

# How Has the PFS been Framed in Korea?

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# Introduction

- “On what basis shall it be decided to allocate  $x$  dollars to activity A instead of activity B?” (V.O. Key 1940).
- Policy analysis is more than technique as budgeting is.
- PFS should be understood not as a technique but **as a part of policy making and budgeting process.**
- Unfortunately, political philosophy especially the political aspect of the PFS has been misunderstood due to some alleged myths.



## PFS is economic analysis?

- **Allegation:** PFS emphasizes economic feasibility too much.
- How much is too much?
- Are PFS disadvantageous to projects of less developed region? (Kim 2019)
- Is the delay of project implementation due to the delay of the PFS?



## PFS for SOC projects?

- **Allegation:** PFS underestimates the feasibility of non-infrastructure projects such as the museum and the library
- BC ratio of cultural and tourism projects would be lower than the transportation projects
- Politicians put more emphasis on the cultural and tourism projects than the transportation projects



## PFS ignores social values

- **Allegation:** PFS replaces the democratic values with technocrat's ones.
- PFS reduced the pork-barreling of politicians in the infrastructure investment projects?
- PFS does not care the regional development, urgency of projects, environment, etc.



# **Critical Review of the Allegations**

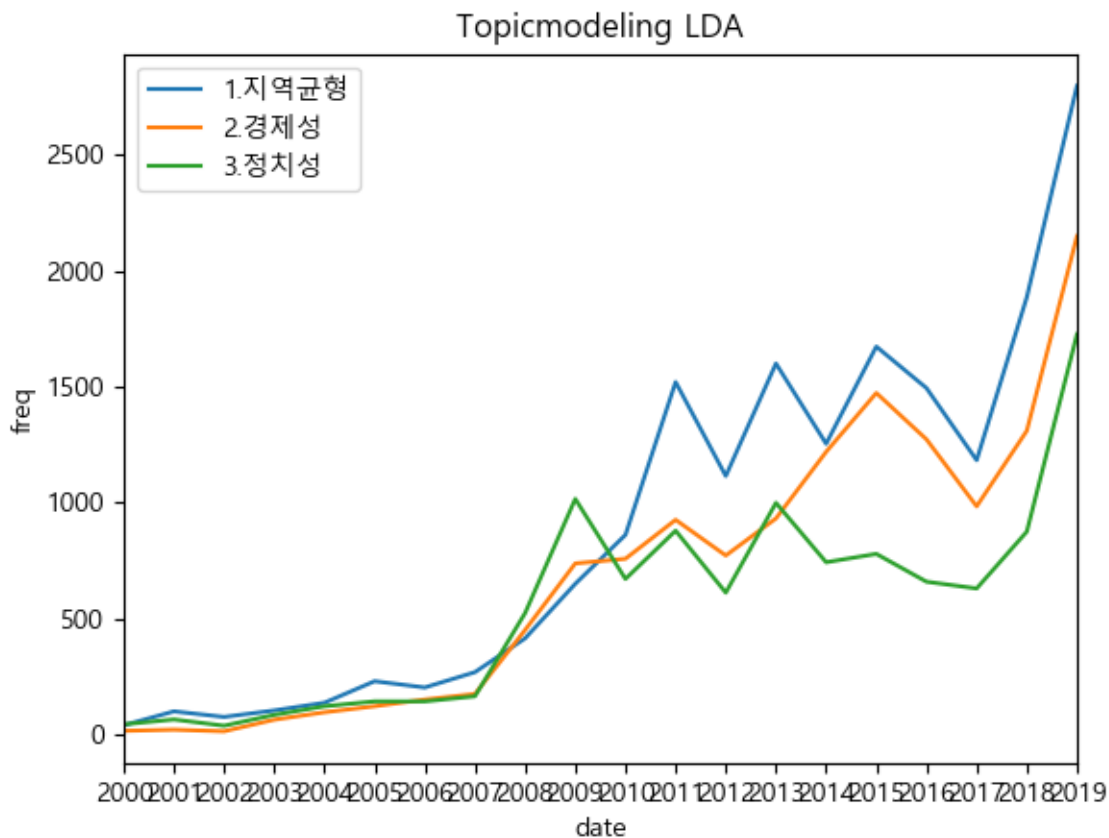


## Text Data

- **Text analysis to answer how the PFS is framed by people**
- **Period: 2000~2019**
- **Sources of Texts:**
  - √ 2169 National Assembly Minutes
  - √ 7 national newspapers: 7202 articles
  - √ 27 local newspapers: 32738 articles

# Attraction of Public and Political Attention

- In 2018, the explosion of attentions to the PFS is observed





# Are Politicians on the same page???

- **Do politicians hate the PFS???**
- The analysis of minutes of the National Assembly shows
  - **Yes:** criticisms arguing 'too much PFS', 'too strict application of AHP rule', 'too little consideration of regional equity and environment'
  - **No:** a) minimizing exemption of the PFS by reinforcing the conditions by the law, b) expansion of the PFS to projects of public enterprises, c) criticisms to the loose application of AHP or BC ratio rule, etc.
- If the PFS is asked to do 'political consideration', meaning what???

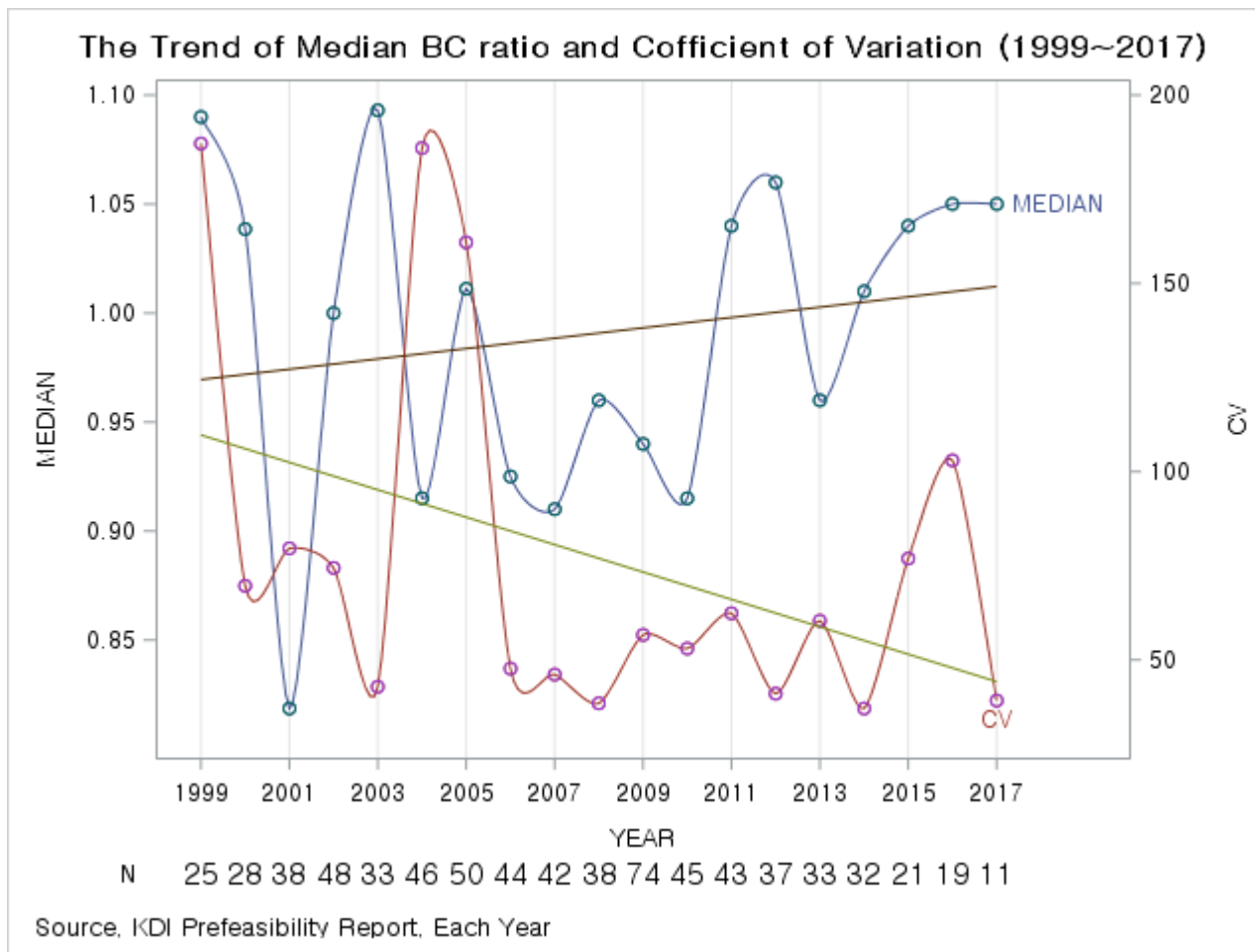
# PFS Framed in Newspaper and N.A.

- Economy is a dominant keyword, while 'regional development' is somewhat cared.



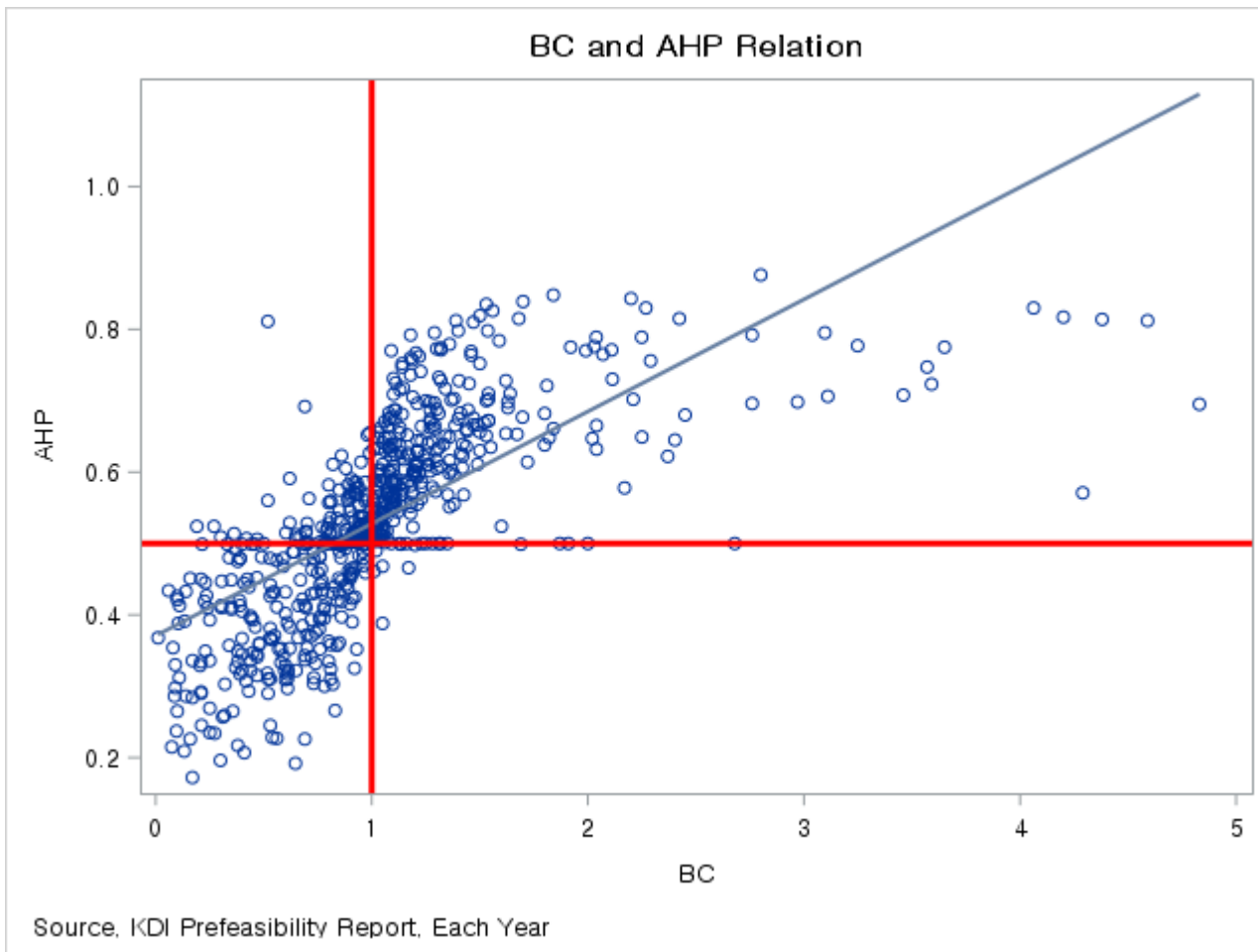
# The Conservative BCA?

- BC ratio has increased over years but the variance of BC ratio among projects has decreased (lenient tendency).



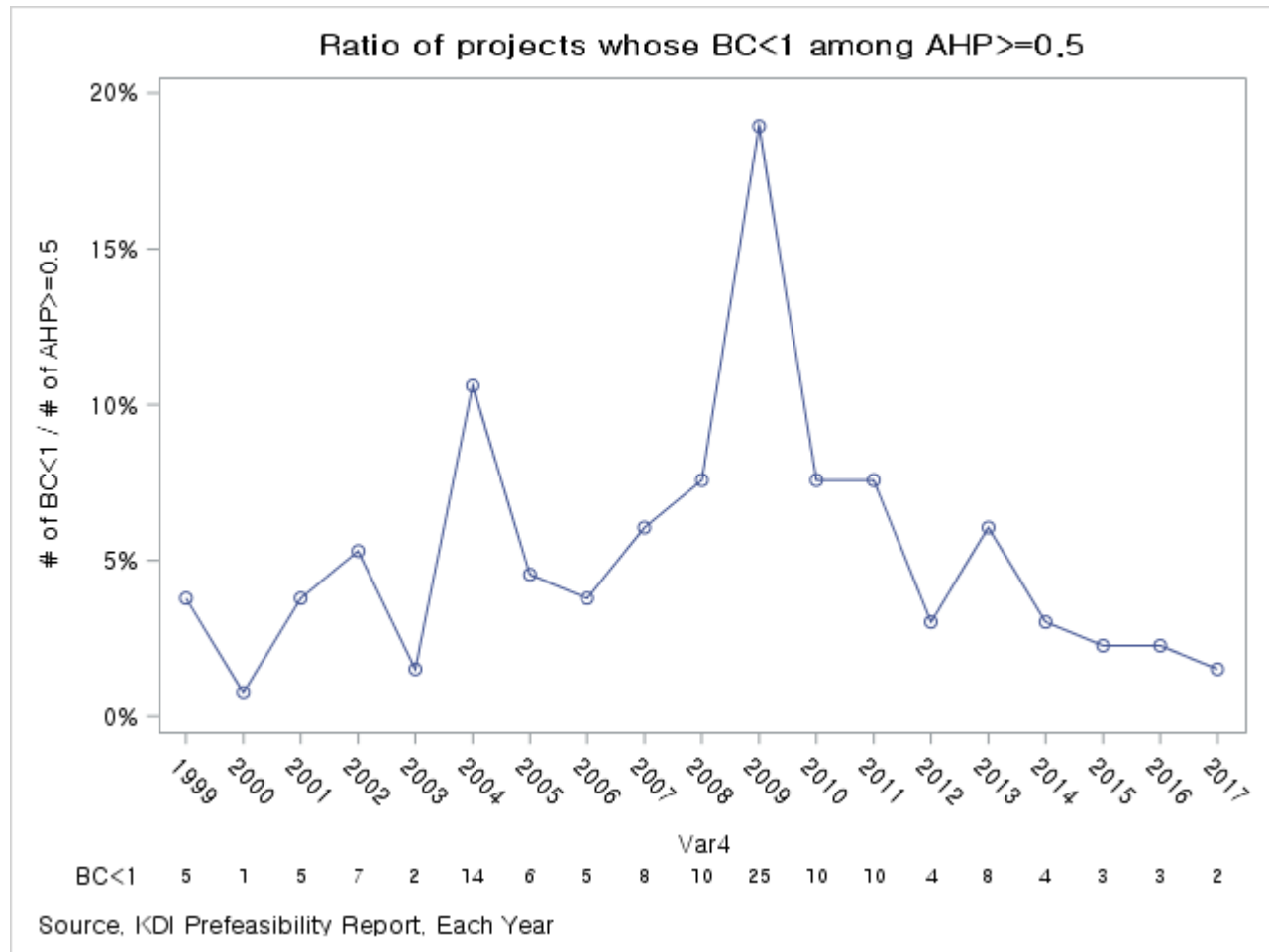
# Is $BC > 1$ an ultimate rule for project approval?

- The positive correlation between BC and AHP



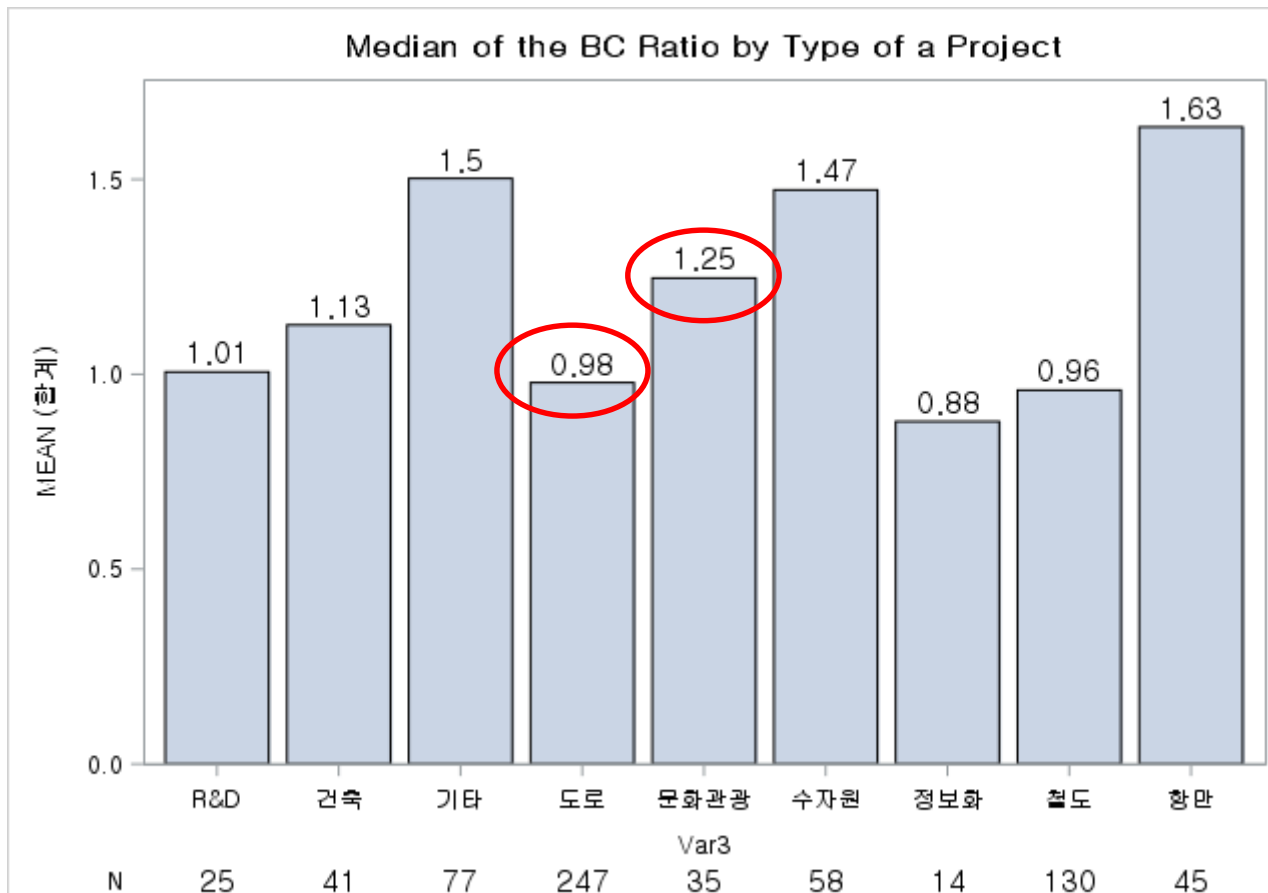
# Approved projects not sufficient economic feasibility

- Not a few projects are approved despite the insufficient economic feasibility.



# Low BC Ratio of Cultural tourism projects ???

- No empirical evidence that the BC ratio of cultural tourism projects is smaller than that of transportation projects



Source, KDI Prefeasibility Report, Each Year

# Is the PFS approval the end of story???

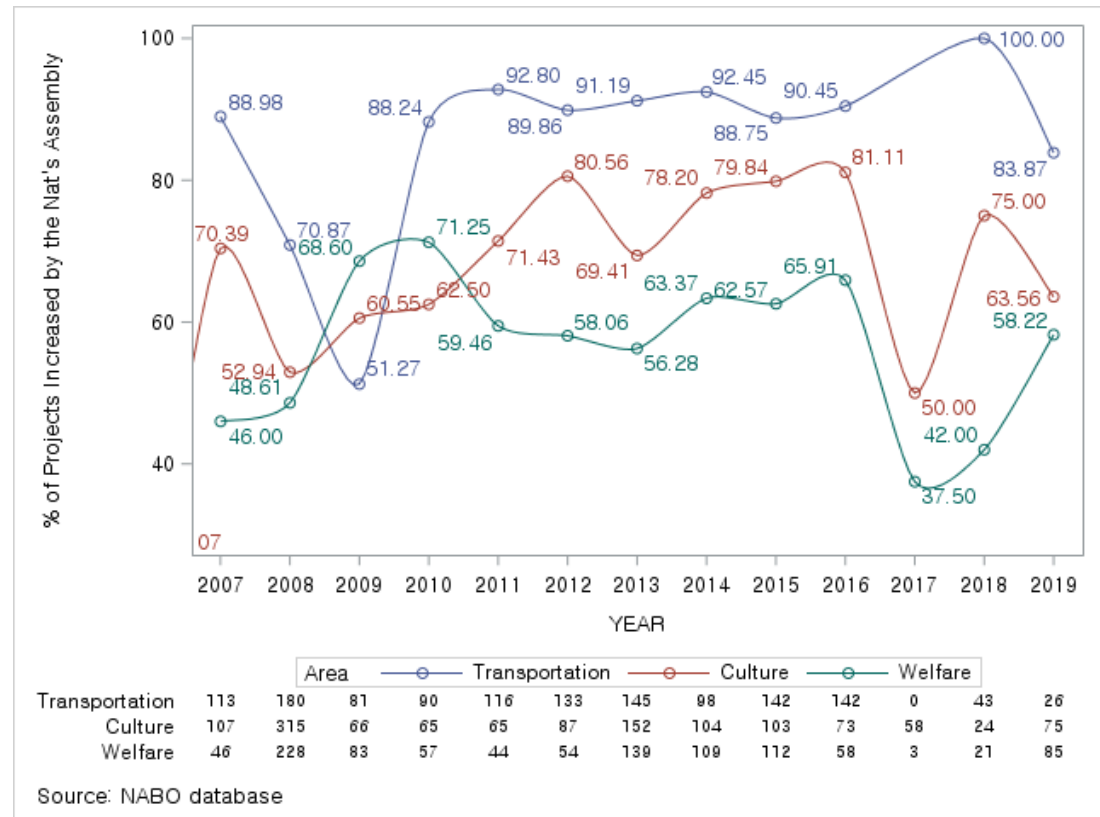
- PFS plays a role to protect bureaucrats from interest group politics

→ Even after the approval of the project, however, bureaucrats do not simply implement the project.

	# of approved SOC project	Completion Rate (As of April,2017)
`07	21	38%
`08	15	33%
`09	22	<b>45%</b>
`10	21	<b>52%</b>
`11	10	10%
`12	18	6%
`13	10	0%
`14	6	0%
`15	5	0%
`16	13	0%
<b>Total</b>	<b>141</b>	<b>25.5%</b>

# Has Pork-Barreling in SOC projects decreased???

- No evidence that politicians stop practicing the pork-barreling politics in SOC projects
- Politicians still slip their district's projects to the budget document





## Is the PFS Innocent???

- Bias of the PFS to the Ministry of Economy and Finance
- Insufficient effort to analyze policy implications: “who gets what, when, how”
- Economic analysis without the analysis of the distribution of benefits and costs
- Absence of macro-level (program, national economic, longitudinal) analysis on the impact of a project under scrutinized.



## Conclusion

- No evidence that public projects are solely determined by the PFS or technocrats.
- Political considerations are everywhere and, in fact, far more comprehensive than the anti-PFS group argues.
- The meaning of 'political' or 'policy' consideration is too ambiguous.
- **There is a high risk that the emphasis on 'political consideration' may serve the organized interests of a specific group burdening 'ignorant' many.**
- The government can implement public projects without doing the PFS. However, it should provide evidence justifying her decision.



# Conclusion

- **Rethinking the Governance of Public Projects**
  - Budget and line ministries
  - Central and local government
  - The administrative and National Assembly
  - Construction companies and politicians
  - Beneficiary and tax payers
  
- **PFS should be repositioned along with the reform of the governance of public projects**