



**ADJUSTED  
GROWTH STRATEGY:  
REPUBLIC OF KOREA**

## KOREA'S ADJUSTED GROWTH STRATEGY, 2015

*The purpose of this document is to highlight changes and new additions to members' growth strategies since Brisbane :*

### **Changes to section A (Economic Objective)**

*Please discuss changes to the economic objectives, if any.*

The Korean government will implement its Growth Strategy as planned to boost its potential growth from the current 3% level to 4% level by 2017.

While implementing the measures in the Growth Strategy in a timely manner, the Korean government plans to continue with expansionary macroeconomic policies including sufficient fiscal stimulus to avoid falling into a trap of low growth and low inflation. Furthermore, it will strive to improve economic fundamentals through additional structural reforms in four sectors, namely, the public sector, financial industry, labor market and education system.

*Please list the top 5 commitments from your growth strategy. These can be from either Brisbane or the current adjusted growth strategy.*

1. Continue expansionary macroeconomic policies: the stimulus package worth KRW 46 trillion in 2014 and the additional fiscal spending worth KRW 22 trillion including the supplementary budget of KRW 12 trillion in 2015,
2. Implement the roadmap to achieve 70% employment rate, with a focus on youth employment,
3. Revitalize investment including infrastructure investment,
4. Implement a comprehensive structural reform package in four sectors of public, finance, labor and education,
5. Continue to reform the regulatory system ("One-in, one-out" regulation regime, sunset clause, and negative list approach etc.),
6. Develop three tax schemes to increase household incomes.

### **Changes to section B (Economic Outlook and Challenges to Growth)**

*Please discuss changes to the economic outlook and challenges, and if desired, highlight any new and existing gaps remaining to be addressed. Add discussion of risk of persistent stagnation, if relevant.*

*Update table of key indicators as follows:*

**The Korean government adjusted the growth forecast in 2015 downwards to 3.1% from 3.8% in June 2015.** Amidst weak recovery in production and investment due to sluggish exports, the Korean economy has suffered an unexpected shock from the Middle East Respiratory Syndrome (MERS) outbreak. With the recent outbreak taking a toll on economic sentiment, consumption, which was showing signs of improvement, has begun to contract. In this context, growth momentum in the 2nd quarter weakened temporarily and fell below expectations. However, as recovery gathers pace in the second half of 2015 as a result of fiscal stimulus as well as sustaining low oil prices and low interest rates, the economy is expected to grow at 3.1% in 2015.

Private consumption is expected to increase by 2.1% as consumer sentiment improves following the end of the MERS crisis. Equipment investment is projected to record a 5.6% increase with large investment projects to be launched amidst favorable investment conditions including low interest rates and investment stimulation policies. In the meantime, consumer prices are expected to be stable at the zero percent level as oil prices fall and prices of industrial goods stabilize.

Employment indicators show relatively good outcomes such as an increase of 400 thousand new employees and 3.5% unemployment rate, which is similar to last year's figure. The current account is predicted to record USD 94 billion in surplus since falling oil prices have a greater impact on imports than exports.

As for key risk factors, economic slowdown in China and depreciation of yen and euro could adversely affect export and corporates' profit. Furthermore, the aftermath of the MERS outbreak and household debt burden could hinder recovery in domestic demand. Lastly, there are concerns over increased volatility in financial and foreign exchange markets due to divergence in monetary policies of major economies including the US interest rate rise in the near future.

*Update table of key indicators as follows:*

### Key Indicators

	2014***	2015	2016	2017	2018	2019
Real GDP (% yoy)	3.3	3.1	3.5	3.6	3.8	
Nominal GDP (% yoy)	3.9	4.0	4.2	4.8	5.5	
Output Gap (% of GDP)*	n/a	n/a	n/a	n/a	n/a	
Inflation (% yoy)	1.3	0.7	1.3	n/a	n/a	
Fiscal Balance (% of GDP)**	-2.0	-3.0	-2.3	-2.0	-1.4	
Unemployment (%)	3.5	3.5	3.4	3.3	3.3	
Savings (% of GDP)	n/a	n/a	n/a	n/a	n/a	
Investment (% of GDP)	n/a	n/a	n/a	n/a	n/a	
Current Account Balance (% of GDP)	6.3	6.6	n/a	n/a	n/a	

\*A positive (negative) gap indicates an economy above (below) its potential.

\*\*A positive (negative) balance indicates a fiscal surplus (deficit).

\*\*\*Indicators can be presented on a fiscal year basis, should they be unavailable for the calendar year.

## Changes to section C (Policy Responses to Lift Growth)

*Please indicate any adjustments to measures taken in Brisbane Growth Strategies as well as new high impact policy measures taken since Brisbane.*

*Please include both macroeconomic and structural policy responses.*

### 1. Macroeconomic Policy Response

- **Fiscal Policy:** The Korean government plans to respond to unexpected shocks such as the MERS outbreak with additional **fiscal spending worth a total of KRW 22 trillion<sup>1</sup> including the supplementary budget of KRW 12 trillion**. In addition, it will keep fiscal spending expansionary until the economy recovers.

- **Monetary Policy:** The Bank of Korea lowered the benchmark interest rate twice (March and June) by 50bp to the current 1.5% in the first half of 2015. Expansionary monetary policies will be maintained until the growth recovery is ensured.

### 2. Promote Youth Employment

It is a key priority of the Korean government for the second half of 2015 to increase youth employment. It will provide **tax incentives for companies that increase the number of youth employees** by more than a specific target. In addition, it will **introduce internships for youths at SMEs** in promising industries. The government will establish **a consultative body to help youth find job opportunities abroad**.

Also, the government are raising the “**Youth Hope Fund**”, which will be run based on donation, to complement government spendings for creating jobs for youth.

### 3. Development of policies to boost investment

(Further detailed policy measures are to be submitted to the 2015 investment strategy)

The Korean government announced “**policies to promote private investment**” which further develop the new Public-Private-Partnership (PPP) model and “**Corporate Investment Promotion Program**” which include a new investment plan worth KRW 30 trillion for new growth engine industries such as health care in March this year. KRW 2 trillion out of KRW 30 trillion will be channeled into strategic investment in projects including mobile communications network by end of this year.

In addition, the Korean government plans to proactively support the launch of five corporate investment projects (e.g. solar power generation facility in Saemangeum free economic zone) that are pending on site by removing investment barriers stemming from regulations and delayed negotiations between concerned parties. Meanwhile, to expand infrastructure investment, the Korean government will **establish the Korea Infrastructure Investment Platform (KIIP) to channel about KRW 10 trillion into infrastructure projects** by the private sector and the Korea Development Bank.

### 4. Measures to revitalize exports

The Korean government prepared a comprehensive export boosting measure in July 2015 by responding to reduced exports following exacerbated export conditions such as the global economic slowdown.

First, the Korean government plans to further boost SME exports by providing **trade financing worth KRW 16.2 trillion** from the second half of 2015 to the end of 2016.

Second, the Korean government will support corporates launch **equipment investment projects worth a total of KRW 91 trillion by 2016** to strengthen the competitiveness of key industries including manufacturing. Furthermore, to foster next generation cutting-edge industries, it will increase the **current public and private R&D investment of**

<sup>1</sup> A total of KRW 22 trillion including the supplementary budget of KRW 12 trillion, government fund of KRW 3.1 trillion, public and private investment, and financial support

**KRW 6.8 trillion by 2018** and proactively review extending the deadline for the tax deductions for R&D investment.

## **5. Comprehensive structural reforms in four sectors of public, finance, labor and education**

### **• The Public Sector reform**

➤ The Korean government will continue to encourage public institutions with heavy debts to reduce debts, as included in the Brisbane growth strategy, by strengthening the target debt to equity ratio which public institutions should achieve by 2017, from 200% to 185%.

➤ To increase the efficiency of the public institutions, it will also push ahead with

- redefining the function of each institution,
- reforming the pension system for government officials,
- streamlining similar and overlapping fiscal projects of the government,
- establishing rules on fiscal expenditure such as obligation of the **PAY-GO principle** to better regulate spending.

### **• The Financial Sector reform**

➤ The Korean government will continue to “promote Angel Investment” and “facilitate crowd- funding” which were included in the Brisbane growth strategy to revitalize the capital market.

➤ To promote competition in the financial market, it will also focus on

- fostering convergence of IT and financial sectors called Fin-tech,
- facilitating technology-financing, which offers financial support to SMEs and Start-ups with advanced technology,
- improving a financial supervisory system,
- promoting a transition from debt financing to equity financing by improving the way of assessing risk-weighted assets for when securities and investment companies invest in SMEs and start-ups,
- Reducing the types of FX transaction that requires prior reporting to the Korean government.

### **• The Educational Sector reform**

➤ The Korean government will continue to complement the “Special Act on Public Education Reform” which was enacted last year and included in the Brisbane growth strategy to continue to normalize the public education system.

➤ To encourage customized education to meet the demand of the industry and root out university-entrance oriented education, it will also promote

- adopting the work-study dual system by developing policies for vocational schools,
- introducing an exam-free semester system,
- implementing structural reforms for universities based on a performance evaluation,
- making local public education finance efficient through stricter financial evaluation.

### **• The Labor Sector reform**

➤ The Korean government will continue to address labor market dualism and increase female employment.

➤ To be ready for aging population and shrinking working-age population, it will also carry out a comprehensive structural reform in the labor market including a policy for attracting foreign professionals. In particular, it will introduce the **wage peak system** to promote an increase in youth employment.

## **6. Other measures**

First, the Korean government is trying to manage household debts to alleviate risks and boost consumption.

- It will continue to reform the household debt structure by promoting a shift from the short-term mortgage with floating interest rate to a long-term mortgage with fixed interest



rate. In particular, the Korea Housing Finance Corporation provided fixed rate loans called “**relief loans**” worth **KRW 32 trillion allowing qualified mortgage borrowers to shift to low fixed rate mortgages for up to 30 years** and thus, loans with fixed rate and installment payment accounted over 30% of a total loans as of the end of June 2015.

- It announced in July 2015 “**a comprehensive package of measures to manage household debts**” which includes a requirement for **installment payment of principle and interest rather than interest only payment** in case of long-term mortgages or loans greater than debt-to-income or -asset ratio starting in January 2016.
- It will also continue to monitor the total household debts and strengthen its financial support for vulnerable borrowers such as low-income households and the self-employed.

Second, the Korean government is also striving to reduce the internal and external imbalance to achieve the G20 policy objective.

- **For balanced growth of domestic demand and export**, the Korean government is putting a priority on easing global imbalances. It submitted bold policy measures to improve domestic investment and consumption in the Brisbane growth strategy and those measures are underway as planned.

It is striving to increase private investment through new measures for expanding infrastructure and fostering SMEs & service sectors. In particular, it is focusing on easing regulations in the service sectors such as tourism and healthcare to boost domestic demand. It is also making efforts to manage household debts as mentioned above in order to lower the household debt level, which may undermine consumption.

In 2015, to expand the consumption base by boosting employment, the government will give **tax incentives to companies which convert non-regular workers to regular workers** in addition to the existing tax credits that companies receive for increasing employee wages.

Also, the government is implementing various policies including **an excise tax cut** and the so called “**Korean version of Black Friday**”, which is a nation-wide discount sales event in October to stimulate domestic demand.

- **To address income imbalances**, the government is reinforcing social safety nets and motivating the vulnerable to work to generate income.

To strengthen social safety nets, it provides free child care services, increases basic pensions, improves unemployment benefits, sets up a customized National Basic Welfare Security system and expands the coverage of Earned Income Tax Credits (EITC) for low income families.

To increase the working class income, the government raises minimum wage, improves job training program, support tailored employment. It also motivates working poor families to build up their savings by providing low-income families who save money with subsidies.

In particular, this year, the Korean government plans to focus on addressing duality in labor market as one of the major areas for structural reforms. To this end, it will make efforts to ease discrimination between regular and non-regular workers.

## ANNEX 1: NEW AND ADJUSTED POLICY COMMITMENTS FOR 2015

### New and Adjusted Commitments since Brisbane

*This annex is for describing new measures introduced since Brisbane or Brisbane commitments that have been adjusted or modified.*

*Please complete a table for each new or adjusted commitment put forward in 2015. We would expect each policy commitment table to be no longer than 1 page.*

1. Macroeconomic Policies	<ul style="list-style-type: none"> <li>Introduce a stimulus package of KRW 22 trillion</li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The Korean government plans to draw up a stimulus package of KRW 22 trillion; which includes a supplementary budget of KRW 11.8 trillion to help overcome the Middle East Respiratory Syndrome (MERS) outbreak and droughts, and support the working class; expenditures financed with funds of KRW 3.1 trillion to support small businesses and housing supplies for the working class; investment made by public institutions and through PPP amounting to KRW 2.3 trillion; and loans, guarantees and insurance offered through public financial institutions amounting to KRW 4.5 trillion. This stimulus package will be implemented from early August 2015.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	<ul style="list-style-type: none"> <li>For prompt implementation, the rate of budget execution and details of executed budget by projects will be reviewed on a regular basis.</li> </ul>
<b>Explanation of additionality or adjustment (where relevant)</b>	<ul style="list-style-type: none"> <li>The Korean government aims to achieve 3% level growth this year through these measures including a supplementary budget.</li> </ul>

2. Promote Youth Employment	<ul style="list-style-type: none"> <li>Offer tax incentives to companies for increasing jobs for youth</li> <li>Introduce an internship for youth at SMEs</li> <li>Organize a consultative body for youth employment abroad</li> <li>Raise the “Youth Hope Fund”</li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The Korean government will offer tax incentives for companies that increase the number of youth employees by more than a specific target.</li> <li>It will introduce an internship for 50 thousand youth per year at medium-sized enterprises and help turn this internship into full-time jobs.</li> <li>It will establish a consultative body consisting of diplomatic offices and KOTRA, and develop customised strategies for youth employment abroad such as providing job training programs in Latin America and increasing the scope of mutually accredited certification with advanced countries.</li> <li>The government are raising the “Youth Hope Fund”, which will be run based on donation, to complement government spending for creating jobs for youth.</li> </ul>

<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting.
<b>Explanation of additionality or adjustment (where relevant)</b>	These are new policy measures launched in second half of this year. The Korean government plans to add projects to create 66 thousand jobs for youth to the supplementary budget in the second half of 2015.

<b>3. Promote private investment</b>	<p><b>(Adjusted Commitment)</b></p> <ul style="list-style-type: none"> <li>Complement the existing commitment by reflecting the new measures for boosting PPP and introduce the Corporate Investment Promotion Program</li> </ul> <p><b>(New commitment)</b></p> <ul style="list-style-type: none"> <li>Support resuming projects that are pending on site</li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The Korean government will expand and reorganize existing policy measures to promote PPP. The revision of related legislation will be completed by 2015. It will push forward a new investment program worth KRW 30 trillion by 2017.</li> <li>- Introduce a new PPP system: The Korean government will introduce the BTO-rs system, in which the public and private sectors share the gains and losses, and the BRO-a system, in which the government preserves a certain level of investment cost including the facility investment and operation expenses.</li> <li>- Strengthen government support: In addition to offering credit guarantees, it will provide legal services for conflict resolution. Also, it will expand public agents for early compensation of land acquisition from the central government to local governments.</li> <li>- Introduce Competitive Dialogue Procedure: The government will be able to engage in negotiations with multiple bidders on matters from the bidding stage of the project including costs, financing and fees.</li> <li>- The Korea Development Bank (KDB) will raise KRW 15 trillion and attract the same amount from the private sector. And the Korean government will make investment in new sectors such as infrastructure and new growth industries like healthcare.</li> <li>- In particular, the KDB will provide KRW 1 trillion out of KRW 15 trillion for strategic investment such as mobile communication network.</li> <li>• The Korean government will support the actual launch of 5 corporate investment projects (to start the constructions by the first half of 2016) such as public waters reclamation project, which is pending on site by reducing investment barriers stemming from regulation and delayed negotiations among related ministries.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting and the result will be made open to the public.



<p><b>Explanation of additionality or adjustment relevant)</b></p>	<ul style="list-style-type: none"> <li>• Introduce a new PPP system: BTO, BTL → BTO-rs, BTO-a</li> <li>• Offer additional credit guarantees: KRW 300 billion for a project → KRW 400 billion for a project</li> <li>• Provide legal services for conflict resolution</li> <li>• Expand the scope of agents which will compensate financial burdens arising from the delayed land acquisition payment: the central government → local governments</li> <li>• Introduce a competitive dialogue procedure</li> <li>• Push forward a new investment program worth KRW 30 trillion</li> </ul>
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<p><b>4. Expand infrastructure investment</b></p>	<ul style="list-style-type: none"> <li>• <b>Establish the Korea Infrastructure Investment Platform</b></li> <li>• <b>Expand government expenditure in infrastructure</b></li> <li>• <b>Expand PPP in infrastructure</b></li> </ul>
<p><b>Implementation path and expected date of implementation</b></p>	<ul style="list-style-type: none"> <li>• The Korean government will establish the Korea Infrastructure Investment Platform which will provide financing for infrastructure investment. A total amount of finance will be KRW 10 trillion. The platform will be financed from pension funds, private sector and the Korea development bank.</li> <li>• The Korean government plans to increase infrastructure investment via SOC expenditure amounting approximately KRW 110.3 trillion in 2014~2018. In particular, considering the high demand for infrastructure, the focus will be placed on constructing ports, industrial complexes, roads and railways. For example, the government will invest amount of KRW 2.1 trillion from 2015 to 2019 in building Great Train eXpress(GTX) which is high speed railway network connecting metropolitan areas.</li> <li>• Since the introduction of PPP in 1994, infrastructure investment through PPP has increased. Currently 137 PPP projects are undertaken. PPP investments amounting to KRW 49 trillion are underway and KRW 6.7 trillion will be disbursed in 2015. For example, the construction of Seoul-Moonsan highway, amounting to about KRW 2 trillion will be started this year. A total amount of KRW 1.5 trillion will be invested in extending New Bundang subway line which will reduce travel time between Seoul and Gyeonggi Province.</li> </ul>
<p><b>What indicator(s) will be used to measure progress?</b></p>	<p>These policy actions are included in the National Fiscal Management Plan and the Master Plan for PPP in infrastructure.</p>
<p><b>Explanation of additionality or adjustment relevant)</b></p>	<p>These are new policy measures launched in second half of this year.</p>

<b>5. Boost export</b>	<ul style="list-style-type: none"> <li>• <b>Provide more trade financing</b></li> <li>• <b>Expand the equipment investment</b></li> <li>• <b>Increase R&amp;D investment</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>• The Korean government plans to provide trade financing worth KRW 16.2 trillion from the second half of 2015 to SMEs.</li> <li>• It will help corporates to commence the equipment investment project amounting to KRW 91 trillion by 2016.</li> <li>• It will increase R&amp;D investment worth KRW 6.8 trillion through public-private partnership (PPP) in promising industries such as mobile.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	<ul style="list-style-type: none"> <li>• To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting.</li> </ul>
<b>Explanation of additionality or adjustment (where relevant)</b>	<p>These are new policy measures launched in second half of this year. The Korean government announced a comprehensive package of measures to enhance exports in July 2015.</p>

<b>6. Reform the public sector</b>	<p><b>(Adjusted commitment)</b></p> <p><b>Strengthen the target debt to equity ratio which each public institution should achieve by 2017</b></p> <p><b>(New commitment)</b></p> <ul style="list-style-type: none"> <li>• <b>Redefine the function of each public institution</b></li> <li>• <b>Enact the public official pension reform</b></li> <li>• <b>Merge overlapping government financial projects</b></li> <li>• <b>Establish rules on fiscal expenditure such as obligation of the Pay-Go principles</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>• The Korean government will redesign the function and organization of all public institutions by comprehensively reviewing internal &amp; external changes in the environment as well as the feasibility and profitability of competition in the private sector. It will review the efficiency of public institutions in SOC, culture &amp; art, and agriculture &amp; fisheries sector in 2015, and that of all public institutions by 2017.</li> <li>• To reduce future fiscal burdens, it will complete the procedure for the reform of public official pension by 2015.</li> <li>• It will merge overlapping projects funded by the government to promote efficient fiscal spending (It aims to abolish 600 similar and overlapping projects by 2016). It will review the current status of similar and overlapping projects funded by the government and develop improvement measures in 2015.</li> <li>• Each ministry will prepare guideline to prevent unfair subsidies by September 2015 and push forward with the revision of laws related to subsidies by December 2015 with regard to the introduction of sunset clauses and punitive penalty.</li> </ul>

<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting and the result will be made open to the public.
<b>Explanation of additionality or adjustment (where relevant)</b>	It will strengthen the target debt to equity ratio which each public institution should achieve by 2017, from 200% to 185%.

<b>7. Reform the financial industry</b>	<ul style="list-style-type: none"> <li>• <b>Foster Fin-tech</b></li> <li>• <b>Facilitate technology-financing</b></li> <li>• <b>Improve financial supervision</b></li> <li>• <b>Facilitate the shift from debt financing to equity financing</b></li> <li>• <b>Reform FX related regulation</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>• The Korean government will improve the regulatory environment by means including abolition of the preliminary review system for Fin-Tech, and develop the model of Korean style internet based banks.</li> <li>• It will strengthen the infrastructure for technology credit rating by providing KRW 20 trillion in 2015. Also, it will mobilize more technology-based finance including technology valuation investment fund and intellectual property fund.</li> <li>• It will restructure the financial supervisory system and its practices to help financial firms enhance their competitiveness. For example, it will ease unnecessary burdens such as routine practices of comprehensive inspection.</li> <li>• It will prepare measures to reinforce the competitiveness of the KOSPI and KOSDAQ markets within this year by revising laws related to the promotion of venture capitals such as “act on special measures for the promotion of venture business” and “act on support for small and medium enterprise establishment”.</li> <li>• It will reduce the type of FX transaction that requires prior reporting to the government.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting and the result will be made open to the public.
<b>Explanation of additionality or adjustment (where relevant)</b>	These are additional structural reform measures launched in 2015.

<b>8. Reform the education system</b>	<ul style="list-style-type: none"> <li>• <b>Promote work-study dual system</b></li> <li>• <b>Encourage exam-free semester system</b></li> <li>• <b>Reform university structure</b></li> <li>• <b>Improve the efficiency of local education finance</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>• The Korean government will increase the number of specialized vocational high schools from 9 to 19 and designate 16 specialized schools that integrate high school and vocational college education.</li> <li>• It will prepare legal grounds for enforcement by revising the related law (Ordinance of the Elementary and Middle School Education Act) in 2015. It will aim to apply the exam-free semester system to 70% of all middle schools and secure 50,000 career experience centers.</li> <li>• It will enact the University Structural Reform Act in 2015. It will also strengthen university assessments and reflect the results for adjusting total capacity of each university.</li> <li>• It will reduce the amount of deferred and unused budget by KRW 3.6 trillion in 2015 by improving the fiscal performance assessment.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting and the result will be made open to the public.
<b>Explanation of additionality or adjustment (where relevant)</b>	These are additional structural reform measures launched in 2015.
<b>9. Reform the labor market</b>	<ul style="list-style-type: none"> <li>• <b>Attract skilled foreign workers</b></li> <li>• <b>Promote youth employment by introducing the wage peak system</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>• In preparing for a decline in working population, the Korean government will make efforts to attract skilled foreign workers by improving visa system and long term immigration policies. It will revise regulations of the Ministry of Justice by the third quarter of 2015. Also, it will provide one-stop services to foreign start-ups who wish to operate their business in Korea, and help skilled foreign workers settle down in Korea.</li> <li>• It will promote the wage peak system, in which senior workers receive reduced wages after they reach a certain age in return for ensuring their retirement age. To facilitate the wage peak system in public institutions, the Korean government will finalize the details of the system including the pace and level of wage reduction and streamline related rules by December 2015.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	To evaluate the progress, these projects will be reviewed on a regular basis at the Economic Ministers' Meeting and the result will be made open to the public.
<b>Explanation of additionality or adjustment (where relevant)</b>	These are additional structural reform measures launched in 2015.

10. Other measures	<ul style="list-style-type: none"> <li><b>A comprehensive package of measures to manage household debts</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The Korean Housing Finance Corporation provided fixed rate loans called “relief loans” worth KRW 32 trillion allowing qualified mortgage borrowers to shift to low fixed rate mortgages for up to 30 years April 2015.</li> <li>The Korean government announced in July 2015 “a comprehensive package of measures to manage household debts” which includes a requirement for installment payment of principle and interest rather than interest only payment in case of long-term mortgages or loans greater than debt-to-income or –asset ratio starting in 2016. Enforcement regulations will be amended in the second half of 2015 and applied in early 2016.</li> </ul> <p>In addition, consumers will be provided with information such as the reduced amount of interest based on interest rate comparison and installment payment. The Korean government will also prepare a stress test scheme that notifies risks and the size of loan appropriate for the income and spending of users, and immediately implement it starting from second half of 2015.</p>
<b>What indicator(s) will be used to measure progress?</b>	<p>By implementing the package, it plans to raise the target for instalment payment of both principle and interest up to 45% level by the end of 2017.</p>
<b>Explanation of additionality or adjustment (where relevant)</b>	<p>It plans to strengthen monitoring of credit loans in the non-banking sector including mutual financial organization that is under relatively loose regulations.</p>

11. Other measures	<ul style="list-style-type: none"> <li><b>Cut the excise tax</b></li> <li><b>Initiate the “Korean version of Black Friday”</b></li> </ul>
<b>Implementation path and expected date of implementation</b>	<ul style="list-style-type: none"> <li>The Korean government will keep the excise tax 1.5%p lower until the end of this year to promote consumption.</li> <li>The Korean government initiated the so-called “Korean version of Black Friday” which is a nation-wide discount sales event for weeks in October. It plans to annually hold this event based on this year’s performance.</li> </ul>
<b>What indicator(s) will be used to measure progress?</b>	<p>The Korean government will estimate the effect of an excise tax cut with consumption of items that can create greater demand such as cars.</p> <p>The Korean government is going to assess the performance results of the “Korean version of Black Friday” at the end of October.</p>
<b>Explanation of additionality or adjustment (where relevant)</b>	<p>These are new policy measures initiated in the fourth quarter of this year to stimulate domestic demand.</p>



## ANNEX 2: PAST COMMITMENTS – ST. PETERSBURG FISCAL TEMPLATE - UPDATE

Please update as necessary. In particular, please update tables as follows:

Medium-term projections, and change since last submission (required for all members):

### Estimate Projections

	2013	2014	2015	2016	2017	2018	2019
Gross Debt	34.3	35.9	38.5	40.1	41.0	41.1	
<i>ppt change</i>	2.1	1.6	2.6	1.5	1.0	0.1	
Net Debt	n/a	n/a	n/a	n/a	n/a	n/a	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	
Deficit	-1.5	-2.0	-3.0	-2.3	-2.0	-1.4	
<i>ppt change</i>	-0.2	-0.5	-1.0	0.7	0.3	0.6	
Primary Balance	n/a	n/a	n/a	n/a	n/a	n/a	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	
CAPB	n/a	n/a	n/a	n/a	n/a	n/a	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	

The debt-to-GDP ratio and deficit projections are contingent on the following assumptions for inflation and growth:

### Estimate Projections

	2013	2014	2015***	2016	2017	2018	2019
Real GDP growth	2.9	3.3	3.1	3.5	3.6	3.8	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	
Nominal GDP growth	3.8	3.9	4.0	4.2	4.8	5.5	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	
ST interest rate**	2.656	2.437	1.731***	n/a	n/a	n/a	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	
LT interest rate**	3.277	3.183	2.349***	n/a	n/a	n/a	
<i>ppt change</i>	n/a	n/a	n/a	n/a	n/a	n/a	

\*\* ST interest rate: average interest rate of government bonds with remaining maturity of one year / LT interest rate: average interest rate of 10-year government bonds

\*\*\* average from 1st Jan 2015 to 30th September 2015

### ANNEX 3: PAST COMMITMENTS – BRISBANE COMMITMENTS

The purpose of these tables is to monitor the implementation of commitments from members' Brisbane growth strategies.

#### Key Commitments for Monitoring Purposes

The detailed table below is for the monitoring of key commitments, as identified by members. Please complete a table for each key commitment.

<ul style="list-style-type: none"> <li>Boost domestic consumption by introducing "Three Tax Schemes" and expanding income and tax deduction.</li> </ul>	<ol style="list-style-type: none"> <li>Provide 10% tax credit for firms (5% for conglomerates) that have raised wage higher than the average of the past three years, to boost disposable income of households.</li> <li>Decrease the tax burden of shareholders of corporates with high dividend payout ratio by lowering tax on dividends (14→9%), with an aim to revitalize the stock market.</li> <li>To encourage corporates to allocate their income in investment, wage raise and dividends, an additional tax(10%) will be levied on those with investment, wage raise and dividends that do not reach a certain level.</li> <li>It will expand income deductions on check cards and cash receipts from 30% to 40% on increased amount of spending for one year (from July 2014 to June 2015) and extend tax deductions on credit card spending (scheduled to end by the end of 2014 under the sunset clause) by two years.</li> </ol>		
<b>Detailed implementation path and status</b>	Interim Steps for Implementation	Deadline	Status
	1. Revise the related tax law	completed	The Special Tax Treatment Control Law was revised in Dec. 2014 and took effect on Jan. 1 2015
	2. Revise the related tax law	Completed	The Restriction of Special Taxation Act was revised in Dec. 2014 and took effect on Jan. 1 2015
	3. Revise the related tax law	Completed	The Corporate Tax Act was revised in Dec. 2014 and took effect on Jan. 1 2015
4. Revise the related tax law	Completed	The Income Tax Act was revised in Dec. 2014 and took effect on Jan. 1 2015	
<b>Impact of Measure</b>	Since related legislations were only implemented in January 2015, it is too early to expect to see any tangible results. The Korean government expects household incomes to gradually increase and have a subsequent impact via virtuous cycle.		

<p>• Reduce the regulatory and administrative burden by reforming the regulatory system.</p>	<ol style="list-style-type: none"> <li>1. The Korean government will introduce “One-in, One-out” regulatory regime, which put a cap on the total cost of regulations. A new regulation can be adopted only when existing one with an equivalent cost is identified and removed. Accordingly, the Korean government will revise Framework Act on Administrative Regulations by 2014, and “One-in, One-out” will be fully implemented from 2015.</li> <li>2. Regulation-related information will be made accessible to the public via “the Government Regulation Information Portal”. Through this website, people will be informed about all regulations according to their needs, as well as government efforts to ease regulations. And result of “One-in, One-out” policy implemented by each ministry is to be announced on a regular basis. “The Government Regulation Information Portal” is scheduled to be renewed before the end of the first half of 2014</li> <li>3. The government has changed its regulatory standards for public verification to a negative-list approach and diversified e-transaction verification methods. The Electronic Financial Transaction Act was revised for this purpose in May 2014.</li> <li>4. The Korean government will introduce a simplified export declaration process for e-commerce in the second half of 2014 in an effort to boost online markets by taking into account the nature of e-commerce trade, in which traded goods are small in volume and high in diversity.</li> <li>5. The government will come up with procedure for enterprises to request responsible agencies information on regulations, such as confirmation of applicable regulations and interpretation on related legislations. The government will revise Framework Act on Administrative Regulations by 2014.</li> </ol>		
<p><b>Detailed implementation path and status</b></p>	<p>Interim Steps for Implementation</p> <ol style="list-style-type: none"> <li>1. Revise the “Framework Act on Administrative Regulations” by 2015</li> </ol>	<p>Deadline</p> <p>2017</p>	<p>Status</p> <p>Since the second half of 2014, fourteen ministries including the Ministry of Trade, Industry and Energy, the Ministry of Environment, and the Ministry of Land, Infrastructure and Transport have implemented pilot projects. Based on the analysis on these pilot projects, the Korean government is developing measures to improve regulations.</p> <p>The bill to revise the Framework Act on Administrative Regulations for</p>

			ministry-wide implementation in 2015 was submitted to the National Assembly.
	2. Establish a government regulation information web portal	Completed	Launched a government regulation information web portal in 2014  Opened a “regulation reform Shinmungo” banner on the government regulation information web portal to gather public opinions on regulatory reforms.
	3. Revise the Electronic Financial Act	Completed	Revised the Electronic Financial Act, - to introduce a simplified payment system  - to improve Active X security program for online shopping for user convenience
	4. Continuously improve regulations on e-commerce by launching an inter-ministerial Task Force team	2017	Launched the T/F in 2014  - Reduced the Number of items for export declaration from 57 to 37 by launching a simplified export declaration process.  - Added a system to register export declaration at once to the electronic customs clearance system  - Reflected automatic submission of shipping invoices of international EMS service of Korea to the Korea Customs Service in the export result certificate

	5. Revise a related legislation of each ministry	completed	Each ministry revised its related rule based on the bill to revise the Framework Act on Administrative Regulations which is submitted to the National Assembly. Also, the Korean government established the portal which provides foreign investors with the information on regulations in July 2015. Foreign investors can suggest their opinions on new regulations using this website.
<b>Impact of Measure</b>	Existing regulations in 2014 decreased by 10% through the regulatory reform.		

<b>• Improve employment prospects for youth, female and vulnerable groups by improving the apprenticeship, childcare services and part-time job opportunities in the public and private sector</b>	<b>1. The Korean government will introduce the apprenticeship education program of the Switzerland at vocational high school from 2015.</b> <b>2. The government will support the creation of decent part-time jobs by providing companies that create new part-time jobs with subsidy for labor costs and social insurance costs from 2014.</b> <b>3. The Korean government will establish government running childcare services and diversify childcare service offerings including for early morning and night by 2014. It will also launch part-time childcare services.</b>		
	<b>Interim Steps for Implementation</b>	<b>Deadline</b>	<b>Status</b>
	1. Continuously expand the apprentice education program at vocational schools after a pilot operation	On-going	Designated nine vocational schools for pilot operation in 2015  Additional vocational schools to be designated based on the performance in the second half of 2015
<b>Detailed implementation path and status</b>	2. Provide subsidy for labor costs of part-time workers	completed	Providing subsidy of up to KRW 500 thousand per worker to companies with a system that enables workers to make a transition from full-time to part-time if



			necessary
	<ul style="list-style-type: none"> <li>Provide temporary workers to fill the workforce gap</li> </ul>		Operating an “Alternative Workforce Bank” which provides companies with temporary workers to fill the gap when workers change their status from full-time to part-time, since January 2015
	3. <ul style="list-style-type: none"> <li>Establish public child care centers.</li> </ul>		Launched additional 150 public childcare centers in 2014.
	<ul style="list-style-type: none"> <li>Promote part-time childcare services.</li> </ul>	completed	Plan to increase the number of part-time childcare services to 230. Making all government-run childcare centers extend their operating hours by 2016.
<b>Impact of Measure</b>	<p>Indicators regarding quality of part-time jobs are improving.</p> <ul style="list-style-type: none"> <li>The number of part-time workers (thousand): (2013) 1,883, (2014) 2,032</li> <li>Full time workers (thousand): (2013) 174, (2014) 194</li> <li>Ratio of voluntary change their status to part-time (%): (2013) 44.4, (2014) 47.7</li> <li>Average wage per month (KRW thousand): (2013) 996, (2014) 1,200 (first half of 2015) 1,337</li> </ul> <p>According to a recent survey targeting companies with a large share of part-time jobs conducted by the Ministry of Employment and Labor, respondents said part-time jobs are effective in “helping rearrangement of works in peak times”, “addressing labor shortages”, “making the labor management efficient” and “promoting the balance between work and family”. The respondents’ score of satisfaction for part-time jobs averaged 4.05 out of 5. Also, companies that plan to recruit part-time workers within 6 months accounted 58.2% of respondents.</p> <p>The Korean government expects female employees to gradually increase as a result of policies including a measure to increase number of customized child-care facilities.</p> <ul style="list-style-type: none"> <li>Targeted number of female workers (10 thousand): (2014) 22.3, (2015) 36.6, (2016) 43</li> </ul>		

<ul style="list-style-type: none"> <li>Enhance private investment via the increased use of PPPs</li> </ul>	<p>The Korean government devised new measures to boost public-private partnership. First, the government will encourage private investors to pay land acquisition cost in advance by offering additional credit guarantees in order to ease financial burdens arising from delayed land acquisition cost payment. This measure will be taken into effect before the end of the first half of 2014. Second, the government will allow private investors to propose BTL projects, on condition that projects meet requirement. Related legislation was submitted in November 2013 and amendment is scheduled before the end of 2014.</p>		
<p><b>Detailed implementation path and status</b></p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<ul style="list-style-type: none"> <li>Revise Private Investment Act in line with policy measures to promote private investment in 2015</li> </ul>	<p>On-going</p>	<ul style="list-style-type: none"> <li>Announced “policy measures to promote private investment” in March 2015.</li> <li>Introduce a new PPP system of BTO (Build-Transfer-Operation) including the “BTO-rs system”, in which the public and private sectors share the gains and losses and the “BTO-a system”, in which the government preserves a certain level of investment cost.</li> <li>Ease regulations that undermine private investment such as measures introducing “competitive dialogue procedure” to shorten the period of implementation of investment projects.</li> <li>Expand government support by means including promotion of subsidiary projects and expansion of the compensation of financial burdens arising from the delayed land acquisition cost payment.</li> </ul>
	<ul style="list-style-type: none"> <li>Continuously pursue existing PPP</li> </ul>	<p>12 projects to be initiated by</p>	<p>7 of 12 existing PPP projects are in operation. Discussion</p>

	projects	2017	to simplify the procedure of the delayed 5 projects and to deal with complaints from the private sector scheduled to take place
<b>Impact of Measure</b>	<p>새 The Korean government will provide more than KRW 7 trillion for new investment projects that apply the new PPP system. Simplifying the procedure for ongoing projects is expected to lead to an early execution of KRW 1.3 trillion by the end of 2017. In addition, changing public projects to private projects is estimated to cut the fiscal spending by KRW 1.8 trillion annually.</p>		

<p>• Increase competition in the services sector</p>	<p>1. (Healthcare) The Korean government will allow establishment of affiliates of medical corporations and expansion of related businesses of medical corporations by 2014. Also pharmacy corporations will be allowed by 2014.</p> <p>2. (Tourism) The Korean government will ease regulations on resort complex and hotels by 2014.</p> <p>3. In accordance with Free Trade Agreements (FTAs), both legal and accounting consultancy market will be opened by phase by phase to relevant parties of the FTAs. Legal consultancy market will be opened by three phases. In phase one, foreign law firms will be allowed to set up office in Korea and foreign legal consultant can provide legal advice on foreign laws. In phase two, Korean government will allow partial partnership and profit sharing between Korean law firms and foreign law firms. In phase three, foreign law firms can hire Korean lawyers and handle all kinds of legal services.</p> <p>4. In accordance with Free Trade Agreements (FTAs), both legal and accounting consultancy market will be opened by phase by phase to relevant parties of the FTAs. Accounting consultancy market will be opened by two phases. In phase one, foreign accounting firms can be set up and qualified foreign CPAs can provide service on foreign accounting standards. In phase two, foreign accounting firms are allowed to acquire shares of Korean accounting firms.</p> <p>5. The Korean government will promote competition in the mobile communications market by simplifying the procedure for the business license so as to attract new entrants into the market in November 2014.</p>		
	<b>Detailed implementation path and status</b>	Interim Steps for Implementation	Deadline
	1. Enact International Medical Project Support Act	2017	Proposal for International Medical Project Support Act was submitted to the National Assembly in 2014

			<p>Formed an inter-ministerial consultative body for import and export of medical system in January 2015</p> <p>Prepared a plan to promote telemedicine in the 1<sup>st</sup> quarter of 2015</p>
	2. Revise Tourism Promotion Act	completed	Revised Tourism Promotion Act was submitted to the National Assembly in 2014
	Enact Cruise Industry Promotion and Support Act		Prepared the Draft Cruise Industry Promotion and Support Act
	Prepare measures to improve convenience of foreign tourists		Expand eligibility for Chinese and Southeast Asians multiple visas, extended the expiration date, and added downtown duty-free shops in tourism destinations (Seoul and Jeju Island) in March 2015.
	Announce measures to promote the tourism industry		Announce measures to promote the tourism industry in July 2015 to expand the base to attract foreign tourists.
	3. Promoting opening of the legal market in 3 phases to countries with which Korea has signed FTAs	Within 5 years after the FTA takes effect	Promoting the amendment of the Foreign Legal Consultant Act to pursue opening of the legal market in 3 phases within 5 years regarding FTAs in effect of 4 countries (US in March 2012, EU in July 2011, Canada in January 2015, and Australia in December 2014) that include liberalization of Korea's legal services market.

	4. Promoting opening of the accountancy market in 2 phases to countries with which Korea has signed FTAs	Within 5 years after the FTA takes effect	Implementing the liberalization procedure in 2 phases for countries including the US with which the signed FTAs include the opening of the accountancy market.
	5. Preparing a measure to promote competition in the mobile communications market	completed	Preparing measures that attracts new entrants to mobile phone industry  Enacted the Mobile Device Distribution Improvement Act for strengthening consumer protection and enhancing transparency in the mobile industry in September 2014
<b>Impact of Measure</b>	While revising laws related to strengthening the competitiveness of the service industry, the focus is being placed on increasing jobs and added-value through creation of new markets and industries.		

<b>• Promote private investment in R&amp;D by setting up an “Investment Promotion Centre” to address difficulties with R&amp;D investment</b>	<b>To promote private investment in R&amp;D, the Government will set up “Investment Promotion Centre” which is an institution that addresses difficulties on R&amp;D investment from the private sector. Detailed measures will be drawn up by December 2014.</b>		
	Interim Steps for Implementation	Deadline	Status
<b>Detailed implementation path and status</b>	Establish the “Private R&D Policy Communication center”	completed	<ul style="list-style-type: none"> <li>Comprehensive review of tax incentives for R&amp;D to encourage private R&amp;D, and collecting opinions from the industry</li> </ul>
<b>Impact of Measure</b>	<p>Communication between the government and the private sector on private investment in R&amp;D continuously has been revitalized. The total R&amp;D investment and private investment in R&amp;D are on the rise. The Korean government aims to increase the total R&amp;D investment to 5% of GDP by 2017.</p> <p>The total R&amp;D investment (KRW trillion): (2012) 55.5 (2013) 59.3 R&amp;D investment to GDP (%) (2012) 4.03 (2013) 4.15 Ratio of the government to the private sector for R&amp;D investment (%) (2012) 25:75 (2013) 24:76</p>		



<p>• Improve trade facilitation</p>	<p>1. The Korean government has taken follow-up measures to ensure that the Agreement on Trade Facilitation comes into effect as scheduled.</p> <p>2. The Korean government will allow customs clearance certification for a greater diversity of trade in order to enable parallel imports, with around 200 businesses expected to be eligible for such certification by 2015.</p> <p>3. The government will increase the number of items for streamlined import declaration from 6 to all consumer goods (with a few exceptions, including medicines) in 2014 to improve the convenience of overseas direct online shopping. The government will also simplify the customs refund system when returning imported goods in 2014.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>1. Prepare a measure to strategically utilize FTAs</p>	<p>completed</p>	<ul style="list-style-type: none"> <li>Announced the “Direction for Utilizing Korea-China FTA and Strengthening Competitiveness” on February 25th</li> <li>Initiated Customs Approved Registered Exporter through the Korea-China FTA on August 24<sup>th</sup></li> <li>Resolved difficulties of companies affected by FTAs by setting up a support center for importing and exporting companies</li> <li>Launched customized consulting service in vulnerable sectors by industry and FTA (eg. SMEs, agro-fisheries sector/ASEAN FTA)</li> </ul>
	<p>2. Revise related regulations to remove barriers to parallel imports by 2015</p>	<p>completed</p>	<p>Eased standards for designating authorized companies which are accredited for custom clearance in 2014</p> <p>Increased items for attaching mark of customs clearance for</p>

			<p>parallel imports from 275 to 595 in July 2014</p> <p>Published a guideline for parallel import by item in October 2014</p> <p>Prepared measures to improve after-sales service of parallel import items in April 2015</p>
	<p>3. Remove barriers to entry in overseas direct purchase</p>	<p>completed</p>	<p>Expanded the number of goods available for overseas direct purchase (all consumer goods except food and medicine) in June 2014</p> <p>Enhanced the system for special customs procedures from designation to registration in June 2014</p> <p>Simplified the import declaration process of overseas direct purchase items in July 2014</p>
<p><b>Impact of Measure</b></p>	<p>Significant increase in trade volume and utilization rate of FTA exports from FTAs with countries including the US and EU</p> <ul style="list-style-type: none"> <li>Growth rate of trade volume (%): with US (2012) 1.1 (2013) 1.7 (2014) 11.6 / with EU (2012) -1.3 (2013) 1.5 (2014) 10.3</li> </ul> <p>Promoting a policy with a target of reducing price of imported consumer goods by as much as 20% by increasing the total volume of alternative imports such as parallel import and overseas direct purchase from the current 5% to the 10% level</p>		

## Other Brisbane Commitments

• New Macroeconomic Policy Responses & Boosting Domestic Demand	
<ul style="list-style-type: none"> <li>Strengthen fiscal support by KRW 11.7 trillion and increase loans and loan guarantees by KRW 29 trillion</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Executed KRW 31 trillion in 2014.</li> <li>Plan to execute 10 trillion in 2015 and 5 trillion in 2016.</li> </ul>
<ul style="list-style-type: none"> <li>Improve household debt structure</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Increased supply of long-term policy-mortgages from KWR 25 trillion in 2013 to KWR 29 trillion in 2014.</li> <li>Plan to achieve 40% ratio of fixed interest rate and installment payment without a grace period for the principal by 2017.</li> </ul>
<ul style="list-style-type: none"> <li>Reform housing market regulations such as LTV and DTI</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> <li>Raised the ceiling on the LTV and DTI regulations in August 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Stabilize rental housing markets</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Plan to supply 500,000 public rental houses by 2017.</li> </ul>
<ul style="list-style-type: none"> <li>Reduce the cost of private education</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Enacted Special Act on Public Education Reform in December 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Provide the Same Preferential Tax Treatment as Manufacturing in Tax incentive, Financial support and Government Funding Support</li> </ul>	<ul style="list-style-type: none"> <li>Completed</li> <li>Increased additional tax incentives by 1%p for job-creating service sectors through tax law amended in August 2014.</li> </ul>
<ul style="list-style-type: none"> <li>The on-lending system to promote the imports of facilities</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Related institutions including Bank of Korea are preparing measures to provide companies with foreign currency loans by using the Foreign Exchange Stabilization Fund .</li> </ul>
• Investment and Infrastructure	
<ul style="list-style-type: none"> <li>Spend around KRW 85 trillion for SOC investment between 2014 and 2017</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Executed KRW 23.7 trillion in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>Set up action plan for large-scale private investment in infrastructure projects worth KRW 5.7 trillion</li> </ul>	<ul style="list-style-type: none"> <li>On track</li> <li>Confirmed a master plan to build the 2<sup>nd</sup> Seohaean Expressway (KRW 2.6 trillion), which will be carried out as a BTO project from 2018 in December 2014.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Expansion of financial support for SMEs</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Expanded support for credit guarantee, trade insurance, and policy finance as planned in 2014.</li> <li>- Launched the fund for SMEs in September 2014 and aim to mobilize KRW 5 trillion by 2017.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Raising “Facility Investment Fund” for SMEs</b></li> </ul>	<ul style="list-style-type: none"> <li>• completed</li> <li>- The Fund was introduced in September 2014 and executed KRW 1.5 trillion as of December 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Expansion of reduction of tariff for procurement of automated manufacturing facilities</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Revised enforcement the decree of related legislation in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Raising fund to support investment of enterprises in safety-related facilities</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Launched the fund in September 2014 and aim to raise KRW 5 trillion by 2017.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Expansion of tax credit for investment in safety facilities</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Revised the related legislations in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Promote Angel Investment</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- The bill “Enforcement Decree of the Act on special measures for the promotion of ventures businesses” was submitted in the National Assembly in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Support Venture financing</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- (Yozma Fund) Raised KRW 150 billion by 2014 and aim to mobilize KRW 200 billion by 2015.</li> <li>- (Female Entrepreneurs Fund) Aim to mobilize KRW 17 billion by 2015 to invest in firms run by female entrepreneurs.</li> <li>- (Gazelle Companies’ Fund) Set up a three-year plan to foster gazelle companies, which refer to fast growing companies that achieve more than 20% growth in sales or employment over three consecutive years, in January 2015.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Introduce Crowd Funding</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Revision of Capital Market Act was submitted to the National Assembly in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Develop “Creative Valley(Korean Silicon Valley)” Economy</b></li> </ul>	<ul style="list-style-type: none"> <li>• completed</li> <li>- Plan to launch 17 centers for creative economy by 2015. 8 out of the targeted centers were established in 2014 and 9 were launched in the first half of 2015.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Establish task force team for supporting business project</b></li> </ul>	<ul style="list-style-type: none"> <li>• completed</li> <li>- Launched the task force team, with participants from public and private sector, in 2014.</li> </ul>
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• <b>Employment</b>	
<ul style="list-style-type: none"> <li>• <b>Promote Maternity Protection at Work</b></li> </ul>	<ul style="list-style-type: none"> <li>• completed</li> <li>- Increased benefits of childcare leave in July 2015 and have provided a replacement service for employees on maternity leave since January 2015.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Create Female friendly Employment Environment</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Announced measures of “support for female career continuance” in September 2014 and revised the related legislation in December 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Provide support for every stage of employment from education &amp; training, job seeking to employment</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Plan to develop work-study dual system and establish “Employment and Welfare Plus Centers” which provide one-stop services including consultation for job seeking and welfare.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Establish more local job centers and enhance counsellors’ competences and their number</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Established 86 local job centers in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Reform to ensure all job training courses focused on the needs of industrial sites</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Designated 9 vocational high schools for apprenticeship education as of now.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Offer integrated and tailored “Employment Success Package” to the vulnerable groups.</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Continue to enhance the tailored support for employment of work-vulnerable groups.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Provide individual training costs to workers aged 50 or more</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Started to provide training costs (KRW 2 million per worker) once only for irregular workers aged 50 or more in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Integrate job search portals in private and public sectors.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Established the web portal in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Raise minimum wages by 7.1% compared to the previous year</b></li> </ul>	<ul style="list-style-type: none"> <li>• completed</li> <li>- Increased minimum wages by 7.1% in 2015 compared to the previous year and decided to raise them by 8.1% in 2016.</li> <li>- Developed measures to impose penalties on companies which violate the rule of minimum wage.</li> </ul>



<ul style="list-style-type: none"> <li>• <b>Lower the minimum unemployment benefits</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Plan to develop measures to prevent recipients from repeatedly receiving unemployment benefits in 2015.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Reform the National basic livelihood security system in favour of employed beneficiaries</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Launched a T/F team to develop tailored benefits for employed beneficiaries in January 2015.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Expand the coverage of Earned Income Tax Credits(EITC) to include basic living support recipients</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>Plan to expand EITC to self-employed in 2015 by means including development of a computerized system.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Enlarge the Scope of Evaluation for the Employment Impact on Government Policies and Projects</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Carried out evaluation of 30 government policies and projects on the Employment Impact in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Consider the Employment Effects when Deciding Projects with a Large Scale Investment</b></li> </ul>	<ul style="list-style-type: none"> <li>• Completed</li> <li>- Revised evaluation items for the preliminary feasibility study in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Convert Non-Regular Workers in the Public Sector to Regular Status</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Prepared measures to convert more non-regular workers in the public sector to regular status in June 2015. Plans to convert 65 thousand non-regular workers into regular workers from 2013 to 2016.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>End Discrimination against Non-Regular Workers</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Supervised discrimination against non-regular workers in 300 work places and provided them with instructions for corrections in the first half of 2015.</li> <li>- The government, management, and labour reached a tripartite agreement in September 2015 including on measures to end discrimination against non-regular workers.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Increase Non-Regular Worker Protection</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- The Labor Relations Commission prepared measures to prevent unfair dismissal in the first half of 2015.</li> <li>- The government, management, and labour reached a tripartite agreement in September 2015 including on measures to improve non-regular workers protection and their work environment.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Address Extreme Regular Worker Protection</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Collecting opinions from labours,</li> </ul>

	<p>management, and experts on a principle to change rules of employment for 12 times in 2015.</p> <ul style="list-style-type: none"> <li>- The government, management, and labour reached a tripartite agreement in September 2015 including on clarified standards and procedures for terminating the employment contract.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Promote Flexible Work Hours in the Private Sector</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Preparing ways to include the unofficial labor market such as domestic chores in the labor market to facilitate flexible work hours.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Ensure flexible work employees are not discriminated against</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Establishing and revising guidelines to address discrimination against irregular workers.</li> </ul>

• Trade	
<ul style="list-style-type: none"> <li>• <b>Pursue FTAs and Maximize their Utilization</b></li> <li>- Actively Participate in FTA Negotiation</li> <li>- Make FTA Utilization More Convenient for Businesses</li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- The Korea-Australia FTA and the Korea-Canada FTA entered into force in December 2014 and January 2015, respectively.</li> <li>- The Korea-Colombia FTA was ratified in the National Assembly in April 2014.</li> <li>- The Korea-New Zealand FTA and the Korea-Vietnam FTA, which have been signed in March 2015 and in May 2015 respectively, are expected to be ratified soon.</li> <li>-</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Actively Participate in Plurilateral Negotiations on Information Technology Products, Environmental Goods and Services</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Actively engage in plurilateral negotiations to make progress and achieve an early conclusion.</li> <li>-</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Foster Logistics Services</b></li> <li>- Establish Foundation for Advanced Logistics Services</li> <li>- Reinforce Infrastructure and Expand Promotion of Compound Transportation</li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Working on a set-up of 2 joint logistics centers for SMEs in October 2015.</li> <li>- Building a broad logistics network in China by using the Korea-China FTA.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Create a New Manufacturing Industry and New Added Value through Convergence with IT/SW</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Announced “Strategy for Manufacturing Industry Innovation 3.0” in March 2015.</li> </ul>

<ul style="list-style-type: none"> <li>• <b>Facilitate access to overseas markets</b></li> <li>- Carry out the “Eurasia Initiative”</li> <li>- Help Domestic Corporations Enter Into Promising Emerging Markets</li> </ul>	<ul style="list-style-type: none"> <li>• Launched the “Eurasia Economic Cooperation and Adjustment Committee” in 2014.</li> </ul>
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<ul style="list-style-type: none"> <li>• <b>Competition</b></li> </ul>	
<ul style="list-style-type: none"> <li>• <b>(Educational service) The Korean government is seeking to expand autonomy of international educational institutions. For-profit international schools will be allowed to pay dividends out of accounting surplus from 2014 and run language camps during vacation seasons from summer 2014.</b></li> </ul>	<ul style="list-style-type: none"> <li>• On track</li> <li>- Preparing special act to allow international schools to pay dividends out of accounting surplus.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>(Software) The Korean government will streamline the system so that the current cumbersome certificate verifications will no longer be necessary in e-commerce by 2014.</b></li> </ul>	<ul style="list-style-type: none"> <li>• on track</li> <li>- Announced “policy measures to promote software based society” and initiated projects in a full scale including fostering software based industry in January 2015.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>(Finance) The Korean government will ease regulation on private equity fund by 2014. With these regulatory reforms, various investment asset classes will be allowed in a single fund. Entry barriers will be eased for investment firms and credit finance corporations by 2014. Furthermore, evaluation criteria for Initial Public Offering (IPO) will be simplified by 2014, alleviating burden on businesses.</b></li> </ul>	<ul style="list-style-type: none"> <li>• on track</li> <li>- Related legislations including Capital Market Act was submitted to the National Assembly in 2014.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Put an end to Unfair practices between large firms and SMEs</b></li> <li>- Revise related laws to reward whistle-blowing</li> <li>- Overhaul unfair business practices in distribution industry</li> <li>- Overhaul unfair practices in franchise business</li> </ul>	<ul style="list-style-type: none"> <li>• on track</li> <li>- Conducted an on-site survey on payment to 137 sub-contractors from November 2014 to January 2015 to put an end to unfair practices between large firms and SMEs, particularly in the public sector and new growth industries.</li> </ul>

#### ANNEX 4: PRE-BRISBANE COMMITMENTS

Please include a maximum of 5 important structural reform commitments from Action Plans prior to Brisbane. Please also include all relevant monetary and exchange rate commitments. Fiscal commitments will be accounted for in the St. Petersburg Fiscal Template in Annex 2.

<b>Commitment</b>	
<b>Create and increase decent part-time jobs in the public sector.</b>	
<b>Structural reform</b>	<b>Action Plan</b>
	St.Petersburg
<b>Rationale for carrying forward</b>	<ul style="list-style-type: none"> <li>It is necessary to create and increase decent part-time jobs to encourage willingness to work of women, youth and seniors, and help them return to full-time work.</li> <li>The public sector, in particular, needs to encourage the private sector to create and increase decent part-time jobs.</li> </ul>
<b>Update on Progress</b>	<ul style="list-style-type: none"> <li>Created more than 3,000 part-time jobs in the public sector in the second half of 2014, which amounts to 130% of the initial target.</li> <li>Enacted “a guidance to facilitate a shift to decent part time jobs and improve working conditions” in January 2015</li> <li>Continue to satisfy a certain percentage of new officials as part-time workers</li> <li>Required share of part-time officials in local government (2014) 3%, (2015) 6% (2016) 8% (2017) 10%</li> <li>Encourage part-time jobs in all public sectors by sharing best practices of part-time jobs and providing consulting services.</li> </ul>
<b>Commitment</b>	
<b>Reform National Basic Welfare Security System</b>	
<b>Structural reform</b>	<b>Action Plan</b>
	St.Petersburg
<b>Rationale for carrying forward</b>	<ul style="list-style-type: none"> <li>Under the system to be reformed, the beneficiaries can receive minimum benefits they need even if they are working. This reform will encourage people to work as they can still receive benefits from the welfare system with higher income than before.</li> </ul>
<b>Update on Progress</b>	<ul style="list-style-type: none"> <li>The National Basic Livelihood Security System will be reformed in July 2015 so that beneficiaries can receive tailored benefits in areas of need. Under the current system, the government provides benefits for housing, livelihood, medicine, and education to workers who earn less than the minimum cost of living (KRW 1,630, 000 per four family members). However, under the new system, the government will be able to provide benefits to workers who earn more than the minimum cost of living if they are in need.</li> <li>Revised the National Basic Living Security Act in March 2015.</li> <li>Launched a task force (T/F) team to reform the National Basic Livelihood Security System in January 2015. The T/F team is identifying beneficiaries who meet the criteria for benefits and developing a computerized system for tailored benefits.</li> </ul>

<b>Commitment</b>	
<b>Expand the coverage of EITC(Earned Income Tax Credit) from 2015</b>	
<b>Structural reform</b>	<b>Action Plan</b>
	St.Petersburg
<b>Rationale for carrying forward</b>	<ul style="list-style-type: none"> <li>It is necessary to strengthen social safety nets including tax incentives to motivate working-poor to work and reallocate incomes.</li> </ul>
<b>Update on Progress</b>	<ul style="list-style-type: none"> <li>Revised the related law at the end of 2014 and expand the coverage of EITC to the self-employed.</li> <li>Timely implement and cover all beneficiaries of EITC by means including developing a computerized system.</li> </ul>