

Measures for the Efficient Management of Quasi-Governmental Agencies

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Introduction

Many quasi-governmental agencies have operated in Korea without comprehensive evaluation and monitoring systems. However, under the current trend of widespread adoption of the International Monetary Fund (IMF) management regime, the interest in pushing for reform has expanded to include governmental as well as quasi-governmental agencies. In this context, the government's reform-related authorities have become aware of the need to manage quasi-governmental agencies in an integrated manner with due consideration for current status and functions.

The problem is complicated by the fact that such a large number of quasi-governmental agencies receive financial support in the form of either government funding or entrustment commissions. Moreover, the agencies are widely diverse in terms of legal authority, functions, and size. Indeed, the agencies uniformly lack a comprehensive and integrated management system. To combat the inherent inefficiencies in such a system, the government routinely reviews the scope of quasi-governmental agencies that are provided budget support or commissions from the government as their main source of income with the intent to ensure their systematic management.

Long salient in advanced countries, "value for money" perspectives also affect operation of Korean quasi-governmental bodies. The general public feels strongly that transparency of management in quasi-governmental agencies must be improved because many quasi-governmental agencies receive financial resources from the government. If quasi-governmental agencies receive resources from the government, it is logical for the citizen to demand transparent transactions and efficient management of those agencies. Such oversight responsibility is one of the core essences in the practice of value for money.

Consequently, the Government Reform Office of the MPB promoted an idea of agency evaluation in terms of internal management review including workforce, finance, and management innovation. Quasi-governmental agencies are now expected to introduce post-management evaluation systems, as is the case with public corporations, in order to have a responsible management system in place and to reflect management evaluation results in budget and personnel management.

Government-invested agencies and government-contributed research organizations both operate under a unified legal basis. Some agencies already have the foundation for a responsible management system including periodic management reviews. Numerous other quasi-governmental agencies, however, are not subject to the legal authority of such laws. The main theme of this paper is to focus on how

these latter agencies can be effectively managed.

During the era of government-led economic growth, a variety of government entities were established by both individual and special laws. These entities have since become integral parts of the public sector assuming wide responsibilities and providing vital services. Quasi-governmental agencies are fully or partly financed by the central and local governments, and hold rights and responsibilities with respect to executing public tasks. However, many problems such as inefficiency and lack of transparency have arisen. Such problems should be examined seriously, but there have been few analyses on these kinds of organizations in the public sector.

In order to review measures for the efficient management of other quasi-governmental agencies that are not subject to periodic management reviews, the following sections cover the current status of quasi-governmental agencies and the issues confronting them, management case studies of similar agencies in advanced countries, suggested measures for implementing efficient management of quasi-governmental agencies, and a conclusion.

Current Status of Quasi-Governmental Agencies

The term “quasi-governmental agency” generally refers to public bodies or non-governmental public organizations and, in Korea, they are often called “agencies under the umbrella of the government.” In the future, it is advised to consider replacing such terms reminiscent of the former bureaucratic culture with terms which more closely reflect modern realities. For example, “agencies under the umbrella of the government” could be changed to “non-governmental public organizations” or “public bodies.”

Due to the lack of a defined characterization of scope, there have been problems in understanding the nature and status of these agencies and in enforcing a coherent management system. In point of fact, the actual status of quasi-governmental agencies depends on how they are categorized since they are eligible for different types and levels of contributions, commissions, or support from the government, not to mention the sheer number of the agencies themselves.

Defining what is meant by the term “quasi-governmental agencies” is a difficult task in any one country and it is all but impossible to produce an international definition that is valid over a number of different constitutions and approaches to government. In a broad sense, quasi-governmental agencies would be any body that spends public money to fulfill a public task but with some degree of independence from elected representatives (Flinders and Smith, 1999: 4).

Quasi-governmental agencies can be classified in the following manner. As shown in Table 1, when classified by the basis of establishment, 322 agencies were established through individual laws and 168 through civil or commercial laws. In terms of source of funding, 274 agencies operated under government appropriations (as organizations that receive investments, contributions, or subsidies from the government budget or funds including commission income and independent income); 111 were commissioned agencies that operate solely on commission income;

Table 1 Broadly Defined Status of Quasi-Governmental Agencies (as of September 2001)

Basis of Establishment		Financing					Selection of Chief Executive	
Individual Law	Civil and Commercial Law	Source of Funding			Commission Income	Independent Income	Government Appointment or Approval	Others
		Investment	Contribution	Subsidy				
322	168	30	50	194	111	105	231	259

Note: The 490 agencies listed in the table above exclude 146 subsidiaries, 13 invested agencies, 47 commissioned agencies, and 4 contributed agencies that are subject to privatization. By including them, the total becomes 700.

Source: Internal Data of the Ministry of Planning and Budget, 2001.

and 105 operated on independent business income including membership fees. As far as the selection of chief executives is concerned, 231 agencies had chief executives appointed or approved by the government while 259 selected their chief executive by other means.

In terms of source of funding, invested agencies can be classified in various ways: (1) depending on the type of investor, they can be divided into government organized agencies directly invested by the government, invested agencies of a local government, or reinvested agencies; (2) according to the equity investment, there are agencies with the government as the major shareholder and ones with the government as a minor shareholder; and (3) as to investment types, there are agencies with investments in kind as well as cash invested agencies.

Contributed agencies can be divided into various types as well: (1) in terms of income structure, there are agencies that operate solely on contributions and those with contribution and commission income; (2) based on the size of the contribution, they are categorized into between 10% and 20% contributed agencies and less-than-10% agencies; and (3) depending on the continuity of the contribution support, some agencies currently operate with commission income with a single contribution at the time of establishment while some agencies receive more than one contribution.

There are also different types of subsidies as well: (1) subsidy use classifies quasi-governmental agencies as those which are supported with all ordinary and business expenses, those that receive ordinary expenses only, and those with business expenses only; (2) there are agencies that receive a subsidy from the central government and ones that receive their subsidy from a local government; (3) there are agencies that either have or do not have commission income on top of the subsidy; and (4) depending on the size of the subsidy, there are between 10% and 20% subsidized agencies and less-than-10% subsidized agencies.

There are also different types of commissioned agencies: (1) some agencies undertake commissioned business on a legal basis while others carry out commissioned business independently without any legal basis; (2) based on the characteristics of the commissioned businesses, there are agencies that simply carry out the commissioned business and ones that operate on the rental income after receiving facilities from the government free of charge; and (3) Depending on the size of the commission income, commissioned agencies can be further categorized by the pro-

portion of the commission income against the total budget.

Legally, organizations such as corporations are often called "juridical persons" in Korea. The categorization scheme for the government-created corporations adopted by the Korean government is unique in the international community. In this study, the government-created corporations are categorized into three groups: (1) a corporate juridical person, such as the cooperative associations and leagues; (2) a public foundational juridical person, such as general hospitals operated by universities and research institutes; and (3) a public enterprise juridical person established by the government and operated in the same way as individual private firms, such as the Korea National Housing Corporation or the Korea Electric Power Corporation.

Delving further, based on their business characteristics, these government-created corporations are classified more specifically as follows: first, a corporate juridical person is subdivided into common interest organizations, joint business organizations, mutual aid organizations, and the others; second, a public foundational juridical person is subdivided into research organizations, administrative assistant organizations, public service providers, and the others; third, a public enterprise juridical person is subdivided into government-invested companies, government-financed enterprises, and the others. Instead of using a legal term such as "juridical person," however, this study uses common terms such as corporations, entities, bodies, and the like depending on the nature of the issue addressed.

Challenges in Managing Quasi-Governmental Agencies

In general, organizations responsible for the management of quasi-governmental agencies can be divided into two types: departments in charge within relevant ministries, and the MPB.

First, the departments in charge independently manage quasi-governmental agencies through the approval authorities of a relevant ministry, voting rights through participation in the board of directors meetings, auditing rights, and administrative guidance in accordance with individual laws and articles of incorporation. Second, the Ministry of Planning and Budget plans to make annual reviews of performances against independently established management innovation plans and links the results to the following year's budget.

Government-invested agencies and government-contributed research organizations both operate under a unified legal basis. These agencies already have the foundation for a responsible management system with periodic management reviews conducted. As shown in Table 2, below, the legal basis for these agencies lie in the "Basic Law for the Management of Government-Invested Agencies," "Law on Management Improvement and Privatization of Public Corporations," and "Law on Establishment, Operation, and Development of Government-Contributed Research Organizations." Numerous other quasi-governmental agencies, however, are not subject to the legal authority of such laws and, therefore, the main theme of this paper focuses on how these agencies can be effectively managed.

Generally speaking, it is difficult to consistently review all quasi-governmental

Table 2 Laws Relevant to the Government Sector and the Public Sector

<i>Government Sector</i>		<i>Public Sector</i>		
General Administration	Agency	Public Corporation	Contributed Research Organizations	Other Quasi-governmental Agencies
<ul style="list-style-type: none"> • Law on Government Organizations • National Civil Servant Law • Budget Accounting Law 	<ul style="list-style-type: none"> • Law on Establishment and Responsible Operation of Agencies 	<ul style="list-style-type: none"> • Basic Law on Government-Invested Agencies • Law on Management Improvement and Privatization of Public Corporations 	<ul style="list-style-type: none"> • Law on Establishment, Operation, and Development of Government-Contributed Research Organizations 	<ul style="list-style-type: none"> * Not subject to the legal authority of monitoring laws until 2002

Source: Internal Data of the Ministry of Planning and Budget, 2002.

agencies since individual ministries control the establishment of a new agency. In this respect, such agencies must be well managed by relevant ministries to address key issues. Nevertheless, control of these agencies by individual ministries without coordinated assessment and oversight on a national level often leads to inefficient management. Particularly, small-and-medium size agencies that are not currently subject to the legal authority of monitoring laws, as shown in Table 2, require a system that reviews the management performance of such agencies by the MPB. In other words, a new legal framework is necessary to target many quasi-governmental agencies because small-and-medium size quasi-governmental agencies are not currently included in the regime of periodic management review as shown in Table 2.

Issues related to quasi-governmental agencies have been raised for many years. However, a comprehensive evaluation of these agencies began only after the economic crisis of 1997 that necessitated Korea's application to the IMF for a bailout loan. The agencies in question are beset by a myriad of problems.

First of all, a large number of these agencies are poorly managed. In principle, quasi-governmental agencies under each ministry must be managed independently by the relevant ministry. However, such ministerial supervision regime has not been effective so far. For example, the deeply rooted practice of appointing retired high-ranking officials as chief executives of these agencies, known as "Descents by Parachutes," results in incompetent management.

Secondly, a lack of a comprehensive management system is perhaps the greatest concern regarding quasi-governmental agencies. There are no common management criteria that can be applied by each ministry and its agencies. Complicating the matter further, the role assigned to the departments in charge at relevant ministries and the MPB in the process of managing these agencies is still not clearly defined.

Thirdly, current management innovation efforts in regards to the quasi-govern-

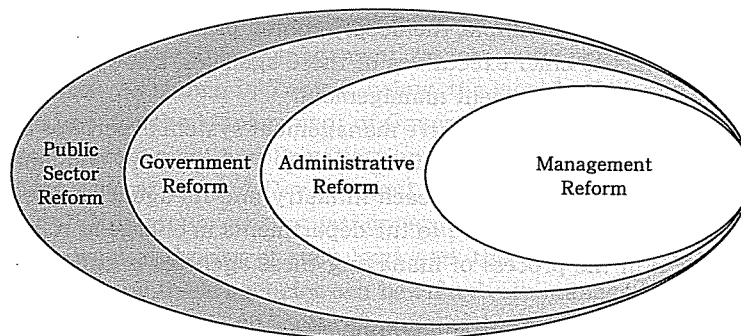
mental agencies is based on the restructuring effort of the Ministry of Planning and Budget and on general rules and regulations pertaining to public sector reform as formulated by the Presidential Commission on Government Innovation (formerly the Administrative Reform Committee). Accordingly, it is necessary to clarify the legal basis for the implementation of particular initiatives. Reform of the public sector, which includes the quasi-governmental agencies in scope, has been ongoing since 1998.

Various reform initiatives illustrate differences of domain as shown below in Figure 1. In the past, administrative reform or government reform initiatives usually covered government agencies including national and local governments. In other words, quasi-governmental agencies have not been major targets of administrative reform or government reform in the past. As shown in Figure 1, however, under the frame of public sector reform (itself influenced significantly by the financial crisis of the late 1990 s) quasi-governmental agencies became a major part of the modernization initiative in the Korean public sector. In other words, public sector reform covers various measures in the quasi-governmental agencies in addition to national and local governments.

So far, Korea's central and local governments have been major targets for reform and they have been taking positive steps toward transparency in their management, although the degree of such improvement is still slow. Turning the central focus from reform of national and local governments to the establishment of management reform objectives for quasi-governmental agencies seems to be a logical development for expansion of the reform domain. In this respect, Korea's reform initiatives in the public sector have been timely.

In the course of the reform process, however, the lack of a clear legal framework for this effort has surfaced as a problem. Considering such issues, in order to strengthen the efficiency and competitiveness of quasi-governmental agencies in this era of ever intensifying, unlimited, global competition, it has become necessary to set up a system for a comprehensive evaluation of the management performance of these agencies. Current weaknesses in the system call for the pressing task of providing an integrated management system to administer the large number of quasi-governmental agencies. With an overall evaluation system in place, greater

Figure 1 Differences of Domain in Various Reform Initiatives



efficiency in the management of these agencies can be expected.

Cases of Managing Similar Agencies in Advanced Countries

It is difficult to find a single, all-inclusive law for evaluating and managing quasi-governmental agencies even in advanced countries such as the United Kingdom, France, and Japan. Nevertheless, these countries are also fully aware of the need for such a system. According to a 2001 study by the Organization for Economic Cooperation and Development (OECD), many countries are displaying the tendency to strengthen the evaluation mechanism of such agencies. Many advanced nations are accelerating the reform process by drastically reinforcing the system for evaluating public bodies and ensuring responsible management. These actions are being taken in consideration of the growing significance of attracting citizen participation in governance as well as the requirement to better manage fiscal and human resources.

Now, a new term, the so-called "wider state sector," emerges covering agencies in the public sector in a broad sense. Reforms in such a wider state sector had been on the back burner in regards to the reform process until the early 1990s. In the 21st century, however, the wider state sector has become an emerging subject of reform. Moreover, most countries have been steady in the reform of central and local governments. Because such endeavors have borne fruitful results, now is the time to carry out reform in the wider state sector, which requires more attention and study. This sector will continue to be a crucial part of the reform agenda.

In this context, OECD held an international conference related to this issue in 2000. Accordingly, in order to efficiently reform the wider state sector and take into account the case studies of other OECD member countries, it is necessary to have a strategy that can guide civil servants of relevant departments and academic experts to identify and study the problem on a relatively long-term basis and support the reform process. At the same time, a systematic concept definition that goes beyond a mere understanding of the current status has to be formulated and the legal framework must be revamped as well. Furthermore, to improve management of the wider state sector, international cooperation must be strengthened. In particular, by establishing a cooperation system with the OECD Public Management Program (OECD-PUMA), the government should continuously monitor and follow-up on OECD countries' trends on administering the wider state sector so as to improve the institutional framework and operation systems necessary for enhancing the management efficiency and transparency of Korea's quasi-governmental agencies.

A study of similar organizations in the UK, France, and Japan, as well as OECD guidelines would be informative for further consideration in an international perspective. Despite clear differences in institutional structure and political culture there is much to be learned from the trends and experiences of other countries.

United Kingdom

In the United Kingdom, the Office of Public Appointments and Asset Manage-

ment covers many functions and the Central Secretariat is responsible for advising the Prime Minister, analyzing general election results and election commitments, managing government organizations and public bodies, and reviewing the new establishment of quasi-autonomous non-governmental organizations, known collectively as "Quango" (Stationery Office, 2000).

Since the 1970 s, controversy has persisted as to the definition and scope of quasi-governmental organizations in the UK. At present, based on their structure or function, they are called or classified as the wider state sector, public enterprises, Quango or non-departmental public bodies (NDPBs). Even so, there is no consensus regarding a term used to describe organizations other than the government and local government organizations. The term "wider state sector" is a broad concept that includes all public organizations, while Quango is a term that holds some negative perception. Consequently, the most commonly used term to describe these organizations is 'public bodies' in the UK.

In the late 1970 s, excluding the central government, local governments, schools, and hospitals, there were about 2,000 public bodies in the UK. After Prime Minister Margaret Thatcher took office in the late 1970 s, about 1,000 public bodies were subject to immediate privatization, merger, or abolishment, bringing the estimated total down to about 1,000 at present. Apart from the 1,000 public bodies, the existence of about 350 task forces, ad hoc advisory groups, and assessment agencies that independently carry out public works have been identified and reported since 1997. A recommendation to the government to include these organizations within the scope of "public bodies" is currently under consideration.

Downing Street's financial support for various public bodies and task forces is a considerable burden on its budget. Accordingly, new establishment, financial support, and performance review of public bodies are regulated. To this end, the Commissioner of Public Appointments prepares an annual report, however, a specific law for the management and evaluation of public bodies does not currently exist.

Public agencies in the UK are generally evaluated every 5 years. The evaluation criteria are based on political pressure from public opinion which typically focuses on budget savings and improved performance rather than on any established legal standards. The evaluation is based on a set of guidance provided by the Cabinet Office and the parent department of Quangos. There is tension between the service-oriented view of the Cabinet Office and the budget efficiency view of the Treasury Office. Public bodies in the UK are also faced with the issue of a senior leadership comprised of parachuted-in personnel, rich in connections, poor in management ability. No evaluation has been made on task forces so far. When task forces are eventually designated as public bodies, however, evaluation will be based on the evaluation criteria and cycle applied to public bodies (visit <http://www.cabinet-office.gov.uk/quango/> for more details).

Since the Blair Cabinet was inaugurated in 1997, the focus of administrative reform shifted from the reform itself to the enhancement of service delivery. The point at issue during the General Election in June 2001 has been on the criticism of

the slow pace of service improvement. Hence, reform concentrated on service delivery system improvements rather than on administrative reforms and merger or abolishment of public bodies. At the same time, e-Government service is being implemented by an organization dubbed UK Online which falls under the responsibility of the e-Envoy as part of the Modernizing Government initiative, a 10- year plan to be completed in 2005. The objective of this plan is to provide government services to anyone, anywhere.

France

The National Planning Commission was established in 1945 at the then Prime Minister Jean Monet's initiative. The Commission was responsible for the post-war reconstruction of France and its responses to changes. At present, the Commission is in charge of (1) providing advice on economic, social, and future policies of government organizations, (2) arbitrating disputes between public service unions and user groups, and (3) evaluating public policies.

The concept of public bodies in France is quite difficult to define in a single word. Public bodies in France include public enterprises, research centers, and entrusted private research centers. The office of the Solidarity of Employees at the Prime Minister's Office is in charge of the overall management of public bodies. However, voluntary organizations conduct numerous public functions related to social security under the financial support of the government.

Social security functions of public bodies in France are mainly divided into health, pension, family, and unemployment. Of the nation's total budget, the expenditures of the central government (20%), local governments (12%), and social security (23%), account for 55% of the GDP. Among them, social security has risen sharply from 13% of the GDP 30 years ago to 23% at present. As regards the pension fund, it will soon be exhausted since the fund is operated to support aged laborers, many of whom have not contributed to the fund, rather than returning benefits exclusively to actual contributors in their old age. This problem is expected to continue in the future.

Doctors and nurses who are considered social security employees can be civil servants or civilians (especially the clerks at the window). The staffs at general hospitals are civil servants since most general hospitals are public hospitals while private hospital employees are civilians. A Labor/Management Steering Committee has been set up to decide on major policies concerning social security organizations. In reality, however, because the operation of the Commission increases the public's financial burden, most of the decisions are made by the government.

Massive privatization of the public sector has taken place during the past 20 years. Especially as shown in the case of privatizing France Telecom and several financial institutions, the legal status of the employees became an issue since employees hired prior to the privatization are entitled to hold their status as civil servants (because of the unions) and employees hired after privatization are regarded as civilians. The Petroleum Corporation has been completely privatized while public corporations in other energy sectors such as electricity and natural gas have yet to

be privatized.

The responsibility of evaluating management of each agency is assigned to the Inspector General. Nevertheless, most of the work is done by the Ministry of Finance and Economy and the office of the Solidarity of Employees. The Policy Review Committee was established in 1991 by an administrative decree. In 1998, the law on operation of the Committee was revised. The Policy Review Committee evaluates the policies of each government agency during the periods prior to, during, and after policy implementation. Average time frame of the evaluation requires 15-18 months. Increasingly, more ministries are making their own assessments of public bodies due to the growing complexity and difficulty in evaluating such organizations as numbers increase, not to mention an increase in the hybrid form of public bodies that employ a mixture of civil servants and civilians, and as professionals like doctors and nurses have a tendency to be passive in the evaluation process.

Japan

The current government's organization in charge of the administrative reform initiatives is the Administrative Reform Secretariat under the Cabinet. On December 5, 2000, Ryutaro Hashimoto, the Minister of State for Administrative Reform and Regulatory Reform at the time, called for the establishment of an administrative reform organization at a cabinet meeting held on December 19 of the same year. The Administrative Reform Secretariat came into being on January 6, 2001. The current Minister of State for Administrative Reform is the son of the mayor of Tokyo (Nobuteru Ishihara). At the moment, major reform programs undertaken by the Japanese government cover the following three areas: (1) reform of special corporations; (2) reform of public interest entities; and (3) reform of the civil service system (visit <http://www.gyokaku.go.jp> for more details). Table 3 shows major reform tasks of the Japanese government. Reform measures on the civil service system are excluded in Table 3 because the nature of such measures is somewhat different from the scope of this paper.

Apart from the special corporations and public interest corporations listed belong, there is also another type of public interest entity known as "Independent Administration Institutions," equivalent to Korea's Executive Agencies under the name of "Responsibly Operated Agencies." These agencies operate in accordance with the "General Law on Independent Administration Agencies" enacted in 1999, and there are 57 of them in existence (visit <http://www.soumu.go.jp/kansatu/seisaku-hyokaiinkai.htm> for more details). Among them, employees of 52 corporations are public servants while the employees of the remaining five corporations are not granted the legal status of public servants.

These agencies are regularly evaluated by the Evaluation Committee set up by the Administrative Management Bureau and the Administrative Evaluation Bureau at the Ministry of Public Management, Home Affairs, Posts and Telecommunications (visit <http://www.soumu.go.jp/kansatu/seisaku-hyokaiinkai.htm> for more details). The Administrative Reform Secretariat handles these agencies as separate

Table 3 Core Reform Tasks of the Japanese Government

<i>Reform Areas</i>	<i>Specific Reform Targets</i>
<i>Special Corporations</i>	<p>Special corporations (77): public corporations, business groups, financial banks, banks, depositories, management foundations, special companies, public sporting events (Racing Association), Others (ex. Japan Scholarship Association)</p> <p>Authorized corporations (86): Bank of Japan and major corporations, business owners group (Chambers of Commerce), business groups (patent lawyers society, CPA associations, etc.), mutual aid cooperatives</p>
<i>Public Interest Corporations</i>	<p>The number of such entities totals about 26,000 (7,000 under the jurisdiction of the central government and 19,000 under the jurisdiction of local governments). All of them exist on the basis of Article 34 of the Civil Law. Among them, public agencies with entrusted administration tasks (about 1,000) are targeted for major administrative reforms. For example, an agency under the Ministry of Education is entrusted with the task of verifying foreign language proficiency and granting qualification certificates to public servants. Such agencies that receive government subsidies to implement government-entrusted administrative tasks are subject to major reforms.</p>

Source: <http://www.gyokaku.go.jp>.

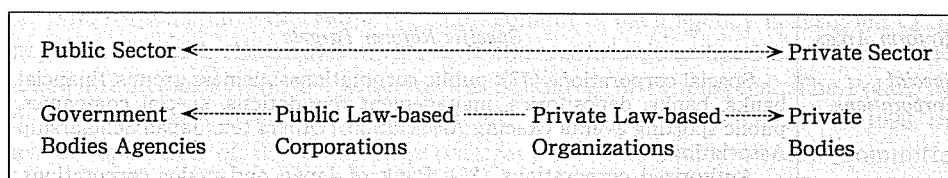
entities. The Administrative Management Bureau and the Administrative Evaluation Bureau at the Ministry of Public Management, Home Affairs, Posts and Telecommunications have developed and are operating an evaluation system for the assessment of these independent administrative agencies by making them establish a mid-term plan of three years and evaluating the level of their accomplishments every year. Responsibly operated agencies in Japan are managed by the Administrative Management Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

Japan is currently undertaking the Restructuring Rationalization Plan (including restructuring and closure of organizations and privatization) to revamp various types of public bodies. Particularly, Prime Minister Koizumi places more emphasis on the reform of special corporations and Minister Ishihara is asking for each ministry's cooperation in reforming special corporations through individual meetings with the ministers.

OECD

The OECD recently used the terms distributed public governance agencies, authorities, and other autonomous bodies to describe what is known as quasi-governmental agencies in Korea. The terms used by the OECD broadly imply various types of names and characteristics of these agencies. At present, the OECD is in the process of preparing a report related to the subject and this report will be based on national reports submitted by the 12 member nations in April 2001.

Recently in advanced countries, the term "Wider State Sector" is being broadly adopted to describe all organizations operating with a certain degree of autonomy and independence while receiving policy guidance and financial support from the departments in charge at relevant government ministries. In this respect, they must be viewed in line with the broad spectrum shown in the following diagram (Figure 2).

Figure 2 Spectrum of the Wider State Sector

The OECD plans to further study the subject with a focus on managerial and operational issues associated with the wider state sector by surveying member countries and holding expert meetings (notably, Korea will actively participate in the study). Currently the OECD is conducting studies on national systems (clarification and classification of concepts, legal form, structure), governance structures (delegation of authority, decentralization of authority, the degree of autonomy and independence), measures for studying and evaluating resource management systems and establishing performance management systems, ways to secure accountability (ensure responsibility to the parliament and the public), measures for maintaining coherence and consistency of government policies (obtain coordination of functions) among others.

In order to reflect the results of such OECD studies in Korea's future government reforms, it is necessary to designate a joint task force composed of relevant public officials and concerned civilian experts for active, long-term participation in such studies. Such an approach through international comparison will be quite effective in the process of accumulating, distributing, and utilizing information and knowledge of the related subject on a mid- to long-term basis.

Measures for Efficient Management of Quasi-Governmental Agencies

In the process of government reform, strong demands calling for legislation necessary for systematizing the overall management and performance evaluation of quasi-governmental agencies have been made. Accordingly, the need to enact the law on management of quasi-governmental agencies has become apparent. This particular legislation could provide legal foundation for (1) building a system for managing quasi-governmental agencies on the entire government level; (2) establishing a responsible management system by introducing management evaluation systems applied by public bodies to enhance management efficiency and accountability; and (3) introducing measures to prevent idle management, strengthen transparency in operations, and implement a customer satisfaction-oriented management system for quasi-governmental agencies. Of course, it would be advisable to enact new legislation that is least in conflict with the scope of existing, individual laws on which most quasi-governmental agencies are based.

The enactment of such legislation requires basic directions. To begin with, autonomy of a responsible management system must not be undermined. As such, autonomy of management must be fully guaranteed and a post-management evaluation system must be introduced. Secondly, it is necessary to provide a mechanism

that can prevent idle management of quasi-governmental agencies. In order to prevent such downsides, there is a need for reviewing the necessity and feasibility of each agency in question at the time of the establishment and, in case of a structural change, it is necessary to undertake due consultation with relevant authorities. Thirdly, it is essential to reinforce the transparency of management as well as implement a management system based on customer satisfaction, by introducing such systems as the public disclosure of management performance and customer charter systems, and utilizing outside auditing systems.

When the tentatively named "Basic Law on Management of Quasi-Governmental Agencies" is legislated, major contents that should be incorporated into the law are as follows: first, the primary issue is the scope of the agencies subject to this law. Status of quasi-governmental agencies subject to this law should be determined by whether these agencies are financially supported by the government or whether they operate services entrusted by the government, as well as the size of these agencies. The criteria for the selection of agencies subject to the law should include the basis for establishment and support, whether the government participates in personnel management and financing, whether the agency receives support in ordinary expenses, whether the agency is entrusted with exclusive business rights from the government, and the level of government support.

To maximize effect, the scope of agencies subject to the law should include: contributed agencies, government-invested agencies, invested agencies, subsidized agencies, and commissioned agencies as shown in Table 4. Many of these agencies are under the framework of separate laws and regulations. Although some agencies, due to their nature, are included in the sphere of quasi-governmental agencies, it would be appropriate to exclude them from the reach of the "Basic Law on Management of Quasi-Governmental Agencies" if management performance were already being evaluated under provisions of separate legislation. Examples of such agencies would include those under the "Basic Law on Government-Invested Agencies," the "Law on Establishment, Operation, and Development of Government-Contributed Research Organizations," and the "Law on Management Improvement and Privatization of Public Corporations" as mentioned above in Table 2.

As pointed out earlier, however, enactment of legislation related to quasi-governmental agencies is becoming more and more difficult since defining the concept itself is a cumbersome task. For example, agencies that receive financial support of over a certain amount (5-10 billion won) and those that generate more than 50% of their income from government subsidies or commission income should be included in the scope of quasi-governmental agencies. This is not to limit the number of such agencies but rather an attempt to emphasize the accountability of organizations established with the taxpayers' money. In this case, about 100 agencies would fall under this category. These agencies would undergo post-management evaluations and the MPB would develop a common index as well as agency-specific indices. Poor evaluation results would allow the Ministry to reflect such to an agency's disadvantage in the next budget appropriation, and the minister of the relevant ministry would be involved in the personnel management of the agency in

question. Moreover, in the future, these agencies will be required to consult the MPB prior to the establishment of a new agency or expansion of an existing one.

In theory, quasi-governmental agencies refer to all organizations that depend on government support and involvement (personnel, management, budget, etc.) for establishment and operation. In reality, however, quasi-governmental agencies display one or more elements that are required for a uniform definition and classification due to the diverse nature of types, structures, and legal bases for classification (individual, civil, commercial laws), financing methods (government budget, funds, commissions, expenses), and appointment of the chief executive (presidential appointment, ministerial appointment and approval, appointed by board of directors).

As a result, it is difficult to reconcile the limitations of scope. With this in mind, the Ministry of Planning and Budget has come up with the following table of classification as shown in Table 4. Apart from this classification, articulating a uniform definition can be troublesome for certain agencies because even if they carry out similar functions, there are those who receive government subsidies and those that do not. Examples of such agencies include university hospitals (10 hospitals), regional SME support centers (10 centers), and regional credit guarantee foundations (14 foundations).

Selection of agencies should be in line with the selection criteria for organizations subject to the 2001 management innovation initiative (194 organizations)

Table 4 Broad Standard for the Classification of Quasi-Governmental Agencies

<i>Types</i>	<i>Classification Standard</i>
Contributed Agencies	<ul style="list-style-type: none"> • Agencies that receive funding from the government for expenses such as operating expenses and business expenses in the form of government contribution (303) • Contributed Research Institutes: Contributed agencies responsible for the study of government policies • Non-Research Contributed Agencies: Contributed agencies other than the Contributed Research Institutes
Government-Invested Agencies	<ul style="list-style-type: none"> • Corporations with more than 50% of the paid-in capital invested by the government and subject to the "Basic Law on Management of Government-Invested Agencies"
Government-Financed Agencies	<ul style="list-style-type: none"> • Agencies in which the government invests the paid-in capital and becomes the major shareholder, in other words, those agencies other than the government-invested agencies
Subsidized Agencies	<ul style="list-style-type: none"> • Agencies and organizations that receive government subsidies (304) in accordance with the "Law on Budgeting and Management of Subsidies" or other related laws • Agencies or organizations that receive financial or public funding (public and other funds) support for expenses incurred for the purpose of conducting functions related to the public interest
Commissioned Agencies	<ul style="list-style-type: none"> • Agencies or organizations that conduct public services such as registration, review, authorization, or supervision on behalf of the government and collect membership fees, commissions, or expenses according to relevant laws • Agencies or organizations that create business income by conducting special public services according to relevant laws

while those agencies reviewed by the "Law on Government Contribution" (42 organizations) should be excluded from the selection.

Proper targets for selection would include contributed and invested agencies, agencies receiving more than 2 billion won in subsidy, subsidized agencies receiving more than 500 million won in subsidy which accounts for more than 30% of the total income, agencies with more than 500 million won commission income which accounts for more than 30% of the total income, and commissioned agencies that execute entrusted business from the relevant ministry maintaining a close, cooperative relationship, bringing the total to about 150 agencies.

Nevertheless, it would be pragmatically difficult to conduct detailed evaluations on all 150 agencies. For efficient evaluation of the selected agencies, these agencies can be divided into two groups as agencies subject to priority evaluations and agencies subject to simple evaluations. For the selection of agencies for priority evaluations, examples from the evaluation of fund operations (57 agencies) and evaluation of public corporations can be used to select about 30 agencies. The selection of these agencies can be determined by the "Committee on Management and Operation of Quasi-Governmental Agencies" in accordance with such selection criteria as agencies with more than 100 employees and more than 100 billion won in budget with more than 10 billion won in support from the government budget. Even among these agencies, the ones that require relatively simple management evaluations can be classified as agencies subject to simple evaluations.

There is a pressing need for a mechanism that enhances management efficiency and responsible management of quasi-governmental agencies. One way to create this type of mechanism is to set up a "Committee on Management of Quasi-Governmental Agencies" composed of the vice-ministers of relevant ministries and civilian experts. The function of this Committee would be to make decisions concerning major agenda items pertaining to quasi-governmental agencies such as management evaluation methods, evaluation standards, and confirmation of the evaluation results.

Moreover, to further enhance the management efficiency of these agencies, a post-management evaluation system must be introduced for an overall review of such agencies' performances. For the evaluation of contents such as an agency's management efficiency and viability of the business, agencies subject to evaluation should submit their management objectives, budget and business plans, and management performance results to their reviewing authority.

As for the evaluation method, the Ministry of Planning and Budget can provide the necessary criteria since the Ministry is involved in similar activities. The Management Evaluation Index should include the following points: (1) the degree of effort to restructure and innovate overall management (especially the public nature of management); (2) efficiency of organizational, personnel, and labor management; and (3) the return on assets and the ratio of total income to sales/services.

The results of the evaluation obtained through this process can be used to decide whether to retain or terminate the chief executive of a poorly performing agency, to reward agencies based on their achievements, or to reflect the results in

the following year's budget allocation. All these measures would encourage the responsible management of quasi-governmental agencies.

It is necessary to deter idle management of these agencies. One way to prevent this is to have agencies undergo prior consultation with the MPB as well as the Ministry of Government Administration and Home Affairs (MOGAHA) at the time of establishing a new agency or changing the structure or the number of employees since these activities can lead to indiscreet expansion of an organization. The focus of such consultation should be on reviewing the need for the establishment of a new agency, the possibility of resulting in an agency similar to existing agencies with redundant functions, and the need for changing the organizational structure or the number of employees. In addition, there should be some general guidelines or principles that these agencies can commonly refer to in operating their budget.

Measures to ensure transparency of quasi-governmental agencies must also be provided. To guarantee transparency, a system for public disclosure of management results already applied to public corporations should be introduced. Through this system, important information concerning the management of such agencies can be provided to the public, expanding the opportunities for greater participation of the masses, thus improving the transparency of these agencies. Information to be disclosed by these agencies should include management objectives and budget plans, business plans, management performance evaluation results, consolidated financial statements and balance sheets, and articles of incorporation. Furthermore, greater transparency can be obtained by introducing an oversight system for certain agencies requiring annual external audits and public disclosure of the results.

In order to create customer-oriented agencies, management systems that emphasize customer satisfaction must be reinforced. To this end, it would be advisable to mandate these agencies to create a "Customer Charter." All agencies would be required to publicly announce the nature of the services they deliver, the level of service provision, systems in place to correct or compensate for the failure to deliver said services, that they have a duty to fulfill commitments to the public, and the method for receiving complaints from the citizen customer. To create customer-oriented agencies, it would be ideal for the "Committee on Management of Quasi-Governmental Agencies" to conduct surveys on customer satisfaction more than once a year as regards to selected agencies (for example: agencies selected for priority evaluation).

Conclusion

In the past, most government reforms targeted the central government and local autonomous bodies. Under the charters of the "Administrative Reform Committee (ARC)" set up in April 1998 and the "Presidential Commission on Government Innovation (PCGI)" established in July 2000, the scope of the "public sector" included the central and local governments, executive agencies, and public bodies (invested, contributed, financed, commissioned, and subsidized by the central government). Under the name of "public sector reform," a broad range of reform measures have

been introduced including issues for public bodies in addition to national and local governments. In other words, since 1998, public sector reform programs have covered not only the central and local governments but also the numerous quasi-governmental agencies.

As such, many quasi-governmental agencies will continue to be a major part of the public sector reform programs. Lack of a specific legal framework and support coupled with a lack of objective criteria for evaluation, however, has resulted in difficulties and the failure to enforce comprehensive evaluations of management and operation of these agencies. Consequently, it has become essential to systematize the overall management of the quasi-governmental agencies in order to secure the basis for effective reforms.

The complicated situation of quasi-governmental agencies is not unique to Korea, but rather an international trend. In the case of Japan, the focus of its administrative reform is on public interest agencies and special agencies that are equivalent to Korea's quasi-governmental agencies. The OECD has been giving increased attention to non-governmental public organizations of late, holding various international conferences related to the issue. For the management of the wider state sector and establishment of a cooperation system with OECD-PUMA, the government should continuously monitor and follow-up on OECD countries' trends in administering the wider state sector so as to improve the institutional framework and operation systems necessary for enhancing the management efficiency and transparency of Korea's quasi-governmental agencies.

This study suggests the following research and policy ideas. First, from the legal establishment stage, the validity of the quasi-governmental organizations should be carefully reviewed. Especially, projection of their periodical length of existence and delineation of the necessary legal foundation for their existence shall make up essential ingredients of the policy initiative. Second, legislation of an exhaustive law that shall make clear the concept, legal status and relations of quasi-governmental agencies is highly recommended. Well-delineated and specified provisions in separate articles could improve the effectiveness in administrative practice in applying them to the specific cases. These separate articles need to include details of government support, budgetary control, personnel regulations, and government audit on the operations. Third, giving the employees of quasi-governmental agencies some of the rights and responsibilities held by civil servants when needed (following the Japanese example), shall improve the employee morale and prevent possible labor disputes. Fourth, the government should develop a set of administrative control mechanisms to improve the efficiency and effectiveness of the operation of quasi-governmental agencies. Especially, a careful external audit on the use of government financial aids should be an essential part of the administrative control. Finally, the rules for naming quasi-governmental agencies should represent the legal status of the organization. Development of systematic naming rules should be followed by the overall review of the categorization scheme regarding a variety of government entities and setting up the basic law on management of quasi-governmental agencies (Kim, 2001).

Therefore, the Korean government's effort to enact the "Basic Law on Management of Quasi-Governmental Agencies" is necessary in order to improve the competitiveness of quasi-governmental agencies. Once this legal framework is put in place, it can serve as a meaningful blueprint for new practices in the area of public sector reform. Most importantly, we must take great care to safeguard and preserve the autonomy of these quasi-governmental agencies.

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