

Embargo:

Release Date: September 16, 2015

Contact Information: Kim Eui-young (044-215-5631/ Public Institutions' Finance Management Division)

PUBLIC INSTITUTION REFORM

2015-2019 PUBLIC INSTITUTION FINANCIAL MANAGEMENT PLAN

The government submitted the 2015-2019 public institution financial management plan to the National Assembly on September 11. According to the 2015-2019 plan, public institutions' financial soundness is expected to continue to improve.

- Total debt and the debt to equity ratio (hereby known as debt ratio) of the 39 public institutions¹ that submitted the 2015-2019 plan is projected to improve compared with the 2014-2018 plan
- The total debt reduction target of less than 200 percent, which was scheduled to be achieved in 2017, is projected to be reached by the end of 2015
- The debt ratio is projected to reach 163 percent in 2019

2014-2018 Debt Reduction Plan vs. 2015-2019 Mi- to Long-term Plan

		(trillion won, %, %p)					
		2014 (Outcome)	2015	2016	2017	2018	2019
2014-2018 Debt Reduction Plan	Debt	510.6	523.9	525.5	516.6	512.8	-
	Debt ratio	222	215	202	185	174	-
2015-2019 Mid- to Long-term Plan	Debt	(497.6) ²	496.6	508.2	507.0	508.2	510.6
	Debt ratio	(216)	197	191	177	170	163
Difference	Debt	(-13.0)	-27.3	-17.3	-9.6	-4.6	-
	Debt ratio	(-6)	-18	-11	-8	-4	-

- The 18 most heavily indebted public institutions are projected to improve their debt ratio from 322 percent in 2014 to 226 percent in 2019.

Debt Reduction in 18 Most Heavily Indebted Public Institutions

		(trillion won, %)				
	2014 (Outcome)	2015	2016	2017	2018	2019
Debt	(437.1)	430.8	438.7	433.6	436.3	439.1
Debt ratio	(322)	284	271	245	235	226

- Financial liabilities are projected to decrease from 2017, while the ratio of financial liabilities to equity will continue to fall

¹ Large public institutions with more than 2 trillion won of assets and heavily indebted public institutions are required to submit their debt reduction plans

² 96% of the 2014 total public institution debt (520.5 trillion won)

Financial Liabilities in 31 Public Institutions³

(trillion won, %, %p)

	2015 (A)	2016	2017	2018	2019 (B)	Difference (B-A)
Debt	357.8	363.0	357.5	357.0	356.3	-1.5
Debt ratio	53	52	50	49	48	-5

Net profits and the interest coverage ratio⁴ in public institutions are also expected to improve.

- The 2015 net profits surged due to the sales of properties owned by Korea Electric Power Corporation (KEPCO)
- Companies in the black are projected to increase from 30 in 2014 to 32 in 2019
- The interest coverage ratio is projected to improve from 1.8 times in 2014 to 2.1 times in 2019
- Of the 28 public institutions paying interest costs incurred on their debts, the number of public institutions with the interest coverage ratio higher than 1 time⁵ will increase from 21 in 2014 to 24 in 2017

2015-2019 Net Profits and Interest Coverage Ratio Outlook

(trillion won, times)

	2014 (Outcome)	2015	2016	2017	2018	2019
Net profits	(11.5)	17.2	11.4	14.1	11.0	10.5
Interest coverage ratio	(1.8)	1.7	1.9	2.2	2.0	2.1

Future Plans

Public institutions will be required to continue to carry out their individual debt reduction plans by selling assets, scaling down projects and improving management efficiency. Debt reduction performance will be evaluated regularly, and the government will strengthen the regulatory regime for managing public institution debt.

The limit on total bond issuance will continue to be required, and the bond issuance amount will be checked every quarter.

Public institution projects will be subject to in-depth feasibility studies and more public institutions are required to adopt a project-based accounting system that is designed to efficiently manage debt by type.

³ Excluding those without borrowings, for example, Korea Credit Guarantee Fund, Korea Technology Finance Corporation and Korea Airport Service Corporation

⁴ The ratio of earnings before interest and tax (EBIT) to interest costs

⁵ Meaning that interest costs are covered by EBIT