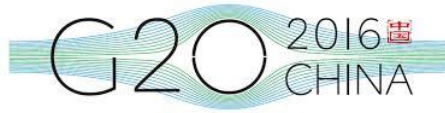


2016
GROWTH STRATEGY
[KOREA]



KOREA'S 2016 GROWTH STRATEGY

A. Economic Context and Objective

<Objective>

The Korean government has been pursuing an across-the-board economic innovation under 「the 3-year Plan for Economic Innovation」 since 2014, aiming to usher into ‘the era of people's happiness’ through reforming and revitalizing the economy. The goal of the 3-year Plan was well reflected in 「the 2014 Growth Strategy」 of Korea, which was adopted in the Brisbane Summit.

The Plan focuses on the following three aspects:

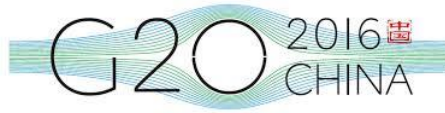
- Redressing previous wrong-doings: fix irregularities in systems and institutions that plague Korean society, such as reckless management in public enterprises, in order to strengthen the fundamentals of the economy.
- Abandoning the status quo: shift the economy towards domestic consumption and develop the service industry in order to ensure a sustainable and balanced growth.
- Rising to future challenges: build a creative economy through a private sector-led innovation and enhance Korea's global presence to preemptively deal with the rapidly changing global environment and to tackle urgent domestic challenges, such as the aging population and low birth rates.

Since the establishment of the 3-year Plan, the Korean government has been putting in its utmost efforts to implement the tasks of the Plan as scheduled. ‘The Economic Ministers’ Meeting’, which has been held at least once a month, has been the main platform for reviewing the implementation of the 3-year Plan. At the same time, reflecting the changes in the domestic and international economic environment, some complementary reform measures have also been added to the Plan and closely monitored.

< Economic conditions >

The Korean economy showed slow growth for 2015 and the first half of 2016. The GDP growth in 2015 stood at 2.6 percent, down from 3.3 percent of the previous year, owing mainly to a slowdown in the export growth, despite a recovery in domestic demand for private consumption and investment.

Amid continuing sluggishness in the export, the GDP growth rate fluctuated during the year in accordance with the movements of domestic demand. By period, the GDP grew by 0.8 percent in the first quarter, thanks to an improvement made in the construction industry, but in the second quarter it showed only a modest 0.4 percent rise, due to the dampening of consumption in the wake of the outbreak of Middle East Respiratory Syndrome (MERS). In the third quarter the GDP growth rebounded to 1.2 percent quarter-on-quarter, as the Korean economy shook off the effects of the MERS shock while



the housing market also showed buoyancy. In the fourth quarter the GDP growth rate receded to 0.7 percent, however, on adjustments made in the construction and facilities investment.

Looking at the composition from the demand side, the final consumption showed an increase of 2.4 percent, as both the private and government consumption rose. Fixed investment jumped by 3.8 percent from the previous year, due to a large acceleration in the construction investment growth and despite a somewhat reduced increase in the facilities investment. The export of goods and services registered a mere 0.8 percent increase, in line with the slowdowns in the global economy and in the pace of growth in global trade. The imports of goods and services rose by 3.2 percent from the previous year.

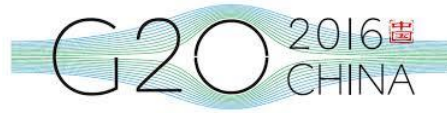
The contribution of domestic demand to the GDP growth increased significantly, while that of net exports turned negative. The domestic demand contribution expanded from 2.9 percent points in 2014 to 3.6 percent points, while that of net exports in contrast fell significantly to minus 1.1 percent point from 0.4 percent point the previous year, due to the slowdown in the growth of export and the acceleration in import growth.

The employment rate registered 60.3 percent, the highest figure since the year 2000, as the trend of expansion in persons employed continued. The unemployment rate meanwhile showed a modest increase, to 3.6 percent from the 3.5 percent of the previous year. Consumer prices recorded a 0.7 percent increase in 2015, a slowdown compared to those of 2014. The current account registered a surplus of 105.9 billion dollars in 2015, led by a surplus in the goods account.

There was a continued slow down in the economic growth in the first quarter of 2016. The GDP growth recorded 2.7 percent year-on-year. Overall improvement in domestic demand has weakened, mainly in the private consumption and facilities investment. Meanwhile, the government consumption has expanded relatively, largely due to the impact of early budget spending. Increase in the construction investment has given a favorable momentum, to the economic growth, shoring up domestic demand.

Exports and imports have declined significantly on the value basis in the first quarter, mainly due to the continued low oil prices and sluggish global demand. Headline inflation growth remains at around 1 percent.

The Korean government expects a more resilient economic recovery in the second half of 2016 and 2017. Domestic demand is expected to continue to recover as favorable conditions such as the low interest rate and the low oil prices continue and new housing construction increases. The sustained expansionary macro-economic policies, including the supplementary budget of 11 trillion won, is expected to have a significant impact on supporting the economic growth. Export is expected to gradually improve backed by the recovering oil prices and a low base effect, but economic slowdowns in major trading partners, including China and commodity exporters, and protectionist tendencies in major countries may limit the export growth. The current account surplus will narrow as import decline at a slower pace amid decelerating exports and rising oil prices.



There are many downside risks to the Korean economy, which could pose an additional burden on the Korean economic recovery. The Brexit referendum result, even though the negative impact after the vote was shortlived, is the biggest factor that adds uncertainty to the global economy in the near future. The US interest rate hike and the slowdown of the Chinese economy are also the key external risk factors. On the domestic side, the aging population, increasing household debts and the restructuring of distressed firms are the factors that the Korean government needs to manage well in order to have enjoy a faster and stronger pace of recovery.

B. Macroeconomic Policy Actions to Support Growth

In the first half of 2016, the government aggressively implemented supportive macro policies to put the economy back on the growth track.

Looking at the fiscal side, the government put in all its fiscal capacity to increase the domestic demand. The total government budget in 2016 was set at 386.4 trillion won, increased by 2.9 percent from the 2015 budget. Fiscal deficit was expected to record 36.9 trillion won, 2.1 percent of GDP, demonstrating the government's continued emphasis on the expansionary fiscal stance.

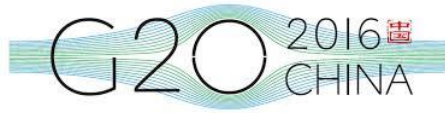
On top of that, the government frontloaded the budget execution and extended the individual tax cut at the beginning of the year amid concerns over a consumption cliff. These fiscal efforts were analyzed to contribute to a modest recovery in production and domestic demand from March after falling in January and February.

To name a few fiscal policies adopted in 2016 for stimulating the economy, in order to promote the private consumption, the government gave a 70 percent sales tax cut on new car purchases while putting the old car out of service forever, and revised the corporate tax deduction system to strengthen the link between corporate earnings and household income in a way to further encourage corporations to increase wages and investment.

The government employment support programs were also strengthened for the youth and the unemployed. Financial supports and tax incentives for companies employing young adults and women were expanded. Internship support or other employment support targeting those without jobs for 6 months or more were newly introduced in 2016.

In the second half of 2016, the government will maintain its expansionary fiscal stance to stimulate job creation and support corporate restructuring. The government decided to increase the fiscal spending by more than 28 trillion won, or 17 billion US dollars, including the supplementary budget of 11 trillion won.

Even with the expansionary fiscal stance, the government paid special attention to the medium to long term soundness of the fiscal sector. To finance the supplementary budget, it will use this year's



extra tax revenues of 9.8 trillion won and utilize 1.2 trillion won of budget surpluses from last year. The supplementary budget includes 1.2 trillion won of budget expenditures which will be used to redeem the government debt. The redemption will reduce the government debt by 0.8 percentage points from 40.1 percent to GDP to 39.3 percent.

Looking at the monetary side, monetary policy of the Bank of Korea (BOK) has also maintained an accommodative pace after the global financial crisis against the economic slowdown. Especially in June, 2016, the BOK decided to lower the key interest rate by 25 basis point from 1.5 percent to 1.25 percent. The BOK is taking a firm stance that it will carry out the monetary policy so as to ensure that the economic recovery continues and the consumer price inflation approaches the target level (2 percent) over a medium term horizon, while paying greater attention to financial stability and household debt.

C. Structural Reform Priorities

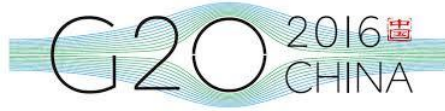
< The implementation of the past key commitments >

In Brisbane, Korea submitted a growth strategy that consists of more than 100 commitments based on 『The Three-year Plan for Economic Innovation』. Most of the commitments were completed thanks to the government's willingness and leadership, and the remaining commitments are being pursued according to schedule.

22 key commitments, which were analyzed to have high growth-enhancing effects, were selected for the 2015 Growth Strategy out of the commitments submitted in the 2014 Brisbane Summit. The peer review and the IOs' implementation assessment on the 2015 Growth Strategy recognized that Korea has implemented 18 of all key commitments and is working on the remaining 4 key commitments.

This year, Korea has implemented all of its four key commitments. The first commitment was to introduce the "One-in, One-out" regulatory regime. We have introduced the system in March 2016, after conducting pilot projects in 14 Ministries in 2014. The second commitment was to open the legal market. We passed 『the Foreign Legal Consultant Act』 in the National Assembly in February 2016, and the Act was put into force. On July 1, 2016, five years after the effectuation of the Korea-EU free trade agreement(FTA). The third commitment was to open the accounting market. 『The Certified Public Accountant Act』 was passed in the National Assembly and the Act was also put into force on July 1, 2016, five years after the effectuation of the Korea-EU FTA. The last of the four uncompleted commitments, which is to invigorate Public-Private-Partnership(PPP) in the infrastructure projects, has also been completed by revising the related law(Private Investment Act)

Korea has also been putting all its efforts to implement non-key commitments according to the plan.



We submitted about 30 new commitments in Antalya. Most of the commitments have already been carried out without a hitch. Among the new commitments in 2015, the Korean government additionally selected four key commitments, which are the main focus of the government since 2015. The top rated policy measures out of the comprehensive structural reform of the four major areas including the public, finance, education, and labor are included as new key commitments and will be assessed in the 2016 Growth Strategy.

Three out of the four new key commitments have already been completed. To elaborate, for the public official pension reform, we completed the revision of the Public Officials Pension Act in May 2015. In the area of the financial reform, we have revised ‘the Electronic Financial Transactions Act’ to boost the competitiveness of the financial industry through measures including the ones to nurture the Fin Tech, and we issued preliminary authorization to first two internet based banks in November 2015.

As of 2015, more than 5,000 companies are participating in the work-study dual achievement system, and the Korean government has expanded the number of vocational schools, which is one of the main policy measures for the education reform. On the other hand, labor reform has been lagging behind the other reform areas. Although the government is actively discussing the bills to address the issue of labor market dualism with organizations including the opposition party and labor unions, the bills are still pending in the National Assembly.

< New commitments for the structural reform >

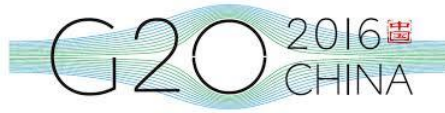
1. Industrial reform

(1) Supporting investment on new industries

- Establishing a new tax system to foster new industries

The government is planning to actively support investment on R&D and facilities in new industries including the Internet of Things(IoT), the new energy industry, smart car, and Bio. To this end, it is going to reorganize the R&D tax credit system. Tax credit on new medicine development will be expanded, and the adoption of a new tax credit on facility investment will also be helpful in supporting the commercialization of technologies in new industries. Additionally, the government will take a negative list approach in providing tax incentives to the services companies that have created jobs. In particular, considering the unique characteristic of the service industry that requires high investment on labor, the government will increase the tax credit on the increased social insurance fees following an increase of employees in the new service industry, and provide tax credit on the contents production costs of movies, TV shows, and etc. It means the government will also expand the scope of technologies that are eligible for R&D tax credit to the newly developed cultural technologies such as music, web cartoons, and others.

- Financial and budget supports on investments on new industries with high risks



The government will launch “the New Industry Fostering Fund” that shares investment risks in high risk sectors including the new medicine development and Artificial Intelligence(AI), in order to encourage investments on these areas. It will look for ways to utilize the investment of the government and management firms to compensate losses in times of losses, and to make the government and management firms last to benefit in times of gains. Adding to that, it will expand investment on new industries utilizing the fund from the Company Investment Promotion Program in which the Korean Development Bank works with the private sector to raise fund to support corporate investment. It will also provide finance in new sectors including the ICT convergence and culture related contents.

(2) Corporate Restructuring and reorganization of businesses/projects

Expediting the restructuring of marginal businesses and vulnerable industries

Korea is carrying out restructuring on marginal businesses and vulnerable industries. To this end, a committee within the government will set a basic guideline for restructuring, and the creditor banks will restructure individual companies based on the guideline. The restructuring process and pending issues in those areas will be reviewed in the Financial Ministerial Meetings.

Furthermore, insolvent companies are going to be identified through the credit risk evaluation system, which has been strengthened this year. When it comes to conglomerates, the evaluation on their financial structure and their affiliates’ financial soundness will be conducted so as to encourage vulnerable conglomerates and affiliates to improve their financial structure. For companies that are delaying the restructuring procedure without justifiable reasons, the government will strengthen the credit management and actively encourage companies to carry out the restructuring by starting a workout program or the revival process.

Strengthening the tax support to underpin restructuring

The government will expand tax support for the purpose of preventing the restructuring process from being protracted due to taxation problems. For example, the government will expand the scope of tax liabilities that are deferred when companies are undergoing split merger

Responding to the decreasing number of jobs following restructuring

The government, in case of labor market collapse due to corporate restructuring, will actively review ways to designate businesses as special employment support businesses.

2. Completing the structural reform of the four major areas

(1) Reform the financial industry



Korea will expedite the financial reform process through measures including the ones to strengthen the financial market's role in supporting the real economy. In particular, the Initial Public Offering(IPO) will be encouraged for tech start-ups, which is to complement the financial reform. The government will implement measures to spread the performance-based wage system in the financial sector. Furthermore, it will gradually allow the financial institutions for medium to low incomers with a sound financial background and a solid customer base to sell funds starting from the products with low risk bond funds.

(2) Reform the Public sector

The government will continue on its effort to improve the public organizations with measures to adjust the role of the organizations and by spreading the performance based wage system. In particular, it will expand the performance based wage system to all the employees in the public sector except for the employees in the lowest position. It will also carry out the financial reform to maintain the fiscal soundness and increase the efficiency of spending.

(3) Reform the education system

The Korean government will continue to carry out the structural reform of universities and nurture on the job talents, meeting the needs of businesses. To this end, it will do its utmost to pass a bill to carry out the structural reform of universities and will design a basic plan for the structural reform of universities. The government will implement measures to nurture talents who meet the needs of industries by selecting and supporting “the Program for Industrial needs Matched Education (PRIME)” that tries to adjust the number of students and departments based on the prospect for the number of future students in the medium and long term, and by designing measures to expand the number of vocational schools.

(4) Reform the labor market

The imminent task in the labor reform area is to pass the labor reform bills as early as possible to expedite the reform. The Korean government will strengthen the protection of vulnerable workers and spread the wage peak system.

The Korean government announced measures to vitalize the Real Estate Investment Trusts(REITs) and comprehensive real estate services such as strengthening support through the Housing City Fund, providing corporate tax cuts for long-term REITs investors to reinvigorate the housing market. The government extended the administrative guidance, which was implemented in 2014 to add vigor to the housing market such as measures to rationalize the Loan to Value(LTV) and Debt to Income(DTI) ratios. The government will also reinforce its support on vulnerable people by easing the financial burdens of low income groups and people with low credit, and establishing an one-stop financial service program.



D. Investment

< Implementation of 2015 investment strategy >

The first key aim of the 2015 investment strategy is to improve the investment environment and promote the private investment. In 2015, the government has carried out pilot projects for the “One-in, One-out” regulatory regime in 14 ministries and all ministries adopted the regime as of March, 2016. We have established the R&D Innovation Measures that include ways to strengthen the government-financed institutes’ support on SMEs to underpin the R&D investment. We also have been implementing various policies and measures to improve institutions including by revising the related laws to expand tax deduction.

The second is to boost infrastructure investment. The government has adopted a program to promote corporate investment and are providing financial supports on 36 investment projects worth KRW 15.6 trillion in 2015. Adding to that, we have introduced the Build-Transfer-Operate-risk sharing(BTO-rs) and Build-Transfer-Operate-adjusted(BTO-a) systems that enable the public and private sectors to share the gains and losses by revising a PPP institution to revitalize the private investment. We also have provided trainings to public officials to enhance their understanding of the systems.

The third is to support SMEs. We are providing financial supports on SMEs and ventures through funds including Yozma fund and Gazelle fund, and have extended the tax credit on R&D. Furthermore, The government has improved institutions to address unfair practices between conglomerates and SMEs, and launched a website that provides start-ups with comprehensive information (www.k-startup.go.kr).

The implementation status of the 2015 investment strategy, which is mainly in line with that of the investment-related measures in the 2015 growth strategy, is also included in detail at Annex1.

< New investment tasks for 2016>

The Korean government will focus on the rapid legislation of the Special Act on the Regulation Free Zone to designate the regulation free zone to promote investment, and will revise regulations on investment on new industries.

It will also expand the tax credit to reinforce the cooperation between conglomerates and SMEs, and will provide tax support to encourage SMEs to invest in facilities.

Financial supports on SMEs will be strengthened by enhancing the information sharing on promising investment firms.

New investment tasks are also included in the investment related tasks of the 2016 growth strategy in annex2.

Annex 1. Past commitment – Brisbane and Antalya commitments

Brisbane and Antalya Key Commitments for Monitoring Purposes

<ul style="list-style-type: none"> Boosting domestic consumption by introducing “Three Tax Schemes” and expanding income and tax deductions 	<ol style="list-style-type: none"> The Korean government will provide a 10% tax credit for firms (5% for conglomerates) that have raised wages more than the average of the past three years, to boost the disposable income of households. It will decrease the tax burdens of corporate shareholders with high dividend payout ratio by lowering the tax rate on dividends (14→9%), with an aim to revitalize the stock market. To encourage corporations to allocate their income to investment, wage raises and dividends, an additional tax(10%) will be levied on those with insufficient investment, wage raise and dividend levels. It will expand income deductions on check card and cash spending from 30% to 40% of an increased amount of spending for one year (from July 2014 to June 2015) and extend the sunset period of tax deductions on credit card spending (scheduled to end by the end of 2014 under the current clause) for additional two years. 		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1. Revising the related tax law	Completed	The Restriction of Special Taxation Act was revised in Dec. 2014 and took effect on Jan. 1, 2015
	2. Revising the related tax law	Completed	The Restriction of Special Taxation Act was revised in Dec. 2014 and took effect on Jan. 1, 2015
	3. Revising the related tax law	Completed	The Corporate Tax Act was revised in Dec. 2014 and took effect on Jan. 1, 2015

	4. Revising the related tax law	Completed	The Income Tax Act was revised in Dec. 2014 and took effect on Jan. 1, 2015
Impact of Measure	The Korean government expects household incomes to gradually increase and have a subsequent impact via a virtuous cycle.		

<ul style="list-style-type: none"> • Reducing the regulatory and administrative burdens by reforming the regulatory system 	<ol style="list-style-type: none"> 1. The Korean government will introduce an “One-in, One-out” regulatory regime, which puts a cap on the total costs of regulations. A new regulation can be adopted only when the existing one with an equivalent cost is identified and removed. Accordingly, the government will revise the Framework Act on Administrative Regulations by 2014, and the “One-in, One-out” will be fully implemented from 2015. 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 the government efforts in easing regulations. And the result of the “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 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. 4. The government will introduce a simplified export declaration process for e-commerce in the second half of 2014 in an effort to boost online market by taking into account the nature of the e-commerce trade, in which traded goods are small in volume and high in diversity. 5. The government will come up with a procedure for enterprises to request responsible agencies with information on regulations, such as the confirmation of applicable regulations and interpretation on related legislations. The government will revise the Framework Act on Administrative Regulations by 2014.
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Inclusion of the commitment in growth strategies	This measure was included in the Brisbane growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1. Revising the “Framework Act on Administrative Regulations” by 2015	Completed	Korea implemented an “One-in, One-out” regulatory regime, in July 2016 by implementing the Prime Minister’s directive(『the Guideline on Administrative Regulations to Relieve the Burden on the Korean People』)
	2. Establishing a government regulation information web portal	Completed	The Korean government Launched a government regulation information web portal in 2014 It opened a “regulation reform Shinmungo” banner on the government regulation information web portal to gather public opinions on regulatory reforms.
	3. Revising the Electronic Financial Act	Completed	The government revised the Electronic Financial Act, <ul style="list-style-type: none"> - to introduce a simplified payment system - to improve the Active X security program for online shopping for user

			convenience
	4. improving regulations on e-commerce by launching an inter-ministerial Task Force team	Completed	<p>The government Launched the T/F in 2014,</p> <ul style="list-style-type: none"> - It reduced the Number of items for export declaration from 57 to 37 by launching a simplified export declaration process. - It added a system to register export declaration in the electronic customs clearance system at once. - It reflected the automatic submission of shipping invoices of international EMS service of Korea to the Korea Customs Service in the export result certificate
	5. Revising the related legislation of each ministry	Completed	<p>Each ministry revised its related rules 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 information on</p>

			regulations in July 2015. Foreign investors can suggest their opinions on new regulations on the website.
Impact of Measure	10% of the regulations existed as of 2014 were abolished by the regulatory reform.		

<ul style="list-style-type: none"> Improving employment prospects for the youth, women and vulnerable groups by improving the apprenticeship, childcare services and part-time job opportunities in the public and private sectors 	<ol style="list-style-type: none"> The Korean government will introduce the apprenticeship education program of the Switzerland into vocational high schools from 2015. It will support the creation of decent part-time jobs by providing companies that create new part-time jobs with subsidies for labor costs and social insurance costs from 2014. It will establish government-run childcare services and diversify childcare service offerings such as early morning and night services by 2014. It will also launch part-time childcare services. 		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	1. introducing the apprentice education program at vocational schools after a pilot operation	Completed	Designated nine vocational schools for pilot operation in 2015. As of May 2016, a total of 60 vocational schools were designated. Additional vocational schools are to be designated.

	<p>2. Providing subsidies for labor costs of part-time workers</p> <p>Supplying temporary workers to fill the workforce gap</p>	<p>Completed</p>	<p>The Korean government is providing subsidies 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</p> <p>It has been 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</p>
	<p>3. Establishing public childcare centers.</p>	<p>Completed</p>	<p>The Korean government launched additional 150 public childcare centers in 2014.</p>
	<p>4. Promoting part-time childcare services.</p>	<p>Completed</p>	<p>It plans to increase the number of part-time childcare services to 230.</p> <p>All government-run childcare centers extended their operating hours as of 2016.</p>

<p>Impact of Measure</p>	<p>Indicators regarding the quality of part-time jobs are improving.</p> <ul style="list-style-type: none"> • The number of part-time workers (thousand): (2013) 1,883, (2014) 2,032, (2015) 2236 • The ratio of full-time workers voluntarily changing their status to part-time (%): (2013) 44.4, (2014) 47.7 • The average wage per month (KRW thousand): (2013) 654, (2014) 662 (2015) 705 <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 the 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 for 58.2% of the respondents.</p> <p>The Korean government expects the number of female employees to gradually increase as a result of policies including a measure to increase the number of customized childcare facilities.</p> <p>The targeted number of female workers (10 thousand): (2014) 22.3, (2015) 36.6, (2016) 43</p>
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<ul style="list-style-type: none"> Enhancing private investment by increasing the use of PPPs 	<p>1. The Korean government devised new measures to boost public-private partnership. First, the government will encourage private investors to pay land acquisition costs in advance by offering additional credit guarantees in order to ease financial burdens arising from a delayed land acquisition cost payment. This measure will take 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 requirements. Related legislation was submitted in November 2013 and amendment is scheduled before the end of 2014.</p>		
<p>Inclusion of the commitment in growth strategies</p>	<p>This measure was included in the Brisbane growth strategies.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>Revising the Private Investment Act in line with policy measures to promote private investment in 2015</p>	<p>Completed</p>	<p>The amount of credit guarantee was increased with the revision of Enforcement Regulation of Private Investment Act, which took effect in October 2015</p> <p>Private investors' proposals were allowed with the revision of Private Investment Act in March 2016.</p>
<p>Impact of Measure</p>	<p>The Korean government expects the revision in institutions including in the Private Investment law will expand the infrastructure investment through PPP.</p> <p>Furthermore, it 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>		

<ul style="list-style-type: none"> Increasing competition in the services sector 	<ol style="list-style-type: none"> (Healthcare) The Korean government will allow the establishment of affiliates of medical corporations and the expansion of ancillary business of medical corporations by 2014. Also pharmaceutical corporations will be allowed to expand their businesses by 2014. (Tourism) The government will ease regulations on resort complexes and hotels by 2014. In accordance with the Free Trade Agreements (FTAs), both the legal and accounting consultancy markets will be opened by phase by phase to relevant parties of the FTAs. The Legal consultancy market will be opened through three phases. In phase one, foreign law firms will be allowed to set up offices in Korea and foreign legal consultants can provide legal advices on foreign laws. In phase two, the 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. In accordance with the Free Trade Agreements (FTAs), both the legal and accounting consultancy markets will be opened by phase by phase to relevant parties of the FTAs. The accounting consultancy market will be opened though two phases. In phase one, foreign accounting firms can be set up and qualified foreign CPAs can provide services on foreign accounting standards. In phase two, foreign accounting firms are allowed to acquire the shares of Korean accounting firms. The government will promote competition in the mobile communications market by simplifying the procedure for gaining business licenses so as to attract new entrants into the market in November 2014. 		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<ol style="list-style-type: none"> Revising the Enforcement Regulation of Medical Service Act 	Completed	The Enforcement Regulation of Medical Service Act was revised in September 2014. Under the new decree, the scope of ancillary businesses

			medical corporations can pursue was expanded.
	2. Easing regulations on investment in resort complexes and hotels	Completed	The Enforcement Decree of the Free Economic Zones Act was revised in June 2015 to rationalize requirements for foreign investors in resort complex. IPO regulations for Hotel RITS companies were eased in March 2015.
	3. Promoting the opening of the legal market to countries with which Korea has signed FTAs through 3 phases	Completed	The Foreign Legal Consultant Act was passed in the National Assembly in February 2016. The goal of the revision was to pursue the opening of the legal services market following the four FTAs in effect (US in March 2012, EU in July 2011, Canada in January 2015, and Australia in December 2014). The revised provisions entered into effect in July 2016, 5 years after the earliest Korea-EU FTA entered into effect.
	4. Promoting the opening of the accountancy market to countries with which Korea has signed FTAs through 2 phases	Completed	The Certified Public Accountant Act was passed in the National Assembly in June 2011. The goal of the revision was to pursue the opening of the accounting services market following the four FTAs in effect (US in March 2012, EU in

			July 2011, Canada in January 2015, and Australia in December 2014). The revised provisions entered into effect in July 2016, 5 years after the earliest Korea-EU FTA entered into effect.
	5. Implementing measures to promote competition in the mobile communications market	Completed	<p>The Mobile Device Distribution Improvement Act was enacted to strengthen consumer protection and enhance transparency in the mobile industry in September 2014</p> <p>The Telecommunications Business Act was revised in October 2014 to simplify the permission procedure for new communications companies.</p>
Impact of Measure	In revising the laws related to the strengthening of the competitiveness of the service industry, the focus is being placed on increasing jobs and added-value through the creation of new markets and industries.		

<ul style="list-style-type: none"> Promoting private investment in R&D by setting up an “Investment Promotion Center” to address difficulties in R&D investment 	<p>1. To promote private investment in R&D, the government will set up “Investment Promotion Center” which is an institution that addresses difficulties in the R&D investment of the private sector. Detailed measures will be drawn up by December 2014.</p>		
<p>Inclusion of the commitment in growth strategies</p>	<p>This measure was included in the Brisbane growth strategies.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<p>Establishing the “Private R&D Policy Communication Center”</p>	<p>Completed</p>	<p>The “Private R&D Policy Communication Center” started its operation in May 2015. The government announced comprehensive measures to vitalize the private R&D investment in December 2014.</p>
<p>Impact of Measure</p>	<p>The total R&D investment and the private investment in R&D are on the rise. The Korean government aims to increase the total R&D investment to 5% of GDP by 2017. The total R&D investment (USD billion): (2012) 64.3 (2013) 68.1 (2014) 72.8 R&D investment to GDP (%) (2012) 4.03 (2013) 4.15 (2014) 4.29</p>		

<ul style="list-style-type: none"> • facilitating trade 	<ol style="list-style-type: none"> 1. The Korean government has taken follow-up measures to ensure the Agreement on Trade Facilitation comes into effect as scheduled. 2. It 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. 3. It 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. It will also simplify the customs refund system for retuning imported goods in 2014. 		
Inclusion of the commitment in growth strategies	This measure was included in the Brisbane growth strategies.		
Detailed implementation path and status	Interim Steps for Implementation	Deadline	Status
	<ol style="list-style-type: none"> 1. Preparing measures to strategically utilize the FTAs 	Completed	<p>The Korean government announced the “Direction for Utilizing Korea-China FTA and Strengthening Competitiveness” in February 2014.</p> <p>It resolved difficulties of companies affected by the FTAs by setting up a support center for importing and exporting companies</p> <p>It launched customized consulting services to sectors affected by the new FTAs (eg. SMEs, agro-fisheries sector/ASEAN FTA)</p>

	<p>2. Revising related regulations to remove barriers to parallel imports by 2015</p>	<p>Completed</p>	<p>The Korean government eased standards for designating authorized companies accredited for customs clearance in 2014</p> <p>It increased the number of items which can get the mark of customs clearance for parallel imports from 275 to 595 in July 2014</p> <p>It published a guideline for parallel import by item in October 2014</p> <p>It prepared measures to improve the after-sales service of parallel import items in April 2015</p>
	<p>3. Removing barriers to entry in overseas direct purchases</p>	<p>Completed</p>	<p>It expanded the number of goods available for overseas direct purchase (all consumer goods, except for food and medicine) in June 2014</p> <p>It enhanced the system for special customs procedures from designation to registration in June 2014</p>

		<p>It simplified the import declaration process of overseas direct purchase items in July 2014</p>
<p>Impact of Measure</p>	<p>There has been a significant increase in trade volume and the utilization rate of FTA exports from FTAs with countries including the US and EU. In 2015, the trade volume was decreased due to a global trade slow down.</p> <ul style="list-style-type: none"> Growth rate of trade volume (%): with US (2012) 1.1 (2013) 1.7 (2014) 11.6 (2015) -1.5 / with EU (2012) -1.3 (2013) 1.5 (2014) 10.3 (2015) -8.8 <p>The Korean government is promoting a policy with the target of reducing the prices 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>	

<ul style="list-style-type: none"> • Structural reform in four sectors (public, finance, education, and labor) 	<ol style="list-style-type: none"> 1. The Korean government will reform the public official pension system. 2. Labor market dualism will be alleviated. 3. It will foster new technology based financial industry. 4. It will promote dual achievement of work and study. 		
<p>Inclusion of the commitment in growth strategies</p>	<p>These measures were included in the Brisbane and Antalya growth strategies.</p>		
<p>Detailed implementation path and status</p>	<p>Interim Steps for Implementation</p>	<p>Deadline</p>	<p>Status</p>
	<ol style="list-style-type: none"> 1. To reduce the future fiscal burdens, the Korean government will complete the reform of public official pension system by 2015. 	<p>Completed</p>	<p>The Public Officials Pension Act was revised and took effect in January 2016.</p>
	<ol style="list-style-type: none"> 2. It will promote help on temporary workers in the private sector in gaining permanent employment status and narrowing gaps between regular and non-regular workers in main contracts and subcontracts by requiring companies to regularly publicize employment information by 2014. <p>It will strengthen the connection between wage and productivity</p>	<p>On track</p>	<p>Starting from March 2014, companies with 300 or more workers must publicize their employment information including the number of regular and non-regular workers. From 2016 the publicized information must include the number of fixed-term workers.</p> <p>Starting from 2016, the “Guideline for Collective Bargain” issued by the government includes information on productivity growth.</p>

	<p>It will reinforce penalties for minimum wage violations to address any discrimination against non-regular workers.</p> <p>It will prevent extreme regular worker protection by rationalizing the dismissal system for regular workers</p> <p>It will revise the Act on the Protection of Fixed-Term and Part-Time Workers to enhance stability of fixed-term and part-time jobs.</p>		<p>The amendment of the Minimum Wage Act was submitted to the National Assembly in December 2014. The revision is to reinforce penalties for minimum wage violations.</p> <p>In January 2016, the government issued the “Guideline for Fair Personnel Management” that rationalize and clarify the standard for dismissal.</p> <p>The amendment of the Act on the Protection of Fixed-Term and Part-Time Workers was submitted to the National Assembly in September 2015.</p>
	<p>3. It will improve the regulatory environment by abolishing the preliminary review system for Fin-Tech, and developing the model of Korean style internet based banks.</p>	<p>Completed</p>	<p>The government has improved regulations to promote Fin-Tech by, for example, the revision of the Electronic Financial Transaction Act in July 2015. A Fin-Tech Support Center was established in March 2015 and provides one-stop consulting services to Fin-Tech companies.</p> <p>The government announced a plan to introduce Korean style internet based bank in June 2015 and issued</p>

			preliminary authorization to first two internet based banks in November 2015.
	4. It will increase the number of specialized vocational high schools and designate specialized schools that integrate high school and vocational college education.	Completed	The number of specialized vocational high schools has increase from 9 in 2015 to 60 as of March 2016. 16 specialized schools that integrated high school education and vocational college education were designated in 2015.
Impact of Measure	The Korean government is implementing structural reforms in four sectors as its policy priority since 2014. It aims to enhance the efficiency and competitiveness of the economy and secure the future growth engine with the structural reforms.		

Other Non-key Commitments

<ul style="list-style-type: none"> Promoting domestic consumption 	<ol style="list-style-type: none"> Reforming housing market regulations such as LTV and DTI Stabilizing rental housing markets Reducing the cost of private education Cutting the excise tax Initiating the “Korean version of Black Friday”
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> The Korean government will raise the ceiling on the Loan-to-Value ratio (LTV) and Debt-to-Income (DTI) regulations to normalize the subdued real estate market. The ceilings for the LTV and the DTI will be fixed at 70% and 60% respectively regardless of financial institutions and regions from August 2014. It will stably supply 500,000 public housing through REITs(real estate investment trusts) by 2017 including 120,000 in 2015. It will enact and implement the “Enforcement Decree to Special Act on Public Education Reform” by 2014. It will keep the excise tax 1.5%p lower until the end of this year to promote consumption. It initiated the so-called the “Korean version of Black Friday” which is a nation-wide discount event that lasts for two weeks in October. It plans to hold this event annually based on this year’s performance.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> Completed <ul style="list-style-type: none"> The Korean government raised the ceiling on the LTV and DTI regulations in August 2014 On track <ul style="list-style-type: none"> It supplied about 130,000 public housings in 2015 On track <ul style="list-style-type: none"> The Special Act on Public Education Reform was enacted in December 2014. The government is continuing to improve the quality and diversity of public education and provide after-school programs tailored to the consumer demand. Completed <ul style="list-style-type: none"> It lowered the excise tax on automobiles by 1.5%p for the period from August 2015 to June 2016. Completed <ul style="list-style-type: none"> The Korean version of Black Friday was held in October 2015 with the participation of 27,000 shops.

<ul style="list-style-type: none"> Improving the household debt structure 	<ol style="list-style-type: none"> Increasing long-term policy-mortgages Providing “relief loans” Implementing a “comprehensive package of measures to manage household debt”
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> The Korean government will increase the supply of long-term policy-mortgages from KWR 25 trillion in 2013 to KWR 29 trillion in 2014. It plans to achieve a 50% ratio of the fixed interest rate and installment payment without a grace period for the principal by the end of 2017. The Korean Housing Finance Corporation provided fixed rate loans called “relief loans” worth KRW 32 trillion from April 2015 allowing qualified mortgage borrowers to shift to low fixed rate mortgages for up to 30 years. The government will implement a comprehensive package of measures to manage household debts as announced in July 2015. <ul style="list-style-type: none"> It will set a requirement for installment payment of principal and interest rather than interest only payment in the 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. In addition, consumers will be provided with information such as the reduced amount of interest, based on interest rate comparison and installment payment. The 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 the second half of 2015.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> On track <ul style="list-style-type: none"> The Korean government Increased the supply of long-term policy mortgage from KWR 25 trillion in 2013 to KWR 29 trillion in 2014 The ratio of the fixed interest rate and installment payment without a grace period for the principal is improving from 26.5% in 2014 to 38.9% in 2015. We have recently increased our target ratio in 2017 from 40% to 50%. Completed <ul style="list-style-type: none"> The government provided “relief loans” worth KRW 32 trillion in 2015. Completed <ul style="list-style-type: none"> The guideline for a loan that requires the installment payment of principal and interest in the case of long-term mortgage or loan greater than debt-to-income or asset ratio was issued in 2016.

	<ul style="list-style-type: none"> - A smart phone application that provides information on interest and installment payments was released in October 2015. - A stress test was conducted in November 2015.
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<ul style="list-style-type: none"> • Resolving issues of discrimination between manufacturing and service sectors 	9. Providing the same preferential tax treatment as that of the manufacturing sector
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will develop tax measures to increase service sector investment and employment to close a gap in tax incentives between the service sector and the manufacturing sector by 2014.
Status of Implementation and Impact	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Korean government increased additional tax incentives by 1%p for job-creating service sectors through tax law amended in August 2014.

<ul style="list-style-type: none"> • Providing foreign currency loans through foreign exchange stabilization fund 	10. The on-lending system to promote the import of facilities
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will introduce the “on-lending system” as a pilot program that provides foreign currency loans of up to USD 15 billion, utilizing the foreign exchange stabilization fund, which promotes the import of facilities from abroad and investment in facilities.
Status of Implementation and Impact	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The “on-lending system” was launched in May 2015.

<ul style="list-style-type: none"> • Boosting infrastructure investment 	11. Setting up action plans for large-scale private investment in infrastructure projects worth KRW 5.7 trillion 12. Establishing the Korea Infrastructure Investment Platform 13. Expanding PPP in infrastructure
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will set up action plans for large-scale PPP infrastructure projects in 2014, including ‘2nd Seohaean Expressway’ (KRW 2.6 trillion) and Metropolitan Express Railway (KRW 3.1 trillion). • It will establish the Korea Infrastructure Investment Platform

	<p>which will provide financing for infrastructure investment. The total amount of finance will be KRW 10 trillion. The platform will be financed from pension funds, the private sector and the Korea development bank.</p> <ul style="list-style-type: none"> • Since the introduction of PPP in 1994, infrastructure investment through PPP has increased. Currently 137 PPP projects are being undertaken. PPP investments of KRW 49 trillion are underway and KRW 6.7 trillion will be disbursed in 2015. For example, the construction of Seoul-Moonsan highway of about KRW 2 trillion will be started this year. The total amount of KRW 1.5 trillion will be invested in extending the New Bundang subway line which will reduce travel time between Seoul and the Gyeonggi Province.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The Korean government confirmed a master plan to build the 2nd Seohaean Expressway in 2014. It is now selecting a private partner. • It is conducting project evaluation for Metropolitan Express Railway. • Completed <ul style="list-style-type: none"> - The Korean Infrastructure Investment Platform was launched in November 2015. The government plans to finance KRW 14.5 trillion, which is more than the initially planned amount of KRW 10 trillion, in infrastructure projects. • On track <ul style="list-style-type: none"> - In 2015, KRW 4.6 trillion was disbursed in the PPP projects as mentioned above.

<ul style="list-style-type: none"> • Promoting private investment 	<p>14. Implementing measures to boost PPP and introducing the Corporate Investment Promotion Program</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> - Introduction of 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 costs including the facility investment and operation expenses. - Strengthening of the government support: In addition to offering credit guarantees, it will provide legal services for

	<p>conflict resolution. Also, it will expand public agents for the early compensation of land acquisition from the central government to local governments.</p> <ul style="list-style-type: none"> - Introduction of Competitive Dialogue Procedure: It will be able to engage in negotiations with multiple bidders on matters including costs, financing and fees from the bidding stage of the project. - The Korea Development Bank (KDB) will invest KRW 15 trillion and attract the same amount from the private sector by 2017. And the Korean government will make investment in the new sectors such as infrastructure and new growth industries such as healthcare. - In particular, the KDB will provide KRW 1 trillion out of KRW 15 trillion for strategic investment such as the mobile communication network.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The BTO-rs and the BTO-a system were introduced by the revision of Private Investment Basic Plan in April 2015. - Legal services, an early compensation of land acquisition, and a competitive dialogue procedure were also introduced by the same revision. - The Corporate Investment Promotion Program was launched in February 2015. As of March 2016, KRW 15.8 trillion was executed through the program.

<ul style="list-style-type: none"> • Supporting investment for SMEs 	<ol style="list-style-type: none"> 15. Expansion of financial support for SMEs 16. Raising “Facility Investment Fund” for SMEs 17. Expansion of reduction of tariff for the procurement of automated manufacturing facilities 18. Providing more trade financing
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • To support financial intermediation for SMEs, the Korean government will expand support on credit guarantee by KRW 1.5 trillion, trade insurance by KRW 0.5 trillion, and policy finance support for SMEs by KRW 0.4 trillion in 2014. In parallel, the government will give an additional KRW 10 trillion as policy financing for SMEs through state-run banks including the Korea Development Bank and Korea Export-Import Bank in 2014. • The Korea Development Bank and Industrial Bank of Korea raised a total of KRW 3 trillion for the “Facility Investment Fund” to offer financing support for SMEs. The fund is scheduled to be introduced in September 2014. • The government will increase tariff reductions from 30% to 50% to SMEs’ procurement of automated manufacturing facilities. It is scheduled to be introduced from October 2014.

	<ul style="list-style-type: none"> The Korean government plans to provide trade financing worth KRW 16.2 trillion from the second half of 2015 to SMEs.
Status of Implementation and Impact	<ul style="list-style-type: none"> Completed <ul style="list-style-type: none"> In 2014, the Korean government expanded support for credit guarantee, trade insurance, and policy finance as planned. On track <ul style="list-style-type: none"> The fund was established in September 2014 and aimed to execute KRW 3 trillion by 2017. Completed <ul style="list-style-type: none"> The government revised the decree of related legislation in 2014. On track <ul style="list-style-type: none"> As of March 2016, the government supplied trade financing worth KRW 12.2 trillion to SMEs out of the planned KRW 16.2 trillion.

<ul style="list-style-type: none"> Expanding investment in safety facilities 	19. Raising fund to support the investment of enterprises in safety-related facilities 20. Expanding the tax credit for investments in safety facilities
Implementation path and expected date of implementation	<ul style="list-style-type: none"> The Korea Development Bank and Industrial Bank of Korea will raise KRW 5 trillion funds that encourage firms to invest in safety related facilities. The fund is scheduled to be introduced from October 2014. The Korean government will also extend the sunset period (the end of 2014) for 3% tax credit for investment in safety related facilities such as safety management to prevent accidents in the gas and mining industries.
Status of Implementation and Impact	<ul style="list-style-type: none"> Completed <ul style="list-style-type: none"> The Korean government launched the fund in September 2014 and aims to execute KRW 5 trillion by 2017. Completed <ul style="list-style-type: none"> It revised the related legislation in 2014.

<ul style="list-style-type: none"> Encouraging ventures and start-ups 	21. Promoting angel investment 22. Supporting venture financing 23. Introducing crowd funding
Implementation path and expected date of implementation	<ul style="list-style-type: none"> To promote angel investment, the government will provide tax incentives for angel investments, including by increasing income tax deduction. The government will give qualifications to professional angel investors who meet the criteria including

	<p>investment performance and work experience, and provide them with benefits including a policy financing support. The Enforcement Ordinance of the Special Act on Promoting Ventures was amended in 2014.</p> <ul style="list-style-type: none"> • The Government will expand venture investment via policy financing. <ul style="list-style-type: none"> - (Yozma Fund) The government will launch and manage joint capital funds with foreign investors to help ventures enter overseas market. The Fund is targeting to secure KRW 50 to 100 billion by 2014, KRW 200 billion by 2015. - (Female Entrepreneurs Fund) The government will raise public-private joint venture capital for female entrepreneurs. This Fund aims to continue raising as much as KRW 10 billion by 2014 and KRW 50 billion between 2015 and 2017. - (SMEs Fund) The Government will support as much as KRW 950 billion to fund five hundred promising SMEs selected every year for technology development. - (Gazelle Companies' Fund) The government will fund the so-called 'Gazelle Company' with KRW 1.2 trillion to support their marketing and facilities. The 'Gazelle Company' refers to fast growing companies that achieve more than 20% growth in sales or employment over three consecutive years. • Furthermore, the Korean government will introduce crowd funding. The Capital Market Act is scheduled to be revised by 2014, by which time the crowd funding will be introduced and infrastructure for online small investment will be established.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Korean government revised the related legislation in 2014. • On track <ul style="list-style-type: none"> - (Yozma Fund) The "Korean Yozma Fund" launched in 2014 raised KRW 100 billion in 2014 and 72 billion in 2015. - (Female entrepreneurs Fund) The Female Entrepreneurs Fund raised KRW 10 billion in 2014 and 14.5 billion in 2015. It plans to raise 145 billion in 2016 and 2017 respectively. - (SMEs Fund) The fund was established in 2014. It provided funds to 625 promising SMEs in 2014 and 615 SMEs in 2015. - (Gazelle Companies' Fund) The fund was launched in 2014 and provided KRW 63 billion to Gazelle companies in 2015. It aims to support 500 Gazelle companies each year until 2017. • Completed

	<ul style="list-style-type: none"> - The Korean government introduced crowd funding in January 2016 by revising the Financial Investment Services and Capital Market Act.
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<ul style="list-style-type: none"> • Activating suspended business projects 	<p>24. Establishing a task force to support business projects</p> <p>25. Supporting projects that are pending on site</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • A task force, with participants from the public and private sectors, has been launched to identify challenges that businesses face and provide them with relevant support. Its task includes eliminating restrictive entry barriers, easing environmental regulations, and resolving regulations on location requirement for plants. Policy measures were introduced five times since 2013 to provide support for nineteen investment projects that had been stalled due to excessive regulation. For each of nineteen projects, measures including the ones to improve the system will be completed between 2014 and 2016. • 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 the public waters reclamation project, which is pending on site by reducing investment barriers, stemming from regulations and delayed negotiations among related ministries.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The task force team was launched in 2014 with participants from the public and private sectors. • On track <ul style="list-style-type: none"> - Two of the five pending projects were resumed.

<ul style="list-style-type: none"> • Encouraging female employment 	<p>26. Promoting maternity protection at work</p> <p>27. Creating female friendly employment environment</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government will increase the benefits of childcare leave. It will also create a pool of workforce who can replace employees on maternity leave in 2014. • It plans to announce comprehensive measures of “support for female career continuance” in September 2014.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Korean government increased benefits of childcare leave in July 2015 and has provided a replacement service

	<p>for employees on maternity leave since January 2015.</p> <ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - It announced measures of “support for female career continuance” in September 2014 and revised the related legislation in December 2014.
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<ul style="list-style-type: none"> • Stimulating youth employment 	<p>28. Providing support in every stage of employment from education, training, job seeking to employment</p> <p>29. Offering tax incentives to companies for increasing jobs for youth</p> <p>30. Introducing youth internship programs in SMEs</p> <p>31. Organizing a consultative body for youth employment abroad</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government will enhance support in every stage of employment from education, training, job seeking to employment. <ul style="list-style-type: none"> - It will increase the opportunity for internship programs in 12 public institutions including Korea Railroad Corporation in 2014. - It will expand special admissions to universities for working high school or college graduates with more than three years of career to spread “the culture of employment first and education later” by 2014. - It will introduce a joint education program in 2014 that integrates a three-year high school education program and a two-year college education program in order to come up with a vocational training system that meets the demands of industries. - It will increase subsidies for the youth who are first hired as interns at SMEs and then recruited as full-time workers (KRW 2.2→3 million). It will also offer up to KRW 3 million grants to high school graduates working at SMEs for their seniority and provide incentives to companies who hire people after the end of their military service in 2015. - It will provide the youth with an opportunity to take an overseas internship program (700 youth) and will run “K-Move schools” that provide customized vocational training for those looking for jobs abroad(1,200 youth) from 2014. • It will offer tax incentives for companies that increase the number of young employees by more than a specific target. • It will introduce an internship program in medium-sized enterprises for 50 thousand youth per year and help turn these internships into full-time jobs. • It will establish a consultative body consisted of diplomatic offices and KOTRA, and develop customized strategies for

	<p>youth employment abroad such as providing job training programs in Latin America and increasing the scope of mutually accredited certification with advanced countries.</p>
Status of Implementation and Impact	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - All of the measures mentioned above have been introduced except for the incentives to companies who hired people after the end of military service. • Completed <ul style="list-style-type: none"> - The tax incentives for companies that increased the number of youth employment were introduced in February 2016 by the revision of Restriction of Special Taxation Act. • Completed <ul style="list-style-type: none"> - Starting from 2016, the government is providing grants to SMEs that run youth internship programs. The maximum number of interns benefitted from the grant is 50 thousands. • Completed <ul style="list-style-type: none"> - ‘K-Move Center’ was established in March 2016. It will provide job training and consulting services to the youth.

<ul style="list-style-type: none"> • Supporting job searching 	<p>32. Establishing more local job centers and enhancing counselors’ competences and their number</p> <p>33. Reforming all job training courses to meet the needs of industrial sites</p> <p>34. Offering an integrated and tailored “Employment Success Package” to the vulnerable groups.</p> <p>35. Subsidizing individual training costs to workers aged 50 or over</p> <p>36. Integrating job search portals in the private and public sectors</p>
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government plans to establish more local job centers to meet the demand for employment services and enhance counselors’ competences and their number to improve the quality of employment services in 2014. • It reforms current practices to ensure all job training courses focused on the needs of the industrial sites based on 254 National competency Standards (NCS) in 2014. With this reform, it is planning to enhance the quality of job training and address supply & demand mismatch. • It will launch an “Employment Success Package” to offer tailored services to vulnerable groups including the youth, women and welfare beneficiaries in 2014. • It will expand the coverage of individual training cost subsidies (KRW 2 million per worker) once for those who work for SMEs

	<p>and temporary workers to cover all of the workers aged 50 or over starting from 2014.</p> <ul style="list-style-type: none"> It will also integrate the private and public job search portals from 2014.
Status of Implementation and Impact	<ul style="list-style-type: none"> Completed <ul style="list-style-type: none"> The Korean government established 86 local job centers in 2014 On track <ul style="list-style-type: none"> NCS has been adopted in 6,279 government-funded training courses and 79 technical colleges. It will be adopted by all high schools starting from 2016. Completed <ul style="list-style-type: none"> The “Employment Success Package” was launched and in 2015, “Hope Ribbon Program,” which provided employment related welfare services, was merged into the package. Completed <ul style="list-style-type: none"> The Korean government started to subsidize the training costs (KRW 2 million per worker) in 2014. Completed <ul style="list-style-type: none"> The Korean government established a web portal in 2014

<ul style="list-style-type: none"> Reforming the social safety net to encourage willingness to work 	<p>37. Raising minimum wages by 7.1% compared to the previous year</p> <p>38. Lowering the minimum unemployment benefits</p> <p>39. Reforming the National basic livelihood security system in favor of employed beneficiaries</p> <p>40. Expanding the coverage of Earned Income Tax Credits(EITC) to include basic living support recipients</p>
Implementation path and expected date of implementation	<ul style="list-style-type: none"> The Korean government is to raise the minimum wage by 7.1% for 2015 (from KRW 5,210 to KRW 5,580 per hour). The increase in wage will financially support low income families and provide them with incentives to work. It will also cut the minimum unemployment benefits from 90% to 80% of the minimum wage in order to motivate people to work. The National Basic Welfare Security System will be reformed so that the government can select beneficiaries for each of the four sectors: livelihood, housing, medicine, and education. Under the revised system, the beneficiaries can receive the 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 even if they earn higher income than before. The government will expand the coverage of EITC from 2015 to

	include basic welfare recipients. Before the reform, basic welfare recipients could not receive EITC even if they meet the eligibility criteria.
Status of Implementation and Impact	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Korean government increased the minimum wages by 7.1% in 2015 and 8.1% in 2016 compared to the previous year. • On track <ul style="list-style-type: none"> - The amendment of the Employment Insurance Act that lowers the minimum unemployment benefits was submitted to the congress in September 2015. • Completed <ul style="list-style-type: none"> - The government reformed the National Basic Welfare Security System so that it could provide benefits tailored to recipients' needs. • Completed <ul style="list-style-type: none"> - It expanded the EITC to include basic living support recipients.

<ul style="list-style-type: none"> • Strengthening the government's responsibility of creating jobs 	<p>41. Enlarging the scope of evaluation on employment impact on government policies and projects</p> <p>42. Considering the employment effect in evaluating government projects with a large scale investment</p>
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will carry out evaluation on the employment impact of 30 government projects in 2014.(15 in 2013) • It will put the employment effect into evaluation in the preliminary feasibility study by revising relevant guidelines in 2014.
Status of Implementation and Impact	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Korean government carried out evaluation on the employment impact of 30 government policies in 2014 and 32 policies in 2015. • Completed <ul style="list-style-type: none"> - It revised preliminary feasibility study guidelines to rate the employment effect as one of the items for the evaluation.

<ul style="list-style-type: none"> • Reforming the labor market 	<p>43. Converting Non-Regular Workers in the Public Sector to Regular Status</p> <p>44. Attracting skilled foreign workers</p> <p>45. Promoting youth employment by introducing the wage peak system</p>
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	<p>46. Promoting flexible work hours in the private sector</p> <p>47. Ensuring employees with flexible working hours are not discriminated against</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government will convert 65,000 non-regular workers in the public sector into regular status by 2015. • In preparing for a decline in working population, it 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. • 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 promote the wage peak system in public institutions, the government will finalize the details of the system including the pace and level of wage reduction and streamline related rules by December 2015. • It will also revise legislations to ensure the workers' rights to demand reduced work hours in 2014. • It will encourage companies to introduce the flexible work hour system, and devise incentives such as social health insurance premiums to improve working conditions in the latter half of 2014.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - 74,023 non-regular workers were converted into regular status during 2013-2015. The government is planning to convert additional 15,000 non-regular workers during 2016-2017. - CompletedThe Korean government revised the visa system so that skilled workers could get permanent resident status after one year of residence in Korea in June 2015. - It launched a start-up campus and is operating an one-stop inbound program to support the promising foreign start-ups that wish to operate their business in the Korea. • Completed <ul style="list-style-type: none"> - To promote the wage peak system in the public sector, it issued a guideline for interpretation and implementation of employment regulations in January 2016. - As of December 2015, all 313 public agencies in Korea adopted the wage peak system. • On track <ul style="list-style-type: none"> - The amendment of the Labor Standards Act that creates the right to demand reduced work hours was submitted to

	<p>the National Assembly in September 2015.</p> <ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The amendment of the Labor Standards Act that expands the flexible work hour system was submitted to the congress in September 2015.
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<ul style="list-style-type: none"> • Reforming the public sector 	<p>48. Strengthening the target debt to equity ratio which each public institution should achieve by 2017</p> <p>49. Redefining the function of each public institution</p> <p>50. Merging overlapping government financial projects</p> <p>51. Establishing rules on fiscal expenditure such as the obligation of the Pay-Go principles</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government aims to achieve the average debt to equity ratio of 185% for all major public institutions by 2017. • It will redesign the function of all public institutions by comprehensively reviewing internal & 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 the SOC, and the culture & art, and agriculture & fisheries sectors in 2015, and that of all public institutions by 2017. • • 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. • Each ministry will prepare a guideline to eliminate unfair subsidies by September 2015 and push forward with the revision of laws related to subsidies by December 2015 by introducing sunset clauses and punitive penalties.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The average debt to equity ratio of major public institutions was improved to 194% at the end of 2015 from 233% in 2013 and 216% in 2014. The government recently adjusted the target ratio from 185% to 177% for 2017. • On track <ul style="list-style-type: none"> - In 2015, it reformed the functions of public institutions in the SOC, and the culture & art, and agriculture & fisheries sectors. IT reformed the functions of public institutions in energy, environment and education sectors in June 2016. The government plans to finalize the reform by 2017. • Completed <ul style="list-style-type: none"> - It abolished 689 similar and overlapping projects funded

	<p>by the government in 2015, achieving the target.</p> <ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - A guideline to eliminate unfair subsidies was enacted and took effect in May 2016. - Sunset clauses on subsidy receipt and punitive penalty on the misuse of subsidies were introduced with the revision of the Subsidy Management Act in January 2016.
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<ul style="list-style-type: none"> • Reforming the financial industry 	<p>52. Improving financial supervision 53. Facilitating technology-financing 54. Facilitating the shift from debt financing to equity financing 55. Reforming FX related regulations</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government 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. • 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. • It will prepare measures to reinforce the competitiveness of KOSPI and KOSDAQ markets within this year by revising laws related to the promotion of venture capitals such as “the act on special measures for the promotion of venture business” and “the act on support for small and medium enterprise establishment”. • It will reduce the type of FX transaction that requires prior reporting to the government.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The government issued "Financial Regulation Management Guidelines" in January, 2016. The guidelines clarify the principles and procedures that new financial regulations must follow in establishing, strengthening and monitoring new regulations on the financial corporations. The guidelines institutionalize the results of the financial regulatory reforms, including the abolition of the shadow regulation. • Completed <ul style="list-style-type: none"> - It provided the finance of KRW 37.5 trillion as of the first quarter of 2016 to selected technology-based companies. It also launched securitized crowd fund in January 2016. - The four technological credit assessment institutions are implementing the technological finance assessment for investment, which focuses on predicting the growth

	<p>potential of corporations since April, 2016. Furthermore, they are operating the technological finance fund of KRW 657 billion.</p> <ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - It announced measures to reinforce the competitiveness of the stock trade markets and is preparing for the revision of the Financial Investment Services and Capital Markets Act. - It rationalized regulations on venture capital by revising the enforcement decree of the Act on Special Measures for the Promotion of Venture Businesses in November 2015. • On track <ul style="list-style-type: none"> - Foreign investors, who borrow won-denominated securities, only have to give follow-up reports to the government on the monthly basis, from a prior notice to the government.(the revision of the Foreign Exchange Transactions Regulation, March 2016)
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<ul style="list-style-type: none"> • Reforming the education system 	<p>56. Encouraging an exam-free semester system 57. Reforming the university structure 58. Improving the efficiency of local education finance</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government 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 middle schools and secure 50,000 career experience centers. • It will enact the University Structural Reform Act in 2015. It will also strengthen university assessment and reflect the results to adjust the total capacity of each university. • It will reduce the amount of deferred and unused budget by KRW 3.6 trillion in 2015 by improving the fiscal performance assessment.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Ordinance of the Elementary and Middle School Education Act was revised in September 2015 to provide legal grounds for the exam-free semester system. - In 2015, 80% of all middle schools adopted the exam-free semester system and the rest are planning to adopt it during 2016. - As of November 2015, 78,993 career experience centers were secured. • On track <ul style="list-style-type: none"> - The University Structural Reform Act was submitted to the National Assembly in October 2015.

	<ul style="list-style-type: none"> - The government conducted university assessment in August 2015 and reflected the results to adjust the total capacity and fiscal support of each university. • On track <ul style="list-style-type: none"> - The amount of deferred and unused budget was included as items in fiscal performance assessment in 2015.
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<ul style="list-style-type: none"> • Trade liberalization through multilateral and bilateral trade agreements 	<p>59. Pursuing FTAs and maximizing their utilization</p> <p>60. Actively participating in multilateral negotiations on information technology products and environmental goods and services</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korea-Australia Free Trade Agreement, which has been signed, and the Korea-Colombia Free Trade Agreement, for which the ratification process has been completed, will enter into force in the near future. Meanwhile, the Korea-Canada Free Trade Agreement, which has been initialed, and the Korea-Turkey Free Trade Agreement on Services and Investment, which has been substantially concluded, are expected to be signed in the near future. • It will also actively engage in multilateral negotiations on expanding the product coverage under the WTO Information Technology Agreement with the goal of achieving its early conclusion, and it will work hard on negotiations on the WTO environmental goods and WTO services sectors with a concrete work plan in 2014.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The Korea-Australia FTA (Dec. 2014), the Korea-Canada FTA (Jan. 2015), the Korea-New Zealand FTA (Dec. 2015), and the Korea-Vietnam FTA (Dec. 2015) have entered into force. - The Korea-Colombia FTA was ratified in the National Assembly in April 2014. - Negotiations to conclude the Korea-China-Japan FTA, the Regional Comprehensive Economic Partnership (RCEP), the Korea-Latin America FTA, and Korea-Ecuador SECA are underway. • On track <ul style="list-style-type: none"> - The negotiation for the expansion of the product coverage of the Information Technology Products Agreement was concluded in December 2015. - The Korean government is actively participating in the Environmental Goods and Services negotiation.

<ul style="list-style-type: none"> • Fostering logistics services 	<p>61. Establishing a foundation for advanced logistics services 62. Reinforcing infrastructure and expanding the promotion of compound transportation</p>
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government will expand outsourced (3rd party) logistics by fostering a logistics-intensive industry, providing SMEs with consulting services on the utilization of outsourced (3rd party) logistics and shared logistics services in 2014. • It will finalize the establishment of four logistics complexes by 2015 and facilitate compound transportation through infrastructure reinforcement from 2014. Furthermore, it will expand the international compound transport system (Korea-China compound freight transport zone) and increase the number of eligible ports in 2014.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - In 2016, the Korean government started to reimburse 50% of the consulting costs incurred to SMEs to encourage their adoption of 3rd party logistics. • On track <ul style="list-style-type: none"> - It started the construction of four logistics complexes in 2015. - It is planning to increase the number of Korea-China compound freight transport zones.
<ul style="list-style-type: none"> • Facilitating participation in GVCs through promoted innovation in manufacturing 	<p>63. Creating a new manufacturing industry and new added value through converging IT/SW 64. Facilitating access to overseas markets</p>

<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government announced its “Strategy for Manufacturing Industry Innovation 3.0” in June 2014 and is formulating action plans through a nationwide collaboration with the private sector that will help small and medium-sized enterprises participate in the global value chains efficiently. <ul style="list-style-type: none"> - Along these lines, the government will seek to improve systems & infrastructure and develop programs to create an environment that facilitates the followings: <ul style="list-style-type: none"> A. The promotion of convergence between the manufacturing industry and IT/SW to spur innovation in IT/SW-based processes including smart factories and create a new convergence industry. B. The development of key materials and parts for the major manufacturing industry and fostering engineering, design and S/W related to the manufacturing industry. C. The training of professional manpower needed for the major manufacturing industry and the transition of old industrial complexes into places for manufacturing innovation. • It will build stronger economic cooperation with major economies in Central Asia. <ul style="list-style-type: none"> - It will prepare the “Eurasia Initiative” that embraces?? key projects for promising sectors such as transportation, logistics, energy, and IT.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The Korean government announced “the Strategy for Manufacturing Industry Innovation 3.0” in March 2015 - Under the strategy, it is promoting a “smart factory” and supporting a new industry related to new energy and climate change. • On track <ul style="list-style-type: none"> - It launched the “Eurasia Economic Cooperation and Adjustment Committee” in 2014. - The Korean and Chinese governments concluded a MOU about cooperation between the Eurasia Initiative and the “One Belt One Way” initiative

<ul style="list-style-type: none"> • Easing entry barriers and business regulations in the service sector 	<p>Deregulation and elimination of entry barriers in three areas of the service industry:</p> <ul style="list-style-type: none"> 65. Education 66. Software 67. Finance
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<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • (Educational service) The Korean government is seeking to expand the autonomy of international educational institutions. For-profit international schools will be allowed to pay dividends out of accounting surpluses from 2014 and run language camps during vacation seasons from the summer of 2014. • (Software) It will streamline the system so that the current cumbersome certificate verification process will no longer be necessary in e-commerce by 2014. • (Finance) It will ease regulations 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 burdens on businesses.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • On track <ul style="list-style-type: none"> - The Amendment of Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City that enables for-profit international schools in Jeju province to pay dividends was submitted to the congress in October 2015. - Starting from 2014, the government permitted international schools to run language camps during vacation. • Completed <ul style="list-style-type: none"> - The Korean government announced “policy measures to promote software based society” and initiated projects in a full scale including fostering a software based industry in January 2015. - A mandatory certificate verification procedure was abolished in May 2014. • Completed <ul style="list-style-type: none"> - The Capital Market Act was revised in October 2015 to lessen regulations on the establishment of private equity fund. - The entry regulations on the establishment of investment firms were revised in July 2014. Also, the guidelines for the supervision of credit finance corporations were revised to ease regulations on contingent businesses. - The number of evaluation items for IPO in KOSPI market was decreased from 49 to 34 in May 2015.
<ul style="list-style-type: none"> • Putting an end to unfair practices between large firms and SMEs 	<p>68. Revising related laws to reward whistle-blowing and overhauling unfair business practices in the distribution industry and franchise businesses</p>

<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The competition authority will enhance the reward system for whistle-blowing on unfair business conducts against sub-contractors including unfair discounts, usurping technology and unfair cancellation of purchases. The standard contract form between large firms and SMEs will be also revised by 2014. • The competition authority makes an overhaul of unfair business practices in the distribution industry. The Government will conduct written investigation on business practices every year and announce the results to the public. Further, the standard lease contract form between distributors and tenants will be revised in 2014. • The authority will overhaul unfair practices in franchise businesses by conducting on-site investigations and publicizing the results in 2014.
<p>Status of Implementation and Impact</p>	<ul style="list-style-type: none"> • Completed <ul style="list-style-type: none"> - The Fair Transactions in Subcontracting Act was revised in July 2015 to enable rewarding whistle-blowing. - The government is conducting annual written investigations on vendors that transact with large distribution companies. - The standard lease contract form for store lease in the distribution industry was revised in July 2014. - On-site investigation on unfair practices in franchise businesses was conducted in 2014 and the result was made public.

Investment Strategy Commitments

Please provide a general overall assessment on the status of implementation of investment strategies as below.

	Facilitators	Safeguards
Investment Ecosystem	<ul style="list-style-type: none"> • The Korean government came up with ways for R&D innovation <ul style="list-style-type: none"> - It designed a detailed implementation plan including the ways to strengthen the supports of the government-funded research institutions on SMEs - The plan was approved in the Fiscal Strategy Meeting of May 2015 • The government reviewed the current government funded projects and abolished or integrated 689 similar or overlapping projects when planning 2016 budget.(see non-KC50) • The government has announced measures to vitalize the corporate bond market to support the corporate financing and improve the infrastructure of the corporate bond market. 	<ul style="list-style-type: none"> • The Korean government revised the tax system to support the efforts to boost investment <ul style="list-style-type: none"> - It revised the Restriction of Special Taxation Act to increase the amount of deductions on the income taxes for angel investors and expand the scope of companies to which angel investors can invest to claim the deduction. - It revised the Corporate Tax Act to reduce taxes on companies that use the corporate reserve on R&D investment
Infrastructure	<ul style="list-style-type: none"> • The Korean government expanded spending on the PPP <ul style="list-style-type: none"> - It announced the plans to vitalize the private investment which include the expansion of government spending on the PPP in April 2016 • It established the Korea Infrastructure Investment Platform (KIIP) in November 2015 with the participation of 	<ul style="list-style-type: none"> • The Korean government improved the institutions to invigorate the PPP(see non-KC 14) <ul style="list-style-type: none"> - It introduced the BTO-rs and BRO-a systems by the revision of Private Investment Basic Plan in April 2015. The BTO-rs system enables the public and private sectors to share the gains and losses. In the BRO-a system the government preserves a certain

	<p>major investors including the pension funds and the Korean Development Bank.(see non-KC 12)</p> <ul style="list-style-type: none"> - The government plans to finance KRW 14.5 trillion in infrastructure projects through the platform. 	<p>level of investment cost including the facility investment and operation expenses.</p> <ul style="list-style-type: none"> • It carried out measures to reinforce the PPP capacity of government employees. They include on-site education in local governments and promoting cooperation between government agencies and Public & Private Infrastructure Investment Management Center.
SMEs	<ul style="list-style-type: none"> • The Korean government expanded supports on SMEs - It revised the Restriction of Special Taxation Act to extend the carry forward period from 5 years to 10 years for SMEs' R&D tax credit. - The e 	<ul style="list-style-type: none"> • The Korean government is sharing information for SMEs - It opened a website that provides start-ups with comprehensive information including business related training, business opportunities, and government support programs (www.k-startup.go.kr) - It also launched a website system that provides comprehensive information on government's support programs for SMEs • The Fair Transactions in Subcontracting Act was revised to reduce unfair practices between SMEs and conglomerates in July 2015.

Annex 2. New and Adjusted Policy Commitments since Antalya

<p>1. Reorganizing the tax system to nurture new industries</p>	<ul style="list-style-type: none"> • Reorganizing the current R&D tax deduction system to offer more incentive to new industries • Newly providing tax credit for investment on infrastructure to commercialize new technologies in the new industries • Reorganizing the tax support system on foreign investment in high tech sectors in a way that provides more support to new industries • Reinforcing tax supports on the new service industry
<p>Implementation path and expected date of implementation</p>	<ul style="list-style-type: none"> • The Korean government will reorganize the current tax credit system on R&D to offer more support to new industries. • The government will introduce the new tax credit up to 10 percent of the investment on infrastructure for commercializing new technologies in the new industries. • It will reorganize the support on foreign investment in high technology so that it provides more tax benefits to new industries. • It will strengthen tax support to the new- service industries. - The government is now taking a negative list approach to decide the services companies that will receive tax incentives, which are related to the number of jobs the companies have created. - It has increased the tax credit for the increased social insurance fees due to the increase in the number of employees in the new service industries - It has established a tax system to foster cultural contents where tax credit of up to 10% of the contents production costs of movies, and TV shows, etc is provided. It has expanded the scope of technologies that is eligible for R&D tax credit to include technologies related to music and web cartoons, and others
<p>What indicator(s) will be used to measure progress?</p>	<ul style="list-style-type: none"> • The Korean government will revise the Restriction of Special Taxation Act
<p>Explanation of additionality or adjustment (where relevant)</p>	<ul style="list-style-type: none"> • These policies were newly announced this year.

2. supporting new industries	<ul style="list-style-type: none"> • Launching funds to nurture new industries
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The government will launch the Fund to Foster the New Industries* in the latter half of 2016 that shares investment risks for high risk sectors including the new drug development and AI, to encourage investments on these areas. <p>* In case of losses, the government and the management firm's investment will be the first to be utilized to compensate the losses. In case of gains the government and the firm will be the last to get the benefits</p>
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • We will check the fund participation rate to measure progress. The progress will be reviewed on a regular basis at the Economic Ministers' Meeting.
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies newly announced this year

3. improving the investment environment	<ul style="list-style-type: none"> • Abolishing core regulations by operating the regulation free zone • Improving the overall regulations regarding the investment on new industries • Expanding the scope and period of tax credit for the contribution to the Co-prosperity Cooperation Fund for SMEs and Conglomerates
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government is pursuing the rapid legislation of the Special Act on the Regulation Free Zone • It will tackle all of the difficulties related to the investment on the new industries through deliberations of the New Industry Investment Committee (Korea will take a negative listing approach in assessing regulations) • It will expand the scope of contribution to the Co-prosperity Cooperation Fund for SMEs and Conglomerates that is eligible for tax credit, and extended the period of the tax credit from until the end of 2016 to until the end of 2019. <p>* The finances conglomerates have contributed to the Foundation for Cooperation among SMEs and Conglomerates are provided to the member SMEs</p>

What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will pursue the legislation of the special law on the regulation free zone • The New Industry Investment Committee will review the implementation process • The government will revise the Restriction of Special Taxation Act
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were introduced this year

4. Providing tax supports to underpin restructuring	<ul style="list-style-type: none"> • Providing tax supports to underpin the restructuring efforts of companies
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will revise tax laws related to the corporate restructuring to make sure that taxation will not play as a barrier in the restructuring process * For example, the government will expand the scope of tax liabilities that are deferred when companies are undergoing split merger
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will revise the Corporate Tax Act, and the Restriction of Special Taxation Act
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were newly announced this year

5. Implementing the second phase of financial reform	<ul style="list-style-type: none"> • Revitalizing the IPOs of tech start-ups • Expanding a performance-based wage system • Gradually allowing private financial institutions including savings banks to sell funds
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government is revitalizing the IPOs of tech start-ups by securing expertise in technology evaluation <ul style="list-style-type: none"> - It is introducing a post-evaluation system to assess evaluation institutions - It will operate a Expert Committee (a committee to evaluate technologies) • It will vitalize a performance-based wage system to enhance the performance of the financial sector <ul style="list-style-type: none"> - It will abolish the minimum investment requirements (of KRW 1 billion for corporations and KRW 500 million for individuals) to be applied with the performance-based wage system to apply the system to all financial institutions - It will reduce the fixed management fee for fund managers and increase compensation based on the fund’s performance in case the fund has adopted the performance based wage system • It will gradually approve fund selling businesses to the private sector including people’s financial institutions such as savings banks.
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will measure progress by founding a Technology Evaluation Committee • It will revise the enforcement decree of Financial Investment Services and Capital market Act enforcement ordinances • People’s financial institutions will be allowed to sell funds from June 2016
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were announced to complement the financial reform efforts in carrying out the structural reforms of four major areas, which were announced last year

6. Reforming the public sector	<ul style="list-style-type: none"> • Expanding the performance based wage system in public institutions • Strengthening the fiscal soundness
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government is expanding the performance based wage system to all the employees in the public sector. It was originally applied only to the executives • The Korean is strengthening the fiscal soundness and sustainability in the medium to long term by enacting the Fiscal Consolidation Act
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will review the implementation process through various occasions including the economic ministerial meetings • The Korean government will enact the Fiscal Consolidation Act
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were announced to complement the public reform efforts in carrying out the structural reforms of four major areas, which were announced last year

7. Reforming the education sector	<ul style="list-style-type: none"> • Designing the plan for the Second period structural reform of universities • Nurturing talents to meet the demand of society
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government has been designing the basic plan for the Second period (2017-2019) structural reform of universities • It has been producing tangible results in fostering the right talents to meet the demand of society <ul style="list-style-type: none"> - It will establish ways to expand the number of vocational schools - It selected the Program for Industrial needs –Matched Education (PRIME) in May 2015
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will announce the basic plan in the latter half of 2016 • It will announce the ways to expand vocational schools and leading universities (of 2016)
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were announced to complement the education reforms, which were announced last year

8. Aggressive macro economic policy	<ul style="list-style-type: none"> • Increasing budget execution in the first half of 2016 • Reinforcing finance for the latter half of this year
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government increased the execution goal of the central and local government by KRW 6.5 trillion for the first half of 2016 • The government will enhance the yearly budget execution rate based on the favourable tax revenue condition in the latter half of 2016, and it will increase public expenditure by utilizing various measures including the expansion of the public enterprise investment
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will review the progress through various meetings including the economic ministerial meetings
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were newly announced this year

9. Reviving the housing market	<ul style="list-style-type: none"> • Vitalizing the enterprise type rental houses • Maintaining the vitality of the housing market
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will come up with ways to vitalize REITs and comprehensive real estate services (the government announce the plan in July, 2016) • The government will extend the period for measures to rationalize the LTV and DTI (The government extended the period in July, 2016)
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will announce measures to vitalize REITs and comprehensive real estate services • It will extend the administrative guidance related to the measures to rationalize the LTV and DTI
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were newly announced this year

10. Enhancing the support for SMEs	<ul style="list-style-type: none"> • Expanding the scope of M&As for technological innovation eligible for tax credit • Designating a special financial investment firm specialized in SMEs • Establishing New Growth Policy Finance Committee (tentative name)
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • The Korean government will add corporations whose technologies are certified by the ministries into the list of companies that are subjected to the M&As tax credits • It will introduce a system that designates a special financial investment firm specialized in SMEs to help SMEs and ventures financing in the capital market and to provide IB services to such companies in various growth stages • It will establish the New Growth Policy Finance Committee with policy finance institutions that will serve as a channel for discussion to enhance financial support for SMEs with new technologies.
What indicator(s) will be used to measure progress?	<ul style="list-style-type: none"> • The Korean government will revise the enforcement decree of the Financial Investment Services and Capital market Act. • It will designate a special financial investment firm specialized in SMEs in the first half of 2016. • It will establish a Policy Finance Committee in the first half of 2016
Explanation of additionality or adjustment (where relevant)	<ul style="list-style-type: none"> • These policies were newly announced this year

11. Boosting infrastructure investment	<ul style="list-style-type: none"> • Expanding government expenditure in infrastructure
Implementation path and expected date of implementation	<ul style="list-style-type: none"> • 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.



<p>What indicator(s) will be used to measure progress?</p>	<ul style="list-style-type: none"> • On track - The Korean government executed KRW 47.8 trillion in SOC investment in 2014-2015.
<p>Explanation of additionality or adjustment (where relevant)</p>	<ul style="list-style-type: none"> • In its Brisbane growth strategy, Korea pledged to expand government expenditure in infrastructure amounting to KRW 85 trillion in 2014-2017. And in Antalya growth strategy, it pledged to expand the government expenditure in infrastructure amounting to KRW 110.3 trillion in 2014-2018. Since the latter commitment integrated the former one, we adjusted the two commitments as a single one.



Annex 3. Past commitment – St. Petersburg fiscal commitment

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

	Estimate Projections						
	2014	2015	2016	2017	2018	2019	2020
Gross Debt	35.9	37.9	40.1	41.0	41.1	40.5	n/a
<i>ppt change</i>	n/a	2.0	2.2	0.9	0.1	-0.6	n/a
Net Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>ppt change</i>							
Deficit	-2.0	-2.4	-2.3	-2.0	-1.4	-0.9	n/a
<i>ppt change</i>	n/a	-0.4	0.1	0.3	0.6	0.5	n/a
Primary Balance	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>ppt change</i>							
CAPB	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>ppt change</i>							

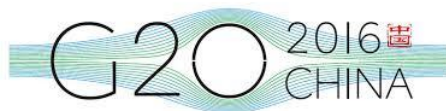
The debt- to- GDP ratio and deficit projections are contingent on the following assumptions for growth:

Annex 4. Pre-Brisbane commitments

Pre-Brisbane Commitments

Commitment	
Create and increase decent part-time jobs in the public sector.	
Structural reform	Action Plan St.Petersburg
Rationale for carrying forward	<ul style="list-style-type: none"> • 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. • The public sector, in particular, needs to encourage the private sector to create and increase decent part-time jobs.
Update on Progress	<ul style="list-style-type: none"> • 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. • Enacted “a guidance to facilitate a shift to decent part time jobs and improve working conditions” in January 2015 • Implemented “a guidance to facilitate a shift to decent part time jobs and improve working conditions” in January 2016 • Encourage part-time jobs in all public sectors by sharing best practices of part-time jobs and providing consulting services. • Continue to satisfy a certain percentage of new officials as part-time workers <ul style="list-style-type: none"> - The past performance and the goal of part-time officials in the central government - : (2014) 366, (2015) 377 (2016) 466 (2017) 560
Commitment	
Reform National Basic Welfare Security System	
Structural reform	Action Plan St.Petersburg
Rationale for carrying forward	<ul style="list-style-type: none"> • 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.

<p>Update on Progress</p>	<ul style="list-style-type: none"> • Revised the National Basic Living Security Act in March 2015. • Implemented the National Basic Living Security Act in July 2015. <ul style="list-style-type: none"> - The beneficiaries can receive tailored benefits in areas of need. Under the past system, the government provided 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 current system, the government is able to provide benefits to workers who earn more than the minimum cost of living if they are in need.
<p>Commitment</p> <p>Expand the coverage of EITC(Earned Income Tax Credit) from 2015</p>	
<p>Structural reform</p>	<p>Action Plan</p> <p>St.Petersburg</p>
<p>Rationale for carrying forward</p>	<ul style="list-style-type: none"> • It is necessary to strengthen social safety nets including tax incentives to motivate working-poor to work and reallocate incomes.
<p>Update on Progress</p>	<ul style="list-style-type: none"> • Revised the related law at the end of 2014 and expand the coverage of EITC to the self-employed. • Revised the related law at the end of 2015 and expand the coverage of EITC to the marriage migrants. • Timely implement and cover all beneficiaries of EITC by means including developing a computerized system.



Annex 5. Key Economic Indicators

Key Indicators

	2015***	2016	2017	2018	2019	2020
I. Macroeconomic Indicators						
Real GDP (% yoy)	2.6	2.8	3.0	3.2	3.4	3.4
Nominal GDP (% yoy)	4.9	4.0	4.1	4.7	5.1	5.1
Output Gap (% of GDP)*	N/A	N/A	N/A	N/A	N/A	N/A
Inflation (% yoy)	0.7	1.1	1.9	1.9	2.0	2.0
Fiscal Balance (% of GDP)**	-2.4	-2.3	-2.0	-1.4	-0.9	N/A
Unemployment (%)	3.6	3.7	3.5	3.4	3.4	3.3
Savings (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Investment (% of GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Public Fixed Capital Investment (% GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Private Fixed Capital Investment (% GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Total Fixed Capital Investment (% GDP)	N/A	N/A	N/A	N/A	N/A	N/A
Current Account Balance (% of GDP)	N/A	N/A	N/A	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.