KOREA AND THE OECD: 25 YEARS AND BEYOND
Korea and the OECD: 25 Years and Beyond
Acknowledgements

This book has been prepared by the OECD with the support of the Permanent Delega-
tion of the Republic of Korea to the OECD.

At the Permanent Delegation of the Republic of Korea to the OECD, under the
guidance of KO Hyoung Kwon and SHIN Song-bum, LEE Sorie led the coordination
with inputs and support from 17 staff members as well as LIM Ji-in and Therese
HOGAN.

At the OECD Secretariat, under the guidance of Juan YERMO and Rafał KIERZEN-
KOWSKI, Hanna-Mari KILPELÄINEN and LEE Chung Yoon coordinated the work
with the horizontal support from Directorates of the OECD—Centre for Entre-
preneurship, SMEs, Regions and Cities; Centre for Tax Policy and Administration;
Centre on Well-being, Inclusion, Sustainability and Equal Opportunity; Development
Centre; Development Co-operation Directorate; Directorate for Education and
Skills; Directorate for Employment, Labour and Social Affairs; Directorate for Finan-
cial and Enterprise Affairs; Directorate for Science, Technology and Innovation; Eco-
nomics Department; Environment Directorate; Directorate for Public Governance;
Trade and Agriculture Directorate; Directorate for Public Affairs and Communica-
tions; Human Resources Management; International Transport Forum.
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On October 25, 1996, the Agreement on the Invitation to the Republic of Korea to Accede to the Convention on the OECD was signed. (Left to right, former Foreign Minister of the Republic of Korea Gong Ro-Myung and former OECD Secretary-General Donald Johnston)
The OECD MCM Bureau with the Secretary-General at the Part II of the 2021 MCM.
(Left to right, Finance Minister of Luxembourg Pierre Gramegna, US Secretary of State Antony Blinken, OECD Secretary-General Mathias Cormann, Minister of Foreign Affairs of the Republic of Korea Chung Eui-yong)
Photo provided by the Permanent Delegation of the Republic of Korea to the OECD.
Introduction
Foreword

Celebrating Long-Term, Trusting Partnerships with Anticipation of More to Come

KO Hyoung Kwon
Permanent Representative of the Republic of Korea to the OECD

This year, we celebrate the 25th anniversary of Korea’s accession to the Organisation for Economic Co-operation and Development (OECD). In a marriage or in a monarch’s reign, the 25th anniversary—also known as a silver jubilee—marks a remarkable milestone for long-term, trusting partnerships and accomplishments. It is my great pleasure to see the partnership between the Republic of Korea and the OECD reach this significant point in time.

Joining the OECD in 1996 was an event of high importance for Korea. The decision reflected Korea’s strong motivation to participate in the international economic order, enhance people’s quality of life, and promote sustainable development by learning from the experiences of other OECD members. It was also a commitment that Korea would strengthen its responsibilities as a member of the international community and contribute further to global cooperation and multilateralism.
The OECD’s work has a large influence on the Korean people. When formulating policies, the Korean government often consults OECD standards as well as best policies and practices of other members in order to make informed decisions. Nearly on a daily basis, the OECD is mentioned in the Korean news media as a source of data and statistics, a norm-setter, or a yardstick to assess Korea’s progress in comparison with other OECD members. Even in the Cannes- and Oscar-winning film “Parasite”, one of the main characters mentions briefly of the OECD so as to enhance his credibility. It is a testament to how closely the OECD is referenced and valued in Koreans’ daily life.

Still in the midst of the COVID-19 crisis, the world is grappling with the challenges to formulate effective responses and promote a sustainable, inclusive, and resilient recovery. This critical juncture, however, presents an invaluable opportunity to take stock of the achievements we have made since joining the OECD and address not only immediate challenges, but also long-term measures for transformation towards more sustainable and inclusive societies.

We have much to celebrate. Over the past quarter-century, Korea has rapidly achieved industrialisation and digitalisation. Having grown strong in the industries of semi-conductors, smartphones, and automobiles, amongst others, Korea has become the seventh-largest exporter as of 2020. According to the latest figures, Korea ranked highest among OECD members in information and communications technology infrastructure, especially broadband and digital government. Going beyond the manufacturing industry, Korea’s development in the service sector has also been dynamic, demonstrating its strong influence in the industries of music, film, and TV dramas. While there is still some way to go, Korea has greatly expanded its investments in social sectors such as child care, health care, public safety and security, vocational training, and the social safety net. Joining the global effort to address climate change, Korea pledged to go carbon-neutral by 2050 and put into place a whole-of-government strategy. Upholding inclusivity and sustainability in its response to COVID-19, Korea has shown strong resilience. While we are not through the crisis yet, Korea is among the countries with the highest average growth rates in 2020-21 and is expected to continue robust and stable economic growth through 2022. Korea’s record of a rapid economic recovery after the 1997 Asian financial crisis and the global financial crisis in 2008, along with its response during the COVID-19 pandemic, demonstrates its coping capacity and resilience to external shocks.
With its firm commitment to supporting developing countries, Korea has also steadily increased its official development assistance (ODA). Over the past decade, Korea’s annual ODA growth rate has been among highest in the OECD. Since joining the OECD Development Assistance Committee in 2010, Korea more than doubled its ODA volume and recently adopted a plan to more than double its ODA volume again by 2030 compared with 2019. The OECD Korea Policy Centre established in 2004 is another particular joint effort by Korea and the OECD to support the Asia-Pacific region in developing and implementing policies of international taxation, competition, and public governance.

Many challenges yet remain. More efforts should be made to increase labour productivity, build a more innovation-friendly business environment, and narrow the gap between large firms and small and medium-sized enterprises. Given the accelerated digitalisation and new technologies, continued re-skilling and up-skilling of the workforce are required. Korea’s population is ageing rapidly; indeed, Korea showed the world’s lowest birthrate this year. Comprehensive policies need to be designed to respond to such demographic challenges. Further to improve the well-being of people, multifaceted efforts should be made to address the system as well as perception. Gender equality, including the wage gap, is another important area where our greater attention is required. Coupled with the COVID-19 crisis, risks are high for these challenges to be exacerbated. Thus, Korea must step up its efforts to enhance the resilience of society through its emphasis on inclusivity and sustainability. I expect that the continued and strengthened partnership between Korea and the OECD will help guide us in addressing these challenges.

Korea’s roles in the OECD have notably evolved in the past quarter-century. Starting as a learner, Korea quickly increased its contribution to setting global agendas and standards. For instance, as the Chair of the Ministerial Council Meeting (MCM) in 2009, Korea contributed to the adoption of the Declaration on Green Growth. Leading the Committee on Digital Economy Policy and the Artificial Intelligence (AI) Group of Experts at the OECD, Korea played a pivotal role in adopting the OECD Principles on AI in 2019, the first-of-its-kind international norm adhered to by governments. As the Chair of the OECD Southeast Asia Regional Programme from 2018 to 2022, Korea has strived to bridge the Southeast Asian region with the OECD. Assuming the Vice-Chairmanship of this year’s MCM, Korea is working, in particular, with the United States and Luxem-
bourg to support the OECD discussions on building a green and inclusive future.

Against this backdrop, this book reflects upon Korea’s footprints within the OECD over the past 25 years and suggests policy directions for a more sustainable and inclusive future. I hope that the lessons gathered in this book will also prove useful for other countries. My deepest gratitude goes to all who have engaged in the preparation of the book, especially those who contributed their valuable writing. This work truly embodies the collaboration between Korea and the OECD, and I look forward to more in the future.
In 2021, we celebrate the 25th anniversary of Korea’s accession to the OECD in 1996. Korea’s economic transformation, known as “the Miracle on the Han River”, has been a source of inspiration for all countries. Growing from one of the poorest countries in the world half a century ago to the world’s 10th largest economy and 7th largest exporter, Korea provides an inspiring example of how sound economic policies and investing in future growth engines can drive economic development.

During its 25 years as an OECD Member, Korea has overcome numerous challenges, including the Asian Financial Crisis and the Global Financial Crisis. Korea’s achievements have been bolstered by investment, innovation, and human capital. For example, Korea’s education system, based on the principle of “People-Centred Education of the Future”, is one of the highest performing in the OECD. Human capital growth has been accelerated through R&D expenditure, which ranks among the highest in OECD
countries relative to GDP. Korea has been able to harness the benefits of digitalisation through its strong infrastructure, which provides nationwide 5G and fixed broadband and is underpinned by smart factories, grids, healthcare, cities and roads. Moreover, in line with the Korean leadership for the 2009 Declaration on Green Growth and the 2011 Green Growth Strategy, the Korean economy is building towards the green transition, already becoming a world leader in environmental research and development.

More recently, Korea has executed an impressive strategy in its immediate response to the COVID-19 crisis—a strategy that reflects the learning and capacity it has built through its previous crisis responses. Korea’s swift and effective measures to contain the virus and protect households and businesses limited the damage to its economy, placing it among the fastest recovering OECD countries. A prime example of Korea’s approach to achieving an inclusive, sustainable and green recovery is captured in the Korean New Deal, which combines a Digital New Deal, a Green New Deal, and a Human New Deal, which focuses on strengthening employment and social safety nets to build forward better.

At the OECD, we convene Members and Partners to collectively identify solutions that can be implemented at the national level as well as global standards. It is a place for policy innovation, a dynamic space to facilitate learning and inspire collaboration and action. Korea has contributed to the Organisation through its rich reform experience, in areas such as public sector innovation, competition, and green growth, and is an invaluable representative for the OECD in Southeast Asia. Korea continues to be a very active member of our Organisation, playing a leading role in annual OECD Ministerial Council Meetings through various years, including as Chair in 2009 and Vice-Chair in 2021. In 2010, Korea joined the OECD Development Assistance Committee, and the following year it hosted the Busan High-Level Forum on Aid Effectiveness—reflecting its leadership role in the global development discourse and community. In 2015, the OECD Committee for Scientific and Technological Policy met at ministerial level in Korea, the first time ever outside the OECD headquarters, and in 2018 the 6th OECD World Forum on Statistics, Knowledge and Policy was held in Incheon.

While much has been achieved, anniversaries are also an opportunity to reflect on our challenges and chart a path to a brighter future. Korea’s growth rate has slowed to some 2.8% per year since 2011. In this respect, the implementation of the Korean New
Deal will be crucial to address risks and opportunities associated with Korea’s rapid digital transformation, to foster social equality, and to bolster economic resilience.

The close relationship between Korea and the OECD exemplifies mutual benefit and our shared values. I am delighted to congratulate Korea on the 25th anniversary of its membership, and very much look forward to continuing and further enriching our partnership in the years to come.
The year 2021 holds great significance, as it marks the 60th anniversary of the establishment of the OECD as well as the 25th year of Korea’s accession to the Organisation. Korea’s membership in the OECD has enabled the nation to become a key member and leader in the international rules and agenda in international cooperation fora, and to build a firm foundation that has allowed Korea to take off as an advanced economy.

Since its accession to the OECD, Korea has achieved outstanding growth by reforming laws and regulations and embracing the market economy. Korea’s GDP grew 2.7-fold from about USD 600 billion in 1996, the year Korea joined the OECD, to USD 1.6 trillion in 2020, with Korea becoming the seventh-largest exporter in the world. Korea responded well to the economic crisis that it faced right after its accession to the OECD, and indeed turned it into an opportunity to strengthen its economic fundamentals through sweeping structural reforms based on policy recommendations of international organisations such as the OECD. Korea also joined the top ten global economies amid the recent COVID-19 crisis, backed by its strong fundamentals.

Korea’s global presence has been promoted such that it was invited to the G7 summit in 2021, and the global spotlight has fallen upon Korea’s growth history as the country
has transformed itself from a developing country to an advanced one, equipped with its soft power of culture and the arts as well as its healthcare capacity.

Korea’s presence in and contribution to the OECD has been elevated as well. Korea served as the Chair at the OECD Ministerial Council Meeting (MCM) in 2009 and as Vice-Chair five times to lead discussions on key issues. As the spirit of cooperation and solidarity is more crucial than ever to overcome the COVID-19 crisis and prepare for the post-COVID-19 era, Korea would like to actively engage in OECD-led discussions across diverse areas such as the transition towards the digital and green economy and inclusive growth as this year’s Vice-Chair for the OECD MCM.

The next chapter of Korea’s journey should be distinctly different from the path it took over the past 25 years. It is important to go beyond the quantitative growth of a catch-up economy and preemptively respond to the structural transformation as a first-mover economy, and steer a future growth trajectory into the next level. In this sense, Korean New Deal—consisting of three pillars of the Digital, Green and Human New Deal—is in line with the inclusive, resilient, and sustainable growth pursued by the OECD.

Various policy experiences and best practices of the OECD will serve as the foundation for preparing for the better future. I hope the publication of Korea and the OECD: 25 Years and Beyond will not be read as a mere chance to look back on the past 25 years, but rather to set a new milestone in moving towards a path to an inclusive recovery and take-off.

I greatly applaud the publication of this book, and I would like to express my deepest appreciation to all of those who engaged in this wonderful achievement.
I am very pleased to celebrate the silver jubilee of the Republic of Korea’s journey with the OECD this year. The year 2021 holds great significance for the OECD as well: the Organisation celebrates the 60th anniversary of its contribution to the world, while welcoming a new leadership with Secretary-General Mathias Cormann. As we respond to rapidly rising global challenges such as the unprecedented COVID-19 pandemic, digital transformation and climate crisis, the role and responsibility of the OECD as an evidence-based policy maker and advisor have become more important than ever.

Over the past 60 years, the OECD has been dedicated to guiding norms and rules to establish inclusive, sustainable and resilient economies and societies under its founding philosophy, “Better Policies for Better Lives”. In addition, it has continued to look for creative approaches to analyse, forecast and properly respond to new emerging trends and challenges. A regular monitoring mechanism among OECD member countries through peer group evaluation and the sharing of best practices are the fruits of our mutual efforts to reach our shared goal of inclusive and sustainable prosperity and well-being for all.
The OECD has been a good friend to the Republic of Korea. It has played a pivotal role in fostering Korea into an exemplary case of development. Since joining the OECD in 1996, Korea has successfully reflected the global standards developed by the OECD in its domestic policies and regulations in diverse fields, including the economy, environment, health, science, and technology. Korea’s efforts have been based on our shared values of an open and transparent market economy, democracy, the rule of law, and protection of human rights. Whereas Korea had focused more on quantitative growth before joining the OECD, since its membership, Korea has pursued qualitative and inclusive growth by intensive investment in social issues and structural transformation.

Together with the OECD, Korea has strived to share its development experience with the international society after shifting its status from recipient to donor. Since 1996, Korea has dramatically raised the amount of ODA and finally joined the OECD Development Assistance Committee (DAC) in 2010. Among the OECD DAC members, Korea is one of the leading countries which have shown fast annual growth in terms of the volume of ODA. Korea has expanded its endeavours to serve as the centre of international cooperation. For instance, Korea hosted the P4G Seoul Summit in May 2021 to garner public and private partnership in fighting against the climate crisis.

Based on its experience of achieving policy growth by working together with the OECD, Korea is dedicated to establishing global standards. Korea will also catalyse its partnership with non-member countries by supporting their social and economic development. This year, as Vice-Chair of the OECD Ministerial Council Meeting and Co-Chair of the OECD Southeast Asia Regional Programme, which is one of the partnership programmes with non-member countries, Korea will work together with the world to realise the goal of “Building Back Better” amid the pandemic.

The experiences and insights accumulated by the OECD for the past 60 years can turn current challenges into precious opportunities. As it has done for the past 25 years, Korea will continue and expand its contribution to joint efforts with the OECD member states and the Secretariat to prepare for the post-COVID-19 pandemic era.
Statistical Snapshots of Korea

Trade in goods and services has trended up

Source: OECD.

Korea has maintained sound public finances compared to the OECD average

Source: OECD and IMF.
Korea’s economic weight has grown since 1996

The tax revenue ratio has increased, but is still lower than the OECD average

Source: OECD.
Inflation has remained low for many years

Source: OECD.

Life expectancy is steadily increasing

Source: OECD.
The birth rate has dropped below one per cent

Source: OECD.

The employment rate has improved while working hours have declined but are still high

<table>
<thead>
<tr>
<th>A. Employment rate</th>
<th>B. Hours worked</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Graph showing employment rate" /></td>
<td><img src="image2" alt="Graph showing hours worked" /></td>
</tr>
</tbody>
</table>

Source: OECD.
The educational attainment rate of 25-34 year-olds remains high

Source: OECD.

The carbon pricing score has increased
after the introduction of the Emission Trading System as of 2015

A. Korea’s carbon pricing scores

B. Carbon pricing scores by country

Source: OECD.

Note: The carbon pricing score, measures the extent to which countries have attained the goal of pricing all energy related carbon emissions at certain benchmark values for carbon costs. EUR 60 per tonne of CO2, is a low-end 2030 and mid-range 2020 benchmark (i.e. price level to start triggering meaningful abatement efforts). Energy related carbon emissions include emissions from fossil fuel and biofuel combustion.
Investment in R&D and usage of internet have been very high

<table>
<thead>
<tr>
<th>A. Gross domestic spending on R&amp;D</th>
<th>B. Internet usage</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Graph showing R&amp;D spending as a % of GDP for Korea and OECD" /></td>
<td><img src="image2" alt="Graph showing internet usage for individuals aged 15-74 in the last 12 months, 2020" /></td>
</tr>
</tbody>
</table>

Source: OECD.

Korea remains a strong performer in terms of data availability since 2015

![Graph showing data availability, data accessibility, and government support](image3)

Source: OECD.
## BASIC STATISTICS OF KOREA, 2020*
(Numbers in parentheses refer to the OECD average)**

### LAND, PEOPLE AND ELECTORAL CYCLE

<table>
<thead>
<tr>
<th>Population (million, 2019)</th>
<th>51.7</th>
<th>Population density per km² (2018)</th>
<th>529.2</th>
<th>(38.1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 15 (%, 2019)</td>
<td>12.7</td>
<td>Life expectancy at birth (years, 2018)</td>
<td>82.6</td>
<td>(80.1)</td>
</tr>
<tr>
<td>Over 65 (%, 2019)</td>
<td>15.1</td>
<td>Men (2018)</td>
<td>79.7</td>
<td>(77.5)</td>
</tr>
<tr>
<td>International migrant stock (% of pop., 2019)</td>
<td>2.3</td>
<td>Women (2018)</td>
<td>85.7</td>
<td>(82.8)</td>
</tr>
<tr>
<td>Latest 5-year average growth (%)</td>
<td>0.4</td>
<td>Latest general election</td>
<td>May 2017</td>
<td></td>
</tr>
</tbody>
</table>

### ECONOMY

<table>
<thead>
<tr>
<th>Gross domestic product (GDP)</th>
<th>Value added shares (%, 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>In current prices (billion USD)</td>
<td>1632.7</td>
</tr>
<tr>
<td>In current prices (trillion KRW)</td>
<td>1924.8</td>
</tr>
<tr>
<td>Latest 5-year average real growth (%)</td>
<td>2.0</td>
</tr>
<tr>
<td>Per capita (000 USD PPP)</td>
<td>43.1</td>
</tr>
</tbody>
</table>

### GENERAL GOVERNMENT (% of GDP)

| Expenditure (2019) | 34.0 | (40.6) |
| Revenue (2019) | 34.9 | (37.5) |

### EXTERNAL ACCOUNTS

<table>
<thead>
<tr>
<th>Exchange rate (KRW per USD)</th>
<th>Main exports (% of total merchandise exports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPP exchange rate (USA = 1)</td>
<td>869.06</td>
</tr>
<tr>
<td>in % of GDP</td>
<td></td>
</tr>
<tr>
<td>Exports of goods and services</td>
<td>36.9</td>
</tr>
<tr>
<td>Imports of goods and services</td>
<td>33.2</td>
</tr>
<tr>
<td>Current account balance</td>
<td>4.5</td>
</tr>
<tr>
<td>Net international investment position (2019)</td>
<td>30.4</td>
</tr>
</tbody>
</table>

### LABOUR MARKET, SKILLS AND INNOVATION

| Employment rate (aged 15 and over, %) | 60.1 | (55.1) |
| Men (OECD: 2019) | 69.8 | (65.6) |
| Women (OECD: 2019) | 50.7 | (49.9) |
| Participation rate (aged 15 and over, %, 2019) | 63.3 | (61.1) |
| Average hours worked per year (2019) | 1,967 | (1,726) |
| Gross domestic expenditure on R&D (% of GDP, 2018) | 4.8 | (2.6) |

### ENVIRONMENT

| Total primary energy supply per capita (toe, 2019) | 5.4 | (3.9) |
| Renewables (%, 2019) | 2.4 | (10.8) |
| Exposure to air pollution (over 10 μg/m³ of PM 2.5, % of population, 2019) | 99.4 | (61.7) |

### SOCIETY

| Income inequality (Gini coefficient, 2018, OECD: 2016) | 0.345 | (0.315) |
| Relative poverty rate (%), 2018, OECD: 2016 | 16.7 | (11.7) |
| Median disposable household income (000 USD, PPP 2018, OECD: 2016) | 27.8 | (22.8) |
| Public and private spending (% of GDP) | | |
| Health care (2019) | 8.0 | (8.8) |
| Education (% of GNI, 2018) | 4.6 | (4.5) |

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* The year is indicated in parentheses if it differs from 2020.
** Where the OECD aggregate is not provided in the source database, a simple OECD average of latest available data is calculated where data exist for at least 80% of member countries.

Messages from Special Contributors

Landmark Occasion in the History of Korea’s Relationship with the World

HAN Seung-soo
Former Prime Minister of the Republic of Korea
President of the 56th Session of the UN General Assembly

It has been a quarter-century since the Republic of Korea joined the OECD. Following the Korean War of 1950-53, Korea remained one of the poorest countries in the world for more than a decade, so becoming a member of the OECD was a dream no one dared to imagine. Therefore, the whole nation was exuberant and proud upon Korea’s accession to the OECD in 1996.

The path to joining the OECD was never easy, but rather very challenging. The complicated domestic political context made it hard to reach national consensus. As I was directly involved in the accession process, I would like to share some anecdotes and memories with the OECD.

During the final stage of negotiating the accession to the OECD, I was Deputy Prime
Minister and Minister of Finance, the principal cabinet minister in charge of negotiations.

The biggest challenge in the negotiations was the issue of the capital-market liberalisation. The OECD demand for the outright liberalisation of capital markets was an unacceptable condition to most Koreans, particularly members of the opposition parties, who feared a sudden capital flight. It was then generally believed by most developing countries that the opening of the capital market would lead to a massive capital outflow, damaging the national economy in the long run.

At the time, the leaders of Korea’s two major opposition parties were concerned about this very issue. They wanted to protect the capital market at any price.

The OECD understood the predicament of the Korean public and opposition parties that capital-market liberalisation could not be carried out all at once at the same time as Korea’s admission to the OECD. Therefore, the compromise was to incrementally liberalise the capital market in four stages.

The chief of our negotiation team in Paris was Dr. KIM Choong-soo, the current President of Hallym University and former Governor of the Bank of Korea, and Chief Economic Secretary to the President. Dr. KIM led a series of successful negotiations, including the four-stage capital-market liberalisation package, achieving the final goal.

With this package of capital-market negotiations, I moved around relentlessly meeting and persuading the political leaders to gain their support for the accession bill in the National Assembly. The presidents of the two major opposition parties resisted until the very last minute, maintaining their position that they would disregard the outcome of negotiations on the four-stage capital-market opening and keep the capital market closed for some time.

Fortunately, the ruling party which advocated for Korea’s accession to the OECD had a majority in the National Assembly and in the end, the National Assembly approved the negotiation results in December 1996. Foreign Minister GONG Ro-Myung went to Paris to sign the accession agreement between the Republic of Korea and the OECD early in the following year.
When Korea finally joined the OECD, I strongly advised President KIM Young-sam that we should not send a career diplomat as Permanent Representative to the OECD because the position requires a high degree of comprehensive expertise on economic, social, environmental, and technological issues. He graciously accepted my advice and appointed Dr. KOO Bohn-Young, a renowned economist and then the Minister of Science and Technology, as Korea’s first Permanent Representative to the OECD.

This has become a long tradition in Korean diplomacy as regards the OECD. Of eleven Permanent Representatives to the OECD to date, including current Ambassador KO Hyoung Kwon, ten were high-ranking civil servants who mostly worked in the Ministry of Economy and Finance. I am sure their expertise would have served them well and the OECD would also have greatly benefited from their extensive experience and contributions.

When I served as the Prime Minister of the Republic of Korea, we were invited to assume the chairmanship of the OECD Ministerial Council Meeting in 2009, a little more than ten years after Korea’s accession to the OECD.

On the occasion of the 60th anniversary of the founding of the Republic of Korea on August 15, 2008, Korea proclaimed “Low Carbon, Green Growth” as the new national vision. But before long, Lehman Brothers collapsed in September 2008 and the global economic situation got rapidly worse.

In the middle of the global financial crisis, I announced that Korea would adopt the Green New Deal. This policy was an amalgam of a long-term policy of expanding growth potential through green strategies and a short-term policy of creating jobs and revitalising the economy through fiscal stimulus. In technical terms, it was a combination of a neo-classical, supply-side economic policy with Keynesian, demand-oriented policy prescriptions. The New Deal portion of the policy was designed to phase out as the economy recovered, leaving only green growth as the major economic goal. As a result, Korea was the only OECD member country that registered positive growth during the first quarter of 2009.

I was invited to chair the OECD Ministerial Council Meeting about this time, when Korea’s green growth policy was gaining resoundingly strong support from the international community. Therefore, I was able to garner the unanimous support of the partic-
The Declaration on Green Growth was adopted at the 2009 Ministerial Council Meeting under Korea’s Chairmanship. (Left to right, former Prime Minister of the Republic of Korea Han Seung-soo and former OECD Secretary-General Ángel Gurría)

Korea and the OECD: 25 Years and Beyond

I was told that until then, no resolution was passed but only the Chair’s Statement was published after the Ministerial Council Meeting for a long time. The Declaration asked the OECD to develop a green growth strategy; thereby, the OECD carried out a two-year in-depth study of green growth and published a monumental document, “Towards Green Growth”. This publication was the first effort to outline a comprehensive green growth strategy on the occasion of the OECD’s 50th anniversary in May 2011.

A last episode concerns Korea’s joining the OECD Development Assistance Committee (DAC) in 2010. Having long been a recipient of international aid, from the time of the Republic’s foundation in 1948, Korea was determined to give back to developing countries what we had received. Korea’s accession to the DAC had historical significance as Korea was the first country that has successfully transitioned from a poorest country to a donor country. Korea’s accession to the DAC has also instilled great hope and
inspiration to many aspiring developing countries that one day they may also graduate from an aid recipient to an aid-giving country.

The Korean government has a long tradition of an annual mid- to long-term budget planning session in July, with the President attending. As Prime Minister, I also attended the Budget Planning Session at the Blue House presidential office in July 2009. At the time, the Ministry of Foreign Affairs requested a drastic increase of the official development assistance (ODA) budget, which was reflected in a corresponding increase of the Ministry of Foreign Affairs budget. While the usual limit for the general government budget increase at the time was around 2 to 3 percent, the amount requested by the Ministry of Foreign Affairs was in double digits.

The Minister of Finance in charge of the Budget Office strongly objected to the drastic increase of the Ministry of Foreign Affairs budget. Nevertheless, I intervened strongly by pointing out that although the ODA budget is part of the Ministry of Foreign Affairs budget, it also represents Korea’s dedication to helping the developing world. I stressed that Korea had been a member of the OECD for more than a decade and said it was about time that Korea repaid our debt to the world by helping developing countries. The President agreed with my position.

The Ministry of Foreign Affairs eventually received all the ODA budget it had requested. Korea’s ODA, which was USD 802.3 million, 0.09% of GNI, in 2008 was increased to USD 2.5 billion in 2019, 0.15% of GNI. Korea’s ODA budget increased by more than threefold in ten years.

Korea has come a long way from the poorest of the poor countries soon after the Korean War. A quarter of a century has also passed since Korea acceded to the OECD. The admission to the OECD was a landmark occasion in the history of Korea’s relationship with the world, particularly with the developed world. We have learned many lessons from the OECD and hope that we have shared our development experience with the members of the OECD, as well as the rest of the world.

One of the advantages as a member country of the OECD is that we can learn from the best practices of various policies that governments of OECD member states implement. I also think that peer-to-peer evaluation is a very interesting as well as a beneficial process.
Looking ahead, we are entering into an entirely new world with the COVID-19 pandemic and the rise of “un-tact” businesses. In the era of the “new normal”, the digital transformation may play a much more critical role in furthering the values and principles of the OECD than before.

Korea is one of the most digitally developed countries in the world, with most of its population using smartphones and being digitally savvy. Therefore, I think the role of Korea in the future of the digital OECD could become even more important. I look forward to Korea’s active role as a key digital player on the OECD stage in the coming years.
Going from Strength to Strength for 25 years

Over the past quarter of a century, Korea has achieved impressive convergence in living standards, now ranking among the OECD’s top performers. Today, it is home to some of the world’s most famous household brands, from cars to smartphones, a feat matched by few others.

Yet, over the past year and a half, the COVID-19 pandemic has had profound social and economic effects on every single country in the world, without exception. While there is light at the end of the tunnel, with projected global output set to rise by nearly 6% in 2021, this will not be an ordinary recovery. There are many persisting headwinds, chief among them the global vaccination campaign and, in particular, vaccines failing to reach emerging and low-income economies. As has been evidenced with the rise of new variants, no area will be fully safe as long as some areas are unvaccinated.

Korea, like all countries, has not been immune to the effects of the global pandemic. It has, however, remained one of the most able countries within the OECD at containing the virus, a credit to its health system. Yet while distancing measures have contained the virus’ spread, they have also weighed on large parts of the service sector. This is expected to dissipate as vaccinations increase and the sector reopens. In this regard,
it is very positive that the country’s vaccination campaign has picked up a good pace, with nearly 40% of the population having received their first dose by the end of July and with herd immunity expected to be reached by November 2021.

Korea not only proved to be one of the leading countries in containing the virus, but also demonstrated what it truly means for a country to embrace multilateralism, by sharing its experiences with developing countries and sending Korean health experts to assist with surveillance, responses and policymaking.

Moreover, Korea’s strong performance fighting the virus, as well as its export growth, rising investment and expansionary macroeconomic policy, has paid dividends for its economy. Korea continues to enjoy strong overseas demand for IT products, which account for about a fifth of total exports, as well as automobiles, and its GDP is projected to increase by 3.8% and 2.8% in 2021 and 2022, respectively.

Of course, we should not be surprised at how aptly Korea has dealt with the crisis. It is perhaps the defining example of how far the country has come.

During its 25 years as an OECD member country, Korea’s economic development has been commendable, especially given that it has since then overcome other stern tests, including the Asian financial crisis and the 2008 financial crisis. Fundamental to Korea’s achievements have been investment, innovation and human capital. Korean students regularly rank among the best performers in the OECD’s PISA tests, and the country is a leader in investment in research and development.

Korea has brought knowledge and diversity to our membership and has been a vital ambassador in the Southeast Asian region. It has also been a very active member within the Organisation, chairing a series of Ministerial Council Meetings and playing a leading role in adopting the Green Growth Initiatives. Korea’s resilience and dedication to economic development and cooperation have been a source of inspiration to the OECD and its member countries.

OECD membership has in turn provided Korea with a unique opportunity to exchange ideas with the most advanced countries and to learn from their best practices, playing a crucial analytical and advisory role during the past 25 years.
Looking ahead, Korea and the OECD should continue to work together to ensure a strong recovery that leaves no one behind. As we face the daunting consequences of the global COVID-19 pandemic, Korea should count on the OECD more than ever to help its economy back on its feet. Indeed, the OECD can be a valuable help for Korea in its efforts to build back better, to take advantage of the acceleration of the digital and green transitions of the large Korea New Deal investments, to enhance the diffusion of digital tools, and to boost productivity and competition throughout the economy.

The OECD and Korea have come a long way together since 1996, and what better way to celebrate its 25th anniversary as a member country than to look forward to strengthening this fruitful collaboration through the design, development and delivery of better policies for better lives. Congratulations, Korea!
To the First Country, I welcomed at the OECD

The Hon. Donald James Johnston
Former Secretary-General of the OECD from 1996 to 2006

It is a great pleasure for me to accept the kind invitation to contribute a congratulatory message to the 25th anniversary of Korea’s becoming a member of the OECD, of which I was then the Secretary-General.

I had visited this wonderful country only the previous year and met with aspiring Presidential candidates, each of whom had impressive qualifications. The country interested me very much with its wonderful culture and challenging history of having survived Japanese occupation for much of the first part of the 20th century and then being engulfed in the Korean War where so much of the South had been left in ashes in 1953.

But suddenly, it awoke to the challenges of the latter part of the 20th century and the
early part of the 21st. It exploded in growth driven by the “intellectual power” as its locomotive. Unlike Canada, with its wealth of natural resources, Korea has very few; just brains, which it has in abundance. Then suddenly, just after I became head of the OECD, and KIM Dae-jung became President, the Asian Financial Crisis hit both the world and Korea.

At the OECD, we had earlier referred to Korea as the “Miracle on the Han River”, which runs through the heart of Seoul, the capital city. Now some economic experts declared that the miracle was over and that once a dream had become a nightmare. Not so! Within 18 months, Korea had turned a large GDP loss into a very positive GDP. To the knowledge of our economic department at the OECD, this was unprecedented!

How could this have happened? Having watched Koreans for several decades and having read Hamel’s historic diary, I thought I knew. The well-educated people of Korea listened carefully to the regular broadcasts of President KIM Dae-jung, who was explaining how sacrifice would be necessary. They understood and sacrificed in many ways.

It worked!

During the one-year crisis, I went as many as six times to Korea to meet with President KIM and publicly support his policies. As a result, we became good friends, and I cherish a personal letter from him, which hangs in my living room in Canada.

I have many close friends in Korea with whom I try to remain in contact. Korea was the first country that I welcomed as an OECD member upon becoming Secretary-General, and that moment remains one of the most memorable and significant of my professional career.

Congratulations, Korea!
With its accession to the OECD in 1996, Korea joined the prestigious club of advanced economies. The accession itself did not guarantee stable economic growth, however, as Korea learned soon after joining the OECD. In 1997, Korea experienced the most brutal financial and economic crisis, the so-called IMF crisis, in its modern history. The exchange rate soared to over KRW 2,000 per dollar at one point, and the Korean people experienced unprecedented financial hardship.

I joined the OECD Secretariat as a Korean government secondee in the midst of the IMF crisis in December of 1997. In a normal situation, I would have been delighted to become a member of the Secretariat, but the economic situation in Korea did not allow me to relish the situation. Instead, walking across the Pont de Grenelle (a bridge over the Seine River) on my first day to work, I had a very heavy heart, and the cold windy December weather in Paris only added to my melancholy. My colleagues at the OECD were concerned about the circumstances of Korea and about what would happen to its economy in the future.

Unlike the current pandemic, which affects all OECD member countries, at the time of the Asian financial crisis, Korea was the only OECD member suffering economic and
II. Korea: 25 Years with the OECD

financial difficulties. The prospect of recovering from the IMF crisis was not too promising owing to the old legacy regulatory structure in Korea, which was criticised as a main cause of the crisis. Yet, Korea not only overcame the IMF crisis but also turned it into an opportunity to strengthen its economic system through a holistic government-wide regulatory reform. In the process of this reform, the OECD played an important role by conducting a regulatory-reform country review on Korea in 2000 and providing a set of recommendations. The Korean government adopted most of the OECD recommendations, and these laid the foundation for Korea’s social and economic developments in the 21st century.

Since I was responsible for the telecommunications sector in the OECD regulatory-reform project, I joined the regulatory-reform review on Korea and, ironically, provided a set of recommendations to my colleagues working at the government. While that was the first time for me to use OECD work for formulating Korea’s government policies, it was certainly not the last. Since my initial work at the OECD as Project Manager between 1998 and 2000, I became the first Korean to take a working-party chair position as Chair of the Working Party on Telecommunications and Information Services Policy (TISP) in 2003. Later, I also became the first Korean to chair an OECD standing committee as Chair of the Committee on Digital Economy Policy (CDEP) in 2016. In addition, I took the chair role for the steering committee on the Going Digital Project in 2017 and the OECD AI Expert Group (AIGO) in 2018. My continuing engagement in the OECD has provided me with opportunities to translate OECD work into Korea’s policymaking as well as a chance to contribute to formulating OECD policy guidelines and recommendations.

Being involved in the work of the OECD as a member of the Secretariat and Chair of TISP and CDEP has also allowed me to meet wonderful colleagues at the Secretariat and admirable peers from the OECD member delegations. Andy Wyckoff, Anne Carblanc, Dimitri Ypsilanti, and Sam Paltridge, who were my colleagues at the time of my secondment to the OECD, became good friends and working partners throughout my career. I also had a chance to build a friendship with the former OECD Secretary-General Ángel Gurría, who once told me, “You are too young as Committee Chair”, but later asked what cosmetics I was using after acknowledging my true age. I was also lucky to build more than a working relationship with the CDEP delegations of the OECD member countries and the stakeholder groups such as the Business and Industry Advi-
sory Committee to the OECD and The Trade Union Advisory Committee to the OECD. I must admit that without the encouragement and support of Dimitri and Anne, I might not have taken the chair positions at TISP and CDEP and would not have enjoyed the wonderful opportunities to contribute to OECD work.

The highlight of my engagement in OECD work was the “OECD Principles on Artificial Intelligence (AI)”, which was approved at the Ministerial Council Meeting (MCM) in May 2019. I was privileged to attend the 2019 MCM as a member of the Korean Delegation and could share the moment that CDEP and AIGO’s year-long intensive work on the OECD Principles on AI officially became the “OECD Recommendation on AI” at the event. The OECD Principles on AI was the first AI recommendation announced at the level of an intergovernmental organisation and was endorsed by the G20 and quite a few non-OECD member countries.

Now, after retiring from the government, I am no longer able to attend OECD meetings, but I do not want to end my close relationship with the OECD, which has continued for a quarter-century. I have never had such a long-lasting relationship other than with my family and some of friends of my younger days. At the final CDEP meeting, I said, “I must be one of the very few people who read all the CDEP documents for the last two decades. And I will read them for another two decades.” Certainly, the OECD documents are widely followed by the private sector and academia thanks to their high-quality analysis of important policy issues on the global economy. I am indeed still reading all the declassified CDEP documents and will do so for the next quarter-century.
OECD and Korea, Champions of Green Growth

The Ministerial Council Meeting (MCM) held at the OECD Château in June 2009 was of special significance for both the OECD and the Republic of Korea. The financial crisis, which began in 2007, when large investment banks went bankrupt due to the sub-prime mortgage crisis in the US, eventually spread globally in 2008. The main subject of the 2009 OECD MCM discussion was, in a nutshell, how to rebuild after the crisis, as major countries were taking measures to reform the financial sector and promoting economic stimulus policies. The two-day conference under the theme of “The Crisis and Beyond: Building a Stronger, Cleaner and Fairer World Economy” was chaired by then Prime Minister HAN Seung-soo of the Republic of Korea.

Exploring a road to recovery from the crisis and charting a new path to move towards a more robust, healthier, and more inclusive world economy, the new pathway suggested by Korea was “green growth”. Even during 2009, the negative impact of climate change became stronger day by day, threatening the survival of human-kind. The international community was collectively facing the urgent need to reduce greenhouse-gas emissions drastically so that the transition to a green economy could take place by generating environmentally-friendly industries and creating green jobs.
through active technology development and the expansion of investment. All OECD member countries agreed on Korea’s proposal to work together in order to translate “green” into a new engine of economic growth. Broad consensus was successfully forged to leverage the climate and financial crisis into an opportunity to shift to a new pathway. As a result, OECD ministers adopted the Declaration on Green Growth. It was the first ministerial statement specifically highlighting “green growth” in international organisations.

The Declaration on Green Growth, although adopted 12 years ago, is still an ambitious document that provides forward-looking guidance, balancing the vision for the transition to a low-carbon society and implementable action items. Through the Declaration, OECD Ministers looked beyond the crisis of those days. They resolved to strengthen collective efforts to pursue green-growth strategies as part of the response to the crisis and beyond, acknowledging that “green” and “growth” can go hand-in-hand. Following the invitation of the Ministers, the OECD developed over the subsequent two years a comprehensive green-growth strategy to achieve economic revitalisation and environmentally and socially sustainable economic growth, which was submitted to the MCM in 2011. Since then, the OECD green-growth strategy has provided a green lens in more than 20 OECD committees’ activities.

The OECD and Korea jointly initiated and developed global-level discussions on green growth. At the time, there was still a wide misperception that economic growth and environment-friendliness were conflicting policy goals. Sharing various best practices, however, Korea and the OECD have proved that “green” and “growth” are mutually reinforcing, and that “green” can become a new engine of economic growth.

After leading the OECD Green Growth Declaration in 2009, Korea created a like-minded countries’ group called “Friends of Green Growth” within the OECD community and continued disseminating successful cases and experiences among members. In 2010, it established the Global Green Growth Institute (GGGI), originally a national organisation aiming to provide technical and policy advisory support on green growth to developing countries. The Institute became an international organisation in 2012 and had grown to provide both policy services and investment mobilisation in more than 35 developing countries by 2021. Korea also became the host of the Green Climate Fund (GCF), established under the United Nations Framework Convention on Climate Change to mobilise
and disburse funds to developing countries for their climate actions. The OECD and GGGI are key members of the Green Growth Knowledge Partnership (GGKP), a global community of policy, business, and finance professionals and organisations committed to collaboratively generating, managing, and sharing knowledge on the transition to an inclusive green economy.

The world is currently experiencing a situation very similar to that of 2009. The COVID-19 pandemic has brought about an unprecedented crisis across the globe. Many countries have suffered a significant economic contraction, and one of the worst job crises since the Great Depression was triggered. Facing these challenges, countries are taking every measure to create jobs and “build back better”. Fortunately, the global community is demonstrating a strong political will to achieve a green and resilient recovery, driven by sustainable investment and innovation in both the public and private sectors. Due to the COVID-19 pandemic, the link between environmental sustainability and human disease has become clearer. Also, extreme weather events—including catastrophic wildfires in Australia and California, as well as the recent cold snap in Texas—have alerted people to the mounting climate crisis. A global consensus is being formed that we must respond to climate change through actions with strong resolve and urgency. Also, in the process of creating various stimulus packages to recover economies that contracted owing to COVID-19, many countries, including developing ones, have taken this crisis as an opportunity to make a green transition towards a low-carbon and resilient economy.

Therefore, after 12 years, the green transformation is gaining strong momentum. Net-zero greenhouse-gas emissions have emerged as a global agenda, not only within the European Union but also among many major countries like Korea, Japan, Canada, and the US. These countries have declared net-zero emissions by 2050, and even China has announced carbon neutrality by 2060. This time again, Korea is leading the net-zero efforts. Having announced the Green New Deal as a pillar of its stimulus package, the country is boosting investment in green infrastructure and technology development. To meet the 2050 net-zero goal, major emitting countries are requested to develop Nationally Determined Contributions (NDCs) that set 2030 targets in the range of 40-50% emission reduction. As each NDC delineates how individual countries plan to achieve carbon neutrality, it also can chart a collective course towards the global net-zero goal. The US President Biden surprised the world in April 2021 by disclosing the plan
to reduce the US emissions by 50-52% by 2030, which was above expectations. The commitment is certainly spurring other countries to take decisive action. While Korea’s commitment to net-zero by 2050 was enthusiastically welcomed around the world, the next step is how to translate the goal into action, particularly through a strongly enhanced NDC. As President MOON Jae-in has promised to submit a more ambitious 2030 emissions reduction plan, the world is now waiting for Korea’s figures.

Twenty-two years ago, Thomas Friedman’s book, “The Lexus and the Olive Tree”, described “globalisation” as the new international system that shaped world affairs. He emphasised that globalisation was not just a phenomenon or a passing trend but the international order that replaced the Cold War system. Like globalisation, carbon neutrality is the new global system to replace the one based on fossil fuels. The OECD and Korea should play a leading role to encourage developing countries to mainstream green growth in national policies and strategies. Their leadership can make the global goal of carbon neutrality materialise earlier.
I was privileged to experience the early days of the Miracle on the Han River while living in Korea from 1974 to 1976. My first few months in Korea were spent in the Seomyeon-dong area of Busan, living in a Ha-Suk-Jip (boarding house) with a Korean family. At that time, Korea’s per capita income was 13% of the US level. Life expectancy was short: my friends who made it to age 60 were honoured with a Hwan-Gap (big feast). Low income was accompanied by political repression and martial law. However, despite many challenges, their enthusiasm and optimism for the future were strong.
Returning to Seoul in 1993 to begin preparations for the first OECD Economic Survey of Korea, a key step in the accession process, I saw a very different economy. Rapid output growth had boosted per capita income to 38% of the US level. Korea’s development was achieved by getting the fundamentals right, notably pursuing outward-orientated policies, investing in education and skills, encouraging high levels of fixed investment, ensuring macroeconomic stability, and including rural areas in development (the Sae-Ma-Eul-Woon-Dong).

Economic development was accompanied by democratisation: the election of President ROH Tae-woo in 1987 was the first democratic transition of power in Korean history. His successor, President KIM Young-sam, achieved his goal of leading Korea into the OECD in 1996. Next year, Korea will hold its eighth presidential election since democratisation.

A visit a few years ago to the Seomyeon-dong area of Busan made clear the extent of Korea’s transformation. I could not find any familiar landmarks, apart from the mountain near to where I lived. But even it had changed—it was covered by forest, in contrast to the 1970s when it was completely barren. My Ha-Suk-Jip had been replaced...
by an apartment building and the small family-run store where I bought snacks by a Seven-Eleven.

**The OECD as an economic adviser to Korea**

In the preface to the 2016 OECD Economic Survey of Korea, which marked the 20th anniversary of Korea’s accession to OECD, the Korean government stated:

> For Korea, membership in the OECD has provided an opportunity to exchange ideas with the most advanced countries and to learn best practices. The OECD has played a crucial role in developing and advancing Korea during the past two decades. Moreover, the OECD is Korea’s most trusted policy advisor. Korea has seriously taken the OECD’s recommendations and guidelines into account and reflected them in its economic policies.

Less than a year after joining the OECD, Korea was hit by the Asian financial crisis, which forced it to request emergency assistance from the IMF to avoid a default on its foreign debt. Nevertheless, the situation continued to deteriorate due to large-scale capital flight, and the Korean won lost nearly half of its value relative to the dollar during the month of December 1997.

Output fell more than 5% in 1998, and the unemployment rate jumped from 2% to 7%, leading to severe hardship in a country with only a rudimentary social safety net. During my visits in 1998, Seoul was covered with signs advertising “IMF” sales (also referred to as “I aM Fired” sales). I was touched by the resilience and patriotism of Koreans. Ordinary citizens lined up to turn in their personal holdings of gold—even wedding bands—to help the country overcome the financial crisis. Still, Korea’s economic miracle appeared to be in jeopardy.

The 1997 crisis was a result of a number of structural weaknesses that had developed during the high-growth era. As we noted in the 2000 OECD Economic Survey of Korea, Korea had been “deficient in developing the rules and principles of a market economy, failing to implement structural reform policies consistent with the changes in the international environment”. Two such weaknesses were fundamental: i) the low levels of profitability and high levels of debt in the corporate sector, reflecting the tendency of the business conglomerates to focus on diversification rather than profitability; and ii)
a poorly-functioning financial system that followed government, rather than market, direction in allocating capital.

Heeding the old saying “never waste a crisis”, the Korean authorities set out to address these weaknesses, with OECD support. Our annual OECD Economic Surveys of Korea over 1998-2001 focused on reforms to improve the corporate sector and the financial system. These policies laid the foundation for renewed growth, which averaged some 4.6% per year during 2001-11, allowing Korea’s convergence to income levels in the most advanced countries to resume.

The 17 OECD Economic Surveys of Korea produced thus far have included special chapters covering a wide range of topics, which are chosen in discussion with the Korean authorities. Topics include promoting economic growth (productivity, education, innovation framework, regulatory reform, international openness, small and medium-sized enterprises, the service sector and digitalisation), fiscal issues (tax and public expenditure systems, fiscal federalism, social spending and ageing, pensions and health care), the labour market, green growth and housing. The follow-up on our recommendations indicates that the Korean authorities are serious about implementing best practices.

**Facing challenges**

Korea needs sustained growth to achieve convergence to the highest-income countries while coping with rapid population ageing and the potential cost of economic rapprochement with North Korea. Korea’s economic growth slowed from an annual rate of 6.5% over 1991-2001 to 2.8% over 2011-19, converging toward the OECD area’s growth rate of 2.0% (Figure 2). While a deceleration in growth is typical as countries approach the high-income countries, the extent of Korea’s slowdown raises concerns.
Slowing growth suggests that Korea’s traditional growth model, based on exports produced primarily by chaebols, has become less effective. Indeed, the legacy of such policies is a dualistic economy characterised by large productivity gaps between manufacturing and services, and between large and small firms. The Digital New Deal, which aims to promote the integration of 5G and artificial intelligence throughout all sectors and the creation of “smart factories” should help reduce productivity gaps. The diffusion of technology would help make innovative start-ups a driver of growth.

An essential goal is to ensure that growth is inclusive. One of the hallmarks of Korea’s high-growth era was a relatively low level of income inequality, but today Korea’s income inequality and relative poverty are above the OECD average. In addition to the gaps between sectors and large and small firms, it reflects wide wage gaps between regular and non-regular workers, who account for a third of employment and earn one-third less per hour than regular workers. Breaking down labour market dualism is essential to promote social cohesion.

In addition, Korea now needs to focus more on well-being. Its work-life balance is undermined by working hours that are among the longest in the OECD area. Korea must also reverse the environmental degradation that accompanied rapid industrialisation in...
order to improve the quality of life. A shift to greener growth is crucial to reduce greenhouse gas emissions.

Underlying all of these challenges is rapid population ageing. The number of elderly (65 and over) is projected to rise from 22% of the working-age population in 2020 (the sixth lowest in the OECD) to 83% in 2060 (the highest). In other words, the number of working-age persons will fall from 4.5 per elderly to only 1.2. The demographic transition in Korea is thus exceptionally rapid. The share of the elderly will rise from 7% of the population to 20% in only 25 years (2000-25), compared with 36 years in Japan, 86 years in the US and 154 years in France.

**Conclusion**

Korea has made amazing progress over the past 60 years. My 45-year experience with Korea leaves me optimistic that the country will rise to meet current challenges. Korea’s most important resource is its people, who are outstanding in so many ways. In addition, the world has much to learn from Korea. In particular, as a frontrunner in demographic change, Korea will provide important lessons for countries following the same path. I look forward to another quarter-century of remarkable achievements in Korea.
A Reflection on Two Decades of Working with the OECD Network on Fiscal Relations across Levels of Government

Over the past two decades, I have worked with the Korea Institute of Public Finance (KIPF), a government research institute affiliated with the Ministry of Economy and Finance. During this time, I have closely worked with the OECD, especially in the area of intergovernmental fiscal relations (IFR). This is a policy area that deals with fiscal issues across central and subnational governments. It naturally deals with tax, budget, and regional policies, as well as with fiscal governance, especially constitutions and laws that dictate fiscal relations across levels of government. As a result, the OECD Network on Fiscal Relations across Levels of Government (NFR)—a Level 1 OECD committee that deals with IFR policy issues—has four related divisions (Centre for Tax Policy and Administration; Directorate for Public Governance; Centre for Entrepreneurship, SMEs, Regions and Cities; and Economics Department). The uniqueness of the multidimensionality of NFR has given me the privilege of meeting with many excellent OECD Secretariat staff. I think this is a good opportunity to reflect on the evolution of the OECD NFR as a way of celebrating the 25th anniversary of Korea’s OECD membership.

For those who study intergovernmental tax structure, understanding the nature of
local taxation is key to understanding the nature of (fiscal) decentralisation. When I made my first business trip to the OECD in 2001, I was fortunate to meet with Leif Jensen, who was at an early stage of developing the concept of “local taxing power”. In the US, local tax rates are determined by local governments. In Korea, however, local tax rates are determined by the central government (parliament). To one who was thinking that the standard theory of IFR needs to be interpreted carefully and dealt with in a country-specific way, it was surprisingly good news that such a concept was being developed at the OECD level.

By the early 2000s, it was generally agreed by the OECD, IMF, and World Bank that reliable subnational statistics need to be collected and analysed at the OECD level since such a task is challenging for many developing countries. After a preliminary meeting in 2003, the first NFR meeting was held in 2004, and I was elected as Chair of the Statistical Meeting of NFR and later as NFR Chair in 2011. The head NRF Secretariat member was initially Christopher Heady, who is now at the University of Kent, and then the baton was passed to Hansjörg Blöchliger in 2006. A key concept related to local taxing power is “tax sharing”, which is often stipulated in constitutions (e.g. Germany) or laws (e.g. Austria). Hansjörg Blöchliger played a leading role in producing a series of publications on local taxing power, tax sharing, and intergovernmental grants. His
contribution is significant since the unique and valuable OECD data and analysis on tax autonomy have drawn attention from many academic and policy researchers.

The current head of the NFR Secretariat is Sean Dougherty. Even though the importance of inclusive growth had been emphasised in the OECD since around 2010, the relationship between fiscal decentralisation and inclusive growth was not fully appreciated until 2017 when Dougherty joined NFR. He was instrumental in producing, among many publications that NFR has created, a series on the relationship between fiscal decentralisation and inclusive growth. As the presence of Ángel Gurría, former OECD Secretary-General, at an NFR annual meeting demonstrates, these publications have turned out to be another successful project of NFR.

Come to think of it, why am I so interested in the activities of the OECD? At a preliminary NFR meeting that took place in 2004, Jorgen Lotz, then the Danish delegate and a good friend of mine thereafter, asked me why a man from Asia seemed to know more about European countries than European experts themselves. This was after I made an intervention about the European Charter of Local Self-Government. I did not respond to him in detail, but there is actually a very good reason. If one reads official Korean documents, it is noticeable that OECD statistics play an important role in supporting the government’s policy positions. In many other countries, “foreign cases” also play a role, but not as much as in Korea. When I prepare a policy report, the most challenging question that government officials in the Ministry of Economy and Finance pose is “Why is it A in Korea, but B or C in other OECD countries?” This sounds like a straightforward question, but to answer it requires knowledge not only of the economy and statistics but also of the institutions, political economy, and history of other countries. To learn such qualitative information, there is no better place than OECD committees. To be exposed to challenging and thought-provoking questions, there is no better way than working with government officials in Korea. I should add that the officials in the Ministry of Economy and Finance did not just ask questions—they fully supported research collaboration with the OECD. Many influential NFR publications were made possible through the financial support of the Ministry of Economy and Finance.

The OECD is often described as a rich countries’ club. Yet, as Professor Christina Davis of Harvard University aptly puts it, the OECD is more than just a rich countries’ club since its main contribution is to induce member countries to adopt policies and regu-
lations that fit with an inclusive and democratic society. The well-known Economist magazine once described the OECD as a research and standards body. This is also correct since the OECD produces valuable research outputs and establishes best-practice standards, without which it would have taken much longer for a country like Korea to become an advanced democratic nation in such a remarkably speedy way. To me, the abbreviation “OECD” represents open-minded, energetic, curious, and dedicated people. The same description goes for the public servants in the Korean government. Since this is the occasion to celebrate the 25th anniversary of Korea’s OECD membership, I would like to end by saying that, more than anything else, it is the people at the OECD and the Korean government that have made the partnership between Korea and the Organisation so productive and successful.
People at the Permanent Delegation of the Republic of Korea to the OECD

The Permanent Delegation of the Republic of Korea to the OECD was established in January 1997. As of September 2021, 49 staff members are working at the Delegation to closely follow the discussions in diverse areas at the OECD, to share the up-to-date lessons and knowledge with the capital and domestic stakeholders in order to improve Korea’s policies, and to contribute to the work of the OECD.
Koreans in the OECD

People in the OECD

KIM Young Tae, Secretary-General of the International Transport Forum

My life has been full of adventures. After passing the national high-level civil-servant test in 1992, I started working in the Ministry of Construction and Transportation of Korea. In 1996, I was awarded a French government scholarship for my Ph.D. studies at Institut d’études politiques de Paris (Sciences-Po). I also served at the Korean Embassy to the USA from 2010 to 2014. And finally, I was elected in 2017 as the Secretary-General of the International Transport Forum (ITF) by its then 57 Member Countries. Proud of being the first Asian head of the ITF and the highest-ranking among Koreans working in the OECD family, I strive to develop this Forum in various ways, especially using the management skills and expertise that I acquired in the Korean government.

Currently, ITF membership has grown to 63. Every year ITF publishes more than 60 reports supporting policymakers from all around the world. The Annual Summit of Transport Ministers in Germany in May leads major discussions on the future of mobility. All these activities are illustrated in our “Impact Report”, full of testimonials from ITF’s Member Countries, global partners, and key players in the mobility sector regarding how ITF’s work is making a positive impact on the transport sector.

I always tell young people that the size of their vision can determine that of their achievement in life. Setting a great ambition is the first step to success. In fact, there are so many excellent people in the world. This reality makes me feel not only humble but also happy, for I can still learn a lot from them. If you want
to keep growing, try to become more ambitious. Try to become more open-minded. Try to live in the future, not in the past. Do not forget that somebody near you can have a great influence on your life. Korea’s young generation of today has a lot of potentials, which can be used very positively for the whole world. Korea received great help from the international community while suffering from poverty. Now it is time to pay back its debt through its innovative contributions.

What is your focus area, and what path led you to work at the OECD? What do you find the most rewarding moments in being part of an international organisation like the OECD?

RIM Ji-Yeun, Senior Policy Analyst at the Social Cohesion Unit of the OECD Development Centre

I joined the OECD Development Centre in 2009 and currently I am responsible for the youth and social inclusion work of the Centre. We work both with countries to improve national policies for youth as well as on global research on youth employment, in particular to bring attention to the needs of rural youth in developing countries. Prior to the OECD, I worked for the Food and Agriculture Organization of the UN in Rome on household food security and rural development issues. After five years working on field programmes at FAO I wanted to understand better governance and institutional mechanisms that influence policies in developing countries. I found the Development Centre within the OECD to have a unique setup where policymakers from both developing and developed countries exchanged on an equal footing to find policy solutions.

What I find most rewarding in my job is to be able to interact with government
officials and national stakeholders to bring out evidence and find innovative solutions that could improve programmes and influence policy change. One is humbled in front of the complexity of development challenges but also incredibly inspired by the leaders, both in the limelight and in the shadows, who dedicate themselves to making “better policies for better lives”. I feel incredibly privileged to have met and worked with some of these people, and this was all possible because we are the OECD.

JEON Shinyoung, Policy Analyst at the OECD Centre for Skills

I work as an education and skills policy analyst at the OECD Centre for Skills, which works very closely with the Education and Skills Directorate and Directorate of Employment, Labour and Social Affairs. When I first joined the OECD in 2013, I had the privilege of leading a project on Korea’s national skills strategy. I also worked for the OECD Development Centre on migration and skills issues. Since 2018, I have worked specifically on Vocational Education and Training (VET), aiming to help countries to build resilient VET systems by enhancing their responsiveness, flexibility, and ability to innovate.

Working at the OECD is tremendously rewarding. We work with governments and public agencies that can build policies and have a direct impact on jobs and education, the environment, and people’s lives. Advising these countries is a privilege—our research, data work, ideas and recommended policies can actually be used to directly support those who are in need. It is a tremendous responsibility and can be demanding, but this makes the experience even more worthwhile. I felt a certain sense of responsibility and accomplishment when I published a policy brief in the early days of the COVID-19 advising governments on how to ensure their VET systems could respond to and evolve from the pandemic and associated economic fallout.
What professional learning opportunities do you value most in working at the OECD? What would be your advice for those who would like to join the Organisation?

KIM Tae-Yoon, Energy Analyst at the International Energy Agency

I am an energy analyst at the International Energy Agency (IEA) in the Directorate of Sustainability, Technology, and Outlooks. I work on long-term strategic analysis and modelling of global energy trends in the IEA’s flagship publication, the World Energy Outlook, and also lead the IEA’s work on oil, petrochemicals and critical minerals. The OECD is at the forefront of international policy debates. Working at the OECD has given me an opportunity to be exposed to the latest policy trends and engage deeply in the policy development process, from evidence-based analysis to stakeholder communication. It also helped me strengthen technical expertise in the areas of energy and climate policies and enhance management skills in the multicultural team setting, an essential set of qualities to grow as a leader.

The OECD deals with a wide range of policy topics, from promoting economic growth and fostering technology innovation to addressing climate change and improving social protection. Domain expertise in a specific area of interest is increasingly gaining importance in the qualification of new staff, in addition to common competencies such as strong quantitative and communication skills. Therefore, it will be beneficial to define specific policy fields to concentrate and continue to expose oneself to the key issues under intense debates in the global community.
PARK Chung-a, Policy Analyst at the Directorate for Financial and Enterprise Affairs, Corporate Governance and Corporate Finance Division

I am currently a project manager and policy analyst in the OECD Directorate for Financial and Enterprise Affairs, Corporate Governance and Corporate Finance Division. I implement projects that enhance corporate governance of state-owned enterprises in countries, for instance, towards evidence-based policy analysis, formulation of policy recommendations and capacity building, while drawing from OECD experiences and good practices. The role of corporate governance in company performance and market confidence is more important than ever, and the projects I am in charge of best represent the OECD’s ongoing efforts in this regard. Working collaboratively with public officials, experts and stakeholders from many parts of the world is what I find fascinating and enriching. It is essential for an aspiring policy analyst to be a competent writer and researcher. Also, as a policy analyst at the OECD, it is important to have a strong sense of diplomacy as it’s your job to accommodate stakeholders’ opinions in a tactful way. Our clients are governments, and our job is to provide information, analysis, and platforms for peer learning and policy dialogue so that they can make better policies. If you are interested in helping governments with their reforms and making better policy decisions, the OECD is the place to be.

Q What is your focus area, and what do you like about working at the OECD? Please also tell us brieflly about work and life in Paris.

SEU In-kyung, Lead Developer at the Development and Operations Department

I have worked at the OECD since 2019 with the Platform Development and Integration team. My job consists of providing technical expertise for advanced
solutions, as well as implementing and developing products that support the transformation in the Cloud such as Office 365, with an Agile approach and applying best practices on security and development such as DevOps. What I like about the OECD is that it is at the forefront of working with stakeholders to identify good practices for public policy on artificial intelligence (AI), Blockchain, and digital security. Apart from the multicultural work environment, during the COVID-19 situation, it is meaningful that the Organisation cares about staff well-being and provides support for continuous personal development, where I can further develop my job skills and abilities.

Previously, I worked for the Food and Agriculture Organization of the United Nations (FAO) at the IT Department in Rome and the Regional Office for Latin America and the Caribbean in Santiago, Chile, as SharePoint Developer. The first time I came to Paris was 10 years ago and personally, it was impressive, as with Rome. Paris is a densely populated city, where there are always many cultural activities and events. I enjoy visiting several museums, watching French films, and reading books—being completely immersed in French life and culture.

WHANG Choyi, Statistician at the Directorate for Education and Skills, Policy Analysis and Implementation Division

I work on system-level indicators of educational structures, policies and practices from development of indicators to data collection and analysis, which is then published in a flagship publication, “Education at a Glance”. I believe the OECD is one of a few places in the world where I can be directly involved in the development of international indicators on education, so I am thankful to be working here. It is always thrilling and rewarding to see the work of my
I work as a spatial analyst in Sahel and West Africa Club (SWAC) Secretariat. I work on the urbanisation in Africa. Herein the “urbanisation” refers to the population shift from rural to urban areas, the corresponding decrease in the proportion of people living in rural areas, and how societies adapt to this change. I analyse the different speeds of the urbanisation in Africa and its impact on the economy and society. The best part about working at the OECD is the diversity. Having the chance to work with people of different nationalities and backgrounds is a unique privilege of the OECD. You can develop a unique point of view and diverse ways of problem-solving. It helps me stay flexible and never stop learning.

Life in Paris is like traveling. I have been living in Paris for five years, and I continue to discover new things. Each of twenty arrondissements has a distinct character—shops, history, food, and the quartiers. The deep culture of France’s art and food is also another pleasure: discovering new wines and trying hundreds of different cheeses is another pleasure. I am still traveling in Paris.
LEE Hanna, Advisor at the Centre for Tax Policy and Administration

My work focuses on providing governments with tax policy and administration support through development and implementation of consensus-based international standards and best practices. I joined the OECD as the first junior professional officer (JPO) from the Korean government. Prior to joining the OECD, I worked for different tax advisory firms as a tax lawyer.

For those who would like to join the OECD, in addition to applying through the OECD’s official hiring programmes, I would also recommend that you directly reach out to the team or the directorate of your interest, briefly introducing yourself and expressing your interest. The Korean government’s JPO programme is also a possibility. It is always a joy to see many talented Korean people successfully build their careers in international organisations and make a greater positive impact in different areas of international importance both as an individual and as a Korean. I would invite more people to join this rewarding journey.
LEE Hyunmyoung, Talent Management Analyst at the Human Resources Management Division

I am a Talent Management Analyst in the Human Resources Management Division, where my work involves corporate projects from reviews and recommendations for HR policies, practices and systems to recruitment programmes. My first in-person encounter with the OECD was at a career fair organised by the Ministry of Economy and Finance, five years prior to my joining the Organisation through the Junior Professional Officer programme sponsored by the Ministry of Foreign Affairs. My journey to the OECD was thus possible through these concerted efforts of Korea, combined with the relevant HR experiences I accumulated over time in both the private sector, first at LG, and then the public sector at the Green Climate Fund (GCF). Among the first staff to join the GCF, I was integral to its start-up efforts and helped to build the HR function from the ground up. Since this experience, modernising HR and adapting best practices have become my passion and pursuit, which I endeavour to apply in my work at the OECD.

Koreans at the OECD in Numbers

Korean nationals at the OECD strengthen the workplace and outputs of the Organisation to promote stronger, cleaner, fairer economic growth and living standards. Coming from a wide array of specialisations and backgrounds, including from education to environment, finance, government, trade and transportation, they have made key contributions to carry out the OECD’s mission. Today, 80 Koreans work at the OECD. An increase in the recruitment of Korean nationals in recent years is accounted for by a rise in mid-career and early-career professionals, supported by a well-functioning secondment programme and active partnerships with Korean ministries and universities. Korea has made strides to develop a robust pipeline of young professionals through
diverse sourcing and recruitment channels, reflected in the growth of Korean applicants for the internship and Young Associates Programme. The OECD is committed to joining consistent efforts by Korea to attract, retain and develop its talent across the Organisation.

**Koreans at the OECD**

- 80 Korean nationals, of which 53 are officials, work at the OECD, ranking Korea 12th out of 38 Member countries for staff headcount.
- The number of Korean official staff at the OECD increased from 34 in 2012 to 53 in 2021, most notably at early career levels.
- Women account for 57% of all Korean officials, and there is gender parity among Korean A-grade officials.
- There are two Koreans at senior leadership positions: Mr. KIM Young Tae, Secretary-General of the International Transport Forum (ITF) and Ms. LEE Saewon, Head of Client Services Group in the Human Resources Management Division (EXD/HRM).
- In the past ten years, the OECD has recruited 154 Korean interns at the OECD, an average of 15 new interns per year.

Source: OECD.
Corporate recruitment programmes

- Several well-functioning programmes support the recruitment of Koreans: the Junior Professional Officer (JPO) Programme, Staff Exchange Programme, and internship framework agreements.

  - **Junior Professional Officers (JPO) Programme**
    The OECD was included in the Korean JPO Programme in 2017, which provides young Korean professionals with hands-on experience at the OECD and supports career development through focused training opportunities. Through the JPO Programme sponsored by the Ministry of Foreign Affairs, three Koreans have joined as JPOs at the Centre for Tax Policy and Administration (CTP), Executive Directorate-Human Resources Management Division (EXD/HRM) and the Office of the Secretary-General (OSG). Recruitment for the fourth JPO is underway to join CTP in 2022.

  - **Staff Exchange Programme**
    The OECD regularly collaborates with the public sector and international organisations on staff exchange programmes, including staff on loan and secondments. The Organisation has two framework agreements for the secondment of national civil servants with the Ministry of Foreign Affairs and for the assignment of public officials with the Government of the Republic of Korea. There are 15 Korean civil servants seconded to the OECD.

  - **Internship Framework**
    The Organisation has internship agreements with three Korean universities, enabling their students to apply for OECD internships through the corporate partnership channel for the opportunity to work alongside top experts across various public policy domains. In addition, bilateral internship programmes exist between various Korean Ministries and Directorates facilitating the internship of Korean nationals, including the Ministry of Foreign Affairs and the International Energy Agency (IEA), as well as the Ministry of Agriculture, Food and Rural Affairs and the Trade and Agriculture Directorate (TAD).
• Young Associates Programme (YAP)

The unique two-year programme, launched in 2016, invites recent undergraduates to gain experiences in research and analytical work in major policy areas of the OECD, prior to pursuing postgraduate studies. In 2021, two out of the eight exceptional young talent recruited under the OECD Young Associates Programme are Korean nationals, appointed to the Directorate for Public Governance (GOV) and IEA.
III

Korea in the OECD
Photo provided by the Permanent Delegation of the Republic of Korea to the OECD
When Korea joined the OECD in 1996, it had already enjoyed more than three decades of outstanding growth, based on an export-oriented economy served by a hard-working and increasingly well-educated workforce and high saving and investment rates. The so-called Miracle on the Han River (Han-gang) had transformed one of the poorest countries in the world at the end of the Korean War into an economy generating a GDP per capita comparable to that of some European countries. Nevertheless, it was still about 30% below the OECD average in 1996. Over the past 25 years, Korea has carried out major economic reforms, aligned its policies on OECD best practice in many areas, increased its integration into the global economy and enhanced its technological and human potential further, leading to the convergence of its GDP per capita to the OECD average (Figure 1).

**Figure 1. GDP per capita has converged to the OECD average**

Constant 1995 prices and PPPs

Source: OECD National Accounts database.
While the economy is rebounding strongly from the COVID-19 crisis, Korea will need to overcome a number of obstacles to continue growing faster than the OECD average and catch up with the leading OECD countries like the United States. A rapidly ageing population requires better mobilising labour resources, notably from women and youth, who are generally highly educated and skilled, but whose talent and abilities are often under-utilised in the labour market. Prolonging the careers of older workers, notably through labour market reform and lifelong learning, is also decisive to boost labour input and productivity, as well as to reduce poverty.

World-class technology is fostering rapid productivity growth for the big firms, notably in the ICT sector, but large chunks of the economy are still lagging behind. To reduce the aggregate productivity gap with the leading OECD economies, SMEs (small and medium enterprises) and the service sector will need to become more productive. This will necessitate investments in technology and skills and policies fostering competition. The Korean New Deal, with its digitalisation, green and social safety net pillars, paves the way for tomorrow’s growth. As over the past 25 years, Korea can draw inspiration from successful reforms in OECD member countries to design the best policies to achieve its goals. OECD countries, as well as non-members, can also learn from Korea’s outstanding economic performance to enhance their growth and innovation potential.

This chapter is organised as follows. The next section examines how OECD membership supported Korea’s globalisation policy agenda set out in the mid-1990s. The third section reviews the reforms that made Korea more resilient after the painful recession associated with the 1997 Asian crisis. The fourth section examines Korea’s growing role in global economic cooperation. The last section outlines the challenges and opportunities that Korea will face over the coming decades.

**OECD membership supported the globalisation policy agenda**

Joining the OECD was part of the broad Segyewha (globalisation) agenda of President Kim Young-sam, Korea’s first civilian president in over three decades. In 1996, Korea’s real GDP was 25 times larger than in 1960, one of the most outstanding economic achievements in world history. However, the growth model where strong government leadership dominated market forces was starting to show its limitations, as the economy was becoming more diversified, income and education levels were rising...
rapidly and the population aspired to better shared prosperity following the return to democracy. Furthermore, the 1990s saw an acceleration in globalisation, with the fall of the iron curtain in Europe and the rising role of the BRICs (Brazil, Russia, India, China, and South Africa) and other emerging markets in the world economy. Korean exports faced tougher competition. To continue its convergence to the highest-income countries, Korea had to embrace globalisation and develop further into a knowledge-based economy producing higher-quality goods and services. The OECD, which at that time was broadening its membership with the accession of Mexico and several Eastern-European countries, was in a good position to help Korea move towards a new stage of its economic rise. At the same time, Korea’s membership reinforced the OECD’s increasingly global stature and brought its members new opportunities for cooperation and mutual learning.

The Korean government outlined an ambitious reform agenda to move towards a more market-based economy in the mid-1990s, incorporating recommendations from the first two OECD Economic Surveys of Korea, published in 1994 and 1996. Two guiding principles for reform were to increase the economy’s exposure to competitive forces and to introduce more effective governance structures into financial institutions and the corporate sector. In addition, moving towards a more flexible labour market, while at the same time strengthening social protection, was necessary to facilitate the reallocation of resources across the economy and create more and better job opportunities. Employment insurance was introduced in 1995, albeit on a limited scale, and the first OECD Jobs Strategy (1994) provided further guidance (OECD Economic Survey of Korea 1998).
Unfortunately, Korea was only at the beginning of its reform process when it was hit by the Asian financial crisis, which originated in Thailand in 1997 and spread rapidly to the whole region.

The painful 1997 crisis paved the way for a more resilient and inclusive economy

The Korean economy was vulnerable to an external financial shock due to excessive corporate debt, which was largely short-term and denominated in foreign currency. The big Korean conglomerates, the chaebols, had borrowed heavily in previous years to expand in a wide range of activities, with insufficient consideration for profitability. In 1996, 20 of the 30 largest chaebols had a rate of return on invested capital below the cost of capital. The ratio of debt to total assets in manufacturing firms rose to 317% in 1996 and climbed to almost 400% in 1997 (Figure 2). The debt ratio of the chaebols was even higher, exceeding 500% at that time. The strong ties between industrial groups and banks were hampering adequate credit scrutiny, resulting in low bank profitability and ultimately a high share of non-performing loans when the crisis hit. Foreign debt grew rapidly. The Asian financial crisis triggered a reassessment of risk by international investors and capital flight.

At the end of 1997, the Korean won’s exchange rate collapsed and IMF emergency assistance had to be requested to avoid a foreign debt default and stabilise financial markets. Bilateral loans by several OECD countries also contributed to restoring investor confidence. Nevertheless, GDP fell by more than 5% in 1998 and the unemployment rate rose to more than 7%, from a pre-crisis level of around 2%. The social cost proved...
very high in a country where the social safety net was still underdeveloped. Nevertheless, thanks to the reaction of the authorities and the efforts of the Korean people, such as the nationwide gold-collection campaign to repay the foreign debt, the country emerged from the crisis faster than other Asian economies, returning to its GDP per capita pre-crisis peak after just two years.

**Figure 2. Better governance helped bring down corporate debt after the Asian crisis**

[Graph showing the decrease in corporate debt]

Source: Bank of Korea.

The crisis provided an impetus to deepen and accelerate the reform agenda that had been set when joining the OECD. Corporate governance improved, the chaebols restructured, refocused on their core activities and regained competitiveness. By end-1999, 14 of the 30 top business groups in 1997 had gone bankrupt or entered workout programmes. The debt ratio of manufacturing companies was down to around 100% by 2004, and rose only modestly, to about 120%, following the 2008 global financial crisis, which Korea passed without going into a lasting recession. The manufacturing debt ratio subsequently decreased to 73% in 2019, when total borrowing and bonds payable represented 23% of total assets. The interest coverage ratio of manufacturing firms, which measures their ability to service their debt, strengthened markedly (Figure 3). The soundness of corporate balance sheets greatly helped the Bank of Korea stabilise financial markets when the COVID-19 crisis hit and allowed companies to continue investing to take advantage of the opportunities offered by the recovery, notably in semiconductors and green technologies.
Openness to trade and investment also increased following the 1998 crisis. Korea’s traditionally hostile attitude towards FDI, which had led to excessive reliance on volatile capital flows, evolved, with benefits in terms of macroeconomic stability, as well as management quality and transfer of technology. The country continued to invest heavily in skills and R&D investment started to increase steadily (Figure 4), which boosted the production of higher value products, notably semiconductors, in which Korea now stands among the world leaders. In 1998, under President Kim Dae-jung, Korea decided to open its gate gradually to foreign culture, notably Japanese popular culture. The lifting of restrictions on cultural imports led to massive investments in cultural industries to enable them to face the new competition, ultimately giving rise to the Hallyu, the Korean wave. Today, cultural products are a major export and Korean culture shines around the world, through K-pop, K-dramas, cinema and K-food in particular.
Kim Dae-jung, the prominent democracy and human rights activist, elected as president in February 1998, implemented ambitious reforms to strengthen the market economy, but also pushed forward “productive welfare”, based on the principles that welfare is a right, but should help recipients to become self-sufficient and contribute to economic growth. Beyond providing minimum assistance in the very challenging economic times of the Asian financial crisis, when close to two million people had become unemployed while the social safety net was almost non-existent, the policy focused on education and training to improve jobseekers’ opportunities. Korea drew inspiration from the employment strategies pursued in many OECD countries, notably in Europe. Although starting from a very low point, the social safety net was gradually extended over the following decades, even though effective coverage remains insufficient to this day.

The economic reforms implemented since the mid-1990s greatly strengthened the resilience of the Korean economy, which weathered the 2008 global financial crisis and the COVID-19 crisis better than most other OECD countries. While the impact of the pandemic was mitigated by an outstanding health policy response, strong economic institutions also made it possible to promptly stabilise financial markets and to provide ample and timely fiscal support.
Korea has come to play a prominent role on the economic world stage

As the Korean economy grew stronger, the role of Korea in international economic cooperation increased. As a member of the G20, Korea is actively engaged in shaping policy around global issues, such as international trade, financial stability and climate change mitigation. As a “middle power”, an economy with an exceptional development trajectory, and a country that has moved from an aid recipient to a donor, Korea is particularly active in bridging the gaps between leading economies and developing nations, notably in Southeast Asia.

The 2008 global financial crisis was a key moment for the global economy and elicited a coordinated policy response. The Korean government proposed a standstill agreement in trade and investment restrictions at the first meeting of G20 leaders in Washington D.C. in November 2008. Korea acted to address liquidity shortages in Asian countries. In June 2009, Prime Minister Han Seung-soo, who had been Deputy Prime Minister and Minister of Finance when Korea joined the OECD in 1996, chaired the meeting of the OECD council at ministerial level. The meeting, under the theme “The Crisis and Beyond: For a stronger, cleaner, fairer world economy” allowed OECD leaders to design cooperative solutions to address the global financial crisis and climate change, which as Prime Minister Han highlighted, required “creative solutions, immediate remedy and broad intervention”. As Chair of the G20 in 2010, Korea also took an active role in coordinating global financial cooperation, both between advanced economies and with developing countries.

In recent years, while globalisation was increasingly challenged globally, Korea has continued to display a strong commitment to free trade and international economic cooperation. In November 2020, it signed the Regional Comprehensive Economic Partnership (RCEP), the world’s largest free trade agreement, linking countries with a combined GDP amounting to a third of the world’s total. The agreement involves the 10 members of the Association of Southeast Asian Nations (ASEAN) as well as Korea, China, Japan, Australia and New Zealand to strengthen trade and economic cooperation in the Asia-Pacific region. Korea also continues to expand its network of bilateral trade agreements, most recently with Central American countries, Indonesia, Israel and the United Kingdom (to preserve bilateral trade relations after the Brexit.)

The invitation to President Moon Jae-in to participate in the 2021 G7 summit highlights
the world leaders’ appreciation that Korea can make a great contribution to addressing global challenges. Korea’s response to the COVID-19 pandemic has been outstanding, containing the spread of the disease, the death toll and the economic damage. Real GDP contracted less than 1% in 2020, setting an example for other OECD countries. Furthermore, Korea helped countries around the world address the pandemic by exporting its “K-quarantine” model, based on the so-called 3Ts, “tracing, testing and treating”. Korea exported test kits around the world and donated some, notably to Southeast Asian countries, while providing health management support to other developing countries.

Korea also plays a key role in the provision of semiconductors, which are key to the smooth functioning of global value chains and are of strategic importance amid rising global geopolitical tensions. Korean firms have recently announced new foreign direct investments, notably in the United States, to build up production capacity.

Korean technology can also make a major contribution to greening the global economy, with for example Korean manufacturers well positioned on the development of electric cars and batteries, but also on hydrogen. New investments in technology, including from the Green New Deal, will contribute to finding solutions to foster sustainable growth globally. Progress in green technologies will boost Korean exports and at the same time have a great potential to improve environmental quality at home, provided the right economic incentives are in place, including in the financial sector. Creating a roadmap for improving the consistency, comparability and quality of climate-related risk reporting by listed companies and financial institutions would help. So would stepping up policy measures to support capital allocation in line with a low-carbon transition and to boost investment in renewable energy.

In the wake of the 2021 G7 summit, President Moon Jae-in emphasised once again Korea’s commitment to act as a bridge between advanced and developing countries. Korea is playing a crucial role in engaging non-OECD Member countries to share best practices and promote economic development. Since taking on the Co-chairmanship of the OECD Southeast Asia Regional Programme (SEARP) in 2018, it has made critical contributions to bring Southeast Asian countries closer to the Organisation, supporting their economic policy priorities and regional integration efforts. Korea will host the Programme’s Ministerial Conference in 2022, under the theme “People-centred future:
Partnership for smarter, greener and more inclusive ASEAN”. This effort is in line with the OECD’s commitment to engage with emerging economies expressed in the OECD Convention and its 50th anniversary vision statement, and reflects the current Korean administration’s New Southern Policy to strengthen ties with 10 ASEAN Member States and India. This offers paths for further cooperation in view of strengthening the OECD’s global reach, not least in the Asia-Pacific region, whose weight in the global economy is bound to continue growing.

The next 25 years: catching up with the OECD leaders?

By 2020, Korea was among the ten largest economies in the world and its GDP per capita was close to the OECD average and comparable to that of countries like Japan and the United Kingdom, albeit still about 30% below the US level. Growth is gathering pace in 2021, pulled by strong exports, especially of semiconductors and cars.

Nevertheless, challenges remain. With the fastest ageing population in the OECD (Figure 5), Korea will need to better mobilise its labour resources and enhance productivity to ensure continued growth. The 2020 OECD Economic Survey of Korea shows that Korea has the resources to meet these challenges and continue to catch up with the most successful OECD economies over the next decades. Drawing from OECD countries’ best practices will help Korea achieve this goal. The new OECD Jobs Strategy suggests ways to boost employment and foster inclusive growth, notably by improving job opportunities for youth and women, as well as the quality of jobs for older workers. Digitalisation, which has been speeded up by the pandemic, offers huge opportunities to raise productivity growth and, provided diffusion widens, increase inclusiveness. For
example, digitally-enabled financial services can improve economic resilience and foster new innovative digital markets and products such as FinTech-enabled SME lending and blockchain-based finance.

Figure 5. The old-age dependency ratio is set to be the highest in the OECD in 2060

![Graph showing old-age dependency ratio](image)

Note: Ratio of population aged 65 and over to population aged 15-64. Projections are based on the medium fertility variant.


Less than half of Korean youth aged 15-29 were employed before the COVID-19 crisis, the fifth lowest share in the OECD and the pandemic has made matters worse. Entry in the job market is particularly challenging for young men (Figure 6, first panel). Many aspire to work in the public sector or large companies, where they can get higher pay and better job security, while many SMEs are struggling to recruit qualified workers, which hampers their development. Korea can draw on the experience of other OECD members to improve job prospects for youth, including through vocational education and training, job counselling, and active labour market policies.

Women’s employment rate is M-shaped (Figure 6, second panel). While it is close to the OECD average at about 70% in the 25-29 age group, it drops sharply thereafter, as many women exit the labour market when they have children. The employment rate recovers around age 50, but remains much lower than for men. In addition, women are often employed as non-regular workers, with limited social protection and low pay. The gender wage gap exceeds 30%, the highest level in the OECD. The pandemic has
worsened women’s employment prospects further, as they are over-represented in activities like retail trade, accommodation and restaurants, which have been the most affected by the crisis and are recovering only slowly. Korean women have increasingly high qualifications, with the highest 25-34 year-olds tertiary graduation rate in the OECD. Offering them better job opportunities is crucial to boost Korea’s growth potential. Allowing better work-life balance could also contribute to raising the fertility rate, which is the lowest in the OECD at 0.84 in 2020. To design gender-friendly policies, Korea needs to draw inspiration from other OECD countries, such as the Nordic countries.

Improving job quality for older workers is also key to lifting Korea’s aggregate productivity and alleviate old-age poverty. Because of low pension entitlements, partly reflecting the late introduction of the National Pension Scheme, and weak compliance, 58% of men and 35% of women aged 65 to 69 are still working and the average full retirement age is around 72. However, most of them are forced to leave their career job at a relatively early age and tend to move to jobs with lower pay and productivity. Abolishing the mandatory retirement age and the seniority-based wage system, promoting greater wage flexibility, better work-life balance and lifelong learning could boost the level and quality of employment of older workers. Many OECD countries have set examples in prolonging workers’ careers.

Figure 6. Youth and childbearing-age women’s employment rate is relatively low

More generally, a dual economy hampers Korea’s economic performance. Korea’s aggregate productivity remains about 30% below the OECD average, as the productivity of small firms and service-sector firms lags far behind that of the leading companies. Korea’s ICT manufacturing productivity is far higher than in other industries, with a much wider gap than in the average OECD country (Figure 7). Non-ICT manufacturing also enjoys a larger relative productivity advantage than the OECD average, albeit much smaller than in ICT. Conversely, there is wide scope to increase productivity in services, especially in ICT services, which are knowledge-intensive and tend to be more productive than other services. This will require broader and faster technology diffusion. Use of advanced IT technologies, like cloud computing and big data is lagging in SMEs, which face difficulties in recruiting skilled workers and managers, as well as in training their workforce. Scale-up success is limited, despite extensive government R&D support. Product market regulations also need adjustments to promote competition and adapt to rapid technological change. The regulatory sandboxes, which allow firms in new technologies and new industries to test their products and business models without being subject to all existing legal requirements, are a promising step in the direction of enhanced responsiveness and competition.

Figure 7. Service sector productivity is lagging

![Figure 7. Service sector productivity is lagging](image)

Note: Sectors’ productivity relative to total productivity.

Source: OECD STAN Database.

The Korean New Deal, which aims at boosting digitalisation, greening the economy and reinforcing the social safety net, has the potential to open a new era of growth, to
prolong the Miracle on the Han River. The next 25 years will offer the opportunity for Korea to use its technological, human and economic potential to catch up with the top OECD economies. Reaching this goal will require designing policies to adapt to a fast-moving economic and technological landscape. Adapting to an increasingly multipolar and digitalised world facing rapid climate change will be challenging, for Korea like other OECD members, but they surely can learn from each other to build a better world.

Korea’s economic journey holds important lessons for Asia-Pacific countries, which will help the OECD strengthen its engagement and outreach within the region. As already emphasised, the “Land of the Morning Calm” is often a bridge between advanced and emerging economies. Korea is also an enthusiastic promoter of free trade, multilateralism and international cooperation, core values of the OECD, which it diffuses throughout the most dynamic region in the world. Over the next 25 years, no doubt Korea will continue to work together with the OECD to promote these values in the Asia-Pacific region and strengthen ties with other OECD members.
Since 1996, the OECD has led the way on transforming the international tax architecture, leading to a more coherent and cooperative system designed to meet the challenges of the 21st century. In that time, Korea—as a member of both OECD and the G20—has been a key player in this transformation. In 2006, Korea hosted the 3rd FTA (Forum on Tax Administration) plenary meeting involving Heads and Deputy Heads of Revenue Bodies from 35 jurisdictions, resulting in the Seoul Declaration on possible strategies to address shared problems with international tax avoidance. When the Global Forum on Transparency and Exchange of Information for Tax Purposes was mandated by the G20 in 2009 to ensure a comprehensive and robust implementation of the tax transparency standard, Korea was an original member of the Peer Review Group, providing valuable leadership and guidance in evaluating the performance of all relevant jurisdictions in complying with the standard. Korea was also an “early adopter” of the new standard for automatic exchange of financial account information (AEOI), which today accounts for exchange of information on 84 million bank accounts with a total value of EUR 10 trillion.

Korea was again among the group of OECD and G20 countries that brought major changes to the international framework dealing with corporate tax avoidance with the announcement of the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project in 2013. Over the years, this work has improved the substance, coherency and transparency of international corporate tax, culminating in the announcement on 8 October 2021 of a Statement on a Two-Pillar Solution to Address the Tax Challenges Arising From the Digitalisation of the Economy.¹

advanced tax policies and international tax standards to partner economies, including many developing countries in the Asia-Pacific region. Finally, Korea is also a founding member of the Network on Fiscal Relations (NFR, from 2003), and has chaired the Network for the last decade.

**Forum on Tax Administration**

The Forum on Tax Administration (FTA) was created in 2002 and brings together tax administrations from 53 OECD and non-OECD countries. The FTA is a forum through which tax administrators can identify, discuss and influence relevant global trends and develop new ideas to enhance tax administration around the world. It also facilitates dialogue with key stakeholders (including business and individual policy makers and financial regulators) and co-operation between countries. Together, FTA member administrations raise over EUR 11.2 trillion a year to fund public services and to deliver government objectives.

Korea has played an active role since the early days of the FTA. In 2006, it hosted the 3rd FTA plenary meeting, involving Heads and Deputy Heads of Revenue Bodies from 35 jurisdictions. It was an opportunity for participants to share their concerns and experiences, but also to reflect together on how best to meet the challenges facing revenue bodies in the 21st century. This plenary meeting resulted in the Seoul Declaration on possible strategies to address shared problems with international tax avoidance. It is worth noting that the vast majority of issues currently addressed by the BEPS project or through other CTP initiatives were discussed during this plenary meeting, making the Seoul Declaration the starting point for a number of efforts within the FTA to ensure cooperation between jurisdictions and improve tax transparency and tax compliance.

Beyond this founding event, Korea was an active member of the FTA bureau (which has 14 members) until 2014 and provides an annual voluntary contribution to the FTA budget.

Korea also participates in many FTA projects such as Joint International Taskforce on Shared Intelligence and Collaboration (JITSIC), the Large Business and International Programmes and, the Capacity Building Network and Tax Administration 3.0. As part

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of those projects, the Korean National Tax Service provides country examples and case studies. It also participates in the International Survey on Revenue Administration, which forms the basis for the OECD Tax Administration Series. Membership of the JITSIC entails an active commitment to sharing information and intelligence, as it aims at developing best practices for engagement among tax administrations in order to enhance the quality of interactions and reduce the need for tax administrations to negotiate an engagement framework every time they want to collaborate with another country.

**Korea active in enhancing transparency and exchange of information for tax purposes**

With the support of the G20, which declared the “end of bank secrecy” in April 2009, the OECD restructured the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum), charged with ensuring the effective implementation of the transparency and exchange of information (EOI) standards. By building a global consensus, there are now more than 160 jurisdictions in the Global Forum. So far, the work on transparency has been a great success, resulting in the identification of more than EUR 107 billion of additional tax revenue around the world. In 2019, information on 84 million bank accounts was exchanged, worth almost EUR 10 trillion.

Since 2009, Korea has been an active member of the Global Forum and its working groups, and has been among the frontrunners in the implementation of the EOI Standards, which are the Exchange of Information on Request (EOIR) Standard and the Automatic Exchange of Information (AEOI) Standard. In addition, Korea is a Party to the Convention on Mutual Administrative Assistance in Tax Matters, which entered into force in Korea on 1 July 2012.

**Exchange of information on request: the peer review process**

The peer review process evaluates jurisdictions’ compliance with the EOIR standard, through the assessment of the legal and regulatory framework and the implementation of this framework in practice. Korea has been a long-standing member of the Peer Review Group³, which decides on the peer review reports. The Global Forum’s peer

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³ Korea was a member of the PRG from 2009 to 2016 and participates again from 1 January 2019.
reviews have had a substantial impact on the implementation of the EOIR standard around the world and has strengthened governments’ ability to address tax evasion. For example, following the first round of EOIR peer reviews, strict bank secrecy for tax purposes has been eliminated in almost all Global Forum jurisdictions. Many countries have taken measures to eliminate bearer shares entirely or to ensure that their owners can be properly identified.

The Global Forum completed its first round of EOIR reviews in 2016, having assigned overall ratings to over 120 jurisdictions. A second round of reviews began in 2016. The second round includes some enhanced requirements, such as a requirement to ensure the availability of beneficial ownership information, which was mandated by the G20, for all legal entities and arrangements, as well as access to it by tax authorities. This requirement discourages the use of shell companies and other opaque legal arrangements to conceal the real owners’ identity and assists in the fight against other crimes such as money laundering and corruption. As of July 2021, half of the Global Forum’s 162 members have been reviewed under this second round of EOIR peer reviews.

**Automatic exchange of information: the peer review process**

With the adoption of the AEOI standard in 2014, the Global Forum was charged with promoting its global implementation. The AEOI standard relies on a common set of requirements (the Common Reporting Standard) for financial institutions to share financial account information with their domestic tax authorities, which then exchange that information with their foreign counterparts on an annual basis.

All jurisdictions, other than developing countries that are not financial centres, were required to commit to AEOI and begin the first exchanges by 2017 and 2018. Korea was one of the “early adopters” of this new standard and made its first exchanges in September 2017. There are now about 100 jurisdictions exchanging financial account information automatically with this number expected to grow to over 115 by 2023. In 2019, information was exchanged globally on 84 million bank accounts with a total value of EUR 10 trillion. For its part, Korea has 72 relationships activated to send information under the AEOI Standard this year.

The Global Forum monitors and reviews the implementation of AEOI commitments and lends support to its members, particularly the developing countries, to enable
them to effectively engage in and benefit from such exchanges. The first peer review report on the implementation of AEOI was released in 2020. This report\(^4\) found that Korea’s legal framework implementing the AEOI Standard is in place and is consistent with the requirements of the AEOI Terms of Reference. This includes Korea’s domestic legislative framework requiring Reporting Financial Institutions to conduct the due diligence and reporting procedures and its international legal framework to exchange the information with all of Korea’s Interested Appropriate Partners. The next step, an evaluation of effectiveness in practice is ongoing and the results will be released in 2022.

### Tackling base erosion and profit shifting

In November 2015, two years after the G20 Leaders endorsed the ambitious Action Plan on Base Erosion and Profit Shifting (BEPS), the BEPS package of 15 measures to tackle tax avoidance was agreed by all OECD and G20 countries and endorsed by G20 Leaders. It was designed to stop countries and companies from competing on the basis of a lack of transparency, artificially locating profit where there is little or no economic activity, or the exploitation of loopholes or differences in countries’ tax systems. Korea was deeply involved with this work as a member of the OECD, and G20 and as a founding member of the OECD/G20 Inclusive Framework on BEPS (the Inclusive Framework). Korea has also been a member of the 24-country Steering Group of the Inclusive Framework since January 2020.

Each of the four BEPS minimum standards is subject to peer review in order to ensure timely and accurate implementation and thus safeguard the level playing field. Action 5 addresses harmful tax practices, including rules on preferential regimes and transparency of tax rulings. Action 6 prevents tax treaty shopping, which helps clarify the purpose of tax conventions. Action 13 helps to ensure country-by-country reporting of key data on the operations of multinational enterprises to allow for more effective risk assessment by tax administrations. Action 14 improves the effectiveness of cross-border tax dispute resolution among tax administrations.

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Korea has performed well in its assessments under the four BEPS minimum standards. Under Action 5, Korea was found to not have any harmful regimes and was reviewed with no recommendations being made. Under Action 6, no jurisdiction raised any concerns about their tax agreements with Korea, and Korea is in the process of conducting numerous bilateral negotiations to update its tax treaties in line with the Action 6 minimum standard. Furthermore, Korea signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI) in 2017 and deposited its instrument of ratification on 13 May 2020. The MLI entered into force for Korea on 1 September 2020 and is the main tool used to comply with the Action 6 minimum standard. With respect to Action 13, Korea has activated its information exchange network and currently has bilateral exchange relationships in place, which allows it to exchange country-by-country files to bolster tax transparency. Finally, Korea has successfully completed its stage 1 and stage 2 of Action 14 peer reviews, and as a result has made numerous improvements to its framework for dispute resolution.

Furthermore, the Inclusive Framework continues to advance the work originally started under Action 1 of the BEPS project, which addresses the tax challenges arising from digitalisation. As a member of the Steering Group, Korea has played a major role in shaping the historic two-pillar deal\(^5\) that was agreed by 136 member jurisdictions including all OECD and G20 countries in October 2021. After years of intense work and negotiations, 136 member jurisdictions of the Inclusive Framework, representing more than 90% of worldwide GDP, finalised the key elements of international tax reform designed to address the tax challenges of globalisation and the digitalisation of the economy. The two-pillar solution to these challenges, embedded in this historic agreement, will ensure that large multinational companies pay their fair share everywhere and brings much needed tax certainty and stability to the international tax system. The two-pillar solution will be delivered to the G20 Finance Ministers meeting in Washington, D.C. on 13 October, followed by delivery to the G20 Leaders Summit in Rome on 30-31 October.

Network on Fiscal Relations across Levels of Government

The OECD Network on Fiscal Relations is the premier international body devoted to improving fiscal relations across levels of government. It follows a work plan set by member countries and helps members answer practical questions about fiscal decentralisation by undertaking cross-country policy analysis. The Network benefits its members by inter alia sharing best practices, providing international comparisons, undertaking cross-country studies and publishing the flagship Fiscal Federalism series, the 2021 version of which Korea is helping to fund.

Korea is a founding member of the Network on Fiscal Relations (NFR, from 2003), and has chaired the Network for the last decade. Korean institutions, notably the Korean Institute for Public Finance (KIPF) and Presidential Commission on Autonomy and Decentralisation, have collaborated with the NFR to organise wide-ranging conferences, seminars and workshops. These activities have often resulted in joint publications with Korea addressing all aspects of Intergovernmental Fiscal Relations. Moreover, the Network plans to release its next flagship double-volume Fiscal Federalism around the time of the Korea’s 25th anniversary.

OECD-Korea Policy Centre

Korea and the OECD have cooperated since 1997 on the OECD-Korea Policy Centre’s Programme on Taxation. This joint venture plays a crucial role in disseminating advanced tax policies and international tax standards among partner economies, including many developing countries in the Asia-Pacific region. The support of the Korea Policy Centre is critical to deliver successful capacity building seminars in the Asia-Pacific, in particular in the context of the OECD’s Global Relations Programme in Taxation. The OECD-Korea Policy Centre offers a venue where the OECD organises face-to-face training events on taxation issues for tax officials, primarily those from non-OECD economies from the region.

The workshops engage expert trainers in the dissemination of OECD standards and work on the full range of international taxation matters, including exchange of information, implementation of BEPS minimum standards, and tax treaties. These activities also played an important role in supporting countries in the region to better appreciate
some of the complexities and technical aspects underlying the work on the tax challenges arising from the digitalisation of the economy.

Since its launch, the OECD-Korea Policy Centre has hosted approximately 113 weeks of workshops for more than 3000 officials from Asia-Pacific economies. Since 2018, the Centre organised over 15 events involving more than 500 tax officials. In the past year, the Centre has also collaborated by co-hosting virtual classes and webinars for tax officials, by providing support with preparatory activities (e.g. organising preparatory sessions, setting videoconference tools, etc.) and during the virtual event.

### Table 1. The OECD-Korea Policy Centre in the last four years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of workshops</th>
<th>Total days of training</th>
<th>Number of participating countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>7</td>
<td>36</td>
<td>27</td>
</tr>
<tr>
<td>2019</td>
<td>6</td>
<td>30</td>
<td>32</td>
</tr>
<tr>
<td>2020</td>
<td>1 (virtual)</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>2021</td>
<td>3</td>
<td>6</td>
<td>58</td>
</tr>
<tr>
<td>TOTAL</td>
<td>17</td>
<td>77</td>
<td>130</td>
</tr>
</tbody>
</table>

In addition, Korea supports capacity building programmes through voluntary contributions. In 2022-2023, the OECD and the OECD-Korea Policy Centre Programme on Taxation plan to continue their long-term partnership by carrying out a training programme that combines face-to-face and virtual training. The Korea Programme on Taxation will play a critical role in continuing to support countries in the region to understand the issues, participate in and implement the work related to the agreed Inclusive Framework two-pillar solution to address the tax challenges arising from the digitalisation of the economy.
Korea’s rapid evolution from an industry-led economy to a diversified GVC powerhouse will be detailed further in this chapter, notably by reflecting on the domestic reforms undertaken by Korea since the 1990s to liberalise its economy. The Background section describes Korea’s ambitious reform process towards FDI between the end of the 1990s to today. It is followed by an analysis of the growth performance of the services sector in Korea during the same time period and highlights the regulatory reforms undertaken by the Korean government to accelerate the country’s servicification of GVCs. The final section concludes and highlights Korea’s success in leveraging the insights from the OECD toolkit on trade and investment to increase its participation in GVCs, to unleash its services sector and to become a leading reformer in the Asia-Pacific region.
Background

Korea has over the course of half a century advanced from a low-income agricultural economy to a high-income industrial economy with a per capita income approaching the OECD average (Figure 2), a top-ten ranking in world merchandise exports and a top-fifteen ranking in world service exports (Figure 3). The transition has progressed through light industries in the 1960s (textiles, apparels and household appliances), to heavy industries and chemicals in the 1970s and 1980s (iron and steel, non-ferrous metals, machinery, ships, electronics and chemicals) to motor vehicles and information and communication technology in the 1990s and 2000s. More than 30% of GDP has been saved and invested annually to sustain the engine of growth, supplemented with foreign investment to bring in new technologies. The policy shift from import substitution to a government-led export promotion strategy in the mid-1960s produced unprecedented growth in the four first decades. GDP grew by an average rate of 9.6% between 1965 and 1997, doubling the size of the economy every seventh year.
On the heels of Korea’s entry into the OECD, the country was struck by the 1997-1998 financial crisis in Asia, driven by concerns over non-performing loans. A reform programme addressed weaknesses in the financial system, corporate governance and labour market regulations. Reforms also involved the liberalisation of FDI, including in the services sector. Throughout the reform process, the OECD remained a trusted
partner, supporting Korea in its efforts to liberalise investment and reform the regulatory environment for services sectors. Growth did not resume to the same level as before the crisis but Korea remained on the same income convergence path, catching up with other OECD economies (Figure 2). Investment and services reforms played a key role in the integration of Korea into GVCs.

Korea now faces the same challenge as other OECD members of finding new ways to grow the economy by climbing the value chain, increasing innovations and unleashing the full potential of the services economy. Since the mid-2010s growth accounting data revealed a slower growth trend in the value added of Korean services sectors compared to the manufacturing sector and a productivity gap has been identified between large firms involved in GVCs and the rest of the economy. Addressing these challenges has been an important part of the collaboration between Korea and the OECD in the last decade.

**Korean investment policy reforms and OECD accession**

Korea embarked on ambitious reforms of its regime regulating FDI in the 1990s. These reforms started in the early 1990s and were further reinforced through negotiations as part of Korea’s accession to the OECD in 1996. The years leading up to the Asian Financial Crisis were marked by a two-track strategy of liberalisation of FDI restrictions. Foreign investors were allowed into a rapidly increasing number of sectors but the overall mechanism for restricting foreign investment remained in place in the form of horizontal impediments such as screening. These broader impediments were gradually dismantled beginning in 1993, a process which accelerated during the negotiations for OECD membership. As part of OECD accession, the Korean government made a number of upfront commitments to liberalise further in 1997 and 1998. The crisis was not so much a window of opportunity for reforms as a door that was already partly open.

From 1997 to 2010, in the years following OECD accession and during a period when many countries removed statutory barriers on investment, Korean reforms of investment policy exceeded those of any other country covered in the OECD FDI Regulatory Restrictiveness Index (Figure 4). In 1997, Korea ranked second after China in terms of FDI regulatory restrictiveness but by 2010 it had moved to tenth place. Based on the Index, Korea’s score fell from 0.532 in 1997 to 0.143 in 2010. By 2020, Korea was only
the 23rd most restrictive country out of 84 countries under the Index or 6th among OECD members (Figure 4).

**Figure 4. Korea was the biggest reformer under the FDI index between 1997 and 2010**

Many sectors which were opened in the 1980s maintained some limits on foreign equity initially. Thus, complete liberalisation of these sectors occurred with a lag. By 2002, 27 sectors had partial restrictions on FDI, a still significant number relative to other OECD countries but a substantial improvement over only a decade earlier.

**Figure 5. Despite major liberalisation in the past, there is still scope for further FDI reform in Korea**

Looking at the simplified time series using the OECD FDI Regulatory Restrictiveness Index, it shows that the Korean economy was highly restrictive for foreign investors prior to 1980 (Figure 5). A separate regime existed for certain export-oriented, labour-intensive activities which fell outside of the usual regulatory environment but which nevertheless included various performance requirements relating to local content, technology transfer and exports. The FDI Index suggests that very little broad-based liberalisation occurred until the early 1990s. Sectors may have been opened up to some extent, but investors still faced a number of important horizontal restrictions on their activities. From 1990 to 1996, the Index fell from 0.74 to 0.56, a significant change by historical standards but much less than what was to come in 1997-98.

The rapid liberalisation of FDI policies in Korea beginning in the mid-1990s had a dramatic effect on inflows of FDI. The stock of inward FDI as a share of GDP more than quadrupled between 1996 and 1999, largely on the back of rising cross-border mergers and acquisitions (Figure 6).

The second wave of post-crisis reform led to a sharp rise in inward FDI in the first few years following the crisis, as the crisis-driven slowdown in net FDI inflows was short-lived. FDI inflows more than doubled from USD 7 billion in 1997 to USD 15.7 billion in 2000 (notification basis), placing Korea as the second-most favoured investment destination in Asia and contributing significantly to overcoming the economic crisis. This performance is all the more remarkable, given that Korea had only attracted USD 8 billion in FDI from 1962 to 1990 and USD 17 billion from 1991 through 1997.

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6 The historical Index score in Figure 2 is based mainly on horizontal measures and hence does not equal the overall score for Korea shown in Figure 1.
Before the crisis, the dominant mode of FDI in Korea was minority-stake joint ventures, an outcome clearly linked to the restrictions in place at the time. Building on liberalisation prior to the crisis, mergers and acquisitions (M&As) rose sharply during the crisis as the number of distressed firms surged. FDI peaked in 1999 and 2000 as foreign minority investors bought out their Korean partners and as new foreign investors sought to benefit from the opportunities offered by the crisis-induced decrease in the costs of acquiring assets and the increasing number of firms desperate for capital infusions.

Source: Government of Korea and OECD FDI Regulatory Restrictiveness Index.

Source: OECD Data.
Following these developments, foreign multinational enterprises were found to contribute substantially to the country’s net trade surplus as well as to employment generation and manufacturing production. This is all the more positive for the Korean economy since firms and sectors with high FDI have higher than average labour productivity, wages and R&D expenditures. In the retailing, banking and life-insurance industries, for example, foreign investors introduced greater customer focus and efficiency improvements that helped to address Korea’s endemic productivity gap.

The importance of the services economy in Korea and recent regulatory reforms

Services are a major part of Korea’s economy, generating close to 60%\(^7\) of the country’s GDP, attracting more than half of FDI\(^8\) and employing the most workers (Figures 8 and 9). Korea exported services worth USD 99 billion (1.7% of world services exports) and its services imports amounted to USD 129 billion (2.3% of world services imports) in 2018\(^9\). Services also account for almost 35%\(^10\) of Korea’s value-added exports, indicating that Korea’s exports of goods rely intensively on services inputs. Services thus contribute extensively to growth and job creation in the Korean economy.

**Figure 8. Services value added as percentage of GDP, 2019**


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Figure 9. Services share of

Korea has long recognised the importance of promoting services trade, setting ambitious goals to reduce trade barriers and promoting regional economic integration. As observed in other countries, there are still obstacles to Korea’s services trade and some sector-level regulations remain complex and can discourage trade. The OECD STRI has been a key tool to assist Korea in tackling these issues.

Launched in 2014, and updated annually, the OECD STRI regulatory database brings together information from more than 16,000 laws and regulations for 22 sectors. It is a unique, evidence-based tool that provides information on regulations affecting trade in services across all OECD member countries and selected non-member economies (Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, the Russian Federation, South Africa and Thailand). The STRI toolkit supports policymakers to scope out reform options, benchmark them relative to global best practice, and assess their likely effects; for trade negotiators to clarify restrictions that most impede trade, and for businesses to shed light on the requirements that traders must comply with when entering foreign markets. Eventually, OECD policy research based on the STRI has uncovered a number of stylised facts (not specific to Korea) summarised below:

Source: OECD (2019).
- Services trade restrictions are negatively associated with both imports and exports of services;
- High restrictions reduce both the probability to begin trading and the intensity of trade once trade relations are established;
- A reduction in the regulatory heterogeneity for given levels of STRI has a significant impact on services trade in and of itself. The positive impact is larger the lower the level of trade-restricting regulation.

Growing awareness of this evidence informed efforts to reshape the regulatory framework around Korea’s services economy. Indeed, key aspects of the domestic regulatory landscape for services had proven to be at least partly responsible for the slowing down of the internationalisation of its services sector, including for instance the strict rules on foreign investment. The extensive regulatory reforms undertaken since the late 1990s were instrumental in lowering Korea’s STRI under the OECD average (Figure 10). In 2020, Korea had a lower STRI\(^\text{11}\) score than the average in 11 out of 19 sectors measured by the OECD.

**Figure 10. Average STRI across countries, 2020**

![Graph showing average STRI across countries, 2020](image)

Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. The indices are based on laws and regulations in force on 31 October 2020.

Source: OECD STRI and TIVA databases (2020).

Most remaining restrictive regulations in Korea are now vertical ones and only few

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horizontal regulations persist. The exceptions are measures related to natural persons seeking to provide services in the country on a temporary basis (for instance the duration of stay limited to 24 months on their first entry permit) and the fact that procurement regulation do not explicitly prohibit discrimination of foreign suppliers. Korea also requires commercial presence to provide services in the local market, and it has relatively costly procedures to register companies. Foreign equity limits below 50% are applied in broadcasting, telecoms, air transport and maritime transport services. There are also a few sectors where the state still controls major firms and where barriers to competition contribute to higher STRI indices. In spite of those remaining barriers, Korea has made tremendous progress in recent years, which enabled the country to progressively catch up with the servicification rate of other OECD countries.

Thus, the liberalisation process undertaken by Korea since the 1990s—with a notable acceleration in recent years—is reflected in a generally declining trend of the STRI over time for most sectors of Korea’s services economy. This can be illustrated by looking at three network industries with additional policy data to cover the period before the accession of Korea to the OECD (going back to the mid-1970s).

Regulatory reforms in the air transport sector translated into a decreasing sector-specific STRI. The key reform in the air transport industry from a perspective of boosting the productivity has been to reduce public ownership, but the largest and most assured benefits were achieved when entry regulations were liberalised. Results in the air transport industry were measured through the OECD Product Market Regulation (PMR) Index\(^\text{12}\) which has been getting closer and closer to zero over the years. Reforms in the telecommunications sector produced similar benefits to those of the air transport industry with one exception. The impact on output, prices and productivity were primarily driven by entry reforms as opposed to public ownership. But then again, the strongest and most assured results were achieved when both margins were reduced at the same time. The PMR Index for the telecommunications industry has followed a similar trend as the one in the air transport industry.

\(^{12}\) The OECD PMR Index estimates the effects on market performance of specific regulations. The more a PMR index decreases, the more efficient was the deregulation process undertaken by the country.
Concluding remarks: Korea as a leader in the global economy and important player in the APEC region

Since becoming an OECD Member in 1996, Korea has actively and successfully engaged in discussions with other OECD Members to cement its position as a leader in the global economy. In the area of services trade, insights from the STRI have been successfully leveraged to not only unleash the Korean services sector, but to also strengthen the integration of the Korean economy in Asia-Pacific value chains in services. While Korea was already more integrated in GVCs than the average of APEC countries in 1995, its participation index increased at an even higher pace in the 2000s and 2010s. Even more importantly, the increase in GVCs income has been comparable in both manufacturing and services. The share of services within GVCs is also expected to increase further with the servitisation of manufacturing and the increasing role played by services in the digital economy.

Changes in Korea’s regulatory environment have been instrumental in narrowing the gap between Korea and other OECD members. As such, Korea has become an important partner to the OECD on sharing its experiences and the lessons learned, and helping others emulate its internationalisation path, including through the promotion of the FDI restrictiveness index and the STRI. In the APEC region, Korea became one of the driving forces behind the expansion of the OECD STRI, especially in the context of the APEC Services Competitiveness Roadmap.

The past 25 years have thus shown that, by going beyond the roadmap for reform, Korea has made sustained efforts to promote public awareness of the benefits of further openness in FDI and services trade. By taking advantage of the insights provided by OECD tools and by engaging in a rigorous reform process, Korea succeeded in establishing a friendlier climate for trade and investment. As a result of these reforms, Korea secured its position as a GVC powerhouse and a leading exporter to the world. However, reforms should not remain a one-time occurrence but rather a continuous process. While many APEC countries have reformed significantly over time, as Korea did in the 1990s and beyond, increasing regional and global economic integration, together with technological change, imply that policies will have to be continuously adjusted to ensure competitiveness in the global services economy.
Since its accession to the OECD in 1996, Korea has become a global powerhouse in science and technology, one of the most advanced digital economies in the world, and a leading player in several industries, including electronics, automobiles, steel and shipbuilding. It has also played an important role at the OECD to support the organisation’s work on science, technology, innovation and industry issues and advance complex agendas in these areas at the international level. This policy paper looks through a technology and industry lens to track Korea’s rapid structural change, the role that the OECD has played to support it, and the valuable synergies that have been created in these policy domains through Korea’s membership of the OECD.

Science, technology and innovation (STI) have been fundamental to Korea’s economic transformation that culminated in its accession to the OECD on 12 December 1996. When Korea joined the OECD, it was already the world’s eleventh largest economy, and seventh in terms of manufacturing value added. The practice of importing and adapting foreign technologies was being complemented by a rising trend of home-grown technologies and higher value added. Already in its early membership days, Korea also led the field in broadband connectivity, presaging its current strengths in the digital era.

The foundations were laid in the 1960s, when modern science and technology development started in Korea. In 1967, the Korean government established the Ministry of Science and Technology (MOST), which played a decisive role in raising Korea from the status of a developing country to the threshold of an advanced country by the mid-1980s. A first paradigm change toward high technology occurred in 1987 through the launch of the Industrial Generic Technology Development Programme, based on the Industrial Development Law that provided financial and technological assistance to private firms for developing critical high-risk technologies. By that time, private firms
started performing in-house R&D, reducing their dependence on imported technologies. R&D spending advanced from 0.77% of GDP in 1980 to 2.33% in 1994, a level comparable to advanced OECD economies.

**Evolution of science and technology policy in Korea**

Over the past 25 years, Korea’s National Innovation System (NIS) has continued to develop spectacularly. By 2019 R&D spending—most of which is focused on experimental development—had reached a level of twice the OECD average (Figure 1).

**Figure 1. Gross expenditure on research and development (GERD)**

As a percentage of GDP

Korea’s science and technology journey with the OECD started with a first Review of Science and Technology Policies in 1996 (OECD, 1996). While applauding Korea’s impressive transformation, the review highlighted the importance of strengthening basic science to generate further breakthroughs in Korean science and technology, calling for a broader, more creative scientific foundation. It concluded that “Korean basic science and engineering will have to make the transition from specialised targeted research to the more diversified scientific base that will be necessary to be competitive in future world markets”. It also warned about the limits of technology push as a dominant model of technology promotion, given the lack of diffusion into the economy.
Government coordination on STI was also identified as a barrier, with responsibilities for R&D split among four ministries and a co-ordination function by the National Committee for Science and Technology lacking effectiveness.

Following the OECD’s recommendations in the Review, MOST was upgraded from “vice-ministerial” to “ministerial” level in 1997, and a number of large national R&D projects were newly promoted, concentrating limited scientific and technological resources on strategic technology fields. A Five-Year Plan for Science and Technology (1997-2001) provided more coherence in the scattered science and technology policy landscape. This was complemented by the creation of the National Science and Technology Council in 1999, led by the President. The government’s continuing commitment to an ambitious science- and technology-driven growth strategy is well illustrated by the “Leading Technology Development Project (G7 Project)”, which aimed to raise Korea’s science and technology to the level of the most advanced economies by 2001 (Sea-Hong Oh et al, 2016). This was the first cross-ministerial joint R&D project, and the first in which private companies participated in the planning process. It served as a pattern maker for large national R&D projects that were to follow.

**Transition of the Korean NIS: Towards a “creative” innovation system**

Following the Asian financial crisis of 1997-98, the Korean government sought to accelerate the transition from what was still considered a “catch-up” national system of innovation to a “creative” one, as articulated in the 2004 Implementation Plan for the NIS. This creative model saw greatly increased spending on R&D—by both the public and private sectors—and greater efforts to improve knowledge flows and technology transfer across the innovation system.

Korea continued increasing R&D spending faster even than its remarkable GDP growth, and in 2006 it reached 3.2% of GDP, one of the highest levels in the world. However, the capacity for conducting basic research was still lagging, and linkages remained underdeveloped, not only between academia and industry, but also within academia, and between government research institutes and universities. Inter-ministerial co-ordination still stood as a significant barrier to efficient STI policy making, despite some restructuring and a reduction in the number of ministries involved in supporting R&D.
In this context, the OECD undertook a second national review of Korea’s STI policies in 2009 (OECD 2009). The review made several recommendations, including strengthening inter-ministerial coordination on STI, and linkages between universities and government research institutes, and the private sector. It called for reinforcement of basic research by recognising its strategic value, and for selective investments in research infrastructure. In terms of business innovation, the review recommended continued support for R&D in the small- and medium-sized enterprise (SME) sector while streamlining the various schemes available, and to increase the focus on service innovation. It also called for industry diversification away from traditional areas of strength within the chaebols (Korea’s large industrial groups), towards areas such as bioscience, nanotechnology, space science, as well as welfare-oriented “grand challenges” for research. In line with the OECD recommendations, the R&D budget to help SMEs increase their global competitiveness was expanded, while government-funded research institutes were called upon to support and promote the R&D activities of SMEs and start-ups.

**Korea’s continued drive to learn from good practices on innovation and technology policy**

Providing an enabling environment for scientific and technological advance and ensuring it benefits the economy and society requires constant attention to policy settings. In 2014, at the request of the Korean government, the OECD undertook a fresh review of industry and technology policy in Korea (OECD 2014). It took place against a backdrop of relatively weak innovation performance of SMEs, a lagging services sector, and limited domestic job creation among the industrial conglomerates. The review stressed the need to fund and provide advisory support to high risk, high benefit R&D programmes, and improve selection and evaluation processes to feed back into policy decisions. Among other recommendations, it advocated fostering the start-up ecosystem by redesigning R&D tax credits to make it more beneficial to radically innovating firms, fine tuning advice and incubation services, improving access to finance and further promoting technology holding companies, and setting up for-profit organisations to commercialise early stage university technology through start-ups and joint ventures. It also called for a rebalance towards services and the creative economy. In 2018, SMEs accounted for 79% of R&D tax relief recipients, representing 40% of R&D tax support, though services continued to be underrepresented, accounting for 15% of R&D tax relief recipients and just 9% of R&D tax benefits (Figure 2) (OECD, 2021b). Ko-
Korea recently extended the scope of its R&D tax credit to cover expenses incurred for innovative growth-related technology investments (e.g. design and manufacturing of system semiconductors, etc.).

**Figure 2. Number of tax relief recipients and value of government tax relief for R&D, Korea, 2018**

Note: Figures refer to the R&D investment credit and R&D tax credit. *SMEs are defined as firms that have total asset amount less than 500 trillion KRW, total sales less than 40-150 trillion KRW (the threshold varies by business sector), are not related to other large firms and do not run a lodging business or bar management. **Economic activity is defined as follows: Manufacturing (steel, automobiles, food, etc. all kinds of products made in a factory), Services (legal, consulting, advertisement, education, etc.), Other sectors (agriculture, mining, fishing, construction, wholesale, retail, finance, healthcare, etc.)


As Korea moves with the rest of the world to exit the COVID-19 pandemic and restore growth and resilience, there remains a strong national consensus for a business innovation-led growth model. The Ministry of Science and ICT (MSIT) has recently asked the OECD to review Korea’s STI policies in this new environment, which is also characterised by slower economic growth in Korea than in past periods. An initial self-assessment by the Korean Science and Technology Policy Institute (STEPI) found very strong government support for business innovation and R&D, for enhancing framework conditions for a highly educated workforce and for quality ICT infrastructure, as well as a strong propensity for the early adoption of technologies. There is also a growing need for advancing Korea’s STI system to respond to rapidly changing domestic and international environments, such as digital transformation, climate crisis and technological hegemony, in a pre-emptive and active manner. It is expected that the OECD Review of Innovation Policies will provide insight about key issues faced by Korea. The OECD Review of Innovation Policies will be finalised and launched in 2022, continuing the valuable engagement between Korea and the OECD on STI issues.
Korea’s rapid digital transformation

Alongside advances in science and technology, Korea—like other OECD countries—has been experiencing an accelerating digital transformation of its economy and society. As elaborated by the OECD’s Going Digital integrated policy framework, a successful transformation depends on a number of elements, including access to and effective use of digital technologies, jobs and skills, trust and market openness (OECD 2019). A fundamental building block is reliable connectivity, as it facilitates interactions between people, organisations and machines. Fixed Gigabit networks and 5G are likely to become the underlying connectivity behind the Internet of Things (IoT) and artificial intelligence (AI) with applications across all sectors of the economy. The COVID-19 pandemic has further underscored how the resilience and capability of broadband networks are becoming ever more critical. As we move more and more towards a “distance economy” (e.g. remote learning, remote health, automated driving, etc.), ensuring high-quality connectivity becomes essential.

Leading the way towards high-quality broadband networks

The Korean government understands the key role of connectivity for a successful digital transformation of the economy. As the need for a large-scale digital transformation policy became evident following the COVID-19 health emergency, the Korean government launched the “New Deal” on July 2020 to ensure the economic recovery of the country by 2025. The Korean New Deal places digital policies, together with sustainability, as the two key pillars of the “National Strategy for a Great Transformation”, and foresees connectivity playing a key role. The digital pillar focuses on a “smart country that is at the centre of a digital transformation based on data, network and artificial intelligence (DNA) infrastructure”. It proposes projects to integrate 5G and AI into all sectors of the economy and promote the digital transformation of industries (Government of the Republic of Korea, 2020).

Korea starts from a strong position, as a longstanding OECD leader in terms of connectivity. In the early 2000s, a time when residential broadband was still at an early stage of development, Korea outstripped other OECD countries, with a fixed broadband penetration already over 20 subscriptions per 100 inhabitants in 2001 (Figure 3).
In December 2020, Korea was the leading OECD country in terms of the percentage of fibre in total fixed broadband connections (84.8% compared to the OECD average of 30.6%, Figure 4). In addition, in April 2019 Korea became one of the first OECD countries to launch 5G commercial networks and since then has achieved one of the highest coverage rates in the OECD. By the end of May 2021, the MSIT reported 15.84 million 5G subscriptions, comprising 22% of overall mobile subscriptions (Figure 5). The transformational aspects of 5G are likely to commence when “stand-alone (SA)” 5G networks are deployed, which are expected to increasingly make use of network slicing, with productivity effects across all sectors in the economy (OECD, 2020). All three Korean operators have plans to deploy SA-5G networks in 2021. On 15 July 2021, KT claimed launching Korea’s first commercial SA-5G network (Mobile World Live, 2021).
Figure 4. Percentage of fibre connections in total fixed broadband, December 2020

Notes: Fibre subscriptions data includes Fibre to the Home (FTTH), Fibre to the Premises (FTTP) and Fibre to the Building (FTTB) and excludes Fibre to the Curb (FTTC) and Fibre to the Node (FTTN). Australia: Data reported for December 2018 and onwards is being collected by a new entity using a different methodology. Figures reported from December 2018 comprise a series break and are incomparable with previous data for any broadband measures Australia reports to the OECD. The OECD definition of fibre differs substantially from fibre classifications commonly used in Australian reporting. These figures treat connections known in Australia as “Fibre-to-the-Node” and “Fibre-to-the-Curb” as DSL connections, while “Fibre-to-the-Premises” and “Fibre-to-the-Basement” are treated as Fibre connections. Data on technology type prior to Q2-2016 should be treated as indicative until further notice. Czech Republic: A break in times series occurred from 2019 onwards. Mexico and Switzerland: Data are preliminary.


Figure 5. 5G commercial subscriptions in Korea, April 2019 to May 2021

Note: 5G commercial services were launched in Korea on April 2019.

Source: Ministry of Science and ICT of the Republic of Korea, June 2021.
The deployment of more fibre into networks can help drive a substantial increase in broadband quality, including speeds across all access technologies. This is also key for 5G networks that rely on a strong fibre backhaul infrastructure to face the growth of data traffic driven by the digital transformation. Such advances are critical to support innovative uses of digital technologies, including those leveraging the IoT, with Korea’s smart city policies offering one example. Since the early 2000s, Korea has pioneered the use of digital technologies in urban management to upgrade traffic management, crime prevention and other urban services. With close co-operation between national and local governments, these have developed into Integrated Operation Control Centres (IOCC) and “smart city” platforms. To drive progress, since 2019, Korea has sponsored the OECD Programme on Smart Cities and Inclusive Growth (1st & 2nd Roundtables) and in 2021 Korea is developing a certification system to assess the progress and potential of smart cities (OECD, 2021e). Korea’s smart city data system was critical to build the Epidemic Investigation Support System (EISS) that helped monitor the spread of COVID-19 and enable contact tracing. The COVID-19 pandemic has more generally shown the importance of deploying more fibre deeper into networks and gradually phasing out xDSL technologies that typically have low upload speeds and are poorly suited to support activities such as working from home (OECD, 2020).

To upgrade networks, many OECD countries and operators have started to extend the coverage of gigabit Internet commercial offers (i.e. above 1 Gbps advertised speed), and the first 10 Gbps broadband commercial offers have emerged in France, Korea, Japan, Sweden, and Switzerland (OECD, 2020). Korea already has many commercial offers with 1 Gbps with vast coverage of these offers in the country. The coverage of 1 Gbps Internet coverage in the fourth quarter of 2017 (latest data available) was already 98.51% of urban households and 97.42% of rural households. In addition, Korean operators started with 10 Gbps commercial offers in 2018.

**Policies to foster high-quality connectivity in Korea**

Korea’s success in expanding connectivity is a result of concerted policy efforts, including several ICT and broadband plans over the years. It has also excelled in bridging the connectivity divide between rural and urban areas. Nevertheless, Korea has not been complacent, recognising that connectivity is the fundamental pillar of digital transformation (including in industrial processes) and that the road to achieving access to high-
quality broadband services for all demands a constant effort. Korea has developed important strategies to extend the coverage of gigabit fixed broadband and 5G networks. With respect to fixed broadband networks, Korea reached a 90% coverage of fixed networks with speeds greater than 100 Mbps and less than or equal to 1 Gbps in 85 cities back in 2017. The country furthermore reached a 16% gigabit network coverage with speeds between 2.5 Gbps and 10 Gbps in 85 cities in 2020, with the goal of further expanding the coverage in the future (Ministry of Science and ICT, forthcoming). Regarding mobile networks, Korea launched a 5G strategy (5G+) in April 2019 to leverage the country’s early commercial rollout and promote a “5G ecosystem”, where 5G is the underlying infrastructure connecting advanced devices and innovative services.

Korea is also an example for OECD countries for innovative approaches to regulation, such as data-driven regulation to boost the quality of broadband networks. For more than 20 years, the Korean government, through the National Information Society Agency (NIA), has monitored the quality of broadband providers through “field” measurements, and renders the results publicly available.\(^\text{13}\) According to the NIA, the service quality evaluation has significantly contributed to increase network quality and reduce the coverage gap between urban and rural areas in Korea as operators increased network quality after each publication. Furthermore, it has helped increase competition by providing users with objective quality information on communication services, so that they can choose providers accordingly (NIA, 2020).

**Korea’s industrial development and business environment**

Korea’s innovative economy and its capacity to engage in reforms have helped it weather economic downturns and crises over the past 25 years, including the 1997 Asian crisis and the 2008 global financial crisis. Its use of technology, including for tracking and tracing of infections, also helped it traverse the initial stages of the COVID-19 pandemic, and robust and stable economic growth is expected through 2021-22 after a relatively modest drop in GDP of -0.9% in 2020 (OECD, 2021f). Nevertheless, Korea has the opportunity to go further to achieve strong economic performance coupled with inclusiveness, by tackling challenges in the business environment.

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\(^{13}\) The NIA QoS measurements for broadband performance commenced in 1999.
In the last three decades, Korea has increased its productivity and income through greater participation in global value chains (GVCs), with a number of firms organising their supply chains across different countries and serving global markets. Among G20 countries, Korea has the highest participation in GVCs, with very high “backward participation” (value added of inputs sourced abroad, i.e. foreign content, accounted for about one-third, 32.6%, of the value of Korea’s gross exports in 2015) ensuring competitiveness and lower costs of production; and moderate “forward linkages” (about one-fifth, 19.1%, of the value of Korea’s gross exports in 2015 was subsequently used in production and exported by other countries) highlighting the integration of Korea into “factory Asia” (OECD, 2021g). Korea is also one of the top 10 manufacturing hubs in GVCs, as measured by “centrality” (Figure 6). In Asia, it holds third place behind China and Japan, and between 2005 and 2016 its degree of centrality decreased only slightly, indicating it succeeded in maintaining its competitiveness and leading role in manufacturing GVCs at the same time as China’s rapid rise. Over that period, certain Korean industries such as motor vehicles, other transport, machinery and electrical machinery increased their centrality, though the ICT and electronics industry fell back (mainly due to outputs going to fewer “spokes” or customers).

![Figure 6. Korea’s place in the top 10 manufacturing and service hubs in GVCs](image)

**Note:** Foreign centrality is calculated as the output-weighted average of industry-country centrality indices. See Criscuolo and Timmis (2018) for the methodology.

**Source:** OECD calculations based on OECD Inter-Country Input-Output tables, 2018 edition.

However, the former strategy of export-led growth in key manufacturing industries and targeted support to a small set of IT sectors that drove this economic advance has
also contributed to drive growing productivity gaps in Korea. At the aggregate level, labour productivity in Korea is low by OECD standards; in 2017, GDP per hour worked was 37% of the productivity level of the United States, below the OECD average of 55%. The OECD’s Inclusive Growth Review of Korea (OECD, 2021g) dug deeper, highlighting unbalanced growth across different sectors and firm sizes in Korea and a correspondingly unequal distribution of productivity gains across population groups. In some industries, Korea has some of the most productive global companies. However, Korea also has among the largest productivity gaps between frontier firms and laggards (Figure 7). If similar productivity levels were reached by a wider set of firms, Korea could not only create a more inclusive society but also further increase its aggregate productivity and resume its income convergence with G7 economies. These challenges are not unique to Korea, and the review provided an occasion to draw on experiences and practices in other OECD member countries, as well as unique OECD data and policy information, and apply this in the Korean context.

**Figure 7. Productivity gaps between frontier firms and laggards in Korea**

Within-industry labour productivity of firms at the 10th percentile of the distribution relative to firms at the 90th percentile, available years

![Graph showing productivity gaps between frontier firms and laggards in Korea](image)

Note: This figure reports the average labour productivity of firms at the 10th percentile of the labour productivity distribution in each industry relative to the average labour productivity of firms at the 90th percentile, within industry for Korea and within country-industry pairs in a set of benchmark countries, over the period 2000-17 for manufacturing and 2006-17 for non-financial market services. Labour productivity is measured as the ratio of value added to employment. See Box 3.1 in OECD (2021g) for details.

Source: OECD MultiProd database.

In particular, the review revealed that just a few industries contributed most of Korea’s aggregate productivity growth in recent years. In manufacturing, the lion’s share of
productivity growth between 2012 and 2017 was driven by the computer, electrical
and machinery equipment industries (which include semiconductors). In services, the
finance industry contributed the most to productivity growth. The sector-productivity
gap in Korea is among the highest in the OECD. Productivity in market services was
on average only 43% of the productivity level in manufacturing in 2016. This is less than
that observed in the United States (61%) or in the United Kingdom (78%). Low produc-
tivity in services is ultimately detrimental to all industries that use service inputs, and
also affects the performance of Korea’s service sector in GVCs, as can be seen in the
relatively low ranking of Korea in GVC service hubs (Figure 6 earlier).

The review also showed that Korea has one of the highest size-productivity gaps in
the OECD. Korean SMEs are more than 70% less productive than large firms, while this
gap is only 30% in Germany and 13% in the United Kingdom. This is a concern as small
businesses are generally key contributors to productivity and job creation and drive
business dynamism. To tackle these challenges, Korea created a dedicated Ministry for
SMEs and Start-ups in 2017; in 2019, the Ministry co-chaired the High-level Roundtable
that launched the OECD “Digital for SMEs” Global Initiative. Support for SMEs’ digital
transition has also been a key pillar in Korea’s response to COVID-19 (OECD, 2021h),
including through new and existing measures, such as e-sales support, cybersecurity
enhancement, and digitalisation of government-to-business services, helping many
SMEs to weather the storm, and be better prepared for the recovery. However, a
range of other complementary policies would further boost Korea’s trajectory to
growth and inclusion. Key amongst then, highlighted by the Inclusive Growth review
(OECD, 2021g), are encouraging a rebalancing of productivity growth towards services
(including through product market reforms in lagging service sectors); creating a bet-
ter environment for SMEs to work with large firms and be more productive (including
through fostering adoption of technologies and facilitating women’s entrepreneur-
ship); unleashing the growth of SMEs (including through helping service SMEs invest
in intangible capital); assessing, evaluating and streamlining existing SME support
programmes; and designing a more inclusive GVC strategy (including by encouraging
strategic partnerships between Korean and foreign firms and adjusting cross-border
data regulations to facilitate the transfer of information and promote e-commerce).
Korea’s contribution to the OECD’s work on science, technology, innovation and industry

Korea’s membership in the OECD’s Committee for Scientific and Technological Policy (CSTP), Committee on Digital Economy Policy (CDEP) and Committee on Industry, Innovation and Entrepreneurship (CIIE) has been an enriching opportunity for information sharing and mutual learning on STI issues, to the benefit of all OECD Members and of the OECD as an institution. Korea’s actions in steering and participating in the OECD’s work has led to a deep and fruitful dialogue and concrete advances in complex agendas. Its activities have spanned taking roles in Committee bureaus, championing development of legal standards, contributing to critical horizontal projects (including the OECD Innovation Strategy in 2010 and 2015, the OECD Green Growth Strategy in 2011 and the ongoing OECD Going Digital project) and participating in thematic analytical work. Its secondments from a range of ministries and agencies has supported the OECD work on science, technology and innovation, and strengthened links between the OECD and the Korean government at a high level, with some secondees reaching senior positions in the Korean government. Korea has also provided a valuable bridge to non-Member policy communities, extending the reach and impact of OECD work.

A champion for harnessing science and innovation

Korea currently holds the Chair of the CSTP and has held bureau positions across the CSTP family of working parties, actively participating in the work of the different groups and playing a leading role in the development and implementation of OECD legal standards. As just one example, relatively early in its membership, Korea hosted the 1997 CSTP Conference on Facilitating International Technology Co-operation in a Globalised Knowledge-Based Economy, which examined possible barriers to the implementation of the OECD Recommendation on Principles on Facilitating International Technology Co-operation Involving Enterprises adopted by the OECD Council in September 1995. Almost 25 years later, in 2020 Korea hosted a CSTP workshop on “Promoting International Technology Co-operation in the Digital Age and in the light of the COVID-19” to inform the revision of the same Recommendation that is currently underway.

Through its leadership position in the CSTP and by hosting events in Southeast Asia, Korea has helped extend the reach and impact of CSTP’s work to non-members such as Malaysia, Thailand and Indonesia. Korea has supported the engagement of the
CSTP in the OECD’s Southeast Asia Regional Programme (SEARP) that was launched in 2014 and strengthened the policy exchange in science and technology policy between ASEAN and OECD Members. In March 2010, Korea hosted the Korea-OECD workshop on Green Growth, which was one of the first events that involved participation of China in the OECD’s work on green growth and explored some of the opportunities associated with using science and technology for achieving a greener economy.

In 2015, the CSTP met at ministerial level in Daejeon, Korea, the first time ever outside the OECD headquarters. The meeting, known as the Daejeon Ministerial was chaired by Korea’s Minister of Science, ICT and Future Planning. The meeting addressed, among other themes, effective coordination across government and better coordination and collaboration at the international level. Ministers agreed upon the OECD Daejeon Declaration on Science, Technology and Innovation Policies for the Global and Digital Age (OECD 2015) that called for greater international co-operation in science and technology to address global challenges and for strengthening the innovation capacities of developing countries as well as their involvement in global governance of science and technology. The Daejeon Declaration was adhered to by 16 non-members, many from Asia (e.g. Cambodia, China, the Philippines, Viet Nam, Myanmar and Thailand). The Daejeon Ministerial meeting was also the venue for the launch of a number of important Committee outputs in Asia, including the 2015 revision of the Frascati manual on Guidelines for Collecting and Reporting Data on Research and Experimental Development, which has been translated into Korean (OECD 2016).

**A partner for fostering an inclusive digital transformation**

Korea recently held the Chair of the CDEP, from 2017 to 2019, and has held bureau positions across the CDEP family of working parties, including current Vice-Chair roles in all four groups—on communications infrastructures and services policy, measurement and analysis, data governance and privacy, and security. Over the years, Korea, both through the MSIT and the NIA, has closely collaborated with the OECD on the topic of connectivity and in leading the work of the Organisation in this area. Korea has shown continued engagement in the work of the CDEP by supporting cutting-edge projects on enhancing connectivity, fostering the Internet of Things (IoTs), and AI. By sharing best practices, Korea and the OECD together have worked towards the aim of ensuring that the digital transformation reaches all.
In particular, Korea contributed its extensive experience to the development of the OECD Council Recommendation on Broadband Connectivity (OECD, 2021i), adopted in February 2021. This legal instrument provides a reference for policy makers within and beyond the OECD to unleash the full potential of connectivity for the digital transformation and to ensure equal access to connectivity for citizens and companies. Korea provided one of the first translations of the Recommendation into the respective national language and its subsequent championing of this work, including through the organisation of a public event associated with the 2021 OECD Meeting of the Council at Ministerial level and through support for non-Member convergence to the goals and principles of the Recommendation, is an invaluable boost to the wider objective of connectivity for all.

Reflecting its early strengths in the digital arena, Korea also hosted the 2008 Seoul Ministerial on the Future of the Internet Economy. This event marked a turning point with regard to Internet policy. It considered the social, economic and technological trends shaping the development of the Internet and envisioned its potential to evolve from a useful platform to an essential infrastructure for all economic and social actors, thereby for the basic functioning of the economy and society (“Internet economy”). The overall objectives of the Seoul Ministerial were to provide an enabling policy environment for the Internet economy by facilitating the convergence of digital networks, devices, applications and services, by fostering creativity in the development, use and application of the Internet, and by strengthening confidence and security. This meeting also served to raise awareness at the highest levels of government that the Internet has become a core economic and social infrastructure. The meeting saw the adoption of the 2008 Declaration for the Future of the Internet Economy (The Seoul Declaration) (OECD, 2008), in which Ministers stated the further expansion of the Internet economy would bolster the free flow of information, freedom of expression, and protection of individual liberties, as critical components of a democratic society and cultural diversity; they also showed foresight in undertaking to use the tools of the Internet economy to help address global challenges such as climate change. The Declaration has attracted non-Member adherents, including Brazil, Egypt, India, Indonesia, Kazakhstan, Morocco, Romania and Senegal. The Seoul Ministerial was an irreplaceable stepping stone on the path to the 2016 Cancun Ministerial meeting and the Going Digital horizontal project that has successfully placed the OECD at the core of international digital economy policy making.
Sharing knowledge to strengthen a dynamic business environment

Korea is increasing its role in the CIIE, including representation on the current bureau as Vice-Chair, with significant shared interests in the policy domains of productivity, digitalisation, business dynamics and global value chains. Most recently, in December 2019, along with the Ministry of Trade, Industry and Energy (MOTIE) and the Korea Institute for Industrial Economics & Trade (KIET), a joint forum was organised to discuss Digital Transformation and the Global Economy. Korea is supportive of the CIIE’s unique micro-data projects, including collaborating to apply the OECD DynEmp\textsuperscript{3} statistical code to Korean data from the Statistical Business Register, to shed further light on the employment dynamics among firms in Korea.

Looking forward

Korea is now among the most advanced economies in the world in science, technology, innovation and industry. The question currently is how Korea can redefine its innovation and industrial policy in the digital age. The digital transformation will provide opportunities but also challenges as competition intensifies at the global level and leading firms can quickly scale up their operations through investment in intangible assets such as data, proprietary software, and human and organisational capital. Both large and small firms need to play their full part, if the next years of economic growth are to go hand-in-hand with inclusiveness and benefit all Korean people. A more market- and demand-driven industrial policy, coupled with an innovation policy that empowers all firms to experiment, means that future successful activities in Korea may emerge from a broader set of firms and sectors and inclusiveness can be part of a new growth model relying on business dynamism.

There are strong complementarities between productivity, innovation, business dynamism and inclusiveness. Reforms aimed at promoting business dynamism, helping small firms to scale up and accelerating technology diffusion can increase productivity and reduce the sector and size productivity gaps. A robust innovation ecosystem with strong linkages across firms, academic and research institutions, and investment in fundamental research, will underpin advances that create new opportunities for Korea.

\textsuperscript{3} The DynEmp project is a distributed micro-data project supporting the analysis of business dynamics, start-ups and job creation across a large number of OECD countries and partner economies.
Higher productivity benefitting a wider set of firms will enable Korea to participate in new GVC activities and allow productivity gains to be shared across more workers with a reduction in wage dispersion. This will in turn allow more workers to participate in the dynamic part of the economy and encourage new entrepreneurs to start businesses, thus contributing further to business dynamism.

Despite the unprecedented economic and social turmoil unleashed by the COVID-19 pandemic, Korea stands with strength in the global economy. The OECD looks forward to another 25 years of successful collaboration with Korea on science, technology, innovation and industry issues.
Introduction

The 2017 Environmental Performance Review (EPR) praised Korea for having championed green growth at the OECD (OECD, 2017). It highlighted that the country’s future prosperity rests on implementing this ambitious transition to a green, low-carbon economy. Korea’s rapid economic growth has been accompanied by significant pollution and consumption of resources. Increased investment has improved access to environmental services, but disparities remain between rural and urban areas. High population density is exacerbating environmental challenges.

The 2017 EPR of Korea demonstrated the significant improvements that had been made, leading to the following results:

- An exemplary policy framework supporting green growth
- The world’s second-largest emission trading scheme covering about two-thirds of national greenhouse gas emissions (GHG)
- A world-leading position in climate change mitigation technology
- A solid waste management track record and a new law to pursue a circular economy
- An enhanced liability regime for compensating environmental damage to health, property, and welfare

The EPR process involved a constructive and mutually beneficial policy dialogue between Korea and the countries participating in the OECD Working Party on Environmental Performance. The EPR report provided 45 recommendations aiming to help Korea green its economy and improve its environmental governance and management.

Since the EPR, there has been continued collaboration between the OECD and the
Korean government to improve water management, tackle air pollution, and pursue the green transition. In addition to exploring air pollution management and the green transition, this paper includes a focus section on water management.

**Pursuing the green transition**

Korea has been one of the fastest-growing OECD economies over the past decade. The country has set up an exemplary policy framework for green growth and has been a leader on the international stage. Korea has increased spending on green infrastructure and R&D. However, power generation and industrial production continue to emit significant GHG despite decoupling emissions of many pollutants from economic growth. Air pollution remains a major health concern, and rapid urbanisation and infrastructure development put considerable pressure on ecosystems.

Korea’s energy supply is heavily dependent on fossil fuels (Figure 1). End-2020, Korea has set a target of reaching carbon neutrality by 2050 and adopted the Carbon Neutral Strategy that aims at increasing the share of renewable energy sources, gradually phasing out coal, significantly improving energy efficiency, and fostering the country’s nascent hydrogen industry (IEA, 2021). Korea’s updated Nationally Determined Contribution (NDC) commitment is to reduce GHG emissions by 24% below 2017 levels by 2030 (Figure 2) (Hutfilter et al., 2020). The government plans to increase its NDC’s ambition ahead of the 2021 UN Climate Change Conference of the Parties (COP26) (Gerretsen, 2021).

Korea has championed green growth on the international stage, establishing the Global Green Growth Institute, hosting the Green Climate Fund and providing finance and know-how through the East Asia Climate Partnership. The country adopted a national strategy for green growth in 2009 with five-year implementation plans. In 2010, it passed the Framework Act on Low Carbon, Green Growth. This policy has stimulated investment in green infrastructure but had lost momentum until the government released the Green New Deal as part of its COVID-19 economic recovery package.

Korea’s 2020 Green New Deal worth KRW 220 trillion (USD 188 billion) investment gives priority to green infrastructure, low-carbon and decentralised energy, and innovation in green industries (European Parliament, 2021; Government of Korea, 2021). Successfully transitioning to a low-carbon economy will require sustained political
commitment and stronger price signals (OECD, 2017). Korea has made progress with carbon pricing due to increased permit prices of its broad-based emissions trading system (ETS) (Figure 3). The ETS contributes 30% to its overall carbon pricing effort, while the remaining 70% results from taxes on fuel use. Korea should continue increasing the share of allowances auctioned. It should also follow up on its commitment to phase out fossil-fuel subsidies. In April 2021, the Korean President announced that Korea will phase-out all new financing for overseas coal projects (OECD, 2021). Achieving the Green New Deal ambitions will also require addressing regulatory and institutional barriers, introducing more flexible energy markets, and using the country’s expertise in advanced technologies and innovative capacity (IEA, 2020).

**Figure 1. Korea’s energy mix**

Total energy supply by source, 1990-2019 (ktoe)

Figure 2. Korea’s GHG emissions and the target 2030

Note: Excluding emissions from land use, land-use change, and forestry.

Figure 3. Korea’s progress in effective carbon pricing (ECR)
Carbon price score at EUR 60 per tonne of CO2

Note: The carbon price score (CPS) measures how countries have attained the goal of pricing all energy-related carbon emissions at specific benchmark values for carbon costs. EUR 60 per tonne of CO2 is a low-end 2030 and mid-range 2020 benchmark. Energy-related carbon emissions include emissions from fossil fuel and biofuel combustion.
Economic benefits of tackling air pollution

Korea has decoupled emissions of all major air pollutants (except for PM10) from economic growth. This achievement is due to air quality improvement plans at national and subnational levels, tightened fuel and vehicle emissions standards, and the Air Pollutant Emission Cap Management System introduced in the Seoul Metropolitan Area in 2008. Nevertheless, some challenges remain, and, for instance, the concentration of PM2.5 is above the level (10μg/m3) recommended by the World Health Organisation (WHO). An upcoming OECD report (OECD, forthcoming) investigates the economic benefits of policy action on air pollution in Northeast Asia and provides projections up to 2050. The report finds that Korea could see a substantial decrease in the share of people exposed to unsafe PM2.5 concentrations levels by 2050 thanks to ambitious domestic policy action. Air pollution-related mortality rates would thus decrease by up to 10% in 2050 compared to the baseline scenario. Reduced air pollution-related mortality and morbidity rates would bring substantial yearly per-capita welfare benefits of almost USD 200 by 2050, increase labour productivity and agricultural productivity while only creating insignificant macroeconomic costs.

Korea’s role as a new global leader in sustainable water management

In the last three decades, Korea has emerged as a global leader in water management. The OECD is proud to accompany that emergence at domestic, regional, and international levels. However, while innovation and achievements are remarkable, there is no place for complacency. At the domestic level, Korea faces severe water-related challenges, which, if not adequately addressed, will impair social and economic development and resilience to a changing climate. At the regional and global level, Korea can strengthen its leadership by promoting innovation in hardware and soft power. The OECD is keen to further accompany and support current and future developments, working with Korean authorities in a mutually rewarding collaboration.

Bold policy reforms at the domestic level

At the domestic level, the OECD has accompanied the transition from infrastructure-driven supply augmentation to a more sustainable path that combines demand management, economic policy instruments, robust water allocation regimes, and attention to ecosystems. This transition is fuelled by technological innovation, particularly regard-
ing the use of information and communication technology for water management, captured in the Korean promotion of smart water management. It epitomised a dramatic change in water governance when the Ministry of Environment took the responsibility of water quantity and quality management and oversight of K-water and water infrastructure development.

**Enhancing water use efficiency in Korea**

Korea, a water-stressed country, grew and urbanised faster than most other countries by investing in water infrastructure to augment supply and prevent flood risks. However, long-term trends such as an ageing population and more uncertainty about water availability—due to climate change—question the prevailing model, characterised by heavy reliance on (publicly financed) infrastructure.

In that context, in 2016-17, at the demand of Korean authorities, the OECD reviewed three sets of instruments for water quantity management in Korea and related governance arrangements. The review focused on: i) economic instruments that promote water efficiency use in Korea; ii) Smart Water Management and the combination of water and information and communication technology to manage water resources and deliver water services; iii) water allocation regimes.

The review suggested that Korean authorities would benefit from adjusting economic policy instruments to promote water use efficiency in Korea. First, tariffs could better reflect the cost of supply at the abstraction point. Second, revenues could finance expenditure programmes that effectively contribute to river maintenance in the basins. Moreover, an abstraction charge could be considered in the longer term, reflecting the opportunity costs of using water in basins where water is scarce. Any step in this direction would benefit from a gradual, long-term, inclusive, staged approach that engages stakeholders at both national and local levels.

The review noted that Smart Water Management has the potential to contribute substantially to water use efficiency in Korea and abroad. It can support decisions about managing dams and reservoirs and allocating water in the system. In addition, it can support value-adding services to water utilities (such as leak detection) and water users (such as real-time information on water quality), thereby enhancing the performance of water utilities. However, the diffusion of Smart Water Management is hin-
dered by several bottlenecks in Korea and abroad. Such bottlenecks can be overcome by targeted measures, such as charges and tariffs that reflect the full cost of supplying water or models that minimise the need for new data. Such measures deliver better when accompanied by the involvement of final water users in defining additional services that contribute to their needs and by capacity building in municipalities.

Regarding water allocation regimes, the coexistence of water entitlements acquired before and after the construction of dams hampers the capacity of water allocation regimes to promote water use efficiency and discourage wastage. Reforming water allocation regimes can generate welfare gains in Korea. Now, these reforms are very challenging. International experience is helpful to explore how such reforms can be managed with appropriate accompanying measures. The OECD stands ready to further support policy reforms in this area, if and when appropriate.

Finally, the review emphasised that there was room to improve water governance, amending the institutional framework to promote water use efficiency in Korea. Governance arrangements could better reflect local conditions and engage with relevant stakeholders at national, basin, or local scale. Some recent developments along these lines should be encouraged, such as educating and informing the population and water users about water scarcity, the opportunity cost of misusing or misallocating water, and the cost of supplying water; developing a strategic programme towards stakeholder engagement, with result-oriented performance management; acknowledging basin organisations have a role to play. As a commitment to improving its water governance, the Ministry of Environment endorsed the OECD Principles on Water Governance and is part of the OECD Water Governance Initiative.\(^{15}\)

**Renewed emphasis on water quality and ecosystems**

A dramatic institutional reform occurred in June 2018, when the majority of water-related responsibilities shifted from the Ministry of Land, Infrastructure, and Transport, which successfully supported rapid economic growth and water supply augmentation, to the Ministry of Environment. This merge is a step in the right direction for improved

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\(^{15}\) The WGI is a multi-stakeholder network of 100+ members from public, private and civil society sectors gathering twice a year in a Policy Forum to share knowledge, experience and best practices on water governance across levels of government.
policy alignment and coherence. However, the experience of OECD countries suggests that improved coordination does not derive automatically from a reallocation of responsibilities. Therefore, the Ministry of Environment needs to develop and implement a co-ordinated water quality and quantity strategy to effectively merge responsibilities at national and sub-national levels and achieve greater coherence between water, land, and related policies.

In such a context, a collaboration between the Korean Ministry of Environment and the OECD on water was triggered by the acknowledgement that urbanisation, industrialisation, and population growth (at least until 2030) are increasing energy and food demands, which in turn, are exacerbating pressure on Korea’s scarce natural resources and ecosystems, including water and land. These pressures and others raise the stakes on allocating and re-allocating water and land resource uses across the water-energy-land-food (WELF) nexus for sustainable growth.

Innovative policy and institutional responses are required to make Korea’s advanced water infrastructure network more effective and efficient. Korea has made the transition from an expansionary water economy to a mature water economy. Demand-side interventions, options for water reallocations and pollution reductions, and further development of context-specific policy and institutional arrangements need to be further developed as competition and pressures on water escalate. The methods for evaluating the choice and implementation of interventions also need to adjust, including anticipating and planning against future risks, reflecting basin-specific issues and institutional contexts, and valuing water and ecosystem services.

At the same time, under a changing climate and increasing development pressures on water and land, traditional assumptions about the reliability of a rainy season and the certainty of reservoirs refilling each year, or the magnitude of floods, are likely to be misplaced. Korea would benefit from a long-term vision and plan to deal with existing problems and anticipate and plan against disruptive future water risks. Improvements in water quantity and quality monitoring, economic analysis of policy measures, and the incorporation of climate change and socio-economic scenarios would assist in the development of such a plan. Addressing the nexus sustainably requires Korean policymakers to consider: i) equity issues related to the allocation of risks and opportunities; ii) creating more with less and allocating scarce resources where they add value to society; and iii) investing in sustaining ecosystem services. To support further progress
in these directions, the OECD concluded that Korea would benefit from independent water regulation and greater enforcement of environmental compliance.

It is noteworthy that such reforms contribute to a stronger alignment of water policies in Korea with the OECD standard on water, as set by the Recommendation of the OECD Council on water. Korea has been instrumental in developing the Recommendation, which was unanimously endorsed by all OECD member countries in December 2016. Korea has also actively supported the development of the Toolkit for Water Policies and Governance, released in 2021. Korea endeavours to translate the Toolkit into Korean to facilitate its wider diffusion among Korean stakeholders.

**Global relevance of Korea as regards water technologies and management**

Innovation has a role to play in mitigating water-related risks and supporting the provision of water services on which our well-being and sustainable development depend. Over the last three decades, Korea has emerged as a global leader in water-related innovation. The OECD documented this performance, using patent data to track the invention of technologies that promote water security since 1990 (Leflaive et al., 2020).

The water-related technologies identified in the paper can be clustered into three categories: i) water pollution abatement; ii) demand-side (conservation of water in indoor use, in irrigation, in thermoelectric power production, and water distribution); and iii) supply-side (availability of water, through the collection of rain, surface, and groundwater; water storage; desalination of seawater).

The five largest overall inventors of the world’s water-related technologies, by patent count, are the US, Korea, Germany, China, and Japan, with about 70% between them. China and Korea have exhibited substantial growth in their share of world patenting for water-related and all technologies, while Germany’s share has steadily fallen. Korea went from less than 1% of the world’s water-related patents in 1990 to more than a quarter since 2009. For Korea, this growth outpaced its rapid increase in its share of overall patenting, which went from 2.2% to about 20% over the same period. In addition, Korea has a Relative Technological Advantage (RTA\(^16\)) of 1.40, indicating it is rela-\footnote{RTA is a measure of a country’s specialisation in a particular technological domain, in this case, patents related to water security. It is calculated as the ratio between a country’s share of water security patents and its share of total patents.}
tively specialised in water security technologies compared to other domains (see Table 1 below).

Korea and China contribute proportionally more to global pollution abatement invention than they do to overall patenting. Korea has the largest share of the world’s patented inventions for supply-side water technologies. However, of global water supply-side inventions that are patented in more than one jurisdiction, Korea has a 6.6% share and an RTA of 0.98. This may be due to these inventions being tailored to the local context or possibly a lower propensity for Korean resident inventors to seek patent protection in other jurisdictions.

<table>
<thead>
<tr>
<th>Country/Economies</th>
<th>Share of global water-related technologies (total patents), 1990-2016</th>
<th>Relative Technological Advantage (RTA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>23.5%</td>
<td>0.86</td>
</tr>
<tr>
<td>Korea</td>
<td>20.1%</td>
<td>1.40</td>
</tr>
<tr>
<td>Germany</td>
<td>9.9%</td>
<td>1.01</td>
</tr>
<tr>
<td>China (People’s Republic of)</td>
<td>8.5%</td>
<td>1.15</td>
</tr>
<tr>
<td>Japan</td>
<td>8.1%</td>
<td>0.57</td>
</tr>
<tr>
<td>Russia</td>
<td>3.1%</td>
<td>1.08</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>2.8%</td>
<td>1.14</td>
</tr>
<tr>
<td>France</td>
<td>2.7%</td>
<td>1.02</td>
</tr>
<tr>
<td>Canada</td>
<td>2.6%</td>
<td>1.51</td>
</tr>
<tr>
<td>Chinese Taipei</td>
<td>1.5%</td>
<td>0.42</td>
</tr>
</tbody>
</table>

Note: Water-related patented inventions include water pollution abatement or demand- or supply-side technologies.

Source: OECD (2020).

Such a remarkable performance shows that the enabling environment for water-related innovation is particularly well-developed in Korea and could inspire other countries with similar ambitions. This enabling environment combines robust policies that support innovation in the country, combining multiple domains for scientific and technological know-how (typically when information and communication technologies combine with water-related innovation to support smart water infrastructure and management). Moreover, such an enabling environment at home gains traction
abroad, with the active support of the Ministry of Foreign Affairs; the national champion K-water; and tailored fora such as the Asia Water Council. The regional initiative sketched below illustrates the combination of the adequate enabling environment and a regional agenda for water.

An initiative to position Korea and the OECD as prominent regional partners on water

At a regional level, the OECD and Korea co-operate to enhance water security in several countries in Southeast Asia. This co-operation benefits from the partnership with the Asia Water Council (AWC), which contributes convening power, and expertise on technology.

In May 2019, the Korean Ministry of Environment, the OECD, and the AWC signed a memorandum of understanding to support the achievement of the Sustainable Development Goals (SDGs) through the resolution of Asian water issues. The Korean Ministry of Foreign Affairs joined the partnership in June 2020. The Parties seek to co-operate in the water sector in line with the OECD’s Southeast Asia Regional Programme (SEARP). Co-operation entails, among other things, joint projects on water issues in developing countries of Asia; mutual co-operation and support for international co-operation projects in the Asian water sector; exchange of relevant experts and trainees in the water sector, subject to each Party’s written agreements.

The MoE-AWC-OECD collaboration takes the form of two mutually supportive tracks:

- A regional track, where common issues are addressed, experiences from Asian countries are reported, and good practices are shared. The regional track includes one meeting per year with government representatives from each of the Asian countries covered by the work, representatives from financing institutions (e.g. WB, ADB, GCF), and Asia Water Council (AWC) regional partners, possibly in the context of the international events (e.g. Asia International Water Week), to be chosen by the project partners.

- A domestic track, where National Policy Dialogues (NPDs) are undertaken by the MoE, the AWC, and the OECD to identify priority areas for water-related investment, options to address financing needs and enhance financing capacities, and technologies and innovation in line with policy priorities, financing
strategies, and capacities. The NPDs are demand-driven and tailored to the specific needs of countries. They aim to facilitate the development of strategic pathways for investment, robust financing strategies, and the planning and implementation of reforms that promote investments that contribute to sustainable growth, taking account of future water issues and problems.

Lately, the international collaboration between Korea and the OECD on water is taking a new dimension. Korea explores the benefit of a water welfare approach to water management, highlighting the economic, social, and environmental benefits of water management. The OECD contributes to that innovative re-framing of water policy, building on own analyses as well as the OECD’s well-being lens to the climate action. The ambition is to offer this new approach as a framework that supplements prevailing notions of integrated water resources management and water security. As a result, water welfare can inspire innovative policies for water management at the domestic, national, or global levels.
Regulatory Quality and Competition Policy in Korea

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At the time of Korea’s accession to the OECD in 1996, regulatory reform was likely a novel idea. Korea was among the first countries to undergo a regulatory reform review in 2000. Recommendations from two subsequent reviews (2007 and 2017) have further guided the Korean government in consolidating and pursuing reform efforts. Successive governments have been highly active in implementing measures to promote regulatory reform and have made impressive progress to improve Korea’s regulatory quality system over the years. The 2021 OECD Indicators of Regulatory Policy and Governance (iREG) show that Korea has successfully established the institutions, processes and tools to support good regulatory practices over the last 25 years. While there is always room for improvement on the quality of these practices, Korea should rightly be proud of its trajectory on regulatory reform.

Figure 1. Indicators of regulatory policy and governance (iREG): Korea, 2021

Notes: The more regulatory practices as advocated in the OECD Recommendation on Regulatory Policy and Governance a country has implemented, the higher its iREG score. The indicators on stakeholder engagement and RIA for primary laws only cover those initiated by the executive (4% of all primary laws in Korea).

StatLink 2 https://doi.org/10.1787/888933815509
Introduction

Korea had experienced unprecedented economic growth in the years leading up to joining the OECD. However, it had done so on a model of so-called authoritarian capitalism, in which enterprises were privately owned but managed jointly between the government and its owners. Korea faced major domestic regulatory challenges as it joined the OECD as well as the headwinds of ever-increasing globalisation.

These challenges required profound changes to the state. President Kim Dae-jung prophetically stated in 1998, “Any reform undertaken in Korea must begin with the government”. Thus, less than two years after joining the OECD, a major programme was launched with the aim of changing the role of the state in Korean economy and society. The government adopted far-reaching plans for administrative reform that eliminated unnecessary rules, produced a smaller and more efficient administration, incorporated competitive principles in government, and created a “customer orientation” within the administration.

Korea has made impressive progress over the years in terms of introducing policies, institutions and tools to assure high quality regulation. The original impetus for reform was to strengthen the Korean economy through deregulation and to facilitate recovery from the economic crisis of the Asian Financial Crisis in 1997. That crisis provided the opportunity for the administration to undertake significant changes; steps were taken to reduce the number of regulations in place, and many new programmes and tools to promote regulatory quality were established.

Korea undertook further extensive reforms in the wake of the Financial Crises of 2007-08. While it maintained its commitment to the overall trajectory of regulatory reform, it introduced the Temporary Regulatory Relief (TRR) programme in May 2009. This programme suspended and delayed the application of 280 regulations for two years, until the economy had recovered from the crisis. The programme was successful in bolstering private sector investment and consumption and reducing the regulatory burden on small and medium enterprises.

Korea was also quick out of the blocks in its regulatory response in the early days of the COVID-19 pandemic. To boost testing capacity for the pandemic response, unlike many other countries, Korea removed regulatory barriers that limit the participation of
public or private laboratories in providing testing services. Having learned from previous crises (MERS in particular), Korea enlarged its testing network to encompass all laboratories with appropriate capacity, as well as removing barriers that could limit the opening of “off-premises” locations (e.g. testing has involved innovative methods such as drive-through and walk-through testing facilities).

Korea has been a prime example of a country not letting a crisis go to waste within the regulatory realm. Successive governments have also been highly active in implementing measures to promote regulatory reform and have made impressive progress to improve Korea’s regulatory quality system over the years. However, there remains scope to consolidate the gains that have been made to date and to improve further in a dynamic policy field where the frontiers of the state-of-the-art are still being defined. In addition, many of these regulatory reforms are still relatively nascent and so have not yet become part of the administrative culture, particularly at the lower levels of the administration. The Korean government has made efforts to give guidance and training in regulatory management tools biannually, especially to sub-national officials accountable for promoting the progress on regulatory reform.

The sections below provide a more granular analysis of key elements of regulatory policy and governance in Korea: leadership and oversight of regulatory reform, regulatory impact assessment (RIA), transparency and predictability, and regulatory performance assessment.

**Leadership and oversight of regulatory reform**

Appropriate institutions and leadership thereof are central to a successful and ongoing programme to ensure regulatory quality. Responsibility for the various aspects of regulatory policy and governance should be clearly allocated to institutions across the government administration, which should in turn be sufficiently resourced to fulfil their responsibilities. The appropriate institutional structure is also important in ensuring that the reform process is transparent and that those making the decisions are accountable for their actions.

Korea’s presidential system has made it easier to promote regulatory reform, which has been a crucial factor in sustaining progress against—at times—strong opposition. One of the great strengths of Korea’s regulatory reform agenda has been the promi-
nent personal leadership role of the president in all administration since joining the OECD. Sustaining reform against domestic opposition will continue to rely on strong political leadership.

The Regulatory Reform Committee (RRC) is the most important body at the working level and provides regulatory oversight across the whole administration. The RRC’s general mandate is to develop and co-ordinate regulatory policy and to review and approve regulations. The RRC operates under the authority of the President with a secretariat function supporting it work through the Regulatory Reform Office (RRO), which is located in the Prime Minister’s Office.

The RRC has been a crucial element in the achievement of rapid regulatory reform and will continue to be essential to further progress. Over 3,500 proposals are received every year by the RRO from all central administrative regulations. Among the reviewed proposals, around 1,000 proposals (proposals that contain regulations) are transferred to the RRC. Performing a complete review for over 1,000 proposals may serve as a daunting task for the RRC, which handles an extremely high load of oversight relative to other OECD countries.

The RRC is divided into the Economic Sub-Committee and the Administrative and Social Sub-Committee, which separately review regulations according to their nature. Members of the RRC are from both the government and non-government sectors, and their participation in the committee is done on a part-time basis. The RRC meets twice a month to deliberate on significant regulations.

The RRC’s area of responsibility is to play the oversight of regulation prepared by government ministries. This is a prominent issue because under the Korean system of government, congress members themselves can introduce bills directly into the Parliament (National Assembly). The percentage of primary laws initiated by National Assembly has increased from 38.5% in 2000 to 75% in 2007, and to 90% and 86% in 2015 and 2016, respectively. At present, most of the bills initiated by parliament lack the needed regulatory quality scrutiny or review. While the National Assembly has the potential to improve the quality of legislation through public hearings and the review of bills, there is no entity within the chamber that systematically oversees legislative improvements.
There is a network of officials working on regulatory issues across central administrative agencies and through committees. At the national level, around 90 members from the RRO and the Public-Private Joint Regulation Advancement Initiative (PPJRAI) work to co-ordinate and manage regulatory policies. This network is important to ensure quality of regulation and embed a culture of good regulatory practice across the government.

Korea has several research centres and institutes that provide a general research capacity to support central government agencies in their rule making activities. These agencies work in close collaboration with the central government reform agencies. As an example, the Korea Development Institute (KDI) is an important “think tank” founded in 1971 by government to undertake research, analysis and provide advice on a wide range of economic policy issues. The work of the KDI covers long- and short-term economic policy and development issues related to domestic Korean economic matters as well as international trade and development issues. The OECD has collaborated with the KDI on a regular basis and recently developed a series of case studies to document the regulatory challenges brought by innovation and the variety of existing and potential regulatory approaches that can help to address those challenges.

**Box 1. Key outputs and lessons learnt from the joint project between KDI and the OECD: The future of regulation**

As part of a joint project, the OECD and the Korean Development Institute (KDI) have developed a series of case studies to document the regulatory challenges brought by innovation and the variety of existing as well as potential regulatory approaches that can help to address those challenges. These case studies are an example of mutually enriching efforts to develop a robust body of evidence on regulatory policy reform and combine the knowledge and experience of both Korea and the OECD to shed light on a variety of complementary insights. They cover the following areas: data-driven business models, digital innovation in finance, smart contracts relying on distributed ledger technologies, digital technologies for smart logistics and the sharing economy.

The different case studies illustrate difficulties for regulatory action to keep pace with the rapid pace of innovation and technological development. They
also point to the blurring of traditional markets’ boundaries, which challenges the definition of regulators’ mandate, remits, and results in a number of enforcement challenges. Finally, they highlight the mismatch between the fragmentation of regulatory frameworks across jurisdictions and the strong trans-boundary effects of many innovations.

From the case studies, it also emerges that governments in the face of these challenges have implemented a variety of regulatory approaches (Figure 2). These notably include outright bans on the development and adoption of certain innovation; adopting a wait-and-see approach to discover which of the initially perceived risks end up materialising; the piloting of regulatory experiments such as the adoption of fixed-term regulatory exemptions for innovation that uphold overarching regulatory objectives such as consumer protection. Issuing guidance to help innovators understand how the regulatory framework applies to specific innovation and reduce the potential regulatory uncertainty regarding compliance with existing requirements is also an important option at hand.

**Figure 2. Regulatory approaches to transformative technologies**

Understanding regulatory effects: The use of Regulatory Impact Analysis

Effective tools and procedures are essential to ensure well-functioning and transparent regulatory processes. Regulatory Impact Analysis (RIA) is a crucial tool for ensuring that efficient and effective regulatory options are chosen. The value of the tool is reflected in the fact that most OECD countries have introduced a RIA system and Korea is no exception.

The Basic Act on Administrative Regulations that came into effect from 1 June 1998 established the Korean Regulatory Impact Analysis system. The government requires that a RIA be conducted for all types of legislation, including presidential decrees and
ordinances. The RIA system is a multi-layered process of revision and improvement, which is carried out by the head of a central administrative agency, partially reviewed by concerned agencies such as Small and Medium Business Administration, Fair Trade Commission and Korea Agency for Technology and Standards (KATS), and pre-reviewed and verified by the two regulatory research centres at the Korea Development Institute (KDI) and the Korea Institute of Public Administration (KIPA). All drafted RIA statements are made public during the advance notice period of proposed legislation (over 40 days for legislative notice and 20 days.) These are subsequently reviewed by the internal regulatory reform committee of the concerned central administrative agency, and then fully reviewed by the RRC for significant regulations.

The e-Regulatory Impact Analysis (e-RIA) was introduced in July 2015 to ease the process and improve the quality of the RIA system. This allows RIA statements to be drafted and processed online. The system compares regulatory costs and benefits associated with each alternative through an automatic data accumulation function. The system also helps enhance the quantification of the cost-benefit analysis.

For RIA, Korea requires analyses to be proportionate to the significance of the regulation and calls for alternative regulatory options to be assessed for all subordinate regulations. This allows for more systematic assessment and implementation. In 2020, Korea enhanced the RIA for SMEs by introducing the impact reporting system and revising a related guideline.

**Transparency and predictability**

Transparency is a key element of an efficient and effective regulatory process. A transparent process provides a form of quality check on new regulations. In addition, transparency ensures that those affected by the regulation understand why it is being introduced—it therefore reinforces the legitimacy and fairness of the regulatory process. Korea has taken concrete steps to improve transparency and consultation with affected groups.

Stakeholder engagement is a vital administrative process (and mind-set) to help improve transparency in the regulatory procedure. While Korea has a long tradition of public consultation, there is the need for greater emphasis on representation and ease of access. Efforts have been made to increase transparency and public access in the
regulatory process through the various government portals, notably the Regulatory Information Portal, i-Ombudsman, and the online Regulatory Reform Sinmungo, with the latter also open to foreign nationals to provide feedbacks and suggestions.

The Regulatory Reform Sinmungo is an innovative and efficient tool to receive feedback on regulations and regulatory administration. Any petition on regulatory inconveniences or burdens can be submitted through this platform. Once a petition is filed through the system, the responsible official at the relevant central administrative agency accepts or declines the petition within 14 days. If the rejected petitions were deemed reasonable by the RRO, the responsible agency would need to justify the grounds for refusal within 3 months’ time.

The Regulatory Information Portal serves as a channel where people can participate in the regulatory reform process. The government launched the Regulatory Information Portal in 2014 to serve as a platform for public engagement in the process of regulatory reform. Upon receiving suggestions from the public or businesses, the agency responsible is strongly encouraged to reflect their opinions in the regulatory proposals. At the same time, if stakeholder engagement is reckoned insufficient, notably in the RIA process, the responsible agency is requested to revise the statement. Aside from serving as a communication platform, the Regulatory Information Portal also provides and advertises information on regulations, including successful cases on regulatory reform.

Government-wide efforts have been made to encourage public engagement in the regulatory reform process. In addition to the Regulatory Information Portal, the government, led by the RRC, has pursued several methods to increase participation in the regulatory reform processes.

The Korean government actively promotes recent regulatory reform achievements through official communication channels and in major public spaces employing public-friendly media (including infographic, card news, webtoons, among others).
Box 2. Policies, regulatory framework and enforcement for improving air quality in Korea

During past years, Korea figured among the OECD countries with the highest share of population exposed to excessive PM2.5 (atmospheric particulate matter that have a diameter of less than 2.5 micrometres) concentrations and PM2.5 concentration level in Seoul is about two times higher than the WHO’s guidelines or the levels of other major cities in developed countries. A number of countermeasures have recently been introduced to address such challenges, many of them relying on regulatory policy tools.

Key recommendations for Korea to improve its air quality regulatory frameworks and ensure implementation of regulations include:

- Building provincial and local governments’ capacity to carry out their statutory environmental responsibilities and tasks delegated to them by the central government; provide the necessary financial resources to ensure effective enforcement of national environmental regulations; strengthen the system of environmental performance indicators for all levels of government. Clearer and transparent rules for appointing and dismissal of the heads of environmental inspections could strengthen the independence of inspections and therefore decrease potential risks of manipulating inspections towards political goals of the local leadership.

- Reinforcing ex ante assessment of environmental policies and regulations through wider application of quantitative cost-benefit analysis and expand ex post evaluation of their implementation. It is necessary to adopt regulations based on their necessity supported by evidence, rather than on simple accounting and offsetting of costs. A methodology for evaluating costs on environment should be included in the official RIA guidance.

- Improving public participation in environmental decision making by introducing mechanisms for public involvement in the development of environmental permitting decisions, and by opening the environmental impact assessment process to input from the general public (beyond local residents) and NGOs. Better information on both goals of government policies and
Regulatory performance assessment

Regulations are introduced to deal with particular problems, but over time because of economic, social or technological change, the problems may change, or new instruments may become available which may better address them. However, old regulations or administrative formalities may remain in force (though perhaps not always enforced) and so most OECD countries have accumulated significant stocks of regulations and procedures, which may no longer be relevant. There is therefore a need to continuously review and look for ways of simplifying the stock of regulation.

The Cost-in, Cost-out, and the Regulatory Sunset Clause are the core instruments used to evaluate existing regulations. When introducing or reinforcing regulations, each central administrative agency is mandated to draft a plan of regulatory ex post evaluation as part of the RIA statement. The ex post evaluation is intended to measure the actual

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impact of each regulation and check if the introduced regulation is fit for purpose.

Initially launched as a pilot project in 2014, the Korean “Cost-in, Cost-out” (CICO) system formally entered into full force in July 2016 by ordinance of the Prime Minister. CICO is a mechanism to restrict the increase of the costs of newly introduced or reinforced regulations by abolishing or relaxing regulations that carry equal or greater costs. 27 central administrative agencies have adopted CICO for regulations that generate direct costs for economic activities of any individual, business, or non-profits. Since CICO requires the responsible agency to conduct a cost-benefit analysis for outgoing regulations that are bound to offset the costs of newly introduced regulations, there is a built-in mechanism to reassess the validity, rationality, and appropriateness of the existing regulations. As another policy tool to conduct ex post evaluation, central administrative agencies are mandated to include a sunset clause in all regulations unless there are particular reasons not to comply with the sunset requirement. Sunset clauses can take the form of “review and sunset” or “outright sunset” with the explicitly stated timeframe that is usually three years and shall not exceed a maximum of five years. Such requirements induce central administrative agencies to conduct a retrospective or ex post evaluation of existing regulations, and actively revise, improve, or repeal those that do not serve the originally intended purpose. At present, there is no existing system (externally or internally) in Korea that publishes a calendar of the regulations to be reviewed.

The Korean government also makes some use of sunsetting as a mechanism to keep regulations up to date. The legal basis for sunsetting is provided in Article 8 of the BAAR, which deals with the continuation of regulation. This article states that regulations that do not have “a clear reason to remain in effect” should not remain in force for longer than what is necessary to achieve their objective and in principle, this period should not exceed five years. Several variations of the sunset clause have been applied since its introduction in 1998. The overall aim of the sunset clause is to review periodically regulations in order to determine whether it will be retained or abolished. The Korean government has used sunsetting sparingly. Effective use of sunsetting requires that it be evaluated to ensure that it is achieving its objectives. Such an evaluation is undertaken by the RRC prior to extending the sunsetting period.

A number of surveys have been conducted to measure customer satisfaction in rela-
tion to regulatory reforms. Despite the government’s strong commitment to regulatory reform, there are concerns that the public may perceive that reforms have only a low level of improvement in their daily lives. To address this discrepancy between government efforts and public satisfaction, the RRC has been conducting annual customer satisfaction surveys on regulatory reform as part of the government performance evaluation of regulatory reform. The survey is conducted on the perception of the public, stakeholders, experts and government officials on regulatory reform efforts of the government, in terms of regulatory contents, process, performance, and impacts on daily lives.

**Recent regulatory reform to facilitate new industries and technologies**

As part of a prompt response to changes in regulatory environment, including the emergence and on-going development of the 4th Industrial Revolution, the Korean government has been developing and adapting innovative regulatory systems to facilitate the activities of new industries and technologies.

Since January 2019, the Korean government has been operating the Regulatory Sandbox programme (Box 3) to allow for various experiments of potentially innovative technologies that were stalled under previous regulatory frameworks. Under safety conditions guaranteed through either special substantiation or interim authorisations, numerous innovative products and services have been experimented with and successfully market-launched to ultimately enhance the consumers’ well-being and convenience.

**Box 3. Regulatory sandbox programme**

Since its initial announcement in 2017, the Korean Regulatory Sandbox programme was specially designed to cover four comprehensively categorised sectors, including information and communications technology (ICT) convergence, industrial convergence, innovative finance, and regional innovation. The programme was later expanded to the Smart City and Research and Development (R&D) Innovation Cluster sectors to guarantee enhanced social safety and to further foster development of innovative technologies in a wider range of sec-
The Korean government made a fundamental regulatory paradigm shift to properly respond to the rapidly changing regulatory environment. Under the previous “positive” regulatory system, new and emerging innovative products and services had to comply with regulations that were not always compatible with the emerging technology. A transition into the so-called “allow first, regulate later” system was suggested in order to promptly bring emerging technologies into the market and revise relevant laws ex post, when necessary. Following the official announcement of its transition to the Comprehensive Negative Regulatory System in September 2017, the Korean government has actively conducted review and adjustment of existing regulations, initially focusing on the central government ordinances. The campaign has quickly expanded

Regulatory sandboxes allow firms to pre-launch innovative products and services in the market under certain conditions, namely, limited period, location, and scale. Participating firms are exempted from regulations which they would have otherwise abided by if not for the regulatory sandbox. Based on the data collected during the process, relevant regulations are amended and rationally improved. On top of the Special Substantiation, Interim Authorisation, and Active Administration, safeguards for consumers work conjunctly to serve the purpose of the regulatory sandbox. As of August 2021, 105 cases of regulatory sandbox were approved in 2021, 209 in 2020, and 195 in 2019. Sector-wise, 153 cases related to Innovate Finance, 144 to Industrial Convergence, 111 to ICT Convergence, 71 to Regional Innovation, and 30 to Smart City. In terms of the support mechanism, 411 cases benefited from Special Substantiation, 65 from Interim Authorisation, and 33 from Active Administration.

to amendment of other regulations at other levels, including the municipal.

The Preemptive Regulatory Innovation Roadmap is another instrument set up by the Korean government to proactively search for and remove existing regulatory hurdles that may hinder innovation, by foreseeing upcoming developments in emerging technologies. Whereas the previous regulatory reform programmes had taken a bottom-up approach, in which the government rather passively reviewed the reform agenda proposed by private sector, the pre-emptive regulatory innovation system will undertake a top-down approach requiring ministries to proactively discover and handle potentially regulatory issues that may arise in emerging markets. The Preemptive Regulatory Innovation Roadmap has been prepared in six areas, including autonomous vehicles, drones, hydrogen and electric vehicles, virtual reality (VR) and augmented reality (AR), robots, and artificial intelligence (AI).

**Competition policy**

The Korea Fair Trade Commission (hereinafter “KFTC”) joined the OECD Competition Policy Committee as an observer in 1993 and participated in the Competition Week meeting for the first time in December of the same year. Since then, the KFTC has participated in the meetings every year to share Korea’s experience with competition policies and law enforcement and also to share and discuss views on competition issues. The KFTC has contributed to establishing and spreading best practices in the field of competition policy through the OECD Competition Committee meetings and made efforts to enact and revise OECD recommendations so that not only member countries but also non-member countries can refer to it when enforcing competition laws.

Since joining the OECD, Korea has actively shared its experience and opinions on laws, systems and cases related to competition with other member countries. As a result, Korea has not only advanced its competition law and system, but also taken the lead in discussing international competition issues and promoting its experience of implementing competition laws to developing countries.

Since 1999, the KFTC has dispatched staff to the OECD Secretariat to directly contribute to the activities of the OECD Competition Division. Since 2001, several high-ranking KFTC officials have been elected to the Bureau of the OECD Competition Committee, and they actively participated in setting and operating the agendas of the Competition
Committee and working parties.

Through such active participation, the KFTC has contributed to the enactment and revision of more than 10 recommendations in the OECD Competition Committee. The results of these discussions have also been reflected in domestic legislation and policies. Specifically, Korea accepted OECD recommendations and enacted the Cartel Reorganisation Act in 1999 to regulate hard-core cartels. Also, Korea raised the upper limit of penalty surcharge from 5% to 10% of related sales (2004)\(^1\) and referred to the OECD for the introduction of essential facilities doctrine in the Enforcement Decree of Monopoly Regulation and Fair Trade Act (hereinafter “MRTFA”). And in line with the OECD Guidelines for Corporate Governance (1999), standards for corporate governance and the holding company system were introduced in 1999.

In addition, the KFTC has prepared specific standards to effectively prevent government regulations that limit competition unnecessarily—based on the OECD’s Competition Assessment Toolkit in 2007, the KFTC prepared the “Competition Assessment Manual”.

Consultation with the KFTC is required when enacting or revising government legislation and administrative rules that restrict competition. As a result, the number of KFTC consultations on government regulations continued to increase from 430 in 2004 to 1,097 in 2009, 1,912 in 2014 and 2,649 in 2020. In addition, the KFTC has been making steady efforts to improve the anti-competitive regulations existing in local government laws since 2007. Moreover, the Office for Government Policy Coordination revised the “Regulatory Impact Analysis Statement Guidelines” in 2009 to enable the KFTC to perform competition assessment of new and strengthened regulations of ministries with its experience and expertise. As a result, competition assessment has become one of the essential legislative procedures.

Furthermore, the OECD has a dedicated Regional Centre on Competition (RCCs) (OECD-Korea Policy Centre, Competition Programme) which is a joint venture between the Korean government (via KFTC) and the OECD. The Competition Programme of the OECD-Korea Policy Centre has operated since 2004. Its objective is to improve enforce-

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\(^1\) The upper limit of penalty surcharge will be raised again to 20% of related sales according to the MRFTA, which was revised in December 2020 and will be enacted in 2021.
ment capabilities of competition agencies in the Asia-Pacific Region. It also facilitates information sharing and networking between agencies in the region. It does this through workshops and seminars and also undertakes research. The KFTC participates actively as do many competition authorities from the OECD, sending experts speakers. To date more than 2,500 participants from 26 economies (competition officials, regulators and members of the judiciary) from Asia-Pacific have benefited from the programme.

The activity of the OECD-KPC Competition Programme has been critical to the development of competition law and policies in the region in line with international best practices, It provides an important platform that supports the improvement of the business environment throughout the Asia-Pacific region.

**Box 4. Regulation of online platforms**

Online platforms have created and reshaped markets across various sectors. The power of these platforms in some markets stem partially from the strong network effects that they generate and their significant economies of scale and scope, leading to tipping and to winner-takes-most dynamics and to high concentration levels. Online platforms also have the ability to collect and exploit data which may act as a barrier to entry in some markets. These characteristics have attracted the attention of competition enforcers and policymakers around the world.

Examples are the European Union with the Digital Markets Act (DMA) proposal and the advice of the UK Competition and Markets Authority (CMA Advice) on a new pro-competitive regime for digital markets. These proposals of ex-ante regulatory frameworks are based on competition principles and aim to encourage competition, limit the exploitation of market power and open up markets for new entry. They would apply to gatekeepers in the DMA or firms determined to have strategic market status (SMS) under the CMA Advice.

**Korea**

Considering that the increasing reliance on online platform operators has re-
sulted in their superior bargaining position and has raised anti-competitive concerns, the Korea Fair Trade Commission (KFTC) proposed the enactment of the “Act on Fair Intermediate Transactions on Online Platform” (Online Platform Bill) in September 2021. The Bill targets platform operators or firms that intermediate transactions between online stores and their consumers in Korea and generate commission fees or have intermediate transaction amounts in excess of KRW 10 billion and KRW 100 billion, respectively, in a year.

The Online Platform Bill seeks to improve transparency and fairness in the transactions between platforms operators and online stores by imposing certain obligations on the former to: (1) include mandatory provisions in the contract between the platform operator and online store, including statements on whether (a) the online store can access information generated by its consumers, and the means and conditions for accessing such information; (b) the platform will treat the products of the online store differently from other products; (c) the platform’s intermediary services is conditioned on the online store’s use of other services or products; and (2) requiring platform operators to notify online stores 15 days prior to any change in the terms of the contract, or any limitation, suspension, or cancellation of the platform’s services.

The Bill also specifies the practices of platform operators that may be considered as an abuse of superior bargaining position under Article 23(1)(4) of the Monopoly Regulation and Fair Trade Act (MRFTA). These include forcing online stores to purchase products or services, setting or modifying trading conditions to the disadvantage of online stores, and interfering with the business activities of online stores.

Differently from the DMA or the CMA Advice, the obligations under the Online Platform Bill apply even to firms without a substantial or entrenched market power, or those which do not possess a superior bargaining position under the (MRFTA).

The Online Platform Bill will require approval by the Korean National Assembly.

Conclusion

Korea has made remarkable progress in establishing the institutions, processes and tools to support good regulatory practices since it joined the OECD in 1996. This is borne out by OECD data and results on the ground.

There is high-level commitment to leadership and oversight of regulatory reform through the ministerial meetings on regulatory reform focus on reducing regulatory burdens and creating a more business-friendly environment. The culture of the administration needs to maintain regulatory reform as a priority for the incoming administrations by ensuring the continuity of policies and tools that have worked.

RIA is a cornerstone of good regulatory practice in Korea. First introduced in 1998 and brought into the digital realm in 2015, RIA statements are drafted and processed through an online platform, which automatically compares regulatory costs and benefits. Research institutions with some degree of autonomy from government also provide independent analysis on specific issues.

The National Assembly should consider the creation of a permanent legislative regulatory quality mechanism to scrutinise its own legislative actions as well as asking the executive branch to submit all relevant materials such as RIA statements and CICO analyses to the National Assembly so that the expected impacts of primary legislation are taken into consideration when reviewing or drafting bill.

Initiatives to increase the transparency of and public access to the regulatory process include the creation of government portals such as i-Ombudsman and the online Regulatory Reform Sinmun go are welcomed. The government needs to ensure that central administrative agencies much more actively engage relevant stakeholders and local administration early in the process of rule-making and support capacity within the public administration to engage with stakeholders.

Korea made impressive reforms to review and reduce its stock of regulations after joining the OECD and in the immediate wake of the 1997 financial crisis, reducing its stock of regulations by 50%. More importantly, these efforts were likely to have facilitated a shift in thinking among Korean government officials away from command and control regulation and contributed to the momentum for regulatory reform that took hold
over the next two decades. That said, the administration need to make greater efforts to introduce *ex post* evaluation for existing regulations in a strategic manner, and discuss and publish planned evaluations. Likewise, it needs to integrate quality control systems into regulatory reduction initiatives using clear and systematic criteria to guarantee that regulations are meeting the intended objectives in the perception of both the regulated entities and those who implement and enforce regulations.

As final thought, emerging and digital technologies are raising profound regulatory challenges for governments. A key aspect in this regard is the regulation of online platform. Policy makers and regulators alike need maintain a balance between fostering innovation, protecting consumers, and addressing the potential unintended consequences of disruption. As government rebuild afresh from the pandemic, Korea should ensure that innovation is not held back by regulations and regulatory practices designed for the past. Korea should strive to ensure its regulations keep up with the global scale and high speed of innovation to guarantee their populations worldwide benefit from innovation without paying a high price on their human, social, or economic rights. In the face of these challenges, Korea needs to consider a more agile and internationally coordinated approach to the regulatory governance of innovation; one that supports renewed economic growth, inclusive development and resilience to future shocks.
A 25-Year Partnership for Sustainable Agriculture and Fisheries

Haengnok Oh, Misun Yoo [TAD]

Introduction

Korea is one of the OECD countries that has achieved the fastest growth in income per capita over the past 25 years. Remarkable economic growth in Korea in the last four decades has been led by export-oriented industrialisation. In this process, the share of agriculture and fisheries in value-added and employment has diminished, even as overall output has continued to rise (Figure 1).

Figure 1. Agriculture, forestry and fishing value added of Korea, 1960 to 2020


The share of agriculture and fisheries production in Korea’s Gross Domestic Product (GDP) fell from 4.96% to 1.83% during the period of 1996-2020.18 The share of agricul-

ture and fisheries in total employment has also declined, falling from 8.0% to 5.1% between 2005 and 2019 (Figure 2).

**Figure 2. Employment in agriculture and fisheries, 2005 to 2019**

Both sectors have been under pressure to respond to changing domestic demands and to improve their productivity in a very limited time. At the same time, the policy environment has changed to increase the exposure of producers to international competition.

Against this background, this chapter considers the role that the agriculture and fisheries sectors in Korea have played in contributing to food security, the generation of viable livelihoods and the sustainable use of natural resources.

**Policy background**

From the 1950s to the 1970s, agricultural policy concentrated on increasing crop productivity and achieving self-sufficiency in staple crops. Through the late 1980s and the 1990s, government objectives centred on restructuring the agricultural sector and improving its competitiveness, concurrent with the opening of agro-food markets. The sector faced challenges to keep up with the comparatively competitive manufacturing sector and to adapt to international competition following conclusion of the Uruguay Round Agreement on Agriculture in 1994. In addition, rapid growth and industrialisa-
tion led to income disparities between farm and urban households (OECD, 2021[1]).

Since the early 2000s, the emphasis of agricultural policy has shifted to a broader set of objectives, which include revitalising the rural economy, expanding export markets, and enhancing the environmental performance of the sector. Moreover, multilateral and bilateral trade agreements have required progressive structural adjustment in the sector. During the late 1990s and 2000s, non-tariff trade measures on agricultural products were gradually converted to a system of tariffs and Tariff Rate Quotas (TRQ). As agreed in the Uruguay Round Agreement on Agriculture, rice remained an exception to this until January 2015, when a tariff scheme also replaced non-tariff measures on rice. The most recent five-year policy plan (2018-22) emphasises the re-orientation of agricultural policies to ensure income stability and quality of life for farmers, as well as balanced development between agricultural production and environmental conservation, with the aim of addressing a variety of societal demands related to agriculture and rural areas (OECD, 2021[1]).

The fisheries industry faced a turning point in the 1990s. In 1994, the United Nations Convention on the Law of the Sea (UNCLOS) came into force, which Korea and its neighbouring countries, Japan and China, ratified in 1996. Based on the UNCLOS, Korea concluded fisheries agreements with its neighbours (with Japan in 1998, and with China in 2000), which led to significant reduction in its fishing area. In 1999, Korea developed its first National Fisheries Development Plan to restructure the sector from wild catch-oriented policy to management of marine living resources. To achieve this goal, Korea introduced a Total Allowable Catch (TAC) in 1999 which was applied to 4 species, and expanded the budget for decommissioning of vessels (OECD, 2008[2]).

From 2001, Korea became a net importer of seafood and, with the conclusion of Free Trade Agreements (FTA) with a number of economies19, the fisheries sector was facing strong competition. In order to recover its marine resources and to increase the competitiveness of its fisheries industry, Korea focused on developing further the TAC mechanism, eliminating illegal bottom-trawling, and shifting from government regulation to community-based fisheries management (OECD, 2008[2]).

Despite these efforts, Korea was unable to suppress overfishing sufficiently and marine

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19 Starting with Chile in 2004, Korea had concluded FTAs with 17 countries and economies by June 2021.
living resources did not recover as expected. In response, Korea adopted the Marine Resources Management Law in 2010 and developed its first Marine Resources Management Masterplan. Under this plan, the government set a clear goal of 5 years for the achievement of sustainable levels of marine living resources and fishing, based on scientific research, and established a detailed action plan to achieve the goal.

Korea’s marine landings continued to shrink and by 2016 were lower than 1 million tonnes. This ongoing decline was driven by various factors, including climate change and damage to marine habitats, but overfishing remained a significant driver. In addition, the population engaged in fishing continued to fall, from 251,000 in 2000 to 122,000 in 2017. In response, in 2019, the government announced the Fishery Innovation Plan for 2030, setting out a comprehensive approach to deal with the depletion of resources and revitalise regional fishing communities.

**Support to agriculture and fisheries**

Korea’s level of support to agricultural producers has been gradually reduced over the last two and a half decades due to continued efforts towards market-oriented reforms. Korea has increased investment in the agricultural knowledge and innovation system and introduced direct payments decoupled from commodity production. The level of producer support as a percentage of gross farm revenue in Korea declined from 62% in 1995-97 to 46.7% in 2018-20. Despite these changes, Korea still provides one of the highest levels of support and protection to its farmers among OECD countries, according to the 2021 OECD Agricultural Monitoring and Evaluation Report. This support can constrain farmers’ responses to market signals, and hinder structural adjustment of the sector toward production of higher value-added products (OECD, 2021[1]).

The OECD Review of Fisheries 2020 showed that Korea provided KRW 75.41 billion (USD 68.5 million) in support directly benefiting individual fishers in 2018, down by 85% since 2008. Korea spent KRW 11,558 (USD 10.5) per fisher—well below the average of the OECD—on lowering the cost of inputs, which are likely to encourage unsustainable fishing (OECD, 2020[3]). In 2018, Korea spent KRW 348.98 billion (USD 123.4 million) financing services to the fisheries sector, with the public cost of services to the fisheries sector amounting to 3.3% of the value of production, well below the OECD average of 8.5%.
Current and future challenges

Food security: ensuring supplies from domestic and international sources

While Korea maintains stable access to food, the means through which this is assured varies across food types. In 2015, the self-sufficiency ratio of rice was 101%, whereas that of upland crops such as barley, soybeans and wheat was 10.6%. A new direct payment programme, integrating payments for rice, upland crops and less favoured areas, has been implemented since 2020. The new scheme aims to further decouple payments from production. As a means of alleviating the current high dependence on direct payments for rice, the government continues to offer incentives for crop diversification in the form of support for drainage, seeds and agricultural machinery (OECD, 2020[4]).

Korea is amongst the most land-scarce countries in the OECD. Arable land per capita is 0.03 ha and the land-intensive crop sector thereby has a comparative disadvantage. Moreover, the fragmented land structure makes consolidation of cropland particularly challenging. This fragmentation is accelerating in Korea, due to subdivision of farmland ownership through inheritance and land conversion to non-agricultural use. This fragmentation discourages farm consolidation and encourages land abandonment, as landowners have an incentive to maintain land for future conversion to non-agricultural use (OECD, 2018[5]).

More than 65% of Korean farms are less than one hectare in size, and the share of land cultivated by farms with more than ten hectares of land has remained low, at 14% in 2015. The strong protection of farmland ownership is based on the principle that cultivators should own farmland. This restricts farmland leasing in all but exceptional circumstances, discouraging land owners from leasing their farmlands on the basis of formal contracts. Meanwhile, informal land lease contracts are often unstable and short-term, which discourages stable farm management and long-term investment.

Farmers usually receive their irrigation water for free or at low prices either from the Korea Rural Community Corporation (KRC) or from the local government. This system does not recover operation and maintenance charges, and encourages farmers to continue using water despite increased water stress. The system also reduces the incentive to adopt water-saving technologies to avoid unsustainable use of water in the face
of climate change, or to diversify production away from paddy rice. Moreover, providing water, especially irrigation water, may become more costly in the future, given increased competition for access to water resources, degraded water quality and limited capacity to build dams. Reform to water policies could affect the capacity of the sector to reduce its impact on water resources, and increase its overall water use efficiency and its resilience to water risks. In this context, an increase in water charges to at least reflect full supply cost—ideally to cover the opportunity cost of water withdrawals—would help agriculture to adapt to future constraints and encourage more sustainable practices.

Korea is suffering from the depletion of domestic fisheries resources and experiencing declining marine landings. According to the OECD, in 1996, the domestic marine landing of Korea was 1.6 million tonnes, which fell to 0.89 million tonnes in 2016, while recovering more recently to slightly over 1 million tonnes. The depletion of fisheries resources is a concern not only for Korea, but also globally. The recent OECD Review of Fisheries shows that 23% of 1,119 stocks which was gathered from the OECD are in unfavourable conditions (OECD, 2020[3]), while the FAO has estimated that the share of fish stocks at biologically sustainable levels decreased from 90% in 1974 to 65.8% in 2017 (FAO, 2020[6]).

In contrast, the consumption of seafood has continued to increase and Korea has become one of the world’s largest seafood consumers. On average, Korea consumed 56.70kg of seafood per capita in 2018, well above the global average (20.30kg per capita) or the average for developed countries (24.40kg per capita) (FAO, 2020[6]). The consumption of seafood also exceeded Korea’s aggregate meat consumption. Thus, ensuring sufficient supplies of seafood—from aquaculture as well as capture fisheries—has become an increasingly important issue for Korea.

With the stated aim of securing sufficient and stable supplies of seafood, Korea has set a target to increase the rate of self-sufficiency from 72% in 2019 to 79% by 2025 by focusing on managing its marine living resources at a sustainable level, and boosting aquaculture production.

To manage the level of marine living resources, Korea adopted a policy of decommissioning parts of the fishing fleet and extending TACs to further species. These measures have the potential to reduce capacity, improve profitability and relieve pressure
on stocks (OECD, 2007[7]), although their success depends on design and implementation. Korea started its decommissioning scheme in 1994 and its fleet decreased from more than 95,000 vessels in 2000 to less than 66,000 vessels in 2018. In line with the OECD principles and guidelines for decommissioning schemes, the government involved stakeholders in the design and shifted from fixed pricing to auction systems where possible. While the decommissioning itself made remarkable progress (Figure 3), the actual effect on the recovery of resources is still unclear.

Figure 3. Change of Korean fleet size by fleet segment, 2000 to 2018

![Graph showing the change of Korean fleet size by fleet segment from 2000 to 2018.](image)

Source: OECD dataset “Fishing fleet” (OECD.Stat).

From 2000, the Korean government changed the focus of its policy from capture fisheries to aquaculture and set a production target for aquaculture to move from 0.8 million tonnes in 1999 to 1.3 million tonnes by 2004, projected to reach the same level as coastal fishing. To this end, the government invested in the development of aquaculture technology and distributed it to fish farmers. Due to these efforts, the production of aquaculture surpassed marine landing in 2005 and has continued to grow more rapidly (Figure 4). However, the pollution from aquaculture facilities and the need to shift to higher value species remain key challenges.
Livelihoods: lack of young and skilled workers, low farm income and gaps with urban households, limited off-farm employment opportunities

A widening income gap between urban and rural areas arising from rapid industrialisation and slow structural change in agriculture has been a significant agricultural policy issue in Korea (Figure 5). In line with structural change in the agricultural sector, diversification of income sources and development of off-farm employment are considered as pathways to increasing rural income. Despite the government’s efforts to develop rural infrastructure and provide incentives to attract non-farm business activity to rural areas, young and skilled workers tend to leave rural areas and the ageing of the rural population has been more rapid than in urban areas. Korea can exploit the opportunities that rural areas provide for more space-intensive activities, more flexibility in land use, less congestion, lower housing costs and less environmental pressure. Taking a more bottom-up approach and promoting integrated investments and public services could contribute to increasing rural competitiveness and productivity (OECD, 2018[5]).
In addition, a well-functioning labour market gives the agro-food sector the flexibility to adjust quickly to change in labour and skill needs. Given the current demographic trend, Korea will increasingly face greater labour shortage problems, particularly in the agricultural sector. The capacity of agriculture to attract skilled labourers from both domestic and foreign labour markets is crucial for sustainable productivity growth in the sector. Promoting the corporate organisation of agricultural operations would facilitate the entry of younger generations based on a formal employment contracts. The labour market also needs to be able to meet the need for temporary agricultural labour.

Farm structure in Korea tends to be polarised, with more productive large-scale commercial producers and less productive small-scale producers. Efforts to facilitate structural change in agriculture should continue to improve productivity and sustainability performance at the farm level. Sector-specific agricultural policies have a limited capacity to solve the low-income problem of small-scale producers. Policies covering economy-wide rural development and social security should play a more proactive role in addressing low income issues among rural households, including both farm and non-farm households.
Korea has achieved a higher productivity growth in primary agriculture than the OECD average for the last five decades, mainly driven by a declining labour input through rural to urban migration and farm mechanisation. The resource reallocation to more productive farms and to growing sectors such as livestock and horticulture also contributed to this overall productivity growth. Farm structure in Korea is expected to become further polarised between large-scale commercial producers and small-scale producers. Policies should facilitate the structural change and focus more on improving the productivity of large size commercial farms through providing more tailored support, such as technical advisory and risk management.

Given the limited demand growth in Korea’s domestic food markets, opportunities for the future growth of agriculture increasingly depend on access to export markets for high value-added agro-food products. Korea has the potential to develop its food and agricultural sector, including by producing high-value products for both the mature domestic market and growing markets in Asia. To ensure the long-term competitiveness of Korea’s agro-food sector, it is critical to increase its capacity to respond to market demand. Promoting the food manufacturing industry would exploit Korea’s comparative advantage in the export of more capital and knowledge-intensive food products. The food manufacturing industry also has the potential to create employment in rural areas. However, further restructuring is necessary to improve the food manufacturing industry’s competitiveness; for example by establishing a more competitive domestic agricultural sector and a more open agricultural trade regime.

Investment in agricultural innovation is fundamental to ensuring the long-term competitiveness and sustainability of agriculture, and Korea is one of the most intensive investors in public agricultural R&D among OECD countries. To help unleash the sector’s potential to be more knowledge-intensive, Korea’s agricultural innovation system has become more integrated and collaborative, benefiting from a strong advantage in information and communications technology (ICT) and responding effectively to the needs of commercial farmers and agro-food firms. Policies should also promote knowledge flows, thereby facilitating the adoption of innovations in technology, production, management and marketing practices. Furthermore, to meet the needs of commercial producers to improve productivity, the agricultural extension system should evolve to leave more room for private technical service providers in transferring technologies, capital and information.
While economic diversification is one of the key strategies to increase the economic viability of rural areas, the food manufacturing industry has arguably strong potential to create rural employment, add more value to primary agricultural production and open more possibilities to explore export markets and meet domestic demand for value-added products. Government policy needs to focus on enhancing vertical linkages between producers and related industries by removing the restrictions to invest in agricultural sector. Policy should also promote the diversification of farm production activities into processing and marketing of farm products.

For fisheries, the number of families engaged in capture fishing decreased from 171,000 in 2010 to 117,000 in 2018, while employment in aquaculture began to recover after 2010. In addition, ageing is a particular concern for fishing villages, where the share of people aged more than 65 years rose from 23.1% in 2010 to 36.3% in 2018. To cope with this problem, the Korean government takes a 3-prong approach: raising the income of fishing families, improving living conditions in fishing villages, and promoting and supporting newcomers from urban area to settle in those villages.

- Income: While the average income of fishing families remains below that of urban families, it grew by 6.0% annually between 2014 and 2018 and reached 80% of urban family income in 2018, above the level of farming families. Due to the shrinking share of capture fishing, the population in fishing communities is increasingly engaged in aquaculture and increasingly derives income from other occupations, such as sales of sea products and marine tourism. The government supports seafood processing enterprises located in fishing villages, and boosts eco-friendly marine tourism.

- Living conditions: the Korean government tries to improve the living condition in fishing villages through co-operation across relevant ministries and local governments. The main policy objective is to increase the attractiveness of living in fishing villages, by expanding basic infrastructures and by deregulation of village development.

- Newcomers: in order to accelerate the inflow of newcomers from urban areas, the government develops and provides a suitable occupational education and subsidises the cost of housing or settling down.

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20 Korea has recorded the lowest fertility rate (0.92) in 2019 among the OECD countries.
**Sustainability: preserving natural resources and the environment**

Despite the declining share of primary agriculture in the economy, managing the environmental impacts of agriculture on natural resources remains important as the sector occupies around 20% of the country’s total land area and accounts for almost half of total water withdrawal. Nitrogen and phosphorus surpluses remain high compared to other OECD countries. Korea has reduced the use of chemical fertilisers and pesticides, but the rapid expansion of intensive livestock production has made manure emissions the main agricultural source of water and soil pollution. Contamination and pollution of soil and water resources is giving rise to uncertainty about future productivity growth, as is climate change (which is expected to raise temperatures\(^{21}\) and change precipitation patterns). Promoting sustainable use of land and water and increasing preparedness for climate change is an important policy agenda to assure long-term growth in agriculture.

The government released the Climate Change Response Plan 2020-40 in 2019 and the 2050 Carbon Neutral Strategy in 2020. The Climate Change Response Plan, in line with the Paris Agreement on Climate Change, includes a reduction target to decrease GHG emissions by 37% from the business-as-usual (BAU) level by 2030, 24% lower than the 2017 level, as well as action plans across all economic sectors, including agriculture. The Carbon Neutral Strategy includes a national vision and strategic initiatives for achieving the GHG emission reduction target. In addition, direct payment schemes have been further reformed in the direction of targeting explicit societal objectives, such as the provision of environmental services including water management, flood buffering and biodiversity.

On fisheries side, the United Nations Sustainable Development Goal (SDG) 14 seeks to “conserve and sustainably use the oceans, seas and marine resources for sustainable development” and by 2020, “effectively regulate harvesting, and end overfishing, illegal, unreported and unregulated (IUU) fishing”.

In 2005, Korea successfully eliminated illegal small “bottom-trawling” which posed severe problems for sustainability by catching both juvenile and adult fish at the same time. This experience shows that strong political will by the government, coordinated

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operations across the ministries and the participation of stakeholders are required to deal with IUU (OECD, 2008[2]). The OECD Review of Fisheries 2020 shows that, based on the OECD IUU indicators, Korea performs more strongly in port state measures compared to other indicators, but has the greatest scope for progress in the area of international co-operation.

The fishery sector is competing for space and resources with other industries of the blue ocean economy. The effect on the fisheries and aquaculture industry from increasing competition for space in the coastal zone has been discussed as one of the important subjects of the Committee for Fisheries (COFI) since 1995 (OECD, 1995[8]). However, recent competition that the fisheries industry is facing from other industries for marine space and resources is unprecedented in intensity and scale. As the ocean becomes the stage for a new ocean-related activities, pressures on the ocean and ecosystems from overfishing, pollution and climate change are increasing significantly (OECD, 2020[9]).

Korea’s fisheries sector is also facing large construction projects on coastal areas and expansion of marine protected areas (MPA) for marine tourism, as well as a large-scale ocean wind power plant project, all of which are encroaching on fishing grounds. The dredging of sea-sand for construction material, which can damage the habitat for fish, is another critical problem.

Co-operation with the OECD

The OECD Committee for Agriculture (COAG) and COFI seek to promote well-managed agriculture and fisheries that can contribute to sustainable growth of the sectors and livelihoods of farmers and fishers. Since the joining the OECD in 1996, Korea has sought to develop its agricultural and fisheries policies in line with OECD recommendations, while the focus of policies has changed to meet evolving national circumstances.

The OECD has been monitoring and providing policy recommendations to Korea as part of its annual Agricultural Policy Monitoring and Evaluation report. This has contributed to Korean reforms to move away from intervention coupled to commodity production and towards policies that facilitate structural change and more market-oriented agricultural production. Furthermore, Innovation, Agricultural Productivity and Sustainability in Korea, published in 2018 as part of the OECD Food and Agriculture
Review series, was implemented through a co-operative activity with the Korea Rural Economic Institute (KREI). This review examined the conditions to enable farms and businesses in Korea to undertake innovation in the food and agriculture sector to become more productive and environmentally sustainable.

Korean representatives also vigorously engaged in the work of the COFI as a member and vice-chair of the bureau. Korea’s fisheries policies have been heavily influenced by the experiences shared by OECD members. Korea has been participating in the COFI as a member country since 1997. Since it presented its first case study on “The Economic Impact of Responsible Fisheries on Production and Management” in 1998, Korea has actively engaged in the work of the OECD and shared its policy experience with other member countries (OECD, 1999[10]). As with other members, Korea’s case studies have helped inform the development of OECD guidelines on fisheries policy.

To further co-operation and communication, Korea has seconded officials22 to the OECD Secretariat (Trade and Agriculture Directorate) since 1997. Secondees have contributed to the work of the Secretariat by providing expertise and facilitating communication and liaison between Korea and the OECD.

Workshops have been one of the most important avenues through which member countries can share their policy experiences and hear diverse opinions, including by experts from NGOs, research institutes and other international organisations. Korea hosted a workshop on the Economics of Adapting Fisheries to Climate change, in Busan in 2010, as well as a workshop on aquaculture in Yeosu in 2012. High-level officials from non-member countries, such as China, Thailand and Indonesia, were invited to the Yeosu workshop, which provided a good opportunity for the COFI to enhance its outreach to those important countries in the field of fisheries.

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22 To date, there have been eight secondments to Agriculture and eight to Fisheries.
New Horizons in Well-balanced Development in Korea: Focusing on Innovation Cities and Smart Cities

AHN Kwang Youl
Counsellor, Permanent Delegation of the Republic of Korea to the OECD

Over the past 60 years, the Republic of Korea has been among the countries that achieved the highest growth, indeed recording the highest growth rates in the OECD in just a few decades of the 20th century. Korea has focused on its unbalanced development industrialisation as a national strategy, which has delivered growth in overall living standards as well as income per capita. According to an OECD database, the annual GDP per capita growth rate has been 2.6 times higher in Korea than in OECD member countries on average, increasing at an annual rate of 3.07% in GDP per capita over 2003-16.

Despite this impressive achievement, Korea is facing profound challenges at the sub-national level that could hamper future prosperity for all. Rural regions have shrinking and ageing populations. The capital region of Seoul and its surrounding province of Gyeonggi-do are now home to 45% of the national population and produce a similar share of national GDP. This brings dual challenges both for rural and urban areas: decreasing vitality in rural areas and growing burdens in metropolitan areas, related to housing, infrastructure, public services, crowding, and so on.
Recently, the OECD published two reports on the national strategy for balanced development: “Perspectives on Decentralisation and Rural-Urban Linkages in Korea” and “Smart Cities and Inclusive Growth”. The reports are synthetic studies on Korea’s ongoing national territorial plan. This paper will introduce the core messages of the two reports as well as review on Korea’s national strategy for balanced development along with the perspectives of the OECD.

**Korea’s regional unbalanced status**

Korea has achieved impressive economic and social development during the past few decades. Nevertheless, it is still challenged by some problems that the unbalanced development has caused at the sub-national level. The nation-wide unbalanced development in Korea has also resulted in a geographic concentration of the population and a regional imbalance of economic activities.

**Korea has a low share of the population in rural regions**

The rapid industrialisation that Korea experienced has accelerated migration patterns and demographic trends from rural to urban. The country has experienced unbalanced land-distribution and demographic patterns brought by rapid population changes since the 1960s, called the period of industrialisation. According to the two OECD reports, the share of the rural population has decreased gradually based on the national definition, from representing 60% of the total population (or 18.2 out of 30.8 million) in the 1970s to only 19% (9.7 out of 51.6 million) in 2018.

The OECD study also shows demographic disparities in Korea. The OECD has developed regional typologies to allow for international comparisons and comparisons of regions with similar characteristics, as explained in the previous section. According to this study, Korea now has the fourth-largest urban population amongst OECD countries after the United Kingdom, the Netherlands, and Australia. Based on the OECD TL3 classification\(^2\), in 2018 some 17% of the Korean population lived in rural regions, namely rural regions close to cities.

\(^2\) OECD (2021), “Perspectives on Decentralisation and Rural-Urban Linkages in Korea”; see pp.22-25
To solve the unbalanced development, the Korean government has adopted a balanced-development plan as the national strategy for decades. The OECD indicators show that Korea’s endeavour is achieving results. According to the two studies, Seoul’s share of the national population declined from 21.3% in 2001 to 18.8% in 2018. Meanwhile, Sejong saw its population more than double from 2012 to 2018, adding 219,161 residents. The neighbouring rural region of Chungcheongnam-do also increased its population, by 284,160 during 2001-18, representing a 13% increase.

According to the OECD’s geographic-concentration index, Korea’s high level of demographic concentration first increased from 2001 to 2011, then this trend reverted and declined from 2011 to 2018.
At the regional level, Seoul and Gyeonggi-do, the capital region with the highest population share, and two regions, Sejong and Chuncheongnam-do, showed different population dynamics over 2001-18. In 2001, Seoul was home to 21.3% of the national population, followed by Gyeonggi-do at 20%. In 2018, however, the population share in Seoul decreased to 18.8%, in contrast to Gyeonggi-do, which experienced an increase to 25%.
Korea shows unbalanced development in regional economic activities

Similar to its demographic patterns, Korea is also facing unbalanced concentration in economic activities. In 2017, the capital city Seoul and Gyeonggi, the region that surrounds the capital, accounted for approximately 45% of the national GDP, the largest share of economic activities in Korea. According to the OECD studies\(^{24}\), Korea is among the top 10 OECD countries with the highest index of geographic concentration of GDP among TL3 regions.

![Figure 4. Index of geographic concentration of GDP (TL3 regions), 2017](image)

Source: OECD Regional Statistics database.

The young population migrates from rural to urban regions

The metropolitan area in Korea has also experienced unbalanced migration patterns. In 2017, regions with access to a large city recorded a positive average net migration rate, while other region types saw a negative average rate based on the access-to-cities typology.

The OECD studies\(^{25}\) show, by comparing net migration rates of the total population versus young people, that large metropolitan regions attract young people. These


young people disproportionally leave regions with access to a small/medium-sized city compared with other age groups.

Table 1. Net migration rates of young and total population by TL3 region (average), 2017

<table>
<thead>
<tr>
<th>OECD TL3 regional typology</th>
<th>Net migration rate (%)</th>
<th>Net migration rate(%) population 15-29 years of age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predominantly urban</td>
<td>0.31</td>
<td>0.56</td>
</tr>
<tr>
<td>Predominantly rural</td>
<td>-0.07</td>
<td>-1.24</td>
</tr>
<tr>
<td>Large metropolitan regions</td>
<td>-0.14</td>
<td>1.72</td>
</tr>
<tr>
<td>Metropolitan regions</td>
<td>-0.04</td>
<td>-4.92</td>
</tr>
<tr>
<td>Regions with access to a large city</td>
<td>1.42</td>
<td>0.95</td>
</tr>
<tr>
<td>Regions with access to a small/medium-sized city</td>
<td>-0.17</td>
<td>-8.15</td>
</tr>
</tbody>
</table>

Source: OECD Regional Statistics database.

Historical evolutions of regional policies in Korea

Korea’s rapid urbanisation and economic growth have exacerbated imbalances between regions within the country, creating concern and a socio-economic policy response for those left behind. Korea’s rural areas remained in poverty, and most rural residents lived in absolute poverty because agricultural productivity was low throughout the 1950s and 1960s. Thus, the Korean post-war regional policy is highlighted by the “development era” that began in the 1960s, followed in the 1980s by a growing focus on achieving more balanced national development. The New Village Movement (Saemaul Undong) in the 1970s helped shape Korea’s rural areas. These regional and agricultural policies contributed to the remarkable increase in agricultural production and the development of rural areas throughout the development era in the last century.

Despite Korea’s economic improvement, the government devoted much of its attention to industrialisation. Rural areas and rural policies were marginalised, resulting in rapid urbanisation accompanied by industrialisation and a growing disparity. This drained communities of vitality, and put pressure on public services in remote communities, ushering in the development gap between urban and rural areas. The rural population thus rapidly decreased in the 1980s.
To address its unbalanced development path, in 2004, the government sought to carry out several large-scale projects to build new cities, and started relocating government agencies to underdeveloped areas aiming to decentralise government functions that had been mostly concentrated in the Seoul metropolitan area, the capital region.

The Multifunctional Administrative City, for example, has been constructed with the goal of becoming a self-supporting city of 500,000 inhabitants by 2030. Called Sejong City, it is located approximately 130km southeast of Seoul along the Chungcheongnam-do and Chungcheongbuk-do border, with its territory drawn from both provinces.

Along with the development of Sejong, in order to promote the balanced location of administrative functions, 10 Innovation Cities are also being developed nationwide. These are being constructed to accommodate not only government organisations (as well as housing for their staff) but also private actors including enterprises and universities, in the hope of creating innovative clusters. The government aims to relocate 154 public agencies from the capital region to the provinces and metropolitan cities.

**Table 2. Decentralisation over time; Governing law and committees**

<table>
<thead>
<tr>
<th>Governing Laws</th>
<th>Implementing Committees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Act on the Promotion of Devolution of Centralised Administrative Powers to Local Governments (1999)</td>
<td>Presidential Committee for Promotion of Local Empowerment</td>
</tr>
<tr>
<td>Special Act on Decentralisation (2004)</td>
<td>Presidential Committee on Government Innovation and Decentralisation</td>
</tr>
<tr>
<td>Special Act on the Promotion of Decentralisation (2008)</td>
<td>Presidential Committee on Decentralisation</td>
</tr>
<tr>
<td>Special Act on Decentralisation and Restructuring of Local Administrative Systems (2013)</td>
<td>Presidential Committee on Local Autonomy Development</td>
</tr>
<tr>
<td>Special Act on Local Autonomy and Decentralisation, and Restructuring of Local Administrative Systems (2018)</td>
<td>Presidential Committee on Autonomy and Decentralisation</td>
</tr>
</tbody>
</table>

In 2017, new Korean government included decentralisation as one of the top 100 tasks: “to promote well-balanced development across every region (Goal IV)”, “to promote autonomy and decentralisation to realise grassroots democracy (Strategy 1)”, and “to strengthen fiscal decentralisation for financial autonomy (Task 75)”.

In March 2018, as the revised bill of the Special Act on Decentralisation and Restructuring of Local Administrative Systems was promulgated, the Presidential Committee on Autonomy and Decentralisation was established. The “100 national tasks” programme includes measures to transfer functions of the central government to local governments and to increase the budgets allocated to local governments.

**Korea’s national balanced development strategies**

To mitigate the high level of concentration in terms of population and economic output, the Korean government has implemented a range of policies to reduce pressure on the capital region and rebalance the rest of the economy. In doing so, the government has increasingly looked to improve basic service provision and invest in large-scale growth hubs in rural areas.

**Innovation Cities as balanced regional hubs**

Korea’s Innovation Cities initiative began in 2004, with the execution of the Special Act on the Construction and Support of Innovative City Acceptance of Public Institutes Relocating to Local Cities. A total of 153 public institutions were relocated from the capital area, distributed across 10 of the country’s secondary cities, a process that was completed in May 2020. The initiative was intended to ease pressure on Seoul while catalysing the development of the country’s secondary cities through the relocation of public institutions, along with their staff and families.
The initiative has involved the development of new districts within each of the host cities, including new offices and other commercial amenities for the relocated institutions and new housing areas for the workforce.

Along with the relocation of public institutions, the initiative has sought to bring together academia, research institutions, and enterprises with the intent to spark new engines of innovation and economic growth. A near-term impact has been to drive up the population of the host cities, with the Innovation City districts now home to a combined population of 204,716. This population grew by 11% in 2019 over 2018 and supported similar growth of 10.9% in local tax revenue.

At the same time, the government has invested to improve the public services, housing, cultural amenities, and transportation infrastructure in these cities to encourage the relocation of staff and help them integrate into their new communities. For each of the cities involved, the policy has notably identified a theme aligned with the city’s existing industrial characteristics. The theme informed the selection of public institutions that were relocated to each city; the intent is to develop the themes into brands that will enhance the city’s image and help attract investment.
With the relocation of institutions now complete, the initiative is now moving into its “second season”. In this phase, control has shifted from the central government towards local leadership, with local governments taking the lead on planning for the further development of their Innovation City over the next five years. The focus is also shifting from the public institutions towards the private sector. An important goal of the Innovation Cities initiative moving forward will be to foster regional hubs, innovation clusters that leverage the existing strengths of each place in combination with the relocated public institutions and with investment and incentives to spur private-sector innovation and growth. In this second season, a new emphasis has been placed on better integrating the relocated agencies, institutions and their workers into the local community and on improving the quality of life for residents by building social infrastructure. To strengthen the relationship between the relocated institutions and their host cities, new targets have been set for 2022 on local hiring (30%) and on leveraging local suppliers in procurement activities (20%). In 2019, 25.9% of individuals hired by the relocated public institutions were of local origin (versus 21% targeted) and 13.4% of procured goods were locally sourced.

### Table 3. Innovation Cities and their themes

<table>
<thead>
<tr>
<th>Region(s)</th>
<th>City/Urban District</th>
<th>Theme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gangwon-do</td>
<td>Wonju-si</td>
<td>Vitality City, realising harmony of health, life and tourism</td>
</tr>
<tr>
<td>Jeollabuk-do</td>
<td>Jeonju-si</td>
<td>Bio-industry hub connecting traditional culture with state-of-the-art technology</td>
</tr>
<tr>
<td>Busan</td>
<td>Yeongdo-gu, Nam-gu Y</td>
<td>Hub for maritime affairs and fisheries, film and finance, connecting land and sea</td>
</tr>
<tr>
<td>Ulsan</td>
<td>Jung-gu</td>
<td>Environmentally friendly high-tech energy hub</td>
</tr>
<tr>
<td>Chungcheongbuk-do</td>
<td>Jincheon-gun and Eumseong-gun</td>
<td>Inno-valley of innovation and culture</td>
</tr>
<tr>
<td>Gwangju, Jeollanam-do</td>
<td>Naju-si</td>
<td>Capital of high-tech futuristic industrial cluster</td>
</tr>
<tr>
<td>Gyeongsangbuk-do</td>
<td>Gimcheon-si</td>
<td>Hub for state-of-the-art science technology and transportation</td>
</tr>
<tr>
<td>Gyeongsangnam-do</td>
<td>Jinju-si</td>
<td>Hub for leading mechatronics industry</td>
</tr>
<tr>
<td>Jeju</td>
<td>Seogwipo-si Y</td>
<td>Leading international exchange and educational training</td>
</tr>
<tr>
<td>Daegu</td>
<td>Dong-gu</td>
<td>Hub for educational and academic industries; centre of the south-east’s industrial cluster</td>
</tr>
</tbody>
</table>

Smart Cities as new models of future regional cores

Over the past two decades, Korea has been championing smart cities to boost economic growth, inclusive development and sustainability. Its leadership has helped inspire the creation of the OECD Programme on Smart Cities and Inclusive Growth as a platform for cities, regions, national governments, the private sector, civil society, academia, philanthropy and international organisations to share lessons, new trends and initiatives on how smart cities can contribute to well-being. In December 2020, as part of the OECD Programme, Korea hosted the 2nd OECD Roundtable on Smart Cities and Inclusive Growth, which highlighted the important role smart cities could play in recovery plans.

According to the OECD studies, definitions of smart cities vary across countries and institutions based on the geopolitical context and on the specific issues at hand, because the smart-city concept is still under development. In any case, smart cities are characterised by initiatives that use digital innovation to make urban service delivery more efficient and thereby increase the overall competitiveness of a community. In most cases, the smart-city concept initially referred to initiatives that use digital and ICT-based innovation to improve the efficiency of urban services and generate new economic opportunities in cities. The OECD defines smart cities as “initiatives or approaches that effectively leverage digitalisation to boost citizen well-being and deliver more efficient, sustainable and inclusive urban services and environments as part of a collaborative, multi-stakeholder process”.

The OECD studies mentioned that Korea has championed smart cities by leading large-scale projects in this sector. Korea also offers an interesting example of how smart-city policies have changed over time. Since the early 2000s, the Korean government has viewed smart cities as an engine of future growth. Three periods can be distinguished in Korean smart-city policies: i) the construction stage (2003-2013); ii) the connecting stage (2014-2016), focusing on connecting smart city services and building governance structure; and iii) the enhancement stage (2017-2020), during which the government placed emphasis on developing innovative smart cities and creating a smart-city ecology.

Table 4. Characteristics of Smart Cities in Korea by stage

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>To create new growth engine by combining ICT with construction industry</td>
<td>To provide high quality service by integrating existing infrastructure and service</td>
<td>To solve urban problems and create innovative jobs</td>
</tr>
<tr>
<td><strong>Information</strong></td>
<td>Vertical information integration</td>
<td>Horizontal information integration</td>
<td>Cloud based information integration</td>
</tr>
<tr>
<td><strong>Platform</strong></td>
<td>Closed platform</td>
<td>Public platform (open to relevant organisations)</td>
<td>Open platform (open to private sectors)</td>
</tr>
<tr>
<td><strong>Legal framework</strong></td>
<td>Law of Ubiquitous City Construction</td>
<td>Law of Ubiquitous City Construction</td>
<td>Law for Smart City Creation and Promotion of Industries</td>
</tr>
<tr>
<td><strong>Main agents</strong></td>
<td>Ministry of Land, Infrastructure, and Transport</td>
<td>Ministry of Land, Infrastructure, and Transport; Ministry of ICT; Ministry of Trade, Industry and Energy</td>
<td>Smart city governance</td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td>New towns</td>
<td>New towns, existing cities</td>
<td>New towns, existing cities, declining cities</td>
</tr>
<tr>
<td><strong>Projects</strong></td>
<td>Integrated Operation Control Centre (IOCC), physical infrastructure</td>
<td>Smart city platform, service integration</td>
<td>National smart city pilot projects, smart city platform, smart city R&amp;D, smart city challenge (for existing cities), smart urban regeneration (for declining cities)</td>
</tr>
<tr>
<td><strong>Resource</strong></td>
<td>Profits from residential district development projects</td>
<td>Government budget</td>
<td>Government budget, resource from private sectors</td>
</tr>
</tbody>
</table>


Initially, Korea’s smart-city project started from the Ubiquitous Cities initiative. In 2003, the Dongtan new town project began, serving as the initial model of Korean smart cities. This ambitious project included commercial urban services such as the bus-information system and CCTV for crime prevention through digital technologies. This era is referred to as the construction stage, during which smart-city development was limited to “new towns”. However, the enactment of the U-City Act, which provided the legal framework for smart city development, was needed to support this project.
The Korean government therefore enacted a comprehensive legislation system for supporting U-City construction in 2008.

By 2012, 50 cities and counties had implemented some form of U-City project within four years after the enactment of the U-City Act. The government spent 1-3% of the total cost of new-town construction for the construction of U-City infrastructure such as ICT and integrated operation-control centres, which cost on average KRW 40-60 billion.

![Figure 6. U-Cities in Korea (2012)](image)


After the U-city project, the Sejong City and Busan Metropolitan City projects were inaugurated as the national smart-city pilot projects in 2018. These two projects are intended not only to solve urban problems. Indeed, they aim to provide smart-city test-beds for establishing innovative smart city ecosystems and introducing cutting-edge smart-city solutions.

These pilots are the national government’s large-scale development projects. Ac-
According to the government, the pilot project in Sejong is located in the 5-1 residential district. It covers 2.7 km² with population of 19,000 residents in 8,900 households, for a total estimated cost of KRW 1.4 trillion. The pilot project in Busan is the Eco-Delta City district. It covers 2.8 km² with a population of 8,500 residents in 3,300 households, for a total estimated cost of KRW 2.2 trillion.

Korea is designing the two pilot cities with different themes. Sejong focuses on smart mobility and health care. Its master plan emphasises transport based on innovative technologies such as driverless vehicles and cars powered by hydrogen and electricity. Sejong also plans to reduce traffic jams by using AI embedded in a traffic-management system. Moreover, Sejong is focusing on improving the delivery of health care. The city will adopt robotics and wearable devices in homes, public spaces, and medical facilities. For example, to detect medical emergencies such as injuries and illness, Sejong plans to use AI in homes.

Sejong is currently accommodating about 300,000 people, who work for many newly migrated central-government ministries and institutions. Sejong Smart City also plans to attract diverse business and industries such as cultural and international co-operation, health care, welfare entities, and cutting-edge-technology industries.

Busan Smart City gives priority to robots and smart water management. The master plan is to adopt robots for multiple uses and to return cars through car-sharing. Robots can help provide automated valet services and detect parking violations, for example. Smart water management uses a water-reuse system and smart water meters for automated detection and drainage of pollutants.

For Korea’s national balanced development strategies

Korea is considered one of the most successful stories of productivity catch-up across OECD member countries. However, as the country has urbanised, rural regions in Korea are facing demographic challenges brought by ageing and shrinking populations, in part driven by migration of young people to urban places. This has increased the pressure on the capital city region and has drained the vitality of rural places.

Korea’s national government has implemented a policy to promote a more balanced national development path. The goal is to foster growth more widely throughout the
country in order to reduce pressure and rebalance the capital region and rural areas. This policy has been built upon a number of initiatives, such as the development of 10 “Innovation Cities” and the new multifunctional administrative city, Sejong. Korea is also one of leading countries in the smart-cities field, as represented by the two prominent pilot projects in Sejong and Busan.

According to the OECD studies, these initiatives are having an impact, with the pace of the country’s geographic concentration slowing and indeed contracting in recent years. Nevertheless, the impact of the policies more broadly on rural communities is still mixed and development remains highly uneven. For example, the population in rural regions close to large cities has grown, while it has declined in regions close to small- and medium-sized cities. Thus, Korea still needs to give priority to the national-government policy for balanced development throughout the country. Regional policy will play an important role in the coming years to help address this, as well as better prepare regions for the green transition, as highlighted by the OECD Regional Outlook 2021. To achieve this, decentralisation plans need to be supported by the right capacity, fiscal resources and incentives, as well as the right mechanisms to connect rural and urban areas.
1. Korea and the OECD at 25: Partnering for education in the 21st century

Korea’s economic transformation over the past sixty years has been truly remarkable, and investment in education has been at the front and centre of this success story. The three decades between 1970 and 2000 saw Korea transform from one of the poorest countries in the world into an economic powerhouse—one of few countries to reach high-income status since the Second World War. Over this period, the country achieved a huge quantitative expansion in the provision of education—the mean years of schooling almost doubled, from 5.4 in 1970 to 10.6 by 2000 (UIS, 2021), and the illiteracy rate decreased from 13% in 1970 to 2% by 1999 (Kim, 2004[1]). Korea’s most valuable resource was its people, and each new phase of development was accompanied by a complementary investment in educational reform. Today, education holds a paramount role in Korean politics and society, and most Koreans attribute the country’s extraordinary growth story to its investment in education.

Korea’s accession to the OECD marked another transformation point in the country’s history. The country emerged from the mid-1990s looking for a new development model, aware that the future would be more global, more digital, and more knowledge-driven. In 1994, President Kim Young-sam established his globalisation policy and re-established the Presidential Commission on Education Reform. The Commission was a major prong of Korea’s new globalisation policy, and it sought to construct an education system that could meet the needs of a more global, information-driven age. In 1995—one year prior to joining the OECD—the Commission launched a new education model, the “Framework for a New Education System”.

Since the mid-1990s, Korea and the OECD have partnered to explore and address the education demands of a new era. In 1994, Korea acceded to the OECD’s Indicators of
Education Systems (INES) Working Party, and in 2000, it participated in the first round of the Programme for International Student Assessment (PISA). PISA 2000 revealed Korea as one of the world’s top-performing education systems, both in terms of quality and equity, but it also indicated areas for improvement. Korea has continued to build upon its remarkable achievements, and has used membership of the OECD to expand its perspective: continuing to compare and learn from and with other countries. Korea has also greatly enriched the work of the OECD, sharing its policy experiences and achievements, and showing what can be achieved within a relatively short period of time, through dedicated efforts.

2. Reform and challenges: Korea continues to improve its world class education system

In its 25th year of OECD membership, Korea has a high performing education system that continues to learn and teach. Many of the challenges Korea faces today are long-run policy challenges that do not have fast or easy solutions, but instead require sustained efforts over a number of years. Despite being one of the world’s top performing education systems, Korea has continued to review and progressively reform its system to address enduring and emerging challenges. These efforts have intensified in response to the COVID-19 crisis.

2.1 Challenges in providing world class education for the 21st century

Korea has made exceptional progress in expanding access to education over the past century, and it now works to continually improve the quality of this education. No country has a perfect system, and Korea continues to address needs identified through studies conducted by the OECD and others. These include:

Providing a better start for the nation’s youngest, and address emerging equity issues.

While PISA results suggest that Korea has one of the most equitable education systems globally (OECD, 2019[2]), the performance gap by socioeconomic status is growing. Socio-economically advantaged students in Korea outperformed disadvantaged students in reading by 75 score points in PISA 2018, compared to a performance gap of 69 score points in PISA 2009. PISA results suggest that students who participate in early childhood education and care (ECEC) typically perform better at age 15 than
those that do not (OECD, 2020). However, other studies, such as the British Effective Provision of Pre-School Education (EPPE) Study, have found that the quality and intensity of ECEC is the critical factor determining better academic performance in later stages of schooling—particularly for children from disadvantaged backgrounds (Balladaires & Kankares, 2020). In addition, differences in school environment and significant private expenditure on education can also explain growing equity gaps.

**Figure 1. Performance gaps in reading by socioeconomic status (PISA 2018)**

Difference in reading performance between top and bottom ESCS quarters


**Tackling issues around student wellbeing.** PISA 2018 results suggest that the school environment in Korea is highly competitive, with 73% of Korean students reporting that they compete with their schoolmates, compared to an OECD average of 50% (OECD, 2019[2]). This has positive and negative implications. For those students with a growth mindset, PISA 2018 results suggest greater self-efficacy than for students with a fixed mindset. However, the same assessment found that the share of students with a growth mindset in Korea is comparatively small (OECD, 2019). In addition, PISA 2018 results indicate that Korean students have one of the lowest average level of student’s life satisfaction amongst PISA-participating economies (6.52 PISA Index, rank 63/70, 2018).

**Continuing to develop teaching for the 21st century.** The OECD Teaching and Learning International Survey (TALIS) 2018 indicates that Korean teachers use ICT for students’ learning less frequently than the OECD average. In Korea, 30% of teachers reported
“frequently” or “always” letting their students use ICT for projects or class work, which was lower than the OECD average (53%). This figure is surprising given that Korea has had one of the highest rates of internet coverage in the OECD over the last 15 years (over 90% of households since 2005; 99.7% in 2020). Korean teachers also report that they are less likely to participate in collaborative professional learning activities. In TALIS 2018, 13% reported participating in these activities at least once a month, compared to 21% on average in the OECD. However, it should be added that the COVID-19 pandemic may accelerate change in this policy domain. The crisis has seen teachers making greater use of digital tools, and embracing new opportunities collaboration and knowledge exchange.

**Addressing skills mismatches, an ageing population and declining labour productivity.**

The Education at a Glance (EAG) data indicate issues around the labour market outcomes of education. While Korea has one of the highest shares of tertiary-educated adults in the OECD, the employment rate of these graduates is relatively low. A skills mismatch is seen as one of causes of this phenomenon. Equity issues also persist in labour market outcomes – while educational mobility is high in Korea, this does not necessarily translate into earnings and occupational mobility. To tackle these issues, the OECD has advised Korea on ways to better align learning opportunities with the demands of the labour market, and to strengthen the tertiary education offering.

**2.2 Continuing to improve education to meet the needs of the 21st century**

Korea and the OECD have identified four main policy domains as a priority for the country’s ongoing reform efforts. These areas have been identified by Korea through the Education Policy Outlook (EPO) National Survey for Comparative Policy Analysis (2013-19), and comprise i) early childhood education and care provision; ii) schools: teachers and curriculum; iii) student success beyond school, and; iv) the use of ICT in education (OECD, 2016[4]; 2018[5]; 2019[6]). This section provides analysis on reforms in these four policy domains, building on information compiled through the Education Policy Outlook and other OECD studies.
2.2.1 Korea is upgrading ECEC and engaging in school improvement efforts: To provide a better start and address low performance

In recent years, Korea has been working to strengthen coherence in education delivery at ECEC level, and enhance the quality of schooling for all students, in order to address equity challenges and underachievement. These changes seek to provide a broader range of quality learning opportunities to all students so they can successfully move across their education pathways.

**ECEC**

In Korea, ECEC delivery is the shared responsibility of the Ministry of Health and Welfare (childcare centres) and the Ministry of Education (kindergartens) (Ministry of Education of Korea, n.d.[7]). In recent years, Korea has been making important efforts to expand ECEC coverage. These efforts have started paying off, with a 10 percentage-point increase in enrolment of 3-5 year-olds in ECEC between 2010 and 2018. In 2018, some 94% of children at this age range in Korea were enrolled in ECEC, compared to 88% on average across OECD countries (OECD, 2020[8]). At the same time, during the same year, 77% of children attending pre-primary education were enrolled in private institutions (government-dependent and independent private institutions) compared to 33% on average across OECD countries (OECD, 2020[9]).

A key element of efforts to increase ECEC coverage has been the implementation of the Nuri Curriculum in 2012. Initially catering to only 5-year-olds in 2012, its coverage expanded to 3-4 year-olds in the following year, and then to all children who were attending additional hours in 2015 (OECD, 2018[5]). Since then, the Nuri Curriculum has been the government’s main tool to support a more homogenous quality offer in ECEC. As such, in 2019 it became officially implemented for all childcare centres and kindergartens, aiming to harmonise terms and concepts used in ECEC and hence bridge the experience gap between children in different institutions (Kim, 2019[10]).

Furthermore, revisions to the Nuri Curriculum in 2019, as part of the Early Childhood Education Innovation Plan (launched in 2017), placed greater emphasis on children as active learners and the need for pedagogical flexibility. For example, revisions group all contents that children should learn between the ages of 3 and 5, rather than by specific age as previously done. The revisions also integrate a broader set of methodologies
and evaluation, focusing more on the purpose of learning and play activities, as well as a more student-centred approach (Inkyung, Chung and Park, 2020[11]).

**School improvement**

For over a decade, Korea has implemented specific national programmes to raise standards in low-performing schools. Among these efforts is the Schools for Improvement Programme (2010), which provided extra funding of up to USD 80,000 to schools identified as having high shares of low-performing students in the National Assessment of Educational Achievement (NAEA). These funds were then used, at the school’s discretion, to run academic intervention or additional instruction programmes. Through this and other initiatives, the share of students in primary education not meeting the minimum level of proficiency in the NAEA halved from 1.5% in 2010 to 0.7% in 2012 (Chung & Hong, 2015). Nevertheless, as in other education systems, there were some less positive consequences of the use of outcomes-based accountability mechanism, as it narrowed the focus of some schools’ efforts to academic performance only, with a particular emphasis on the NAEA (Chung & Hong, 2015).

In the OECD’s Education Policy Outlook National Surveys for Comparative Policy Analysis of 2013 and 2016/17, Korea reported an ongoing priority to ensure less stressful learning environments for students, catering to the individual students’ needs and motivations (OECD, 2019[16]). As of 2013, therefore, policy efforts to enhance school quality began to align with this priority. The Do-Dream Schools initiative replaced the Schools for Improvement Plan, aiming to provide a more holistic support system for students and reduce emphasis on the results of national assessments. Under this initiative, low-performing schools were identified by multiple indicators including teacher- and school-based assessments, as well as the socio-economic status and emotional or behavioural needs of the student body (NCEE, n.d.). Do-Dream Schools receive up to USD 10,000 to implement interventions. In particular, integrated support teams bring together school-based actors such as administrators, teachers and school nurses, with local administrators, after-school teachers and parents to provide extensive student support and more personalised interventions. This approach is in-line with OECD-identified good practice. Analysis undertaken by the Education Policy Outlook found that reforms focused on developing learning environments seem particularly impactful and better received when they encourage collaboration as they provide opportunity for
learning-focused dialogue (OECD, 2019[16]). Furthermore, by convening a wider range of actors the policy could help to build greater responsiveness and resilience among learners and institutions (OECD, forthcoming). Indeed, national evaluative studies have found that support from local and central education authorities and collaborative school cultures contributed to a more robust and effective intervention system in some schools (Chung & Hong, 2015).

2.2.2 Korea is transforming schools, through new curriculum and teacher policies: To improve student wellbeing and develop teaching for the 21st century

Across OECD member countries, enhancing students’ learning experiences and teachers’ skills have been key areas of policy reform over the last decade. In Korea, such efforts have focused primarily on improving national learning goals and content to offer a more holistic learning experience for students, and strengthening opportunities for teachers to continue improving their skills throughout their careers.

Curriculum

Since 2015, Korea has been revising national curricula for primary and secondary education to better prepare students for success in the 21st century. In line with trends across the OECD, Korea’s curricular reforms focused on moving from a knowledge-based approach in teaching and learning to a competence-based, student-centred approach. Such approaches emphasise the development of knowledge, skills, attitudes and their real-life application (OECD, 2013[16]). Korea’s new curriculum centres on six core competences to be developed throughout a young person’s education: self-management, knowledge-information processing, creative thinking, aesthetic and emotional competency, communication skills, and community competence (OECD, 2019[6]). In addition, the reforms included efforts to identify and remove repeated or duplicated content and to prioritise core concepts for each subject area (OECD, 2020[17]). At primary level, there have also been efforts to introduce courses that encourage students’ active participation; for older students, initiatives have aimed to reduce the burden of test preparation.

In parallel with updating the content, curricular reforms from 2015 onwards also aimed to enhance the learning environment for students. In Korea, in response to growing
levels of school violence, the Character Education Promotion Act (2015) aimed to increase the time in the curriculum devoted to character education (OECD, 2016[4]). It requires all primary and secondary schools to teach students to develop the emotional and social skills required to live harmoniously with others and their environment and promotes project-based learning (OECD, 2020[17]).

Korea has also focused on the development of students’ digital skills. By 2020, digital literacy and information and communications technology (ICT) were embedded across nearly 60% of the content items across the new curriculum, among the highest coverage rates across OECD countries (OECD, 2020[17]). Korea has also embedded media and data literacy in a higher share of curriculum areas than most other OECD countries. From 2015, curricular reforms built in software education. Since 2018, this has been gradually expanding to lay the foundations for the introduction of Artificial Intelligence (AI) education, planned for the next phase of curricular reform. As OECD analysis of policy efforts across education systems has repeatedly shown, school-level actors need adequate knowledge, tools, and sense of empowerment to make change happen in the classroom (Burns and Gottschalk, 2020[18]). This can be particularly true for digital pedagogies. To help overcome this challenge, Korea has been using pilot schools to test and develop successful practices. Korea opened 246 AI pilot schools and 34 designated upper secondary schools in 2020 to develop models for AI education (OECD, forthcoming[19]); alongside this, 495 pilot schools for online education share best practices across the system.

Korea is currently working on further revisions to the curriculum, which will be gradually implemented in primary schools from 2024 and in secondary schools from 2025 (OECD, forthcoming[19]).

**Teachers**

Korea has also focused a lot of policy attention on supporting and developing teachers. One approach has been to enhance career pathways. Piloted in 2008, the Master Teacher initiative (2011) enables teachers with over 15 years’ experience to specialise in certain subject or pedagogical areas and to support their colleagues, particularly novice teachers. Appointment is based on a rigorous selection process including a school recommendation, peer evaluation, in-depth capacity evaluation and ongoing
training. Master teachers are appointed for a four-year period, have a reduced teaching load and can access research funds (OECD, 2019[6]). By 2019, around one-quarter of schoolteachers were Master Teachers.

As part of efforts to support teachers’ wellbeing, in 2016, Korea also introduced the Leave of Absence for Self-training System, which gives teachers with more than 10 years’ experience the opportunity to take a sabbatical of up to one year to undergo training and self-improvement or to prepare for retirement (OECD, 2019[6]). This is seen as an opportunity for personal development and recuperation. At the same time, the more Teacher Healing Support centres (known in their piloting stage as Teacher Education Emotion centres) increased coverage to 17 metropolitan/provincial education offices in 2017 after a successful trial in 4 provincial/metropolitan education offices in 2016. These centres aim to better support teachers who have suffered harassment or bullying in the school environment or whose rights and professional duties have been impeded by other infringements on their work by providing mental-health support or legal counselling (OECD, 2019[6]; Korean Institute of Education and Development (KEDI), 2017[20]).

Continuing such efforts into the future will be important. Evidence from TALIS 2018 indicate that Korean teachers feel a comparatively high level of satisfaction with their job and profession (Figure 2). This is important, as teachers reporting higher satisfaction tend to have a higher sense of self-efficacy; in Korea, this relationship is among the strongest across OECD countries. However, despite policy efforts there are signs of continued issues regarding work-life balance for teachers in Korea. Only around one-fifth of lower secondary teachers surveyed felt that their job leaves them sufficient time for their personal life compared to around half of teachers across the OECD.
At the same time, and particularly in the context of the COVID-19 pandemic, Korea has focused on enhancing teachers’ capacity to adopt digital technologies and facilitate student learning in digital environments. In the early stages of the pandemic, Korea established an online community of 10,000 representative teachers, one from almost every school across the country, to promote the exchange of good practice in online education, and to give advice to help address any issues colleagues encounter. The community provided a real-time, interactive communications channel among 17 Provincial Offices of Education, the teachers and other relevant institutions, including the Ministry of Education (OECD, 2020[22]). Experience built through these communities contributed to the development of the Knowledge Spring, a personalised teacher-training platform that allows teachers to select content and resources based on their identified needs. As such, the platform empowers teachers to drive their own development at the same time as directing them towards high quality and less time-intensive resources. Identified as a promising example of how professional development initiatives can strike the right balance between providing teachers with valuable and targeted resources and avoiding overloading them, the policy was presented by Korea at the Education Policy Reform Dialogues 2020, offering a valuable learning opportunity to senior policymakers from across OECD education systems.

Such efforts may have helped respond to a pre-pandemic challenge as well as support-
ing teachers through the period of distance learning during school closures. Evidence from PISA and TALIS in 2018 indicates that, in Korea, although digital infrastructure in schools—and in homes—was stronger than on average across the OECD (see Figure 3), teachers were not embedding digital technologies in their teaching as much as elsewhere. In TALIS 2018, 30% of lower secondary teachers in Korea reported frequently or always allowing students to use ICT for projects or class work, compared to the OECD average of 53%.

**Figure 3. Conditions conducive to enhancing teaching and learning through digital technology**

Percentage of school leaders who agreed or strongly agreed with the following statements (PISA 2018)

![Figure 3](image)


The OECD has emphasised the need for countries to build on the momentum of collective innovation brought about by the forced move to distance learning during school closures in 2020 (OECD, 2020[22]; OECD, 2021[24]). Korea has tackled this challenge by establishing Future Education Centres at higher education institutions of initial teacher training to strengthen the digital competencies of pre-service teachers. The Ministry of Education opened 10 of these centres in 2020, and plans to open a further 18 by the end of 2021. Korea is also in the process of establishing the K-Edu Integrated Online Learning Platform, which will collate the various digital learning content, Learning Management Systems, and learning tools available across multiple sites, combining them into a single platform. This will be launched in 2022; prior to that the Ministry has developed the Edu-Tech Soft-Lab project as a test bed for the various digital content and services that could be included in the integrated platform. The Lab aims to sup-
port edu-tech companies to better understand school realities and thus enhance the educational outcomes of their products and services. OECD evidence from before the pandemic indicates that these various efforts in Korea could be particularly impactful if they are paired with efforts to make the school environment more conducive to using technology in teaching and learning. Just under one-third of principals in Korea reported that teachers are involved in regular discussions about digital education compared to nearly two-thirds on average across the OECD (Figure 3). Furthermore, only one-fifth report incentivising teachers to adopt digital pedagogies compared to over half of their peers across the OECD. As well as these most recent efforts to build capacity among teachers, it will therefore also be important to ensure teachers have the time, space and supportive interactions within the school day to experiment with new approaches.

### 2.2.3 Korea is empowering students for success beyond school: To strengthen the labour market outcomes of education

Over the last decade, Korea has been working to enhance students’ transitions into the labour market. Prior to and during this period, the OECD repeatedly highlighted the need to enhance employment prospects for Korean youth noting a comparatively low rate of youth employment and a high share of young people not in employment, education or training, as well as an overemphasis on academic tracks (OECD, 2016; Kis and Park, 2012; OECD, 2008). Previous related OECD recommendations have included reducing skills mismatches between education and the labour market, enhancing the ways in which skills are signalled and how the education and training system responds, and improving the quality of careers information and guidance offered to students (OECD, 2017; Kis and Park, 2012; OECD, 2008). Korea has introduced a range of policy efforts in these areas.

At system level, Korea has worked to increase the transparency of skills demand. The National Competency Standard (NCS), introduced in 2013, to identify and standardise the competencies needed to successfully perform a job has been a key policy effort.

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27 An important share of Korean youth who are classified as being NEET (not in education, employment or training), according to the OECD definition, is engaged in some form of study, including in informal types of vocational training centres (private or public) or studying to prepare for recruitment tests and exams to work in the public sector or large firms.
driving improvements in young people’s transitions to employment. The NCS are constantly enhanced and form the basis of curricula for vocational institutions at secondary and post-secondary level (OECD, 2016[4]). The OECD has noted the key role the NCS play in reducing the overemphasis on higher education, revising training standards and providing a strong foundation for lifelong learning (OECD, 2016[25]). The incorporation of competence standards in the development of school curricula, in the creation of certificates and in the hiring practices of enterprises is a work in progress (OECD, 2019[29]). The standards have also informed Korea’s National Qualifications Framework, which aligns competencies, learning outcomes and qualifications across the system.

Korea has also been strongly engaged in strengthening vocational education and training (VET) by increasing its alignment to labour market needs and expanding opportunities for work-based learning. In 2010, Korea established a new group of vocational high schools, Meister schools. Based on the German model, these schools train master crafts-persons, emphasising high-demand trades over further academic progression and allowing students to pursue their studies and internships simultaneously (OECD, 2018[5]). The government provides full scholarships and living expenses for students attending Meister schools. Graduates have an employment rate of over 90% and one key success factor is that, partly thanks to the NCS, the schools can effectively adapt their curriculum to industry needs (OECD, 2016[4]). In 2015, Korea also introduced dual VET programmes at lower and upper secondary and tertiary levels. The OECD has previously recommended expanding both initiatives to further enhance links between schools and firms (OECD, 2016[25]): in 2018, students in Meister schools and dual programmes only accounted for around 9% of vocational upper secondary students, whose share among all upper secondary students is itself comparatively low (OECD, 2018[30]). Indeed, evidence from PISA 2018 indicates that, in Korea, VET students are less likely to engage in an internship or job shadowing than their peers in general education and much less likely than their peers elsewhere in the OECD (Figure 4).

Finally, efforts have also focused on enhancing career guidance for students across school and university. In 2015, the OECD noted that better quality information on the labour market and career counselling and services could help guide youth in Korea in the transition from school to work more effectively (OECD, 2017[28]). Across the school and tertiary system, Korea has introduced measures to build careers education into formal education programmes with a focus on creating career awareness in pri-
mary school, offering career exploration in lower secondary school and stimulating ca-
reer planning in upper secondary school (OECD, 2019[29]). Korea recruited over 5,000
school career counsellors between 2011 and 2014, covering 95% of lower and upper
secondary schools (OECD, 2017[28]). By 2018, PISA data indicated that all 15-year-old
students in Korea had access to career guidance at school and 88% reported having a
clear idea about their future job (Figure 4). This was the second highest share among
OECD countries where the average was 75% (OECD, 2019[2]).

Figure 4. Students career aims and exposure to career guidance

Percentage of students who report having the following

![Figure 4](https://doi.org/10.1787/b5f6db8f-en)

In order to reduce the academic emphasis of schooling and offer a richer and wider
learning experience, Korea piloted the test-free semester programme in 2013 for lower
secondary students. During the “free semester”, students explore their career paths
through self-led activities under the school curriculum and without formal, written
examination. As well as explicit careers education, students develop wider skills for
work, participating in debates, experiments and projects management, and a range
of other enrichment subjects, such as art and physical education. A survey of pilot
participants in 2014 found that the programme had increased student, teacher, and
parent satisfaction (OECD, 2016[4]). In 2015, the programme was expanded nationally
reaching all lower secondary schools by 2016. As of 2017, the programme was extended
to a test-free year for those in the first year of lower secondary education and pilot
programmes were launched for older students (OECD, 2019[6]). Nevertheless, the
cultural preference for academic pathways beyond school remains widespread among parents and students in Korea and a very high share (89%) of 15-year-olds aimed to complete tertiary education after school in 2018 compared to the OECD average share (69%) (Figure 4).

In 2020, the government introduced the University Career Exploration Credit System enabling university students to earn academic credits for career exploration activities. To strengthen the quality of information available to tertiary students, Korea plans to introduce a Career Information System using big data collected from the statistics on the employment of tertiary graduates to provide customised career advice to students. Similar efforts have been recently introduced for vocational students graduating from upper secondary education.

Korea is continuing to strengthen the use of ICT in education: To realise efficiency gains and continue preparing young people for a digital age

In 1994, one year before Korea submitted its application for accession to the OECD, the Ministry of Education launched the first in a series of six consecutive five-year Master Plans on ICT in Education. Since the original 1994-1998 plan, Korea has engineered its national ICT strategy to ensure digital readiness. The sixth and latest plan began in 2019 and identifies 51 activities to be undertaken by 2023, geared around four domains and 13 policy tasks. The four domains of the 2019 plan comprise:

- **Smart learning environment**, through ICT-integrated teaching and learning systems, intelligent academic research ecosystem, strengthened digital competency for the future, and innovative and creative classrooms;
- **Innovation for sustainable ICT in education**, through the promotion of online learning over the life course, the establishment of lifelong education and career information systems, and the enhancement of educational administration services;
- **Customised educational service via ICT**, through the provision of equitable welfare services based on ICT, customised education information based on big data, and safe operating system for educational information;
- **Digital infrastructure for sharing educational information**, through strengthened policy communications, integration of educational information systems, and international co-operation for information sharing.
Alongside the Master Plans, the Ministry of Education has been implementing another major digital initiative since 2011: the SMART Education Initiative—“Self-directed, Motivated, Adaptive, Resource-enriched and Technology-embedded education”. The SMART Education Initiative seeks to transform the content, method, evaluation and environment of teaching and learning in schools to adjust to life in a digital era, not only increase the provision of ICT. It revolves around the use of digital resources to allow customised learning, the institutionalisation of online classes and evaluation systems, and the creation of a dedicated environment for the public use of educational content, information and communication ethics. Other pillars of the strategy promote the training and development of teachers and the establishment of collaborative learning environments that power smart technology.

The launch of the SMART initiative in 2011 was quickly followed by policy actions. In 2012, for instance, the Ministry of Education rolled out regular online classes, based on algorithm recommendation systems, and, in 2016, it established “School for You”, a programme for students with special needs based on an algorithmic performance report.

The success of Korea’s long-term digital strategy was particularly seen in the wake of the COVID-19 crisis. When schools closed, the country could rely on its past efforts to ensure digital readiness at the technological, content, pedagogical support and monitoring levels to swiftly adapt to large scale distance learning. Teachers and students could count on their proficient digital literacy to navigate the new online environment, powered by the long lasting investments in infrastructure and skills development guided by the successive Master Plans on ICT in education and by the 2011 SMART Initiative.

Nonetheless, in 2020 Korea still adjusted its latest five-year plan to: i) encompass its national response to school closures and mitigate the effects of the sanitary crisis on education, and; ii) align its consistency with the latest OECD recommendations on digital strategies in education. For instance, the Ministry of Education expanded its infrastructure for online classes by establishing two sets of large-scale Learning Management Systems (KERIS e-Learning for primary schools and EBS Online Class for secondary schools), both reaching over 3 million students. Further efforts were made in the provision of free of charge online contents through public private cooperation, in the enactment of national guidelines that promote smart use of digital tools, in the training of teachers or in the support of disadvantaged students. Taking advantage of
the momentum brought about by the forced-march transition to digital learning, the Ministry later aims to launch a unique platform for K-12 Education in 2023. This platform will curate contents for all grades and subjects, based on big data and AI systems, and will be open to both public and private schools.

**Planned initiatives to support other reforms**

Korea’s current Master Plan on ICT in Education (2019-2023) outlines a set of initiatives that should support other sectoral reforms. Updated in response to the COVID-19 crisis, its current priorities span across different areas of the education system.

- **In the area of upgrading ECEC and supporting disadvantaged students,** Korea wants to reduce the digital divide by offering support to immigrant and low-income families, to students with special needs and to poorly performing students. Notably, Korea aims to introduce language capacity diagnostics and correction system for students whose Korean is a foreign language. Other online-based programmes are tailored to identify earlier students with poor performances or with health impairments to provide them with customised learning contents. Responding to the COVID-19 crisis, the government also provided an emergency childcare programme.

- **In the area of transforming schools,** Korea’s actions range from schools’ digital infrastructure through to teachers’ digital competencies. The policy efforts start at upgrading the ICT infrastructure in schools, both hardware (device replacement, provision of smart-pads, etc.) and software (wide integration of information systems—the K-edu platform—and learning management systems at primary and secondary levels). Beyond the infrastructure, the initiatives include the remodelling of outdated digital learning environments (via the “green smart future classroom project”); widening the access to digital resources (e.g. provision of digital textbooks in 1,200 pilots schools by 2022), including development of around 110 VR/AR contents; supporting and training teachers towards a new competency framework by 2021; providing peer-learning opportunities via the “School-On” website and recruiting tech-managers in secondary schools. These profound transformations guided by data management and learning analytics all fall under new strict data protections laws that ensure cyber security and privacy in the use and circulation of smart data.
In the area of empowering students for success beyond school. Korea committed to strengthen further the digital skills and literacy of its students, from basic ICT contents to more advanced subjects such as computer science, software development and AI. Combined with the Korea Educational Development Institute (KEDI) participation to the OECD CERI project on fostering and assessing creativity and critical thinking in higher education, this commitment testifies to Korea’s efforts to equip its population with the higher order skills that will be in demand in the ever rapidly changing labour markets of the digital economies. In addition, the Ministry of Education will issue lifelong education vouchers (about USD 600 each year for citizens over 24 years old from 2021) to encourage lifelong learning.

3. Korea and the OECD post-25: Continuing to evolve education to meet the needs of the 21st century

As Korea marks its 25th anniversary of OECD membership, this paper takes stock of some of the major reforms taking place in the field of education policy in Korea, reviews the extent to which these reforms line up with OECD recommendations, and thus aims to continue a tradition of striving for continuous improvement.

It shows how, over the past 25 years, Korea and the OECD have collaborated to strengthen education systems to meet the needs of the 21st century. Korea’s forward looking approach, as well as the active engagement of bodies like the KEDI, has made it an important partner for the OECD in the field of education. Over recent years, for instance, Korea has played a leading role in advancing work on smart data and new technology in education, on fostering and assessing 21st century skills in higher education, and on establishing common educational goals, methods, and policy solutions to accelerate digitalisation in the years to come.

In turn, the OECD has continued to support Korea’s domestic policy reforms in the field of education. In the mid-1990s, OECD studies helped to inform some of Korea’s major education reforms, picking up issues around classroom size, classroom environments, and teacher training, for instance. Since then, Korea has used its engagement with the OECD to design new policies for lifelong learning, for early childhood education, for evaluation and assessment, and for teacher policy, among many other initiatives.
Over the years to come, we hope that this fruitful partnership will continue to support a better education for all. The COVID-19 crisis has had a profound impact on our education systems, and the OECD is working with its member countries to continue advancing our long-term initiatives while offsetting new challenges brought about in the wake of the pandemic. Korea has been an important partner with us in this work. The country’s proactive approach has generated new policy insights for our members, for instance through its “Top 10 Initiatives for Transition to Future Education in Post-COVID-19 Era”, through discussion in its Future Education Committee, the Policy Advisory for Distance Education, and the Dialogue for Great Transition to Post-COVID-19 Education. This roadmap outlines initiatives to revise the country’s school curriculum and reform its teacher management system, as well as plans to reconfigure VET provision and continue to advance a thoughtful digital transition. It has participated actively in global fora, recognising that the road ahead may be challenging and uncertain and so can only benefit from global cooperation and the exchange of good practice. Many of its challenges are also faced by other OECD countries. We will continue to work alongside countries such as Korea to generate evidence and good practices to help address challenges such as digital transformation, ageing societies, climate change and slowing productivity, and to help our members meet the new education needs of the 21st century.
Over the past 25 years, Korea has seen significant improvements in terms of employment, health, and opportunities for all. It has seen strong and sustained improvements in life expectancy, working conditions, and income, to name a few. Korea has also built a more gender-inclusive society, that is more enabling of older workers, and that better manages migration and integration. Challenges are numerous, from building a more patient-centred health system, to addressing changing skill needs, or tackling increasing inequality.

**Stronger health system for longer, healthier lives**

In the 25 years since Korea joined the OECD, life expectancy in Korea has increased from 74.2 years in 1996 to 83.3 years in 2019, now exceeding the average OECD life expectancy of 81 years. Korea was able to transform its health care system from one with limited medical infrastructure and a fragmented financing system with several insurance schemes covering a relatively small share of the population, into one characterised by universal coverage and substantial acute care.

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Korea achieved universal health coverage in 1989, just before joining the OECD, but health system reform and improvements in health outcomes continued since. The 2012 OECD review of Korea’s Health Care Quality praised the country’s commitment to health system strengthening.\textsuperscript{29} Notably, in 2000, Korea’s National Health Insurance Act established a single national insurer, and specified medical benefits to which Koreans are entitled. “Avoidable mortality” has fallen by nearly 60% since 2000, testament to the capacity of the health system to prevent premature deaths.\textsuperscript{30}

Korea has increased investment in health, from spending 5.9% of GDP on health in 2010 to 8.4% in 2020, although it remains below the OECD-16 average of 9.9% of GDP in 2020.\textsuperscript{31} The government has expanded its national health insurance (NHI) benefit coverage and it promoted quality and efficiency in the health system, as highlighted in the OECD Review of Health Care Quality: Korea 2012. Furthermore, Korea invested significantly in health emergency prevention and response following the Middle-East Respiratory Syndrome (MERS) outbreak in 2015.


\textsuperscript{30} \url{OECD Health Statistics, https://www.oecd.org/els/health-systems/health-data.htm}.


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\begin{figure}
\centering
\includegraphics[width=\textwidth]{koreans_living_longer.png}
\caption{Koreans are living longer and healthier lives}
\end{figure}

\textbf{Change in life expectancy and avoidable mortality 1996-2019, Korea and OECD Average}

The OECD Review of Public Health: Korea 2020 pointed to the strengths of the Korean health system, but noted that Korea’s emergency preparedness reforms were so far un-tested. Since, Korea has shown the strength of its public health emergency preparedness capacity in a highly effective response to the COVID-19 crisis. Despite being one of the first OECD countries to be impacted by the COVID-19 pandemic, Korea responded rapidly and effectively to the crisis, with a very strong test, track and trace system. As a result, Korea has seen one of the lowest rates increased deaths (excess mortality) of all OECD countries.

**Figure 2. Increase in all-cause mortality in 2020**

Total number of deaths in 2020, compared to average 2015-19 (% change)


Despite the significant progress in the last 25 years, challenges do remain. Korea’s 12.4 hospital beds per 1,000 population in 2018 compared to the OECD average of 4.4 suggest that the Korean health care system is highly hospital-centric. The Korean government is making building a more efficiently organised and patient-centred health care system a priority. Recent efforts in Korea to make the review-and-assessment system more value-based, to establish a community-based comprehensive care system, including long-term care and hospital health information sharing system pilots are welcome policy reforms.32

Looking forward, enhancing public health policies will be a further priority for Korea. As recommended by the OECD Review of Public Health: Korea 2020, focusing on policies to support healthy behaviours, and develop robust chronic disease screening and management programmes, will help the Korean population to live long and healthy lives in the decades to come.

**Stronger labour markets**

Korea’s economic development during the past 25 years has translated into significant improvements in job quality and inclusiveness, even though significant scope for further progress remains (Figure 3). Thanks to strong productivity performance, wage growth in Korea has been among the strongest in the OECD. Working conditions have improved beyond wages, also resulting in a significant reduction in the share of workers working very long hours. The labour market has become more inclusive as the share of workers with low incomes has fallen, the gap in labour income between men and women has narrowed and disadvantaged groups have become better integrated in the labour market.

![Figure 3. Labour market performance has improved significantly](image)

Selected indicators, normalised values, 2006 and 2019

Source: OECD Jobs Strategy Dashboard.

Korea is a leader in supporting job creation, unemployment reduction, and regional economic development through social enterprises and other types of social economy organisations such as cooperatives. As a result, social enterprises provide services and work opportunities for disadvantaged groups.

Looking ahead, significant scope for further progress remains as job quality and inclu-
siveness remain well below the OECD average. The Korean labour market faces four important challenges:

- **Labour market duality.** Over one third of workers in Korea are in non-regular jobs (e.g. independent, temporary, part-time workers). Non-regular employment not only tends to be associated with less attractive pay and other terms of employment, but—as highlighted by the COVID-19 outbreak—is also much more vulnerable to adverse labour market shocks.

- **Changing skill needs.** Automation provides new opportunities, but will also have important implications for the nature of many jobs and the skills required. The OECD estimates that in Korea, about 10% of workers face a high risk of seeing their jobs automated, and another 33% will face significant changes in their job tasks due to automation.

- **Population ageing.** Korea has the fastest ageing population in the OECD. Boosting labour utilisation through a better integration of older workers will be key to improving living standards among older workers and the elderly and to promote fiscal sustainability in the face of demographic ageing. These challenges are particularly pressing in some regions—the elderly dependency ratio varies from 17.4% in the Capital region to 27.2% in the Gangwon region.

- **Collective bargaining.** Korea’s bargaining system is a decentralised system where bargaining predominantly takes place at firm level with a low level of coordination. The number of workers covered by collective bargaining was around 15% in 2018, the seventh lowest level in the OECD and 17 percentage points below the OECD average. Furthermore, non-standard workers have a much lower unionisation rate than standard workers (respectively 0.6% and 18%).

**An OECD Jobs Strategy chapter on Korea and the Inclusive Growth Review of Korea point at four areas for policy action:**

- **Integrating underrepresented groups.** Promote labour force participation among older workers (see below) and women (see below) and young people. For young people, it will be important to promote school-to-work transitions and limit the risk of scarring as a result of the COVID-19 crisis. This
includes providing services targeted at the most vulnerable,\textsuperscript{33} stepping up career counselling, developing apprenticeships and vocational education (notably Meister schools), introducing incentives for tertiary education as already planned by the government\textsuperscript{34} and targeting actions for specific groups (people with disabilities, youth, older workers) that include pre-employment skills and training and other related support services in partnership with social enterprises to strengthen community-led development.\textsuperscript{35}

- **Supporting workers rather than jobs.** Effectively addressing labour market duality requires a shift from protecting jobs to protecting workers.\textsuperscript{36} This includes easing employment protection for permanent workers, to encourage hiring regular workers by firms, reinforcing social protection, notably unemployment insurance, as well as strengthening active labour market policies, to smoothen transitions from one job to another.

- **Anticipating skill needs** by promoting participation of disadvantaged groups in adult learning including through financial incentives, and by promoting a shared vision of the adult learning system across all parts of government and enhance stakeholder engagement.\textsuperscript{37} Better aligning employment and skills to local strategic growth sectors, as well as enhancing employer engagement will also be crucial.\textsuperscript{38}

- **Promoting a more inclusive and coordinated bargaining system** by ensuring broad access to collective bargaining, notably to non-standard work, by balancing high coverage and flexibility, including by using framework sectoral agreements tailored at firm level and wage co-ordination.\textsuperscript{39}

\textsuperscript{34} OECD, https://dx.doi.org/10.1787/4bf4a6d2-en.
\textsuperscript{35} OECD, http://dx.doi.org/10.1787/9789264216563-en.
\textsuperscript{36} OECD, https://dx.doi.org/10.1787/9789264288256-en.
\textsuperscript{37} OECD, Inclusive Growth Review of Korea.
\textsuperscript{38} OECD, https://doi.org/10.1787/9789264216563-en.
Working better with age

Thanks to improvements in living standards and in the quality and availability of healthcare, average life expectancy at birth in Korea increased from 62 years in 1970 to 83 years half a century later, well above the OECD average level of 80 years. These trends are leading to fast population ageing in Korea: the number of persons aged 65 or over for every 100 persons of working age (20 to 64) is projected to exceed 78 in 2060.

In such a context, giving older people better work choices and incentives and access to good jobs is crucial for promoting economic growth and improving the sustainability of public social expenditures. Korea is outperforming OECD countries in engaging older workers in the labour market. At almost 34%, the employment rate of workers over the age of 65 in Korea is twice the OECD average.

Figure 4. High employment rates for older workers coexist with high poverty rates

Employment rates (left) and poverty rates (right) by age, percentage

Sources: OECD Income (IDD) and Wealth (WDD) Distribution Databases 2021 and OECD Employment rate by age group 2021.
Low jobs quality for older Koreans, however, remains a significant challenge. The OECD’s Inclusive Growth Review of Korea shows that many workers retire early from their main job (often before reaching age 55) and find new employment in insecure and low-paid jobs, or become self-employed. Nearly two out of every five workers aged 55-64 in Korea holds a non-permanent job, compared to one in every ten on average in the OECD. For many workers, this results in lower earnings and potential hardship. Indeed, Korea has the highest rate of poverty in the population aged above 65 among OECD countries. Pension adequacy will improve as the pension system matures, but the future net mandatory public and private pension replacement rate is fairly low at 43% for an average income earner after a full career from age 22 (OECD average is 59%).

Recent government initiatives—including raising the minimum mandatory retirement age to 60 in 2016-17, and the introduction of a job- and competency-based system for setting wages and reduce working time—can improve working conditions. Efforts, however, will be needed to implement measures effectively.

The OECD Working Better with Age: Korea review highlights that living standards and quality of jobs can be improved for older workers by expanding incentives for workers and employers to ensure that workers stay longer in their career jobs, promoting more flexibility in wages, lowering working hours and improving access to more flexible work. Establishing occupational health and safety systems and better access to lifelong learning are also important.

Promoting participation in adult learning among older Koreans will also be key to improve the quality of their jobs and help them cope with labour market adjustments linked to the COVID-19 crisis as well as to demographic ageing, the digital transformation, and climate change. Less than 10% of older adults (55-65) in Korea have the digital problem-solving skills needed in today’s labour market compared to 65% of 16-24 years old—the largest difference among OECD countries.

Korea has put in place several policy initiatives to promote inclusiveness in high-quality training opportunities. The OECD’s Getting Skills Right: Future-Ready Adult Learning Systems identifies policies that Korea can use to improve further participation in adult learning for older workers. The accompanying Priorities for Adult Learning Dashboard benchmarks the performance of the adult learning system in Korea to that of other OECD. In Korea, the gradual implementation of the National Competency Standards
can help to better recognise, use, manage and reward the actual skills and competencies of the workforce, but it will take time to materialise.

**Figure 5. Older Koreans need to build their skills to thrive in the labour market**

Percentage of adults with high proficiency in problem solving in technology-rich environments, by age.

![Bar chart showing the percentage of adults with high proficiency in problem solving in technology-rich environments, by age.](chart)

Note: High proficiency is defined as performing at levels 2 and 3 in the OECD Survey of Adult Skills.


The upcoming monitoring report of the OECD’s Council Recommendation on Ageing and Employment will highlight progress made by Korea, and other countries, in implementing policies for strengthening employment opportunities at an older age.

**A more gender-equal society**

Since joining the OECD, Korea has made significant progress in building a more gender equal society. In 2018, Korea had the highest share of young women with tertiary education in the OECD (around 98% of those aged 25-34), and women’s employment rates rose by nearly 10 percentage points between 1999 and 2019 (Figure 6) and the gender wage gap dropped from 47% in 1992 to 32% in 2019.

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Policy reform contributed to the move towards a more gender equal society. As shown in Rejuvenating Korea: Policies for a Changing Society (OECD, 2019), Korea undertook early childhood education and care (ECEC) and parental leave policy reforms that help reduce the care burden on women and foster their participation in the labour market. Korea increased its public spending on ECEC from 0.1% of GDP in 2004 to 0.9% in 2014—the largest increase in the OECD over the period. These investments by successive governments mean that 92% of children in Korea participated in ECEC in 2017. Because of public support, out-of-pocket childcare costs are among the lowest in the OECD. Korea has also developed a relatively comprehensive system of paid child-related leave, with 90 days of paid maternity leave and an individual entitlement of one year of paid parental leave for both eligible mothers and fathers. In 2020, Korea introduced family care leave of up to 10 days per year to improve work life balance, and launched a salary comparison website showing salary brackets of private sector employees based on gender, as well as firm size and business type.

Challenges remain, however. Women, remain more likely than men to be in low-paid

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44 Rejuvenating Korea: Policies for a Changing Society, p. 8
non-regular (fixed term) employment. At 32%, the gender wage gap is the highest in the OECD, and employment is particularly low among women of parenting age. Among Korean women aged 35 to 44 for example, the employment-to-population-ratio stood at 60%, 30 percentage points less than Korean men, and nearly 10 percentage points less than the OECD average.\textsuperscript{46} Many workplaces have cultures that are still not conducive to mothers and fathers taking leave.

As it continues to build a more gender-equal society, Korea should further ease access to parental leave, notably for non-regular workers and the self-employed.\textsuperscript{47} In addition, unsupportive workplace cultures must be tackled by monitoring the effects of maximum hours legislation, or by linking data on health and employment insurance to help investigate firms suspected of not allowing workers to take maternity leave.\textsuperscript{48} Regular publication of gender wage data and “gender audits” of workplace practices could help reduce discriminatory pay practices.\textsuperscript{49} Finally, as discussed in the section on employment, labour market dualism must be broken down to help men and women make full use of their educational achievements and pursue their labour market aspirations.

**Better management of migration and integration**

Since joining the OECD, Korea has witnessed a slow but continuous growth in its foreign population. The share of foreigners in the total population went from a low 0.2% in 1996 to almost 4% in 2020 when the foreign population reached 2 million, with most foreigners of working age (figure 7). This is still much lower than the OECD average but the sharpest growth recorded in the OECD over this period.

\textsuperscript{46} OECD, https://stats.oecd.org/Index.aspx?DataSetCode=lfs sexe age i_r.
\textsuperscript{47} Rejuvenating Korea: Policies for a Changing Society, p. 30
\textsuperscript{48} Rejuvenating Korea: Policies for a Changing Society, p. 30
The migration policy reform of the early 2000s has created the basis for an efficient management of temporary labour migration. The Employment Permit System (EPS) introduced in 2004 had two main components. The first was a programme for admission of temporary foreign workers for up to three years, through bilateral agreements, whereby workers were assigned to employers in a fixed number of sectors through quotas. The second component was a programme for admission of ethnic Koreans abroad—primarily Chinese—to visit and work in specific sectors in Korea for up to almost five years. Since its introduction, the number of employees under bilateral agreements have risen to about 300,000, or 10% of manufacturing sector employment. The number of ethnic Koreans rapidly reached its cap, although it has since fallen as many participants changed status to permanent residence.

The OECD review of the Korean labour migration system\textsuperscript{50} suggested to reinforce mechanisms to prevent employers from becoming dependent on lower productivity EPS workers and to provide incentives for improving working conditions. The review also made concrete proposals to improve the potential of labour migration programmes to meet a wider range of needs and improve the migration data system. Since then, Korea developed a new selection method for EPS workers to all participating origin countries. The method involves an initial round of a Korean language test,

now followed by a skills test and an additional optional competency test. In 2021, the Ministry of Employment and Labour also introduced new measures to improve the housing conditions of EPS workers.

**Challenges remain, however.** Around 40% of permanent migration in Korea is family migrants—a relatively stable inflow over the past decade, though in slight decline as a share of total permanent migration due to an increase in the number of ethnic Koreans acquiring permanent-type residence. Family migrants are mostly women marrying Korean men in rural areas. Despite the efforts of the Ministry of gender equality and family—which provides important support programme to multicultural families notably in terms of language training, Korean culture and counselling—integration often remains a challenge and children of multicultural families are struggling to compete in the education system.

Latest OECD statistics show that more than 1.7 million Koreans live in another OECD country, a number that has grown by 23% since 2001. About 57% of them are tertiary educated. Even if highly skilled Koreans abroad only represent 4.8% of the highly-skilled Korean workforce, policies to better tap into this talent pool could help boost productivity and respond to population ageing.

**Improving well-being and strengthening the inclusiveness of Korean society**

Korea has made impressive advances towards a more inclusive society across different dimensions of well-being in the last decade, achieving 24 out of 118 SDG targets for which the data are available on a comparable basis. Korea has caught up with the most advanced economies, joining the 30-50 club in 2017 and reaching 97% of the av-

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52 In 2017, only 56% of foreign women were in employment compared to 83% for their male counterparts.


55 In Korea, the Global SDG Indicators Database covers 118 of the 169 SDG targets, however, “Korea’s distances to specific SDG targets” using the OECD methodology developed in “Measuring Distance to SDGs” report can be measured for 97 of them, since 21 targets can only be measured with indicators that lack a clear normative direction.

56 30-50 club denotes countries with per capita gross national income (GNI) surpassing USD 30,000 and a population of over 50 million. The figure is featured in the Korean New Deal.
Korea and the OECD share some of its challenges with other OECD countries, in terms of income, gender and other inequalities. The top 20% earners make seven times more than the bottom 20%, compared to five times on average across the OECD. It would take a child born into a low-income household about 5 generations to reach the average income level, compared to the OECD average of 4.5 generations.

Moreover, while workers in the bottom 10% of the income distribution saw no real wage growth over the past two decades, the income share of the richest 1% rose from 7.5% in 2007 to 11.2% in 2014 (i.e. SDG target 10.1). Relatively weak social protection schemes (SDG target 1.3) and low redistribution through taxes and transfers (SDG target 10.4) spur relatively high-income poverty rates (SDG targets 1.2 and 10.2) above the OECD average, which is a serious challenge particularly among the elderly (at 45.7% for Korea, compared to the OECD average of 12.9%). As discussed above, gender inequality persists (SDG targets 5.4 and 5.5).

The single most important message from the OECD 2021 Inclusive Growth Review of Korea is that policies should create equal opportunities for all by design, across different dimensions of well-being. This means:

- **Operationalising an integrated approach to policies.** The Korean New Deal, introduced in July 2020 as a national development strategy to support the country’s recovery from the COVID-19 pandemic, is a step in the right direction that considers both green and inclusiveness dimensions from the outset.

58 For instance, the gender wage gap at 32.5% in 2019 was among the highest in the OECD, and was mirrored in a large labour participation gap. 52.9% of women participating in the labour market in 2018, compared to the participation rate of 73.7% among men.
while harnessing the potential of digitalisation.

- **Investing in people left behind to provide equal opportunities for all**, by reducing income, gender and other inequalities as well as cutting down the relative poverty rate.

- **Promoting trust and raise support for policy reforms**, by continuing to engage actively with citizens, addressing past legacies and perceptions of undue advantages, confronting any vested interests in business, education and other dimensions of life—and highlighting how the government’s responses to the COVID crisis has built the case for putting people at the centre.

- **Integrating well-being in the budget**, to ensure longevity and continuity beyond the electoral cycle, and inform necessary adjustments in budget allocations coherently with the inclusiveness and innovative growth pillars of the Korean New Deal.

- **Consolidating and strengthening a measurement framework** focused on well-being outcomes and the distribution of outcomes across the population; building on OECD tools to track the outcomes of recovery efforts and measure distance to SDG targets by taking different dimensions of well-being into account.

**Figure 8. Selected inclusive growth indicators for Korea, by four pillars of the OECD Inclusive Growth Dashboard applied to Korea**

Innovation of Public Administration: Towards Citizen-Centred Public Administration

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Although Korea has achieved economic growth through efficiency and growth-orientated government operations, the quality of life for citizens has not kept pace owing to deepening inequality.

There have been growing calls for the government to focus its capabilities on forming a country where all citizens can prosper, while changing the way the government operates toward social values that contribute to the public interest and community development. In addition, as complex challenges cannot be solved by the government alone and the demand for policy participation based on mature civil society capabilities increases, the need to establish an institutional basis for more direct citizen participation has also been raised. In particular, owing to the rapid development of new technologies such as artificial intelligence and big data, participation methods that were not possible in the past will be realised in the near future, providing a means for citizens to directly participate in various policy fields. The Korean government has the highest level of digital competitiveness in the OECD Digital Government Index.59

In line with these changes, to realise a government in which citizens are the master, the Korean government has shifted its management method from quantitative growth to social-value-centred and focused its activities on civic services based on openness and accountability. The standards of resource input and allocation and the decision-making standards in the government were changed to solve the problems of citizens’ quality of life; community development; and social, economic, and environmental sustainability. The government is seeking ways to solve complex problems that it cannot solve alone by mobilising the social capabilities of the citizens.

Shifting the focus of government operation from efficiency to social value

In the past, the government tried to improve efficiency in public-service supply according to the principles of market competition, such as privatisation and private consignment from monopolistic and direct supply by the bureaucracy. In the internal management of government organisations, a performance-oriented system was emphasised in order to break away from a bureaucratic administration, such as through input-oriented budgeting, and to create customer-centred performance by demonstrating an entrepreneurial spirit and creativity. Nevertheless, in spite of the fact that administration is an act that creates values such as responsibility, equity, and democracy in addition to efficiency, these values were neglected.

As a result, the public sphere deteriorated owing to the aggravation of social problems such as income inequality, unemployment, poverty, and crime, and an increase in the burdens on the lower-income class following the privatisation of public services. The efficiency-oriented government operations revealed many problems, even within the government itself. An excessive emphasis on individual performance weakened the link between ministries and revealed the limits of cooperation in solving the complex social problem, which requires a more fundamental approach and a long-term outlook as multiple ministries are related. In the relationship between the government and citizens, the government had focused on improving the quality of public services, considering citizens only as “customers” of administrative services. As a result, it was criticised for overlooking the fact that citizens are political actors who can participate in the operations of the government to realise their rights and interests.

The Korean government accepted these criticisms and thus shifted the priority of its operations from efficiency to social values such as safety and human rights. The values refer to those that can contribute to the public interest and development of the community in areas such as society, the economy, the environment, and culture, and these in turn include human rights, safety, welfare, community, decent work, and consideration for the socially disadvantaged.

The government has innovated in fiscal management and taken measures to ensure that financial innovation could be stably promoted through budget and performance evaluations in order to expand fiscal investment in social-value realisation projects. The budget has been expanded in areas related to social values, such as safety, environ-
ment, education, health and welfare, and employment, by revising the budget-drafting
guidelines of the central government and the budget-operating standards of local
governments. In order to promote sustainable administrative innovation, the results
of administrative innovation are checked, and social impact assessment factors are re-
lected in the evaluation stage of financial projects to motivate government agencies
and public officials toward innovation.

**Participation and cooperation**

Owing to the complexity and uncertainty of the administrative environment, a con-
sensus was formed that the government and citizens should cooperate to solve social
problems. Administrative responsibility, democracy, equity, connection and coopera-
tion, and consensus and coordination were emphasised. The government is only one
of various actors to solve social problems and no longer has a monopoly in the policy-
making and service-provision processes.

Since these processes are complex among various interdependent actors, the govern-
ment must be able to induce cooperative problem-solving among actors by coordinat-
ing the relationship with civil society beyond the cooperation and procedures within
the government. In order for this extended governance to operate effectively to solve
problems, trust between participants, autonomy and horizontality, reciprocal interac-
tion, and a process of consensus and deliberation are required.

This view is different from one that views citizens as passive beneficiaries of top-down
c policymaking and service provision, or as customers of services. Based on a reflective
approach to problem-solving, the continuous interaction of government and citizens
should be emphasised in all processes from problem definition to service delivery.

The Korean government is trying to diversify and revitalise opportunities for citizens
to participate in seeking solutions to social problems. In resolving social problems, we
strive to have the capacity to mediate, negotiate, and cooperate with citizens beyond
the role of control or direction, and we aim to lead a deliberation process through the
smooth operation of networks inside and outside the organisation. As an example, the
government introduced the citizen participatory-budgeting system that expanded par-
ticipation in budget establishment and execution. Thus, a “Citizens Watching Group for
Direct Budgeting” was established for each local government. The government has in-
introduced the “Citizen Participation Legislative System” for laws that have high interest to citizens and require on-site opinions to expand participation in the entire process of proposing, voting, enforcing, and evaluating the law.

**Open public information and public data that citizens want**

As citizens’ interest in public information and desire to participate in state affairs increased, the government implemented the information disclosure system in 1998 to recognise their right to know as well as to provide a wide range of administrative services. Information disclosure is a system that allows citizens to easily find the information they want anytime, anywhere, and participate in the work of the government. It is similar to the Freedom of Information Act in the UK and Australia. It has also provided on-line services that allow citizens to request disclosure and receive the information that people want through the Internet since 2006. The government is actively and proactively providing information, moving away from selectively and passively providing information held by public institutions based on citizens’ requests for information disclosure. In other words, the government is increasing the transparency of its operations by allowing citizens to view most of the information held by the government as it is through the information-disclosure online system, even without a specific request from citizens.

Meanwhile, public data held by public institutions is recognised as an important resource for discovering information services. Government policy on public data seeks to open all data that citizens want so that the private sector can reuse such data to create new value and promote reuse for commercial purposes other than public and non-profit ones. The OECD OURdata Index results have shown that the Korean government remains a strong performer in terms of data availability and has shown it is possible to sustain high levels of support to re-use data, by combining single open-data events with long-term partnerships and government programmes that involve the whole open-data ecosystem.

**Public-service innovation to improve citizen convenience**

In order to increase citizens’ satisfaction with public services, it is necessary to create

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60 OECD Open, Useful and Re-usable data (OURdata) Index: 2019.
an environment in which they can easily access the services they need in their daily lives. The Korean government’s innovation in public services aims to expand preemptive and preventive public services so that citizens can receive the necessary services at the time of their life cycle in advance, thereby establishing a system to prepare for a better life. Preemptive and preventive expansion of public services is largely divided into four types and then implemented.

First, citizens can apply for services that are required for each life cycle or services that can be provided all at once for specific qualifications such as being disabled. For example, the government implements an “integrated application for pregnancy and childbirth-related services” so that various pregnancy support services provided by each institution can be applied for online at the time of pregnancy diagnosis.

Second, it provides information-notification services that provide customised guidance to the applicable citizens on the arrival of payment deadlines for some taxes and utilities, safety information closely related to daily life, and corporate information to relevant consumers. As an example, an integrated information service that allows people to consult electricity bills and health-check update all at once using a smartphone alarm function is being implemented.

Third, an online integrated service is being implemented that automatically fills in various application forms required for public-service applications in advance or automatically guides individuals to the services they can apply for. A typical example is the national tax online service that automatically classifies and provides deduction items according to the characteristics of each taxpayer when he or she files the income tax electronically.

Lastly, public services that citizens need are being visited on-site and provided according to personal circumstances. A case in point is the expanded fingerprint-registration service for children and the disabled conducted by the National Police Agency. The Korean government is actively working to solve problems that can make daily life difficult for citizens through various types of preemptive services as described above. As part of this effort, digital technology is being applied to improve government operational performance and the quality of public services. The government is conveniently changing the method of providing various services based on digital technology and has laid
the institutional foundation to develop and provide public services using advanced technology so that these efforts can continue.

In addition, the government is continuing efforts to help citizens who cannot fully use public services due to personal circumstances. For example, public services provided by smartphone applications or unstaffed services can be difficult for the elderly to use. In the case of public services that require visits to hospitals or government offices, the frequency of use by residents in remote areas and islands tends to decrease. Even in the case of multicultural families and young people who have departed from the educational field such as schools, where it is difficult to obtain information about childcare or education—even if there are public services for them—they are often alienated from the information itself. The Korean government is trying to resolve blind spots in public services by improving the administrative system so that the necessary services can be delivered to those who need them without missing the end of the service delivery system.

**Towards administrative innovation that can satisfy citizens**

The Korean government plans to pursue bold and active administrative innovation in the future. The government will move away from the former way of running the government, which valued efficiency and growth, to promote social values and solve social problems through civic participation and cooperation. In preparation for the post-COVID-19 era, it will build an open ecosystem for public data and public services to promote the full-scale transition to digital and will improve the government’s decision system based on data. We know that the government’s innovation efforts will be meaningless if the public services cannot satisfy our citizens. The government will continuously improve customised services closely related to civic life to improve citizens’ quality of life and create changes in public services that citizens can directly experience in their daily lives.

**Administrative innovation of the Korean government: Response to the COVID-19 and preparation for the post-COVID-19 era**

**Stable suppression of the COVID-19 transmissions without full lockdowns**

The Korean government has responded promptly and actively to the crisis situation
triggered by the COVID-19 by mobilising its administrative innovation capabilities. Firstly, it elevated the Central Disaster Management Headquarters into the Central Disaster and Safety Countermeasure Headquarters, to be led by the Prime Minister for the first time, with the aim to establish the command system in response to the COVID-19. In addition, under the three principles of openness, transparency, and democracy, the administration has made active efforts to combat the spread of the infectious disease through the 3T strategy of tracing infections relentlessly, testing extensively, and treating infections after prompt isolation. Moreover, various efforts such as social distancing with the cooperation of the public, measures to stabilise the supply and demand of face masks, the strict management of persons in self-quarantine, and the first-ever on-line school opening have contributed to slowing the spread of new infections and preventing the spread of the virus. In particular, the dedication shown by medical personnel toward patients and the voluntary participation of the public in these efforts have played a pivotal role in the success of Korea’s disease prevention and control campaign.

Through these efforts, Korea has curbed the spread of COVID-19 in a stable manner without any full lockdowns. The OECD also gave Korea high marks for its response to the COVID-19 in August 2020, noting that “Korea has minimised economic damage while controlling the disease without imposing any lockdowns”.61

Establishment of a rapid response system since the initial outbreak of COVID-19

Establishing the command system of the Central Disaster and Safety Countermeasures Headquarters Immediately after the confirmation of the first case of COVID-19 in Korea on January 20, 2020, the government held an emergency meeting to review possible responses to the virus, presided over by the Prime Minister, and mobilised a control centre for infectious-disease control.

Thereafter, as the number of confirmed cases surged, the government raised the COVID-19 alert level to “Serious”, while simultaneously making active efforts at the government-wide level, such as assigning the Prime Minister to the head of the Central Disaster and Safety Countermeasures Headquarters, the first organisation of its kind.

The administration laid the foundation for overcoming the national crisis by declaring special disaster zones in Daegu and Gyeongbuk (Cheongdo, Gyeongsan, and Bonghwa) regions, which saw a spike in confirmed cases, then conducting a daily monitoring of infection prevention and control efforts and formulating prompt response strategies.

**Building a preemptive testing system and a treatment system** In 2020, the Korean government facilitated the development of diagnostic kits for COVID-19 for the first time in the world, and installed screening stations at public health centres and emergency rooms nationwide to establish a preemptive testing system. Moreover, as the number of confirmed cases rose sharply in the early days of the outbreak of COVID-19, the administration re-established the principle of hospital-bed allocation based on the severity of patients, thereby building a treatment system to provide intensive inpatient treatment to patients with moderate or severe symptoms and to monitor and manage those with asymptomatic infections or mild symptoms at community treatment centres. Amid a spike in confirmed cases, the government was able to effectively curb the community transmissions of the infectious disease by designating and operating state-run facilities, private training centres, etc., as community treatment centres.

**Improving the substance of the infectious disease response system** The Korea Centers for Disease Control and Prevention (KCDC), under the umbrella of the Ministry of Health and Welfare, was elevated to launch a new independent central administrative body named the Korea Disease Control and Prevention Agency (KDCA). The KDCA is an agency dedicated to infectious-disease control with a total of 1,476 staff, and is affiliated with the Prevention Agency Korea National Institute of Health (KNIH), the Regional Centers for Disease Control and Prevention, National Tuberculosis Hospital, the National Quarantine Station, etc.

Moreover, the government introduced a new vice-ministerial post in charge of public health at the Ministry of Health and Welfare as the competent ministry, while expanding related organisations and the workforce to reinforce its capabilities in health care policies.

**Stable crisis management in the implementation of response measures**

**Stabilising the supply and demand of face masks** Due to the rapid spread of COVID-19,
the supply of face masks failed to keep up with the surge in demand, resulting in a shortage. To address this problem, the government endeavoured to stabilise the supply and demand of face masks in Korea by implementing emergency and demand adjustment measures, which included the expansion of the supply of publicly-distributed masks and restrictions on mask exports. In addition, in order to increase the supply of face masks, the government significantly streamlined relevant customs procedures, such as expediting the approval process of new items and exempting import requirement verification for melt-blown (MB) filters, which are components of face masks. Furthermore, to ensure the proper distribution of demand, it carried out a five-day rotation mask-distribution system, thereby ensuring a stable supply system for the masks.

Supporting the safe return of Korean nationals from overseas  The government made all-out efforts to support the safe return of Korean nationals who were stranded overseas due to border restrictions and lockdowns amid the global spread of COVID-19. The government promptly formed a task force to support the return of Korean expatriates and mobilised a variety of measures to this end, such as arranging charter flights and military aircraft to transport them, which led to the safe return of approximately 55,000 Koreans from 122 countries.

Alleviating border entry and exit issues for businesspeople  After introducing the fast-track entry procedure for businesspeople between Korea and China, the government further expanded the procedure for six countries including Indonesia, Singapore, Japan, and Vietnam. Thanks to this procedure, business people in each country were able to avoid the inconvenience in the entry or exit procedures for business purposes.

Starting from August 2020, the government launched the Business Travel Support Center to provide one-stop support for addressing difficulties facing businesspeople in border entry or exit. The Center allowed them to easily handle various tasks, such as the issuance of the quarantine exemption document and the Health Condition Report to ensure convenience in border entry or exit procedures.

Opening schools online for the first time ever  Despite difficulties in providing a safe learning environment due to the outbreak of COVID-19, the government implemented its first-ever online classes to guarantee students’ right to education. The government strived to ensure the smooth start of online classes by opening classes for each school
level and grade through the Educational Broadcasting System (EBS), Cyber Learning System, etc. The government also guaranteed disadvantaged students’ right to education by loaning digital devices and providing Internet usage fees to students from low-income families, providing books and materials in Braille and videos with sign language interpretation and subtitles to students with disabilities, and offering interpretation services and translated subtitles to students from multicultural families.

**Holding nationwide large-scale events in a smooth manner**  Even amid the COVID-19 situation, the government held the nationwide general elections in a smooth manner as the first country to do so around the world. Thanks to the public’s cooperative attitude toward wearing face masks and observing social distancing at polling stations and the government’s preemptive formulation of quarantine measures at polling stations and counting centres, not a single confirmed case was reported to be linked to the elections.

With respect to the annual College Scholastic Ability Test (CSAT), the government raised the social-distancing level, while operating a special quarantine period for the exam (from November 19 to December 3, 2020, for which allowed approximately 420,000 students to take the CSAT in a safe environment.

**COVID-19 vaccinations to the entire population**  The government secured vaccines from overseas for 99 million people, enough to fully vaccinate the country’s entire population, and began administering vaccines to high-risk groups and medical personnel as a priority, including residents at convalescent hospitals, starting from February 2021. As of September 2021, the number of people who had received the first round of vaccinations reached 36 million, and the government is exerting every effort to complete the second round of vaccinations for 70% of the entire general population by October.

**Management of the COVID-19 crisis and preparation for the post-COVID-19 era**

**Strengthening the crisis management system for the people’s livelihood and the economy**  In a bid to respond to the crisis situation, the Korean government held meetings on an ad-hoc basis, including the Emergency Economic Council meeting chaired by the President and the emergency economy meeting at the Central Disaster and Safety Countermeasures Headquarters chaired by the Deputy Prime Minister of
the Economy. Through such efforts, the Korean government devised measures worth KRW 570 trillion for overcoming the crisis and boosting economic recovery in 2020, while allocating KRW 30.5 trillion of the budget toward job creation and formulating measures worth KRW 14.9 trillion to finance relief aid in 2021. In particular, since March 2020, the government has drawn up five rounds of supplementary budgets totaling KRW 82 trillion to actively support measures to overcome the crisis.

Providing emergency relief funds and supporting emergency employment As the spread of COVID-19 dealt a serious blow to the public’s livelihoods and the economy in general, the government provided four rounds of emergency relief funds totaling KRW 38.6 trillion to help the public overcome the urgent crisis.

With a view to minimising job instability stemming from the infectious disease, the government aggressively implemented employment measures such as granting employment-retention subsidies worth KRW 2.3 trillion.

Supporting microenterprise owners and SMEs affected by the pandemic In order to minimise the economic damage suffered by micro-enterprise owners and SMEs due to the pandemic and to revitalise domestic demand, including the stimulation of consumption, the government provided tax benefits such as a reduced value-added tax, increased income-deduction rates for credit-card spending, and tax credits to landlords who voluntarily reduced rents. At the same time, the government offered direct support, including the New Hope Fund for Microenterprises (KRW 3.3 trillion), the Microenterprise Support Fund (KRW 4.1 trillion), and the Support Fund Plus (KRW 6.7 trillion), while creating an atmosphere of win-win cooperation through the “Nationwide Positive Prepayment Campaign”.

Promoting the Korean New Deal With the aim to overcome the economic crisis driven by the COVID-19 pandemic and to envision a new future for Korea, the government announced the Korean New Deal package in July 2020. It is a strategy that involves two pillars, namely the “Digital New Deal” to foster digital innovation across the entire New Deal to the people economy and the “Green New Deal” to drive the transition toward an eco-friendly economy, which are supported by the “Human New Deal” to ensure the solid protection of vulnerable groups. Furthermore, the government is also advancing the Regionally Balanced New Deal for the purpose of spreading the impact of the Korean New Deal to benefit all regions.
Under the Korean New Deal initiative, the government will accelerate its shift from a fast-follower to a first-mover economy, from a carbon-dependent to a low-carbon economy, and from a socially-divided to an inclusive society.

2050 Carbon Neutrality Declaration The seriousness of climate change has further come to the fore following the outbreak of COVID-19, as major countries such as the EU nations, China, and Japan have declared their commitment to carbon neutrality and the Biden administration in the United States has been pursuing the goal of carbon neutrality. As such, countries from around the world are implementing changes in line with the new paradigm of carbon neutrality. The Korean government is also actively participating in such trends within the international community by formulating implementation strategies to this end after announcing its 2050 Carbon Neutrality Declaration in December 2020. The government will carry out the implementation strategies to reach carbon neutrality by 2050 without disruptions so that it can achieve both carbon neutrality and economic growth, while simultaneously enhancing the quality of life for the people.
Joining the OECD in 1996 and its Development Assistance Committee (DAC) in 2010 were important steps in the Republic of Korea’s remarkable journey from post-war aid recipient to becoming a global development co-operation partner. Official development assistance (ODA) grew rapidly as Korea built its development co-operation system. DAC peer reviews have recommended improvements and offered opportunities for Korea to learn from others and share its rich experience. Korea and the DAC continue to work together to tackle global challenges.

**Membership of the DAC galvanised strong collaboration between Korea and the OECD on development co-operation**

**Important steps in a remarkable journey**

Joining the OECD in 1996 marked a significant step in the Republic of Korea’s remarkable journey from post-war aid recipient to global development co-operation partner. Becoming a member of the OECD’s Development Assistance Committee (DAC) in 2010 led credibility to Korea’s standing as a development partner. It celebrated this status as host of the 4th High Level Forum on Aid Effectiveness in the southern city of Busan (Box 1), showing from experience that it is possible to bridge the gap between being recipients and providers of development co-operation.

Between 1945 and 1995, Korea received some USD 13 billion in aid, helping it to recover from war and transform from a rural, agricultural-based economy to a modern, industrial nation while maintaining an average growth rate of nine percent. It avoided the middle-income trap by investing in human capacity, becoming an example to developing countries across Asia and beyond (UNDP, 2020). Not content to develop its own economy, in the 1970s Korea reached out to other developing countries with
technical training and in the 1980s and 1990s began providing loans and grants. At the beginning of the 1990s, net ODA flows to Korea became negative, and Korea graduated from the list of DAC ODA recipient countries in 2000. By 2006, Korea was the fifth largest provider of South-South co-operation (UNDP, 2020). After robust economic development, Korea is now the sixteenth largest donor among DAC member countries.

**ODA grew rapidly as Korea built its development co-operation system**

The Republic of Korea first reported ODA equal to USD 24 million in 1987, steadily growing to USD 159 million in 1996 when Korea joined the OECD and USD 752 million in 2005. Net ODA continued to grow rapidly to USD 1.2 billion in 2010 when Korea joined the DAC and reached USD 2.3 billion in 2020 on a flow basis. Since its accession to the DAC, Korea’s ODA has increased significantly by 76% in real terms.

![Figure 1. Korea’s official development assistance, 1987-2020](source: OECD (2021), Creditor Reporting System (database).)

**Korea primarily supports least developed and lower middle-income countries**

Since joining the DAC, the majority of Korea’s bilateral ODA has consistently supported least developed and lower middle-income countries (Figure 2). In 2019, Korea provided USD 2.0 billion in gross bilateral ODA, with 49% allocated to Asia (USD 1 billion) and 25.2% to Africa (USD 516.3 million).
Korea offers a mix of concessional loans and grants

In 1987, the Economic Development and Co-operation Fund (EDCF) was established to provide concessional loans to developing countries. The Fund was administered by the Export-Import Bank of Korea (Korea Eximbank) which was in turn accountable to the Ministry of Economy and Finance. Then in 1991, the Korea International Co-operation Agency (KOICA) was created to implement grants as well as dispatch volunteers under the guidance of the Ministry of Foreign Affairs. It began co-operating with non-governmental organisations (NGOs) in 1995, started peace-building activities in 2002 and in 2004 provided disaster relief and rehabilitation in response to the tsunami in South Asia. KOICA expanded its activities to include global citizenship education, programmes for countries affected by conflicts and fragility, innovation and technology-oriented solutions in partnership with a wide range of stakeholders in subsequent years.

The Committee for International Development Co-operation (CIDC), led by the Prime Minister and comprising Ministers and civil society representatives, was created in
2006 to elaborate policies and plans for Korea’s development co-operation. The CIDC, the Ministries of Economy and Finance and Foreign Affairs, Korea Eximbank/EDCF and KOICA comprise the core of Korea’s development co-operation system. In addition, 40 other Ministries and agencies offer grants and technical co-operation mobilising their own expertise, under the coordination of the CIDC.

**Figure 3. Total ODA disbursed through government agencies, 2019**

![Pie chart showing ODA disbursement by agency](source: OECD (2021), Creditor Reporting System (database).

**DAC membership offers the opportunity to improve, to learn and to share experience**

As a member of the DAC, Korea undertakes to review and be reviewed by its peers. Peer reviews serve the dual purpose of accountability and learning. In reviewing Korea, members offer suggestions for improvement and an opportunity to learn from other experiences. In turn, acting as a reviewer has given Korea the opportunity to share its rich experience and learn from an in-depth look at the development co-operation system of other DAC members.

Prior to joining the Committee in 2010, Korea requested the DAC to undertake a special review of its development co-operation. Reviewers from Australia and Canada, with the support of staff from the OECD’s Development Co-operation Directorate, consulted with the Korean government, NGO representatives and academics and offered recommendations for improving Korea’s development co-operation framework and architecture; ODA volumes, channels and allocations; organisation and management; aid effectiveness; and humanitarian action. While not a formal part of Korea’s acces-
sion process it did nevertheless contribute to Korea’s progression as a donor (OECD, 2008).

A first formal peer review of Korea’s development co-operation was undertaken by Australia and Germany in 2012. It recognised that since joining the DAC, “Korea had worked hard to strengthen its aid and to contribute to global development efforts”. At the DAC meeting to consider the review’s main findings and recommendations, members expressed admiration for Korea’s “success in transforming itself in a short space of time from an aid recipient... to an important aid donor... seen by developing countries, particularly those in East Asia as a source of knowledge and ideas on development drawn from actual experience” (OECD, 2013). The DAC recommended 24 actions Korea could take to improve its development co-operation.

Figure 4. The DAC peer review team visits Korea in 2017

A second formal peer review of Korea’s development co-operation was undertaken by New Zealand and the United States in 2017 (Figure 4). Eighty-seven percent (21) of the 24 recommendations made in 2012 had been fully or partially implemented. The review noted that “Korea leads by example, bringing its direct knowledge and expertise to bear on how aid can drive economic and human development. As a result, Korea’s role
in development co-operation is highly valued, allowing it to play a key bridging role on the global stage, particularly on issues of development effectiveness and inclusive growth” (OECD, 2018). The DAC made 12 recommendations for improvement.

Korea has reciprocated, offering its experience to other DAC members. In 2013, together with New Zealand colleagues and an observer from the People’s Republic of China, representatives from MOFA and Korea Eximbank reviewed Switzerland’s development co-operation. Following this first experience as a peer reviewer, in 2016 representatives of MOFA and KOICA joined colleagues from the European Union to review the biggest DAC member, the United States of America, and in 2019 MOFA staff joined French colleagues in reviewing Sweden’s development co-operation.

Korea is an active contributor to the DAC and to global development co-operation

Korea’s unique experience enables it to play a pivotal role, not only within the DAC but also in global development co-operation fora. Its experiences as an aid recipient, with South-South co-operation and in becoming a high-income country lend weight to Korea’s contributions. Korea was the perfect country to host the 4th High Level Forum on Aid Effectiveness, engaging the broadest ever range of stakeholders (Box 1).

Box 1. Korea’s leadership on development effectiveness

In 2011, Korea hosted the Fourth High Level Forum on Aid Effectiveness in Busan, which brought together heads of State and other senior political leaders, international organisations, parliamentarians, civil society organisations and private sector representatives from developing and donor countries. As Forum host, Korea showcase its journey from aid recipient to aid donor and demonstrated its leadership on this agenda, underscoring the evolving relationships of the broad range of partners supporting development. It also played a unique role in ensuring near-universal endorsement of the Busan Partnership for Effective Development Co-operation by 161 countries and 56 international organisations. The agreement shifted the global focus from aid effectiveness to development effectiveness and embraced traditional donors, South-South co-
operation partners, including the BRICS, civil society organisations and, for the first time, private funders.

The Busan Forum remains a watershed moment in the history of development co-operation, having reinvigorated and refreshed the effectiveness ambitions of all development actors and given birth to the Global Partnership for Effective Development Co-operation (GPEDC). The GPEDC has since shaped and driven global, inclusive dialogue on effective development co-operation. It has also ensured political accountability around commitments made through ministerial-level meetings that pushed the needle on how effective development co-operation can deliver on global and national development priorities. The GPEDC’s Secretariat is hosted by the OECD and the United Nations Development Programme (UNDP).

Korea regularly hosts the Busan Global Partnership Forum to contribute to and monitor progress with country level implementation of development effectiveness principles. Policy makers and practitioners come together to share experiences and give new impulse to delivering more effectively in pursuit of the 2030 Agenda. The Forum advances reflection on the results of GPEDC monitoring and other relevant evidence, including from a wide range of academics, and encourages new thinking on making partnerships more inclusive and impactful. It also strengthens political commitment to the effectiveness agenda by all key actors, including those engaged in South-South and Triangular Co-operation.

KOICA also organises the Busan Global Partnership Learning and Acceleration Programme, a series of workshops that offer peer learning opportunities and technical training for partner country officials. Participants discuss practical solutions to addressing effectiveness challenges and opportunities and implementing the Busan principles and commitments. The programme is also a unique opportunity for partner country representatives to exchange on broader issues related to the effectiveness agenda and GPEDC monitoring.

Ten years after the High-Level Forum in Busan, Korea remains a prominent actor and thought leader on how the effectiveness agenda can support global development efforts, including building back better and greener after the COVID-19 pandemic. As one of the DAC member representatives on the GPEDC
Steering Committee, Korea is supporting the GPEDC to improve its relevance to developing countries, its ways of working and to reform its monitoring. Korea continues to make a tangible contribution to bringing the effectiveness agenda back into the global spotlight and promoting more impactful and sustainable development for the future.

A founding member of the G20, Korea worked closely with Canada to develop a working agenda for the G20 whose leaders’ summits have been held annually since 2010. The G20 Summit hosted by Korea in 2010 adopted the Seoul Development Consensus for Shared Growth and a Multi-Year Action Plan on Development, laying the foundation for developing countries to achieve sustainable growth through capacity building.

Korea has also played a leading role at the United Nations. For instance, as President of ECOSOC in 2015-2016, Korea contributed to establishing the architecture for implementing and monitoring the 2030 Agenda for Sustainable Development. As Chair of the UN Peacebuilding Commission in 2017-2018, Korea strived to broaden the partnership with regional organisations and international financial institutions in order to strengthen discussions on the peace and development nexus. Korea was also among the first group of DAC members to present a voluntary national review on implementation of the Sustainable Development Goals (SDGs) to the High Level Political Forum on Sustainable Development in 2016 (Government of Korea, 2016). Korea’s active contribution to the DAC reflects its ability to act as a bridge between developed and developing countries. It served a two year term as Vice Chair of the Committee (2019-2021), has co-chaired the International Network on Conflict and Fragility (INCAF) Task Team since November 2019, and served as the first Co-Chair of the Community of Practice on Private Finance for Sustainable Development (CoP-PF4SD) following its launch in January 2020.

Korea’s engagement with the Multilateral Organisation Performance Assessment Network (MOPAN), launched in 2002 as a network of like-minded donor countries interested in monitoring the performance of multilateral development organisations at country level, also demonstrates its contribution to global development cooperation. Having a common interest in knowing more about the effectiveness of multilateral
organisations, through joint assessments of these organisations, MOPAN members exchange information and expertise in monitoring and evaluation. Having joined MOPAN in 2008, Korea was selected to Chair the network in 2016.

Korea had joined the OECD’s Development Centre already in 1992. Over the years, it has played an important role in the Centre’s Governing Board and initiatives, sharing lessons from its own development experience and contributing to policy dialogue in areas such as innovation and industrial policies or rural development. For example, as a result of the adoption of the OECD Strategy on Development, the Korean Development Institute played a key role in establishing the Policy Dialogue on Global Value Chains, Production Transformation and Development. Korea has also actively supported the Centre and the OECD’s growing engagement with Southeast Asia, facilitating policy dialogues to identify good practices and policy solutions for developing countries. In particular, it has been a leading contributor to the Economic Outlook on Southeast Asia, China and India, the Social Institutions and Gender Index (SIGI) Regional Report for Southeast Asia and the Multi-Dimensional Country Review of Viet Nam.

**Korea has improved its development co-operation in line with peer review recommendations**

**A revised legislative and strategic framework to steer development co-operation**

Noting that there was no over-arching legal framework for development co-operation, the 2008 DAC special review recommended that Korea introduce overall legislation to govern its ODA, clearly set out Korea’s overall ODA objectives and provide the legal basis for a consolidated aid system.

Partnership Strategies were also approved for priority partner countries. The 2016-20 Mid-term Strategy aligned Korea’s development co-operation policy to the 2030 Agenda for Sustainable Development. Korea has recently adopted the 3rd Strategy for International Development Cooperation for 2021-2025, maintaining the focus on partner countries in Asia and Africa. Focusing on response to health risks, support for vulnerable groups, infrastructure, green transition, innovation, development finance, among others, the strategy set the objective to more than double Korea’s ODA by 2030 compared with 2019.

**Investments in oversight have helped with co-ordination**

Korea has adjusted its legal and institutional framework to further strengthen oversight and co-ordination. Since 2020, a dedicated Office for International Development Co-operation in the Prime Minister’s Office has increased capacity to support the CIDC. In addition, two supervising agencies, the Ministry of Economy and Finance (MOEF) and Ministry of Foreign Affairs (MOFA), are given authority to run strategic meetings, focusing on their respective areas, to implement ODA in a systematic, coordinated, and efficient manner.

**Significant efforts to respond better to partner country demand and contexts**

The DAC special review commended Korea for signing the Paris Declaration in 2005 and participating in the 2006 and 2008 monitoring surveys and encouraged Korea to further align its ODA with partner countries’ national systems and to co-ordinate and harmonise with other donors. The 2012 peer review recommended that Korea integrate aid effectiveness principles and internationally-agreed targets into all development co-operation strategies, particularly country partnership strategies, and improve its performance in a number of areas—on untying aid, use of programme-based approaches, medium-term predictability and use of country systems.

By the 2018 peer review, Korea had improved its performance on all of the indicators from the 2016 GPEDC monitoring round and was using country systems for EDCF concessional loans. KOICA had also taken steps to increase the use of country systems and programmatic approaches for grants. The review recognised that the second cycle of five-year country partnership strategies for Korea’s priority countries were a significant improvement on the first round, but could be further developed.
Responding to partner countries’ demands and context and ODA predictability are important for Korea given that its level of country programmable aid (84.2% of gross bilateral aid in 2019) is second highest amongst DAC countries. While the 2018 GPEDC monitoring round found that use of country-led results framework and medium-term predictability had slipped slightly, Korea had nevertheless further improved its use of country systems and its annual predictability. Dialogue with partner country governments has strengthened and Korea has increased the sustainability of its interventions and their responsiveness to local needs.

**Continued efforts to improve the aid transparency**

Korea’s continuous effort to improve the aid transparency also yielded fruitful results. For instance, since joining the International Aid Transparency Initiative (IATI) in 2015, Korea has increased the number of documents that are publicly accessible and the reporting frequency. It is also notable that KOICA improved its grade for the Aid Transparency Index (ATI) by Publish What You fund, a global campaign for aid transparency, from poor in 2018 to good in 2020. Its statistical submissions to the OECD have similarly taken a positive direction, from “improvement needed” to “good”. As the results of the efforts, it is expected that Korea will not only contribute to enhancing donor harmonisation but also more accountability to its taxpayers.

**An important advocate for effective engagement in fragile contexts**

Korea’s engagement for effective development co-operation through the 2011 Busan Forum also marked a turning point for support to fragile and conflict-affected settings. The broad endorsement of the New Deal for Engagement in Fragile States strengthened the guiding principles for international engagement in fragile contexts. In addition, the Busan Partnership Agreement expanded the understanding of fragility and resilience issues by placing them in a more multidimensional perspective—and beyond the shocks caused by violence and conflict. This more comprehensive approach transcends risks related to pandemics, climate change, economic downturns, food and fuel price crises, and natural disasters. As such, the Busan Outcome Document is a clear precursor to the current OECD multidimensional fragility framework.

Since November 2019, Korea has assumed the position of co-chair of the INCAF Task Team, further consolidating its strong role in the global advancement of more effec-
tive support to fragile and conflict-affected contexts. Korea has developed a whole-of-government strategy to enhance the coherence and complementarity of its activities across the humanitarian-development-peace (HDP) nexus in contexts of crisis and fragility, in line with the related DAC Recommendation. In parallel, KOICA has put in place an HDP Nexus Implementation Plan.

On the international scene, Korea is promoting the role of women in conflict prevention, sustainable development and peace, as well as their protection in fragile and conflict-affected situations. It continues to advance the women, peace and security agenda at operational and normative levels through the Action with Women and Peace initiative, launched in 2018, which includes the ODA programme to increase women’s resilience in conflict-affected situations and an international discussion platform to share experiences and lessons learned.

**Systematically learning from and sharing information about development co-operation**

KOICA has amended its monitoring and evaluation frameworks and ways of working to ensure that monitoring and evaluation activities are feasible and relevant within the context of the COVID-19 pandemic. This approach has ensured that Korea is able to deliver high quality monitoring and evaluation activities that are relevant to its needs and those of its partner countries.

KOICA and Korea Eximbank play active roles in the OECD/DAC Network on Development Evaluation (EvalNet) through their participation in meetings and engagement in online learning platforms, sharing lessons learned and good practices. In accordance with best international practice, Korea has prioritised institutional learning from evaluations and systematically tracks how evaluation findings inform programme design and delivery. The CIDC sub-committee on evaluation provides strategic oversight and approval of Korea’s evaluations.

**Increasing the focus and quality of its multilateral funding**

Korea first adopted the Multilateral Cooperation Strategy in 2016 following the recommendations in the DAC peer review. The strategy, which identifies five key UN agencies for strategic partnerships and sets priorities for Korea’s engagement with multilat-
eral development banks and international financial institutions, has helped Korea to be more focused in how it engages with the multilateral system, both in terms of finance and policy dialogue. The Korean government is in the process of updating the strategy based on a comprehensive evaluation of Korea’s multilateral co-operation to date.

**Dedicated instruments to mobilise private sector engagement**

Korea puts a strong emphasis on the private sector as a partner in financing sustainable development. Korea launched the Economic Development Promotion Fund (EDPF) administered by Korea Eximbank, which provides concessional loans to private entities or projects in developing countries. This fund made its first commitment in 2019 and was reported as a private sector instrument to the DAC last year. Using this fund as a tool for blended finance along with other public resources including EDCF, Korea continues to strengthen its efforts to mobilise private sector engagement for sustainable development in developing countries.

Korea has also contributed to strengthening the discussions on private sector engagement, including through its strong support of the OECD’s work on Private Finance for Sustainable Development. Notably, Korea served as the first Co-Chair of the Community of Practice on Private Finance for Sustainable Development (CoP-PF4SD), a platform for discussion and information sharing on topics around blended finance and impact. Launched in January 2020, the community of practice has constituted a forum for DAC members to exchange views and experience with stakeholders from the private sector, development finance institutions, multilateral development banks and civil society on blended finance and impact. As Chair, Korea has contributed to this, steering and advancing topics on blended finance and the climate transition and providing guidance, knowledge and enthusiasm.

In 2020 and 2021, Korea supported the Blended Finance and Impact Week, which brought together over 1,000 participants. This included the official launch of the OECD DAC Blended Finance Guidance, which is underpinning the work of the community of practice. Korea is also investing in internal capacity building and partnered with the OECD to run a 9-day knowledge exchange and capacity building session on blended finance for Korean officials from MOEF, MOFA, Korea Eximbank, KOICA and staff of Korea’s Permanent Delegation to the OECD in June 2021.
Civil society policy provides a foundation for strengthened partnerships

Korea’s civil society funding has increased in the last decade. Korea has effectively followed up on a recommendation from the 2018 peer review in its engagements with Korean civil society organisations (CSOs) that work in development co-operation and humanitarian assistance. For example, the government worked closely with the Korea NGO Council for Overseas Development Cooperation to develop the Policy Framework for Government-Civil Society Partnerships in International Development Co-operation, which was adopted in 2019. At the level of the OECD, Korea supported the advancement of the DAC Recommendation on Enabling Civil Society, which was adopted in July 2021. Korea’s experience and expertise working with social enterprise partners in civil society will be informative for the DAC as it takes steps to implement the Recommendation.

Leveraging experience in triangular co-operation

Korea went through an impressive transition from being a beneficiary of ODA and a provider of South-South co-operation to becoming a DAC member and a champion of triangular co-operation—using its unique knowledge and experience with both co-operation traditions. Korea understands very well the concerns and needs of beneficiary partners and knows from experience that investing time in creating trusting relationships is not a cost, but a real investment in development partnerships to achieve the SDGs. It works closely with the OECD’s Development Co-operation Directorate in exchanging experiences and good practices globally and with other DAC members and is a valued member of the Global Partnership Initiative on Effective Triangular Co-operation.

Several Asian countries–Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam–provide development co-operation, working through South-South and triangular co-operation, offering technical co-operation and sharing knowledge. Korea offers an example to these emerging providers and is well placed to support the OECD’s work with Asian providers to contribute to a more transparent and accountable global approach to development co-operation.
Tackling global sustainable development challenges together

The OECD and the DAC have identified five key challenges for delivering on the SDGs during the decade of action. Korea can make key contributions to tackle each of those challenges.

1. Mobilising and aligning finance for the 2030 Agenda. To reverse the devastating effects of the crisis and again make progress on the SDGs, far greater resources are needed. This includes ODA, as a critical source of funding in challenging contexts, as well as the alignment of other resources with the SDGs. As one of the world’s largest economies, Korea’s contribution can make a substantial difference such as looking to expand ODA growth towards the goal of 0.7% of GNI and continue the efforts to mobilise private financing and building on growing domestic interest in sustainable investments, Korea can also take action to ensure that public and private funds contribute to the SDGs.

2. Making development co-operation more effective, impactful and inclusive including through partnerships and innovation. As a long-standing international champion for effectiveness, Korea is well-placed to bring together global partners to build a new understanding of what it means to deliver effective development co-operation. From its own experience, Korea brings valuable insights on partnerships with emerging donors and can exchange with partners on how to best integrate the concerns of developing countries into its efforts on policy coherence for sustainable development.

3. Preventing and addressing fragility and crises. Drawing lessons from the COVID-19 response, the OECD’s Development Co-operation Report 2020 stressed that collective action for the protection of global public goods is critical to help avoid future crises (OECD, 2020). Korea’s bridging role and strong international advocacy for sustainable development at the UN, the G20 and other fora will be critical to foster collective action that builds resilience and enhances the international community’s capacity to coordinate and respond swiftly and flexibly to crises.

4. Tackling poverty and inequalities, achieving gender equality, and enabling inclusive governance in order to leave no one behind. The 2021 DAC mid-term review welcomed that Korea is making its co-operation more responsive to partner country contexts (OECD, 2021). Continuing in this direction will help Korea target poverty and strengthen
country systems, another key action the OECD identified for greater resilience. At international level, Korea’s soft power will be needed to promote a recovery that is sustainable and inclusive in both OECD countries and developing countries.

5. **Promoting climate objectives and sustainable management and use of natural capital.** As one of the world’s leading economies, Korea is a key player in tackling climate change and protecting the environment. It has started stepping up “Green ODA” and should continue these valuable efforts to invest in low-emissions, climate-resilient economies and climate adaptation. At home, Korea has announced a Green New Deal as part of the recovery from the pandemic. By moving towards carbon neutrality, Korea will also make a major contribution for developing countries, which will be greatly affected by climate change.

Advancing these actions is both an individual and a collective responsibility. The OECD counts on Korea to continue to do its part to ensure that our collective efforts are much greater than the sum of their parts.
Korea Has Come a Long Way, but Has a Longer Way to Go

YANG Hyunsoo
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Ministry of Employment and Labour

Korea is known to many as quite a success story, as a country that rose from the ashes of war to become one of the world’s top economies. Nevertheless, despite our efforts, we have not yet made it to a level on a par with our GDP or trade volume in terms of gender equality. We know from our own history that social customs are far more difficult to change than an economic structure. When it comes to gender equality, this is especially true. Given the longstanding practices of the division of labour between the sexes, which are deeply rooted in the minds of many people, there is little doubt that changing perceptions of the traditional role of women requires significant time and effort. Some Koreans still call a wife Djip-saram, which means a home person, while naming a husband Bakat-Yangban, a man outside, which signifies a stereotyped perception that women should stay home rearing children and doing unpaid work. Nonetheless, the perception has changed significantly, though not as dramatically as Korea’s economic development.

In October 2019 a Korean movie entitled, “Kim Ji-Young, Born 1982”, based on a novel written by Ms. Cho Nam-joo, was released, and provoked a controversy on the gender-equality issue in Korean society. Some argue that the movie, or the novel, exaggerated the reality. Others say that it is the tip of iceberg and that gender-based bias in Korean society is far more serious than described in the movie. In any case, despite wide differences, both sides may share the view that although Korea has made significant achievements in enhancing gender equality, especially after joining the OECD in 1996, it still has a long way to go in comparison with most other OECD members.

62 The author was counsellor for employment, labour and social affairs at the Permanent Delegation of the Republic of Korea to the OECD from August 2018 to August 2021.
Korea’s economic development and its impact on gender equality

Over the past six decades, the size of the Korean economy grew about 800 times, from USD 2 billion in 1961 to USD 1.6 trillion in 2019. There is little doubt that the remarkable economic development has affected, to a great extent, the role of women in the economy and the social perception of this.

**Figure 1. Korea’s economic and trade growth over the past 60 years**

![Graph showing Korea's economic and trade growth over 60 years](image)

Source: Statistics Korea; Bank of Korea.

**Early stage of Korea’s economic growth.** Around the time the OECD was established 60 years ago, the Korean government started its export-driven economic growth under the title of the first five-year national economic-development plan. Nonetheless, it is not sufficiently recognised that in the shadow of this miraculous growth in 1960s and 1970s, many unsung heroines sacrificed to put this growth engine into motion day and night. These Korean women had to work in factories manufacturing textiles, apparel, shoes, and electronic goods under extremely poor working conditions and for low pay. Korean women’s labour-force participation rate almost doubled, from 26.8% in 1960 to 46.7% in 1975. 63 Although many were young, unskilled, and uneducated women, they

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63 Population and Housing Census Korea (1960, 1975).
played a pivotal role in successfully launching Korean products into the world market in the nation’s initial stage of economic development.

**From mid-1970s to early 1990s.** With the change of the trade structure toward heavy and chemical industry from the mid-1970s, many Korean women workers had to return home and to school, largely due to the government policy focusing on men’s participation in the manufacturing industry. As a result, the labour-force participation rate of women continuously fell, to 43.9% in 1984.\(^64\) Especially, that of young women of 15 to 19 years old dropped drastically, from 34.4% in 1980 to 18.7% in 1990.\(^65\) Although this took away job opportunities for many Korean girls, the change of industrial structure also gave them the opportunity to study more. Moreover, with the rapid industrialisation and active government birth-control policy, the aggregate fertility rate of the Korean population dropped sharply, from 4.5 in 1970 to 1.6 in 1989. Couples started to have just one or two children, providing them with an equal opportunity for education regardless of their sex. This contributed significantly to narrowing the gender gap in education while providing some highly educated women with job opportunities as professionals.

**Since Joining the OECD.** Around the time Korea joined the OECD 25 years ago, the Korean economy grew to become an integral part of global value chains across sectors ranging from semi-conductors, shipbuilding, petro-chemicals, electronics, and automobiles. After joining the OECD, Korea continued to open its markets and upgrade its economic structure with guidance from the OECD. Korea’s per capita GDP increased from 6% of the OECD average in 1970 to 97% in 2019. With the globalisation of the Korean economy, the employment of Korean women has continuously increased. Their labour-force participation rate rose from 49% in 1990 to 60% in 2019—mainly in the service sector—an increase of more than 10%, although it is still somewhat low compared with the OECD average of 65%.

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\(^{64}\) [stats.oecd.org](https://stats.oecd.org) (LFS by sex and age- indicators).

\(^{65}\) [stats.oecd.org](https://stats.oecd.org) (LFS by sex and age- indicators).
Nonetheless, it is believed that this has contributed significantly to enhancing the gender equality of Korean society and changing the social perception on the role of women in it. According to the gender-equality index published by the Korean Ministry of Gender Equality and Family, shown in the following graph (Figure 3), Korean women’s participation in society and social perceptions of this continuously improved over a five-year period.

**Figure 2. Female labour-market participation rate (1990-2019, %)**

Source: stats.oecd.org.

**Figure 3. Korea’s gender equality index (2013-2018, %)**

Source: Ministry of Gender Equality and Family of the Republic of Korea.
Behind this Korean achievement over the past 25 years, there has been the OECD. OECD work on gender equality has helped the Korean government objectively evaluate the situation and has provided a guideline for Korea’s efforts toward enhancing gender equality. Since 2012, the OECD has focused its efforts on helping member countries pursue inclusive growth. Gender equality has always been an essential element to consider in OECD projects. Owing to the cross-sectorial nature of the issue, the organisation has been addressing the gender-equality in a whole-of-OECD manner. Recently, it has carried out many significant analyses and produced excellent publications on gender equality. Since it published a comprehensive report on gender equality in 2011 celebrating the 50th anniversary of the OECD’s establishment, the organisation has been producing in-depth and sectorial publications on the gender issue almost annually, including “Closing the Gender Gap: Act Now, 2012” and “The Pursuit of Gender Equality, An Uphill Battle, 2017”.

The OECD Ministerial Council Meeting adopted “The Recommendation on Gender Equality in Education, Employment and Entrepreneurship” in 2013 and “The Recommendation of the Council on Gender Equality in Public Life” in 2015. Furthermore, in cooperation with the G20 and the International Labour Organization (ILO), the OECD has been making efforts to set the global standards on gender equality. For example, it has played a significant role by presenting objective data to national leaders in adopting the 2014 Brisbane G20 Leaders’ Communiqué, which aims to reduce the gender gap in labour-participation rates by 25% by 2025. The OECD has also produced many data and statistics on gender equality. In 2012, the organisation established the gender statistics portal (https://www.oecd.org/gender/data/), providing comprehensive gender-based data on education, employment, entrepreneurship, development and health. In 2015, the Network on Gender Equality, GENDERNET, was established under the Development Assistance Committee (DAC), in order to prioritise gender equality in the development agenda. The OECD Development Centre has produced comprehensive comparative gender data of 180 countries through the Social Institutions and Gender
Index (SIGI) (http://genderindex.org/).

Why has the OECD focused so much on gender equality? The organisation views the issue as not only an important one having a vast impact on all aspects of our lives, but also an urgent one that needs to be addressed immediately. According to the OECD publication entitled “Measuring the Distance to the SDG Targets 2019”, SDG 5, the global goal related to gender equality, was one of the furthest from being achieved by member countries even before the COVID-19 crisis. There is no doubt that the pandemic has made the distance even further.

Viewing 25 Years of Korean footsteps in gender equality with OECD data

As the OECD is an organisation whose most important comparative advantage is its evidence-based analysis and recommendations, it is meaningful to look at Korea’s footsteps in gender equality with the OECD data in order to evaluate the current situation objectively and lead Korean society in the right direction. According to OECD analyses, gender equality is an especially urgent issue for Korea. In the aforementioned OECD publication “Measuring the Distance to the SDG Targets”, Korea is furthest from SDG 5. Nevertheless, the OECD data also show that there has been significant improvement in Korea, especially in the education sector. Korean women’s enrollment rate in higher education has increased remarkably, outpacing men’s since 2013. In 2020, women’s enrollment rate was 71.3%, 5% higher than that of their male counterparts.

Figure 4. Higher education enrollment rate of Korea (2000-2018, %)

Source: Ministry of Education of the Republic of Korea.
This achievement in the education sector is believed to be the one of the most important foundations for achieving gender equality in the future Korean society. Although the age group of 55 or older shows a significant gender gap, no significant gap is seen in the high-school graduation rate of the younger generation, indicating a bright future in Korea’s endeavor to narrow the gender gap.

This remarkable achievement in the education sector has not been sufficiently transferred to the economy, however, including the labour market. What is particularly worrisome is the wage gap in Korea. Despite a modest improvement over the past decades, Korea still has the highest gender wage gap among the OECD members.

**Figure 5. Gender wage gap in Korea (2000-2019)**

Source: stats.oecd.org.

Nonetheless, what is promising for future Korean generations is that the gap is narrowing. In the case of people in their twenties with a similar educational level and tenure at work, there is little or even a negative gender pay gap, showing that the gap according to education level has almost disappeared.

Overall, many women work as professionals. More than 60% of teachers, including university professors, are women. The percentage of women among members of government committees more than doubled from 2010 to 2020, reaching more than 40% for the first time. The share of female ministers also reached over 33% in 2020. Female-led businesses have continuously increased, reaching 1.4 million and accounting for about 40% as of 2017.
Pursuing a gender-equal Korean society with the OECD

Despite these achievements over the past 25 years in gender equality, Korea is still lagging behind most other OECD members. Furthermore, the past success has presented many new challenges for the Korean society. While Korea registered a remarkable economic achievement through market liberalisation, this also placed Korea in the forefront of global challenges such as digitalisation, ageing, and inequality, which have been exacerbated by COVID-19. The benefits of the economic growth have not been evenly shared. A widening gap between those who are financially well-off and those who are not is widening. Although Korea became the most digitalised country, rapid digitalisation accelerated by the COVID-19 has threatened the livelihood of many workers, especially women—who are mostly concentrated in the service sector, SMEs, and non-regular employment—have been hit the hardest by the pandemic. Meanwhile, women who have reliable jobs with permanent labour contracts in solid industries often tend to postpone marriage and parenthood, further reducing Korea’s fertility rate. According to the OECD report “Rejuvenating Korea: Policies for a Changing Society (2019)”, although the increase in educational attainment helped Korean women gain access to more job opportunities, it has also contributed to the sharp decline of the marriage and fertility rate by increasing the opportunity cost of marriage for many women.

These intertwined challenges are a Gordian knot. Gender equality is a central issue of this conundrum, and Korean women are on the frontline of the struggle. As it is interlinked with many social and economic issues, policy measures enhancing gender equality benefit not only women, but also those who are underprivileged. Therefore, enhancing gender equality should be approached in a broader context of addressing the mega-challenges that Korea is currently confronting. Unless these challenges are properly addressed before it is too late, true advancement of Korea will remain elusive.

In order to help address these challenges, the OECD has recommended that the Ko-
Korea and the OECD: 25 Years and Beyond

The Korean government adopt various policy measures. For example, the recently published OECD report entitled “Inclusive Growth Review of Korea: 2021” presents such policy options as i) strengthening the use of maternity and parental leave, ii) increasing the availability of high-quality child care and enhancing workplace flexibility to improve work-life balance, and iii) facilitating women’s return to work after an absence from the labour market and establishing an education environment that supports fertility.

These recommendations are well-aligned with those the Korean government has been taking to enhance gender equality. Firstly, the government has been continuously encouraging a parental-leave system, with about USD 1 billion for parental leave allowances in 2020. The growth in the number of paternal leaves has been striking, from only 355 cases in 2008 to 27,000 in 2020.

Secondly, in accordance with the OECD recommendations, the government has been focusing its efforts on reducing the burden of child-rearing, which is the biggest factor in women’s career breaks, the wage gap, and the low fertility rate. The strong social perception that women should prioritise family over work can push them to give up their careers in a situation where child-rearing and housework conflict with their job, even for well-educated women. To address this, in 2018 the Korean government announced the “low fertility and ageing society policy road map” for the period to 2022, which focuses on gender equality in the workplace and gives parents more time in the private sphere. By continuously expanding public child-care centres, which are favoured over private ones, the utilisation rate of these centres has continued to
increase, from 21.4% in 2015 to 40% in 2021; after-school care services in elementary schools and visiting child care services are also provided.

Thirdly, various measures are being implemented to prevent working mothers from sacrificing their career. For example, as of 2019 the number of women’s re-employment centres increased to 158 nationwide thanks to the government’s effort to support women experiencing a career interruption due to marriage, pregnancy, or child care. In particular, the centres offer vocational education for high-value-added occupations to help career-interrupted women enter into the Science, Technology, Engineering, and Math (STEM) areas and other promising sectors.

Lastly, the Korean government is also putting diverse efforts into gender mainstreaming. The Framework Act on Gender Equality was revised in 2014, under which various policies designed to enhance the status of women were implemented. A gender-impact analysis and assessment was introduced in 2004 and enacted in 2011, making it mandatory to conduct the assessment for all laws and regulations as well as central and local governments’ plans and projects. As a result, some 2,600 policy improvements were made in 2018 alone. In 2006, gender-responsive budgeting was introduced to ensure national financial resources can be evenly distributed for both women and men, and this became mandatory for central-government agencies in 2010 and local-government bodies in 2013.

With the help of the OECD, Korea has continuously strived to achieve a gender-equal society and will continue to do so. As seen in the foregoing data, Korea has come a long way. What is more certain, however, is that it has a longer way to go. In order to successfully overcome the current challenges that Korean society currently confronts, employing these very educated but underutilised human resources is not only the right thing to do, but also the smart thing to do.
Hallyu, the Korean Wave Coping with Challenges against COVID-19

SHIN Song-bum
Minister, Permanent Delegation of the Republic of Korea to the OECD

About a month before the WHO declared COVID-19 a pandemic in 2020, the Korean movie “Parasite” won four awards, including the Best Film Award at the Oscars. The global popularity of the Korean boy band BTS is greater than ever, having topped the Billboard chart for many weeks in a row. Not to mention the popularity of K-dramas with worldwide records on platforms like Netflix. Korea’s experience in developing the cultural and creative sectors (CCS) has been remarkable and unique in terms of its scale and speed. In the cultural contents industry, including films, videos, games, and drama, Korea has 2.6% of the global market share, which is the seventh-largest in the world, generating about USD$114 billion in sales, USD$10.3 billion in exports, and 680,000 jobs. Moreover, it has been constantly and rapidly growing with an expected continued growth of 4.4% through 2022.

Figure 1. Global market share (2018, Left, Unit: %) and growth in the Korean cultural contents industry (2014-2019, Right, Unit: Korean Won)

Source: KOCCA.

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66 According to the definition of the CCS, the CCS include architecture, archives, libraries and museums, artistic crafts, audio-visual, tangible cultural heritage, design, festivals, music, literature, performing arts, publishing, radio and visual arts, and fashion. (Source: OECD (2020), "Culture Shock: COVID-19 and the cultural and creative sectors", OECD, Paris.)

67 Statistics published by the KOCCA, Korea Creative Contents Agency, which include only the cultural contents industry.
**Hallyu: Korea’s success story building on the OECD membership**

When Korea joined the OECD in 1996, the Korean CCS were in a nascent stage, without much global recognition. The remarkable growth of the Korean CCS, mainly driven by the success of *Hallyu* or K-wave, has been made in tandem with a series of reform measures that the Korean government took to further globalise and upgrade its economy in accordance with the policy recommendations of the OECD.

Just after Korea joined the OECD, the Korean economy suffered severely from the Asian financial crisis in 1997—still perceived as the single most daunting challenge in the modern history of Korea—which devastated its entire economy. Some alleged that the government’s hasty decision to become a member of the OECD, known as “the rich countries club”, provoked the crisis, with scathing comments that “Korea popped the champagne too early”. Nonetheless, most Koreans were united to overcome the unprecedented difficulties by voluntarily participating in the efforts to repay the loan borrowed from the IMF. Ordinary citizens joined the nationwide gold-collecting campaign by donating to the government even gold rings they had received as their first birthday gift. In response, the Korean government took it as an opportunity to overhaul the economy through a series of drastic reform measures by faithfully complying with the OECD standards and commitments, rather than resorting to temporary relief measures to protect domestic industries. Thanks to its painful efforts, Korea succeeded to overcome the crisis by repaying the debt to the IMF much earlier than scheduled.

Looking back on those difficult times, I believe that valuable lessons can be drawn from the very spirit the Korean people demonstrated at the time. The financial value of the gold rings collected per se may have been insignificant in relation to the amount of national debt owed to the IMF at the time. However, the united spirit of the Korean people to overcome the challenges by sharing pain together was enough to make it possible for the Korean government to successfully transform challenges into opportunities, by restructuring its economy and ultimately making its economy more resilient to the following crisis.

It is noteworthy that *Hallyu* was born in the late 1990s amid this historic turmoil. Twenty-five years ago when Korea joined the OECD, a wave of globalisation was sweeping
over the world in the aftermath of the Cold War and the creation of the WTO in 1995. The globalisation presented both challenges and opportunities to all countries. In response to this megatrend, Korea decided to join the OECD with a strong aspiration for reform, openness and transparency. Since its accession, Korea has not only accepted the OECD policy recommendations but has also set a good example by continuously pursuing domestic reforms as a full-fledged member of the organisation. The success story of Hallyu is said to be one of those that eloquently testifies that it was the right decision for Korea to join the OECD.

The Korean government’s decision to liberalise its domestic CCS, such as films and music, provoked strong resistance from the groups affected by the measure. For example, in September 1988, when movie theaters started showing “Fatal Attraction”, the first foreign film distributed directly by United International, Korean distributors staged militant protests by releasing snakes, setting fire in the theatres, and tearing off the screens. Moreover, when the Korean government decided to halve the screen quota in 2006, many artists and employees in the sector took to the streets protesting that the inundation of foreign cultural contents to the domestic market would push the domestic industry to the verge of collapse. Contrary to the public concerns, however, the market share of the domestic films rose to 50-60% and has drastically increased in exports since then.

A similar thing happened upon the decision of the Korean government to liberalise the import of Japanese cultural products from 1996 to 2004. Before then, many voiced their concerns that the inundation of Japanese movies, games and other cultural content would demolish the nascent Korean CCS. In fact, Hallyu began to flourish in Japan and other Asian countries afterwards.

Success factors of the Korean CCS

Despite early arguments suggesting that Hallyu was a temporary fad, it turned out to be sustainable and long-standing. Analysing what are the main factors leading to the Korean CCS’s success would be meaningful, especially so that we may draw some valuable lessons in coping with the COVID-19 crisis.

Much excellent research has already been made into this topic. Some argue that Hallyu
is a private initiative, rather than a public one, attributing its remarkable growth solely to the active roles of the private sector and the charm of the content itself. Others focus on the government’s reform measures of the CCS, claiming that such measures as reinforcing the digital infrastructure and implementing well-balanced copyright policies regime, and lifting bans to liberalise CCS markets, played a defining role in enhancing the competitiveness of Korean CCS. Despite some differences, I believe that many share the view that the series of reform measures that the Korean government took to further digitalise and liberalise its economy, in response to the 1997 financial crisis, contributed to the birth and ensuing growth of Hallyu.

The first factor is digitalisation. Jimmyn Parc and Hwy-Chang Moon argue in their paper\textsuperscript{68} that K-pop is a prime example of accumulable cultures which showed greater effectiveness of private initiatives over public ones. Nonetheless, the paper acknowledges that the measures of the Korean government to upgrade its Internet infrastructure following the 1997 financial crisis enhanced K-pop’s attractiveness and global popularity. The early investment of the Korean government in the digital infrastructure in late 1990s fostered an enabling environment for Korean music companies to take advantage of the rapidly changing process of producing products from analog to digital. It was only after this period that K-pop gained international popularity. A recently published OECD report\textsuperscript{69} shows that Korea’s digital infrastructure, as measured by the share of households with broadband access, is higher than in any other OECD country. Korea is also ranked highest among OECD members in its territorial equality in those household shares.

The second factor is globalisation. Sébastien Miroudot, senior policy analyst at the OECD, used a Global Value Chains (GVCs) approach in order to explain the success of the Korean motion picture industry. His paper presents some empirical analyses on the role of increasing globalisation of Korean movies or their integration into the GVCs as a main success factor. Miroudot says that such strategies as co-production with foreign partners, a relatively concentrated vertically integrated industry structure, and the creation of a global brand have been very effective in enhancing comparative advantages. In particular, the large vertically integrated industry structure began to be established along with the emergence of the new large companies in the wake of the 1997 Asian financial crisis. The paper concludes that the most positive aspect of government intervention in the movie industry does not lie in protectionist schemes, such as screen quotas, but in the creation of policies that both help establish a conducive business environment and open the Korean economy to foreign competition.

In a nutshell, in response to the Asian financial crisis, the Korean government took advantage of the challenges to promote the structural reform of the industry by providing it with long-term cultural digital infrastructure and fostering a business environment for its globalisation, rather than resorting to short-term relief measures. Despite daunting challenges brought by the crisis, the Korean government succeeded in transforming challenges into opportunities to develop CCS.

**New challenges of Korean CCS brought by COVID-19**

However, the Korean CCS are facing other challenges. Although it is hoped that the pandemic situation will improve soon thanks to vaccines, COVID-19 is likely to have long-lasting effects on all aspects of our lives and livelihood, making it inevitable for the CCS to continue to be transformed to adapt to the new megatrends brought by the pandemic. These challenges are epitomised by “4Ds”: Digitalisation, Divide (Inequality), Demographic Change (Ageing), and (increasing) Debt.

In the face of the COVID-19 crisis, the CCS are one of the hardest-hit sectors, with venue-based sectors (e.g. museums, festivals, theatres) being the most affected due to social distancing and travel restriction measures. As in many other OECD countries, Korea’s CCS are still vulnerable to the pandemic crisis, as the shares of self-employed and independent workers are higher in CCS than the rest of the economy. Government welfare programmes are less well adapted to non-traditional business models and employment contracts. Due to the widespread confinement and social-distancing measures, those working in venue-based activities were massively laid off.

Digitalisation shows distinctly winners and losers of the CCS. The COVID-19 has further widened the digital divide, aggravating the already increasing level of inequality in Korean society. A few who adapted swiftly to the trends by taking advantage of digital platforms have reaped the benefits resulting from the sharply increasing demand for “un-tact” content, while many lost their jobs and income.

Korea is one of the most rapidly ageing countries. The pandemic is expected to further reduce the rate in Korea, as in other countries. With the massive retirement of the first Korean baby-boomer generation, those born between 1946 and 1964, ageing of the Korean society has accelerated drastically, increasing budgetary pressure and welfare costs. Generation X, those born between 1965 and 1980, started to take a leadership
position in the society, while the millennial generation born between 1981 and 1996, who led the K-pop boom in 1990s, has been taking an active role in the present digital drive of Korean society. Owing to decreasing job opportunities, however, many millennials are confronted with increasing unemployment.

Due to the expansionary macroeconomic policies to tackle with the pandemic at its initial stage, an increasing national debt level and possible inflationary risk have been constraining fiscal and monetary policy space, which makes structural reform measures more attractive as unique policy measures to “build back better” from the crisis by enhancing the competitiveness of the Korean CCS.

**Korean government’s response to challenges brought by the COVID-19**

While focusing on short-term relief measures to alleviate the immediate difficulties of the CCS, the Korean government is pursuing medium and long-term restructuring strategies for the CCS to continue to thrive. In September 2020, the Korean government announced a Digital New Deal strategy for promoting culture and creative industry.\(^71\) It focuses mainly on structural reform of the sector to enhance its global competitiveness. According to the strategy, the government plans to expand infrastructure for generating online content, un-tact performances, and even next-generation content using AI, VR, and AR technologies. It also aims to improve the regulations and policies for copyright and other intellectual property aligned with the digital transformation. All in all, the Korean government aspires to utilise the digital-content industry as a new engine for growth.

Digital New Deal Strategy for Culture and Creative Industry as of Sept. 2020

Vision

Achieve Digital New Deal by strengthening innovation capacity of the content industry

Targets

- Restore content industry ecosystem and enhance cultural technology and labour
- Secure content competitiveness through speedy response to un-tact environment
- Occupy global market through bold investments in next-generation content development

Strategies

Digital transformation in response to shift to un-tact environment

- Build infrastructure for exclusive online performance distribution infrastructure
- Support content production finance
- Support simultaneous content-platform growth
- Align copyright system compatible to changing digital environment

Cultivate next-generation content market

- Develop immersive content and increase investment
- Cultivate next generation game market
- Construct data AI appliance base and foster specialists
- Conserve cultural heritage of new digital technology base

Strengthen K-content competitiveness in world market

- Expand usage of content IP market
- Proliferate new Hallyu by systematic support to expand overseas
- Restore mutual cooperation of content ecosystem
Overcoming challenges brought by the COVID-19 with the OECD

The strategy of the Korean government is well-aligned with the recent policy recommendations published by the OECD for the CCS of member countries. The OECD emphasises not only short-term relief measures for the CCS but also medium- and long-term structural reform measures. The recommendation includes 1) introducing measures for the recovery to help self-employed and other small firms to adapt structural changes, including digital tools, 2) widen innovation strategies and policies to better account for the role of cultural and creative sectors, 3) invest in digital infrastructure that can amplify advances in CCS, 4) promote greater complementarities between CCS and other sectors, such as education and health-care services, 5) support cultural and creative entrepreneurship as catalysts of new models of economic and social-value creation.\(^7\)

It is undeniable that the Korean CCS has become a source of innovation and a significant growth engine for the Korean economy. This success might not have been possible without the drastic reform measures taken by the Korean government in response to the challenges brought by the 1997 Asian financial crisis. The united spirit of the Korean people to overcome the challenges and transform them into opportunities made it possible for the Korean government to reform the sector successfully. There is a famous Asian proverb that when the storm blows, the foolish one builds wind shields whereas the wise one spins a windmill. Certainly, the Korean people demonstrated the wisdom of riding over the tides of globalisation to overcome the challenges brought by the Asian financial crisis. And they managed to do it very successfully with the help of the OECD.

As the pandemic crisis presents Korean CCS with challenges and opportunities different from those of the past, the policy strategy of the Korean government in pushing forward the structural reform should be adjusted to the current political and economic circumstances. Although Korea’s past achievements in the CCS cannot vouch with certainty for future success, many lessons can be drawn. One important pearl of wisdom we may draw from *Hallyu*’s success is that challenges such as globalisation and digitalisation brought by the crisis can also be utilised as the very strategies to overcome

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them. New challenges accelerated by COVID-19, namely the 4Ds, pose a threat not only to the Korean CCS, but also to those of all countries. Last year, BTS made a historic speech at the UN, saying “Life goes on, Let’s live on”, touching the heart of many youths suffering from the COVID-19 crisis. One of the strengths of Hallyu is its message of calling for a united global spirit to overcome challenges.
References in Further Readings

From Chapter Articles of Part III

**Fostering Korea’s Integration into Global Markets through Foreign Investment and Services Trade Reforms**


**Science, Technology, Innovation and Industry**


Criscuolo, C. and J. Timmis. 2018. “GVCs and Centrality: Mapping Key Hubs, Spokes and


25 Years on Ambitious Environmental Reform


**A 25-year Partnership for Sustainable Agriculture and Fisheries**


**Sustaining a World Class System: Evolving Education for the 21st century**


III. Korea in the OECD


**From Emerging Donor to Global Development Partner**


Further Reading of OECD Publication Featuring Korea

Centre for Tax Policy and Administration


Centre for Entrepreneurship, SMEs, Regions and Cities


Directorate for Employment, Labour and Social Affairs


Economics Department


Environment Directorate


Directorate for Public Governance


**International Transport Forum (ITF)**


**Centre for Skills**


**Directorate for Science, Technology and Innovation**


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Korea’s Key Milestones during its Membership in the OECD
IV. Annex

- Completion of 3rd round of FATF Mutual Evaluations (Jun.)
- Signing of the Multilateral Competent Authority Agreement on Automatic Exchange of Finance Account Information (Oct.)
- Presidency of FATF
- Introduction of the regulation cost management system

Vice-Presidency of MCM -

Co-Presidency of the OECD Southeast Asia - Regional Programme (SEARP) (‘18-’22)

- Signing of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Jun.)
- Hosting of OECD World Forum on Statistics, Knowledge and Policy (Nov.)
- Introduction of the Regulatory Sandbox Programme (Jan.)
- Establishment of the FATF Training Institute (Feb.)
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>'96</td>
<td>Conclusion of the OECD Employment, Labour and Social Affairs Committee’s monitoring (Jun.)</td>
</tr>
<tr>
<td>'97</td>
<td>Hosting of the Korea-OECD Seminar on New Millennium Learners and Teachers (Oct.)</td>
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<tr>
<td>'98</td>
<td>Establishment of Guidelines to Address Discrimination by Employment Type (Nov.)</td>
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<tr>
<td>'99</td>
<td>Increase of the maximum unemployment benefit (Jan.)</td>
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<td>'00</td>
<td>Hosting of the Korea-OECD Early Childhood Education and Care Seminar (Feb.)</td>
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<tr>
<td>'01</td>
<td>Implementation of the National Basic Livelihood Security System (Oct.)</td>
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<tr>
<td>'02</td>
<td>Introduction of the Basic Pension System (Jan.)</td>
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<tr>
<td>'03</td>
<td>Implementation of the Elderly Long-Term Care Insurance System (Jul.)</td>
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<tr>
<td>'04</td>
<td>Implementation of the Basic Old-Age Pension System (Jan.)</td>
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<td>'05</td>
<td>Implementation of the Integrated Health Promotion Programme in the Local Community (Jul.)</td>
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<tr>
<td>'06</td>
<td>Implementation of the Basic Pension System (Jul.)</td>
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- Establishment of the Presidential Committee on Jobs (May)
- Establishment of the Presidential Committee on Jobs (Jul.)
- Implementation of the workplace harassment laws (Jul.)
- Enactment of the Work-Study Dual System Act (Aug.)
- Hosting of the OECD Education 2030 Informal Working Group Meeting (Oct.)
- Implementation of the Universal Child Allowance System (Apr.)
- Reform of the Disability Registration System & Introduction of the Comprehensive Survey on Service Support for the Disabled (Jul.)
- Establishment of Korea Disease Control and Prevention Agency and National Institute of Infectious Diseases (Sep.)

Implementation of the National Employment Support Programme (Jan.)
Ratification of the three ILO Fundamental Conventions (Forced Labour Convention; Freedom of Association and Protection of the Right to Organise Convention; Right to Organise and Collective Bargaining Convention) (Apr.)
Implementation of the employment insurance for dependent self-employed (Jul.)
Korea and the OECD: 25 Years and Beyond

Science and Environment

1st OECD Environmental Performance Review •

Hosting of the 88th Session of the Committee for Science and Technology Policy (CSTP) (Oct.)

2nd OECD Environmental Performance Review •

Hosting of the OECD Ministerial Meeting on the Future of Internet Economy (Jun.)

Adoption of the OECD Declaration on Green Growth (Jun.) •

Enactment of the Framework Act on Green Growth (Jan.) •

Adoption of the Green Growth Strategy Report at the MCM (May)

Korea selected to host Green Climate Fund (GCF) (Oct.) •

Establishment of the 2nd 5-Year Plan for Green Growth •

Agriculture and Fisheries

1st Review of Agriculture Policies in Korea (’97-’98)

• Participating in a Co-operative Research Programme: Biological resource management for sustainable agricultural systems

• Abolishment of the government’s rice purchasing system (Jan.)

• Introduction of rice public stockholding programme (Jan.)

• Introduction of rice income compensation direct payment programme (Jan.)

2nd Review of Agriculture Policies in Korea

• Hosting of the Workshop on Climate Responses in Fisheries (Jun.)

• Hosting of the Expert Meeting on Green Growth and Agriculture (Apr.)

• Hosting of the Workshop on Aquaculture and Green Growth (Dec.)

Adoption of the Green Growth Strategy Report at the MCM (May)

Establishment of GCF (Dec.) •
### IV. Annex

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>2015</td>
<td>Hosting of the Science &amp; Technology Ministerial Meeting and the 107th Session of CSTP (Oct.)</td>
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<tr>
<td>2015</td>
<td>Full-scale opening of the rice market (Jan.)</td>
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<tr>
<td>2015</td>
<td>Hosting of the Workshop on Climate Smart Agriculture (Jun.)</td>
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<td>2015</td>
<td>Hosting of the Conference on the Future of Korean Agriculture and Rural Development (Oct.)</td>
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<tr>
<td>2016</td>
<td>Hosting of the Workshop on the Ocean Economy (Apr.)</td>
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<tr>
<td>2016</td>
<td>Review of Innovation, Agricultural Productivity and Sustainability in Korea (Jan.)</td>
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<td>2016</td>
<td>Hosting of the 12th OECD Rural Development Conference (Sep.)</td>
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<td>2017</td>
<td>Elected as the Chair of the CSTP (Nov.)</td>
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<td>2017</td>
<td>Declaration of 2050 Carbon Neutrality Vision (Dec.)</td>
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<tr>
<td>2018</td>
<td>Hosting of the Korea-OECD AI Conference (Mar.)</td>
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<td>2018</td>
<td>Review of Innovation, Agricultural Productivity and Sustainability in Korea (Jan.)</td>
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<td>2018</td>
<td>Hosting of the 12th OECD Rural Development Conference (Sep.)</td>
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<td>2019</td>
<td>Elected as the Chair of the Committee on Digital Economy Policy (Nov.)</td>
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<tr>
<td>2019</td>
<td>Introduction of direct payment programme for agricultural and rural public interest promotion (Jan.)</td>
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<tr>
<td>2020</td>
<td>Hosting of the 12th OECD Rural Development Conference (Sep.)</td>
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<td>2020</td>
<td>Introduction of direct payment programme for agricultural and rural public interest promotion (Jan.)</td>
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<tr>
<td>'96</td>
<td>Signing of the OECD Anti-Bribery Convention (Dec.)</td>
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<tr>
<td>'97</td>
<td>Enactment of the Act on Preventing Bribery of Foreign Public Officials in International Business Transactions (Dec.)</td>
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<tr>
<td>'98</td>
<td>Establishment of the Civil Service Commission (May)</td>
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<tr>
<td>'99</td>
<td>Establishment of the Anti-corruption Commission (Jul.) • Establishment of the Commission on Government Innovation (Aug.)</td>
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<td>'00</td>
<td>Enactment of the E-Government Act (Mar.)</td>
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<td>'01</td>
<td>Establishment of the Committee on Government Innovation and Decentralisation (Apr.) • Introduction of the Gender Quota Policy for Civil Service (Jan.)</td>
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<td>'02</td>
<td>Hosting of the 6th Global Forum on Reinventing Government (May)</td>
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<td>'03</td>
<td>Introduction of the Senior Civil Service (Jul.)</td>
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<td>'04</td>
<td>Enactment of the Overseas Emergency Relief Act (Mar.)</td>
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<td>'05</td>
<td>Special Review of Korea’s Development Cooperation (Sep.)</td>
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<td>'06</td>
<td>Korea’s accession to the OECD Development Assistance Committee (Jan.) • Enactment of the Framework Act on International Development Cooperation (Jan.) • Establishment of the 1st Mid-Term Strategy for International Development Cooperation (Dec.)</td>
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<td>'07</td>
<td>Hosting of the 4th High Level Forum on Aid Effectiveness (Nov.)</td>
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<td>'08</td>
<td>Enactment of the Act on the Protection of Public Interest Whistleblowers (Mar.)</td>
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<td>Enactment of the Act on Provision and Promotion of Use Public Data (Oct.)</td>
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Establishment of the Ministry of Personnel Management (Nov.)

Enactment of the Improper Solicitation and Graft Act (Mar.)

Establishment of the 2nd Mid-Term Strategy for International Development Cooperation (Nov.)

Establishment of the Government Innovation Promotion Council (Oct.)
Launch of the Government Innovation National Forum (Oct.)

OECD Development Cooperation Peer Review on Korea (Feb.)

Establishment of Policy Framework for Government-Civil Society Partnership in International Development Cooperation (Jan.)

Enactment of the Act on Promotion of Data-based Public Administration (Jun.)
Establishment of the Personal Information Protection Committee (Aug.)
Signing of the MOU on Cooperation in the Field of Digital Government between OECD and the Ministry of the Interior and Safety of Korea (Nov.)

Establishment of the 3rd Mid-Term Strategy for International Development Cooperation (Jan.)
Permanent Representatives of the Republic of Korea to the OECD

KOO Bohn-Young

YOUNG Soogil

HAN Duk-Soo

LEE Kyung Tae
Dec. 2001-Aug. 2004

KWON O-Kyu

KWON Tae-shin
May. 2006-Sept. 2008
IV. Annex

KIM Choong-soo  
Sep. 2008-May 2010

HUR Kyung Wook  
May 2010-May 2013

LEE Sihyung  
May 2013-Oct. 2015

YOON Jong-Won  
Oct. 2015-Jun. 2018

KO Hyoung Kwon  
Mar. 2019-Present
OECD Korea Policy Centre

History

1997-2005 The government of the Republic of Korea entered into an MOU with the OECD to establish and operate four centres for each relevant area: international taxation, competition, public governance, and social policy, thus promoting cooperation between the OECD and non-member states.

Feb. 2007 The four centres were integrated into the OECD Seoul Centre to increase operational efficiency and improve policy quality.

Jun. 2008 The OECD Seoul Centre was renamed the OECD Korea Policy Centre, pursuant to an MOU between the ROK government and the OECD.

Basis for Establishment


Purpose of Establishment

The Centre facilitates the sharing and exchange of policy information in the Asia-Pacific region in the areas of taxation, competition, public governance, and social policy; acts as a resource centre for supporting OECD projects in the Asia-Pacific region; and promotes understanding of non-member states in the Asia-Pacific region on the OECD’s research and standard-setting work.

Photos provided by OECD Korea Policy Centre
**Organisation**

- Composition: Executive Secretary, four divisions, and one office
- Total Number of Personnel: 25 (Executive Secretary and 24 staff members)

**Major Work of the Centre**

<table>
<thead>
<tr>
<th>Programme</th>
<th>Details</th>
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<tbody>
<tr>
<td>Tax Programme</td>
<td>Dissemination and sharing of the international taxation standards of the OECD member states to and with tax officials of non-member states, and establishment and operation of cooperative networks for international taxation</td>
</tr>
<tr>
<td>Competition Programme</td>
<td>Dissemination and sharing of the competition laws and systems of the OECD member states to and with public officials of competition authorities and judges in competition law of non-member states</td>
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<tr>
<td>Public Governance Programme</td>
<td>Dissemination and sharing of the best practices of the OECD member states on government innovation, digital governance, and disaster management</td>
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<tr>
<td>Health and Social Policy Programme</td>
<td>Dissemination and sharing of the policy information of the OECD member states on health, society, and pensions</td>
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<tr>
<td>Operation Planning Programme</td>
<td>Provision of administrative support necessary for the operation of the Centre</td>
</tr>
</tbody>
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All projects of the OECD Korea Policy Centre go through the process of bilateral review and mutual agreement before initiation, pursuant to the treaty between the OECD and the Korean government.
KOREA AND THE OECD: 25 YEARS AND BEYOND