



Public and Private Infrastructure
Investment Management Center

Welcome to the Public and Private Infrastructure
Investment Management Center (PIMAC) at the KDI,
a gatekeeper to public procurement and private
infrastructure investment projects in Korea!

Conventional Procurement **Preliminary Feasibility Study (PFS)**

1 Overview

Definition

Preliminary Feasibility Study refers to the verification and evaluation of the validity of a new large-scale project conducted in advance under the supervision of the Minister of Economy and Finance in accordance with Article 38 of the National Finance Act and Article 13 of the Enforcement Decree of the Act in order to establish a valid budget allocation and fund management plan for new projects.

Purpose

The purpose of the Preliminary Feasibility Study is to prevent wasting of budgets and to uplift the efficiency in fiscal management by contributing to the transparent and fair decision of the new investment to a government project based on prioritization through the objective and neutral investigation of the validity of a large-scale government project.

Assessment of Project Plan

If necessary, the Minister of Economy and Finance can review the appropriate project scale, total project cost, and efficient alternatives of the projects exempted from the Preliminary Feasibility Study based on the methods of Preliminary Feasibility Study and reflect the result in the budget proposal and the establishment of a fund management plan.

2 Eligible Projects

Preliminary Feasibility Study is conducted on new projects that fall under the following categories.

A construction project, an ICT project, or a national research and development project, with total project cost of 50 billion won or higher and the state's financial support is 30 billion won or higher.

- A construction project refers to a project that includes construction work such as civil engineering and building, and an ICT or a national research and development project is a project funded by ICT budget and research and development project budget according to the "Guidelines by Detailed Project Type" of the "Detailed Guidelines on Budget Proposal."

Projects in social welfare, health, education, labor, culture and tourism, environmental protection, agriculture, forestry, fisheries, and industry and small and medium business areas, with medium-term fiscal expenditure of 50 billion won or higher.

- Other non-investment projects in the financial sector are social welfare, health, education, labor, culture and tourism, environmental protection, agriculture, forestry, and fisheries, industry and small and medium business projects that do not belong to the construction project, informatization project, or national research and development project under paragraph 1.1 according to the classification of the field and sector on program budget system

Preliminary Feasibility Study is every project, which includes state financial support such as a project directly run by the state, a project run by the state's proxy, a project subsidized by local government, and private investment projects

Preliminary Feasibility Study en bloc

- If the individual projects included in the same plan such as medium to long

term road and rail development plans are closely related with each other and are very likely to influence the order of priority, a Preliminary Feasibility Study can be conducted en bloc of the individual projects included in the plan. Government projects may be exempted from PFS if they apply to one of below criteria.

The project which fall under the category of Article 38 Paragraph 2 of the National Finance Act is exempted from Preliminary Feasibility Study.

1. New construction or expansion of public office buildings, correctional facilities, and elementary and middle educational facilities
2. Cultural assets restoration projects
3. National defense related projects related with national security or requiring security
4. Projects related with North and South Korean exchange and cooperation or projects carried forward in accordance with international treaties or agreements
5. Simple improvement, repair and maintenance projects for the enhancement of the utility of existing facilities such as road repair and maintenance and improvement of old waterworks facilities
6. Projects that need to be implemented urgently such as the prevention of disaster and support for restoration, securing of stability for facilities, and health and food safety issues
7. Projects that need to be promoted in accordance with the law
8. Projects that consist of simple transfer of income such as the direct provision of cash and kinds to recipients including basic livelihood security recipients and the disabled
9. Projects for which the Preliminary Feasibility Study has no practical use such as personnel expenses and operating cost support projects and loan projects of supported or subsidized institutions.
10. Projects designated by the Minister of Economy and Finance and needs to be carried forward as a part of national policy in order to promote regional balanced development or cope with urgent economical and social issues

3 Selection and Implement Procedure

Principles in Selecting Target Projects

- The Minister of Economy and Finance may choose the target project for the Preliminary Feasibility Study according to the request of the heads of central government offices or on his or her own authority.

Requirements for Preliminary Feasibility Studies

- To reflect the project subjected to a Preliminary Feasibility Study in the budget proposal or fund management plan, the heads of central government offices shall request the Minister of Economy and Finance for the Preliminary Feasibility Study for the concerned project considering the period required by the study until two years before the project is to be executed. However, if the project needs to be carried forward urgently or if there are unavoidable reasons, they can request for the Preliminary Feasibility Study for the new projects scheduled for the following year.

Selection on Authority

- If required according to the budget allocation and the establishment of fund management plan, the Minister of Economy and Finance may conduct the Preliminary Feasibility Study regardless of the request of the corresponding heads of the central government office.

Target Project Selection Procedure

- The Minister of Economy and Finance reviews the projects for which each central government office requested for Preliminary Feasibility Study and selects the target project through consultative meetings on the fiscal project evaluation based on the target project selection criteria.

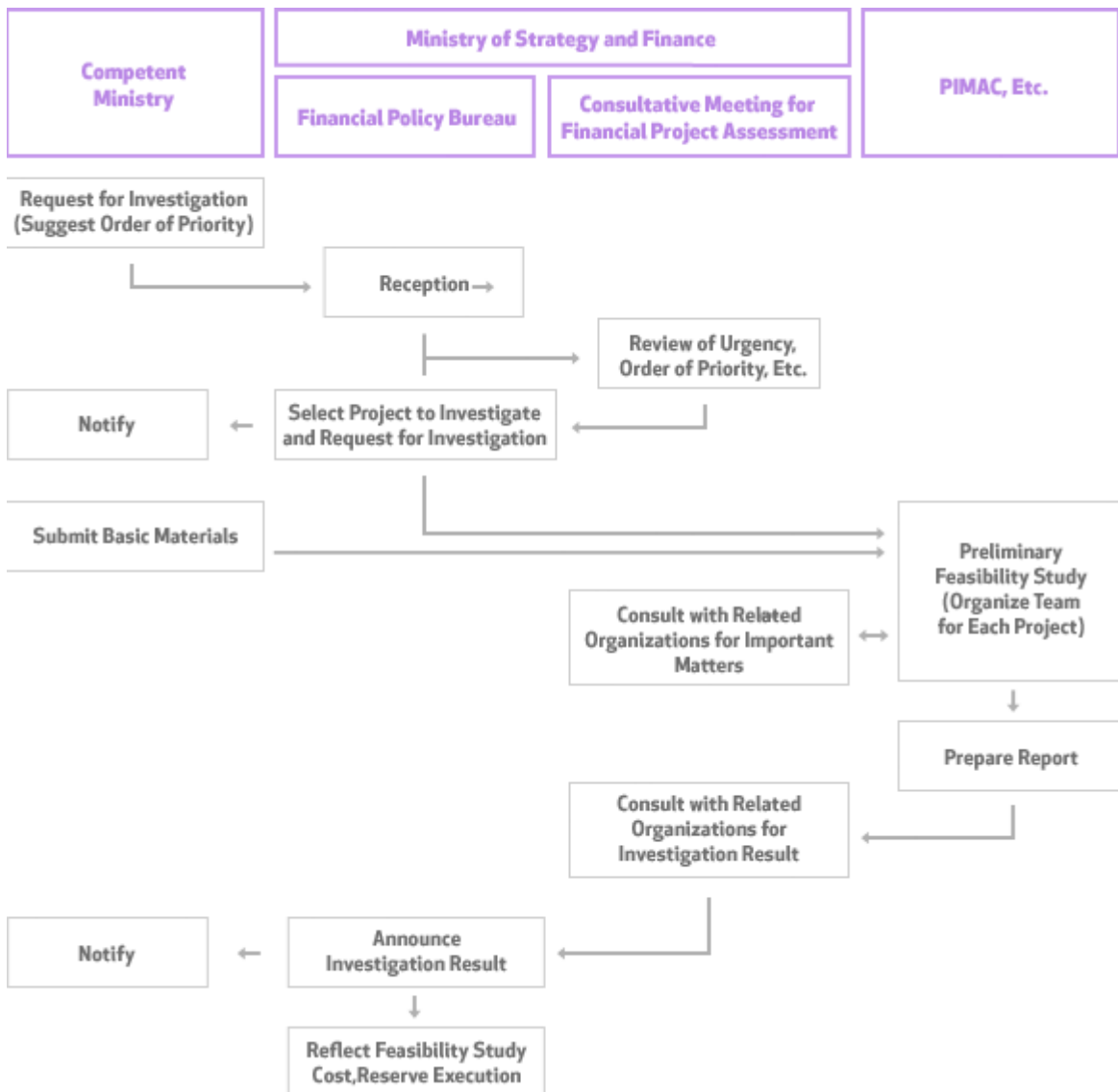
Preliminary Feasibility Study Execution System

- The Preliminary Feasibility Study is conducted comprehensively by the Public

Preliminary Feasibility Study (PFS)

and Private Infrastructure Investment Management Center (PIMAC) of the Korea Development Institute (KDI) upon the request of the Minister of Economy and Finance.

- However, the Korea Institute of S&T Evaluation and Planning (KISTEP) shall conduct the study for national research and development projects.



4 Contents of Analysis

Overview of Project and Analysis of Basic Data

- Derive issues of the study by reviewing the basic data provided, such as the background of the target project, purpose, progress, and the details of the project plans.

Economic Feasibility Analysis

- Cost-Benefit Analysis is used as the basic methodology in the key investigation process which analyzes the national economic effect and the appropriateness of investment pertaining to the target project.
- Demand Estimation: Estimates the demand for the outcomes of the corresponding project based on a variety of analysis models, data, and direct surveys
- Evaluation of Economic Feasibility: Calculates B/C ratio, net present value (NPV), and internal rate of return (IRR) based on quantified expenses and profits
- Financial Analysis: Estimates actual monetary expenses and income (cash flow) in the viewpoint of individual project participants and calculate financial profitability accordingly

Policy Analysis

- Analyze the evaluation items that are not included in the economic analysis, however, are important in evaluating the appropriateness of the project execution
- Coherence of Policy and Commitment to Execution: Evaluates the commitment to the execution of the project, relevance to upper plans, preparation for the project, and additional evaluation items
- Risk in Executing the Project: Evaluates feasibility in funding, environmental evaluation, and additional evaluation items
- Special Evaluation Categories: Special issues about the project considered important in the validity evaluation

Analysis of Balanced Regional Development

- Prevent inter-regional imbalance in the economic feasibility analysis and reflect the higher national policy of balanced regional development in evaluating the appropriateness of the project
- Evaluate the underdevelopment rate of the region, effect on the local economy, and additional evaluation items

Comprehensive Evaluation Using AHP Technique

- Comprehensively evaluate the appropriateness of the project by collecting opinions of the teams that participated in the study based on economic analysis and policy analysis
- Use analytic hierarchy process (AHP), a type of multi-criteria analysis, to measure the appropriateness of the project execution into quantified values.
- Determine whether the project shall be executed and the investment priorities between projects and provide suggestions for the policy concerning the best alternative for the project and the best time for execution.

5 Performance

Number of Preliminary Feasibility Study and Assessment of Project Plan

	Preliminary Feasibility Study	
	Preliminary Feasibility Study	Assessment of Project Plan
1999	20	
2000	30	
2001	41	
2002	30	
2003	32	
2004	55	
2005	30	
2006	52	
2007	46	4
2008	38	7
2009	63	9
2010	48	6
2011	43	2
2012	35	6
2013	16	4
2014	34	10
2015	18	9
2016	23	-
2017	31	8
2018	22	5
Total	707	70