I. Background on Government Innovation and Decentralization under the Participatory Government

• "Government Innovation and Decentralization" has become an important issue with the launch of the Participatory Government and by working towards the 3 Goals of National Agenda "Democracy with the People", "A Society of Balanced Development" and "Era of Peace and Prosperity in Northeast Asia", we plan to build a nation where concepts such as "Principles and Trust", "Fairness and Transparency", "Dialogue and Compromises" and "Decentralization of Power and Autonomy" become an integral part of society.
• In the past, constituents such as individuals, businesses, and schools of our society have been object of control and rule, not the master and hero. Although this has allowed tight central control it has also inhibited the dynamic spirit of our people.

• Participatory Government is focused on changing every mechanism of governance to bring out the spirit of Korea that has been, until now, tightly regulated and controlled. The reform programs being carried out by the Participatory Government are not short term nor ad hoc but are the basis for change of the system itself in gradual steps.

• To achieve these goals, in April of last year, the Presidential Committee on Government Innovation and Decentralization (PCGID) was launched for government innovation.

II. Objective and Vision of Government Innovation and Decentralization

• PCGID has established a vision for 'Efficient' Government with the People and is carrying out reforms on the basis of self-regulation and decentralization.

• In order to achieve this, the PCGID has set four action goals.
- First, achieve an efficient government through organization, function and work process remodeling that can adapt to the changes in administrative environments in the 21st century
- Second, provide civil services that are in line with the expectation of the people by creating new administration systems and reform culture
- Third, realize decentralization on the level of advanced nations through "Self-supporting Localization"
- Fourth, build an 'e-government' that will lead the knowledge-based society

• To attain these goals the PCGID has installed 'promotion corps' in reform management divisions and 'work innovation team' in each department, and built an organic cooperation system with the PCGID as the core dynamics in carrying out reforms.

• In addition, we are focusing on building a 'reform cooperation partnership' where citizen society, each government agency, government and private research institutes, related agencies and organizations that are organically linked could participate and give support.

III. Strategies for government innovation and decentralization:
• First, the basic direction of innovation and decentralization of the participatory government will be based on self-regulated reform with civil servants being central in the reform process.
  - The desirable state of public sector is where public officials are devoted to their work. It is important to encourage civil servants to actively and voluntarily participate in the reform processes.

• Second, emphasis will be put on improving organization culture
  - Reforms will be carried out with the intent of establishing a foundation rather than attempting to complete every reform program in the Participatory Government.
  - Building a basis for continual reform will be the focus of the Participatory Government.

• Third, propagate a culture of "dialogue and discussion" based on principles and trust.
  - Mutual understanding and dispute settling is a prerequisite in the process of carrying out reforms. A process where the parties in question can understand their mutual positions through dialogue and discussion is essential.
  - Also in order for the government to gain trust, the people need to be informed through dialogue.
Fourth, by decentralizing power and balancing distribution of resources through "Decentralization of Power and Autonomy", we will build a basis for all sectors including the central government, local autonomous governments and citizen society that will allow for a more autonomous development.

- Improving the competitiveness of Korea by carrying out decentralization is a national survival strategy that must allow for each part of society to fully realize its potential

IV. Achievements of the Past Year

- First, built an implementation system for autonomous reforms that can be carried out anytime.
  - As a part of this, last year on April 9th, the PCGID and the 5 executive committees (administrative reform, personnel reform, decentralization, finance tax administration, and e-government) were established

- Second, established a large frame and plan for "Innovation and Decentralization"
  - PCGID has published a reform agenda (250 roadmaps) to achieve the goals and principles of national agenda of the Participatory Government
Concentrated on carrying out reform legislation related to decentralization of power and decentralization of finance in order to provide a legal basis to implement decentralization

⇒ The Special Law on Local Decentralization was enacted, making decentralization a national legal obligation and thereby allowing the implementation of many programs such as special local administrative agency maintenance, educational autonomy improvement and autonomous police system to begin in earnest

⇒ Full revision of the regional support finance system, thus expanding the budget limit and autonomous business decision that can be managed by each region, and strengthened the connection between national balanced development policy and regional autonomous enterprises.

• Third, created a dynamics for 'Change and Innovation'
- We have revitalized unofficial gatherings such as junior board, knowledge clubs and study forums to secure internal dynamics for reforms
- We have also implemented 'Change Analysis Program'(’03.11~12) such as analysis of change reception attitude within an organization, and provided opportunity to perceive the importance of creating culture of innovation culture for each department
- By running 'work innovation sharing rooms' on the homepages of the Blue House and government agencies as well as awarding best innovation
practice and benchmarking innovation practices, 'making small success cases' has became a new method for reforms

- Integration of human resource management functions, establishment of evaluation infrastructure, implementation of education autonomy improvement program, reorganization of R&D system, and cooperation in 10 areas of growth industry between government agencies

V. Implementation Direction and Important Tasks of this Year

• First, Restructuring of Government Organizations and Functions
  - Need for future oriented restructuring of government organizations by concentrating core competences into new core functions instead of maintaining a centralization of power despite rapid changes in administration environment and remove redundant functions between departments

• Second, Development of an integrated human resource management model for high-level officials
  - Need to nurture ability to deal with national policies from a more comprehensive point of view by strengthening mobility, openness and result-oriented management of high-level officials
• Third, Introduction of Autonomous Police System and Improvement of Education Autonomy

- Need to establish local government centered education system by strengthening the connection between general autonomy and education autonomy

- Division of role between national police and local autonomous police needs to be worked out to ensure that they perform regional police administration within a large framework of regional administration, and build a resident friendly regional police system

- This year, will concentrate on innovation to reform police organization, and culture before introducing an autonomous police system

• Fourth, Reorganization of Finance/Tax System

- Introduce taxation system that conforms to new government management paradigms such as participation and balance, creation of new growth dynamics, and so on as well as expand independent local revenue by levying new local taxes and creating new tax revenues

- Expand autonomy in public finance management, full implementation of a top-down budget preliminary distribution system will be carried out next year
• **Fifth, Building a Digital Budget/Accounting System**

  - A system for inputting and accessing budgetary information will be built and budget item/budget structure will be overhauled to enable cost management. Introduce double entry bookkeeping to ensure transparency in accounting