KOREA

Overview

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| Population and territory | 51,439,038(as of December 31, 2022), 100,432 ㎢. |
| Administrative structure | Unitary |
| Regional or state-level governments | 1 Special Metropolitan City, 6 Metropolitan Cities, 1 Special Self-Governing City, 3 Special Self-Governing Provinces and 6 Dos. |
| Intermediate-level governments | -- |
| Municipal-level governments | 226 Municipalities (Si, Gun, and Gu). |
| Share of subnational government in total expenditure/revenues | 45.0% of total public expenditure  34.9% of total public revenue  Expenditure: The central government is 250.8 trillion KRW (40.8%), local government is 276.6 trillion KRW (45%), and local education is 87.7 trillion KRW (14.3%)  Revenue: The central government is 455.8 trillion KRW (55.1%), the local government budget is 288.3 trillion KRW (34.9%), and the local education budget is 82.6 trillion KRW (10%) |
| Key regional development challenges | * Population concentration in urban areas (especially in the Seoul metropolitan area and large cities), depulation in rural areas and small and medium-sized cities * Polarization of income, assets, generations, classes and regions * Severe disparity between cities and provinces in the medical care, education, green spaces, and cultural facilities |
| Objectives of regional policy | * Balanced development and utilization of the land(Constitution) * Creating the basis for ensuring the well-balanced development * Redressing imbalance between regions |
| Legal/institutional framework for regional policy | * Constitution of the Republic of Korea, Article 120, paragraph 2 * Framework Act on the National Land, Article 3, paragraph 2 * Special Act on Balanced National Development, Article 1 |
| Budget allocated to regional development (i.e., amount) and fiscal equalisation mechanisms between jurisdictions (if any) | * The Special Accounts for Balanced National Development : 10.8 trillion KRW (2.38 % of total central government expenditures in 2022 budget)   \* The “Special Accounts for Balanced National Development” system administered by the Ministry of Strategy and Finance   * Local allocation tax and National government subsidy: 131.7 trillion KRW |
| National regional development policy framework | * Comprehensive national land plan and Five-year balanced national development plan   + 5th Comprehensive national land plan(2020-2040)   + 5th Balanced national development plan(2023-2027) in the process of establishment   + The 1st Balanced national development plan in 2004 |
| Urban policy framework | Basic policies for national urban regeneration |
| Rural policy framework | Basic policies for restructuring and regeneration of rural spaces |
| Major regional policy tools (e.g., funds, plans, policy initiatives, institutional agreements, etc.) | * Special accounts for balanced national development * Special accounts for transportation facility * Growth hubs for balanced national development(the administrative city, innovation cities, enterprise cities, and free economic zones) * Supra-regional cooperative projects * Development of growth promotion areas * National innovation clusters * Development of less favored area (depopulation regions, border regions, underdeveloped island regions and growth promoted districts) |
| Policy co-ordination tools at national level | Presidential Committee for Balanced National Development |
| Multi-level governance mechanisms between national and subnational levels (e.g., institutional agreements, Committees, etc.) | * Central regional cooperation council * Regional development investment agreement |
| Policy co-ordination tools at regional level | City/Do regional innovation council |
| Evaluation and monitoring tools | Annual reports on balanced national development plans |
| Future orientations of regional policy | The 5th balanced national development plan under development sets out four major strategies covering education, industry, culture, welfare, and environment:   * Education: Free education special zone, regulatory improvement, local university start-up and educational innovation, etc * Innovative growth: Opportunity Development Zones(ODZ), relocation of public institutions, creation of specialized industries and start-up ecosystems * Local commitment: Securing a regionally-led development path, encompassing society, culture, and transportation * Equal opportunity: Strengthening digital capabilities, responding to depopulation and improving conditions such as environment and welfare |

Recent policy developments

In order to create a promotion system that connects and integrates the plans and tasks related to balanced development and decentralisation that have been individually promoted so far, the government of Korea is trying to enact the Special Act on Decentralisation of Local Autonomy and Balanced Regional Development, which would replace the existing Special Act on Balanced National Development. When the new law is enacted, the budget of special account for balanced national development will be converted into a special account for balanced regional development, and projects related to comprehensive plans and balanced regional development policies will be promoted.

Future orientations include:

* Transfer the authority of the central government to local governments for supporting growth engines with a comparative advantage on their own
* Introduce Opportunity Development Zone (ODZ) to encourage investment in provincial urban areas. Various benefits including tax cuts will be provided to companies relocating to the area
* Introduce special zones for free education to provide customised public education for each region. If designated as a special zone, administrative and financial support will be given to diversify public education, such as various alternative schools
* Introduce special urban convergence zones to create a complex that combines industry, housing and culture with the aim of balanced regional development

Further, the Korean government intends to contribute to balanced national development by enacting the "Special Act on Supporting Depopulation Areas" to improve settlement conditions in depopulation areas and promote regional vitality. This special law establishes a comprehensive regional development and national-level regional support system for local governments to cope with the population decline crisis, and stipulates ways to promote linkages and cooperation between local governments, and special cases for population reduction areas. The Special Act on Supporting Depopulation Areas has been in effect since January 1, 2023, and is currently pursuing a policy to enhance regional vitality by investing 1 trillion KRW in 89 regions every year for 10 years.