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KDI
and the Korean Economic Development
Korea Before the 1960s

Left behind in modernization
Vulnerable to foreign invasion and colonized by external powers
Wrecked by the Korean War and territorial division
Per capita national income of US $79

Ranked 4th from the bottom among 125 nations
Korea in the Process of Development

- The Third Republic (1963~1972): Adoption of an intensive, government-led export industry development program

- Necessity of a group of economic experts

- Need for “a research institute that could perform realistic and systematic analysis on all necessary tasks for economic development and assist the formulation of economic plans and policies” emerged
Need for a Policy Brain

• Paragraph (No. 215) of the 2nd Five-Year Economic Development Plan: Plans for prompt establishment of an economic institute

• This institute would “perform basic research […], study foreign economies and critical policy issues, organize and analyze wide array of materials essential for research planning, and improve planning techniques.”

Establishment of a Research Institute
As a means of strengthening the professional, economic and technical capabilities of the government for both planning and implementation, a policy research-oriented institute will be established. The institute will conduct research and analysis designed to serve the government’s needs. But it will have the autonomy required to produce high quality and objective outcomes. It will provide a valuable training ground for economists, policymakers and practitioners whose services will be needed in increasing numbers in various ministries and at the provincial level as Korea’s economic development accelerates. The institute will also serve as a critical conduit between the government and the world of academia and research. It will significantly boost Korea's policy research and implementation capacity.
Establishment

• Securing fund from the Ford and Rockefeller Foundations failed
  → **Government-funded Institute**

• A fund of **KRW 1.31 billion** from USAID/K (1970)

• ‘Korea Development Institute Act’ passed by the National Assembly

*Significant contributors in establishing KDI (from left are Dr. Sa Gong Il, Kim Mahn Je, KD I’s First President, Dr. David Cole, Dr. Kim Kwang Suk, and Dr. Leroy Jones)*
Policy Brains to Guide Korea’s Economic Development

- Most importantly, the plan stressed “autonomy in its operations and commitment to high quality and objectivity in its research findings.”
Establishment of KDI

1971. 01 Establishment Committee formed
   02 Presidential Decree enacted & promulgated
   03 Establishment of KDI
1972. 06 Construction of KDI campus completed (Hongreung Complex)

Tape-cutting ceremony
(Jul. 4, 1972)
Research Activities

1970s

• Formulation of the Five-Year Economic Development Plan
  Drafting Korea’s National Development Strategy

• Studies in the Modernization of the Republic of Korea
  Comprehensive Analysis of Korea’s Social and Economic Transformation

• Sources of Economic Growth in Korea
  Quantitative Analysis of Korea’s Economic Growth

• Korea’s Long-Term Economic and Social Development from 1977 to 1991
  Long-Term Policy Framework and Measures to Promote Social and Economic Development

• Policies to Promote Macroeconomic Stabilization and Liberalization
  Policy Analysis and Recommendations for Market-Oriented Reform
Research Activities 1980s

- Policy Response to Economic Crisis
  Policy Analysis and Recommendations for Economic Stabilization in the 1980s

- Establishing a Policy and Legal Framework for Promoting Competition
  Building Market Supporting Institution

- Improving the Management of State-Owned Enterprises
  Corporate Governance Reform and Performance Evaluation

- Promoting Trade Liberalization and Competition
  Import Liberalization and Industrial Policy

- Framework for Establishing a National Pension System to Promote Social Stability and Sustainable Development
  Strengthening the Social Safety Net
  Study on Healthcare Policy and the Introduction of a Health Insurance System
Research Activities

1990s

• Basic Framework for Improving Inter-Korean Economic Relations
  Studies on the North Korean Economy and Reunification

• Institution of the Real-Name Financial Transaction System
  Improving the Transparency and Integrity of the Financial System

• Studying 50 Years of Korean Economic Development
  Comprehensive Analysis of Korea’s 50 Year Economic Development

• Comprehensive Measures to Overcome Economic Crisis and Promote Structural Reform
  Policy Framework and Measures to Overcome the 1997 Economic Crisis
Research Activities

2000s

• Korea’s Economic Challenges and Vision in 2011: Open and Flexible Economy
  A New Post-Crisis Economic Structure

• Study of Fiscal Sustainability and Public Sector Reform
  Securing Fiscal Sustainability and Improving Efficiency of the Public Sector
  National Advancement of through Public Sector Reforms

• Economic and Financial Impact of Korea’s Aging Population and its Policy Implications
  Comprehensive Study of Korea’s Aging Population

• Study of Social Security System for Older Koreans
  Policy Response to Aging Population and the Social Security System for Older Koreans

• Development of the Service Sector
  Transformation of the Service Sector: Productivity, Deregulation and Job Creation
Research Activities

• Toward the Consolidation of the G20
  Making the Global Governance System More Effective and Responsive

• Workings of Real Estate Markets and Institutions
  New Policy Paradigm in the Era of Structural Changes

• Comprehensive Studies on Non-Regular Workers
  Ideas for Addressing Discrimination Between Regular and Non-Regular Workers

• Paradigm Shift to Promote Virtuous Cycle of Growth and Employment
  (I) Basic Policies for Job Creation and (II) Establishment of a Social Safety Net for Job Creation
KDI in the Present
“A Visionary Frontier for National Agenda”

MISSION
Contributing to the government and people both in the public and private sectors by providing effective and timely national policy alternatives
KDI in the Present

Organization

President

Senior Advisor

Senior Vice President

Chief Economists Group

Division of Audit and Evaluation

Division of Research Planning

Division of General Administration

Division of External Affairs

Central Information & Data Office

Central Library

Dept. of Macroeconomic Policy

Dept. of Financial Policy

Dept. of Competition Policy

Dept. of Human Resource Development Policy

Dept. of Industry and Service Economy

Dept. of Public Finance and Social Policy

Dept. of North Korean Economy

Economic Information and Education Center

Public and Private Infrastructure Investment Management Center

Center for International Development

KDI School of Public Policy and Management

Center for Regulatory Studies

※ Staff
Researcher: 360
Administration: 60
Professional: 6
Total: 426
(2015.01 Basis)

※ Budget Allocation
Government Contribution: 39,657
Self-Revenue: 30,336
Total: 69,993
(2015 Basis, Unit: KRW 1 million)
Rationality Behind Progression of Basic Research Project

Systematic Management Based on Planning and Selection System

Stage 1
- Demand Survey
- Departmental Research Forum

Stage 2: Planning
- [Department-level] Project Proposal Meeting
- [Institute-level] Project Proposal Seminar

Stage 3
- Advisory Opinion & Review by Research Advisory Committee

Stage 4: Selection
- Final Review by Project Management Committee

- Opinion-gathering via departmental research forums
- Close communication with external consultation group (e.g. government officials)

Openness and Independence in finding and selecting basic research projects
Research Project Planning • Evaluation Procedure

**Project Planning Stage**

- **Project Proposal Seminar** (previous year Oct.)
  - Discussion among Fellows on research contents, participating research institute/fellow, partnering research institute, and appropriateness as well as effectiveness of the proposed project

**Project Execution Stage**

- **Project Commencement Meeting** (Mar.)
  - Meetings are conducted at a department-level and “designated discussants” are selected for each project to evaluate the appropriateness & effectiveness of project commencement plan → Submission of evaluation report

- **Interim Seminar** (Jul.)
  - Fellows present research methodology, interim progress, and future research schedule → Submission of evaluation report and interim evaluation

- **Final Seminar** (Nov.)
  - Q&A format for each project between the author and the discussant → Submission of minutes
Qualitative evaluation through reflection of the referee’s opinion, review opinion report and evaluation results by the Department Head, Publication Committee Chair, and the KDI President.
Research Departments

Dept. of Macroeconomic Policy

- Releases *Monthly Economic Trends* and *Economic Outlook*
- Seeks to provide prompt and timely support to the government and to economic agents
- Conducts pragmatic studies aimed at further rationalizing economic policy

Dept. of Financial Policy

- Recommends policy alternatives regarding key pending issues in the financial sector
- Studies financial markets, financial industry, finance-related laws and systems, and supervisory mechanism
- Seeks medium-to-long run strategy to sustain and develop the stability of financial system
- Studies and analyzes trends in global financial markets to expand the system stability and to enhance its conformity with changing global markets
Dept. of Competition Policy

• Conducts precise studies on competition, regulation and corporate governance structure using analytical means
• Analyzes impacts on market structure and performance brought out by the interaction between government policies and corporate strategy
• Studies corporations to identify how stakeholders establish corporate goals and manage their business
• Researches necessary materials to build a market order that contributes to upgrading social wellbeing

Dept. of Human Resources Development Policy

• Conducts comprehensive studies on general issues related to human resources, the foundation of a balanced social progress in terms of labor, employment, education, and child care
• Seeks to offer policy alternatives on pending issues and plays essential role in establishing national agendas
Dept. of Industry and Service Economy

- Seeks to offer advancement measures for each sector of the Korean economy through growth potential
- Particularly focuses on studies on service sector to contribute to job production and value-added creation
- Seeks to explore new industrial innovation strategy and develop a medium-to-long term road map for industrial policy with a goal of sustainable growth, such as improving industrial policy and upgrading SME capacity

Dept. of Public Finance and Social Policy

- Conducts comprehensive studies that could contribute to increased fiscal prudence and efficient fiscal management plans
- Carries out broad basic studies and policy studies in relation to welfare policy (i.e. social welfare, social insurance and public health) in order to support the establishment of efficient welfare policy
Dept. of North Korean Economy

- Monitors changes and trends in the Korean economy in rapidly changing international relations and geopolitical environment and analyze their impacts on the Korean economy
- Research on inter-Korean economic cooperation, economic policy towards North Korea, inter-Korean economic integration, regime changes in North Korea, inter-Korean academic exchanges
KDI in the Present

Changing Social Demand and KDI’s Functional Expansion

- Economic Information and Education Center (EIEC)
  - 1991
- Public and Private Investment Management Center (PIMAC)
  - 1997
- Center for Regulatory Studies (CRS)
  - 1999
- KDI School of Public Policy and Management (KDI School)
  - 2010
- Center for International Development (CID)
  - 2014
KDI in the Present

Affiliated Bodies

EIEC Economic Information and Education Center

- Analyzes and disseminates Domestic and Int’l Economic Information
- Runs Customized Economic Education Programs
- Supports for Economic Education at school
- Online & offline Educational Training on economy
- Conducts Policy Surveys
KDI in the Present

KDI School of Public Policy and Management

- Master’s Programs (Public Policy, Development Policy, Public Management)
- Ph.D. (Public Policy)
- Focus on Policy-centered Studies
- Public/Private sector Training Programs
- Preliminary Feasibility Study on public • private infrastructure investments projects
- Re-assessment of Feasibility Study
- In-depth Evaluation for public investment projects
- Policy Service for public and private sectors
KDI in the Present

- Knowledge Sharing Program (KSP)
- Building KSP Infrastructure
- Study on Developing Economy
- Research on Development Cooperation Trends and KSP Studies
- Builds analysis framework for the regulatory impact and the cost-in, cost-out system
- Studies economy-related regulation theory and conducts empirical analysis
- Cost-benefit analysis on regulations (draft) submitted by ministries
- Consultation and Education-Training service on the above topics
Evolving into
International Economic Policy Research Institute
KDI within the World
International Cooperative Network

INTERNATIONAL CONFERENCE, JOINT STUDY, POLICY CONSULTATION

Strengthening Research Capacity • Expanding Global Research Network • Disseminating Research Findings
<table>
<thead>
<tr>
<th>Title</th>
<th>Partnering Organizations</th>
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<tr>
<td>The Service Sector Advancement: Issues and Implications for the Korean Economy</td>
<td>World Bank, OECD, Productivity Commission (Australia), ESSEC University (France)</td>
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<td>Social Enterprise: Concept and Emerging Trends</td>
<td>IADB, SSE, Harvard Kennedy School, SAID Business School, Ashoka, Acumen Fund</td>
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<td>Post-crisis Regulatory Reforms to Secure Financial Stability</td>
<td>IMF, BIS, FRB (US), SEC, Princeton University</td>
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<td>Reconstructing the World Economy</td>
<td>IMF, ADB</td>
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<td>2010 KDI/Stanford International Conference South Korea and the Global Economy in Transition</td>
<td>Stanford University, The World Bank, Asia Foundation</td>
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<td>Report Title</td>
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<td>The Korean Economy: Six Decades of Growth and Development</td>
<td>OECD</td>
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<td>Johns Hopkins University</td>
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<td>Toward Ecological Industrial Policy: Transition and Challenges</td>
<td>FES(Friedrich Ebert Stiftung)</td>
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<td>The Korean Economy in the Age of Democratization and Globalization: Accomplishments and Challenges</td>
<td>Harvard University</td>
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<td>UC San Diego</td>
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<td>Stanford University</td>
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<td>Brookings Institute (US)</td>
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<td>Alberta University</td>
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<td>KDI International Seminar On &quot;Nuclear Power Industry Economics and Policy&quot;</td>
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<td>Changing Landscape of Industrial Innovation and New Challenges for Policy</td>
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<td>Conferences</td>
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<td>KDI-OECD Joint Conference: Study on Korea’s Social Policies</td>
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<td>Global Value Chains, Development and Competitiveness</td>
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<td>KDI International Seminar on Nuclear Power Industry Economics and Policy</td>
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<td>Towards a Post-2015 Development Paradigm: Promoting the Next Set of Development Goals and Targets</td>
<td>CIGI</td>
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<td>Experts’ Workshop on Financing Environmental Global Public Goods: How to Raise the Money?</td>
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<td>Global Monitoring Report 2013</td>
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<td>KDI-WB High Level Workshop on Towards a Science of Delivery for Development</td>
<td>The World Bank</td>
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<tr>
<td>24th SED Annual Meeting in Seoul: [Pre-Conference] Rebalancing the Macro-economy for Robust Growth: Challenges and Resolutions</td>
<td>Society for Economic Dynamics</td>
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<td>Asia Approaches to Climate Change Adaptation and Disaster Resilience: Experience, Lessons &amp; Opportunities for Cooperation</td>
<td>The Asia Foundation</td>
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<td>Competition Law and Economics: Beyond Monopoly Regulation</td>
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<td>ADB-Asian Think Tank Development Forum 2014</td>
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KDI School Alumni Around the World

Thank you