

GUIDELINES FOR TOTAL PROJECT COST MANAGEMENT

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MINISTRY OF STRATEGY AND FINANCE

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CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of these Guidelines is to enhance the efficiency of fiscal spending by reasonably adjusting and managing, by each project phase, total project costs of large projects funded with the national budget or fund under Article 50 of the National Finance Act and Articles 21 and 22 of the Enforcement Decree of the same Act.

Article 2 (Definitions of Total Project Cost)

- (1) The term "total project cost" in these Guidelines means all costs and expenses required for a construction project, which shall consist of construction cost, compensation cost, and incidental expenses for facilities.
- (2) The total project cost under paragraph (1) shall include a portion borne by the State, a portion borne by local governments (hereinafter referred to as "local governments"), a portion borne by public institutions, and a portion borne by private sector.
(Note 1) The portion borne by private sector pursuant to the Act on Public-Private Partnerships in Infrastructure shall not be included in the total project cost of a project subject to the total project cost management under these Guidelines.
(Note 2) The project cost for a part implemented independently by a local government or another entity for certain facilities ineligible for the subsidization from the national treasury, for the purpose of creating demands or running a profitable business by investing its own financial resources or inviting private sector for investment, shall not be included in the total project cost of a project subject to the total project cost management under these Guidelines.
- (3) Total project cost by the project types are as the following:
 1. Construction projects: all costs relating to construction of civil engineering or construction projects, such as construction cost, compensation cost, and incidental expenses for facilities.
 2. Informatization projects: Equipment purchase and rent expense, software development cost and all the other relating to the construction of a system.

Article 3 (Projects subject to Total Project Cost Management)

- (1) To become subject to the total project cost management under these Guidelines (hereinafter referred to as "project subject to the management"), a project shall be either a civil engineering project with a project period no shorter than two years and a total cost of not less than 30 billion won or a construction project with a total cost of not less than 10 billion won (including costs and expenses for incidental works, such as electrical, mechanical, and plumbing works), among projects implemented directly by the State, projects entrusted by the State, projects implemented by a local government, a public institution (a public enterprise, a quasi-governmental agency, or other public institution under Article 5 of the Act on the Management of Public Institutions), or a private institution that receive a subsidy or an aid from the national budget or fund.
- (2) In principle, each project subject to the total project cost management shall correspond to a "sub-program" under the program budgeting system, and a "work item" in a lower layer, which constitutes a sub-program, may be specified as a project subject to the management, if necessary for the purpose of total project cost management.
- (3) Civil engineering projects and construction projects under paragraph (1) shall be classified as in "Annex 1" of attached Table 2.
- (4) In principle, the total project cost of a package project that consists of a multiple number of individual projects, such as projects for the development of local areas or tourist attractions, shall be managed by individual projects.

- (5) A project for which the budget is allocated in a lump sum pursuant to Article 37 of the National Finance Act and Article 12 of the Enforcement Decree of the same Act shall be included in projects subject to the management, if it meets the requirements under paragraph (1).
- (6) Notwithstanding paragraphs (1) through (5), a project that falls under any of the following subparagraphs shall be excluded from projects subject to the management:
 1. A project for which a fixed amount is subsidized from the national treasury;
 2. A loan program;
 3. A project that is related to national security or that requires security, such a project for a military operation base under the jurisdiction of the Ministry of National Defense;
 4. A project with investments from private sector under the Act on Public-Private Partnerships in Infrastructure;
 5. A project with the strong nature of operating expenses, which is implemented within the budget for each year, such as a project for the simple amelioration or the maintenance and repairing of an existing facility for enhancing the utility of such a facility;
 6. Other projects recognized by the Minister of Strategy and Finance that it is of no practical use to include them in projects subject to the management.

CHAPTER II BASIC DIRECTION OF TOTAL PROJECT COST MANAGEMENT

Article 4 (Management of Project Implementation by Phases)

- (1) In principle, the head of each independent government body or central government agency under Article 6 of the National Finance Act (hereinafter referred to as "head of each central government agency") shall implement a project by phases of preliminary feasibility study, feasibility study, basic planning, basic designing, engineering designing, awarding and execution of a contract, and construction, and the detailed management of each phase of project implementation shall be carried out in compliance with these Guidelines.
- (2) The details and methods of, and the procedure for, the project implementation by phases shall be governed by the National Finance Act, the Act on Contracts to which the State is a Party, the Government Procurement Act, the Construction Technology Management Act, Electronic Government Act and other relevant Acts and subordinate statutes as well as the "Guidelines for Formulation of Budget Bill and the Fund Management Plan" determined by the Minister of Strategy and Finance for the pertinent year.

Article 5 (Management by Work Types and Work Items)

- (1) The head of each central government agency shall ensure to manage independently not only the size of the total project cost of each project but also the project cost for each work type and for each work item and shall not adjust the project cost for each work type or for each work item by commingling in awarding contracts.
- (2) The size of total project cost shall be calculated in accordance with attached Table 3, "Statement of Total Project Cost," in the course of the establishment of the project plan and designing, but the work processes and details vital to project implementation shall not be understated or omitted.

(Notes)

1. Projects for which the management by work types is required: Projects for railroads and rapid-transit railroads:
(Examples of work types) Work processes stated separately in attached Table 3, "Standard

Statement by Sectors."

- Roadbed, track, architectural works, electricity, telecommunications, signals, depots, etc.
2. Projects for which the management by items is required: Harbors, airports, and development for agriculture
(Examples of details) Details stated separately in attached Table 3, "Standard Statement by Sectors."
- Harbors: Breakwaters, access roads, dredging, quay walls, etc.
 - Airports: Development of sites, landside, airside, passengers' terminal, facilities for the safety of navigation, etc.
 - Development for agriculture: Tidal gates, sea walls, access roads, etc.

Article 6 (Management of Project Period)

- (1) The head of a central government agency shall, when the size or total project cost of a project is changed, review the adjustment of the project period as well and shall consult with the Minister of Strategy and Finance thereon.
- (2) Where only the project period is changed without any change in the size or total project cost of a project, the consultation with the Minister of Strategy and Finance thereon shall also take place.

(Note) A project period shall begin in the year during which the project commences with the reflection of the government budget for the first time and shall end in the year scheduled for completion that has been determined in consultation with the Minister of Strategy and Finance as at the time the budget was reflected.

Article 7 (Total Project Cost Management for Projects Funded with Continuing Expenditure)

As regards projects funded with continuing expenditure under Article 23 of the National Finance Act, among projects subject to the total project cost management, any revision to the project plan or the extension of the project period accompanied by a change in the total project cost shall be made, except where such a revision or extension is inevitable.

Article 8 (Total Project Cost Management for Projects Not subject to Management)

The head of each central government agency shall apply these Guidelines mutatis mutandis to the total project cost management for projects which are not subject to the management.

CHAPTER III PROCEDURE FOR TOTAL PROJECT COST MANAGEMENT

SECTION 1 Phase of Project Conception

Article 9 (Determination of Appropriate Project Size)

- (1) The head of each central government agency shall appropriately determine the size, total project cost, and period of a project and other factors at the phase of project conception, by referring to similar project cases.
- (2) The head of each central government agency shall, when he/she determines the total project cost, etc. under paragraph (1), take into full consideration the conditions and situations in the implementation of the project to minimize changes in the total project cost at the phases of designing and construction in the future.

SECTION 2 Phase of Preliminary Feasibility Study

Article 10 (Preliminary Feasibility Study)

- (1) If the total project cost of a project is estimated to be not less than 50 billion won and the amount of the financial support from the State is estimated to be not less than 30 billion won at the phase of project conception, the head of the competent central government agency shall request the Minister of Strategy and Finance to conduct a preliminary feasibility study on the project.
- (2) If the total project cost proposed by the head of a central government agency is less than 50 million won but it is objectively obvious that the estimated total project cost is likely to be not less than 50 million won, when taking into consideration the unit prices of similar projects, the volume of the project, etc., the Minister of Strategy and Finance may conduct a preliminary feasibility study even without a request therefore from the head of the central government agency.

Article 11 (Review of Appropriateness of a Project Plan)

- (1) The Minister of Strategy and Finance may, if necessary, conduct a review of appropriateness of the plan on a project exempted from the preliminary feasibility study, such as a project for statutory facilities, to examine the appropriate size and total project cost of the project, efficient alternatives, etc. to the extent similar to the preliminary feasibility study.

Article 12 (Guidelines for Operation of Preliminary Feasibility Study)

In regard to the preliminary feasibility study and the review of appropriateness of the project plan, matters that are not provided for in these Guidelines shall be governed by the Guidelines for the Operation of Preliminary Feasibility Study separately prescribed by the Minister of Strategy and Finance.

SECTION 3 Phase of Feasibility Study and Establishment of Basic Plan

Article 13 (Feasibility Study)

- (1) The head of each central government agency shall conduct a feasibility study on the whole life cycle of each facility that is to be built as a result of a construction project, taking into consideration necessary elements such as technology, environment, society, finance, sites, transportation, etc.: Provided, That the foregoing shall not apply to cases where the total project cost of a construction project is estimated to be less than 50 billion won and where the head of the competent central government agency concludes that the feasibility study is not necessary in the light of the characteristics of the construction project.
- (2) If the head of a central government agency finds that the results of a feasibility study differs from those of the preliminary feasibility study in the aspect of the size, total project cost, or period of the project, he/she shall consult with the Minister of Strategy and Finance on changes in the total project cost, etc.

Article 14 (Establishment of Basic Plan)

- (1) The head of a central government agency shall, when he/she formulates a basic plan pursuant to relevant Acts and subordinate statutes, take into full consideration the

impact on urban management plans and the environment as well as the relevancy to other Acts and subordinated statutes.

- (2) If the head of a central government agency establishes a basic plan, he/she shall consult with the Minister of Strategy and Finance on the size, total project cost, and period of the project and other matters before the basic plan is notified to the public.

Article 15 (Holding of Design Contests, etc.)

- (1) The head of a central government agency shall, if he/she intends to implement a project through a design contest (including international design contests; hereinafter referred to as "design contest"), clearly state the construct cost and design cost, on which the Ministry of Strategy and Finance agreed, in publicly notified terms and conditions and shall manage the contest so that the project can be implemented within the maximum of the total project cost.
- (2) Notwithstanding the provision of paragraph (1), a project that is intended to be implemented through a design contest may be promoted under the condition that the additional project cost that may be incurred as a result of selecting a prize-winning design in excess of the project cost agreed with the Minister of Strategy and Finance shall be borne by the competent local government, public institution, or private institution itself.

SECTION 4 Phase of Basic Designing

Article 16 (Service Period, etc.)

- (1) The head of each central government agency shall give an adequate service period and service fee necessary for basic designing works to prevent design modifications that may occur otherwise in the course of construction later as a result of inadequate research.
- (2) The head of each central government agency shall hear opinions from residents, interested parties, and related agencies in advance during the basic designing period to minimize citizens' complaints that are anticipated to be raised in the course of the implementation of a project.

Article 17 (Basic Designing Process)

- (1) In conducting basic designing works, the head of each central government agency shall endeavor to make sure that designing works in detail are properly managed in view of the total project cost determined in the preliminary feasibility study, the feasibility study, and the basic plan.
- (2) The head of each central government agency shall ensure that the volume of a project is not excessively over-estimated or that unnecessary functions are not included in the basic designing process, and he/she shall not change the originally contemplated size of a project without any reasonable ground.
- (3) The head of each central government agency shall, if a significant change in the details and size of a project occur during the basic designing process, consult with the Minister of Strategy and Finance on the size, total project cost, and period of the project and other matters.

(Note 1) Significant change may include installment of large scale structures, change in number of lanes (road, rail) in certain sections, addition of new details and construction type, and change in more than one-third of the full route, etc.

Article 18 (Completion of Basic Design)

The head of each central government agency shall, when basic designing services are completed, consult with the Minister of Strategy and Finance on the size, total project cost, and period of the project and other matters before awarding a contract for engineering design services, along with a report and a summarized report on the results of the basic designing services.

SECTION 5 Phase of Engineering Design

Article 19 (Engineering Design Process)

- (1) The head of each central government agency shall not change the originally contemplated size of a project in the engineering design process without an adequate and reasonable ground.
- (2) If a significant change occurs in the details and size of a project during the engineering design process, the head of the competent central government agency shall consult with the Minister of Strategy and Finance in advance on the size, total project cost, and period of the project, etc.

(Note 1) Significant change may include installment of large scale structures, change in number of lanes (road, rail) in certain sections, addition of new details and construction type, and change in more than one-third of the full route, etc.

Article 20 (Reflection of Results from Consultation with Related Agencies, etc.)

The head of each central government agency shall reflect in the engineering design process, the results of the environmental impact assessment, the traffic impact assessment, the consultation with local governments, etc., which have been conducted pursuant to relevant Acts and subordinate statutes.

Article 21 (Design Review)

The head of each central government agency shall conduct a design review in detail (design value engineering) under Article 64 (Review on Economic Feasibility of Design, etc.) of the Enforcement Decree of the Construction Technology Management Act at least once before designing works are completed so as to prevent the excessive over-estimation of the volume of the project or the inclusion of unnecessary functions in the engineering design.

Article 22 (Review on Design Price)

- (1) The head of each central government agency shall request the Administrator of the Public Procurement Service to review the appropriateness of unit prices on the results of an engineering design before he/she initiates a consultation process on a change in the total project cost.
- (2) Paragraph (1) shall not apply to projects for which a request for the execution of a contract shall be made to the Administrator of the Public Procurement Service (projects executed directly by a State agency, etc.).
- (3) The Administrator of the Public Procurement Service shall, upon receiving a request for the review on an engineering design, notify the head of the competent central government agency of his/her opinion on the review as soon as possible.

Article 23 (Completion of Engineering Design)

The head of each central government agency shall, upon the completion of engineering design

services, consult with the Minister of Strategy and Finance on the size, total project cost, and period of a project and other matters, along with the following documents, before he/she makes a request to execute a project contract:

1. A report and a summarized report on the results of engineering design services;
2. Causes of a difference, if any, in the total project cost between the basic design and the engineering design and explanatory materials thereon (the person who carried out the engineering design services shall prepare the materials in his/her personal name thereon);
3. A written review opinion of the Administrator of the Public Procurement Service on the results of the engineering design: Provided, That projects for which the review by the Administrator of the Public Procurement Service on design price under Article 22 (2) is waived shall be exceptional;
4. The results of the environmental and traffic impact assessments, the results of the consultation with local governments, etc., which have been reflected in the engineering design.

SECTION 6 Phase of Awarding and Execution of Contracts

Article 24 (Notification of Results of Adjustment of Total Project Cost)

The Minister of Strategy and Finance shall notify the head of the competent central government agency and the Administrator of the Public Procurement Service of the total project cost adjusted through the consultation with the head of the central government agency.

Article 25 (Procurement Contracts)

- (1) The head of a central government agency shall request the Administrator of the Public Procurement Service to make contracts, along with the statement of total project cost on which the consultation with the Minister of Strategy and Finance is completed.
- (2) In calling for bids and awarding a contract for a project, the Administrator of the Public Procurement Service shall determine expected prices within the maximum of the total project cost on the budget pursuant to Article 8 (2) of the Enforcement Decree of the Act on Contracts to which the State is a Party.
- (3) The Administrator of the Public Procurement Service shall, upon receiving a request from the head of a central government agency to award a contract, consult with the Minister of Strategy and Finance before giving public notice of a tender, if the total project cost on the request for awarding a contract exceeds the total project cost notified by the Minister of Strategy and Finance.
- (4) In regard to a project for which a government-funded or government-invested institution has the authority for awarding a contract independently, the awarding department of the institution shall consult with the head of the competent central government agency and the Minister of Strategy and Finance before giving public notice of a tender, if the total project cost on the request from the department in charge of the project for awarding a contract exceeds the total project cost notified by the Minister of Strategy and Finance.

Article 26 (Reduction of Difference in Successful Bid Price)

- (1) If a difference between the amount appropriated from the total project cost and the actual contract amount (hereinafter referred to as "difference in the successful bid price") occurs after executing a contract, the head of the competent central government agency shall autonomously adjust the difference in accordance with the procedure prescribed in Chapter VII, "Autonomous Adjustment of Central Government Agencies," within 90 days from the execution date of the contract.
- (2) The head of each central government agency shall make an adjustment to reduce

incidental expenses for facilities as well, when he/she demands a reduction of a project cost by a difference in the successful bid price under paragraph (1). In the case of a project for which establishing ceilings on autonomous adjustment is required, the ceilings on autonomous adjustment shall be also established pursuant to Article 101.

- (3) The head of each central government agency shall verify if autonomous adjustment to a difference in the successful bid price was made on projects which the project contract was concluded.
- (4) The head of each central government agency shall take measures to reduce a difference in the successful bid price if it has not been reduced as according to paragraph (3)
- (5) The head of each central government agency shall not use a difference in the successful bid price in his/her discretion without prior consultation with the Minister of Strategy and Finance.

SECTION 7 Phase of Construction

Article 27 (Consultation on Total Project Cost Prior to Amendment of Project Contract)

- (1) The head of a central government agency shall, when he/she intends to change the size, total project cost, or period of a project due to an unavoidable cause, consult with the Minister of Strategy and Finance prior to an amendment of the project contract.
- (2) The head of each central government agency shall, when he/she intends to initiate a consultation process on a change in the total project cost pursuant to paragraph (1), submit a statement of the needs of design modifications, drawings (including the unit construction price for each work type in detail), a comprehensive work progress schedule, and other documents that clearly inform of the details of the calculation of the construction cost.
- (3) For those projects that are subject to worth more than 5 billion won design modification due to construction of or change to structure, the head of each central government agency, prior to consultation on total project cost, shall request the Administrator of the Public Procurement Service to review unit prices.
(Example) Substitution of earthwork sections with bridges, construction of multi-level road intersection, installation of interchanges, construction of new stations, construction of tunnel on large cut section, construction of culvert and underground road, reinforcement of slope, etc.
- (4) The Minister of Strategy and Finance, if he/she deems necessary, may request the Administrator of the Public Procurement Service to review unit prices from design modifications.

Article 28 (Consultation on Total Project Costs of Projects to be Completed Next Year)

- (1) The head of a central government agency shall, if it is inevitably necessary to change the size, total project cost, or period of a project to be completed in the following year, request the Minister of Strategy and Finance to change the total project cost or other matter not later than the end of June of the current year so that the change can be taken into consideration in detail and can be reflected in the Government's budget bill or the Fund Management Plan for the following year. If it is autonomous adjustment then it should make the adjustments by end of June and notify the performance to the minister of Ministry of Strategy and Finance.
- (2) The head of a central government agency shall, when he/she intends to make a demand

for changing a total project cost or other matters pursuant to paragraph (1), analyze the requirements for the completion of remaining work processes meticulously and reflect the results from the analysis in the demand so as to avoid additional changes in the total project cost, and no change to the total project cost or changes to autonomous adjustment shall be permitted during the year of scheduled completion in principle, unless any extraordinary ground exists.

- (3) Notwithstanding the provision of paragraph (1) and (2), if an adjustment of a total project cost is needed in or after July of the year prior to the year of scheduled completion in order to reflect a statutory expense therein or due to an unforeseeable cause, the adjustment of the total project cost may be requested within the maximum of the spendable budget of the competent central government agency or an autonomous adjustment may be made in accordance with the procedure prescribed in Chapter VII "Autonomous Adjustment of Central Government Agencies."

Article 29 (Consultation on Total Project Cost upon Application for Budgetary Incentive)

- (1) The head of each central government agency shall, when he/she intends to apply for the payment of the budgetary incentive under Article 49 of the National Finance Act as an incentive in return for saving expenditures by an improvement of the method or system for budget execution or otherwise, consult with the Minister of Strategy and Finance in advance on an adjustment of the total project cost or other matters of the project at issue.
- (2) If the cause of an adjustment of total project cost under paragraph (1) constitutes an item subject to the autonomous adjustment under Article 99, the head of the competent central government agency shall autonomously adjust the total project cost as prescribed in Article 103 and shall notify the Minister of Strategy and Finance of the results.

Article 30 (Consultation on Total Project Cost in Emergency Situation)

- (1) The head of each central government agency may adjust a total project cost without prior consultation with the Minister of Strategy and Finance, if a change of the total project cost is urgently required to prevent disasters or restore damage urgently, or secure the safety of facilities.
- (2) The head of a central government agency shall, if he/she adjusted a total project cost pursuant to paragraph (1), submit to the Minister of Strategy and Finance a report on the grounds for the adjustment of the total project cost and the details of the adjustment within 60 days from the date of adjustment.

SECTION 8 Total Project Cost Management for Turn-Key Projects. etc.

Article 31 (Completion of Basic Plan)

- (1) As regards a project implemented through a package tender for designing and construction (hereinafter referred to as "turn-key project"), the head of the competent central government agency shall consult with the Minister of Strategy and Finance on the size, total project cost, and period of the project and other matters after a basic plan is established but before a contract for the turn-key project is awarded.
- (2) Paragraph (1) shall also apply where some of work types or items out of the whole volume of a project are implemented as a turn-key project.

Article 32 (Basic and Engineering Designs)

- (1) The head of each central government agency shall endeavor to avoid exceeding the originally contemplated size, total project cost, and period of a turn-key project in the basic and engineering design processes for the project.
- (2) Notwithstanding paragraph (1), the head of a central government agency shall, if it is inevitably necessary to change the size, total project cost, or project period specified in the original basic plan, consult with the Minister of Strategy and Finance in advance before the final successful bidder is selected.

Article 33 (Subsequent Adjustments after Awarding Project Contract)

- (1) As regards a turn-key project or a project implemented through an alternative tender, the head of each central government agency shall make autonomous adjustments in accordance with the procedure prescribed in Chapter VII, "Autonomous Adjustment of Central Government Agencies."
- (2) As regards a turn-key project or a project implemented through an alternative tender, the contract amount shall not be increased, except where a cause for which the Government is liable or an event beyond control, such as a natural disaster, occurs.

SECTION 9 Total Project Cost Management for Informatization Projects

Article 33-2 (Consultation on Total Project Cost)

- (1) The head of each central government agency shall, when each stage stipulated under the following subparagraph is completed, consult with the Minister of Strategy and Finance, along with a report and a summarized report.
 1. Establishment of Basic Plans (Informatization Strategy Planning)
 2. System buildup (Analysis· Design)
 3. Other similar project stage
- (2) The head of each central government agency shall, if necessary to change the size, total project cost, or period of a project during the course of project implementation, consult with the Minister of Strategy and Finance, along with a details.

CHAPTER IV RE-ASSESSMENT OF ESTIMATED SOC DEMAND

SECTION 1 OVERVIEW OF RE-ASSESSMENT OF DEMAND FORECAST

Article 34 (Purposes of Re-assessment of Demand Forecast)

The purposes of the re-assessment of estimated demand for SOC (hereinafter referred to as "re-assessment of estimated demand") are to enhance the efficiency of fiscal investment and prevent a potential waste of budget through the meticulous management of changes in demands for large public investment projects phase by phase, each of which takes a long time from the phase of project conception until the completion.

Article 35 (Projects subject to Re-assessment of Demand Forecast)

Projects for the construction of social infrastructure, such as roads, railroads, airports, harbors, and water resources, among the projects subject to the management under Article 3, shall be subject to Re-assessment of Demand Forecast.

Article 36 (Entity to Conduct Re-assessment of Demand Forecast)

The re-assessment of demand forecast for a project shall be conducted by the Minister of Strategy and Finance, if the total project cost is not less than 50 billion won, or by the head of the competent central government agency, if the total project cost is less than 50 billion won.

Article 37 (Time to Conduct Re-assessment of Demand Forecast)

- (1) The re-assessment of demand forecast shall be conducted for each stage of project implementation under the following subparagraphs, if the requirements for the re-assessment of demand forecast are met:
 1. The stage of completion of the basic plan or feasibility study;
 2. The stage of completion of the basic design;
 3. The stage of completion of the engineering design;
 4. The stage of construction.
- (2) Notwithstanding paragraph (1), the Minister of Strategy and Finance or the head of a central government agency may conduct the re-assessment of demand forecast prior to or during the feasibility study or designing, if he/she considers it necessary to conduct the re-assessment of demand forecast.

Article 38 (Requirements for Re-assessment of Demand Forecast)

- (1) The re-assessment of demand forecast shall be conducted for a project, if a significant change in the demand forecasted in a preceding phase is anticipated to occur in any of the following cases:
 1. Where a big international event, a new city development plan, a neighboring housing site development plan, etc. directly related to the demand for the project at issue, has been cancelled or changed;
 2. Where the construction of an alternative transportation means which may be in competition with the project at issue, has been promoted and thus a significant change in the demand for the project at issue is anticipated to occur;
 3. Where a plan for the extension or new installation of the section connecting to the front or rear of the section at issue of a road or railroad project has been cancelled or changed;
 4. Where the demand is anticipated to significantly decrease as a result of a change in the methodology for demand estimation;
 5. Where a project that has been promoted as a private investment project is changed to a fiscal investment project and thus it is considered necessary to review the estimated demand;
 6. Where a project has a gap of not less than five years in the time to implement each phase of the project under Article 4 (1);
(Example 1) A project for which basic design works (including the feasibility study and basic plan) are carried out five years after the preliminary feasibility study.
(Example 2) A project for which engineering design works are carried out five years after the completion of the basic design.
(Example 3) A project for which construction works commence five years after the completion of the engineering design.
 7. Where the Minister of Strategy and Finance or the head of a central government agency considers it necessary to conduct the re-assessment of demand forecast on any other ground.
(Note 1) The phase of preliminary feasibility study shall be deemed the preceding phase of the phase of basic plan or feasibility study, the phase of basic design, and the phase of engineering design, if a preliminary feasibility study has been conducted, while the immediately preceding phase in which the demand for the relevant project is objectively estimated, such as a medium- and long-term investment plan, shall be deemed the preceding phase of such phases, if a preliminary feasibility study has not been conducted: Provided, That if the size and total project cost of a project has been adjusted according to the results of an objective demand estimation, obtained through services provided by a specialized institution subsequent to the formulation of a medium- and long-term investment plan or the conduct of a preliminary feasibility study, the time of such

adjustment shall be deemed the preceding phase.

(Note 2) If, during the construction phase, the size and total project cost of a project has already been adjusted according to the results of an objective demand estimation after the phase of engineering design, the time of such adjustment shall be deemed the preceding phase.

- (2) Where a project subject to the management is included in a medium- and long-term investment plan for each sector, such as roads, railroads, airports, harbors, and water resources, and there is a remarkable change in social and economic indices of population, the number of motor vehicles owned, traffic volume, cargo traffic in ports and harbors, and other factors, which served as the premise of a demand estimation conducted for the formulation of the plan, another re-assessment of demand forecast may be conducted for the medium- and long-term investment plan.

SECTION 2 Procedure for Re-assessment of Demand Forecast

Article 39 (Demand to Conduct Re-assessment of Demand Forecast)

- (1) If the total project cost of a project under the jurisdiction of the head of a central government agency is not less than 50 billion won and the project meets the requirements for the re-assessment of estimated demand under Article 38, the head of the competent central government agency shall demand the Minister of Strategy and Finance to conduct the re-assessment of demand forecast, clearly stating the details and size of the project, the reasons for the re-assessment of demand forecast, and other relevant matters.
- (2) If it is found that the estimated demand for a project has decreased in the course of the establishment of a basic plan, the feasibility study, and the basic design or engineering design by not less than 30/100 in comparison with the estimated demand as of the preceding phase, the head of a central government agency shall demand the Minister of Strategy and Finance to re-conduct the feasibility study, notwithstanding paragraph (1).

Article 40 (Conduct of Re-assessment of Estimated Demand)

As regards a project for which a re-assessment of demand forecast has been demanded pursuant to Article 39 (1) or a project that meets the requirements for the re-assessment of demand forecast in the course of total project cost management, the Minister of Strategy and Finance may review the necessity of the re-assessment of demand forecast and then request a research institute with expertise to conduct the re-assessment of demand forecast.

Article 41 (Services for Re-assessment of Demand Forecast)

- (1) The institution to which the re-assessment of demand forecast is entrusted entirely shall have overall control over research to secure the objectiveness and transparency of the re-assessment of demand forecast and may have universities, colleges, research institutes, or other specialized institutions with expertise in relevant areas participate jointly in the re-assessment of demand forecast.
- (2) A service provider for the re-assessment of demand forecast shall hold a meeting, before submitting final results, with the Ministry of Strategy and Finance, the Ministry with the jurisdiction over the project at issue, and other related agencies and give them opportunities to fully express their opinions.
- (3) In principle, the service period for a re-assessment of demand forecast shall be three months but may be adjusted flexibly, taking into account the nature of the project at issue, the level of difficulty in analysis, and other circumstances.

Article 42 (Notification of Results of Re-assessment of Demand Forecast)

- (1) The Minister of Strategy and Finance shall, upon the completion of a re-assessment of demand forecast, notify the head of the competent central government agency of the results thereof.
- (2) If it is found as a result of a re-assessment of demand forecast that the demand for a project has decreased by not less than 30/100 in comparison with the previously estimated demand, the Minister of Strategy and Finance shall conduct a Re-assessment of Feasibility Study in accordance with the procedure under Chapter V, "Re-assessment of Feasibility Study," and shall notify the head of the competent central government agency of the fact.
- (3) As regards a project on which the head of a central government agency has demanded pursuant to the provision of Article 39 (2) to conduct a Re-assessment of Feasibility Study or a project for which it is found in the course of total project cost management that the estimated demand has decreased by not less than 30/100 in comparison with the estimated demand as of the preceding phase, the Minister of Strategy and Finance may conduct a Re-assessment of Feasibility Study in accordance with the procedure under Chapter V, "Re-assessment of Feasibility Study."

Article 43 (Application Mutatis Mutandis)

The head of each central government agency shall apply Articles 40 and 41 mutatis mutandis where he/she conducts a re-assessment of demand forecast for a project with a total project cost of less than 50 billion won under his/her jurisdiction.

CHAPTER V RE-ASSESSMENT FEASIBILITY OF STUDY

SECTION 1 Overview of Re-assessment of Feasibility Study

Article 44 (Purposes of Re-assessment of Feasibility Study)

The purposes of a Re-assessment of Feasibility Study are to curb unnecessary increases in the project cost and so enhance the efficiency of fiscal spending by conducting the Re-assessment of Feasibility Study in an objective manner on a project that meets specified requirements in the course of implementing the project.

Article 45 (Standard Guidelines for Re-assessment of Feasibility Study)

The Minister of Strategy and Finance shall enact and enforce the "Standard Guidelines for Re-assessment of Feasibility Study" in order to prescribe the standards, methods, and procedure that shall be followed in conducting a Re-assessment of Feasibility Study, and the Standard Guidelines shall be consisted of the following:

1. General guidelines: Standards that shall be applied in common to each Re-assessment of feasibility study, such as requirements for a Re-assessment of feasibility study, the implementation system and details of a Re-assessment of feasibility study;
2. Guidelines for each sector: Detailed provisions on the methods of, and the procedure for, a Re-assessment of feasibility study or each project sector, such as roads, railroads, and architectural works.

SECTION 2 General Guidelines for Re-assessment of Feasibility Study

Article 46 (Projects subject to Re-assessment of Feasibility Study)

Projects subject to a Re-assessment of feasibility Study shall be projects subject to the management under Article 3: Provided, That if the Minister of Strategy and Finance considers it necessary, a Re-assessment of Feasibility Study may be conducted for projects that are excluded from projects subject to total project cost management under Article 3 paragraph (6) which fall under subparagraph 1.

Article 47 (Entity to Conduct Re-assessment of Feasibility Study)

The Minister of Strategy and Finance shall conduct a Re-assessment of Feasibility Study where the requirements for the Re-assessment of Feasibility Study under Article 49 are met.

Article 48 (Time to Conduct Re-assessment of Feasibility Study)

- (1) A Re-assessment of Feasibility Study shall be conducted where the requirements for the Re-assessment of Feasibility Study are met at any of the following stages in implementing a project:
 1. The stage of completion of the basic plan or feasibility study;
 2. The stage of completion of the basic design;
 3. The stage of completion of the engineering design;
 4. The stage of construction.
- (2) Notwithstanding paragraph (1), the Minister of Strategy and Finance if he/she considers it necessary to conduct a Re-assessment of Feasibility Study, conduct the Re-assessment of feasibility Study even before a feasibility study or designing works commences or while conducting a feasibility study or carrying out design works.

Article 49 (Requirements for Re-assessment of Feasibility Study)

- (1) In principle, the Minister of Strategy and Finance shall conduct a Re-assessment of Feasibility Study in any of the following cases:
 1. Where no preliminary feasibility study has been conducted because the total project cost of a project did not reach the size subject to the preliminary feasibility study but the total project cost has increased to the size subject to the preliminary feasibility study in the course of implementing the project;
 2. Where a project subject to the preliminary feasibility study was reflected in the budget or fund management plan and has been implemented without a preliminary feasibility study;
 3. Where the total project cost of a project, excluding price increases and increases in compensation cost for losses on the land and other property necessary for the implementation of a public interest project, has increased by not less than 20/100 in comparison with the total project cost fixed through the consultation with the Minister of Strategy and Finance;
(Note 1) The total cost that has been fixed through the consultation with the Minister of Strategy and Finance is the total project cost (excluding the reserve fund) during the preliminary feasibility study. Provided, That if the project has not gone through the preliminary feasibility study then it shall be judged whether the total project cost reflected on the budget at the time has increased by not less than 20/100 in comparison with the initial total project cost.
(Note 2) If the project has gone through reassessment study of feasibility, then it shall be judged whether the total cost has increased by not less than 20/100 in comparison with the total project cost during the reassessment study of feasibility.
(Note 3) "Increases in compensation cost for losses on the land and other property" mean the price changes as a result of an appraisal, etc., excluding the portion accruing according to changes in the volume subject to compensation.
 4. Where it is found as a result of a re-assessment of demand forecast that the estimated demand for a project has decreased by not less than 30/100 in comparison with the estimated demand as of the preceding phase or where it is found in the course of a feasibility study or basic or engineering design works that the estimated demand has decreased by not less than 30/100 in

- comparison with the estimated demand as of the preceding phase;
5. Where a project was reported to the Budget Waste Reporting Center in the Ministry of Strategy and Finance as a budget waste case and the Minister of Strategy and Finance concludes that it is highly probable that the project will become a waste of budget as a result of overlapping investments, etc.;
 6. Where the Board of Audit and Inspection of Korea requests to conduct a Re-assessment of Feasibility Study on a project as a result of its audit or where the National Assembly demands to conduct a Re-assessment of Feasibility Study on a project by its resolution;
 7. Where the Minister of Strategy and Finance or the head of each central government agency concludes on other ground that a Re-assessment of Feasibility Study is required.
 - (Example 1) Where the feasibility of a project was analyzed as unsatisfactory as a result of a preliminary feasibility study but the project has been implemented without another preliminary feasibility study.
 - (Example 2) Where there is a significant difference between the results of a feasibility study conducted pursuant to Article 18 of the National Transport System Efficiency Act and the results of a preliminary feasibility study and thus the implement or of a project for the development of traffic facilities demands the Minister of Strategy and Finance to take necessary measures there for pursuant to Article 19 (3) of the National Transport System Efficiency Act through the consultation with the Minister of Land, Transport and Maritime Affairs.
- (2) The Minister of Strategy and Finance may choose not to conduct a Re-assessment of Feasibility Study, if he/she concludes that the Re-assessment of Feasibility Study is of no practical use due to any of the following grounds, notwithstanding paragraph (1);
1. Where a substantial part of a project has been executed and thus the share of the sunk cost is large;
 2. Where the main cause of an increase in the total project cost of the project at issue consists in an external cause, such as a change in a plan at a higher level and the reflection of statutory matters;
 3. Where a project is implemented for the balanced regional development or for the purpose of coping with an economic or social emergency situation;
 4. Where it is urgently required to implement a project to prevent a disaster, assist in restoration works, or secure safety;
 5. Project exempted from the preliminary feasibility study pursuant to Article 13 paragraph 2 of the National Finance Act and Article 11 of the Guidelines for the Operation of Preliminary Feasibility Study.
 6. A civil engineering project and informatization project for which the amount of the financial support from the State is less than 30 billion won.
- (3) Projects pursuant to the Article 48(2) 3 of the Act is as follows:
1. Projects which need to be undertaken for the purpose of balanced regional development: projects supporting infrastructure facilities and so forth that are implemented to redress serious regional imbalance and promote balanced provincial development.
 2. Projects which need to be undertaken under national policies for the purpose of coping with urgent socioeconomic conditions: projects pursued urgently in order to respond to grave changes in the conditions inside and outside of the country, including, but not limited to, an economic recession, mass unemployment and sharp fluctuations in foreign exchange rates.

Article 49-1 (Review of Appropriateness of a Project Plan)

- (1) Where a Re-assessment of Feasibility Study was waived because a project falls under any subparagraph of Article 49 (2), the Minister of Strategy and Finance may conduct a review of appropriateness of the project plan to examine the appropriate project size, total project cost, efficient alternatives, etc. in a manner similar to the Re-assessment of Feasibility Study.
- (2) Notwithstanding paragraph (1), if the Minister of Strategy and Finance deems it necessary to examine the appropriate size and total project cost of the project, efficient alternatives, etc. the review of appropriateness of project plan shall be conducted to the

extent similar to the Re-assessment of Feasibility Study.

Article 50 (Re-assessment of Feasibility Study Services)

- (1) The institution to which the Re-assessment of Feasibility Study is entrusted entirely shall have overall control over research to secure the objectiveness and transparency of the restudy and may have universities, colleges, research institutes, engineering companies, or other specialized institutions with expertise in relevant areas participate jointly in the restudy.
- (2) A service provider for the Re-assessment of Feasibility Study shall hold a meeting, before submitting final results of the restudy, with the Ministry with the jurisdiction over the project at issue, the Ministry of Strategy and Finance, and other related agencies and give them opportunities to fully express their opinions.
- (3) In principle, the service period for a Re-assessment of Feasibility Study shall be four months but may be adjusted flexibly, taking into account the nature of the project at issue, the level of difficulty in analysis, etc.

Article 51 (Matters subject to Re-assessment of Feasibility Study)

- (1) Through a Re-assessment of Feasibility Study, the overview of a project and the issues subject to the restudy shall be grasped; the appropriateness of the project plan shall be reviewed; analyses on the economic feasibility, the conformity with policies, and the balanced regional development shall be conducted; matters presented in each stage of the Re-assessment of Feasibility Study shall be examined; and the feasibility of the project and alternatives there for shall be presented in the form of an overall assessment by synthesizing all results there from.
- (2) The following matters shall be included in the matters subject to the examination at the stage of "grasping the overview of a project and issues subject to the Re-assessment of Feasibility Study":
 1. The overview of the project and the progress of implementation:
 - (a) Fundamental matters regarding the project, such as the background, purposes, and expected effects of the project;
 - (b) The progress of implementation in detail from the beginning stage of promoting the project until the stage of conducting the Re-assessment of Feasibility Study, and the current status of budget executed so far;
 - (c) The results of analyses made in the preceding phase, such as the preliminary feasibility study and the feasibility study;
 - (d) Details of the project, such as the special location of the project, details of construction works, and the size of total project cost;
 - (e) The analysis of basic data on the natural environment, living environment, and social and economic environments related to the project through supplementary research with data accumulated until the preceding phase and by visiting the site;
 2. Grasping issues subject to the Re-assessment of Feasibility Study on each sector:
 - (a) Issues related to the review on the appropriateness of the purposes of the project;
 - (b) Issues related to the review on the appropriateness of the strategy for implementing the project;
 - (c) Issues related to the analyses on the economic feasibility and the conformity with policies;
 - (d) Issues related to the review on the technical feasibility of the project and the review on the appropriateness of the estimation of total project cost, including the selection of the style of structures.
- (3) The following matters shall be included in the matters subject to the examination at the stage of the "review on the appropriateness of the project plan":
 1. Review on the appropriateness of the purposes of the project: The necessity and effects of the project shall be reviewed to determine whether the purposes of the project has a value that shall

- be pursued in the view point of national economy, taking into consideration the environment as at the time when the project was initially promoted and the changed environment;
2. Review on the appropriateness of the manner of promoting the project: Whether the current project is the only alternative as a means to achieve the purposes of the project and whether there are more effective alternatives and strategies for the implementation of the project shall be reviewed;
 3. Review on the appropriateness of selected alternatives: The technical feasibility and economic feasibility of alternatives selected through the rough comparison with other alternatives shall be reviewed.
- (4) The following matters shall be included in the matters subject to the examination at the stage of the "Economic Analysis":
1. In principle, the guidelines for the analysis on the economic feasibility in the preliminary feasibility study shall be applied, but shall be adjusted to meet the characteristics of the Re-assessment of Feasibility Study in accounting for sunk cost and other matters;
 2. The standard guidelines for the preliminary feasibility study shall apply to the demand estimation, but the results there from shall be presented in comparison with the results of the demand estimation at the preceding phase;
 3. Estimation of total project cost:
 - (a) The total project cost shall be estimated by calculating the volume and a reasonable unit price of each work type;
 - (b) No reserve fund shall be reflected in the Re-assessment of Feasibility Study at the phases of basic design and engineering design;
 - (c) A part with a significant probability of change, such as the style of structures, shall be analyzed;
 4. Assessment of economic feasibility:
 - (a) The year immediately preceding the time of the commencement of the Re-assessment of Feasibility Study shall be the base year for the analysis, and benefits and costs shall be estimated as of the base time for the analysis;
 - (b) As to the social rate of discount and the analysis period, the guidelines for the preliminary feasibility study shall apply;
 - (c) The investment rate for each year shall be calculated in accordance with the standard guidelines for the preliminary feasibility study but may be adjusted according to the state of budget formulation;
 - (d) The costs and expenses for designing works and construction works already completed shall be accounted for as sunk costs, but prices paid for purchasing sites shall not be accounted for as sunk costs;
 - (e) The B/C (benefit/cost) ratio shall be calculated by including sunk costs in the total project cost and presented as reference information.
- (5) In principle, the "Guidelines for the Policy Analysis" in the guidelines for the preliminary feasibility study shall be applied at the stage of the "Policy Analysis" but the guidelines may be adjusted according to the characteristics of the project at issue.
- (6) The analysis method in the guidelines for the preliminary feasibility study shall be applied at the stage of the "Analysis on the Balanced Regional Development."
- (7) The following matters shall be included in the "Overall Assessment":
1. The feasibility of a project shall be assessed comprehensively based on the progress of the implementation of the project, the analysis on the economic feasibility, the analysis on the conformity with policies, and the analysis on the balanced regional development, and whether to continue the implementation of the project shall be determined accordingly. In principle, the Analytic Hierarchy Process (AHP) shall be applied to such cases in accordance with the guidelines for the preliminary feasibility study;
 2. The calculation of an appropriate adjustment amount to the total project cost:
 - (a) Analyzing probable causes of an increase in the total project cost;
 - (b) Calculating the size of the total project cost, which shall serve as the basis for an adjustment of the total project cost, by estimating the appropriate size of facilities based on the appropriate volume of demand, if necessary in implementing the project;
 3. Pointing out matters to be improved in implementing the project, including the desirable

manner of implementing the project and technical improvements for upgrading the quality of facilities;

4. Proposing a strategy for the implementation of the project, including the size of the project and an appropriate adjustment to the timing of investment, if a project is found infeasible.

※ Composition of Re-assessment of Feasibility Study Report (Example)

- Overview of the project and the progress of implementation
- Analysis of basic data and issues of the Re-assessment of Feasibility Study
- Review on the appropriateness of the project plan
 - Review on the appropriateness of purposes of the project
 - Review on the appropriateness of the manner of implementing the project
 - Review on the appropriateness of selected alternatives
- Economic Analysis
 - Demand estimation
 - Estimation of the total project cost
 - Assessment of economic feasibility
- Policy Analysis
- Overall assessment
 - Determination on whether to continue the implementation of the project
 - Calculation of an appropriate adjustment amount to the total project cost
 - Proposed improvements in implementing the project
 - Seeking for a strategy for implementing a project the feasibility of which is low.

Article 52 (Standard Guidelines for Re-assessment of Feasibility Study on each Sector)

- (1) The Re-assessment of Feasibility Study on roads, railroads, and architectural works shall be carried out in accordance with attached Table 7, "Standard Guidelines for Re-assessment of Feasibility Study on Each Sector."

Article 53 (Notification of Results of Re-assessment of Feasibility Study)

- (1) The Minister of Strategy and Finance shall, upon the completion of a Re-assessment of Feasibility Study, notify the head of the competent central government agency of the results of an adjustment to the total project cost, in which the results of the Re-assessment of Feasibility Study on the project are reflected.
- (2) The head of a central government agency may, where he/she conducted a Re-assessment of Feasibility Study, request the Minister of Strategy and Finance to modify the total project cost, in which the results of the Re-assessment of Feasibility Study on the project are reflected.

CHAPTER VI GUIDELINES FOR ADJUSTMENT OF TOTAL PROJECT COST

SECTION 1 Basic Principle of Adjustment

Article 54 (Basic Principle)

Except where there is an unavoidable cause, such as the safety in construction and an amendment of an Act or a subordinate statute, any design modification that causes an increase in the volume of a project shall not be approved in principle.

Article 55 (Restriction on Scope of Works)

- (1) In principle, the scope of works shall be restricted to the work types or work items on

which the Minister of Strategy and Finance agreed when the preliminary feasibility study was conducted or when the project was initially reflected in the budget.

- (2) A change of the total project cost for an additional work type or work item that is not directly related to the project at issue, such as a section not within the scope of works, shall not be approved.

(Note) Where a project is subject to a condition that costs and expenses of a facility or a building site shall be borne in part by a local government, a public institution, or a private institution concerned (such as a condition that the relevant facilities shall be established in the relevant area or institution), such facility or building site shall be a section not within the scope of works.

- (3) In principle, an addition of a work item that was not included when a project commenced but gives rise to an extension of the project period or an increase in the total project cost shall not be approved: Provided, That an exception may apply where it is necessary to add such a work item to an existing project for the purpose of the total project cost management.

Article 56 (Adjustment by Work Types or Work Items)

The total project cost shall be adjusted not only where there is a change in the total project cost required for a project, but also where there is no change in the total project cost but there is a change in the project cost for each work type or work item.

Article 57 (Review on Appropriateness of Design)

- (1) Upon receiving a request for a change in the project size or total project cost at the phase of basic planning (including schematic design), basic designing, or engineering designing pursuant to Article 14 (2), 17 (3), 18, 19 (2), or 23, the Minister of Strategy and Finance may request the Ministry of Land, Transport and Maritime Affairs, Ministry of Public Administration and Security, the Public Procurement Service, or an institution designated by the Minister of Strategy and Finance, the Minister of Land, Transport and Maritime Affairs or the Minister of Public Administration and Security to review it, if he/she considers it necessary to review the basic plan or the appropriateness of the basic design or engineering design, and the reviewing agency shall notify the Minister of Strategy and Finance of the results of its review.
- (2) The projects subject to the "review on the appropriateness of designs" under paragraph (1) shall be construction projects or informatization projects among projects subject to the management.

Article 58 (Preliminary Feasibility Review on Design Modifications)

- (1) If the Minister of Strategy and Finance considers it necessary to conduct an objective and professional research on the service level of roads or intersections, among items subject to a design modification in a project for which a change in the total project cost has been demanded after construction works commenced, he/she may authorize a specialized institution to conduct a preliminary review and may adjust the total project cost according to the results there from.
- (2) The Minister of Strategy and Finance may, upon receiving a request for a change of the total project cost of construction projects or informatization projects among subject to the management, request the Ministry of Land, Transport and Maritime Affairs, Ministry of Public Administration and Security, the Public Procurement Service, or an institution designated by the Minister of Strategy and Finance, the Minister of Land, Transport and Maritime Affairs or the Minister of Public Administration and Security,

if he/she considers it necessary to conduct a preliminary review on the validity of the design modification and the appropriateness of volume and unit prices, and the reviewing agency shall notify the Minister of Strategy and Finance of the results of its review.

Article 59 (Consultation on Relevant Acts and Subordinate Statutes, etc.)

The Minister of Strategy and Finance may consult with the head of a related agency, if it is necessary to make an adjustment with regard to Acts and subordinate statutes or guidelines relevant to the total project cost management.

Article 60 (Application Mutatis Mutandis of Guidelines for Adjustment)

These Guidelines shall apply mutatis mutandis to the following cases as well as to cases where the Minister of Strategy and Finance makes an adjustment to a total project cost through consultation upon receiving a request from the head of a central government agency to change the total project cost:

1. Where the head of a central government agency autonomously adjusts the total project cost of a project that is not subject to the management;
2. Where the head of a central government agency autonomously adjusts a total project cost with regard to items subject to the autonomous adjustment under Article 100.

SECTION 2 Detailed Guidelines for Adjustment of Expenses

SUBSECTION 1 Guidelines for Adjustment of Construct Cost

Article 61 (Definition of Construction Cost)

- (1) The term "construction cost" (hereinafter, "buildup cost" for informatization projects) means the full amount of a total project cost, excluding compensation cost and incidental expenses for facilities (hereinafter, "incidental expenses" for informatization projects)
- (2) The construction cost (buildup cost) shall be limited to costs and expenses directly required for a construction project (informatization project) and shall not include the asset acquisition cost, the equipment cost, operating expenses of the competent government agency, which are required in the operating stage after the completion of the project: Provided, That an exception may apply to the testing equipment that shall inevitably be established as part of facilities in the course of construction works, equipment purchase cost as specified in the Article 2 (3) 2 of the Act, etc.

Article 62 (Designing Phase)

- (1) As regards a project for which a basic design is completed, the total project cost shall be adjusted after examining the reasons for an increase or a decrease in each item by comparing it with the project plan presented in the preliminary feasibility study or the feasibility study, and the following guidelines shall apply to such an adjustment:
 1. If the original plan has been maintained for a project and there is not a big difference in comparison with the unit construction costs of similar projects, the total project cost shall be, in principle, adjusted according to the results of the design;
 2. If the project size, etc. has increased larger than the original plan or there is a change in details of the project, the total project cost shall be adjusted after reviewing the validity of the increase in the volume of the project or the change in the details of the project;
 3. If the construction cost is higher than those of similar projects, the total project cost shall be adjusted after reviewing the appropriateness of the results of the design, considering the average

- unit price, etc.;
4. Where a project meets the requirements for a Re-assessment of Feasibility Study, the Re-assessment of Feasibility Study shall be conducted and, the total project cost shall be adjusted according to the results there from.
- (2) As regards a project for which the engineering design is completed, the total project cost shall be adjusted according the results of the review conducted by the Public Procurement Service on the results of the engineering design, and the following guidelines shall apply to such an adjustment:
1. If the original plan or the basic design has been maintained for a project and there is not a big difference in comparison with the unit construction costs of similar projects, the total project cost shall be, in principle, adjusted according to the results of the design;
 2. If the project size, etc. has increased larger than the original plan or the basic design or there is a change in details of the project, the total project cost shall be adjusted after reviewing the validity of the increase in the volume of the project or the change in the details of the project;
 3. If the construction cost is higher than those of similar projects, the total project cost shall be adjusted after reviewing the appropriateness of the results of the design, considering the average unit price, etc.;
 4. Where a project meets the requirements for a Re-assessment of Feasibility Study, the Re-assessment of Feasibility Study shall be conducted and, the total project cost shall be adjusted according to the results there from.

Article 63 (Contracting Phase)

If there is a difference in the successful bid price at the time of the execution of a construction contract, the construction cost shall be adjusted by deducting the difference in the successful bid price.

Article 64 (Construction Phase)

- (1) In principle, no design modification shall be approved after the commencement of a project, but the total project cost shall be adjusted in the following cases by reflecting the actual requirement therein:
 1. Where a design modification is necessary due to price fluctuation, a reinforcement of safety of facilities, a discovery of an obstacle or soft soil ground unexpected at the time of engineering design, or other unavoidable causes;
 2. Where the function of a facility is expected to be remarkably improved by the introduction of a new construction method, the installation of a machine or material, etc.
- (2) If a design modification is necessary due to the enactment or amendment of an Act or a subordinate statute after engineering designing, the actual requirement shall be reflected in adjusting the total project cost, while the total project cost shall be adjusted in accordance with the following subparagraphs, if a design modification is necessary due to an amendment of standards or guidelines, which are not an Act or a subordinate statute:
 1. As regards an additional requirement following an amendment of specifications, or design guidelines, design modifications shall be, in principle, permitted only for the matters related to the safety of facilities;
 2. Matters not related to the safety shall be reflected in the projects designed after an amendment of guidelines, etc., and a design modification in existing projects shall not be permitted in principle.
- (3) Where a total project cost is changed due to price fluctuation pursuant to the provision of Article 64 of the Enforcement Decree of the Act on Contracts to which the State is a Party, the total project cost shall be adjusted in accordance with the results of a prior review conducted by the Administrator of the Public Procurement Service and the following guidelines:
 1. A construction cost shall be adjusted, where 90 days have lapsed since the execution of a contract and the index adjustment rate (k) or the item adjustment rate calculated in accordance with the

- "Guidelines for the Enforcement of Government Tenders and Contracts" has increased or decreased by not less than 3/100;
2. The part of a project, in which the implementation has been delayed due to a cause attributable to the contractor, out of the part that shall have been completed on or before the base date of an adjustment on the work progress schedule, shall be excluded from the price subject to the application of price fluctuation;
 3. A demand for an adjustment of a price not fixed, such as the price for construction works for which no contract has been made and an expected price increase, shall not be approved: Provided, That if a project is scheduled to be completed in the following year and an increase of the construction cost is expected to be inevitable due to inflation in the following year, the total project cost shall be adjusted not later than the end of June of the current year to reflect the expected inflation, and the construction cost shall be settled with the amount reviewed by the Public Procurement Service in the following year.
- (4) Where a total project cost is changed due to an increase in the price of a material supplied by the Public Procurement Service, the total project cost shall be adjusted by reflecting the results of the execution of contracts for the procurement of materials supplied by the Public Procurement Service.
 - (5) Where a total project cost is changed due to a design modification under Article 65 of the Enforcement Decree of the Act on Contracts to which the State is a Party, the total project cost shall be adjusted after verifying whether the amount changed in accordance with the design modification has been calculated according to the unit contract price or the expected unit price under the same Article.
 - (6) Where a design modification is necessary due to a change in an urban plan after a project commenced, the additional requirement due to the design modification shall be borne, in principle, by the contributor to such a change, such as a local government.
 - (7) If a project funded with continuing expenditure is completed with advance investment from private sector in excess of annual installments for the purpose of earlier completion, etc., and decision to give incentives are made accordingly, then the incentive amount will be calculated using the following formula. In such cases, the head of a central government agency shall repay the advance investment amount through the next fiscal year budget as defined in the budget execution guideline, and may reflect the incentive amount incurred by the advance investment in the total project cost in consultation with the Minister of Strategy and Finance.

* Incentive amount for advance investment from private sector = $\sum[(I \times P) / 365 \text{ days} \times r]$

(Note) Definitions of the terms in the formula for the incentive for advance investment from private sector

- Advance investment (I): A consideration that shall be paid after the current fiscal year for the construction volume that has been completed in excess of annual installments of continuing expenditure.
- Advance investment period (P): The number of days from the day immediately after the date of a progress inspection on construction works funded with advance investment through the filing date of a payment claim there for.
- Incentive rate (r): The agreed interested rate and the guaranteed commission agreed between the industrial infrastructure credit guarantee fund and the financial institution in charge or 6%, whichever is smaller.

SUBSECTION 2 Guidelines for Adjustment of Compensation Cost

Article 65 (Definition of Compensation Cost)

The term "compensation cost" in these Guidelines means an amount in which all the following direct and indirect compensation costs are included:

1. Direct compensation cost: Compensation directly paid to residents, such as compensation for losses on land or other property, expenses for measures for relocation, and grants for relocation and resettlement, under the Act on the Acquisition of Land, etc. for Public Works and the Compensation there for, the Enforcement Decree of the same Act, and other Acts and subordinate statutes regarding compensation;
2. Indirect compensation cost: Incidental expenses required for the acquisition of, and the compensation for, land, including land survey fee for subdivision, appraisal fee, fees for transfer of a right, service fee for relocation measures, and costs and expenses for relocation of obstacles in a construction section.

Article 66 (Adjustment of Compensation Cost according to Results of Appraisal)

- (1) The amount of compensation for losses on land or other property shall be calculated by reflecting an average amount of values appraised by two or more appraisers.
- (2) If a difference between values appraised by two more appraisers exceeds either appraised value by 1.1 times or if there is a particular ground to make it impossible to approve that the results of an appraisal is reasonable, the compensation cost shall be determined by requesting a third appraiser to conduct another appraisal.
- (3) Notwithstanding paragraphs (1) and (2), if no appraisal has been made due to an unavoidable cause in the course of designing or construction works, an estimated compensation cost shall be reflected in the total project cost, taking into account the publicly notified land price, the results of appraisals of neighboring parcels of land, etc. and shall be settled through subsequent appraisals later after making disbursements.

Article 67 (Adjustment of Compensation Cost pursuant to Acts and Subordinate Statutes, etc.)

- (1) Expenses for land survey for subdivision, appraisal expenses, expenses for transfer of titles and interests, and the service fee for measures for relocation shall be calculated in accordance with the Act on the Acquisition of Land, etc. for Public Works and the Compensation there for, the Public Notice of Values and Appraisal of Lands, etc. Act, and other relevant Acts and subordinate statutes.
- (2) The service fee for measures for relocation under paragraph (1) shall be reflected in the total project cost only where the amount of compensation is huge, such as construction works for a multi-purpose dam or a seawall, or where it is concluded efficient to entrust works for compensation to a local government, etc.: Provided, That the foregoing shall not apply to a project for which the amount of compensation is not huge and works for compensation are easy.

SUBSECTION 3 Guidelines for Adjustment of Incidental Expenses for Facilities

Article 68 (Definition of Incidental Expenses for Facilities)

- (1) The term "incidental expenses for facilities" (hereinafter, "incidental expenses" for informatization projects) means supervision fee, design fee, other expenses for facilities(hereinafter, "other expenses" for informatization projects), and other incidental expenses for facilities, and the expenses required for preliminary studies and the establishment of a basic plan shall be excluded herefrom.
- (2) Other incidental expenses among incidental expenses for facilities include items from the following examples.

(Example)

- charges pursuant to Framework Act on the Management of Charges, such as infrastructure charge, development-restricted areas damage charge etc.
- expense for research services after commencement of construction, conducted in accordance to relevant Acts and subordinate statutes, such as post-investigation of environmental impacts, excavation and inspection of buried cultural heritage, etc.
- administrative expenses (limited to cases where a project is implemented vicariously by a public institution and there are guidelines prescribed for administrative expenses, etc. in relevant Acts and subordinate statutes)

Article 69 (Guidelines for Adjustment of Design Fee)

- (1) If there was no design work involved in a project, the design fee for such project shall be calculated and included in the construction cost by applying the designing fee rate under the "Guidelines for Formulation of Budget Bills and Fund Management Plan" informatization projects calculates the construction cost by applying the cost of re-design of business information strategy planning ratio of "Software Business Cost Calculation Guideline". Provided, that if partial designing works are inevitable due to the relevant provisions of an Act or a subordinate statute or the separate designing for each work type or work item, the design fee may be calculated by applying the applicable rate to the construction cost for each work type or each work item.
- (2) If a difference in the successful bid price accrues at the time of the execution of a design contract, the design fee shall be adjusted to an amount obtained after deducting the difference in the successful bid price.
- (3) If a design modification is required during the course of construction in accordance with a change in the project plan, and thus if a re-design works are necessary, the design fee shall be reflected in the total project cost in accordance with paragraphs (1) and (2) but may be adjusted, taking into account the possibility of the utilization of the existing design or other grounds.
- (4) If survey expenses exceed the ordinary level due to the distribution of soft soil ground, etc., actual expenses may be reflected in the total project cost for the excess of expenses.

Article 70 (Guidelines for Adjustment of Supervision Fee)

- (1) The supervision fee shall be calculated by applying the fee rate prescribed for the fully responsible supervision in the "Guidelines for Formulation of Budget Bills and Fund Management Plan" for the informatization projects it will be calculated by applying the "information system supervision standards": Provided, That if partial supervision by work types or by work items is inevitable due to relevant provisions of an Act or a subordinate statute or the separate awarding of contracts for each work type or work item, the supervision fee may be calculated by applying the applicable fee rate to the construction cost for each work type or work item.
- (2) The procurement fee, etc. that accrues when the Public Procurement Service executes project management or other works vicariously pursuant to Article 9-3 (4) of the Enforcement Decree of the Government Procurement Act shall be treated as part of supervision fee, and the supervision fee shall be adjusted to an amount calculated by including the procurement fee and deducting a difference in the successful bid price at the time of the execution of a supervision contract.
- (3) Where a construction cost, excluding the amount subject to price fluctuation, is adjusted in the course of construction by not less than 10/100 of the construct cost in the initial contract, the supervision fee shall be adjusted by applying the rate for fully

responsible supervision for the total amount of the construction cost after an adjustment under the "Guidelines for Formulation of Budget Bills and Fund Management Plan" to the excess of not less than 10/100.

(Example)

- Initial construction cost: 150 billion won / initial supervision fee (at the rate of 3.19%): 4.79 billion won
- Adjusted construction cost: 250 billion won (50 billion won for volume change; 50 billion won for price fluctuation)
- Additional supervision fee: 1.49 billion won = 50 billion won (volume change) x 2.98% (the rate applicable to the full responsible supervision for an adjusted construction cost of 250 billion won)
- Adjusted supervision fee: 6.26 billion won = Initial supervision fee (4.79) + Additional supervision fee (1.49)

*When an additional supervision fee is calculated, only a change in the construction cost due to a volume change shall be taken into consideration (excluding a change in the construction cost due to price fluctuation).

- (4) If the project period is extended without a change in the volume of construction works, an additional supervision fee shall be prevented from occurring through an adjustment of the number and classes of supervisors, etc., and a demand for an additional supervision fee for the extension of the project period shall not be approved. Provided, That if an inevitable additional supervision fee occurs despite an adjustment of the number and classes of supervisors, etc., then, after verifying whether there is a cause attributable to the project period extension, it may be adjusted in accordance with objective evidence within the limits of contract price of the total supervision fee (less than 5%).
- (5) If supervision fee is to be changed due to price fluctuation under Article 64 of the Enforcement Decree of the Act on Contracts to which the State is a Party, the supervision fee shall be adjusted according to the results of a prior review by the Administrator of the Public Procurement Service.

Article 71 (Guidelines for Adjustment of Incidental Expenses for Facilities)

- (1) Incidental expenses for facilities shall be calculated by applying the rate of incidental expenses for facilities under the "Guidelines for Formulation of Budget Bills and Fund Management Plan" to construction cost but shall not be calculated by applying individual rate to each work type or work item. Incidental expenses of the informatization project are limited to legal costs and procurement commission.
- (2) Where construction cost is adjusted by deducting a difference in the successful bid price at the time of the execution of a project contract, incidental expenses for facilities shall be also reduced.
- (3) Where construction cost is adjusted in the course of construction, incidental expenses for facilities shall be adjusted by applying the rate of incidental expenses for facilities corresponding to the total amount of the construction cost adjusted pursuant to the "Guidelines for Formulation of Budget Bills and Fund Management Plan" to the construction cost additionally adjusted.

(Example)

- Initial construction cost: 150 billion won / Initial incidental expenses for facilities (at the rate of 0.22%): 330 million won
- Adjusted construction cost: 250 billion won (50 billion won for volume change; 50 billion won for price fluctuation)
- Additional incidental expenses for facilities: 200 million won = 100 billion won (Additional construction cost) x 0.20% (the rate of incidental expenses for facilities corresponding to the adjusted construction cost of 250 billion won)

- Adjusted incidental expenses for facilities: 530 million won = Initial incidental expenses for facilities (330 million won) + Additional incidental expenses for facilities (200 million won)

*In calculating additional incidental expenses for facilities, all changes in construction cost due to a volume change and price fluctuation shall be taken into account.

Article 72 (Guidelines for Adjustment of Other Incidental Expense)

An adjustment of administrative expense, among other incidental expenses, shall be made in accordance with relevant provisions of Acts regarding projects vicariously implemented (for example, Article 9 of the Korea Water Resources Corporation Act), but whether a project is under responsible supervision and the size and details of the project may be taken into consideration in such an adjustment.

SECTION 3 Detailed Guidelines for Adjustment by Sectors

SUBSECTION 1 Roads

Article 73 (Restrictions on Scope of Works)

- (1) In principle, costs and expenses related to the volume of construction works that are not directly related to the road project at issue under construction, such as access roads to other roads and the construction, widening, and paving of local roads, shall not be reflected in the total project cost of such a road project.
- (2) Costs and expenses required for the maintenance and management of old bridges on existing national roads and costs and expenses required for the maintenance and repairing or a road that is to be transferred to a local government shall not be reflected in the total project cost of the project at issue.
- (3) In principle, urban sections of a national road project shall be excluded from the scope of works: Provided, That if a plan for the construction or widening of a road for a congested urban section is reflected in the "plan for the improvement of congested roads in large cities" or if a section is the shortest connection between the front or rear of a road and the boundary of a city for smooth traffic, such a section may be included in the scope of works.

Article 74 (Detailed Guidelines for Adjustment according to Results of Design of Road Project)

The following guidelines shall be taken into consideration in adjusting the total project cost of a road project for which design works are completed:

1. Appropriateness of the project plan: Whether there is a change in the route, extension, the width of the road, etc. in comparison with the volume of the project at the preceding phase;

(Note 1) When it is necessary to change the route due to an unavoidable cause, the fidelity of the review on alternatives in the course of design works shall be taken into consideration for an adjustment.

* A detour to avoid an urban section or farmland, a change of the route due to geographic or site conditions, etc.

(Note 2) What is the preceding phase?

- Check it in the order of medium- and long-term planning → preliminary feasibility study → feasibility study and basic planning → basic designing → engineering designing.
- If any phase has been waived or omitted, the immediately preceding phase already implemented shall be deemed the preceding phase (if the preliminary feasibility study was waived and the feasibility study and basic planning were

- omitted, the phase of medium- and long-term planning is the preceding phase).
2. Whether there is a change in volume and whether the size is appropriate: Whether the total project cost, excluding land price and price increases, has increased by not less than 20/100 in comparison with the preceding phase:
 - (a) The amount of a change in the total project cost due to price increases shall be calculated by utilizing indexes of construction works, which are published by the Korea Institute of Construction Technology on a monthly basis, or by applying the index with the lowest increase rate among GDP deflators for investment in construction, which is published by the Bank of Korea;
 - (b) If the preceding phase is the phase of medium- and long-term planning, the project cost re-estimated by applying the unit price applied to the extension or volume on the medium- and long-term plan at the time of designing (hereinafter referred to as "re-estimated project cost") shall be deemed the project cost at the preceding phase;
 - (c) If the total project cost on the design is not less than 120/100 of the re-estimated project cost, a Re-assessment of Feasibility Study shall be conducted, while if it is less than 120/100, the results of the design shall be approved;
 3. Appropriateness of the applied unit price: Whether the unit construction cost per kilometer is appropriate in comparison with those of similar projects or similar work types:
 - (a) If there is a big difference in comparison with the unit construction cost per kilometer for similar projects or similar work types due to an increase in structures, etc., a standard project cost shall be estimated by applying the standard unit price on the roadwork handbook for each earthwork or structure to the extension or volume on the design and then the applied unit price shall be deemed appropriate if the total project cost on the design is less than 120/100 of the standard project cost;
 - (b) If the total project cost on the design is not less than 120/100 of the standard project cost, a Re-assessment of Feasibility Study shall be conducted.

Article 75 (Installation of Interchanges)

- (1) In order to install a new interchange additionally in a route under construction after the commencement of a project, the interval of interchanges and the necessity of new interchanges shall be taken into consideration in making a decision, but if a local government demands to install a new interchange, the installation of such a new interchange may be permitted under the condition that part of the project cost shall be borne by the local government.
- (2) If the installation of a new interchange due to the development of a housing site, an industrial complex, etc. and the entity who shall bear the costs and expenses is obvious, the contributor to the cause shall bear all costs and expenses for the installation of the new interchange.
- (3) If an additional interchange is installed in a route already completed for public use, the contributor to the cause shall bear all costs and expenses for the installation of the new interchange.
- (4) As for highways, if IC was installed due to Paragraph 1, it is possible to follow the provisions of the new railway station.

Article 76 (Widening of Roads Accessible to Interchanges)

- (1) If it is necessary to widen a national road or local road in order to relieve a bottleneck phenomenon caused by the implementation of a project, a design modification may be permitted.
- (2) Notwithstanding paragraph (1), no design modification shall be permitted in relation to the opening of a road connecting to another road or an access road to an industrial complex or a cultural or historic site near the road project at issue.

Article 77 (Substitution of Earthwork Sections with Bridges)

- (1) In order to substitute an earthwork section with a bridge, whether to change the design shall be decided after comprehensively reviewing a demand made in attached Table 6 annexed hereto, "Demand for Design Modification for Substitution of Earthwork Section with Bridge."
- (2) The head of a central government agency shall, when he/she intends to make a design modification in order to substitute an earthwork section with a bridge, request an institution specializing in the related area to review the demand prepared in attached Table 6 annexed hereto, "Demand for Design Modification for Substitution of Earthwork Section with Bridge," and then consult with the Minister of Strategy and Finance, along with the results of the review.

Article 78 (Construction of Multi-Level Road Intersections)

- (1) In order to construct a multi-level road intersection, the head of the competent central government agency shall, in principle, permit a design modification only where the service level of the intersection for the target year, which is estimated by an officially recognized specialized institution upon a request, is not higher than level E.
- (2) Notwithstanding paragraph (1), if it is found necessary to secure safety because of the high probability of many traffic accidents, a design modification for the construction of a multi-level road intersection may be permitted, even where the service level for the target year is not lower than level D.

Article 79 (Reflection of Other Civil Petitions)

In principle, civil petitions from local residents for the installation of a drainage system, a farm path, a soundproof wall, or an access road shall not be acceptable, but the actual costs and expenses for such works may be reflected in the total project cost in any of the following cases:

1. Where the construction of a new road creates a trouble in the use of an existing facility;
2. Where a design modification increases residents' convenience remarkably in comparison with the increased amount of the total project cost;
(Note) Where it is much necessary to mitigate traffic congestion or improve the accessibility to a neighboring developed area.
3. Where it is necessary to install an additional soundproof wall because site conditions have been changed since the time of designing or environment impact assessment and noise exceeds the limit prescribed by the Enforcement Rule of the Noise and Vibration Control Act.

SUBSECTION 2 Railroads

Article 80(Restrictions on Scope of Works)

- (1) In principle, costs and expenses related to the volume of a project that is not directly related to the construction of a railroad, such as the creation of a park and the construction or extension of a parking lot upon a request from a local government, shall be reflected in the total project cost.
- (2) For the purpose of accounting for costs and expenses for the construction, maintenance, and repairing of a multi-level crossing over a railroad in operation, such a project shall be implemented as a separate project for the maintenance and repairing of the railroad.
- (3) Costs and expenses additionally required for comprehensive safety measures for a subway section in operation shall be fully borne by the competent local government.

Article 81 (Adjustment of Basic and Engineering Designs)

Amounts on basic and engineering designs shall be adjusted by conducting a comparison with and a review on standard project cost in the General Guidelines for Preliminary Feasibility Studies (KDI) or similar projects, unit construction costs, etc. of each work type for roadbeds, tracks, buildings, signals, electricity, telecommunications, depots, etc.

Article 82 (Construction of New Railroad Stations)

(1) For the construction of a railroad station, the total project cost shall be adjusted in accordance with the following subparagraphs:

1. Where a new railroad station is built at a phase subsequent to the basic design phase:
 - (a) If the financial profitability of a new station is secured ($R/C \geq 1$): The construction of a new station may be permitted under the condition that the project cost shall be shared by the State and the competent local government or the developer at the rate of 50/100 respectively: Provided, That the construction of a new station may be permitted under the condition that the project cost shall be fully borne by beneficiaries, if the project has a great impact on the development of neighboring areas, such as the development of station neighborhoods or housing sites;
 - (b) If the financial profitability of a new station is not secured ($R/C < 1$): If the economic feasibility of a new station is recognized ($B/C \geq 1$), and only if the revenue from the operation of the new station at the stage of the operation of the station in the future exceeds the expenditure for the operation, the construction of the station may be permitted, but the project cost incurred until the financial profitability is secured (an amount equivalent to " $R/C \geq 1$ ") shall be shared by the State and the competent local government or the developer at the rate of 50/100 respectively, while the additional project cost (an amount equivalent to " $R/C < 1$ ") shall be fully borne by the competent local government or the developer, if the financial profitability is not secured;

(Example) If the project cost required for a new station is 100 billion won, and the project cost with the financial profitability secured (an amount equivalent to " $R/C \geq 1$ ") is 60 billion won:

- Out of 60 billion won, 30 billion won (50%) shall be borne by the State and the other 30 billion won (50%) shall be borne by the competent local government or the developer;
 - 40 billion won equivalent to the project cost for which the financial profitability is not secured shall be fully borne by the competent local government or the developer;
- ⇒ 30 billion won borne by the State; 70 billion won borne by the competent local government or the developer.

(Note) A route under construction means the one after the basic design phase.

2. Where a new railroad station is constructed on a route in operation: If the financial feasibility of the new station is recognized ($B/C \geq 1$), the construction of the new station may be permitted under the condition that the project cost for the station shall be fully borne by the competent local government or the developer, only if the revenue from the operation of the new station at the stage of the operation of the station in the future exceeds the expenditure for the operation,

(2) The construction of a new railroad station under paragraph (1) shall be subject to an official promise between the State and the competent local government or the developer, such as the execution of an agreement on sharing the financial burden.

Article 83 (Construction of New Transit Stations)

The construction of a new transit station shall be approved only where it is financially feasible ($B/C \geq 1$), taking into consideration expenses for and benefits from the transit, and the total project cost shall be adjusted by dividing a project into the part of a regional railroad (a central government agency) and the part of an urban railroad (a local government) and fixing the sharing rate of the financial burden on each implementing entity:

1. Where transit stations for a regional railroad and an urban railroad are planned or built

simultaneously:

- (a) For stations and other facilities for the exclusive use of either railroad: Borne by each implementing entity;
 - (b) For transit paths between stations and other transit facilities: Shared by both entities at the rate of 50/100 each;
 - (c) For waiting lounges, entrances, and other facilities for common use: Shared by both entities at the rate of 50/100 each;
2. Where a transit station connecting a railroad under construction to a railroad in operation is built:
- (a) For the railroad station under construction: Borne by the executor of the railroad project under construction;
 - (b) For transit facilities connecting to the existing station: Borne by the executor of the railroad project under construction;
 - (c) For renovation and repairing of the existing station facilities: Borne by the executor of the railroad project under construction.

Article 84 (Construction of New Depots)

Whether to build a new depot shall be decided, taking into consideration the required number of vehicles according to the traffic impact assessment and the capacity of neighboring depots, and the total project cost of a new depot for which a design is not ready yet shall be estimated by comparing the capacity and the area of the building site with those of other depots.

Article 85 (Application Mutatis Mutandis of Guidelines for Adjustment of Roads)

As to changes in other site conditions and civil petitions (for the installation of soundproof walls and the substitution of earthwork sections with bridges), the Guidelines for the Adjustment of Roads shall apply mutatis mutandis.

SUBSECTION 3 Water Resources

Article 86 (Installation of Water Supply Pipelines)

- (1) In principle, a water supply pipeline for regional potable water supply to the area of a local government at the end of the pipeline shall be installed up to the boundary of the Si or Gun or up to the front end of an integrated water pumping station of the largest consumer, if two or more Eups/Myeons/Dongs are integrated into a single water supply district and jointly operate an integrated water pumping station: Provided, That only water supply outlets shall be installed on a main pipeline for the area of local governments on the route of the pipeline.
- (2) Industrial water supply pipelines will be installed to the boundary of industrial business district, if the reservoirs are located in the outskirts of the industrial business district the supply pipeline will be installed to the upfront of industrial business district.

Article 87 (Basic and Engineering Designs for Rivers)

- (1) A total project cost after the basic and engineering design phases shall be adjusted by comparing and reviewing it with the volume of the project on the initial plan at the preceding phase and the unit construction cost of similar projects. The detailed guidelines for other sector, such as roads, may apply mutatis mutandis to such comparison and review.
- (2) The development of an ecological river may be adjusted, taking into comprehensive consideration whether there are facilities that may be introduced when the structure, location, or volume of water is changed, such as the alteration of borrow pits, facilities

for sports and observations, promenade, and the restoration of wetlands, whether such development conforms to the guidelines for facilities, the safety of users, and the impact on the environment and ecosystem. In such cases, the "Guidelines for Design of Rivers," the "Guidelines for the Environmentally Friendly Management of Rivers," and the "Guide for the Planning and Designing of the Development of Ecological Rivers" may be referred to.

Article 88 (Design Modifications after Commencement of River Works, etc.)

- (1) In principle, only if it is unavoidable to change the plan or volume of a project after the project commenced due to a change in a river improvement project that has a direct impact on the project or a natural disaster that occurred while implementing the project, such as typhoon and flood, a design modification or an adjustment of the total project cost may be permitted.
- (2) If there is an increase or a decrease in dredged soil or polluted soil or a change in the method of disposing dredged soil in a river dredging project, the total project cost may be adjusted through a comprehensive review on the achievement of purposes of dredging, the planned flood water level, and whether there is any problem in securing the volume of water.
- (3) If a local government additionally demands water-friendly spaces and convenience facilities for residents in connection with an ecological river development project or a water detention facility project, the construction of such additional water-friendly spaces and convenience facilities for residents may be permitted under the condition that the project cost shall be borne fully or partially by the local government.

Article 89 (Transplantation of Native Trees and Plants in Dam Submerged Area)

Costs and expenses necessary for the resettlement and transplantation of the flora and fauna in the area around a dam project on which an agreement was reached at the time of environmental impact assessment to be worth protection, and for the securing of habitats for them, shall be reflected in the total project cost: Provided, That the foregoing shall not apply to expenses related to any excessive volume of a project for landscaping purpose.

Article 90 (Administrative Expense)

In principle, administrative expense shall be adjusted in accordance with the table (Standard Schedule of Fee Rates for Entrustment of Projects) attached to the Enforcement Decree of the Korea Water Resources Corporation Act.

SUBSECTION 4 Architectural Works

Article 91 (Size of Architectural Works, etc.)

- (1) The size of architectural works for a government office building or other public office building shall be adjusted, taking into consideration the standard area specified in the "Regulation on the Management of Government Office Buildings" and other relevant regulations and the building area of similar facilities.
- (2) The size of the building site of a building project shall be determined in accordance with provisions of the Building Act, the Urban Planning Act, and other relevant Acts and subordinate statutes but shall be determined at a reasonable level, taking into comprehensive consideration the floor area ratio, the building-to-land ratio, and the

size and use of the building.

- (3) If compensation cost has increased significantly more than the originally estimated amount, whether an alternative site is available, whether to purchase a building, and other alternatives shall be taken into comprehensive consideration.
- (4) If there is a change in the size (including a building site) of a project for the construction of an office building for an agency subject to the application of the "Regulation on the Management of Government Office Buildings," the agency shall consult with the Ministry of Public Administration and Security in advance and then consult with the Minister of Strategy and Finance on a change of the total project cost, etc.

Article 92 (Unit Construction Cost)

A unit construction cost of a building shall be adjusted by comparing it with the unit construction cost of identical or similar buildings completed or under construction and may be revised in consideration of the rates of change in the indices of price fluctuation, standard building cost, and construction cost or the GDP deflators of investment in construction published by the Bank of Korea.

Article 93 (Underground Parking Lots, etc.)

- (1) The installation of underground parking lots shall be adjusted to a reasonable level in accordance with the standards in the Parking Lot Act and other relevant Acts and subordinate statutes as well as the results of traffic impact assessment.
- (2) Art works, decorations, and landscaping works shall be adjusted to the minimum level prescribed in the Culture and Arts Promotion Act and other relevant Acts and subordinate statutes or Ordinance enacted pursuant to an Act or a subordinate statute.
- (3) In principle, costs of purchasing laboratory equipment and instruments and other costs in the nature of asset acquisition cost shall not be reflected in the total project cost of the building project at issue.
- (4) Other costs and expenses required for the simple exterior decoration unrelated to the improvement of performance of a facility or costs and expenses required for the installation of a facility unsuitable for the original functions of a building shall not be reflected in the total project cost of the building project at issue.

SUBSECTION 5 Information Sector

Article 94 (Limitation of the Task)

- (1) The informatization project's adjustment of the total project cost refers to project conception stage to system buildup stage, excluding the fixed annual maintenance fee.
- (2) The total project cost, in principle, excludes expenses that are not directly related to the concerned year's informatization project, such as improvement and repair of the existing informatization project.

Article 95 (Adjustment Standard)

Total project cost of an informatization project which the design has been completed shall be adjusted considering the following standards.

1. The Adequacy of the Project Plan: whether there has been changes to functionality score, capacity of information system, information technology architecture, etc., compared with the previous stage
(Note 1) (Previous stage) identify in the order following implementation procedure of large-scale

- informatization project: 'project conception → preliminary feasibility study → basic plan (Informatization Strategic Plan) → system buildup'
2. Change in supply and Adequacy of the Scale: whether the total project cost, excluding inflation, and exchange rate has increased more than 20/100, comparing to the previous step.
 3. The Appropriateness of Applying Unit:: unit cost per function point and whether the price of software and hardwares have fair value when compared with similar projects.
- (Note 1) (Function Point) the scale to express the functionality of the software unit
 (Note 2) (Information Technology Architecture) After analyzing through constant standard and procedure on the integrated operations, applications, data, techniques, and security, the components of the entire organization, the system was organized structurally to optimize method of the configuration elements.

SUBSECTION 6 Other Sectors

Article 96 (Application Mutatis Mutandis of Guidelines for Adjustment to Roads, Railroads, Architectural Works, etc.)

As to a demand for changing the total project cost of a harbor, an airport, agricultural development, or any other sector, the guidelines for the adjustment of the total project cost for roads, railroads, and architectural works shall apply mutatis mutandis.

CHAPTER VII AUTONOMOUS ADJUSTMENT OF CENTRAL GOVERNMENT AGENCIES

SECTION 1 Overview of Autonomous Adjustment of Central Government Agencies

Article 97 (Definitions)

The term "autonomous adjustment of a central government agency (hereinafter referred to as "autonomous adjustment")" means a series of procedures under which a total project cost is adjusted under the responsibility of the head of a central government agency without necessarily following the procedure for the prior consultation with the Minister of Strategy and Finance with regard to certain items subject to design modifications and then the Minister of Strategy and Finance inspects and evaluates the results of an autonomous adjustment to the total project cost of the central government agency later, so as to cope with a situation that it is impossible or difficult for the agency having jurisdiction over the project to foresee or clearly define.

Article 98 (Phases Eligible for Application of Autonomous Adjustment)

- (1) Autonomous adjustment shall be applicable only to the phase of construction after the execution of a contract among all phases of project implementation, such as phases of project conception, preliminary feasibility study, designing, and construction.
- (2) Notwithstanding the provision of paragraph(1), if it is necessary to reflect price fluctuation, due to a delay in awarding the contract, in the result of an engineering design regarding which the consultation with the Minister of Strategy and Finance has been completed on the total project cost, the total project cost may be autonomously adjusted under the responsibility of the head of the competent central government agency even at a phase prior to the execution of the contract.

Article 99 (Projects subject to Autonomous Adjustment)

- (1) Projects subject to autonomous adjustment shall be projects subject to the management.
- (2) Notwithstanding paragraph (1), turn-key projects or projects subject to an alternative tender shall be excluded from the projects subject to autonomous adjustment: Provided, That even a turn-key project or a project subject to an alternative tender may be autonomously adjusted by the head of a central government agency if it is necessary to adjust the total project cost due to a cause under any provision of Article 101 (1) 1 through 4, (2) 1, or (3) 1 through 4.

SECTION 2 Items subject to Autonomous Adjustment of Central Government Agencies, etc.

Article 100 (Items subject to Autonomous Adjustment)

- (1) Items subject to autonomous adjustment to construction cost are as follows:
 1. Where it is necessary to change a project contract amount due to price fluctuation pursuant to the provision of Article 64 of the Enforcement Decree of the Act on Contracts to which the State is a Party;
 2. Where it is necessary to change the cost of a material supplied by the Government: Provided, That if it is necessary to change the price of a material because a material supplied by the Government is substituted with a material supplied from private sector, an adjustment to the total project cost shall be subject to the consultation with the Minister of Strategy and Finance;
 3. Where it is necessary to adjust a total project cost due to a change in the diesel oil tax rate;
 4. Where it is necessary to change a total project cost due to an occurrence of a difference in the successful bid price or the balance after execution;
 5. Design changes related to changes in construction supply is as follows, depending detailed items classified autonomous adjustment (attachment 3);
 - (a) Design changes reflecting the legal costs;
 - (b) Design changes incurred from strengthening of the safety facilities;
 - (c) Design changes incurred from changes in field conditions;
 6. Where it is necessary to adjust a total project cost due to an addition of a fully entrusted project for which the project cost shall be fully borne by a local government, a public institution, or a private institution: Provided, That the foregoing shall apply only where a project is subject to an official promise regarding the entity who shall take the financial burden, such as the execution of an agreement between the State and a local government or a public institution.
 7. Reflect the emergency restoration measures under the provisions of Article 30, Paragraph 1.
- (2) Items subject to autonomous adjustment to compensation cost are as follows:
 1. Where it is necessary to adjust compensation cost in order to reflect the results of an appraisal or as a result of an occurrence of the balance after execution;
 2. Where it is necessary to adjust compensation cost in connection with items subject to autonomous adjustment under paragraph (1) 5: Provided, That if an adjustment to compensation cost is necessary for a change in the volume of construction works or an increase or a decrease in the area or property subject to compensation due to any cause other than items subject to autonomous adjustment, such an adjustment shall be subject to consultation with the Minister of Strategy and Finance;
 3. Where a service fee, such as land survey fee for subdivision, appraisal fee, fees for transfer of a right, and service fee for relocation measures, is newly reflected or the amount of such a fee is adjusted in accordance with the Act on the Acquisition of Land, etc. for Public Works and the Compensation there for, the Public Notice of Values and Appraisal of Real Estate Act, and other relevant Acts and subordinate statutes.
- (3) Items subject to autonomous adjustment to incidental expenses for facilities are as follows:
 1. Where an adjustment to supervision fee is necessary pursuant to the Enforcement Decree of the Act on Contracts to which the State is a Party due to price fluctuation;

2. Where a compensation fee is necessary due to dropout bid in turnkey project, as stipulated in Article 89 Enforcement Decree of the Act on Contract to which the State is a Party;
3. Where an adjustment to the total project cost is necessary due to an occurrence of a difference in the successful bid price or the balance after execution in connection with design cost or supervision fee;
4. Where a reduction of incidental expenses for facilities is necessary due to a reduction of a difference in the successful bid price from construction cost;
5. Where it is necessary to increase or decrease supervision fee or incidental expenses for facilities according to an increase or a decrease in construction cost at the time of an autonomous adjustment to construction cost under Article 99 (1) 5.
6. In case an adjustment to other incidental expenses is required, according to Classification of Detailed Items to Autonomous Adjustment (Attachment 3)

Article 101 (Restrictions on Autonomous Adjustment, etc.)

The head of a central government agency shall, when he/she intends to make a design modification in relation to an item other than design modifications under Article 99 or a design modification accompanied by an extension of the project period, consult with the Minister of Strategy and Finance on the adjustment to the total project cost before making an amendment to the construction contract and shall also consult with the Minister of Strategy and Finance, when he/she has a doubt on whether a design modification falls within the items subject to autonomous adjustment of central government agencies.

※ Matters subject to consultation with the Minister of Strategy and Finance on an adjustment to the total project cost (Example)

- A change in the route, starting point, or ending point of a road or railroad;
- An increase or a decrease in the length of a road or railroad;
- Construction of a new railroad station or road interchange;
- Construction of a connecting road (such as an access road to a village and connection between roads) and a detour;
- Construction of a multi-level intersections over a railroad or a road;
- Substitution of earthwork sections with bridges;
- Addition of a work item to a port or harbor;
- A change in the size of facilities in a building, etc.

※ Design modifications that accompany an extension of the project period (Example):

- Where an extension of the project period is necessary due to an extensive increase of the project cost, a technical change, a civil petition, etc.

Article 102 (Establishment of Ceilings on Autonomous Adjustment)

(1) As regards the items subject to autonomous adjustment under Article 99 (1) 5, ceilings on autonomous adjustment shall be established in accordance with the following subparagraphs:

1. With regard to a project, a work type, or a work item for which a new contract subject to autonomous adjustment is awarded, the head of a central government agency may set a ceiling on autonomous adjustment at 10/100 of the final successful bid price when he/she reduces the project cost by a difference in the successful bid price after the contract is executed;
2. With regard to a project that is newly included in projects subject to the management due to an increase in the total project cost during the course of construction, an amount equivalent to 10/100 of the remaining construction cost calculated as of the day on which an adjustment to the total project cost is demanded shall be set as the ceiling on autonomous adjustment.

(2) The ceiling on autonomous adjustment under paragraph (1) shall not be reflected in the total project cost and shall be managed separately.

Article 103 (Autonomous Adjustment)

(1) The head of a central government agency may autonomously adjust a total project cost

in relation to items subject to autonomous adjustment under Article 100 (1) 5 and (3) 6 within the ceilings established on autonomous adjustment pursuant to Article 102: Provided, That the items subject to autonomous adjustment under Article 100 (1) 1 through 4 and 6 through 7, (2), and (3) shall not be subject to the ceilings on autonomous adjustment.

- (2) If a total project cost is reduced by the autonomous adjustment, the reduced amount shall be excluded when it calculates the balance of the ceiling on autonomous adjustment.
- (3) If the amount of a single design modification to which an autonomous adjustment is intended pursuant to Article 99 (1) 5 exceeds the balance of the ceiling on autonomous adjustment, the head of a central government agency shall consult with the Minister of Strategy and Finance on a change of the total project cost, and in such cases the balance of the ceiling on autonomous adjustment shall be deemed completely exhausted.
- (4) If the ceilings on autonomous adjustment are completely exhausted to adjust a total project cost, the head of the competent central government agency shall consult with Minister of Strategy and Finance on a change of the total project cost whenever a design modification is intended, even where the design modification is related to an item subject to autonomous adjustment.
- (5) Whenever an autonomous adjustment is made pursuant to paragraph (1), the descriptions and amount of the autonomous adjustment shall be entered in the digital budget accounting system, and thus any autonomous adjustment made without approval from the head of the competent central government agency on the digital budget accounting system shall not be valid.
- (6) The head of each central government agency may delegate his/her authority concerning autonomous adjustment to a contract-awarding agency (either a contract-awarding agency or a separate agency having the authority to approve the project plan, whoever is designated by the head of a central government agency, if a separate agency has such authority, although he/she is not the head of a central government agency) within a prescribed extent, and in such cases the contract-awarding agency (or the agency having the authority to approve the project plan) shall notify the head of the central government agency of the results immediately after making an autonomous adjustment.

SECTION 3 Notification of Results of Autonomous Adjustment and Ex Post Facto Evaluation

Article 104 (Notification of Results of Autonomous Adjustment)

The head of a central government agency shall, if necessary for an adjustment to a total project cost due to a cause under Article 99, make an autonomous adjustment in accordance with Chapter VI, "Guidelines for the Adjustment of Total Project Cost" and shall submit a statement in the form of attached Table 4 hereto, "Statement on Autonomous Adjustment of Total Project Cost by Central Government Agency," to the Minister of Strategy and Finance simultaneously at the time of giving approval on the digital budget accounting system.

Article 105 (Ex Post Facto Evaluation of Results of Autonomous Adjustment)

- (1) The Minister of Strategy and Finance may evaluate the appropriateness of autonomous

adjustments made by the head of each central government agency to a total project cost.

- (2) If it is found as a result of the evaluation under paragraph (1) that a central government agency violated the Guidelines in making an adjustment to the total project cost of a project, the Minister of Strategy and Finance may reduce items subject to autonomous adjustment, lower the ceilings on autonomous adjustment, or impose sanctions pursuant to the provision of Article 110 Article 110 or 111.

Article 106 (Reflection of Results of Total Project Cost Management)

The Minister of Strategy and Finance may apply different items subject to autonomous adjustment or ceilings on autonomous adjustment to different central government agencies for each year, by comprehensively evaluating the appropriateness of autonomous adjustments made pursuant to Article 104, the results of sanctions imposed for violations of the Guidelines or other regulations under Article 110 or 111, whether each central government agency operates an internal organization for total project cost management, etc.

CHAPTER VIII ADMINISTRATIVE MATTERS

SECTION 1 Procedure for Demanding Adjustment of Total Project Cost, etc.

Article 107 (Submission of Details of Projects subject to Management)

- (1) The head of each central government agency shall register and update the size, total project cost, and period of each project subject to the management in the digital budget accounting system not later than the end of January each year: Provided, That a project newly included or a project with an increase in its amount by reflecting the revised supplementary budget shall be registered not later than ten days after the revised supplementary budget is finally confirmed.
- (2) Details of a project subject to the management under paragraph (1) shall be registered in accordance with the following guidelines:
 1. If a project was not subject to the management initially but meets the requirements under Article 3 later due to an increase in the total project cost, it shall be included in projects subject to the management;
 2. If costs and expenses for a feasibility study, design works, compensation, and construction for a project are newly reflected in the budget or the fund management plan for the current year and the total project cost of the project reaches the size subject to the management under Article 3, the project shall be included in projects subject to the management; Provided, That if it is a project with its project cost appropriated in a lump sum and therefore a consultation with the Minister of Strategy and Finance is required for the formulation of the budget in detail or if the estimated total project cost was not finally fixed by the end of the preceding year, the details of the project under paragraph (1) shall be registered in the digital budget accounting system after finalizing the formulation of the budget in detail or the estimated total project cost with the Minister of Strategy and Finance not later than the end of March of the current year;
 3. A project completed in the preceding year shall be excluded from projects subject to the management under paragraph (1);
 4. A project that was subject to the management initially but fails to meet the requirements for the management under Article 3 later due to a reduction of the total project cost shall be excluded from projects subject to the management.
- (3) The scope of the calculation of a total project cost of a registered project and the time when the cost is finally fixed are as follows:
 1. For a project on which a preliminary feasibility study was conducted: The total project cost at the

- time the budget for the project was appropriated initially (finally approved by the National Assembly) after the study;
2. For a project on which a preliminary feasibility study was not conducted: The total project cost at the time the budget for the project was appropriated initially;
 3. For a project registered as a project subject to the management during the course of project implementation: The total project cost at the time the budget for the project was appropriated according to the changed project cost that meets the requirements for the total project cost management.
- (4) The reserve fund, which is reflected in the preliminary feasibility study will be incorporate into or cut out of the construction costs at the time of establishing basic plan. If the basic plan is omitted, it will be incorporated into or cut out of the construction costs in the next phase.

Article 108 (Principle of Occasional Adjustment)

The head of a central government agency may, if necessary to change the size, total project cost, or period of a project subject to the management, submit a demand for the adjustment of the total project cost at any time during a year.

Article 109 (Demand for Adjustment of Total Project Cost)

- (1) The head of a central government agency shall, when he/she intends to demand the Minister of Strategy and Finance to adjust a total project cost pursuant to Article 107, submit the demand to the Minister of Strategy and Finance in the form of attached Table 1 hereto, "Demand Form for Adjustment of Total Project Cost."
- (2) When a demand for adjustment under paragraph (1) is submitted pursuant to paragraph (1), the causes of a change in the total project cost in the course of design works and construction and who is liable for such causes shall be clearly stated therein, and a written opinion of the person in exclusive charge shall be attached thereto.
- (3) If the opposite party to a service or construction contract did not calculate a reasonable total project cost intentionally or by gross negligence, the head of the competent central government agency shall submit a report on the results of sanctions taken, such as a restriction on participating in tenders for government projects, and a plan for measures to be taken in the future.
- (4) In demanding an adjustment to a total project cost, the head of a central government agency shall not request to adjust both an item subject to autonomous adjustment under Article 99 and an item subject to consultation with the Minister of Strategy and Finance at the same time.
- (5) The head of a central government agency shall, when he/she intends to demand the Minister of Strategy and Finance to adjust a total project cost, take measures for the efficient management of data, such as entering relevant data in the digital budget accounting system, and shall also endeavor to provide necessary information for related systems, such as the soil and rock recycling system of the Ministry of Land, Transport and Maritime Affairs, for saving the budget.
- (6) The specifications of the form of the adjustment demand under paragraph (1) are as follows:
 1. Size of the form: Only the size of A4 paper is accepted;
 2. Font size: Project name in 14 points; large headings in 13 points; medium and small headings in 12 points; contents in 12 points; and tables in 11 points (the size may be altered, if necessary);
 3. The form for the consultation on total project cost may be downloaded from the website of the Ministry of Strategy and Finance (www.mosf.go.kr);
 4. The descriptions marked with “※” in the form are explanations on the guide for preparation and thus shall be deleted for submission when filing the demand.

Article 110 (Reporting on Completion of Project)

The head of a central government agency shall, upon the completion of a project subject to the management under his/her jurisdiction, prepare and submit a report to the Minister of Strategy and Finance in the form of attached Table 5 hereto, "Report on Completion of Project subject to Total Project Cost Management," within 30 days from the date of completion.

SECTION 2 Sanctions for Violations of Guidelines

Article 111 (Sanctions for Violations of Guidelines)

If a total project cost has been increased without prior consultation with the Minister of Strategy and Finance or if a project has been implemented in violation of a relevant Act or subordinate statute or the Guidelines for Total Project Cost Management, the Minister of Strategy and Finance may impose a disadvantage on the offending agency in relation to the total project cost or basic expenses of the agency for the following year or adjust or suspend the allocation of the budget for the project, as prescribed in the following subparagraphs:

1. If the project is fully subsidized from the national treasury, a disadvantage may be imposed on the central government agency, the government-funded institution, the government-invested institution, or the government-subsidized institution, whichever implements the project, in formulating the budget for its basic expenses for the following year or the incidental expenses for facilities of the project;
2. If the project cost of a project is to be shared by the Government, a local government, and a government-funded, government-invested, or government-subsidized institution, the relevant institution may be forced to bear the amount of an unauthorized design modification (hereinafter referred to "amount of violation"), if any, in addition to the sanction prescribed in subparagraph 1, irrespective of the condition of sharing the cost, taking into consideration the financial situation of the institution, whether its basic expenses are subsidized by the Government, and how serious the violation of the Guidelines is.

Article 112 (Sanctions against Related Public Officials)

- (1) The Minister of Strategy and Finance may, if he/she discovers a fact that a related public official violated the Guidelines of Total Project Cost Management, demand the head of the competent central government agency to impose sanctions on the public official.
- (2) The head of the competent central government agency shall, upon receiving a demand from the Minister of Strategy and Finance for sanctions, take reasonable measures according to the severity of the violation and shall notify the Minister of Strategy and Finance of the results thereof within 90 days from the date when the measures are taken.
- (3) The head of the competent central government agency shall, if he/she took measures for sanctions, due to an unavoidable cause, later than 90 days from the day on which he/she had been demanded to impose sanctions, submit the results of sanctions imposed on the related public official, along with an explanatory statement on the reason why the notice of the results of such sanctions has been delayed.

Article 113 (Sanctions for Breach of Procurement Contract)

The Minister of Strategy and Finance may, if a project contract was put on a tender and awarded at a predetermined price that exceeded the project cost on the budget in violation of Article 25 (2) through (4), not only impose sanctions on the agency that made a request for awarding the contract pursuant to Article 110, but also impose a disadvantage on the

competent procurement agency with regard to its basic expenses for the following year and demand the head of the competent procurement agency to impose sanctions against related public officials under Article 111 or other persons involved.

Article 114 (Sanctions against Designers, etc.)

- (1) The head of a central government agency shall, if a person who provided services for basic planning or designing works falls under any of the following subparagraphs, place restrictions on his/her qualification for participating in a tender pursuant to the provision of Article 27 of the Act on Contracts to which the State is a Party:
 1. A person who performed designing services inadequately and thus caused frequent design modifications in the course of construction;
 2. A person who performed a preliminary study negligently to prepare an unreasonable basic plan and caused defects in design;
 3. A person who did not calculate an appropriate total project cost intentionally or negligently;
 4. A person who accepted a request from a person who requested his/her service or any other interested party to make a basic plan or design much larger than the appropriate size or specifications for achieving the purposes of a project and so caused a waste of the national treasury;
 5. A person who modified a design in order to increase a total project cost in the course of construction, regardless of achieving the purposes of the project;
 6. A person who caused a waste of the national treasury by his/her inadequate supervision.
- (2) The head of a central government agency shall, if a service provider for designing works or other works falls under any of the following subparagraphs, demand the Minister of Land, Transport and Maritime Affairs to suspend his/her performance of services for a specified period pursuant to Article 20-4 of the Construction Technology Management Act, and the Minister of Land, Transport and Maritime Affairs shall comply with such a demand, unless any extraordinary circumstance exists:
 1. A person who performed designing services inadequately and thus caused frequent design modifications in the course of construction;
 2. A person who performed a preliminary study negligently to prepare an unreasonable basic plan and caused defects in design;
- (3) If the Minister of Strategy and Finance finds a ground for placing restrictions on the qualification for participating in a tender, or a ground for restrictions on the performance of services, in the course of consultation on a total project cost according to the results of services for basic planning or designing works, he/she may demand the head of the competent central government agency or the Minister of Land, Transport and Maritime Affairs to take proper measures therefor, and may cut down incidental expenses for facilities of the project at issue, if the institution involved is a statutorily entrusted institution against which it is difficult to take such measures.

CHAPTER IX ADDENDA

Article 1 (Enforcement Date)

These Guidelines shall enter into force on February 25, 2013.

Article 2 (Transitional Provisions)

- (1) Projects for which a written demand for the adjustment of total project cost was filed with the Ministry of Strategy and Finance before these Guidelines enter into force shall be governed by the former Guidelines.
- (2) The reserve fund of a project for which the reserve fund was reflected in the budget pursuant to the Guidelines for the Total Project Cost Management for 2005 shall be deemed the "ceilings on autonomous adjustment" under Article 101 and shall be governed by these Guidelines, and no adjustment to reduce the total project cost shall be made to exclude the ceilings on autonomous adjustment from the total project cost.

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