



Korea Development Institute
Center for Regulatory Studies

Korea's Regulatory Reform to Stimulate Economic Growth

November 12, 2015

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Center for Regulatory Studies

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Introduction

Why Regulatory Reform Now?



20,000\$

After achieving
per capita GDP
of \$20,000 in 2007
**7 years of
stagnation**



Poor consumption
reduced investment
lower growth rate

**Possibility of
permanently losing
growth momentum**



To revitalize growth engine
through fundamental
changes of regulatory
reform system

Stumbling Blocks of Regulatory Reform



02

Direction of Regulatory Policies

- 01** To accelerate regulatory reform to revitalize economy and reduce constraints on citizen's economic activities
- 02** To strengthen regulations on safety and health of general public

Looking for better regulation

- Regulations are products manufactured by governments
- Governments should provide the best quality products to people
- Regulatory reform is a quality assurance program for customers

**Decreasing the number of regulations (quantity control) →
Reducing burdens or costs of regulations (quality control)**



before

**20% of the existing 10,000
economic regulations to be
abolished by 2017**

***Focusing on decreasing the amount of
regulations by elimination rather than by
improvement**



after

**To evaluate outcomes by
reducing regulatory costs and
measuring the level of perceived
regulatory reform**

***Focusing on making regulations more
reasonable and better**

Regulatory Reform Governance

1. To commit at the highest political level to an explicit whole-of-government policy for quality regulation

- Recommendation of the Council on Regulatory Policy and Governance, OECD 2012

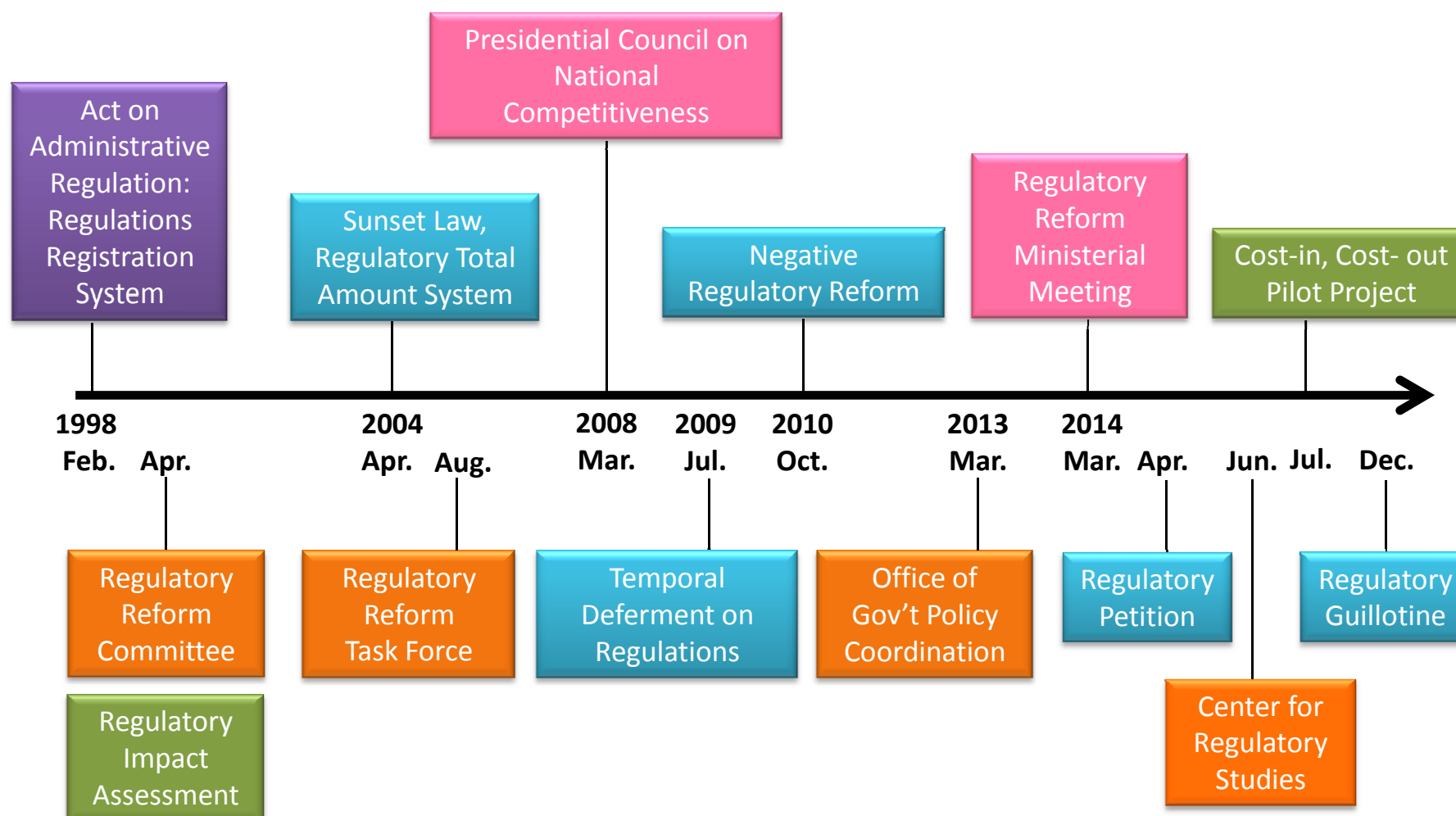
2. Regulatory Reform Governance

- Regulatory Ministerial Meeting
- Regulatory Reform Committee (office : Regulatory Reform Office in PMO)
- Private-Public Joint Regulation Advancement Initiative

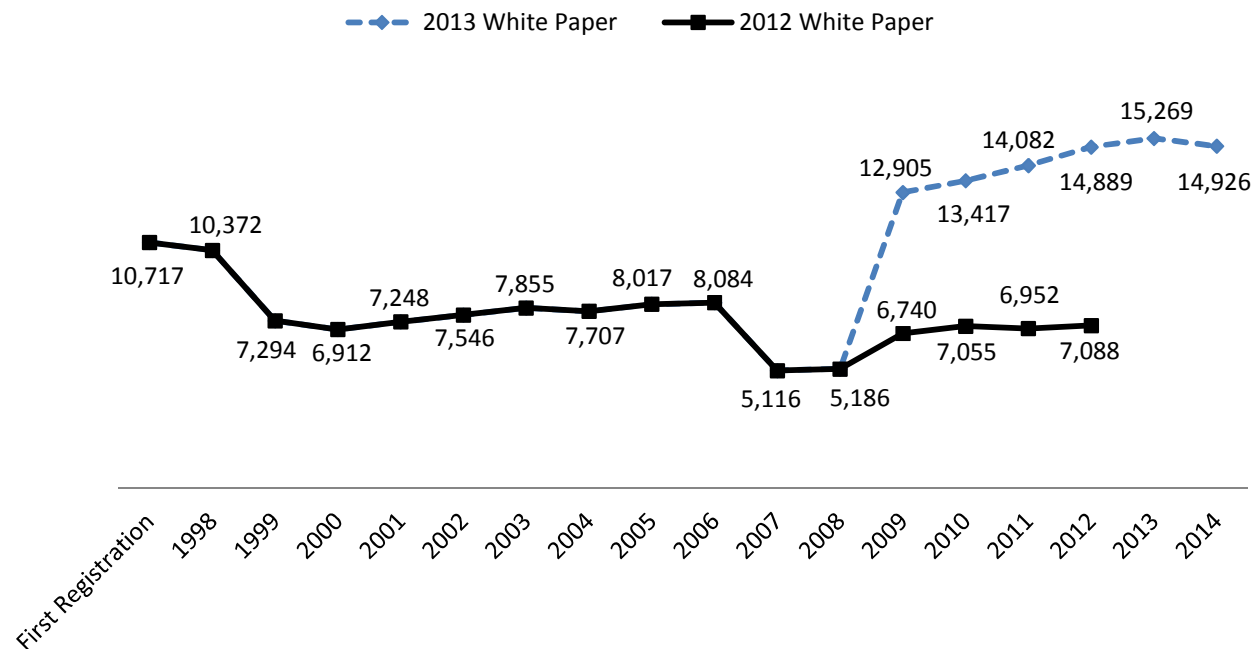
03

Past Performance

Efforts to Regulatory Reform



Yearly Trend: Regulations Registration

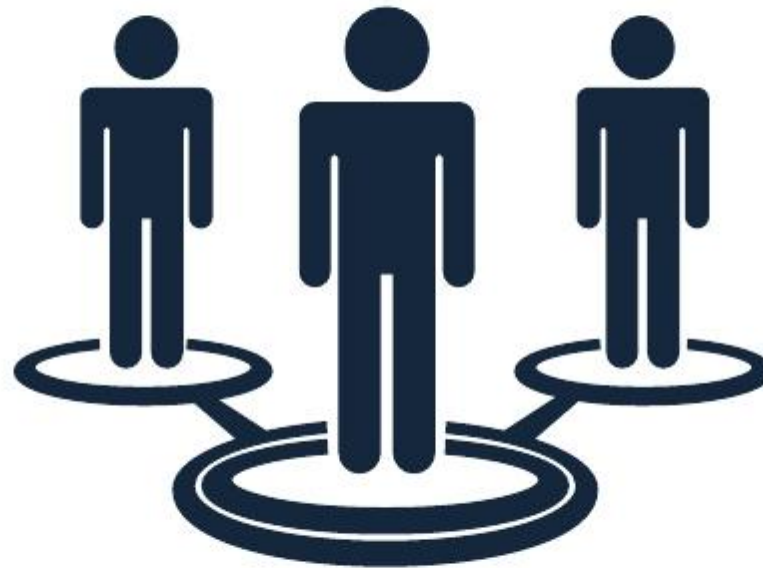


- Reduction in the number of regulations registered in 2007 and 2008 is due to a change in registration standards.
- Discovery of unregistered regulations led to a jump in 2009.
- With new registration standards in the Regulatory Reform White Paper 2013, the number of registered regulations seems to have increased sharply.

04

How to Reform Regulatory System

New Approach 1: Regulatory Petition



Provide a channel of regulatory petition to people and companies through www.better.go.kr

Regulatory Petition Process: Explanation Procedure

1st step

The relevant ministry should respond to the petitioner within 14 days and see whether to accept the petition or not.

Response should be given under the name of the officer in charge of matters petitioned.

2nd step

If petition is not accepted, the ministry should explain to the petitioner in detail why it is not acceptable within 3 months.

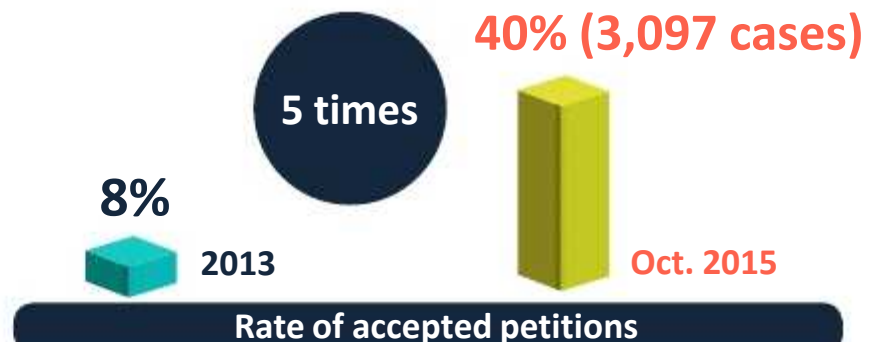
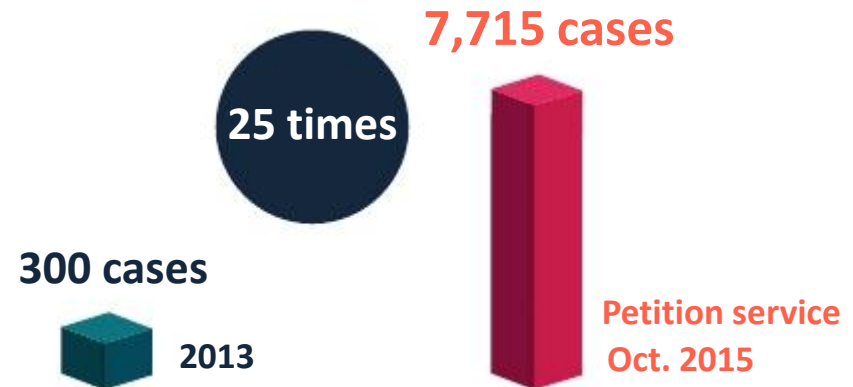
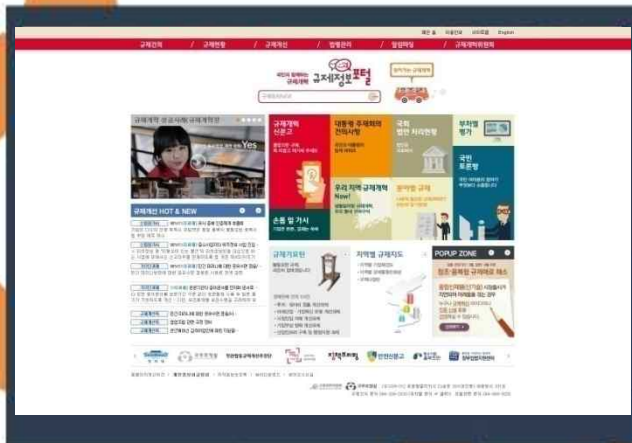
Explanation should be provided by the head of office in each ministry

3rd step

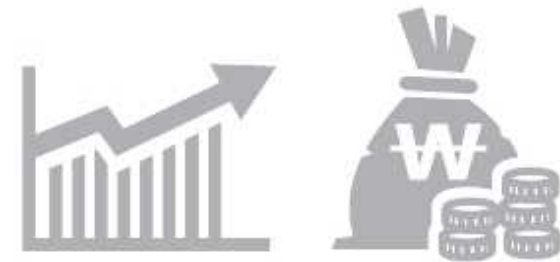
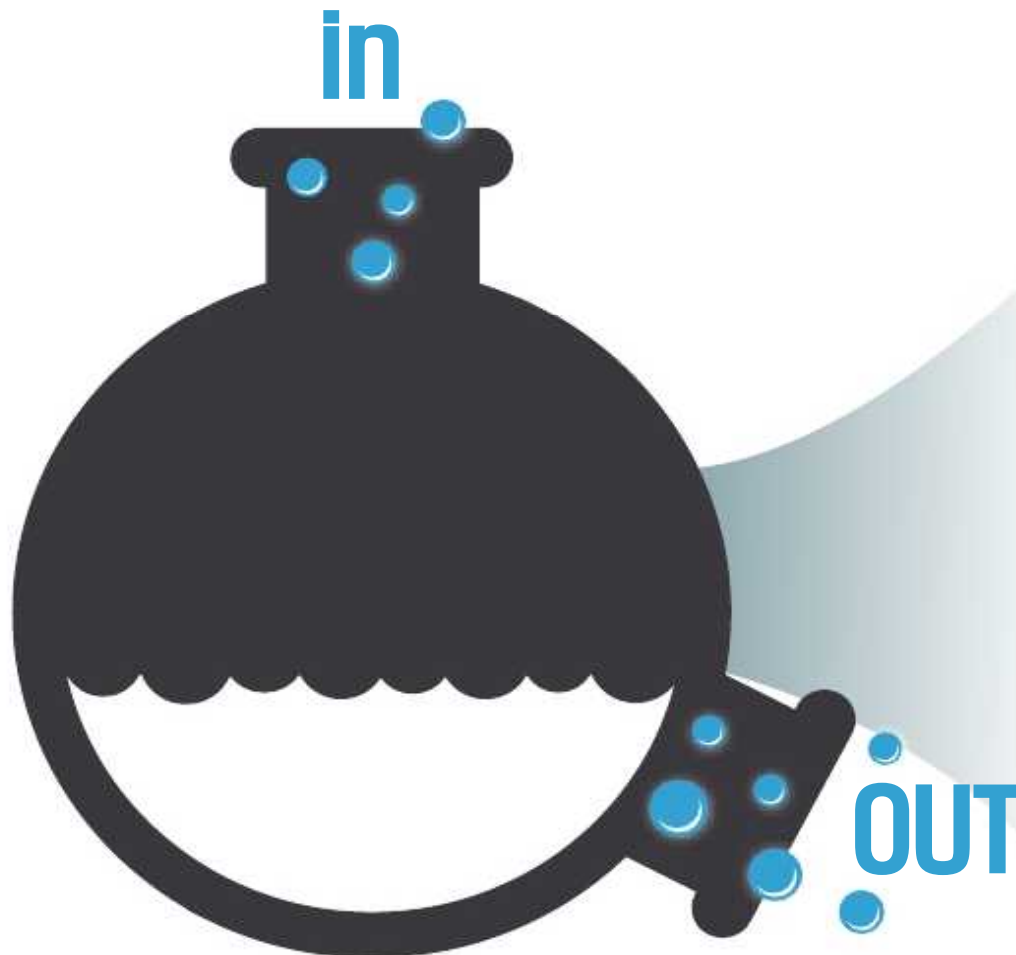
Regulatory Reform Committee(RRC) has the power to recommend regulatory changes to the relevant ministry if its explanation is not sufficiently justified.

Regulatory Petition: Results

Petition through Internet: easy access, open to everyone



New Approach 2: Regulatory Cost-in, Cost-out



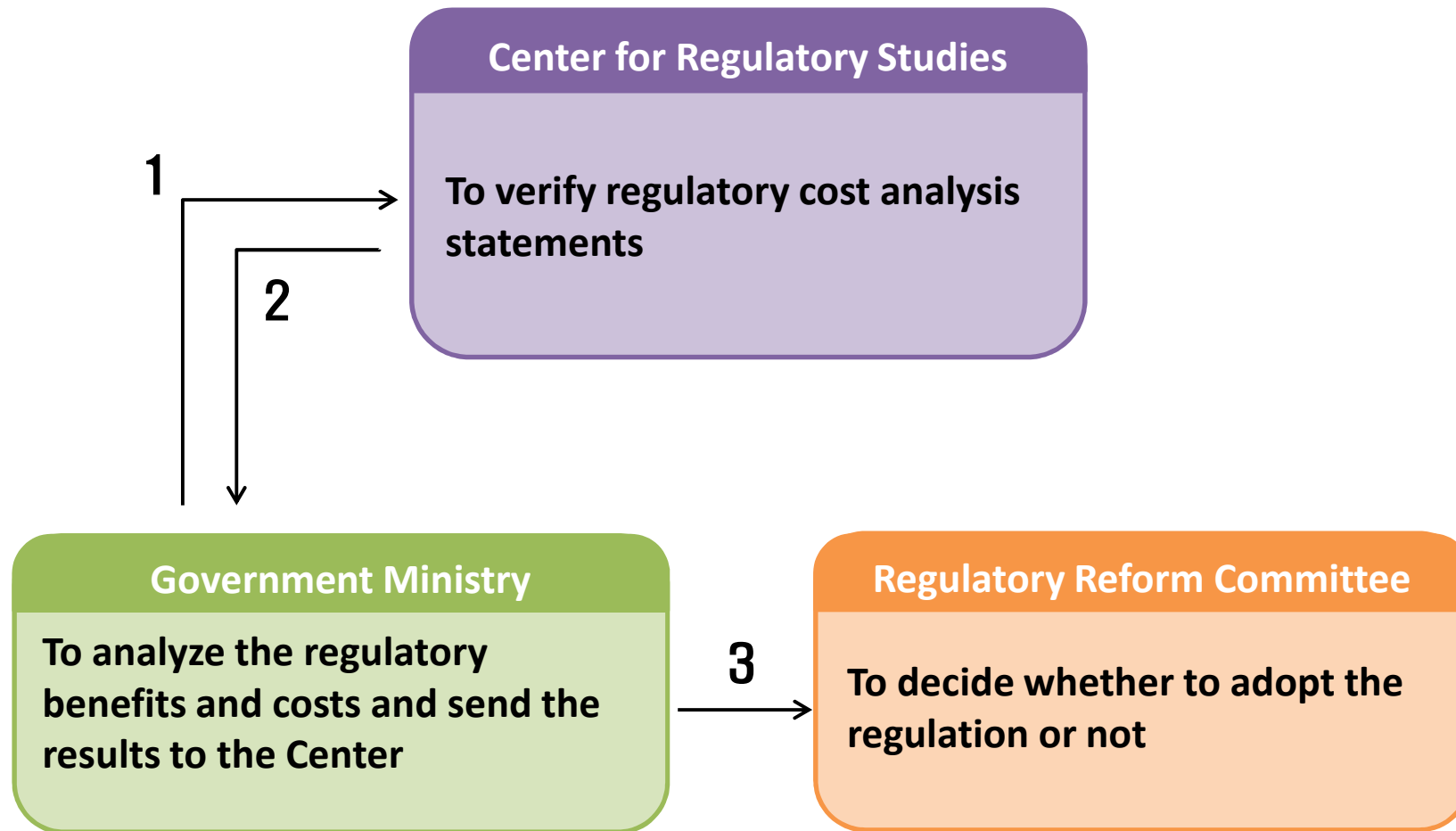
Introduce new regulation
(cost-in)

Scrap existing regulation
(cost-out)

Calculate the net cost
Inflicted upon the regulated

Run pilot projects
from July 2014

Related Institutions and Roles



Future Plans

**Pilot projects
conducted in
8 ministries
from July 2014**

**6 key ministries
added for more
pilot projects
from April 2015**

**All government
ministries to be
applied in the
near future**

New Approach 3: Regulatory Information Portal

Opening information on each regulation through website

Providing all available
information on regulations

Resolving regulatory problems

Promoting regulatory reform
at all times





New Approach 4 : Regulatory Guillotine

Regulatory reforms that have far-reaching economic impact and need to be implemented immediately were addressed through the Regulatory Guillotine System in order to realize economic innovation.



Regulatory Guillotine: 2014 Achievements

01

Business groups cited 153 regulations that they consider to be undue obstacles to business.

02

The government reviewed them closely through explanatory sessions with appropriate ministries and devised improvement plans.



- A total of 114 out of 153 proposals for regulatory reforms were accepted (74.5%).
- 23 proposals concerning the Seoul metropolitan area and employment requiring additional discussion were addressed by collecting opinions from the public.
- 16 proposals difficult to accept: proposals that further strengthen regulations, limit competition, and require modifications to regulations that were in effect after undergoing public discussion.

Regulatory Guillotine: 2015 plan



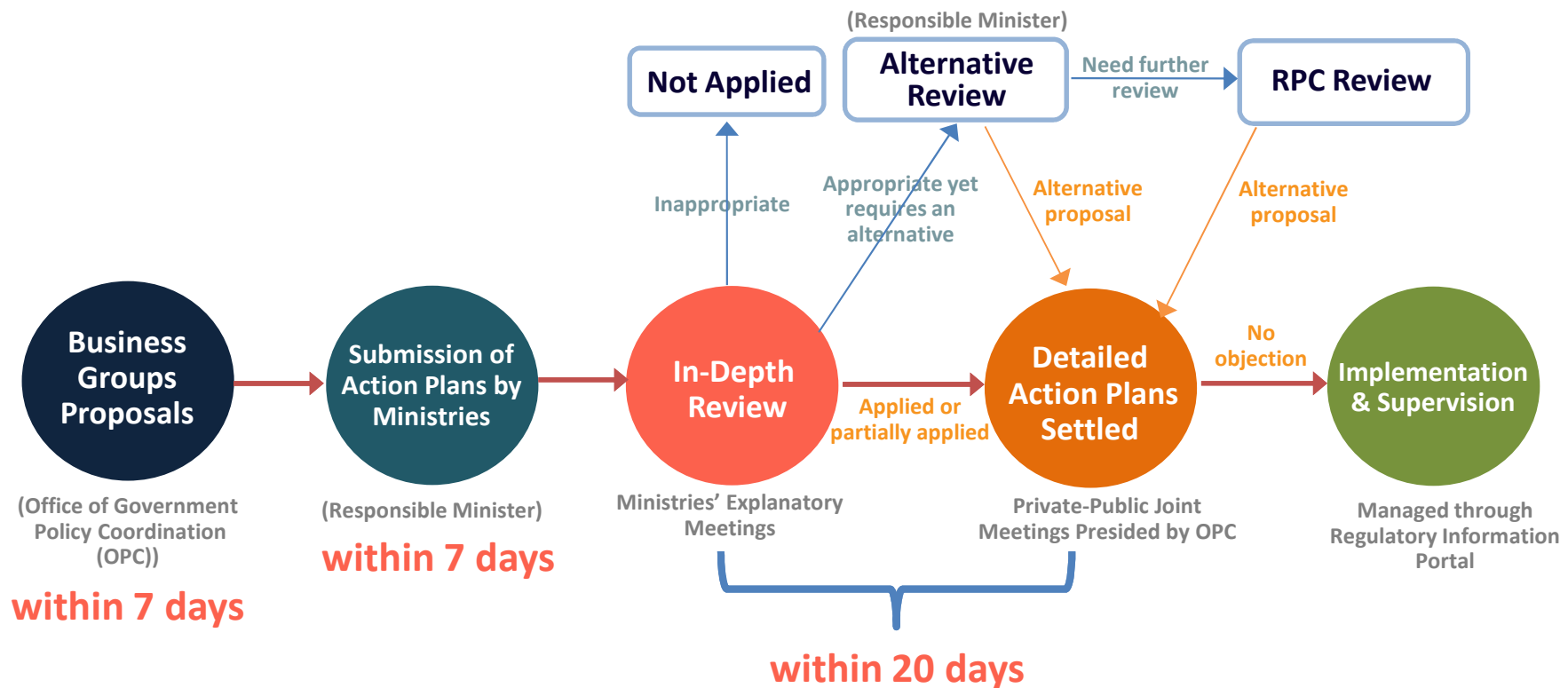
Collect proposals en bloc from economic and industrial groups
-> review proposals by competent ministries
-> conduct in depth reviews through ministries' explanatory meetings, etc
-> Determine improvement plans at private-public joint meetings

Proposals requiring additional reviews due to differences in opinions among competent ministries or other reasons were discussed intensively at the Regulatory Reform Committee, mainly by the Regulatory Reform Office, to devise improvement plans.

- (example) The Korean International Trade Association proposed 111 regulatory reforms concerning the fine chemical industry(Jan 15).
- Reviewed mainly by the working party on social regulation(the Regulatory Reform Office), and the working party on economic regulation(Ministry of Strategy and Finance).

New Approach 4 :

Regulatory Guillotine: Process (within 3 months)



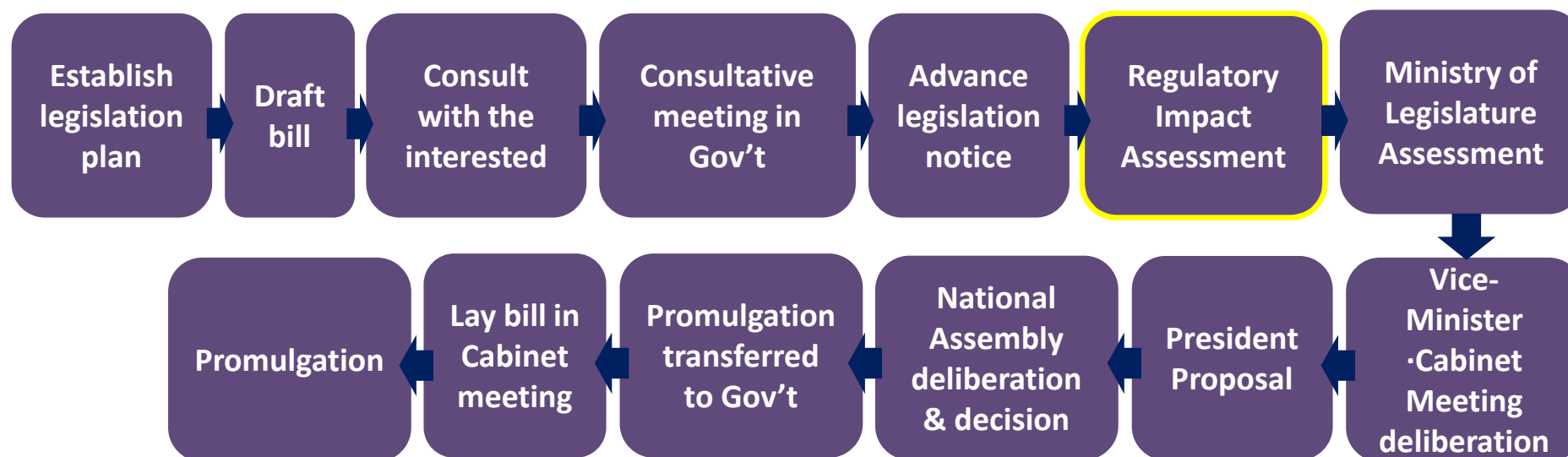
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Future Agenda for Successful Reform

Challenges to Successful Reform

01. Poor management of Regulatory Impact Assessment

- Most of RIAs had been based on qualitative analysis and lack of quantitative analysis.
- RIAs had been used for justifying already-determined policies rather than providing diverse kinds of information during a policy decision making process.



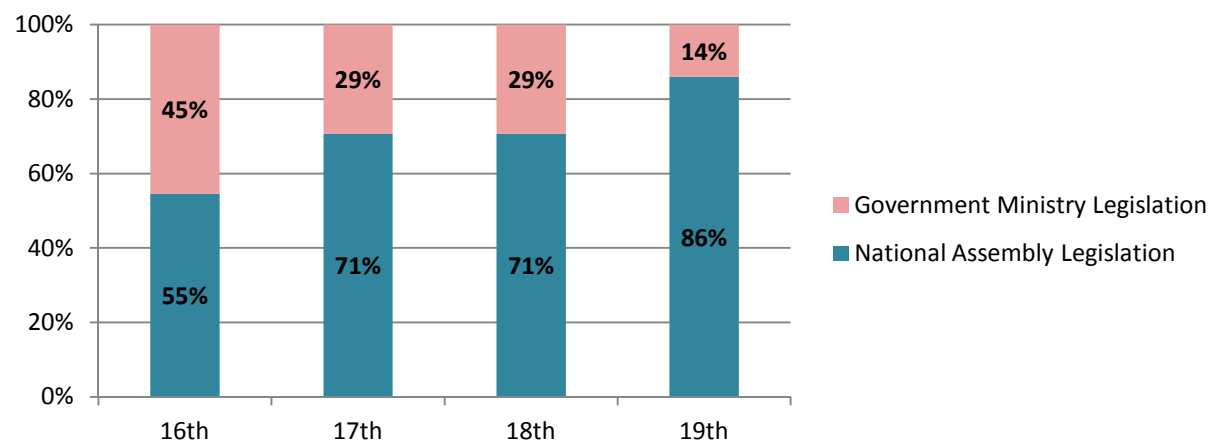
Challenges to Successful Reform

02. Legislature Opposition to Cost in-Cost out Project

- National Assembly is against the enforcement of Cost in Cost out Project, regarding it as an impediment to the legislative power.

03. Legislation by Assembly Members exempt from RIA obligation

- Although the number of passed bills by the legislature greatly exceeds that of ministries, the bills by National Assembly are exempted from impact assessment.



Challenges to Successful Reform

04. Regulations for Public Interest exempted from CICO Project

- A list of standards for CICO exemption is written in the 2015 manual for CICO pilot project.
- Such exemption could be exploited for justifying regulations on public safety, small and medium sized firms, environment, metropolitan area, etc.

05. The Status of Regulatory Reform Committee(RRC)

- RRC's supervisory role in regulatory reform had faced serious difficulties due to lack of human and material resources for implementation compared with their given authority (evaluating new and strengthened regulations, improving existing regulations, Sunset Law, etc.).

Challenges to Successful Reform

06. Enhancing Human Capabilities of Office of Government Policy Coordination as a Control Tower for Regulatory Reform

- Officials' regular department rotation and secondment to different institutions make it difficult to accumulate know-how and train professional bureaucrats for regulatory reform

07. Regulatory Reform Mind of Government Officials

- Regulations are officials' rights and their means to policy implementation.
- For officials guaranteed of retirement age, a successful regulatory reform is structurally very hard to achieve without apropos promotion and compensation schemes such as special promotion, chance to secure budget and provision of active administrative exemption.

Challenges to Successful Reform

08. Enhancing Human Capabilities of Regulatory Reform and Legal Affairs Division in the government ministry

- Only deputy directors and action officers are responsible for regulatory works, and due to rotation of positions, it is difficult to maintain a sense of responsibility and professionalism.
- In a regulatory reform and legal affairs division, there is no economist. Thus, Internal verification and regulatory analysis within ministries is hard to implement.
- Securing budget to expand HR and employ economists and statisticians is difficult as of now.

Steps undertaken for Reform

Review on Regulatory Impact Assessment

- Beginning of enforcement on review of RIAs: May, 2015

On-line (Automated) Regulatory Costs and Benefits Analysis System

- Provide a simplified process in regulatory costs-benefits analysis through automatic calculation system
- Allow completion of RIAs including costs-benefits analysis online

Revision of Framework Act on Administrative Regulation

- Provide a legal basis to implement regulatory reforms in a sustainable and systematic manner
- Implementation of negative regulatory reform, strengthening of Sunset Law, readjusting bundle of regulations, enactment of CICO Project

On-line (Automated) Regulatory Costs and Benefits Analysis System

규제비용·편익 자동산정시스템

규제영향분석서 시작 **규제영향분석서 작성** 규제영향분석서 결과

규제영향분석서 작성

- 규제의 개요
- 규제의 필요성
- 대안의 분석
 - 고려된 대안
 - 대안의 분석
- 대안별 비용·편익 분석**
 - 대안 선택
 - 피규제자
 - 직접비용
 - 직접편익
 - 간접비용
 - 간접편익
 - 피규제자 이외 민간부문
 - 기업
 - 비용
 - 편익
 - 일반국민
 - 비용
 - 편익
 - 정부
 - 비용
 - 편익
- 대안분석의 종합결론
- 선택된 대안의 이해관계자 의견 및 조치

통계청

규제영향분석서 시작 **규제영향분석서 작성** 규제영향분석서 결과

규제영향분석서 작성

대안별 비용·편익 분석

농장별 문신표시 방식

노동 항목설명

+ 추가투입노동 + 신규고용인력(임시직) + 신규고용인력(정규직) 항목설명 사례

신규고용인력(정규직) 삭제

신규고용인력 x 연간인건비 x 피규제자 수

신규고용인력 x 연간인건비 643000000 x 피규제자 수 23 계산 12,489,000,000

신규고용인력(임시직) 삭제

신규고용인력 x 시간당 근로임금(원) x 1일당 근로시간 x 1인당 연간 고용일수 x 피규제자 수

신규고용인력 x 시간당 근로임금(원) x 1일당 근로시간 x 1인당 연간 고용일수 x 피규제자 수 계산 0

신규고용인력(정규직) 삭제

신규고용인력 x 월 인건비 x 연간 근로시간(12개월) x 피규제자 수

신규고용인력 x 월 인건비 x 연간 근로시간(12개월) x 피규제자 수 계산 0

* 근거설명

- 규제 비용 및 편익 항목을 파악하기 위하여 먼저 피규제자를 대표하는 협회, 업체를 대상으로 면담조사를 실시하고, 단위당 비용 및 편익을 평가하기 위하여 토축장 23개소를 대상으로 설문조사를 실시

- 토축장에서는 토축신장서의 확인 및 계류장 관리와 이력정보 전산입력을 위해서 토축장 당 추가로 2명의 인력이 필요하며, 인건비 추가투입은 전체적으로 24,974백만 원이 추가된 것으로 추정

총 합 계 12,489,000,000 원

06

Center for Regulatory Studies

(Establishment) Center for Regulatory Studies in KDI was established in Jun. 2014.

(Organization) Executive Director's Office, Analysis & Evaluation Division and Research Division

Division	Main Role
Analysis & Evaluation Division	• To develop guidelines for evaluation of regulatory costs and benefits by industry and type • To verify costs and benefits analysis of each regulation • To consult and train skills for analysis of costs and benefits
Research Division	• To study policies and methodologies about regulatory reform • To study policy development and enforcement system for improving regulatory quality • To build network for research about regulation with other research institutions in the country and abroad

01. Research on regulatory reform

Report Name	Release Date	Project Manager
A Study of Regulatory System and RIA – Economic Research	Apr. 2015	Dr. Wonhyuk Lim
An Economic Effect of Regulatory Reform	Jun. 2015	Dr. Jungwook Kim
Satisfaction survey of Regulatory reform system and policy	Aug. 2015	Dr. Hyunjong Kim

02. The main studies of Center for Regulatory Studies

- KDI-OECD Joint Research on Improving Regulatory Governance
- KDI-Health and Safety Executive(HSE, UK) Joint Research on Current Conditions and Improvement Plan of Occupational Safety and Health System in Korea

03. Develop an On-line (Automated) Regulatory Costs and Benefits Analysis System and its manual

04. Train officials about how to analyze regulatory costs and benefits

05. Verification Performance of costs and benefits analysis for CICO and RIA (as of 21st Oct. 2015)

- Verified 70 cases of Cost-Benefit Analysis Statement for CICO Policy
- Verified 234 cases of RIA

규제개혁

Thank you.



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