in the event other concerned ministries do not support the planned policy, there is still a mechanism that would allow other ministries to voice their objections during the Vice Minister Meeting.

The organization structure of the PMO is arranged to have connections throughout all ministries. In this way, the PMO can monitor each ministry's key policies and mediate conflicts by taking a neutral and objective stance. This arrangement also maintains consistency and cohesiveness of national affairs.

2.3. Meetings and Committees on Coordination

2.3.1. Meetings on National Policy Coordination

The Meeting on National Policy Coordination, chaired by the PM, consists of government ministers, the Chief Secretariat to the President, and a government party member to coordinate government policy matters. This meeting is conducted on a greater scale and under more flexible circumstances compared to the Ministerial Meeting presided by the PM. Additionally, this meeting highlights coordination by consensus, different from the voting rules of the State Council Meeting and Vice Minister Meeting. Agenda items that are discussed in this meeting include pan-government countermeasures, disaster relief, recovery measures, and adjustments among ministries. The Meeting is conducted similarly to the Ministerial Meeting and presided by the PM. However, this meeting is unique in a way that it pre-coordinates key policy issues at the cabinet level on a regular weekly basis with the PM assuming a more active role. Hence, this Meeting represents the policy coordination function of the PMO. The PMO is responsible for reviewing the agenda, preparing the meeting, and assisting the PM with coordination.

2.3.2. Coordination Meeting in the Prime Minister's Office

There are multiple coordination meetings convened by the PMO such as the ministerial meeting chaired by the PM, vice minister meeting chaired by the Minister of the PMO, and assistant minister meeting chaired by the vice minister of the PMO. Unlike regular meetings, these coordination meetings start at the bottom and gradually move up to the higher levels, reflecting the hierarchical order for coordination. These meetings operate more as a working-level coordination process and rarely involve serious disagreements and conflicts among ministries. If there are disagreements among ministries, the PMO intervenes and presides over the meeting. Unsettled and important agendas are passed on to the Meeting on National Policy Coordination chaired by the PM. This coordinative process is carried out before the regular meeting of the Vice Minister and State Council.

This is only possible due to the PMO's exclusive function in policy coordination and ministry networks. Demand for these coordination meetings arises from various sources such as request from the concerned ministry, media exposure of conflict among ministries, and monitoring. The concerned minister requests coordination and expects the PMO to mediate the conflict between the ministries by taking a neutral and objective stance. This expectation derives from the PMO in having no ties to a particular policy field, as well as its function to supervise at a government-wide level. Given these circumstances, PMO staff is required to have a broad perspective, be quick learners, and demonstrate strategic thinking.

The process of coordination may begin with the Director General of a Bureau to the PM in a bottom-up approach, or it can go in the opposite direction starting with the Ministerial meeting to carry out coordination on a large scale and then proceed to sub-phase meetings to discuss specific details. The process of policy coordination meetings is diverse. For example, coordination may occur at the subordinate stage and end right there—without proceeding to a subsequent stage.

2.3.3. Committees on Coordination

Coordination by committee deals with tasks that involve multiple ministries, calling for long-term approach. Usually what happens is the committee is composed of civilian experts and concerned ministries to work on a particular matter or issues for formulating comprehensive policy plans, which naturally includes matters of policy coordination. In the case of committees chaired by the PM, they work on comparatively big issues such as preparing for the Olympic Games, climate change, energy management, social conflict and an aging society. The committee also invites civilian experts to work on the issue. The PMO assists committees by providing administrative support in general management including inter-ministry coordination. In some cases, the Minister of the PMO serves as the chairman of the working committee.

In the case of the RRC, coordination is facilitated by the co-chairmanship of the PM, which enables direct PMO involvement. Regulatory reform is promoted at a government-wide level to ensure consistency among the ministries and supports the firm establishment of comprehensive and systematic regulatory reform. The process involves the RRC leading coordination by taking into account the divergent views of various ministries and reform levels, effectively putting the Regulatory Reform Coordination Office under the PMO in charge of supporting administrative affairs. In reality, compared to the task of managing conflict among ministries, dealing with opposition from the vested interest groups is one of the most important roles in regulatory reform.

2.4. Types of Coordination Agendas

2.4.1. Agendas on Ex-ante Coordination

Yu and Ha (2010)⁸ defined *Ex ante* coordination tasks as requiring mutual cooperation and a division of roles among ministries. These policy problems rarely manifest themselves regardless of the existence of contention among the ministries. *Ex ante* coordination focuses on efficient ways to solve a problem through mutual cooperation and a division of roles. The tasks include the following: 1) preparing for the Olympics and other international events; 2) managing the United Nations Framework Convention on Climate Change; and 3) researching unemployment issues since the financial crisis, disaster relief support, and emergency management. These tasks are difficult for a single ministry to manage, and so the PMO is responsible for facilitating inter-ministerial cooperation.

Ex ante agendas for coordination are to prepare for, in advance, policy findings or performance. Hence, relationship management and promoting harmony among the related ministries and civilian experts in the committee are important. In this sense, the PMO tends to grant civilian experts more flexibility and autonomy for better results. In some cases, the concerned ministry and experts are dispatched within a certain period of time to form a task force to solve the problem. PMO staff play the leading role as a central coordinating manager and teams up with the dispatched officers. <Table 4-3> provides a description of *ex-ante* coordination tasks and past examples.

8. Yu Chongsang & Ha Mincheol (2010) analyzed 670 policy coordination tasks under the Kim Dae Jung Administration and Roh Moo Hyun Administration and classified the tasks as either an ex ante or ex post coordination task. Through the study, they emphasized the coordination method and strategy, as well as its utilization in the PMO's coordination function.

Table 4-3 | Types, Components, and *Ex-ante* Coordination Agendas

Type of Task	Components	Example
Preparation for International Event	Successful hosting of international event/meeting	2000 ASEM Meeting 2005 APEC Meeting 2002 World Cup
Long Term Policy Task	Respond to international pressure Respond to Science and Technology and Climate Change	Responding to UNFCCC Responding to WTO, FTA agreement Respond to Y2K issue
Disaster /Emergency Management	Large scale disasters and societal issues	IMF Crisis (Unemployment) Disaster Relief Juvenile Protection

Source: Yu Chong Sang & Ha Min Cheol (2010).

2.4.2. Agendas on *Ex-post* Coordination

Yu and Ha (2010) defined conflict control tasks in the PMO as an *ex-post* facto coordination agenda. Conflict management requires much time and resources, and the PMO should monitor and support the concerned ministries and affected parties to reduce social cost and overall loss. Hence, the PMO needs to take an active role in coordinating and managing conflicts. The President granted the PM policy coordination authority to manage conflicts as Korea became more democratized in the 2000s.⁹

The types of *ex-post* facto coordination are as follows: 1) jurisdictional disputes on policy areas such as newly emerged e-governance tasks; 2) issue of postponing difficult tasks such as controlling street vendors; 3) differences in policy orientation and policy objectives; and 4) resource allocation conflicts and expansion of compulsory junior high school education. Even in cases where all ministries agree on the policy objective, conflict arises due to inter-ministerial clashes in the allocation of resources such as budgets and manpower. In this sense, the PMO utilizes coordination meetings to gather the concerned parties. The PMO uses its coordination authority to minimize inter-ministerial conflicts utilizing a step-by-step approach. Below is the table of *ex-post* facto coordination types and tasks.

9. During the Lee Myong Bak Administration (2008–2013), the PMO's policy coordination authority was reduced, and the Presidential Secretariat led policy coordination. Under this arrangement, however, there was no buffer for policy coordination, and serious conflicts arose in management of policy conflicts. Eventually, the policy coordination authority of the PMO was revived.

Table 4-4 | Types of *Ex-post* Coordination Tasks

Type of Task	Factors	Example
Jurisdiction Dispute	Dispute in pre-existing policy area	Budget Adjustment in Microscopic Forensic Investigation (Prosecutor's Office vs. National Police Agency vs. Ministry of Planning and Budget)
	Dispute in new policy area	Adjustment in E-governance task (Ministry of Security and Public Administration vs. Ministry of Information and Communication vs. Ministry of Planning and Budget)
Posponement	Difficulty in problem itself	Control of street vendors (Ministry of Government Administration & Home Affairs vs. Ministry of Construction and Transportation)
	Administrative Vacuum	Legislature issue of North Korean defectors (Ministry of Unification vs. Ministry of Government Administration & Home Affairs)
Difference in Policy Objective	Difference in Policy Orientation	Direct Payment Program for Paddy farming (Ministry of Agriculture and Forestry vs. Ministry of Planning and Budget)
	Difference in view point of policy target group	Prevention of Forest damage (Ministry of Commerce, Industry and Energy vs. Korea Forest Service)
Contestability in Resource Allocation	Conflict in resource expansion	Controversery in outdoor advertisement (Ministry of Security and Public Administration vs. Ministry of Culture and Tourism)
	Avoidance to devote resources	Expansion of compulsory junior high school education (Ministry of Planning and Budget vs. Ministry of Security and Public Administration vs. Ministry of Education)

Source: Yu Chong Sang & Ha Min Cheol (2010).

2.4.3. Result of Coordination

The end result of policy coordination is consensus-building on decision making among relevant stakeholders after undergoing a process of negotiations and discussions. An *Ex-ante* coordination agenda involves mutual cooperation and the division of tasks among concerned ministries to facilitate policy promotion and reach the ultimate policy objective. Success in preparation for an international event, responding to climate change, creating a long-term policy framework, and disaster management relies on the establishment of inter-governmental cooperation and collaboration for policy performance.

Yu and Ha (2010) analyzed the results of *ex-post* coordination activities focused on conflict management. According to the analysis, 492 out of 571 (86%) tasks reached their coordination objective, 49 tasks (9%) resulted in postponement, and 30 tasks (5%) were handed over to the Presidential Secretariat or State Council. The analysis concluded that the PMO was successful in coordinating more than 80% of the conflict tasks. Yu and Ha (2010) evaluated the overall performance as a positive result of the PMO's years of accumulated policy coordination capacity that helped to mitigate conflict among ministries. This evaluation can be regarded as a strong rebuttal to the argument that the PMO should have a weaker coordination role because it lacked a powerful budget and human resource authority (Lee, 1993; Jeong 1993; Park, 2000; Lim, 2004).

In fact, the successful performance of the PMO given the absence of powerful budgetary or personnel authority can be considered a testament to the ability of the PM and PMO to meet its objectives possessing only official coordination authority. Through various coordination meetings and committees, the PM and PMO successfully coordinated conflict tasks. There are many methods and strategies employed in the PMO's management of coordination tasks.¹⁰

First, through multiple debates, the PMO was able to review the policy alternatives and point out relevant problems. The PMO then meticulously amended the alternative policy as needed (Kim, 1995; Ha & Yoon, 2010; Yu & Ha, 2010). Second, the PMO offered a superordinate value or alternatives in tasks where competition was rife among the ministries. The PMO highlighted a pan-government perspective in policy objectives to solve the conflict (Kim & Shin, 1991; Ha & Yoon, 2010; Yu & Ha, 2010). Third, the PMO forced relevant ministries to accept policy alternatives by leveraging the authority of the President. In the traditional centralized Presidential system, one person in power has the dominant influence over government ministries. Henceforth, the PM can offer coordination alternatives through communication with the President (Lee, 199; Kim & Shin, 1991; You & Ha, 2010). Fourth, in the case of severe conflict, the PMO takes the leading role in bringing together other neutral ministries to devise new policy alternatives. Fifth, in cases where there are multiple conflicts, the PMO divides them up and prioritizes according to level of difficulty. In cases involving a conflict in the legislation process, the PMO takes into account sessions of the National Assembly and State Council Meetings and sets a deadline to facilitate negotiations between the arguing ministries.

10. Subjective assessment through interviews with officials of the Prime Minister's Office.

3. Policy Coordination and Regulatory Reform System

When developing policies that involve multiple ministries, policy coordination takes place to resolve conflicts in policy orientation and overlapping roles among ministries. The PMO is in charge of policy coordination. Regulatory reform, which emerged as a relatively new policy issue, requires the participation of all ministries and buy-in. By definition, regulatory reform usually refers to the downsizing or altering of a regulatory authority. Therefore, there is little motivation for a regulatory ministry to promote regulatory reform on itself. Even when regulatory reform is a government-wide initiative, the ministry currently possessing that regulatory authority could at best have a passive disposition toward the reform. In this regard, the role of the reform driver is critical to promoting regulatory reform.

At the time of drafting the regulatory reform legislation, the government faced many challenges. The government needed to devise a system that reflected the demand of civilian regulatory reform, the expert's regulatory reform techniques, and cooperation among government ministries. In addition, although many government ministries agreed on the urgency for regulatory reform, they opposed regulatory reform legislation. They argued that the regulatory review process limited the government's policy decision authority and worked against the government. These arguments, however, were relatively weak compared to PM Koh-Gun's commitment to and rationale for regulatory reform. Regulatory reform was viewed as a breakthrough medium for overcoming the economic crisis, reflecting the demands of the private sectors, and strengthening national competitiveness. His commitment to regulatory reform was made clear the day he became the PM. His rationale for regulatory reform was strong enough to persuade ministries and companies.

At the next stage, ministries raised the issue of a policy coordination authority. There was tension among various groups. One group insisted that the Ministry of Finance and Economy¹¹ (having authority over economic policy and the budget) should lead regulatory reform. Another group argued that the Ministry of Government Administration¹² (having authority over administrative regulation and institutional reform) should lead regulatory reform. On the other hand, there was another group that proposed the Ministry of Government Legislation should lead regulatory reform (having authority over regulation legislation review). Lastly, civilian experts claimed the establishment of an independent regulatory reform institution. Considering the diversity of these views, the final result was the establishment of the Regulatory Reform Committee (RRC) under the Prime Minister's

11. Renamed the Ministry of Strategy and Finance.

12. Renamed the Ministry of Public Administration and Security.

Office and co-chaired by a civilian expert to represent the needs of the private sector and minimize the bureaucratic influence. In sum, the regulatory reform system was established to be closely linked to the policy coordination authority.

The PM has supervision authority over government ministries, and the PMO has policy coordination authority. The organization structure of the PMO is such that it oversees central administration and management, analyzing and assessing policies in regards to pending problems and conflicts. The staff of the PMO handles tasks with a broader and objective perspective to gain trust from other government ministries in regards to the policy coordination authority.

The PMO is in charge of implementation of regulatory reform tasks to utilize the PMO's policy coordination function and staff's capacity. The Regulatory Reform Office is responsible for devising regulatory reform meeting agendas and coordination. This process also involves devising regulatory reform plans reflecting civilian demands and administrative management. The PMO accepted diverse reform demands and recommendations from experts to manage the reform plan in a systematic and objective manner. In this sense, there was a strong consensus in the civilian led RRC.

The PMO was successful in working with the civilian-led PCAR. Based on this experience, the PMO was able to supervise regulatory reform tasks. In establishing the regulatory reform system, the PM played a leading role and integrated the PM's policy coordination function to reduce the trial and errors of regulatory reform promotion (Choi, 2004)¹³. Demonstration of the PMO's policy coordination derives from the PM's supervision of ministries. Put simply, the PMO relies on the President's trust and support for the PM. To overcome the 1998 IMF crisis, the President showed a strong commitment to promote regulatory reform and empowered the PMO to support regulatory reform. Through this efficient mechanism, half of existing regulations were eliminated.¹⁴

The RRC was led by civilian members to devise a regulatory reform plan through discussions with government officials from the central administrative agency and officials from the local government. Through these discussions, there was little resistance to the

13. When the RRC was launched in 1998, the former director of PCAR was appointed as officer of the Regulatory Reform Office. The RRC also consisted of several former PCAR staff.

14. In 1998, JeongHaeJu, Head of the Office for Government Policy Coordination, put together a weekly regulatory reform status report for the President.

regulatory reform plan. This mechanism was implemented through insight gained from operating the PCAR where coordination was most efficient with the participation of relevant stakeholders compared to the traditional bureaucracy-led authoritative policy coordination.

The PMO also invariably supported the RRC from the administrative perspective by drafting basic guidelines and principles of regulatory reform to ensure consistent and coherent policy. For example, during a review of existing regulations, the PMO assigned more resources and manpower to meet the target. At that time, the reform principles and target were indiscriminately applied at all ministries like a guillotine. This strategy was analogous to shock therapy as every regulation in existence underwent a thorough review. In 1998, the government reviewed all existing regulations and eliminated excessive government intervention and anti-competition regulations. This was also the result of the PMO's commitment to meet the target set by the President.

2014 Modularization of Korea's Development Experience
The Regulatory Reform System and Policy Coordination in Korea:
A Guillotine Rule of Regulatory Clearance
for Economic Crisis Management

Chapter 5

Operation Result of Regulatory Reform System

1. Organization Structure of Regulatory Reform System
2. Major Activities of the Regulatory Reform Committee
3. Regulatory Reform and International Cooperation
4. Performance of Regulatory Reform
5. Limits of Regulatory Reform

Operation Result of Regulatory Reform System

1. Organization Structure of Regulatory Reform System

The RRC based on BAAR is a core part of the regulatory reform system. The BAAR stated that a Regulatory Reform Committee would be established under the jurisdiction of the President to deliberate upon and coordinate the Government's regulation policies as well as to comprehensively carry out matters concerning the examination and revision of regulations (BAAR, 2010). The major function and role of the RRC are as follows:

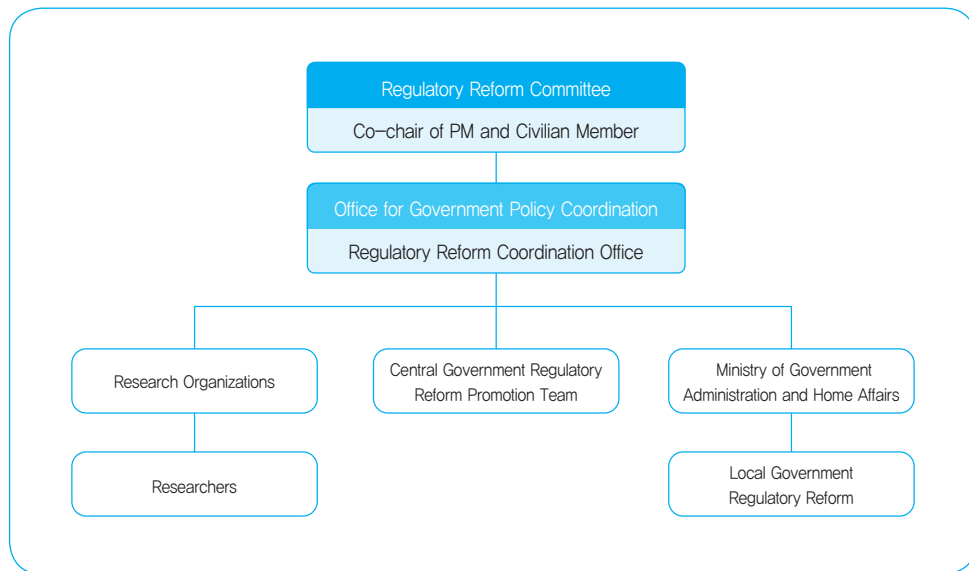
- i. Determining the basic direction of regulatory policy and research/development of regulatory systems
- ii. Evaluating new regulations and those to be strengthened
- iii. Evaluating existing regulations, drafting and executing comprehensive regulatory reform plan
- iv. Registering and publicizing regulations
- v. Inspecting and evaluating actual regulatory reform progress at each administrative level

The RRC consists of 15 to 20 members—mostly civilians in addition to several official ministers, attesting to the emphasis on private sector perspectives. In practical terms, the civilian chairman usually presides over meetings of the RRC in a co-chaired capacity with the PM, in which civilian members play dominant roles in operating the RRC, including discussions and decision making. This approach is really demand-oriented, reflecting the feedback of civilian members to existing regulations and, in particular, encouraging market

competition and entrepreneurship to overcome the economic crisis. Early on, the RRC became known as an impressive and influential institution. It was also a good strategy to link the RRC with the function of policy coordination of the PMO under the auspices of the PM.

The term of RRC members is two years, and they may be reappointed only once. The RRC adopted the majority rule when decision making, but in most cases, they sought consensus and agreement. Restrictions on the term of reappointment can be seen as a reflection of the effort to adopt diverse and new ideas from the private sector. In dealing with matters of regulatory reform, the RRC took into consideration the affected groups' views, including the private sector and the professional input of relevant third parties. The process of formulating regulatory reform proposals includes the RRC's efforts to coordinate the diverse perspectives and positions of stakeholders. Each ministry has a regulatory reform unit working with the RRC.

Figure 5-1 | Regulatory Reform Committee Structure



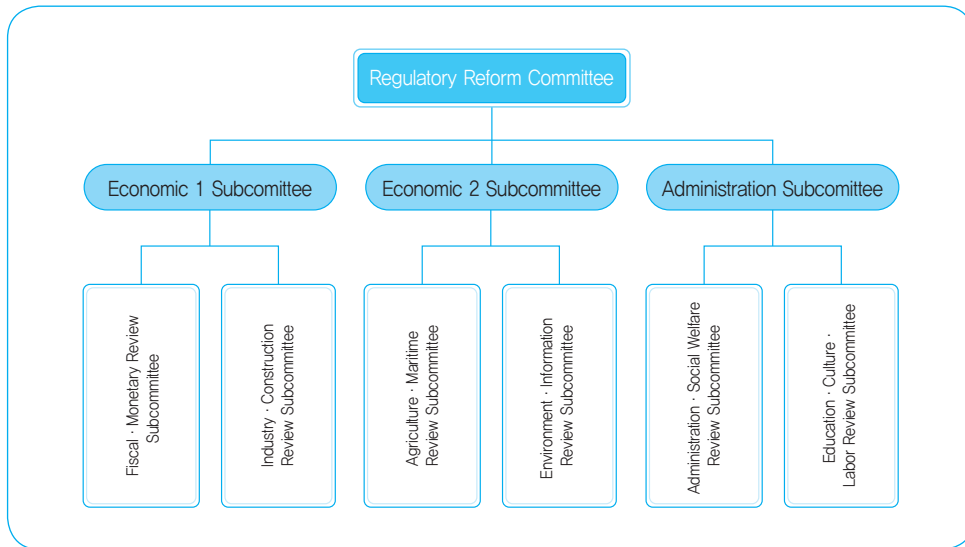
Source: White Paper on Regulatory Reform (1999).

In order to efficiently carry out tasks, the RRC arranged full committee meetings and sub-committee meetings by sector and function. Sub-committee meetings are usually held before the full committee meeting. More discussions and coordination occurred during sub meetings. Full meetings involved discussion and decision making based on the results of sub meetings. In the case of regulations that were determined to be significant, defined as having a regulatory financial impact of more than 10 billion Won per year and affecting more than one million people, they had to go through both sub and full meetings. In the case of other non-significant regulations, the case was concluded at the sub meeting.

The organization structure of the RRC focused on eliminating existing regulations in 1998. There was indiscriminate elimination of regulations that did not meet certain socio-economic conditions. This work required diverse expertise and a strong commitment. Expertise was sought by the RRC from invited researchers and junior professors from government think tanks and the academia who assisted on a part-time basis. Such an unprecedented level of collaboration is also a reflection of the urgency of regulatory reform at the time. The PMO's capacity to network and cooperate with the entire ministry contributed to making the reforms possible.

To facilitate efficient regulatory reform, the RRC established three sub committees. In the sub committees, ten expert committee members were invited to conduct research and review reform plans submitted by each ministry (White Paper on Regulatory Reform, 1999). [Figure 5-2] illustrates the RRC operation structure in 1998. As seen in the figure, the organization included the Sub-committee on Economic 1, Sub-committee on Economic 2, and Sub-committee on Administration in the RRC. As mentioned previously, there were six review units temporarily established to review the regulatory reform plan for each ministry. The Sub-committee on Economic 1 covered the fiscal, monetary, industry, and construction reviews. The Sub-committee on Economic 2 covered the agriculture, maritime, environment, and information reviews. The Sub-committee on Administration covered the general administration, social welfare, education, culture, and labor reviews.

Figure 5-2 | Organization Structure of Regulatory Reform Committee



Source: White Paper on Regulatory Reform (1999).

The central and local government regulations were reviewed annually for rationality and quality improvement. The newly established regulations would undergo a rationality and feasibility check through the RIA. The Minister of the PMO can check whether or not regulatory reviews are reflected in the process of chairing the vice minister meetings (Kim, 2003). In addition, as illustrated in [Figure 5-2], the Kim Dae Jung Administration concentrated on regulatory clearance by reinforcing review capacities and manpower for transforming the regulatory regime suitable to the market driven economy.

2. Major Activities of the Regulatory Reform Committee

2.1. Review of Existing Regulations

In April 1998, the RRC was established. Its primary objective was to reform regulations to promote a business-friendly environment and quality of life. Hence, regulatory reform attempted to conduct a full-scale reform of existing regulations starting from the ground level. Important guiding principles were as follows: 1) elimination of regulations that restricted competition and did not meet global standards and norms; and 2) enhancement of the quality of regulations in areas related to social values such as the environment, safety, and public health (White Paper on Regulatory Reform, 1999). Each ministry had to self-

review its regulations according to reform principles and submit the plan to the RRC. This illustrates that regulatory reform was based on several goals: 1) strengthening national competitiveness; 2) expansion of civilian autonomy and creativity; 3) enhancing quality of life; 4) eliminating sources of corruption by regulations; and 5) adopting globalized standards and norms (White Paper on Regulatory Reform, 1999).

In May 1998, the RRC delivered these regulatory review guidelines to 35 central government agencies and instructed the relevant ministries to reform their regulations in June. In late July, the review plan was to eliminate 1,974 (18%) of 10,911 regulations and improve 2,730 (25%) regulations. From August to early October, the RRC examined the reviewed drafts of the ministries. The RRC tried to then eliminate 34% of existing regulations based on the drafts of the ministries. The RRC reported the results to President Kim Dae Jung. The President did not accept the report because it did not satisfy the clear target of eliminating 50% of existing regulations (State Council Meeting, 1998).

Box 5-1 | Guillotine Style of Regulatory Clearance

Korea was very gloomy and almost in despair in January 1998. There was no way to avoid painful reforms and structural adjustments having just been bailed out by the IMF and escaped a national default. Consequently, banks and companies went bankrupt, and the number of unemployed and homeless multiplied. The new President Kim, Dae Jung, took office in February, greeted by a heavy burden and urgent tasks rather than congratulatory flowers and well wishes. His first assignment was to undertake state reforms for overcoming the economic crisis, which was a truly urgent and challenging task for survival. Regulatory reform was among the radical reform packages.

Fortunately, Korea was ready to undertake regulatory reform institutionally and drastically having enacted the BAAR in 1997. Its enforcement was assigned to the new President inaugurated in February. He rapidly launched the implementation of regulatory reform by announcing the presidential decree in March and establishing the RRC in April. The PMO, in which the "Coordination Office for Regulatory Reform" was newly established and mainly staffed by the Secretariat to PCAR, was responsible for the administrative steps for establishing the RRC, basic policy and guidelines for the regulatory reform work. In a sense, path-dependency might in part be attributed for the success of Korea's reform experiences and know-how of PCAR.

The first step of the new Government was to eliminate existing out-dated regulations and tackle policy regulations for overcoming the crisis and economic recovery. There were lists of reform agendas that had been attempted but unsuccessfully reformed in the past. The RRC undertook such critical reform missions.

On May 12, 1998, the Minister of the PMO reported to the President that the RRC examined all existing regulations from the ground level and was reforming critical policy regulations rapidly and radically. The President was interested in and set as a high priority regulatory reform as he expressed his strong will to conduct regulatory reform drastically and comprehensively by calling for a government-wide effort to concentrate on reform efforts. Reform had traditionally and institutionally been led by bureaucrats, except in this case where the strong drive originated with the President himself. The Minister of the PMO, at the President's order, had the authority to push the entire ministry to undertake radical reforms.

On June 17, the Minister of the PMO reported an integrated reform plan that was made up of proposals collected from ministries, culminating in the objective of eliminating 30% of existing regulations. President Kim was not satisfied with the plan, however, having come up far short of his expectations, and redirected the target to reform 50% of regulations within the year. At that time, people understood the 50% reform target as to also include improvement of regulations. To clarify, the President used ministerial meetings as repeated opportunities to stress the target of abolishing 50% of regulations. Furthermore, he emphasized his belief that too much regulation was more harmful to society than no regulation; and therefore regulatory clearance would have minimal side effects.

When the Minister of the PMO submitted to the President a policy evaluation report on August 5, this caused the President again to stress his strong will to achieve the 50% elimination goal by the end of October. In practice, this regulatory clearance work started in May and concluded in end-July. The result was just a 25% reduction, which was far short of the target of 50%. To meet the target, the PMO heightened the intensity of the work by adding manpower from PMO staff, including civilian experts, to concentrate on reviewing and raising the performance of clearance plans submitted by the ministries. This renewed reform impetus resulted in consecutive review meetings, including a tug of war between ministries and many long nights at the office in the heat of summer.

On October 12, the President emphasized again the importance of meeting the target because regulations were also vulnerable to corruption. And so on this occasion, Korea should make the anti-corruption effort of regulatory clearance. The RRC finally managed to eliminate 5,430 (49%) out of 12,125 regulations by holding 48 expert review meetings, 46 sub-RRC meetings, and 9 full RRC meetings from May to October of that same year. This guillotine style of regulatory clearance indeed had a remarkable impact on reform performance and the radical and comprehensive regulatory system overhaul.

Source: DaeYong Choi.

President Kim frequently inquired with the Minister of the PMO on the performance of regulatory reform. He also highlighted regulatory reform to enhance government efficiency, effectiveness, and national competitiveness. Granted, he understood the difficulty of regulatory reform because of resistance from vested interest groups and regulatory politics. Nevertheless, he was steadfast in his commitment to and support for reform work. He was particularly aware of the timing—he displayed great passion for regulatory reform during the early, or political “honeymoon,” period of his administration, which would have a greater impact overall despite the ongoing economic crisis at the time.

In order to achieve the goals of the administration, the RRC and PMO hired more civilian experts and reviewed the regulatory review plan from each ministry. They especially focused on the rationale of promoting market competition. Through the review, 5,430 (49%) out of 11,125 regulations were eliminated, and 2,411 (22%) would be improved. At the ministry level, 8 ministries, including the Ministry of Agriculture and Ministry of Health and Welfare, submitted a 50% elimination plan. There were 18 ministries, which also reviewed and put forth a plan to eliminate 50% of their respective regulations. About 9 other ministries were unable to meet the 50% elimination plan, including the Ministry of Environment, Ministry of Legislature, and Ministry of Foreign Affairs and Trade, because of requirements having to do with global standards, fair competition, and public safety.

In 1998, According to the regulatory review plan, a proposal to abolish 23 acts (Merchandise Coupons Act and family ritual related acts) and 340 revised acts was submitted to the State Council. An additional four revised acts, including the Attorney-at-Law act, were submitted to the State Council in 1999. Such sweeping regulatory reform was possible due to wide public support, the President’s leadership, and the country’s implementation capacity. Clearly, public support and the President’s firm leadership are important factors in regulatory reform.

Table 5-1 | Results of the Regulatory Review Plan in 1998

(Unit: no. (number))

Division	Total number of Regulations	Elimination (%)	Improvement (%)	Maintenance (%)
Ministerial Self Review Plan	10,911	1,974 (18.1)	2,730 (25.0)	6,207 (56.9)
Result of RRC Review	10,968	3,681 (33.6)	3,263 (29.7)	4,024 (36.7)
Result of President’s Instruction	11,125	5,430 (48.8)	2,411 (21.7)	3,284 (29.5)

Source: White Paper on Regulatory Reform (1999).

2.2. Review of Core Regulations

In order to revitalize the economy, the RRC selected key issues and prioritized regulations in these areas. The key issues were as follows: 1) revitalization of foreign investment to increase national competitiveness and economic growth, and reducing obstacles to business activities in financial services/distribution/free trade; 2) necessity of reforming overly complex, packaged regulations involving multiple legislations and ministries; and 3) high demand for regulatory reform from civic societies and corporations.

The PMO collected regulatory issues that had been raised in the past, as well as compiled the opinions of civic and economic organizations. The PMO analyzed opinions and proposals and made a list of key regulatory reform areas. The RRC selected the key tasks and launched reform proposals with assistance from civilian experts and officials. In addition, the RRC was closely working with research institutions and government think tanks to put together reform proposals on the key issues. Once the draft of the reform proposal was complete, the RRC took steps to implement by consultation and discussion with the affected groups, including the related ministries at the sub-RRC meetings and General RRC meetings. The PMO supported this process by facilitating ministerial consultations and coordination.

Highly demanded reform areas including core regulations were summarized as follows: 1) entry barriers in the financial service sector; 2) restrictions on foreign direct investments; 3) restrictions on housing construction; 4) revitalization of venture businesses and start-ups; and 5) supply-centered regulations in professional services. From 1998 to 1999, 60 tasks were selected as key areas for regulatory reform, which had previously been in the hands of strong bureaucrats. First, the RRC lowered the entry barriers in the financial service sector by lowering the required initial capital in securities commission sales (from 10 billion Won to 3 billion Won) and the investment consulting business (from 10 billion Won to 5 billion Won). It also alleviated reporting requirements, simplified the registration process for foreign financial institutions in Korea, and significantly liberalized regulations on foreign exchange transactions.

Box 5-2 | Demand-centered Regulatory Reform is Policy Coordination

It was important that the RRC showed significant progress in launching reform work. The RRC took initiatives in tackling policy regulations that were regarded as sanctuaries in the hands of bureaucrats. It was not an exaggeration to say that these regulations were a core part of policies considered off limits to civilian members of reform bodies because of the heavily entailed bureaucracy. Most of these regulations were formed in a supply-oriented way and seemed to work in the interest of suppliers. The RRC paid attention to these regulations on such areas as financial service, start-up businesses, and housing construction, and selected these regulations as key areas for reform. Furthermore, the RRC took initiatives in formulating reform measures by setting reform guidelines.

A list of such reforms was already prepared. The RRC set reform agendas that were tackled by civilian reformers in the past. However, these were long-standing issues raised by industries and economic associations. The RRC took advantage of the crisis in radically reforming these areas and prioritizing this area of reform. RRC members were directly engaged in formulating the reform drafts as project managers who set guidelines for reform and examined alternatives by discussing them with the concerned ministries and affected groups. Once the reform proposals were set, they were communicated to the related ministries, which sometimes submitted drafts of reform measures to reflect their ministries' respective positions. The RRC, in this case, reviewed the drafts for appropriateness. In other cases, the RRC directly formulated reform proposals and discussed them with related ministries and the affected groups before making decisions. It was important for ministries to have their regulations on the reform agendas because the RRC intended to reform these regulations for encouraging market competition by lifting both entry barriers and protections for vested interest groups.

Policy regulations were no longer a sanctuary against civilian reformers in terms of crisis management. For economic recovery, significant regulations in housing construction such as price caps and licenses were saliently deregulated. At this time, major deregulation on housing construction, financial services, and venture businesses were conducted rapidly and radically for economic recovery. For example, to promote entrepreneurship and start-up businesses, the RRC suggested reform proposals to eliminate or lower entry barriers and compulsory requirements such as initial capital, industry areas, facilities, qualifications, and manpower. However, ministries were also concerned about such deregulation because of possible confusion and excessive competition during the transitional period. Dealing with these reform measures was a process of policy coordination between the RRC and ministries to reach agreements on reform decisions. The PMO played a pivotal role in coordination between the ministries and for promoting the reform effects.

The RRC played a reviewer role in eliminating existing regulations. However, for reforming policy regulations, the RRC played more of a coordinative and leading role in persuading and reaching agreements with ministries on selecting reform agendas and setting guidelines.

Source: DaeYong Choi.

Second, restrictions on foreign investment was lifted by up to 50%. There was liberalization of exchange transactions between foreign accounts and a minimized registration process for foreign investors' investment in stocks and bonds by integrating ID systems and allowing off-board transactions of sales and purchases of bonds. In the case where a foreigner held a 10% share of a domestic corporate stock, he no longer needed approval from the board of the company. In addition, there was an expansion of M&A activities. The government facilitated M&A activity by changing the approval system to a registration system. Only in exceptional cases did the acquiring firm related to the defense industry need to be approved. Restrictions on foreigners' real estate acquisition were also lifted by changing the acquisition process from an approval system to a registration system.

Third, housing-related industry regulations were reformed. At that time, the housing market was hampered by regulated housing prices and reduced competition among businesses. Reform measures in housing industry regulations liberalized housing prices in the metropolitan area and implemented competitive bidding on the price of public housing site development. In order to expand the supply of public housing site developments, the government deregulated restrictions on regional competition and facilitated the participation of high quality construction companies that possessed strong capacity and resources. Furthermore, competition was encouraged by converting the construction license system to a registration system, while the re-registration process was eliminated to lower the entry barrier of the construction sector.

Fourth, there was strengthening of financial support and loan discounts to revitalize venture start-ups, advocate entrepreneurship, and create jobs. Key examples of regulatory reforms are as follows: 1) to deregulate venture start-up capital from fifty million Won to twenty million Won; 2) to offer more incentives and credits to professors or researchers for venture start-ups; 3) to allow business and factory registration permits when establishing lab research centers; 4) to deregulate individual investment consulting business requirements from 10 billion Won to 10 million Won; and 5) to expand venture start-ups by certifying pre-entrepreneurs.

Fifth, there was a need to reform regulations surrounding professions such as lawyers and certified public accountants who exercised significant control over price and supply of the service. The RRC put forth recommendations regarding professional certificates, automatic recognition of public officials' careers, and business registration. Major contents of the recommendation were as follows: 1) market approach to the number of new entrants based on demand and supply for professionals instead of quotas set by the associations; 2) stricter criteria for government officials acquiring relevant professional certificates; 3) more convenient business registration process, including deregulating the number of professionals and eliminating standards for office size, number of staff, and mandatory association memberships; and 4) government reclaims the right to take disciplinary action regarding professional association memberships. These changes constituted key examples of how regulatory reform addressed long-standing issues and vested interest groups.

Successful fulfillment of these key tasks was contingent upon a strong commitment and clear objectives—especially in influencing the opposition. The RRC put forth efforts to formulate reform proposals with the objective of overcoming the financial crisis and improving the quality of life by collecting opinions and ideas from the ministries, interest groups, businesses and experts through discussion and coordination. This effort was able to facilitate reform work with broad support from the general public, businesses and the government.

2.3. Regulatory Registration and Publication

In order to efficiently and transparently manage regulations, a regulatory registration process was introduced. Based on BAAR, central ministries have to register the name, content, legal basis and administering agency of a regulation under his or her jurisdiction with the RRC. As a result, all registered regulations were disclosed to the general public. All administrative regulations are under the registration scope, and new regulations or amended regulations need to be registered within 30 days of the law's promulgation. Information contained in the regulation registration includes the name and content of the regulation, legal basis, administering agency of the regulation under his or her jurisdiction, and the effective date of the regulation. Registering all of the regulations is effective in creating a database to efficiently and transparently manage the number and quality of regulations.

Figure 5-3 | Regulatory Registration Form

Administrating agency			
Registration number		Registration date	
Name of regulation			
Responsible organization			
Legal basis	Legal act		
	President decree		
	Prime Minister decree		
Sector		Category	
Date of law enforcement		Reason for registration	
Date of regulation enforcement		The deadline for existence	
Regulatory Objective			
Regulatory Content			
Regulatory Standard		Related Document	
Processing Procedure		Processing Time	
Changes after registration			

Source: White Paper on Regulatory Reform (1999).

In order to manage the registration of regulations, the government set up an online database for systematic classification. Regulations were categorized according to the code of the administering agency, nature, and type. The RRC designated the appropriate category based on the regulatory institution such as a government ministry or sub-ministry level

agency in accordance with the classification of the government organization list applied to the public documents distributed.

Table 5-2 | Code by Administrating Agency

1. Central Administrative Organization	
11: Central Administrative Organization (Headquarter)	12: Administrative Agency Affiliation
13: Central Administrative Organization	
2. Local Government (including Educational Organizations)	
21: Metropolitan City·Do	22: City·Gun·Gu (Eup·Myeon·Dong)
23: City·Do/City·Gun·Gu	24: Educational Organization
25: Fire Department, Other	
3. Entrustment	
31: Entrustment of Association	
4. Multiple Processing Organization	
41: Central/Local Government	42: Central/Local Government/Association
5. 99: Other	

Source: White Paper on Regulatory Reform, 1999.

Based on the classification of the Statute Book edited by the Ministry of Government Legislation, regulatory registration was categorized in <Table 5-3>.

Table 5-3 | Code by Category

Code	Category	Division by Statute Book	Code	Category	Division by Statute Book
11	General Administration	Chpt 1~5	35	Trade	Chpt 28 part 4
12	Nationality, Immigration	Chpt 7 part 4	36	Industry	Chpt 28 (exclude part 4), Chpt 29
13	Judicial Affair	Chpt 7 (exclude part 4)	37	Industrial Property	Chpt 30
14	Civil Affair	Chpt 8	38	Energy	Chpt 31~32
15	Criminal Correction	Chpt 9	39	Urban Land Development	Chpt 33

Code	Category	Division by Statute Book	Code	Category	Division by Statute Book
16	Local Administration	Chpt 10 (exclude part 4 act 3)	41	Housing Construction	Chpt 34
17	Police/Traffic	Chpt 11	42	Land Use	Chpt 35 part 3
					Chpt 10 part 4 act 3
18	Fire station /Civil Defense	Chpt 12	43	Construction	Chpt 35 part 4
19	Military Affair	Chpt 13	44	Water Resource	Chpt 35 (exclude part 3, 4)
21	Veteran Affair	Chpt 15	45	Health/Hygiene	Chpt 36 (exclude part 3)
22	Physical Education /Youth Development	Chpt 16 part 7	46	Medical /Pharmacist	Chpt 36 part 3, Chpt 37
23	Education /Academia	Chpt 16 (exclude part 7)	47	Social Welfare	Chpt 38
24	Culture /Information	Chpt 17	48	Environment	Chpt 39
25	Science /Technology	Chpt 18	49	Labor	Chpt 40
26	Financial Economy	Chpt 19	51	Tourism	Chpt 41 part 5
27	Resale	Chpt 20~22	52	Transport Logistics	Chpt 41 (exclude part 5)
28	Currency	Chpt 23	53	Maritime/Port	Chpt 42
31	Agriculture	Chpt 24	54	Information and Communication	Chpt 43
32	Livestock	Chpt 25	55	Foreign Passport	Chpt 44
33	Forestry	Chpt 26	99	Other	
34	Fisheries	Chpt 27			

Source: White Paper on Regulatory Reform, 1999.

There are also registration codes assigned according to the administrative measures such as license, permit approval, testing, inspection, and reporting, which are based on the nature of regulations. These regulatory measures can be divided into three categories. First, there are administrative measures of regulations that have certain standards and requirements. This type includes permits, licenses, approvals, appointments, and inspection. The second

type is on monitoring and evaluation such as exemptions, cancellation, enforcement, investigation, and administrative punishment (e.g., imposing fines and cancellation of business). The third type is obligations and duties such as reports, registration, notification, data, and performance to submit.

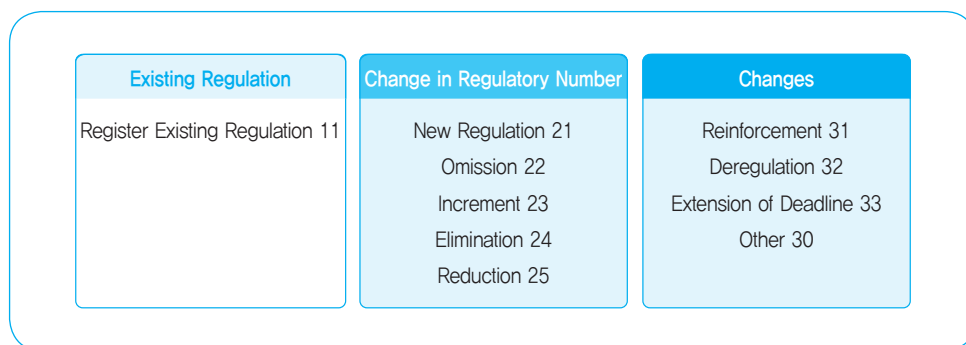
Table 5-4 | Code by Regulation Type

Type	Code Number	Type	Code Number
Permit	111	Administrative Order Punishment	215
Authorization	112	[Suspension of business, fines, penalties]	
License	113		
Patent	114		
Approval	115	Administrative Punishment	216
Designate	116		
Recommendation	117	Other	210
Agreement	118		
Etc	110		311
		Report Obligation	312
Test (inspection)	121	Registration Obligation	313
Examination	122	Employment Obligation	314
Certification	123	Notification Obligation	315
Confirmation	124	Obligation to Submit	316
Proof	125	Restriction	317
Other	120	Set standard /Disclosure of Standard	
Exemption Cancellation	211		
Correction, Revision	212	Prohibition	318
		Other	310
Guide (oversight, recommendation)	213		
Inspection (check, censorship)	214		

Source: White Paper on Regulatory Reform, 1999.

The RRC considered ways to effectively manage regulatory changes such as new regulations, strengthening of regulations, and elimination of regulations. One of the methods was to track the regulatory change process. In other words, upon initial registration, the regulation would be registered as a “new regulation,” and if there was any change made in the future, a history of changes would be recorded in that regulation.

Figure 5-4 | Code by Regulatory Establishment (Change) Status



Source: White Paper on Regulatory Reform, 1999.

In August 1998, when the first regulatory registration took place, there were a total of 10,717 registered regulations. After merging similar regulations, there was a reduction in regulations to 5,186 in December 2008. In 2009, there was a sudden increase in the number of regulations to 12,905 due to overall review work of unregistered regulations (White Paper on Regulatory Reform, 2009). After 2009, there was an increased number of regulations due to a continuous search for unregistered regulations, re-categorization of preexisting regulations, and newly added regulations due to social and economic changes (White Paper on Regulatory Reform, 2013).

Table 5-5 | Annual Status of Registered Regulations

(Unit: the number of regulation)

Year	1998	1999	2000	2001	2002	2003	2004	2005
Number of Regulations	10,372	7,294	6,912	7,248	7,546	7,707	7,827	8,017
Year	2006	2007	2008	2009	2010	2011	2012	2013
Number of Regulations	8,084	5,116	5,186	11,050	12,120	13,147	13,914	14,796

Source: White Paper on Regulatory Reform, 1999~2006.

2.4. Ex ante Review of New and Amended Regulations

When the head of a central administrative agency intends to establish a new regulation or reinforce existing regulations, he has to conduct an RIA and submit the findings. Based on the results of the RIA, the regulator makes decisions on the target, scope, and method of regulation. With the introduction of BAAR (Article 7, Section 2), the administrative agency that intends to establish a new regulation or amend existing regulations has to reflect the opinions of the relevant experts and conduct a self-review on the feasibility of the target, scope, and method of regulation.

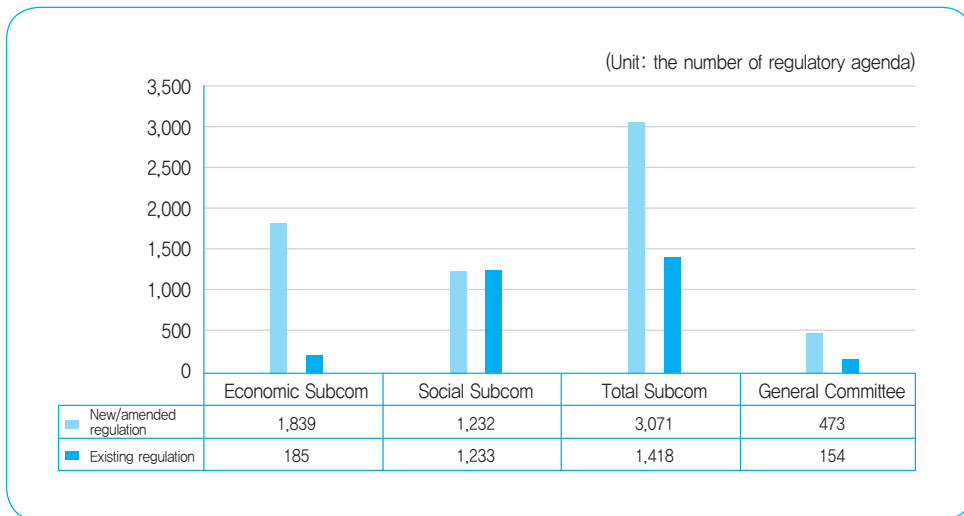
In addition, to increase the effectiveness of the self-review examination, guidelines for conducting an RIA and a self-review examination are applied by the self-review committee. Operation of independent examination committees is managed by the Planning and Management Office. Similar to the RRC, a majority of the independent examination committee is composed of civilian experts, and the committee is required to keep record of the meeting process. When the head of the central administrative agency requests an examination, he must submit to the RRC a draft of the regulation along with the RIA and the results of the self-review. On the other hand, in the case where a regulation has to be newly established and amended immediately, the relevant administrative agency can request an examination without conducting a self-review. For this special case, the head of the relevant central administrative agency has to submit the RIA report to the RRC within 60 days of the date they are notified of the RRC's results.

This regulatory review is compulsory for a ministry to make new or amended regulations. The head of the central agency cannot create or amend existing regulations without first passing the RRC's review and legislative review in the policy process. It is a powerful tool for controlling the number and quality of regulations. The RIA is an important means to judge the rationality and justification of reviewed regulations and induce efficient regulatory examination.

The RRC can agree to the submitted regulation, recommend improvements, eliminate a regulations, and conduct reexaminations based on the submitted RIA report from the relevant administrative agency. When the RRC makes a decision regarding the regulation in question, the relevant administrative agency has to reflect the RRC's recommendations and opinions to amend the regulation. The RIA is applied to significant regulations for which the forecasted annual impact exceeds 10 billion Won and affects more than 1 million people.

The RRC is composed of a Full Committee and two subcommittees (Economic subcommittee and Administrative Social subcommittee). According to Ahn and Lee (2013), from 2000 to 2013, out of 627 approved regulations, 473 (75%) were newly established or amended regulations, and 154 (24.6%) were existing regulations. The majority of the approved regulations was newly established or amended regulations. Moreover, in the case of the two subcommittees, there were 3,071 regulatory examinations of newly established or amended regulations compared to 1,418 regulatory examinations of existing regulations. This data points to how the RRC focused on regulatory examinations of newly established or amended regulations more than existing regulations.

Figure 5-5 | Regulatory Reform Committee’s Agenda: New/Amended Regulations and Existing Regulations



Source: Ah and Lee (2013).

From 1998 to 2013, the RRC conducted a total of 16,089 regulatory examinations. About 12,419 regulations (77.2%) passed the examination without any amendments. But 2,972 regulations (18.5%) were recommended for revision, and 689 regulations (4.3%) regulations were withdrawn. In this regard, the RRC contributed to the prevention of inadequate regulations with an annual 22.8% revision and withdrawal average.

2.5. Introduction of Regulatory Impact Analysis

The Regulatory Impact Analysis (RIA) validates a regulation by predicting and analyzing its impact on the everyday lives of citizens, as well as its social, economic, administrative and other impacts. The RIA allows the regulator to take into account comprehensive alternatives to regulations, cost and benefits analyses, the effectiveness of the regulation, and feasibility of the regulations, which leads to a rational regulatory decision-making process. In other words, the RIA is one of the significant measures to increase the quality and effectiveness of regulations.

The RIA improves the quality of regulations by ensuring rational decision-making and prevents unnecessary regulations. The objectives of the RIA are summarized as follows: First, the RIA helps to examine alternatives to regulations by considering the cost-effectiveness and side effects. Second, the RIA prevents regulations that are unrealistic and unnecessary. Third, the RIA enhances the administrative responsibility of the regulator. The RIA enables the regulator to carry out his actual administrative responsibility through a multidimensional analysis on the impacts of regulations (Office for Government Policy Coordination, 2013).

In the past, there were similar regulations that included a preliminary review and coordination among concerned ministries during regulatory reform such as the Monopoly Regulations and Fair Trade Act (1998), Special Act on Deregulation of Corporate Activities (1993), Basic Act on Administrative Regulations and Civil Petition (1994), and Preliminary Review of Economic Statutes (1995~1997). However, the RIA was fully fledged in August 1998 with the introduction of BAAR. The RIA has been since utilized as a significant method of regulatory reform. In July 2006, many of the evaluating factors of the RIA were simplified, and the obligation of Promulgation was strengthened. In December 2008, there were amendments to strengthen the review of alternatives by interest groups and relevant stakeholders (White paper on regulatory reform, 2009).

Consideration factors of the RIA include the following: 1) necessity of new/amended regulations; 2) feasibility of the objectives of the regulation; 3) existence of alternative means to the regulation, or possible overlapping with existing regulations; 4) comparative analysis of the costs and benefits to the citizens and groups subject to the regulation following its implementation; 5) whether or not competition-restricting factors are included; 6) objectivity and clarity of the regulation; 7) administrative organization, human resources, and required budget following the establishment or reinforcement of regulations; and 8) the appropriateness of the documents required for relevant civil affairs, handling procedures,

and other processes. In principle, government officials are assigned to include quantitative data or evidence for each factor and verify its rationality and legitimacy through scientific analyses (White Paper on Administrative Report, 1999).

The standard for classifying an important regulation is as follows: 1) forecasts an annual impact as exceeding 10 billion Won; 2) impacts more than 1 million people; 3) clearly restricts market competition; and 4) constitutes a departure from international standards. The classification of a regulation is decided within the ministry and takes into account the above standards. In cases where more than 1 standard applies to the classification, priority consideration should be given to the standard of the regulatory impact cost (White Paper on Administrative Report, 1999).

Table 5-6 | Regulatory Impact Analysis Report Guidelines

Classification	Factors	Description
I. Executive Summary	1. Regulation title	· Regulation title for review
	2. Regulation Classification	· New/amended regulations/exiting regulation/extension of the effective period of regulation
	3. Administering Agency	· Personal information of the administering agency/department/person in charge · Personal information of external experts
	4. Legal Basis	· List of relevant legal articles
	5. Determining the Scale of the Regulation	· Determine if the regulation in question is significant/non-significant and for what reasons · In cases deemed non-significant, state reasons for omitting the analytical factors · In cases deemed significant, provide the personal information of external experts and relevant opinions
	6. Content of the new (revised) Regulation	· In the case of strengthening an existing regulation or extending the effective period of a regulation, summarize the key revised points · In the case of establishing a new regulation, summarize the key points

Classification	Factors	Description
II. Factors	1. Necessity of Establishing a New Regulation or Reinforcing Existing Regulation	
	a. Scope/Content of Problem, Causes	<ul style="list-style-type: none"> · Determine the characteristic and scope of the problem - impact of the problem/statistics · Describe direct/indirect causes of the problem
	b. Necessity of Regulation to Solve the Problem	<ul style="list-style-type: none"> · Describe why government intervention is needed to solve the problem
	c. Objective of the Regulation	<ul style="list-style-type: none"> · Detailed description of the objective of the regulation - Objective should not be too broad - State primary goal/secondary goal of the planned regulation · Describe alternatives to reach the objective (intensity of the regulation)
		<p>Check list (necessity of the regulation)</p> <ul style="list-style-type: none"> · Is the problem correctly defined? <ul style="list-style-type: none"> - Severity of the problem assessed? - Does the scope of the problem encompass direct and indirect causal relationships? · Cause of the problem identified? <ul style="list-style-type: none"> - Is the causal relationship valid? - Consulted with relevant stakeholders to identify the cause of the problem? · Offered necessity/objective of government intervention? <ul style="list-style-type: none"> - Found evidence for necessary government intervention? · Reviewed and identified potential alternatives?
	2. Feasibility of the Objectives of the Regulation	
a. Resistance/Effect on Disadvantaged Populations	<ul style="list-style-type: none"> · Describe possible associations/sectors of resistance - Examine organizations/sectors that are not directly affected by the regulation 	

Classification	Factors	Description
II. Factors	b. Feasibility Based on Technology Development/ Administrative Environment	<ul style="list-style-type: none"> · Examine technology development and administrative environment to analyze feasibility of the regulation <p>Checklist on feasibility</p> <ul style="list-style-type: none"> · Consulted with the resistance parties? <ul style="list-style-type: none"> - Included all the important stakeholders? - In particular, the potentially affected groups that are not politically or socially active? · Examined regulatory feasibility based on political/technical/administrative conditions?
	3. Existence of Alternative Means to the Regulation, or Possible Overlapping with Existing Regulations	
	a. Substitution of Existing Regulation	<ul style="list-style-type: none"> · Review whether or not a new regulation or strengthening an existing regulation is necessary
	b. Consider Alternative Methods to Meet the Goal	<ul style="list-style-type: none"> · Review for other possible alternatives (non-regulatory means) to meet the goal <ul style="list-style-type: none"> - Non-regulatory means: provision of information and education; taxation, subsidy, insurance, contracts, and business self-regulation
	c. Possible Overlapping with Existing Regulation	<ul style="list-style-type: none"> · Find possible overlapping with existing regulations through cooperation with relevant ministries
	d. Possible Expansion of Regulations	<ul style="list-style-type: none"> · Possibility of requiring additional regulations in the process of implementing the planned regulation
	* Additional Factors	<p>Checklist for alternatives</p> <ul style="list-style-type: none"> · Reviewed possibility of alternative regulations? · Reviewed possibility of alternative methods (non-regulatory means) · Reviewed possibility of overlapping with existing regulations? · Reviewed possibility of expansion of planned regulation?

Classification	Factors	Description
II. Factors	4. Comparative Analysis on Costs and Benefits	* In the case of external experts' participation, state the content of external participation (date, personal information, result)
	a. Analysis of Cost	· List the possible costs due to the planned regulation (affected target groups, method of cost analysis in common unit)
	b. Analysis of Benefit	· List the possible benefits due to planned regulation (affected target group, method of benefit analysis in common unit)
	c. Comparative Analysis of Cost and Benefit	· Comparative analysis of cost and benefit through comparison of discount rate (example) Checklist for analysis on cost and benefit · Identified direct/indirect cost and benefit? · Determined the affected groups for each cost and benefit factor? · Stated appropriate indicators for each factor? · Stated appropriate timing of analysis? · Analyzed alternatives? · Stated appropriate confidence level? · Organized affected factors by different time period? · Reviewed any factors that cannot be quantified? How to treat these factors? · Determined discount rate? · Paid attention to the following issues? - Specification of assumption - Consideration of cost and benefits that cannot be converted in monetary terms
	5. Whether Competition-Restricting Factors are Included	
	a. Competition-Restricting Factors	· Describe any possible restrictions to market access due to the planned regulation (include direct and indirect factors)

Classification	Factors	Description
II. Factors	b. Whether Factors that Hinder Business Activity are Included	<ul style="list-style-type: none"> List potential factors that hinder business activities - Include possible factors that lead to the restriction of business trade, discrimination between domestic and foreign firms, reduction in domestic and foreign investment <p>Checklist for competition-restricting factors</p> <ul style="list-style-type: none"> Confirmed if the planned regulation incurs additional costs to domestic companies? Reviewed the impact of the planned regulation in innovation and market competition? Reviewed the impact of the planned regulation in domestic and foreign firms?
	6. Objectivity and Clarity of the Regulation	
	a. Clarity of Regulation Standards and Procedures	<ul style="list-style-type: none"> Description of standards and procedures of planned regulation
	b. Legal Basis of Regulation and Validity of the Effective Period of Regulations	<ul style="list-style-type: none"> Description of legal basis of the regulation and effective period of the regulation <p>Checklist for objectivity and clarity of a regulation</p> <ul style="list-style-type: none"> Describes the standards and procedures of the regulation from the perspective of the recipient? States clear legal basis for the regulation? Valid regulation effective period?
	7. Administrative Organization, Human Resources, and Required Budget Following the Establishment or Reinforcement of Regulations	
	a. Determining the Budget/Resource Following the Establishment of the Regulation	<ul style="list-style-type: none"> Report the budget/resource required following the establishment of the planned regulation - Include all of the costs for the enactment and enforcement of the planned regulation (investigation, monitoring cost included)

Classification	Factors	Description
II. Factors	b. Determine if Existing Budget /Resource Can be Substituted	<ul style="list-style-type: none"> · Determine if enforcement and monitoring is possible with existing budgets and resources <p>Checklist for the administrative organization, human resources, and required budget following the establishment of the regulation</p> <ul style="list-style-type: none"> · Analyzed costs by different categories (enactment cost, administrative cost, enforcement cost, etc.)? · Possibility of implementation of the user burden principle? If so, what is the approval procedure? · If implementing the user burden principle, reviewed the indirect cost and benefit?
	8. If documents Required for Relevant Civil Affairs, Procedures for Handling it, etc. are Appropriate	
	a. Appropriateness of the Document and Handling Procedures	<ul style="list-style-type: none"> · State required documents and procedures required for planned regulations in consideration of administrative measures, standards, and handling time
	b. Appropriateness of Treatment Organization an Procedures	<ul style="list-style-type: none"> · Review the appropriateness of the organization (enforcement of regulation by the central administrative agency, entrustment to local governments, entrustment to relevant associations, etc.) · In the case the regulation has a negative impact, state the relief procedures <p>Documents checklist regarding civil affairs, handling procedures and other processes</p> <ul style="list-style-type: none"> · Checked the possibility of a standby cost in the administrative procedure? <ul style="list-style-type: none"> - Checked the scale of the cost? · Checked the overlapping cost in administrative treatment? <ul style="list-style-type: none"> - Checked the scale of the cost? · Secured relief procedures in the case the regulation has a negative effect?

Classification	Factors	Description
III. Others	1. Provision of Standards for post-evaluation	· Assuming the establishment of planned new regulations or reinforcement of existing regulations, state standards or indicators to measure its regulatory effectiveness in the future
	2. Others	· State any additional opinions or comments

Source: White Paper on Regulatory Reform (1999).

The RIA is now used in virtually all OECD countries. But Korea is one of the few countries where the RRC is legally authorized to implement a thorough and intensive examination of all newly established regulations and amended regulations (Office of Government Policy for Coordination, 2013).

However, research has found that the quality of the Korean government's RIA is not satisfactory. It was revealed that Korea's RIA was especially weak in the comparative analysis of cost and benefits. Central to the RIA is the comparative analysis of cost and benefits. But in reality, the analysis requires high cost and professional expertise. In such a case, there has been continuous effort to increase the quality of the RIA through training and participation of professional experts.

3. Regulatory Reform and International Cooperation

One of the significant factors in promoting regulatory reform in 1998 was the participation of the OECD's Country Review on Regulatory Reform. At that time, Koreans were sensitive to the recommendations and reviews of international organizations such as IMF and OECD due to its experience with the 1997 Financial Crisis.¹⁵ This was a time of massive restructuring in the public, banking, and corporate governance sectors to overcome the financial crisis. In late 1997, the OECD suggested that Korea participate in the Regulatory Reform Country Review. It was a difficult time to make important decisions because the presidential election was scheduled to take place in December 1997. After the inauguration of the new administration in 1998, the PMO launched the Ministerial Meetings to coordinate the views of relevant ministries at the OECD's suggestion.

15. In South Korea, the 1997 Financial Crisis was commonly referred to as the IMF crisis.

The OECD's Country Review on Regulatory Review consisted of six major parts: 1) Introduction and Summary; 2) Government Capacity; 3) Competition Policy; 4) Market Opening; 5) Electric Power Industry; and the 6) Information and Communication Industry. Relevant Ministries convened to discuss these matters. One group of discussants urged the acceptance of the OECD's suggestions. They insisted that the OECD's review would be useful to implementing major regulatory reforms. On the other hand, other groups of discussants refused to accept the OECD's recommendations. They claimed that Korea was at an early stage of regulatory reform, and an international review would not be very helpful. In particular, Korea's Electric Power Industry and Information & Communication Industry were reluctant to disclose information to the International organization. In the end, the PMO accepted the OECD's recommendations on the rationale that an OECD review could be utilized for Korea's future regulatory reform efforts and increase its own sovereign ratings.

After reaching an agreement to participate in the OECD's country review, the PMO led the preparation team consisting of civilian experts and government officials from the Ministry of Strategy and Finance, Fair Trade Commission, Ministry of Foreign Affairs, and Ministry of Commerce, Industry and Energy. The evaluation procedure involved filling out an OECD survey and OECD representatives' field research. When the draft report was formulated, the OECD countries gathered to perform a peer review. The findings were submitted to the OECD Board of Directors, and the final reports were published in an official OECD report.

Korea participated in the OECD country review from 1999 to 2000. Through field research, peer review, and a comprehensive evaluation, "Regulatory Reform in Korea, OECD, 2000" was published to promulgate ongoing drastic and systematic regulatory reform in Korea. Korea's remarkable performance of eliminating 50% of existing regulations using the RRC's comprehensive and systematic approach has helped to increase Korea's sovereign ratings. The OECD recommended that Korea further expand market competition in all sectors and increase the quality and effectiveness through regulatory management. The OECD also highlighted sustained policy efforts to strengthen the independence of regulatory institutions, foster long-term economic growth and increase responsiveness to the fast changing environment.

Participation of OECD country review program was effective in increasing the insights and ideas of regulatory reform through policy consultations and information sharing sessions with other member countries. In addition, OECD Country Review further fueled implementation of APEC-OECD regulatory reform cooperation program. APEC-OECD program provided a forum for multidisciplinary policy discussion to deepen understanding

of regulatory reform. APEC-OECD provided opportunity for developing countries in Asia to benchmark South Korea's regulatory reform system.

Korea has continuously participated in OECD regulatory reform discussions to strengthen international cooperation and increase understanding of the regulatory reform system. From 2006 to 2007, Korea also participated in monitoring regulatory reform results. This monitoring exercise helped Korea to evaluate regulatory reform implementation results after countries participated in the OECD country review program.

4. Performance of Regulatory Reform

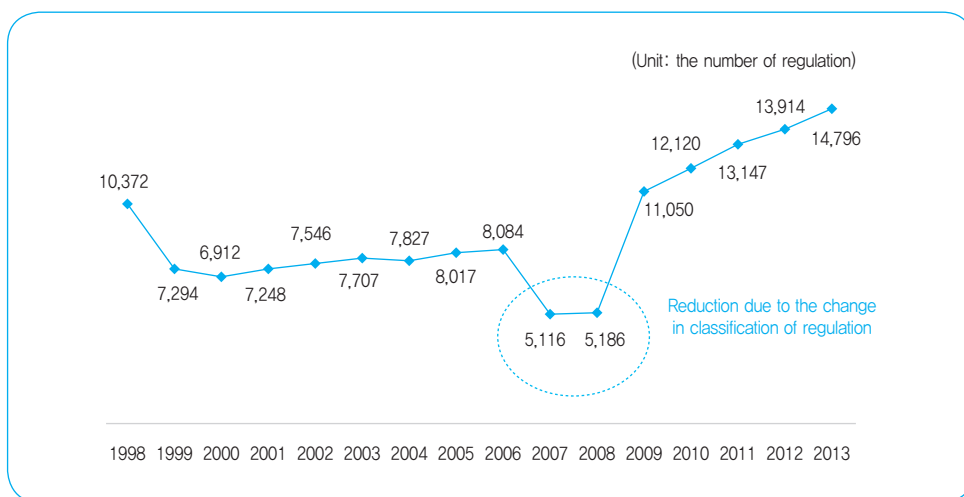
4.1. Quantitative Aspects

In light of the annual trend after the enforcement of BAAR and introduction of the regulatory reform registration system, the overall trend showed that the number of registered regulations continuously increased. While the number of regulations was 10,372 as of 1998, it increased to 15,270 regulations in 2013. Over the past fifteen years, there was a 47.4% increase in the number of registered regulations.¹⁶ The data also showed that with the exception of 2007 and 2008, when there was a sudden decrease in the number of regulations due to integration of registered regulations, there was a significant reduction in the number of registered regulations for only two years from 1998 to 2000. When the same standard of classification was applied from 2000 to 2006, there was an increase (17%) of 1,172 regulations. From 1998 to 2000, there was an increase of 4,220 regulations.

The significant reduction in the number of regulations occurred for three years from 1998 to 2000. This result was closely linked to the launching of regulatory reform in 1998 and the introduction of the managerial system. From 1998 to 2000, the government reduced 3,460 regulations. Compared to registered regulations in 1998, there was a 33.4% reduction. However, after 2000, the number of regulations continuously increased as new regulations were added to respond to technical and environmental changes. Another reason could be that regulatory management was more meticulous in identifying hidden regulations and articulating detailed regulations for registration.

16. Note: from 1998 to 2013, there were changes to the registration standard. From 1998 to 2006, the same registration standard was applied. But in 2007, there was a change in the regulation classification which led to the integration of registered regulations. In such a case, there was a drastic reduction in the number of registered regulations. Additionally, in 2009, the registered regulations were further subdivided into "significant" and "non-significant" regulations. These changes to the registration standard should be taken into account in the overall analysis of the annual number of registered regulations.

Figure 5-6 | Annual Number of Registered Regulations



Source: The Federation of Korean Industries (2013).

During the Kim Dae Jung administration, 2,825 regulations were reduced (27.2%) from 1998 to 2002. As mentioned earlier, the reduction in regulations stems from reform policy efforts. While the number of regulations was 10,372 in late 1998, the second year of the Kim Dae Jung Administration, the number fell by (29.7%) 3,078 regulations in late 1999. In the third year of the Kim Dae Jung Administration, there was a further reduction (5.2%) of 383 regulations. However, in the 4th and 5th year of the Administration, there was a sudden increase in the number.

During the Roh Moo Hyun (2003.2~2008.2) and Lee Myong Bak (2008.2~2013.2) Administrations, the number of registered regulations continuously increased. In the second year of Roh Moo Hyun’s Administration, the government was able to reduce 120 regulations (1.5%) from 7,827 regulations. But this period was the exception considering every other period registered an increase in regulations. The overall result indicates that during the Roh Moo Hyun Administration, there was an increase of 538 (7.1%) regulations from 2006 compared to 2002. On the other hand, during the Lee Myong Bak Administration, there was an increase of 2,864 (25.9%) regulations from 2009 to 2012.

One of the common characteristics in the assessment of the quantitative data of registered regulations by past government administrations is that regulatory reform was carried out during the initial phase of the administration. Even in the successful case of the Kim Dae Jung Administration, a majority of the decrease took place during the second and third

year of the administration. During the Roh Moo Hyun Administration, there was a slight reduction in the number during the second year of the term, but the number continuously increased afterward. The Lee Myong Bak Administration put forth a business-friendly environment platform and promoted strong regulatory reform (through the Presidential Council on National Competitiveness) during the initial phase of the Administration. However, after the third year of the Administration, there was a continuous increase in registered regulations.

Table 5-7 | Regulation Number by Past Government Administrations

(Unit: the number of regulation, %)

Division	1 st Year	2 nd Year	3 rd Year	4 th Year	5 th Year	Average Annual Rate of Change	Initial Term/ Late Term
Kim Dae Jung ('98~'02)	10,372	7,294	6,912	7,248	7,546	Δ6.5	Δ27.2
Rate of Change	-	Δ29.7	Δ5.2	4.9	4.1		
Noh Mu Hyun ('03~'07)	7,827	7,707	8,017	8,084	5,116	1.8	3.7
Rate of Change	3.7	Δ1.5	4	0.8	-		
Lee Myong Bak ('08~'12)	5,186	11,050	12,120	13,147	13,914	8	25.9
Rate of Change	-	-	9.7	8.5	5.8		

Source: The Federation of Korean Industries (2013).

4.2. Qualitative Aspects

An assessment of the government's policy coordination results can be conducted through a quantitative analysis of registered regulations. This method has the benefit of objectivity, although its weakness is in understanding the actual effectiveness and quality of the regulation. In order to supplement the shortcomings of the quantitative analysis, the OECD's regulatory indicator was used to perform a qualitative analysis. To measure a country's regulatory stance and reform progress over time, the OECD developed regulatory

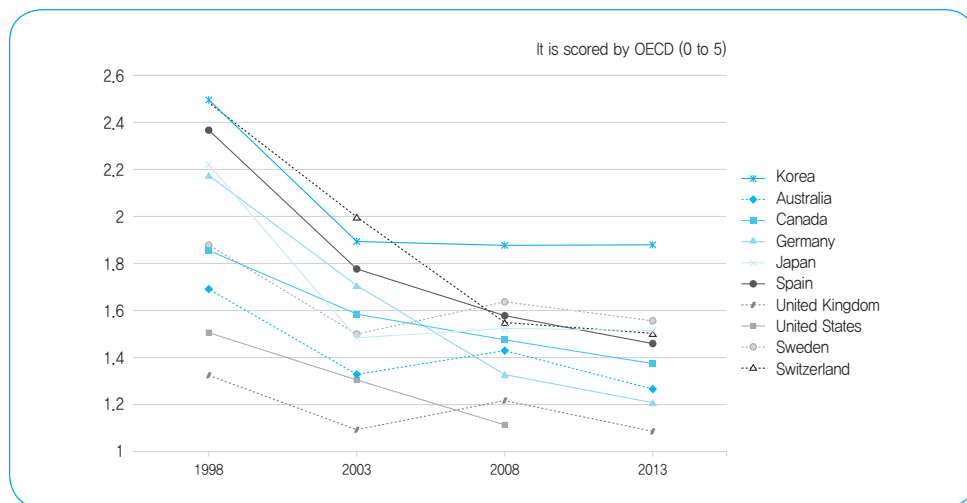
indicator based on the economic impact and market competition. The OECD regulatory indicator puts focus on regulatory policy, which is published every five years. This includes Korea's qualitative analysis of regulatory reform.

4.2.1. Assessment in the Manufacturing Sector

One of the OECD regulatory indicators includes the Production Market Regulation (PMR) indicator. The OECD developed an economy-wide indicator set of PMR in 1998. PMR is a comprehensive and internationally-comparable set of indicators that measure the degree to which policies promote or inhibit competition in areas of the product market where competition is viable. They measure the economy-wide regulatory and market environments in 34 OECD countries as of 1998, 2003, 2008, and 2013.

Korea's PMR was 2.49 in 1998, which was the starting point of regulatory reform policy. The number was remarkably improved (reduced to 1.89) during the Kim Dae Jung Administration because of radical regulatory reform policy. However, there was no notable change during the Roh Moo Hyun and Lee Myong Bak Administrations as indicated by the unchanged PMR level (1.89). This result correlates with the quantitative analysis on the number of registered regulations. Similar to the results of the quantitative assessment, the Kim Dae Jung administration was the only successful administration to reduce the number of registered regulations and actual PMR indicator. One of the reasons for this remarkable performance could be the 50% reduction achieved in the early years.

Figure 5-7 | PMR Comparison Across OECD Countries



Source: OECD PMR Indicator.

[Figure 5-7] shows that since 2003, Korea’s regulatory indicator has not improved. Korea’s regulatory reform in the manufacturing sector has been stagnant compared to the U.S., Japan, Germany, Switzerland and Spain. The majority of advanced countries showed an improvement in regulatory reform, whereas Korea’s PMR indicator remained relatively high in 2008 and 2013—pointing to the existence of obstacles to business activities and entrepreneurship. Although the Korean government has conducted regulatory reform continuously and systematically to foster public-private partnerships, it fell short of business expectations. The private sector continues to point out excessive regulations and administrative burdens on business activities and the license system.

Table 5-8 | Comparison of Specific Areas of PMR Indicators Across OECD Countries

(It is scored by OECD (0 to 5))

	Korea	US	UK	Japan
Involvement in Business Operations	2.28	1.40	1.04	1.55
Price Control	3.09	0.59	0.97	2.34
Barriers to Entrepreneurship	1.88	1.23	1.48	1.67
License Permit System	4.00	0.00	4.67	2.67

Source: OECD Production Market Regulation Index.

4.2.2. Assessment in the Service Sector

The OECD developed an indicator for regulation of energy, transport and communications (ETCR) and professional services including the legal, accounting, engineering, and architecture professions. Korea’s ETCR indicator has declined continuously since 1998. This decline is attributed to the privatization policy and regulatory reform efforts of the Korean government. An assessment of past government administrations shows the greatest reduction in ETCR took place during the Kim Dae Jung Administration. According to OECD data, intensive regulatory reform was carried out during the Kim Dae Jung Administration, which led to the greatest reduction in the aggregate ETCR indicator (0.84), compared to the Roh Moo Hyun (0.47) and Lee Myong Bak (0.21) Administration.

Table 5-9 | Korea's ETCR Trends

(It is scored by OECD (0 to 5))

Year	Aggregate ETCR	Electricity	Gas	Telecoms	Post	Rail	Airline	Road
1998	4.19	5.37	4.75	2.94	5.00	6.00	3.00	2.25
2003	3.35	3.37	4.63	0.57	4.67	6.00	2.00	2.25
2008	2.88	3.33	4.26	0.55	4.00	4.75	1.00	2.25
2013	2.67	3.70	3.79	0.50	2.67	4.75	1.00	2.25

Source: OECD ECTR, Sector Regulation Index.

According to the OECD's professional services regulation indicator in 2003, there was no notable change in Korea's professional services regulatory level. When comparing government administrations, there was slight deregulation during the Roh Moo Hyun Administration. In the engineering sector, there was improvement in the indicator as shown by the decline of 0.56 whereas there was a 0.17 increase in the legal sector. During the Lee Myong Bak Administration, there was a 0.19 increase in the legal sector. Overall, statistics show that Korea is relatively at a high level of the Regulation Index in the Professional Services Sector compared to other OECD countries, with the exception of the engineering sector. This can be interpreted as a need for more reform in this sector.

Table 5-10 | Korea's Professional Services Sector Regulation Index Trends

(It is scored by OECD (0 to 5))

	2003	2008	2013
All Professions	2.21 (1.96)	2.11 (1.88)	2.16 (1.82)
Accounting	2.50 (2.25)	2.67 (2.15)	2.65 (2.08)
Legal	3.21 (2.91)	3.21 (2.80)	3.40 (2.74)
Architect	1.58 (1.50)	1.58 (1.50)	1.58 (1.40)
Engineer	1.56 (1.24)	1.00 (1.16)	1.00 (1.05)

Note 1: () OECD average regulatory level.

Source: OECD Professional Services Sector Regulation Index.

Based on the qualitative analysis of the OECD's PMR and ETCR indicators, Korea's past regulatory reform performance has improved since the enforcement of BAAR in 1998. This finding coincides with the quantitative analysis of registered regulations. In sum, regulatory reform performance was most successful under the Kim Dae Jung Administration, whereas the Roh Moo Hyun and Lee Myong Bak Administration have not made much progress.

4.3. Factor Analysis

It appears that Kim Dae Jung Administration's regulatory reform performance was superior in both the quantitative and qualitative assessment. While there are many contributing factors, based on the objective data, the most significant factors are shown to be the RRC's review process and its effective implementation capacity. First of all, the RRC, borne of the whirling vortex of the economic crisis, launched radical reforms on existing regulations under the 50% abolishment target in 1998. As seen during the Review on Existing Regulations, this target was achieved so that out of the 11,125 regulations that existed at the time, 5,430 (49%) were eliminated, and 2,411 (22%) were revised.

This reform resulted in a sweeping change in the regulatory regime from government-led development to a market-driven economy encouraging market competition and civilian autonomy. The RRC set reform guidelines as follows: eliminating anti-competitive regulations, adopting global standards and norms, and enhancing the quality of regulations. These principles were applied to reform existing regulations. At the same time, the RRC strongly pursued the challenge of policy regulations exclusively handled by government bureaucrats in the previously mentioned Review on Core Regulations. The RRC made this remarkable reform work under the strong leadership of the President coupled with public support in the midst of the economic crisis.

The results of the reviews on new and amended regulations are also closely related to the above assessments from both the quantitative and qualitative aspects. The same trend can be seen as in the comparative performance between Administrations on *ex ante* reviews on new and amended regulations in the ratio of elimination, revision, and approval. According to an analysis shown in <Table 5-10>, during the Kim Dae Jung Administration, on average the elimination rate was 8.7%, exceeding the level of the Roh Moo Hyun (3.2%) and Lee Myong Bak Administrations (2.5%). The revision rate was also highest in the Kim Dae Jung Administration (25.1%), compared with Roh Moo Hyun (23.1%) and Lee Myong Bak (8.9%). Accordingly, the approval rate during the Kim Dae Jung Administration was 66.2%, whereas the rate continuously increased during Roh Moo Hyun (73.6%) and Lee Myong Bak (88.6%). Overall, since 1998, *ex ante* reviews have steadily increased in

number, and the elimination rate declined. This can be interpreted as reform initiatives having been passed to regulatory review in the government legislation process dominated by bureaucrats compared with civilian-led reform work in the RRC during the Kim Dae Jung Administration.

Table 5-11 | Results of Regulatory Reform Committee's Regulatory Reviews

Year	Number of Legislation	Number of Reviewed Regulations (A)	Result of Regulatory Review						
			Non-Significant Regulation	Elimination		Reform		Approval (Significant+ Non-significant regulations)	
				Number (B)	Ratio (B/A)	Number (C)	Ratio (C/A)	Number (D)	Ratio (D/A)
1998	-	573	-	52	9.1%	112	19.5%	409	71.4%
1999	357	737	-	103	14.0%	176	23.9%	458	62.1%
2000	406	1102	-	94	8.5%	306	27.8%	702	63.7%
2001	287	1194	-	77	6.4%	308	25.8%	809	67.8%
2002	289	897	-	49	5.5%	255	28.4%	593	66.1%
2003	261	947	-	39	4.1%	246	26.0%	662	69.9%
2004	342	1,054	-	29	2.8%	278	26.4%	747	70.9%
2005	459	1,423	-	57	4.0%	367	25.8%	999	70.2%
2006	373	1,076	-	32	3.0%	213	19.8%	831	77.2%
2007	520	1,259	-	25	2.0%	218	17.3%	1,016	80.7%
2008	444	974	746	17	1.7%	108	11.1%	849	87.2%
2009	450	968	793	22	2.3%	91	9.4%	855	88.3%
2010	464	1,039	714	53	5.1%	105	10.1%	881	84.8%
2011	523	1,248	997	22	1.8%	105	8.4%	1,121	89.8%
2012	647	1,598	1,368	27	1.7%	84	5.3%	1,487	93.1%
Total		16,089		698	4.3%	2,972	18.5%	12,419	77.2%

Source: Lim, 2005 plus Ahn & Lee, 2013.

5. Limits of Regulatory Reform

The establishment of Korea's regulatory reform system can be viewed as the government's response to a changing economic environment. With the growth of the private sector and increase in resource allocation efficiency during the 1980s, there has been a call for government operations that center more on a market-based economy and freedom of the private sector, rather than government-led development strategies. In response, the government pursued economic liberalization and deregulation. Such reforms were focused on economic and administrative policies, led by the presidential office. In this manner, government bureaucrats took the initiative to implement reforms throughout all stages including planning, decision-making, and implementation. This was problematic in that the government addressed issues from a bureaucratic viewpoint, making it difficult for those with vested rights to implement self-imposed reforms. Such problems led to difficulties in reflecting the views and demands of the general population, causing efforts for reform to fall short of expectations.

In order to deal with such problems, a reform committee was formed that allowed for the participation of experts from the private sector. This effort led to the establishment of the System Improvement Committee for Growth & Development, as well as the Administrative Deregulation Committee. Beginning in the early 1990s, the committees, which originally consisted of government officials, experienced increased participation from individuals from the private sector. The operation and constitution of the Administrative Deregulation Civilian Advisory Committee in 1992, however, shows that the actual reform process was still led by the bureaucracy. This is an indication that government policies were carried out by bureaucratic organizations, and that there was a vertical relationship between the government and the private sector.

PCAR is an example of this movement to actively expand the role of the private sector in both the advisory and practical aspects. The committee, which consists purely of civilian members, allows for reform proposals to be directly communicated to and applied by the government. PCAR allowed general citizens to raise issues regarding administrative regulations, and also allows for the development of reform methods by encouraging actively communication with relevant government officials. Reform methods developed in this manner are conveyed directly to the president and are immediately implemented. Such reform was made possible due to the president's strong support of PCAR.

Critics of such reform methods claim that the reforms centered mainly on individual cases and did not provide a well-rounded approach. Reviews on reforms based on individual cases depended largely on the respective reviewer's competency, leading to reforms with a limited scope. It is therefore important to pay attention to and reduce inconsistencies among different reform methods. It is also crucial that reform organizations, which mediate communication between issue-raisers and those responsible for carrying out the reforms, show a level of expertise and authority. Policy-based support is required to allow such reform committees to carry out their respective roles.

Such reforms, aided by the President's motivation, received the support and participation of the general population. The activities of the PCAR at that time were made possible by several factors. The government at the time was experiencing a transition from an authoritarian to a civilian regime, which in turn motivated the president to reform administrative institutions to better match the changing political atmosphere. The support of the citizens at the time also helped to achieve such a reform.

Though PCAR was enjoying the President's support, its institutional role was limited as a temporary and advisory body. In Korea, the installation of reform-promoting organizations in the government was made in a dual approach, divided between the economic and non-economic part. What happened in this case was that reforms became limited to each department's respective jurisdiction, so that a general reform became possible only with the proper cooperation of each department; otherwise it was difficult to achieve much progress. As reform organizations became diverse, the range of possible reforms became more diversified. The subsequent competition between reform organizations served to accelerate the reform process. A disadvantage of this, however, was that the domains of expertise among the reform organizations overlapped (due to the diversity of such organizations), leading to the possibility of conflict and avoidance of reforms in those conflicted domains.

When PCAR attempted to deal with regulations held by the economic ministries, there arose issues regarding domains of responsibility. The Economic Deregulation Committee deterred PCAR from dealing with economic affairs. Efforts were made to integrate the performance of all respective parties, but they were unsuccessful. Even during that period, there existed a sense of priority in policy that treated general and economic administrations separately, while giving the upper hand to economic growth and development. In order to deal with such a problem, PM Koh-Gun took an integrated approach to operating the Meeting on Regulatory Reform Promotion in 1997. His approach was finally put into practice with legislation of the BAAR.

Box 5-3 | Cases of Success and Failure

(Resistance from Citizens' Groups → Clashes → Deregulation)

The Seoul night scene was bleak and almost completely dark as the usual neon lights of a buzzing restaurant industry dimmed with the financial crisis in 1998. Business hours for food and entertainment services were strictly regulated not to exceed midnight or face severe penalties. The police and front-line bureaucrats clamped down on non-compliance, and civilian autonomy, tourism, and evening shift workers were greatly inconvenienced. The RRC then announced it would deregulate the business restrictions and, simultaneously, liberalize the permit system for food-service businesses, as well as the report system for expanding civilian autonomy and market competition in May 1998. Reactions against the proposal from women's, consumer, and environmental groups were highly emotional as the move was deemed to lead to a decay of social health moral virtues. If deregulated, men in particular would drink all night, and eventually juvenile delinquency would follow. So resistance against reform became fiercer and developed into issues of social debate with media attention increasingly heating up the arguments of both sides.

While the logic behind deregulation, however, was reasonable, the opposing voices were adamant. At that time, groups of women, citizens and consumers were major stakeholders in the Presidency. However, the President supported the RRC in silence. RRC members and the government actively and continuously briefed the public on the rationale and positive effects of reform and broadly and consistently dialogued with the opposing groups to reach an understanding and achieve persuasion. At last, an agreement was reached over two months of public consultations, and the reform proposal was endorsed by the opposition groups and accepted and as actions complementary to economic growth. The government assured the public that it would make an effort to promote social soundness despite liberalization, in particular protecting the youth from a detrimental environment. The RRC overcame opposition to reform proposals from major power groups by way of communication and persuasion. A variety of restaurants and brand coffee shops can be seen as a booming industry in Seoul, which could be considered the fruits of regulatory reform of that time.

(Reform on Business Associations → Legislative Reform Bill Revised and Frustrated)

Regulatory reform is eventually a political process and interest-group politics. It faces the unavoidable situation of having to deal with reform measures on interest groups. The RRC kick-started reforms on professional associations and business associations, which had been a long-standing issue. The associations were in the form of monopolistic structures with supplier-centered services and high entry barriers,

constituting a field in undeniable need for reform. The RRC created guidelines for this reform to enhance the quality of consumer-oriented services by encouraging competition and openness. This reform involved several ministries by jurisdiction, so the RRC sent out basic guidelines for ministries to apply practically and formulate reform proposals, then submitting them to the RRC. The major reform point was to allow members to establish competing associations and abolish compulsory memberships and admission fees to join only one association. In the spirit of fairness and autonomy, the government reclaimed the authority to register and to discipline members, which had originally been a government entitlement.

The Bar Association persistently opposed the reform proposal because of its public service nature. Other professional associations and business associations were less explicit in their opposition. The RRC, consistently and continuously, communicated with these other associations in the form of public hearings and bilateral dialogues for persuasion and cooperation. However, they did not respond positively. The RRC on November 6, 1998, requested the Justice Ministry to revise the Lawyers Act in accordance with reform guidelines before the year-end. The ministry submitted to the RRC a draft of the bill on December 24, 1998, allowing the government to reclaim the authority of registration and discipline. The bill did not, however, abolish the compulsory entry membership and entrant fees, which were obstacles to competition and openness among members, and an entry barrier to new entrants. The RRC rejected the bill and asked the ministry to reconsider the original reform objectives. While it did not meet the 1998 deadline, the RRC eventually did attain the bill that abolished compulsory entry membership on February 12, 1999.

The bill was submitted to the National Assembly on February 26, 1999. However, the bill was revised so as not to abolish compulsory entry membership during the legislative process of the National Assembly. The government sent back the bill to be revised as intended, but it remained as a pending bill at the Legislation-Judiciary Committee and was automatically cancelled by the closing session of the National Assembly on April 15, 2000.

Source: DaeYong Choi.

The vested class provides the most resistance towards regulatory reforms once such reforms strip them of former privileges, making it the most difficult task in reform efforts. Major examples of this phenomenon involve the regulatory reforms on certified professionals and business associations. Due to the economic crisis of the time, there was general consensus regarding the need for regulatory reforms. Nevertheless, many were met with severe opposition from groups with large political influence, such as the legal, medical, and accounting associations. When dealing with reforms involving multiple government

ministries and interest groups, the regulatory reform committee used the central management and top-down approach to allow the respective government departments to administer the reforms in a more specific manner. Policies toward professional qualifications such as lawyers, tax accountants, and certified public accountants involved supply-oriented regulations that put such professions in a dominant position relative to ordinary citizens when determining prices and supply (Choi, 2004).

In order to administer reforms against such phenomena, the regulatory reform committee induced reforms regarding professional certificate exams, automatic certificates on public official careers, and business operation-related regulations. Detailed reform measures were carried out by the responsible ministries. One special case was carried out while being considerably debated from the legal perspective on the trust and prohibition of retroactive applications. The case was brought forth by specially-employed civilian experts and doctors in the Patent Office who collectively opposed reforms regarding being able to acquire automatic certificates on public official careers and patent attorneys.

Reforms on professional and business associations involved various interest groups and vested interests such as legal, medical and accounting associations, including 13 affiliated government bodies and 155 associations. Major points of reform on the associations included lowering entry barriers, banning compulsory membership with the association, abolishing education requirements for its members, and other issues. The lawyer association was one of the groups that fiercely opposed the reform. When its demands were not secured within the government, they resorted to lobbying in the parliamentary legislation process. This real life case is a strong testament to how regulatory reform is ultimately closely linked to the political process.

To increase technical expertise and give rationality to regulatory reform, the RIA has been used as a main regulatory tool. The core of the RIA lies on the cost and benefit analysis. The RIA is used by many countries to carry out regulatory reforms, but the level of quantitative analysis signifies that technical expertise varies among different countries. In the case of Korea, the RIA has conducted regulatory examinations since 1998 with sound regulatory rationale and feasibility. However in reality, its standards have been unsatisfactory. The RIA is officially open to the public, but its technical expertise still needs to be improved. There is educational training to increase the capacity of the RIA, but this is a matter of sustained attention. There is still a wide discrepancy between the awareness of the need for the participation of experts and sustained investment in the RIA and actual practice in reality.

Regulations enacted through parliamentary legislation are not required to undergo an RRC review process. There is a loophole that exempts regulatory review and the RIA, allowing for poor quality regulations to be passed. Notably, the proportion of parliamentary proposals compared to government proposals has saliently increased as seen in <Table 5-12>. It can then be inferred that parliamentary legislation leads to an inflation of new regulations because there is process for checking regulatory reviews or control. In reality, it can be assumed that the number of regulations elicited by parliamentary legislation was larger than that by deregulation and eliminated regulations. The possibility of parliamentary legislation becoming a channel for increased regulation without the necessary regulatory reviews is cause for concern.

Table 5-12 | Comparison of Approval Rate of Parliamentary and Government Proposals

(Unit: the number of draft bills)

		11 th	12 th	13 th	14 th	15 th	16 th	17 th	18 th
Bill Proposal	Parliamentary Proposal (A)	204	211	570	321	1144	1912	6,387	12,220
	Government Proposal (B)	287	168	368	581	807	595	1,102	1,693
	Ratio (A/B)	0.7	1.3	1.5	0.6	1.4	3.2	5.8	7.2
Approved	Parliamentary Proposal (A)	84	66	171	119	461	517	1,352	1,663
	Government Proposal (B)	257	156	321	537	659	431	563	690
	Ratio (A/B)	0.3	0.4	0.5	0.2	0.7	1.2	2.4	2.4

Source: National Assembly of the Republic of Korea.

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Chapter 6

Analysis of Success and Failure Factors

1. Success and Failure Factors
2. Drawbacks and Reinforcements

Analysis of Success and Failure Factors

1. Success and Failure Factors

There are many reasons and explanations for the Korean success story and the remarkable transition to industrialization and democratization from extreme poverty and war-stricken destruction. One of the success factors was the government's direct intervention in resource allocation through excessive regulations and dominant role of the government-led development strategy from the 1960s to 1980s. The strategy was no longer efficient and effective as the role and function of the private sector and market were expanded since the late 1980s. Since then, Korea became faced with a new environment in which the market driven economy prevailed and global competition was intensified. Accordingly, the government focused on encouraging market competition, improving the quality of life to enhance national competitiveness. From the regulatory reform perspective, the government needed to make policy efforts to eliminate excessive regulations and improve the quality of regulations.

Over the years, Korea has established a process of institutional evolution, step by step, toward regulatory reform systems. Reform agendas were dominantly handled by bureaucrats for economic growth and administrative efficiency in the late 1980s. The motivation was administrative simplification and in part deregulation at the discretion of bureaucrats. The affected parties were not invited to the reform process, and few civilian experts participated in the reform in an advisory capacity at that time (Choi, 1992).

However, as democratization increasingly advanced in the political society, and global competition was intensified since the 1990s, demand for regulatory reform and deregulation also increased. At the same time, participation by civilian experts in the reform body was

increased to raise the voice of the private sector. For example, the Civilian Advisory Committee on Administrative Deregulation was set up and drafted reform proposals. At this stage, although civilian experts were invited to the reform efforts, substantial decision-making power was still in the hands of bureaucrats.

Since the Civilian Government took office in the 1990s, the style of reform changed, focusing on civic convenience rather than administrative efficiency. This change activated the civilian role in the reform work. PCAR realized this change in its members and the way of reform work. PCAR played a coordinative role in formulating reform proposals between the private sector and government officials. It promoted more horizontal cooperation and coordination than vertical coordination in the government hierarchy. Reform measures formulated in this way were promptly implemented because the concerned bureaucrats participated in the reform process and had reached agreements. This bottom-up approach allowed the general people to participate and raise issues and discuss with bureaucrats the reform measures in PCAR.

The factors that made such reform possible are as follows: first, there was the leadership of the President focusing on people-centered reform and trusting an organization like PCAR made up entirely of civilian experts. Second, there was the commitment of the civilian members to reforming bureaucratic command and control in regulatory power for civilian convenience and autonomy. Third, people actively participated and supported reform by raising reform issues and suggestions. Fourth, there was the implementation capacity of the government to examine positively and accept reform proposals. Fifth, the PMO played the role of a linking pin between PCAR and Government Ministries to facilitate the reform process. The PMO provided the function of a secretariat to PCAR and, at the same time, took administrative action in formulating reform agendas to ensuring implementation.

The current RRS was established in the government by enforcing BAAR from 1998 although it was enacted in 1997. The RRS considered the way of PCAR by adopting strengths and reinforcing weaknesses. Coincidentally, the economic crisis of 1997 triggered drastic regulatory reform as an urgent and imperative agenda. The institutional framework for regulatory reform was ready for enactment of BAAR in 1997. It was the most urgent task for the government to overcome the crisis. Regulatory reform was one of the major reforms for the public sector. The government drove regulatory reform by establishing the RRC in April 1998. The crisis provided a strong motive for radical reforms, including regulatory reform and structural reform in Korea.

The RRC features in its composition co-chairmanship by the PM and a civilian, as well as a majority of civilian members with some ministerial representatives. The chairmanship

of the PM means the Secretariat is located in the PMO. BAAR granted the RRC regulatory review power over existing regulations, and new and amended regulations with managerial tools such as regulatory registration and publication, the RIA, the sun-set rule, monitoring, and evaluation. At that time, the RRC took strong actions for regulatory clearance over excessive and outdated regulations embedded in the past government-led development period. The RRC encouraged market competition and self-responsibility and private sector innovation.

PM Koh, Gun took initiatives in enacting BAAR in 1997 for regulatory reform, continuously and systematically. At the time of economic deterioration coupled with symptoms of a foreign currency crisis, the country was desperate for progress. First of all, to enhance the competitiveness of businesses in the global market, it was necessary for regulatory reform to break down bureaucratic regulatory power. Both people and businesses strongly requested such intervention. Given this climate, the PM played a leading role in formulating the bill, which was first drafted by civilian experts. And then he coordinated the disputed positions of ministries within the government. Eventually, he was able to get the reforms passed at the National Assembly in 1997. BAAR became a great achievement for the administration, especially during such a politically sensitive time of government transition.

Success is also attributable to the leadership of the next President and acceptance of the former government's work, utilizing it as an important policy tool in overcoming the economic crisis. If the President had set a lower priority for regulatory reform, it would have been difficult to reduce the regulatory power of bureaucrats. Regulatory reform basically breaks the *status quo* and eliminates regulatory rent. Thus, the President's determination to tackle bureaucratic regulatory power and vested interest groups is a crucial factor. Presidential leadership and public support need to be well combined for making regulatory reform successful.

In theory, people can understand the rationality and legitimacy of regulatory reform. However, it is reality that people oppose and resist reform when vested interests are lost or when there is a cost. Logic and explanation are the preferred methods for persuading the dissenters. If not, dissent could eventually lead to confrontation and conflict between those supporting the reforms, and those against reform. Eventually, it becomes a fight to exercise power and influence. When potential costs and benefits are narrowly concentrated on small groups, there arises a political incentive to organize interest groups to oppose reform for their own interests (Wilson, 1980). Reformers need to be armed with enough logic and power to overcome such a political influence so that they can defend themselves against reform opposition and resistance.

When economic deregulation is deemed incompatible with social regulation for social values and protection of the environment, public health and the socially weak, controversy emerges. In an extension of this argument, controversy weakens the intensity of regulatory reform because of the inconsistencies between economic and social regulations imposing burdens on businesses. It is not necessary to apply a consistent principle to all regulations. The point is that excessive and unnecessary regulations should be eliminated by applying different principles to different regulations depending on the nature and type of regulation. The point is also not to neglect the importance of improving social regulations and, in some cases, strengthen corporate social responsibility and consumer protection.

However it could be difficult to control the total number of regulations. At the initial stage, in practice, the number of regulations was reduced in Korea. As time went on, regulations increased in spite of the effort to reduce and continually reform. This is because regulations are also produced for responding to new technology and environmental changes. After a massive clearance of unnecessary regulations, the next stage of regulatory reform is about regulatory management for better quality and scale of regulations.

The implementation capacities of regulatory reform are no less critical than the political and institutional factors as previously mentioned. Reform drivers are necessary to lead and organize reform capacities, which carry out reform work from the planning to enforcement stages. It is also important for research to provide reform ideas and expertise. The RRC formed a partnership with various research institutes, think tanks and academia for improving overall reform capacity. The Korea Society for Regulatory Studies is among such research bodies with information sharing and often direct engagement in reform work. This partnership reinforces reform capacities by enhancing professional information, technical expertise, public awareness and support.

Education and training for regulatory bureaucrats was also a parallel effort for better regulatory understanding and collaboration. Education is very important because eventually the government must take action to change laws and jobs, including behaviors and attitudes. Reform is about producing an impact on the entire government and society. Korea's close collaboration with the OECD proved useful as the organization offered best practices and provided practical reviews of Korea's cases. Such activities would enhance Korea's transparency and credibility by exposing Korea's reform efforts to the international society, which could bring the viewpoint of global focus and comparative advantages to the domestic audiences. Korea's reform experience has been introduced to other countries by the APEC-OECD Cooperative Program. This international cooperation could be even further extended as did with the OECD and APEC.

When considering failure factors, policy choice was significant. If regulatory reform was not initially chosen by the government, there would be no grounds for any failure. However, policy choice is really the most serious factor of failure because there are, in reality, many reform demands that need to be taken. Launching regulatory reform is, in itself, valuable and meaningful. In so doing, the following factors need to be considered to prevent reform failure. First, the highest policy maker should project a clear commitment to the reform objective. If not, regulatory reform cannot take place. Second, he should fully support the reform body and be compelling enough to overcome anti-reform groups. If not, the reform body cannot move forward in cooperative relations with ministries. The reform body needs to retain power to request ministries to submit information and documents, and to even participate in the reform process. Moreover, if needed, the reform body can directly research and confirm related matters. It is necessary to recruit reform-minded experts when packaging and soliciting support for the reform body. Third, reform measures must be formulated with fairness, legitimacy and feasibility. Without these conditions, it will be difficult to attain agreement with stakeholders and public support. Moreover, there should be a strategy in place on how opposition will be persuaded, and resistance ultimately overcome. Fourth, reform must be continuous and systematic. If not, reform measures are likely to regress once the passion of reform fades.

2. Drawbacks and Reinforcements

There is a rising tendency to criticize that too much regulatory reform was made in eliminating regulations. Such criticism often surfaces when there has been an accident or incident. When it comes to safety, deregulation is not intended to neglect safety management, rather, to achieve more efficiency and effectiveness by way of reducing unnecessary costs and burdens. This implies that when examining for safety assurance, regulatory compliance and self-regulation are the preferred approaches to making better regulations.

For example, in the case of a fire, the public will first blame the lack of regulation for the fire. Precisely speaking, regulatory reform on fire fight safety would aim to reduce the regulatory costs and burdens by eliminating duplicities in safety testing, inspections or reporting—and not for neglecting safety management. When massive bankruptcies of self-employed businesses including restaurants take place, excessive deregulation could also be an easy target for blame. However the reform was intended to eliminate entry barriers to new entrants for encouraging competition and self-responsibility in the market. Business bankruptcies are the initial cause of an economic recession and poor performance in market competition. Deregulation of licensing small construction businesses allowed many

new entrants to compete in the market, which accordingly was coupled with economic recession. In this case, regulatory reform was blamed. However reform aimed to encourage competition and autonomy in the private sector.

Poor credit standings and personal bankruptcies rose with the credit cards defaults in the 2000s, evolving into a social problem. The RRC deregulated credit card issuance, which critics say resulted in credit card chaos and especially the rise in young credit delinquents. The RRC reformed the uniformity of credit card issuance regulation that strictly limited issuance according to income and tax records to the degree that the companies could now determine eligibility, to include no-income applicants and minors. The revised system encouraged self-management and self-responsibility in the market. However, this also led to excessive competition among companies and over issuance of credit cards even to minors, which was a case of deregulation being poorly applied. The lesson learned is that regulatory reform basically worked for enhancing the overall efficiency of the society, but side-effects and evils surfaced when deregulation was misunderstood or abused.

It is an important role for the government to monitor and follow-up on management of regulatory reform as opposed to a severed hand-off to the reformed areas. The government must respond to and correct problems to ensure effective reform. It would be much more effective to change of regulatory manners from a positive way to a negative way in which government first allows, in principle, everything except prohibitions with granting the autonomy and self-responsibility in the private sector. This approach assumes that the government trusts the private sector and market function. In this case, administrative costs may increase in monitoring and follow-up management compared to if the government, in principle, prohibited everything except permissions. In this case, it would be difficult to respond to a new environment and change flexibly and promptly. In theory, the negative way would be better than the positive. However, government bureaucrats prefer the latter because of unpredictability and uncertainty. The government feels responsible for future situations even though it does not know what they will be.

It is also often mentioned that professional expertise needs to be strengthened for reinforcement of regulatory reform. This applies to members of the RRC, including PMO staff and research capacities. It is necessary to appoint qualified members to the RRC, equipped with a reform mind and expertise. The quality of technical expertise largely depends on research capacities to support regulatory reform. For example, the RIA requires technical analysis and must invest corresponding resources to attain satisfactory research performance. The capacity of the PMO for regulatory reform is related to government personnel management based on the generalist-centered ranking system with frequent

rotations. It is hard to keep specialists in government. Although PMO staff are in a neutral position in handling regulations compared to the ministries responsible for the regulations, expertise is still necessary. The government should consider the task of fostering skilled staff and experts with reform capacities as important “homework.”

The quantitative approach at the initial stage of a critical time could be an effective deregulation method as Korea did in 2008. In order to introduce a new regulatory regime fitting a market-driven economy, Korea focused on eliminating obsolete and excessive regulations embedded during the government-led development period. In some sense, the quantitative approach could be considered a relatively easy method compared to the qualitative approach of improving the quality of regulations in a complicated interaction process. However, quality control considerations are critical to deregulation—particularly in controlling new regulations. A very important factor in regulatory management is to ensure the quality of regulations by enhancing transparency and accountability in the reform process. It is also a continuous process to upgrade and update regulations responding to environmental changes.

In terms of reform capacity, Korea has shown a path from *ad hoc* temporary systems to a full legal system in the form of the RRC in institutional and practical terms. The case of the RRC was a good combination of public and private cooperation at a critical time. Civilian members of the RRC took initiatives in formulating reform proposals, and the relevant ministries faithfully implemented the reforms. However, this is not always the case—especially after overcoming a crisis. It is a question of how to sustain the reform intensity and integrate reform capacities among the public and private sector. Success is also linked with how to deal with the influence and resistance of certain bureaucrats and vested-interest groups. If there is a strong bureaucracy, it needs to consider how to handle a bureaucratic culture and behaviors through administrative simplification and elimination of red-tape in the government.

To this end, reform efforts are also a way to extend networks and partnerships between the public and private sector; to draw participation and cooperation; and to enhance transparency, accountability and performance. This governance approach will allow almost all stakeholders to participate in and integrate their views and interests for better results. The Regulatory Impact Analysis and public consultations as reform tools are strengthened in this approach. To ensure such capacities, education and training are required. It is a useful way to provide continuous education and training for bureaucrats to become equipped with reform capabilities. It is also necessary to expand public awareness of regulatory reform and its performance to the general public together with media services.

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Chapter 7

Policy Implications

1. Lessons from Regulatory Reform and Policy Coordination
2. Adaptability to Developing Countries
3. Considerations in Policy Consulting

Policy Implications

1. Lessons from Regulatory Reform and Policy Coordination

Korea's regulatory reform began with administrative reform and deregulation in pursuit of continuous economic growth and development and responding to questions about the efficiency of the government-led development strategy in the 1980s. When issues became critical, policy makers identified regulatory reform as a critical agenda item and launched reform actions through bureaucratic initiatives with some advisory assistance from civilian experts. However, regulatory reform is an alternative to government failure, which is not easily solved through bureaucratic initiatives. It is certainly essential to reflect civilian viewpoints as alternatives.

The perception gap on regulations between bureaucrats and civilian experts is adversarial as is the difference between the regulators and regulated. It is not easy for regulatory bureaucrats to eliminate the regulations that they themselves created and are enforcing as policy tools. However, it is possible for the highest policy maker to make this reform a high priority on the reform agenda. By definition, reform goals often reduce the regulatory power of bureaucrats, which is equally difficult to giving up government influence over the private sector. It would be more reasonable for an agency possessing no regulatory power to take the lead in conducting regulatory reform across the board. This is why the reform body must be placed in a high enough location so as to be able to overcome the opposition of government ministries using its connection to the highest possible authority.

The process of establishing regulatory reform systems in Korea showed that Presidents set a high priority on launching deregulation and regulatory reform. At the initial stage, it was regarded as an ordinary agenda item to be handled in a bureaucratic way in the policy process. However this was not effective because of limitations in reflecting the perspectives and requests of the private sector. To make up for this limitation, civilian participation and roles were expanded with time. Dealing with reform issues is not done entirely by civilians because the reforms are “turf” related and require coordination between the ministries and the private industry. A linkage role is necessary to ensure collaboration between civilian dominant reform bodies and government ministries. Given these circumstances, there must be in place an administrative organization as well as a secretariat to facilitate cooperation within the reform committees composed of a civilian majority.

PCAR and the RRC represented a good model of cooperation between the government and civilian members. PCAR is made up of civilian members who took the initiative to formulate reform measures by arranging horizontal coordination between bureaucrats and civilians with the administrative assistance of the PMO, including those who raised issues. However, it took a bottom-up approach by fully opening its doors to the general public who could make suggestions on reform issues. It was the job of the PMO to take care preliminary work for meetings as well as the administrative actions for implementation and follow-up. PCAR faithfully carried out its role of receiving civilian perspectives through horizontal collective discussions and arguments between the government and the private sector. This enhanced PCAR’s ability gain the support of the general public with voluntary participation and suggestions. This format marked a bottom-up approach, distinctively different from the top-down method dominated in the bureaucracy.

This approach was possible because PCAR was operated in a more flexible way under civilian chairmanship and opened the door to the general public, encouraging civilian initiatives and suggestions. Another reason was that PCAR was institutionally linked to policy coordination of the PMO, which facilitated cooperation with the entire ministry at the upper level. It was a combination between horizontal cooperation with civilian initiatives and policy coordination of the PMO in the government hierarchy. There were two ways that the PMO served PCAR. One was that the head of the PMO chaired the working committee composed of 10 government officials and 10 junior civilian members. Another reason was that part of the PMO served as the secretariat with the majority consisting of PMO staff. The PMO provided the substantial secretariat role, in administrative terms, from planning

to implementation. This form of institutional cooperation between the PMO and the reform body was succeeded by the RRC in the next Government. Dealing with reform measures has become the process and result of policy coordination.

However, there were limitations in operating PCAR as a temporary and advisory agency based on a presidential decree. The inability to cover all regulatory matters because of “turf fights” with other organizations served as another limitation of the reform body. In response to this, the Korean Government enacted BAAR in 1997, which integrated the diverse reform bodies into a single institution. BAAR referenced many of the strengths and weaknesses of PCAR to be more effective.

The current RRS was established in the government by enforcing BAAR from 1998 although it was enacted in 1997. Coincidentally, the economic crisis of 1997 triggered drastic regulatory reform to overcome the crisis. The institutional framework for regulatory reform was in place even before the crisis. Regulatory reform had already been identified as one of the major reforms for the public sector, becoming even more urgent for the Government in overcoming the crisis. The government strongly promoted regulatory reform by establishing the RRC in April 1998. As a result, regulatory reform made significant contributions to overcoming the crisis and transforming the economy into a regulatory regime suitable for a market-driven economy. Korea radically eliminated anti-competitive regulations and encouraged market competition and autonomy in the private sector, which eventually promoted regulatory transparency and credibility. Suddenly abolishing the excessive and outdated regulations that had been embedded throughout the country’s government-led development period was a drastic change for Korea.

This radical reform was possible for several reasons. First, there was strong leadership in place to set clear reform goals and to execute the necessary tasks. Second, the institutional framework needed for such drastic reform was also in place to take critical actions in a timely manner. Third, the efforts featured a unique and effective collaboration between civilian experts for reform and administrative capacities for implementation. Fourth, there was strong public support for reform, as well as civic participation that allowed all of the other factors to work even more successfully. Fifth, the crisis itself was a strong motivator to endure the pains associated with the much-needed and radical reforms. Such reform is preferable to a crisis, and it was not too late to avoid an even greater crisis as a result of proactively instituting the reforms.

2. Adaptability to Developing Countries

The Korean process of establishing regulatory reform systems illustrates the transition from a highly centralized administrative state to a regulatory state encouraging a pro-business approach in the market driven economy. What began as people-oriented administrative reform became market-oriented regulatory reform, institutionally and in the long-term. Korea also demonstrated a change in reform initiatives from a bureaucratic focus to a private-sector led focus. Civilian experts, whose roles grew from an advisor to actually steering reform vehicles, substantially and institutionally contributed to the success of the reform proposals. Korea's reform system aimed at reducing the regulatory power of the government and increase the role of the private sector and market. Such a policy philosophy and vision can project strong leadership for regulatory reform. The philosophy implies that both the government and the people have to share this belief and vision of regulatory reform eventually contributing to enhancing market efficiency, quality of life and national competitiveness. It is up to reform leadership to create this consensus and to push this vision through.

It is important to empower the reform body to the extent that civilian members can take initiatives in conducting regulatory reform. Civilian members appointed by the President constitute the majority of the RRC, and the civilian co-chair is equivalent to the status of the PM. Clearly, the RRC enjoys the confidence and support of the highest policy maker, enabling it to make arrangements for horizontal coordination between regulatory ministries and the private sector. Furthermore, the RRC can provide a civilian perspective and drive interest in formulating reform proposals and measures in a more effective way than bureaucrats—which are more prone to react to rather than support regulatory reform. To facilitate this capability, the RRC is linked to the PMO, which has policy coordination authority. The RRC also takes advantage of the PMO's ministry-wide influence and network. Policy coordination on regulatory reform by civilian members can be made in the way of horizontal cooperation and coordination rather than vertical government hierarchy.

Policy coordination is related to establishing a mechanism to facilitate interaction between ministries. In the policy-making process, both horizontal division of labor and vertical division are considered. In the case of duplication and conflict between the interests of various ministries, the reform proposal must be checked and managed for maintaining consistency and coherence. For this purpose, the government structure is designed to handle policy matters horizontally and vertically. The government hierarchy also coordinates policy vertically. Policy-making eventually converges at the top, for instance, in a centralized

structure of the Presidential system. In a sense, policy coordination is more important in the Presidential system than in the Parliamentary Cabinet system, which is more conducive to horizontal discussion at cabinet minister meetings. The State Council in Korea is designed to work for collective decision making. However, coordinative matters tend to converge at the top level such as the President or PM. Korea has both a President and PM, adding one more policy coordination step in the form of the PMO.

The Korean case would be ideal for a highly-centralized country desiring to eliminate decades of excessive regulations embedded throughout a long history of government intervention and interference, which described Korea in 1998. Korea made positive strides in transforming a regulatory regime and encouraging a market-driven economy and autonomy in the private sector—together with overcoming the economic crisis. Of course, there was confusion and suffering during the crisis and transition. However, in the end, Korea boasted significant achievements in regulatory reform thanks to strong reform leadership backed by public support and well-coordinated administrative implementation capacities. The Korean case would provide valuable lessons to such countries as those wanting to transition to a market-driven economy and expand civilian autonomy through systematic and comprehensive regulatory reform and endure fewer trials and errors.

In sum, this Korean case of regulatory reform has illuminated multiple aspects of reform strategy, stages, methodology, management and performance for developing countries to reference. First, the case is an example of a radical approach to regulatory reform in pursuit of a paradigm shift to a market-driven economy at a critical time of economic crisis. While the crisis proved difficult, it was also timely in providing a strong momentum to take drastic reform measures to solve the crisis with great urgency. Second, though the economic crisis triggered drastic reforms, it was important to have in place institutional arrangements to support such radical reform. Korea's case shows a process of institutionalization for regulatory reform coupled with reform experiences and organizational settings over time. Accumulated reform experience stemming from administrative simplification efforts and deregulation provided a strong foundation for enacting regulatory reform institutionally and comprehensively.

Third, it is also practical wisdom to link government ministries and civilian experts through the PM and PMO in the reform process with a legal basis. This idea of a co-chairmanship of the PM and a civilian member is not only practical, but also effective in joining the administrative authority with civilian experts for cooperative and collective reform work. This approach would facilitate cooperation and coordination between the public and private sector. It can also facilitate horizontal coordination between the reform

driver and government ministries, as well as private sectors in the reform process. For this purpose, proper leadership needs to support the reform work well enough to be able to overcome resistance from vested interest groups, including government bureaucracy. Fourth, the scope and stage of reform clearly changed from administrative reform to regulatory reform in accordance with the country's development stage and marketization. As society matures, the roles of government in the economy must be replaced with market-driven principles. Regulatory reform would facilitate this transformation institutionally and systematically.

3. Considerations in Policy Consulting

Issues on regulatory reform arise when the condition of the market economy and civilian capacities is to some extent "ripe." In addition, regulatory reform policy would benefit from focusing on national competitiveness in the open market economy. People cannot deal with deregulation and bureaucratic opposition if they do not believe and trust that market disciplines are more efficient than government regulations (interventions). If a country is at the stage where the government still retains dominant positions in resource allocations for economic growth, it would be to approach deregulation in smaller, administrative simplification steps so as not to become overwhelmed by the administrative burdens, civil grievances and complaints.

Regulatory reform is ultimately tied to the mind and behaviors of bureaucrats in serving the people and community and the private sector. It is not a one-time effort. In Korea, the economic crisis triggered radical reforms which, in part, evolved from past administrative reform and deregulation experiences, both institutionally and gradually. It is in a sense important to improve the transparency, accountability and predictability of regulatory policy and management by expanding citizens' participation and information sharing by establishing a regulatory management system in which people fully understand the regulations.

Policy coordination is related to the policy process and division of labor in government. This would be more natural in a Parliamentary Cabinet System in which policy discussions and horizontal coordination prevailed, rather than the Presidential System in which hierarchy and vertical coordination are more common. Demands for coordination can be critical in the Presidential System. An alternative could be to place the coordinating function in an upper agency that presides over ministries to facilitate policy coordination between ministries. If such an agency is already established, it is important to operate this agency efficiently and effectively as intended in policy and administrative terms.

Reform work is usually undertaken in urgent and pressing times. Therefore, reform measures are likely to be introduced without considering the degree of adoptability and effectiveness in the reforming country. However, it is desirable first to consider the degree of the country's development and political and administrative culture before conducting regulatory reform, which will eventually become part of a government reform effort. Policy consultants, in general, need to understand the information and current situation of the assisting country and suggest the reform strategy, method, scope, and other details. When packaging the reform for administrative formality, existing red-tape and bureaucracy should also be considered when conducting regulatory reform.

It is important to consider the similarities and differences in the context of the country's economic and social systems when applying the Korean case to developing countries. The historical background and cultural factors directly and indirectly affecting the reform strategy and management should be understood so policy consultants can work with members of the assisting country to fully understand the demand, readiness and feasibility of regulatory reform. It is also necessary to examine how to utilize and enhance the adoptability of the Korean case practically and institutionally within the context of the country.

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FRAMEWORK ACT ON ADMINISTRATIVE REGULATIONS¹⁷

[Enforcement Date: 28. February, 1998]
[Act No.5368, Enactment Date: 22. Aug, 1997]

CHAPTER I. GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to prescribe basic matters concerning administrative regulations, thereby contributing to the improvement of the quality of life of citizens and the enhancement of national competitiveness in a sustained manner by facilitating self-regulation and creative initiative in social and economic activities through the repeal of unnecessary administrative regulations and the prevention of inefficient administrative regulations.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 2 (Definitions) (1) The terms used in this Act shall be defined as follows:

1. “Administrative regulations (hereinafter referred to as “regulations”)” means restrictions on the rights of citizens (including foreigners subject to Acts of the Republic of Korea) or duties imposed thereon by the State or local governments to accomplish a specific administrative objective, which are prescribed by Acts and subordinate statutes, Municipal Ordinances or Municipal Rules;
2. “Acts and subordinate statutes” means Acts, Presidential Decrees, Ordinance of the Prime Minister, Ordinance of the Ministry and other public notices, etc. mandated thereunder;
3. “Existing regulations” means regulations prescribed based on other Acts as at the time this Act enters into force, and those prescribed according to the procedure specified in this Act after this Act enters into force;
4. “Administrative agencies” means agencies that have administrative authority according to Acts and subordinate statutes, Municipal Ordinances or Municipal Rules, and juristic persons, organizations, institutions and individuals delegated or entrusted with the said authority;

17. In the report, it is referred to as [Basic Act on Administrative Regulations \(BAAR\)](#).

5. “Regulatory impact analysis” means to predict and analyze the impact of a regulation on the everyday lives of citizens, as well as on the social, economic, administrative and any other aspects by using objective and scientific means, and thus to establish a standard which serves as the basis for determining the appropriateness of the regulation.

(2) The concrete scope of the regulations shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 3 (Scope of Application) (1) Unless otherwise provided for in other Acts, administrative regulations shall be governed by this Act.

(2) This Act shall not apply to matters falling under any of the following subparagraphs:

1. Affairs executed by the National Assembly, the Courts, the Constitutional Court, the Election Commission, and the Board of Audit and Inspection;
2. Affairs relevant to criminal matters, criminal administration, and security measures;
3. Matters relevant to information and security-related duties under the National Intelligence Service Act;
4. Matters relevant to enrollment, draft, mobilization and training under the provisions of the Military Service Act, the United Defense Act, the Establishment of Homeland Reserve Forces Act, the Framework Act on Civil Defense, the Emergency Resources Management Act, and the Framework Act on the Management of Disasters and Safety;
5. Matters relevant to military installations, the protection of military secrets, and the defense industry;
6. Matters relevant to the items, rates, imposition and collection of taxes.

(3) Local governments shall take necessary measures for the registration and promulgation of regulations prescribed by Municipal Ordinances and Municipal Rules, review of establishment or reinforcement of new and existing regulations, revision of existing regulations, establishment of regulation-review organization, etc., according to the purport of this Act.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 4 (Principle of Regulation by Acts) (1) Regulations shall be based on Acts, and the contents thereof shall be provided in clear and unambiguous language.

(2) Regulations shall be directly provided for by Acts, and the specific details of the regulations may be determined by Presidential Decree, Ordinance of the Prime Minister, Ordinance of the Ministry, or Municipal Ordinances and Municipal Rules, as entrusted by Acts or higher Acts and subordinate statutes by fixing the specific scope thereof: Provided, That when the Acts and subordinate statutes mandate professional, technical or minor matters which need to be mandated due to relevant extenuating circumstances considering the nature of affairs by specifying the scope thereof in detail, regulations may be prescribed by public notice, etc.

(3) No administrative agencies may limit the rights of citizens or impose duties on citizens pursuant to regulations that are not based on Acts.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 5 (Principles of Regulations) (1) The State or local governments shall respect the freedom and creative initiative of citizens and shall not infringe on the essential purport thereof in establishing a new regulation.

(2) The State or local governments shall make sure to establish effective regulations in order to protect the lives, human rights, public health, environment, etc. of citizens and ensure the safety of foods and medical goods, in establishing a new regulation.

(3) The scope and means of regulations shall be set forth to ensure objectivity, transparency and fairness through the most effective means within the minimum extent required to realize the objectives of such regulations.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 6 (Registration and Promulgation of Regulations) (1) The head of a central administrative agency shall register the name, content, legal basis, administering agency, etc. of a regulation under his/her jurisdiction with the Regulatory Reform Committee (hereinafter referred to as the “Committee”) under Article 23.

(2) The Committee shall prepare and promulgate lists of regulatory affairs registered under paragraph (1), and submit it to the National Assembly by the end of June each year.

- (3) If the Committee finds a regulation that is not registered upon conducting an ex officio investigation, it shall require the head of the relevant central administrative agency to immediately register the regulation with the Committee, or to submit a revision plan of Acts and subordinate statutes which is intended to abolish the regulation in question, and the head of the relevant central administrative agency shall comply therewith unless any extraordinary circumstances exist to the contrary.
- (4) Necessary matters for the methods, procedures, etc. of registration and announcement of regulations under paragraphs (1) through (3) shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

CHAPTER II. PRINCIPLES AND EXAMINATION OF ESTABLISHMENT AND REINFORCEMENT OF REGULATIONS

Article 7 (Regulatory Impact Analysis and Independent Examination) (1) When the head of a central administrative agency intends to establish a new regulation or reinforce existing regulations (including the extension of the effective period of regulations; hereinafter the same shall apply), he/she shall conduct a regulatory impact analysis taking account of the following matters comprehensively, and prepare a regulatory impact analysis report:

1. Necessity of establishing a new regulation or reinforcing existing regulations;
2. Feasibility of the objectives of the regulation;
3. Existence of alternative means to the regulation, or possible overlapping with existing regulations;
4. Comparative analysis on costs and benefit which is to be borne by or enjoyed by the citizens and groups subject to regulation following its implementation;
5. Whether competition-restricting factors are included;
6. Objectivity and clarity of a regulation;
7. Administrative organization, human resources, and required budget following the establishment or reinforcement of regulations;
8. Whether documents required for relevant civil affairs, procedures for handling it, etc. are appropriate.

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- (2) The head of a central administrative agency shall issue a general public announcement concerning the regulatory impact analysis report under paragraph (1) during the pre-announcement period of legislations, supplement the regulatory impact analysis report after reviewing the submitted opinions, and shall notify the persons who have submitted their opinions of the results of handling the submitted opinions.
 - (3) The head of a central administrative agency shall determine the subject, scope, method, etc. of regulations based on the findings of the regulatory impact analysis under paragraph (1), and conduct an independent examination on the propriety thereof. In such cases, the opinions of relevant experts, etc. shall be fully reflected in the examination.
 - (4) Necessary matters for the method and procedure of a regulatory impact analysis, and the guidelines for preparation, method of announcement, etc. of a regulatory impact analysis report shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 8 (Stipulation of Effective Period of Regulations) (1) When the head of a central administrative agency intends to establish a new regulation or reinforce existing regulations, he/she shall stipulate in the relevant Acts and subordinate statutes the effective period or review period (referring to the period applied exclusively to a regulation that is deemed necessary to be abolished or relaxed following the result of a regular examination on its implementation) of regulations which have no evident grounds to remain in force. <Amended by Act No. 11935, Jul. 16, 2013>

- (2) The effective period or review period for which the regulation remains in force shall be set as no longer than what is required to achieve the objectives of the regulation and the period shall not exceed five years in principle. <Amended by Act No. 11935, Jul. 16, 2013>
- (3) The head of a central administrative agency shall request an examination to the Committee under Article 10 by six months prior to the expiration of the effective period or review period of the regulation, if extension in the effective period or review period thereof is deemed necessary. <Amended by Act No. 11935, Jul. 16, 2013>
- (4) The Committee may, if deemed necessary in making an examination under Articles 12 and 13, recommend the head of a central administrative agency to set the effective period or review period of the regulation in question. <Amended by Act No. 11935, Jul. 16, 2013>

(5) When the head of a central administrative agency deems it necessary to extend the effective period or review period of a regulation provided for in Acts, he/she shall submit, to the National Assembly, a draft amendment to the effect that the effective period or review period of the regulation needs to be extended by three months prior to the expiration of the effective period or review period of the regulation in question. <Amended by Act No. 11935, Jul. 16, 2013>

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 9 (Hearing Public Opinions)

If the head of a central administrative agency intends to establish a new regulation or reinforce existing regulations, he/she shall sufficiently hear the opinions of administrative agencies, civic groups, interested parties, research institutes, experts, etc. in such means as public hearings, pre-announcement of legislations, etc.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 10 (Request for Examinations) (1) The head of a central administrative agency shall request for an examination to the Committee if he/she intends to establish a new regulation or reinforce existing regulations. In cases of a legislative bill, the request for an examination shall be made prior to filing a request for an examination of the legislative bill with the Minister of Government Legislation.

(2) When the head of a central administrative agency requests an examination under paragraph (1), he/she shall submit to the Committee a draft of the regulation, along with the following matters:

1. A regulatory impact analysis report under Article 7 (1);
2. Opinion from an independent examination under Article 7 (3);
3. Summary of opinions submitted by administrative agencies, interested parties, etc. under Article 9.

(3) When the Committee is requested for the examination of regulations under paragraph (1), it may request a submission of adjustment plans for regulations subject to the relevant Acts and subordinate statutes.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 11 (Preliminary Examinations) (1) The Committee shall determine whether a regulation in question requires review (hereinafter referred to as “important regulation”) stipulated in Article 12 within ten days from the date on which it is requested for an examination under Article 10, in consideration of the ripple effects by a regulation in question on the daily lives and socio-economic activities of citizens.

(2) Regulations determined as unimportant by the Committee under paragraph (1) shall be deemed to have undergone the examinations of the Committee.

(3) The Committee shall promptly notify the head of the relevant central administrative agency of the result of a decision made under paragraph (1).

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 12 (Examinations) (1) The Committee shall complete an examination of regulations which are determined as important regulations under Article 11 (1) within 45 days from the date on which a request for examination is made: Provided, That if an extension of the examination period is inevitable, the Committee may extend it only once by a duration not exceeding 15 days.

(2) The Committee shall review whether the relevant central administrative agency’s independent review has been conducted in a reasonable manner according to the appropriate procedures, based on reliable data and sources.

(3) The Committee may demand that the head of the relevant central administrative agency provide supplementary documents to those appended pursuant to the subparagraphs of Article 10 (2), if such supplementary data is required. In such cases, the period taken for the supplementation shall not be included in the examination period under paragraph (1).

(4) When the Committee completes the examination under paragraph (1), it shall promptly notify the head of the relevant central administrative agency of its findings.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 13 (Examinations of Establishment or Reinforcement of Urgent Regulations)

(1) The head of a central administrative agency may request an examination to the Committee without following the procedures specified in Articles 7, 8 (3), 9 and 10, if special grounds exist for immediate establishment or reinforcement of a regulation. In such cases, the grounds therefore shall be stated clearly.

- (2) If the Committee determines that the regulation requested for the examination under paragraph (1) is deemed urgent, it shall review as to whether the establishment or reinforcement of the regulation is reasonable within 20 days from the date on which the request for an examination is made, and notify the head of the relevant central administrative agency of its findings. In such cases, the head of the relevant central administrative agency shall submit, within 60 days from the date on which he/she is notified of the Committee's review results, the regulatory impact analysis report to the Committee.
- (3) The Committee may, if it determines that the regulation requested to be examined under paragraph (1) is deemed not urgent, within ten days from the date on which it receives a request for an examination, demand that the head of the relevant central administrative agency follow the procedures provided for in Articles 7 through 10.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 14 (Recommendation of Improvement) (1) The Committee may recommend to the head of the relevant central administrative agency the withdrawal or improvement of new or reinforced regulations, if deemed necessary based on the findings of the examination under Articles 12 and 13.

- (2) The head of the relevant central administrative agency in receipt of a recommendation under paragraph (1) shall comply therewith, unless any special grounds exist to the contrary, and shall submit the result of the procedure to the Committee, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 15 (Re-Examinations) (1) The head of a central administrative agency may request the Committee to conduct re-examination, as prescribed by Presidential Decree, if he/she has objections to the findings of the examination by the Committee, or has special circumstances deemed difficult for him/her to take a measure as recommended by the Committee.

- (2) When the Committee is requested for the re-examination under paragraph (1), it shall complete the re-examination within 15 days from the date on which such request is made, and notify the head of the relevant central administrative agency of its findings.
- (3) Article 14 shall apply mutatis mutandis to the re-examination under paragraph (2).

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 16 (Compliance with Examination Procedures) (1) The head of a central administrative agency shall not establish a new regulation or reinforce existing regulations without undergoing the examination by the Committee.

(2) When requesting for the examination of a legislative bill which includes a regulation to be established or reinforced to the Minister of Government Legislation, the head of a central administrative agency shall include an examination opinion of the Committee on the regulation in question to the Minister of Government Legislation. The same shall apply to cases of presenting a legislative bill to the State Council.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

CHAPTER III. REVISION OF EXISTING REGULATIONS

Article 17 (Submission of Opinions) (1) Anyone may submit his/her opinion(s) on the abolishment or amendment (hereinafter referred to as “revision”) of an existing regulation to the Committee.

(2) Necessary matters for the method and procedures of submitting opinions under paragraph (1) shall be determined by Presidential Decree.

Article 18 (Examinations of Existing Regulations) (1) The Committee may review revision of existing regulations in any of the following cases: <Amended by Act No. 7797, Dec. 29, 2005; Act No. 9965, Jan. 25, 2010>

1. Where the Committee has acknowledged the need to review an opinion submitted under Article 17;

2. Deleted; <by Act No. 9532, Mar. 25, 2009>

3. Where the Committee has acknowledged the need for a review of a specific existing regulation after gathering the opinions of interested parties, experts, etc.

(2) Articles 14 and 15 shall be applicable mutatis mutandis to examinations under paragraph (1). <Amended by Act No. 9965, Jan. 25, 2010>

Article 19 (Independent Revision of Existing Regulations) (1) The head of a central administrative agency shall annually select regulations under his/her jurisdiction which require revision and revise them, after gathering the opinions of interested parties, experts, etc. on those existing regulations.

- (2) The head of a central administrative agency shall submit the results of the revision under paragraph (1) to the Committee, as prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 19-2 (Stipulation of Effective Period and Review Period of Existing Regulations)

- (1) The head of a central administrative agency shall stipulate in the relevant Acts and subordinate statutes the effective period or review period of regulations proved to have no evident grounds to remain in force after an examination on the existing regulations.

- (2) Regarding the stipulation of the effective period or review period of the existing regulations pursuant to paragraph (1), Article 8 (2) through (5) shall be applied mutatis mutandis.

[This Article Newly Inserted by Act No. 11935, Jul. 16, 2013]

Article 20 (Establishment of Comprehensive Plan to Revise Regulations)

(1) The Committee shall select the field of regulations or specific regulations in force requiring priority revision each year, prepare the revision guidelines of existing regulations, and notify the head of a central administrative agency thereof, following the resolution of the Committee. In such cases, the Committee may, if deemed necessary, set a deadline for the revision of a specific regulation in force in the revision guidelines.

- (2) The head of a central administrative agency shall establish a revision plan for regulations under his/her jurisdiction according to the revision guidelines under paragraph (1), and submit it to the Committee.

- (3) The Committee shall establish a comprehensive plan for regulation revision of the Government by integrating a regulation revision plan of each central administrative agency under paragraph (2), and shall announce the details thereof after reporting to the President following deliberation by the State Council.

- (4) The method and procedure of establishing and announcing the comprehensive plan for regulation revision shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 21 (Implementation of Comprehensive Plan for Regulation Revision) (1)

The head of a central administrative agency shall revise regulations in force under his/her jurisdiction according to the Government's comprehensive plan for regulation revision established and announced under Article 20, and shall submit the results to the Committee, as prescribed by Presidential Decree.

(2) The head of a central administrative agency shall complete adjusting the existing regulations having deadlines determined and notified by the Committee pursuant to the latter part of Article 20 (1) by the specified deadline, and shall notify the Committee of the results: Provided, That if the head of the central administrative agency fails to complete the revision by the deadline set by the Committee, he/she shall immediately submit, to the Committee, the revision plan of the existing regulations specifically stating the grounds therefor, and shall notify the Committee of the results after completing the revision thereof.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 22 (Organizational Restructuring, etc.) (1) The Committee shall notify the heads

of the central administrative agencies that take charge of governmental organizations and budgets when the revision of an existing regulation is complete.

(2) The head of the relevant central administrative agency in receipt of the notification under paragraph (1) shall devise a plan for the rationalization of the governmental organizations or the budget in accordance with the revision of an existing regulation.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

CHAPTER IV. REGULATORY REFORM COMMITTEE

Article 23 (Establishment)

A Regulatory Reform Committee shall be established under the jurisdiction of the President to deliberate upon and coordinate the Government's regulation policies as well as to comprehensively carry out matters concerning the examination, revision, etc. of regulations.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 24 (Functions)

The Committee shall deliberate upon and coordinate the following matters:

1. Matters concerning basic direction-setting for regulation policy as well as research and development of regulatory system;
2. Matters concerning the examination of establishing and reinforcing new or existing regulations;
3. Matters concerning the examination of existing regulations, and establishment and implementation of a comprehensive plan for regulatory revision;
4. Matters concerning the registration and announcement of regulations;
5. Matters concerning hearing and dealing with opinions on regulatory revision;
6. Matters concerning the inspection and evaluation of the actual condition of regulatory revision conducted by each level of administrative agencies;
7. Other matters deemed by the chairperson of the Committee as requiring deliberation and coordination by the Committee.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 25 (Composition, etc.) (1) The Committee shall be comprised of not less than 20, but not more than 25 members, including two chairpersons of the Committee.

- (2) The Prime Minister and the person commissioned by the President, from among those who have extensive knowledge and experience, shall be the chairpersons of the Committee.
- (3) The members of the Committee shall be those commissioned by the President, from among those who have extensive knowledge and experience, and public officials prescribed by Presidential Decree. In such cases, members who are not public officials shall comprise a majority of the total members of the Committee.
- (4) The Committee shall have an executive secretary who is appointed by the chairperson who is not the Prime Minister, from among members who are not public officials.
- (5) The term of office of members who are not public officials shall be two years, and they may be reappointed only once.

(6) If both chairpersons of the Committee are unable to perform their duties due to unavoidable circumstances, the member designated by the Prime Minister shall act on behalf of the chairpersons.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 26 (Quorum)

Meetings of the Committee shall adopt resolutions by the affirmative vote of a majority of all incumbent members.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 27 (Guarantee of Status as Members)

No member shall be subject to dismissal or removal from his/her office against his/her own will, except any case under the following subparagraphs:

1. Where he/she is sentenced to imprisonment without labor or heavier punishment;
2. Where he/she is unable to carry out his/her duties due to long-term mental or physical breakdown.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 28 (Subcommittees) (1) Subcommittees for each field may be established under the Committee for the efficient management of its affairs.

(2) That which has been deliberated upon and resolved by a subcommittee concerning matters delegated to the subcommittees by the Committee shall be deemed to have been deliberated upon and resolved by the Committee.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 29 (Expert Members, etc. of Committee)

The Committee may have expert members and researchers who take charge of professional investigation and research concerning its affairs.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 30 (Investigation, Hearing of Opinion, etc.) (1) The Committee may take any of the following measures, if deemed necessary for carrying out its functions under Article 24:

1. Request for the explanation or presentation of data or documentation to the relevant administrative agency;
 2. Request for the attendance and statements of opinion by interested parties, reference persons, or public officials concerned;
 3. On-site investigation of relevant administrative agencies, etc.
- (2) The head of a relevant administrative agency may require public officials under his/her control or relevant experts to attend the Committee and to state their opinions or submit necessary data, in respect of the examination, etc. of regulations.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 31 (Dealing with Affairs, etc. of Committee) (1) A specialized secretariat shall be established under the Committee to deal with the Committee's affairs.

- (2) The Committee may designate a specialized research institution to support its specialized examination tasks.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 32 (Legal Fiction as Public Officials in Application of Penal Provisions)

Members, expert members and researchers who are not public officials, among the members of the Committee, shall be deemed public officials in the application of penal provisions under the Criminal Act and other Acts.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 33 (Organization and Management)

In addition to those provided for in this Act, necessary matters for the organization, management, etc. of the Committee shall be prescribed by Presidential Decree.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

CHAPTER V. SUPPLEMENTARY PROVISIONS

Article 34 (Inspection and Evaluation of Regulatory Improvement) (1) The Committee shall verify and inspect the improvement and actual operational conditions of regulations of each administrative agency for the effective regulatory improvement.

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- (2) The Committee shall evaluate the findings of the verification and inspection under paragraph (1) and report thereon to the President and the State Council.
 - (3) The Committee may request that relevant specialized institutions conduct public opinion surveys for objectively carrying out the verification, inspection and evaluation under paragraphs (1) and (2).
 - (4) If the Committee deems that regulatory improvement has been passive or not implemented appropriately based on the results of its verification, inspection and evaluation under paragraphs (1) and (2), it may suggest the necessary measures for the revision thereof to the President.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 35 (White Paper on Regulatory Reform)

The Committee shall annually publish and promulgate a white paper regarding the status of major governmental regulatory reform issues to citizens.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 36 (Administrative Support, etc.)

The Minister of the Office for Government Policy Coordination shall study regulation-related systems and provide the necessary support for the management of the Committee.
<Amended by Act No. 11690, Mar. 23, 2013>

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

Article 37 (Responsibilities, etc. of Public Officials) (1) Public officials shall not be subject to any disadvantageous disposition or unfair treatment because of the negative outcomes of regulatory improvement affairs which they have promoted, where negative consequences are unintentional or there has been no gross negligence.

(2) The head of a central administrative agency shall award a prize or grant preferential treatment in personnel management to public officials who have made distinguished contributions to the promotion of regulatory improvement.

[This Article Wholly Amended by Act No. 9965, Jan. 25, 2010]

ADDENDA <No. 5529, 28. Feb, 1998>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation (Proviso Omitted).

Articles 2 through 7 Omitted.

ADDENDA <No. 7797, 29. Dec, 2005>

This Act shall enter into force six months after the date of its promulgation.

ADDENDA <No. 8852, 29. Feb, 2008>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation (Proviso Omitted).

Articles 2 through 7 Omitted.

ADDENDA <No. 9532, 25. Mar, 2009>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Articles 2 and 3 Omitted.

ADDENDA <No. 9965, 25. Jan, 2010>

This Act shall enter into force six months after the date of its promulgation.

ADDENDA <No. 11690, 23. Mar, 2013>

Article 1 (Enforcement Date)

(1) This Act shall enter into force on the date of its promulgation.

(2) Omitted.

Articles 2 through 7 Omitted.

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