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Evolution of rural policies in Korea and current policy measures

Chapter 3 examines Korean’s rural policies, its multilevel governance framework and current efforts towards decentralisation. It first describes the key actors for regional and rural policies, followed by the historical evolution of rural policies and an assessment of current rural policy approaches in Korea. The chapter then describes the main features of Korea’s multilevel governance framework and current approaches to decentralisation. The chapter then focuses on challenges and opportunities for implementing rural policies in the context of decentralisation.

Key institutional actors for regional and rural development

Many Korean ministries are involved in regional development policies. In terms of the balanced development agenda, the Presidential Committee on Balanced National Development, launched in 2003 (named the Presidential Committee on Regional Development from April 2010 to March 2018), provides direction and oversight regarding key policies to implement balanced national development. The committee is composed of government (12 ministries) and civilian members and other special committees report to it, such as those for metropolitan area management, regional innovation and transferring public institutions to local areas, among others. The committee is responsible for Five-Year Regional Development Plans and the Special Account for Regional Development, as well as project management and evaluation. It also plays a key role in co-ordinating sectoral policies by different ministries.

The Ministry of Land, Infrastructure and Transport (MOLIT) is the leading ministry to draft the Comprehensive National Territorial Plan (CNTP). As a long-term overarching regional development plan, the CNTP is a vehicle to encourage inter-ministerial co-ordination and to align subordinate regional plans. Since the enactment of the National Land Planning and Utilisation Act in 2003, replacing the Urban Planning Act and the National Land Use Management Act, the Korean spatial policy has expanded its scope to include non-urban areas along with urban areas, thus allowing rural policies to have a territorial perspective. According to this comprehensive perspective employed in the CNTP, the ministry is leading the nation's balanced development across regions. A primary policy under the regional development initiative is the development of the new administrative capital, Sejong, along with a series of Innovation Cities across the country, through the relocation of central government ministries and public institutions that were concentrated in the capital region. These initiatives go beyond the development of new communities: rather they are intended to improve the quality of life of local residents and support the development of the surrounding areas outside the new cities themselves, for example by enhancing residential environments, hiring local talent and procuring locally sourced goods among other things. MOLIT also assists subnational governments in systematically strengthening their capacity to manage the growing number of policy jurisdictions that are under their leadership (as a result of ongoing devolution). With each subnational government required to establish and implement its own ten-year development plan, MOLIT provides support where necessary in the forms of budget allocations, tax breaks and deregulatory measures. For those areas facing particular challenges in terms of income, population or financial capacity, "growth promotion areas" are designated and these areas then receive special support.

The Ministry of Agriculture, Food and Rural Affairs (MAFRA) is also a key ministry in rural development in Korea. The Framework Act on Agriculture, Rural Community and Food Industry mandates MAFRA to formulate the Agriculture and Rural Community and Food Industry Development Plan every five years. The plan provides the policy directions which covers not only the agricultural sector but also the broad policy measures on rural development. The most recent policy plan for 2018-22 sets four main policy targets: strengthening the income safety net; innovation for sustainable agriculture; enhancing food safety in the supply chain; and improving rural welfare. Strengthening competitiveness and growth of agriculture by enhancing agricultural productivity has been a core goal of agricultural policies in Korea. The most recent five-year policy plan diversifies the objective of agricultural policies to address more varieties of societal demands towards agriculture and rural areas. The new policy plan shifted the orientation of agricultural policies further to ensure income stability and quality of life of farmers as well as the balanced development between agricultural production and environmental conservation. It also foresees a strengthening of bottom-up participation in policy (OECD, 2018^[1]).

A second inter-ministerial committee is the Prime Minister's Committee on the Quality of Life of Farmers and Fishermen and the Promotion of Rural Development. This committee is responsible for establishing the basic plan for improving the quality of life of farmers and fishermen and developing rural areas every five years (the fourth basic plan is being implemented for the period of 2020-24). The plan, including comprehensive policy measures, is designed to guarantee basic services essential to daily life to residents

in rural areas all across the country. It is developed through consultations with relevant ministries and rural stakeholders, and finalised through the review and deliberation of the committee. Under this basic plan, the committee establishes the annual implementation plan, monitors and evaluates its implementation, and then reports the outcomes to the National Assembly each year. The committee, chaired by the Prime Minister, is composed of 14 ministries and 6 administrative agencies of the central government, and MAFRA is the lead ministry. The committee also co-ordinates sectoral policies by different ministries.

In addition to MOLIT and MAFRA, which play leading roles in the abovementioned inter-ministerial committees, there are additional ministries that relate to and implement rural development policies as shown in Table 3.1.

Table 3.1. National ministries related to rural development

Ministries	Related departments	Policies/Activities
Presidential Committee on Balanced National Development	Main Committee Expert Committee Special Committee Regional Development Planning Team	<ul style="list-style-type: none"> Establish regional development policy Co-ordinate regional policies Five-Year Plan for Regional Development Operation of a special account for regional development Evaluation and consulting on regional development projects
Prime Minister's Committee on Quality of Life	14 ministries 6 administrative agencies	<ul style="list-style-type: none"> Establish an annual implementation plan for the 5-year plan Improving Quality of Life of Farmers and Fishermen and Developing Rural Area Report outcomes of policy implementation to the National Assembly annually
Ministry of Strategy and Finance	Policy Co-ordination Bureau	<ul style="list-style-type: none"> Knowledge-based economy and new growth engine development Regulatory free zones, industrial policies, improvement of corporate regulations, etc.
Ministry of Government Administration and Home Affairs	Local administrative office (regional development policy) Local financial and economic office (Regional Economic Support Agency)	<ul style="list-style-type: none"> Regional development plan Local roads, border area, special area Study on the development of the population reduction area, Comprehensive Book Development Plan, etc. Support for regional economic policy Revitalise traditional markets and alley businesses Support for local economic events
Ministry of Land, Infrastructure and Transport	Territorial and Urban Development Office (Regional Policy Division)/ Innovation City Development Office	<ul style="list-style-type: none"> Regional development plan, growth promotion area, border area, comprehensive island development plan, etc. Industrial estate Regional Development Investment Agreement, etc. Innovation Cities
Ministry of Trade, Industry and Energy	Industrial Policy Office (regional economic policy) Free Economic Zone Planning Board	<ul style="list-style-type: none"> Regional economic stimulus plan, Five-Year Plan for Regional Development Corporate Local Investment Fund management Support for local hubs and promote local industries (local specialisation industry; traditional industry; regional insurance industry, etc.) Industrial complex management; structural refinement, etc. Development and activation of the landscape area Improve the conditions of foreigners in free economic zones Activation of the free trade zone, etc.
Ministry of Agriculture, Food and Rural Affairs	Rural Policy Bureau	<ul style="list-style-type: none"> Development of rural areas and improvement of living conditions Development of General Agricultural Fishing Village Local Happy Living Zones co-operation programmes, etc.

Ministries	Related departments	Policies/Activities
Ministry of Culture, Sports and Tourism	Tourism Policy Office (Tourism Policy Officer)	<ul style="list-style-type: none"> • Basic tourism development plan and regional planning • Tourist destination development • Development of tourism and leisure type Enterprise Cities

Source: Adapted from Korea Institute of Industrial Technology (2016).

Historical evolution of rural policies in Korea

The early days of Korea's development journey

Korea is one of the countries that achieved the fastest growth in the latter half of the 20th century. The country's export-driven industrialisation delivered a drastic increase in the income per capita and of the overall living conditions of the Korean people. However, this period also gave rise to a significant expansion of the imbalances between regions within the country, with growing socio-economic concern for those left behind, demanding a policy response. Thus, the Korean post-war regional policy is highlighted by the "development era" that began in the 1960s, followed in the 1980s by a growing focus on achieving more balanced national development.

While in the early stages of the development era national policy had been primarily focused on industrialisation, policies for economic development in rural regions were also implemented in the form of a modernisation movement. In Korea, as in many other countries, rural development policy and agricultural policy were regarded as synonymous (although "agricultural area" is not synonymous with "rural area") and so, in the early stages of the county's development, rural development policies had been carried out for agricultural villages and their focus was on raising agricultural productivity and the income of farming households, alongside efforts to improve living standards in rural areas.

Through the 1950s and 1960s, most of Korea's rural residents lived in poverty, below the absolute poverty line and agricultural productivity during this period was low. Two policies, the land reform undertaken in the 1950s and the New Village Movement (Saemaul Undong) in the 1970s have shaped Korea's rural areas (OECD, 2001^[2]; 2010^[3]).

- **Land reform** in the 1950s. Following the Korean War, a radical land-to-the-tiller agrarian reform took place. With populations dislocated by the war, landlords were without local, personal or political clout to counter the reform; and with rampant inflation, the government was eventually required to pay only a fraction of the land compensation awarded at the time of confiscation. The impact of the reform, which is one of the few peaceful agrarian reforms of its type to have been accomplished in the post-colonial world, was twofold. First, it gave at least subsistence incomes to the vast majority of the Korean population. Income inequalities were instantly levelled and what would later become Korea's heralded process of industrialisation with equity gained an important rural foundation. Second, in the context of low levels of urbanisation and the "as yet" small urban working and middle classes, the elimination of a landed rural elite gave enormous autonomy to the Korean government to construct what has come to be known as the "developmental state", namely, a strong-arm government capable of heavily intervening in the economy and society.
- **Saemaul Undong**. In the 1970s, the government launched a massive green revolution programme and a village modernisation programme: Saemaul Undong (New Village Movement). The intention of the green revolution was for the country to achieve self-sufficiency in grain production, which was a response to three issues: national food security, providing cheap food for rapidly increasing urban populations and limiting foreign exchange losses. Substantial increases in land productivity were achieved through strict enforcement of the adoption of high-yield crop varieties, subsidised fertiliser and pesticide programmes, and collection and distribution systems run by the government.

In order to rebuild agriculture, the Saemaul Undong was first initiated from 1971 to 1973, under the strong leadership of the central government. In the beginning, 6 000 rural villages participated, increasing to 34 665 villages in 1973. During the second stage, from 1974 to 1976, the activity was extended considerably across the nation, with participation from schools and social organisations. In 1975, a non-governmental organisation (NGO), the Saemaul Undong Council, was set up to carry out campaigns aimed at achieving wider participation. The council also placed emphasis on four measures, including projects to generate income, public work projects, education and Saemaul Undong in urban areas. Since 1977, as the third stage, projects to improve living standards and the income structure were carried out to complete the activity of Saemaul Undong (OECD, 2001^[2]).

Evolution of the Comprehensive National Territorial Plans

Throughout the development era in the last century, these agricultural policies contributed to the development of rural areas and the remarkable increase in agricultural production and income in absolute terms. Despite these advances, the period also witnessed a growing disparity between urban and rural. In relative terms, rural areas in Korea and rural policies had been marginalised while the government devoted much of its attention to industrialisation, which was accompanied by rapid urbanisation. As the development gap between urban and rural areas widened and the rural population rapidly decreased, many communities lost vitality and the settlement environment deteriorated in the 1980s.

Korea's evolving national development goals and policies are embodied in the Comprehensive National Territorial Plans (CNTP). The CNTP, formerly formulated every 10 years before being extended to a 20-year term since the fourth CNTP in 2000, presents the long-term vision and orientation of the government on territorial development.

The goals of the first CNTP (1972-1981) were the development of large-scale industrial bases, the intensification of transportation and the provision of water resources and energy in order to facilitate economic growth. The key strategy at this time was to foster the "growth pole", which geographically corresponded to the so-called Gyungbu corridor linking Seoul to Busan and Ulsan. The government used public resources and external borrowing to finance the work, focusing first on manufacturing and services in Seoul. It then went on to create the heavy industry base along the southeast coast by building such industrial cities as Ulsan, the construction of which began in 1969, and a number of other industrial estates in that region. During the 1960s and 1970s, to improve efficiency, the government's investment was concentrated on the high priority areas of Incheon, Seoul and Ulsan, so as to facilitate access to human resources, subsidiary material, product sales and infrastructure (Lee, 2015^[4]).

The first CNTP placed little emphasis on regional balance or living conditions. During this period, population concentration in the capital region had already brought about acute problems in Seoul, leading to urban policies such as the designation of a greenbelt and the construction of a subway.

In contrast to the first CNTP, which focused exclusively on industrial development, the national goal for the period of the second CNTP (1982-1991) placed an explicit emphasis on balanced regional development, population decentralisation and the improvement of living standards (OECD, 2001^[2]).

In the 1980s, various measures were adopted in line with the two policy directions: restraining the concentration in the capital region and expanding growth to regions nationwide. For the former, the Capital Region Readjustment Planning Act was introduced in 1982 to control the influx of people and industry into the Seoul metropolitan area by limiting the construction of new factories, universities and other large-scale projects, and by relocating public offices to other regions. In order to promote economic development in regions outside the capital, the government designated regional economic blocks and developed industrial complexes in small- and medium-sized cities and rural areas. In the 1980s and 1990s increased government budgets were invested in rural regions across the country to develop basic infrastructure such

as roads, communication facilities and water supplies/treatment and to improve educational, medical and welfare systems (OECD, 2001^[2]; 2018^[1]; Lee, 2015^[4])

Despite the spatial development policy of the 1980s trying to balance regional development, concentration in the capital region continued into the 1990s. In response, the third CNTP (1992-2001) set four targets:

- regionally decentralised development
- efficient land use
- improvement of quality of life
- enhancing amenity and unification of North and South Korea.

The intention was to balance regional development by strengthening industrial centres along the west coast and the regional and provincial cities. In order to ensure support for less industrialised areas, the Law on Regional Balanced Development and Promotion of Local Small- and Medium-sized Firms was enacted, establishing eight area-wide development plans. The third CNTP was particularly concerned with the development of lagging regions and with the quality of life within them. The same law also introduced the Development Promotion Districts (DPD) (Kim and Lim, 2016^[5]).

In the 1990s, national investment in agriculture and rural areas expanded greatly as the crisis in the farming sector increased following the conclusion of the Uruguay Round of negotiations at the World Trade Organisation. The implementation level of rural development was changed from the *gun* (county) to the *myeon* (community) level, and settlement development projects were carried out at the *myeon* level. As such, hardware infrastructure projects such as road and village maintenance increased significantly. For some *myeons* in remoter areas, where the settlement conditions were acutely poor, the Minister of Home Affairs carried out “remoter area development projects” in a similar approach.

In the last decade of the 20th century, Korea experienced drastic changes taking place in the global economy and internal socio-economic shifts. The Asian Financial Crisis in the late 1990s had a devastating impact on the national economy and while the country recovered quickly, the economy had entered into a new era of more moderate growth. Being a historically export-oriented economy dependent on medium-technology manufacturing, including electronics, shipping, automobile, petroleum and chemicals, Korea has been pursuing a shift in its growth model to become more innovative and focused on high-value-added products in response to the acceleration of globalisation after the Asian Financial Crisis (OECD, 2014^[6]). This required territorial development policies that support regions to be more open and competitive.

At the same time, changes in the socio-economic conditions being experienced by Koreans have emerged and become more widely recognised in policy (MOLIT, 2012^[7]). National population growth has been slowing down for decades and was expected to start to decrease in 2028, however the most recent data suggests that the peak-population moment may already have passed with the most recent statistics showing the Korean population declining since November 2019. Korea’s population is also ageing rapidly, at a rate higher than any other OECD country. Continued economic concentration in the Seoul-Busan corridor and the persistent regional disparity between metropolitan regions and non-metropolitan areas has emphasised the need for regional policy. The consolidation of the democratic system and decentralisation have also increased demand for well-being in lagging areas (OECD, 2012^[8]).

In response to the dynamic shift in the socio-economic environment, the fourth CNTP formulated in 2000 (revised in 2009), was characterised by three distinctive differences from the former three CNTPs:

- Preservation of the territorial environment is given top priority; the plan calls for development in harmony with the environment leading to sustainable development.
- The plan was formulated through co-operation with the local governments and the civil society from the initial stage. The Research Commission for the CNTP was formed in 1998 and developed the

plan. The Territorial Forum for the 21st Century, organised by a private sector initiative, made recommendations and comments throughout the preparatory stage.

- The term of the plan is set for 20 years instead of the 10 years of each of the former 3 plans.

The fourth plan stated that the national goal was the “Realisation of Integrated Territory in the 21st Century”, to be achieved through the integration of regions, integration of development with protection of the environment, integration of the two Koreas, and integration with Northeast Asia (MOLIT, 2012^[7]). These four targets are given succinctly as “a balanced territory, green territory, open territory, and unified territory”. Balanced territory stresses regional integration and balanced development through the efforts of each region to enhance its own local identity. Green territory clearly places emphasis on the integration of territorial development and environmental preservation, aiming at sustainable national development with an improved quality of life. Open territory means being open to the global community in order to facilitate integration with the rest of Northeast Asia and in order for Korea to take the role as a centre of Northeast Asia and as a leading country in the world economy. Unified territory implies the promotion of a peaceful unification and the establishment of a co-operative relationship between the South and the North. The plan proposed a 3-layer structure for stimulating regional development: 7 (5+2) mega-regional economic zones with priority industrial specialisations, complemented by supraeconomic regions (belts), and 161 basic residential zones. Many of the instruments to implement this plan were therefore industry-related (e.g. free economic zones, technoparks, research and development [R&D] Innovation Cities).

Continuing the direction of the fourth CNTP, the Roh Administration (2003-08) intensified efforts to address regional development by introducing balanced development as a national priority, establishing the legal foundations for the national policy on regional development and making the first governance improvements towards more decentralised policy approaches. The balanced growth approach was aimed at reducing disparities between regions and at favouring decentralisation from the capital region (OECD, 2012^[8]).

The Roh Administration sought to decentralise government functions that had been highly concentrated in the capital region and relocate them to underdeveloped areas across the territory. This initiative involved carrying out several large-scale projects to build new cities. First, the Multifunctional Administrative City, otherwise known as Sejong City, is being constructed with the goal of becoming a self-supporting city of 500 000 inhabitants by 2030. Sejong is located approximately 130 km southeast of Seoul along the Chungcheongnam-do and Chungcheongbuk-do border, with its territory drawn from both these provinces. Today the city is home to many newly migrated central government ministries and institutions and its population already tops 300 000. This administrative capital is also expected to attract private business and diverse industries such as healthcare, welfare, culture and international co-operation, and advanced technology. Alongside the development of Sejong, in order to promote the balanced location of administrative functions, 10 Innovation Cities are also being developed nationwide, relocating 154 public agencies from the capital region to the provinces and metropolitan cities. Innovation Cities are being constructed not only to accommodate government organisations (as well as housing for their staff) but also private actors including enterprises and universities, in the hope of creating innovative clusters. In addition, pilot projects for Enterprise Cities were designated in August 2005 and 6 projects have been under implementation. While the pace of progress and scale of these projects was reduced due to the global financial crisis and real estate market recession, this policy aims to boost regional economies through promoting private investment in underdeveloped areas. Although the goals of the Roh Administration were to narrow the gap between regions by relocating public organisations from the capital region and developing growth centres in less developed areas, there have been criticisms that its mathematical allocation of functions increased the tension between regions (Kim and Lim, 2016^[5]).

Along with the above flagship projects, the Roh Administration also established the legal foundation for regional policy to drive balanced national development. The Special Act on Balanced National Development in 2003 set out the legal framework for regional development. The act introduced three major improvements. First, it established a Presidential Committee on Balanced National Development, providing

policy advice and horizontal and vertical co-ordination. Second, it aims to strengthen the role of regional actors in regional development policy. Third, it promoted fiscal decentralisation through the increase in the amount of transfers from the special account to local governments (OECD, 2012^[8]). This development strategy aimed to disperse socio-economic functions and infrastructure, which had been concentrated in the Seoul metropolitan region, into other provincial regions and supported various local development projects.

Moreover, the Korean government established the Comprehensive Measures for Agriculture and Rural Areas and enacted the Special Act on Improvement of Quality of Life of Farmers and Fishermen and Promotion of Development in Rural Areas in 2004. The objective was to overcome the worsening conditions in rural areas due to the expanded opening of the domestic agricultural market and the declining prices of agricultural products by improving the poor public services, such as welfare and education, and promoting integrated regional development. Therefore, the Korean government carried out the “policy to improve the quality of life” in rural areas linking various sectoral policies by government departments for welfare, health, education, regional development, etc.

Under the Lee administration (2008-12), regional development continued to be promoted but shifted its focus from “balance” to “development”, emphasising the competitiveness of regions rather than the equality among them. The former five-year Balanced National Development Plan was renamed the Regional Development Plan and was aimed at securing global competitiveness and improving the living standards of regional economies. This plan was comprised of sectoral plans which were developed on the basis of the four major ministerial development strategies (increasing growth potential, creating a pleasant living environment, promoting openness and co-operation, and achieving regionally driven mutual development) and economic regional plans developed by the Economic Region Development Committee. Under the plan, 5+2 supra economic regions had been designated to enhance regional competitiveness through promoting regional strategic industries and to encourage horizontal co-operation beyond administrative borders. Despite some fruitful results, some scholars have argued that its regional policy focused too much on industries and lacked the immediate creation of local jobs and public participation.

Under the Park administration (2013-17), the emphasis shifted towards enhancing quality of life, with the vision of “Happiness to the people, hope for the regions”. While the policies of the previous administration were largely maintained, the shift in policy emphasis reflected the changing environment in response to citizens’ demands for regional policy, the empowerment of local governments and efforts to tackle fierce global competition. The existing territorial restructuring strategies were limited by their development costs, social consensus and their central government-led approach. New strategies were called for that would foster collaboration between regional and local governments, develop linkages beyond jurisdictions and be more inclusive of local communities. Thus, the central government’s assistance to regions became better co-ordinated with “policy packages” directed at the target region (Kim and Lim, 2016^[5]).

The newly begun fifth CNTP (targeting 2020-40, formulated in December 2019) proposes a vision “Our land, shared future: Towards balanced, smart and innovative cities and regions for all”. The new plan puts the priority on people living on the national land, shifting the focus from the land itself. Along with the three major objectives to make the territory balanced, smart and innovative, the plan presents six implementation strategies:

- Facilitate regional development in a way that enhances local identity, based on solidarity and co-operation.
- Innovate regional industries and promote culture and tourism.
- Build safe and liveable places for all generations.
- Create quality and ecofriendly spaces.
- Ensure efficient infrastructure operation and smart territory.
- Bring peace to the national territory and connect the continent with the ocean.

For regional development, focal points include achieving compressed development through spatial rearrangement, strengthening competitiveness through inter-regional linkages, nurturing hubs for balanced development, like innovation cities, and seeking shared prosperity between the Seoul capital region and the rest of the nation. Key changes from the fourth to fifth CNTP are outlined in Table 3.2.

Table 3.2. Comparison of the fourth and fifth CNTP

	Revised fourth CNTP (2011-20)	Fifth CNTP (2020-40)
Vision	<ul style="list-style-type: none"> • Global green land for a new leap forward 	<ul style="list-style-type: none"> • Our Land, Shared Future
Objectives	<ul style="list-style-type: none"> • Unified territory with competitiveness • Green territory with sustainability • Attractive territory with decency • Open territory toward the world 	<ul style="list-style-type: none"> • Balanced territory that is liveable anywhere across the country • Smart territory that is safe and sustainable • Innovative territory that is healthy and active
Spatial goal	<ul style="list-style-type: none"> • Build hub cities based on 7 (5+2) megaregional economic zones with an open axis of national land development 	<ul style="list-style-type: none"> • Build a flexible and smart territory through solidarity and collaboration
Six development strategies	<ul style="list-style-type: none"> • Strengthen local specialisation and megaregional co-operation to enhance the overall competitiveness of national land • Build ecofriendly and safe territory • Provide comfortable and culture-oriented cities and residential environments • Establish an integrated network of green transport and territorial information • Secure foundation for Ocean Korea open toward the world for new growth • Build a transborder territorial management basis 	<ul style="list-style-type: none"> • Facilitate regional development in a way that enhances local identity and based on solidarity and co-operation • Innovate regional industries and promote culture and tourism • Build safe and liveable places for all generations • Create quality and ecofriendly space • Ensure efficient infrastructure operation and smart territory • Bring peace to national territory connecting the continent and the ocean
Direction of regional development	<ul style="list-style-type: none"> • Seek local specialisation and global competitiveness by building megaregional economic zones • Nurture strategic growth hubs based on local traits, centred around metropolitan cities and cities nearby rapid-transit railway (KTX) stations 	<ul style="list-style-type: none"> • Seek compressed development through special rearrangement and strengthen competitiveness through inter-regional linkages and co-operation on various aspects (hardware and software) • Nurture hubs for balanced development, like innovation cities, and seek shared prosperity between the Seoul capital region and the rest of the nation
Implementation	<ul style="list-style-type: none"> • Set up an efficient regional development system to prevent the overlapping of regional development projects • Diversify financing methods 	<ul style="list-style-type: none"> • Monitoring and evaluation • Integrating the management of territory with the protection of the environment

Source: Information provided by MOLIT.

Current rural development policy approaches in Korea

The development in rural regions is driven in large measure by two inter-ministerial oversight committees, the Presidential Committee for Balanced National Development and the Prime Minister's Committee for Quality of Life. Together these two committees oversee myriad initiatives in support of economic development and to support the well-being of rural people, with the committee on Balanced National Development driving much of the economic agenda in these regions while the quality of life committee concentrates on service delivery and well-being in fishing and farming communities.

Rural policies for economic development

Economic development activities in rural regions fall within the mandate of several ministries, most specifically MAFRA in rural areas and MOLIT more broadly at the regional level, with oversight and co-ordination provided by the Presidential Committee on Balanced National Development (PCBND). The success of the country's development strategy in the latter half of the 20th century in building an advanced industrial economy has increased concentration in cities and particularly in and around Seoul, while rural communities have seen their populations age and fall. Consequently, the government has grown increasingly concerned about the inclusion of rural communities in the overall balanced development agenda. In an effort to revitalise rural places and reduce perceived disparities, rural development policy focuses on two dimensions: economic development of rural regions and the well-being of rural communities. This section introduces the main policy instruments to support local growth opportunities and boost competitiveness in rural regions.

In order to curb the excess concentration of people in the capital region, the policy measures to relocate public and private functions to less developed regions to build growth hubs have been traditionally adopted. First built in Ulsan in 1960s, industrial complexes, totalling 1 074 across the country, have significantly contributed to Korea's industrialisation and economic growth to date. The investment in building industrial complexes was followed by heavy investment in infrastructure, particularly in transport such as expressway networks and rapid-transit railway (KTX). While the central government support had been focused on large-scale complexes usually located in cities since the 1980s, agricultural and industrial complexes have also received government support as ways of revitalising small- and medium-sized cities and regions. Target industries have shifted as well over time, from export-oriented industries in 1960s-70s to R&D and innovation activities and investments were made to transform industrial complexes into knowledge-based centres (OECD, 2012^[8]).

Along with the policies to expand industrial growth engines to less developed region, under the direction provided by the CNTP, the government is developing three types of new city across the country to relocate administrative functions and economic activities from Seoul to the provinces. Many government ministries and public organisations have been collectively relocated to the Multifunctional Administrative City of Sejong and other public organisations, including research institutions, have transferred to ten newly constructed Innovation Cities to play leading roles in forming regional innovation systems. Enterprise cities aim to revitalise regional economies through encouraging private investment, providing incentives on land use and tax (Lee, 2015^[4]).

During the same time in the 2000s, regional innovation had increasingly called for attention and policies to foster innovation and competitiveness in regions. Technoparks, Technology and Innovation Centres (TICs) and Regional Research Centres (RRCs) were the major policy tools for strengthening regional innovation systems in Korea. In addition to supporting strategic industries, a specific programme for lagging areas was implemented. The Revitalisation Business programme targeted agriculture-dependent areas and supported processing and distribution linkages to support the development of areas specialised in agricultural activities. The programme offered entrepreneurship training, support for collaboration between agents of the innovation system and rural-urban interaction to mitigate rural-urban migration (OECD, 2012^[8]).

An example of a bottom-up approach in regional development policy can be found in Demand-Driven, Customised Assistance (DDCA) introduced in 2015. In contrast to its predeceasing subsidy-based policy for underdeveloped areas, which had focused on large-scale infrastructure investment, the DDCA integrates hardware such as infrastructure and software such as cultural content, aiming at both enhancing quality of life and promoting economic growth. Each regional government formulates project proposals, based on the consultation with the local people, experts and interest groups so that the plan is tailored to satisfy the local demands, and MOLIT is in charge of selecting plans eligible for government supports.

Disparities between urban and rural areas are a major policy concern for sustainable development in rural areas, where agriculture remains an important economic base. Structural changes in the agricultural sector and diversification of income sources to off-farm employment have been the main pathways to addressing low-income issues in rural areas. However, despite government efforts to develop rural infrastructure and provide incentives to attract non-farm business activity to rural areas, young and skilled workers still tend to leave such areas.

Future demographic change and a slowdown of economic growth will have a significant influence on Korean agriculture from both supply and demand sides. Currently, 59% of farmers are over 65 years old but the average age of farmers is expected to increase further. The domestic food market is unlikely to expand due to the declining and ageing population. Per capita consumption of rice nearly halved in just 25 years and is likely to decline further.

Given the challenges that the rural areas face, the agricultural policy requires focus on two directions: i) raising the productivity and competitiveness of agriculture; and ii) promoting off-farm economic opportunities (OECD, 2018^[1]).

MAFRA is promoting the Smart Agriculture Project to integrate information and communication technology (ICT) within agriculture and rural areas. This project established more than 45 cases of model development and field demonstration. The area of greenhouse vegetable production using ICT expanded from 40 077 to 52 526 ha between 1995 and 2015. The project also introduced an automatic feeding system for pig farms. To promote effective integration of ICT with the agri-food industry, the Korean government is developing farming systems where artificial intelligence (AI)-based systems automatically control farm operation; it is also enhancing the use of drone technology and geographic information systems (GIS).

Despite declining domestic demand, Korea's relatively small food manufacturing industry is growing rapidly. Its share in the overall manufacturing sector is much smaller than in other OECD countries and, dominated by small-scale firms, its labour productivity lags that of its competitors. Promoting the industry will be a particularly important policy area if the opportunities to produce value-added food products are to be exploited. The industry also has the potential to create employment in rural areas.

As a part of an income diversification strategy, the so-called "6th industrialisation policy" has been implemented to promote the production of high-value-added agricultural products through the expansion of farm operations to processing, marketing and tourism. Since 2014, the government has installed 6th industrialisation support centres in 10 regions to investigate the development of 6th industrialisation activities and undertake business support projects. The government also established the 1st Basic Plan for the Development of the 6th Industrialisation (2016-20) and introduced the certification system of 6th industrialisation for business operators with a potential to lead the process and to foster outstanding enterprises. In 2016, 1 130 business operators receive the certificate. The basic plan has a target to maintain the sales growth rate of certified business operators at 5% by 2020, to increase the number of 6th industrialisation start-ups from 1 600 in 2016 to 3 000 in 2020, and to increase the number of rural tourism visitors from 6 to 8 million during the same period.

Diversification of rural economic opportunities may further extend to the industries that do not directly relate to agriculture. The Act on Promoting the Development of Income Sources for Agricultural and Fishing Villages in 1983 has promoted the construction of industrial complexes, which provide jobs in both manufacturing industries and agricultural product processing.

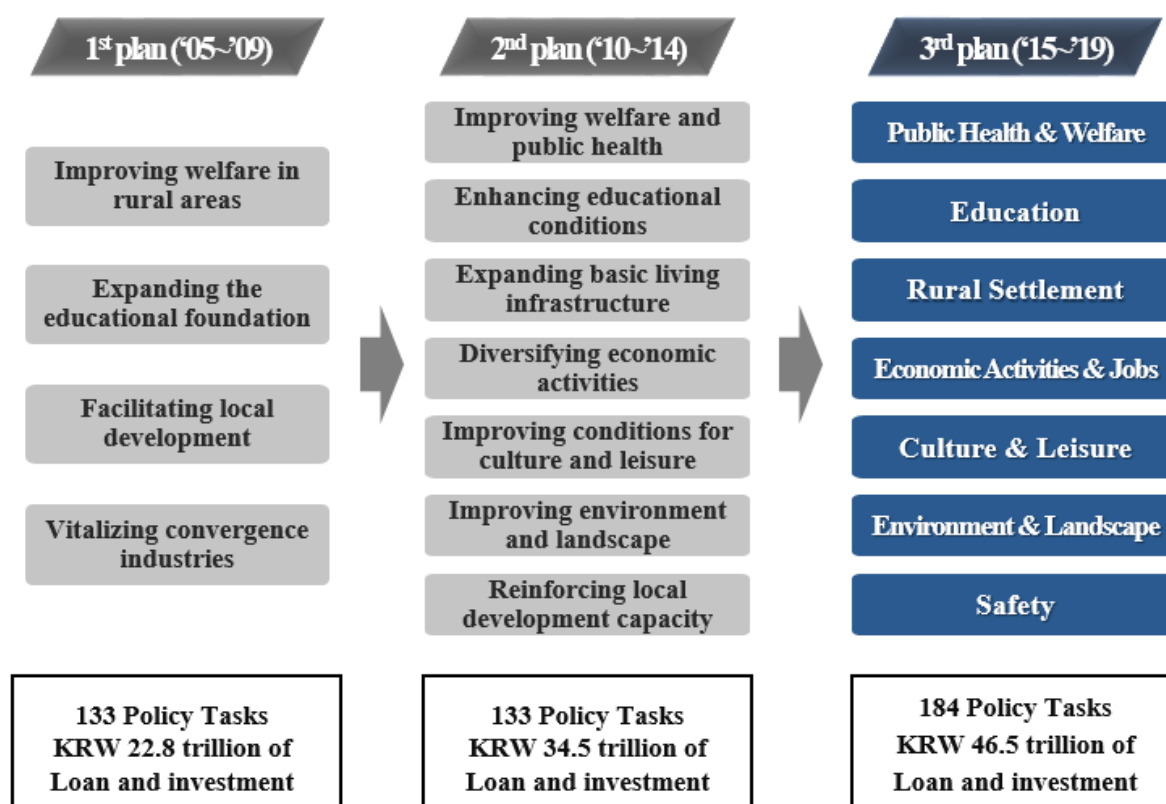
In order to allow the policies aiming at raising agricultural productivity and diversifying rural industries to achieve rural sustainable development, better alignment with broader policy areas including education/skills policy is essential. The development of the educational environment is an important element to enhance the quality of life in rural areas. However, if they fail to provide decent job opportunities, rural regions would not be able to attract and retain the young generation and skilled workers, who would then leave for urban areas.

In response to the educational environment gap between rural and urban areas, the Ministry of Education is implementing two major projects to improve quality of life for farmers and fishers. The project supports selected middle schools in rural areas to form education hubs and attracts students from urban areas. The financial support allowed the selected middle schools to improve educational facilities and deliver various educational programmes (such as the School Creative Career Education Program, sports clubs, orchestra, foreign language programmes). The second project involves ICT facility construction and the distribution of educational content at primary, middle and high schools. Agricultural high schools and the Korea National College of Agriculture and Fisheries have been playing key roles in providing vocational education in the sector. The government has increased fiscal supports to these education organisations to allow them to deliver the practical competency-oriented curriculum (OECD, 2018^[1]).

Rural policies for enhancing well-being in Korea

Complementing the economic development efforts spearheaded by the PCBND, the Prime Minister's Committee on Quality of Life brings specific focus to the well-being of rural dwellers in farming and fishing communities. This committee oversees the execution of the Basic Plan for Improving the Quality of Lives of Farmers and Fishermen, a five-year plan to improve the quality of life in rural areas. The policies have been evolving over the last past 15 years (Figure 3.1) as the government continued to identify and expand measures to improve the quality of life in rural villages, the budget increased from KRW 22.8 trillion for 133 programmes in the first planning period to KRW 51.9 trillion for 185 programmes in the third. The scope of the policy has been expanding from basic services to cover more various sectors such as culture and leisure, environment and landscape, and safety of rural residents (Table 3.3).

Figure 3.1. Korea's 5-year Basic Plan for Improving the Quality of Life of Farmers and Fisherman



Source: (OECD, 2020^[9]), OECD Questionnaire to Korean Government.

In 2010, the government introduced rural services standards. According to a survey conducted by the Korea Center for Disease Control and Prevention in 2010, the prevalence of the 10 diseases in urban areas was 65%, while the prevalence rate of residents in the non-urban areas was 74% of the total population. As this notable disparity in well-being of the residents between urban and rural areas would be derived from the lack of good access to medical services, securing access to basic public services across the territory should be the priority in enhancing the quality of life in rural regions.

Korean rural policy has increasingly extended its focus from development to well-being of the rural communities. In 2010, the Special Act on Improving the Quality of Life in Rural Areas and Rural Development Promotion was amended to establish the National Standards for Rural Area Services to guarantee a high quality of life for rural residents and narrow the gap between cities and rural areas. The standards cover a wide range of basic public services and set the targets to be achieved by 2019, selected by the central government, while the local government may add items according to the local conditions and needs.

The government has suggested 17 items in 7 sectors, including health/welfare, education, living conditions, economic activities/jobs, culture/leisure, environment/landscape, and safety.

The government has been upgrading the policy implementation system to strengthen the linkages and co-ordination between ministries, ensuring the participation of research institutes and academics, and providing support for field activities by local communities and organisations.

Table 3.3. The 3rd Basic Plan to Improve Quality of Life, 2015-19

Vision	Building happy and vibrant rural communities	
Goals	Health and welfare	Enhance health and welfare services and make the service more accessible in rural communities
	Education	Expand educational infrastructure and improve the quality of education in rural areas
	Settlement area	Build community-driven, liveable and convenient settlement areas
	Economic activities and jobs	Create value-added and jobs by combining agricultural and fishing resources
	Culture and leisure	Create conditions for various cultural and leisure activities
	Environment and landscape	Preserve a clean environment and beautiful landscape without damaging rurality
	Safety	Build community roads that are safe from natural disasters, crimes and accidents
Driving force	Central	Conduct coherent and integrated policies among government departments
	Regional and local	Improve the effectiveness of regional quality of life policies
	On site	Enhance participation and capacity in local communities

While offering guidelines rather than legal requirements, the standards have been doing well in engaging local communities with the service provision agenda, through its monitoring and incentive mechanism. The Korea Rural Economic Research Institute is in charge of inspecting and evaluating the implementation, in co-operation with local governments and provincial research institutes which review regional selected indicators. The 2016 assessment of policy achievement shows overall improvement from the previous year but most areas still fell short of the standards, except for emergency services and the broadband network coverage. Financial incentives were given to the regions doing well and policy support to the regions struggling to achieve the goals.

In addition to securing basic services to be provided in each locality through the service standards, the use of networks among rural villages is emerging as an effective and efficient policy to build sustainable living environment in rural communities. The rural hubs revitalisation project has been promoted since 2015 by MAFRA, reorganising predecessor projects focusing on infrastructure and property development. In response to the increase in depopulated villages, the new project aims to improve residents' livelihoods by

linking with towns which can function as rural hubs and providing neighbouring villages with various services including educational, medical, cultural, welfare and business. Public supports are focused on improving basic living infrastructure in general village districts and, in contrast, larger investment is made in leading districts so that they can function as a region's business and service hub. Until 2016, 33 leading districts have completed basic planning and they are in the implementation stage.

Table 3.4. Monitoring implementation of national standards for rural service delivery

Sector	Policy Target by 2019	Target (2019)	2015 (%)	2016 (%)	Changes ('15→'16)
Health and welfare					
Medical service	City and county ratio to receive medical care for important subjects (such as internal medicine, oriental medicine, orthopaedics, obstetrics and gynaecology) should be 80% or more.	80	76.8	73.9	↘
Emergency service	In case of an emergency, the rate of ambulances arriving within 30 minutes and receiving first aid service should be 97% or more. In the case of the island area, a system of patient transport using helicopters and ships should be established.	97	98.4	98.6	↗
Elderly service	The rate that elderly people can receive welfare services at home more than once a week should be 80% or more.	80	71.8	70.1	↘
Young children	The rate for the use of day care facilities for infants and toddlers within <i>eup</i> and <i>myeon</i> districts should be 80% or more.	80	69.7	69.2	↘
Education					
Elementary/middle school	Foster rural schools for local conditions and provide appropriate transportation to students who need transportation assistance.	100	71.1	71.8	↗
Lifelong education	The rate for receiving lifelong education programmes in service centre facilities within <i>eup</i> and <i>myeon</i> districts should be 40% or more.	40	21.8	19.7	↘
Settlement conditions					
Housing	The percentage of households living in homes that meet minimum housing standards should be 95% or more.	95	88.3	88.3	-
Water supply	The water supply ratio in <i>myeon</i> districts should be 82% or more.	82	67.8	69.3	↗
Heating system	The city gas supply rate in <i>eup</i> districts should be 65% or more. The government should promote a reduction in heating costs in regions where it is difficult to supply city gas.	70	53.1	57.0	↗
Public transport	Use transport more than three times a day within the village. Quasi-transportation programmes should be introduced to regions where it is difficult to operate a transportation system. In the case of island areas, more than one round-trip passenger ship should be operated per day.	100	90.4	90.4	-
Broadband	The broadband convergence network construction rate should be 90% or more.	90	85.8	92.8	↗
Economic activity/job					
Start-up and employment consulting/education	A professional consulting and education service about start-ups and employment should be available within cities and counties.	100	67.3	67.4	↗
Culture/leisure					
Cultural facilities and programmes	The possibility of seeing a culture programme more than once a month and professional performance programme more than once a quarter in cultural facilities such as Culture and Arts Centres within cities and counties.	100	91.3	92.0	↗

Sector	Policy Target by 2019	Target (2019)	2015 (%)	2016 (%)	Changes ('15→'16)
Environment/landscape					
Sewerage	The diffusion rate of sewerage should be 85% or more.	85	80.8	81.0	↗
Safety					
Crime prevention equipment	Closed-circuit television (CCTV) installation rate should be 85% or more to prevent prevention of crime.	60	35.8	43.2	↗
Police patrol	Patrols in villages vulnerable to crime should be conducted more than once a day for each village.	100	-	-	-
Fire call	The rate that a fire truck arrives at the scene within 5 minutes after receiving a report should be at least 55%.	55	41.1	41.1	-

Note: In Korea, *dong* districts are termed urban areas while *eup* and *myeon* districts are classified as rural areas. 2016 indicates the year of publication using the most recent data available.

Source: MAFRA (2017_[10]), "Inspection and evaluation result of quality of life implementation plan for farmers and fishermen in 2016 and announcement of an implementation plan for 2017", Press release.

A regional co-operative approach to enhance quality of life has been increasingly mainstreamed in the Korean regional policy and adopted at a larger spatial scale. Under the former Park administration, a new spatial concept, Happy Living Zones, was introduced in 2013 as a basis for regional development policy. It aims to enhance peoples' happiness and quality of life by encouraging co-operation among local governments beyond jurisdiction.

Three types of zones were formed according to the shared characteristics and conditions of local municipalities, such as geography, local industries and historical background. These include:

- Rural zones – with a population of approximately 100 000 inhabitants.
- Rural-urban zones – with small- and medium-sized cities of approximately 100 000 to 500 000 inhabitants.
- Metropolitan zones – with a population of more than 500 000 inhabitants.

The zonal development plan is designed and implemented by the association of local governments in the zone. It covers various inter-local co-operation projects such as economic revitalisation, education, culture, welfare and basic infrastructure, which then are fed into the provincial and national five-year regional development plans. To support the formation of the zones and implementation, the central government had provided a broad range of support schemes such as co-ordinating local governments with funding through a special account for regional development, consulting and technical assistance, and deregulation. Despite its success, the Happy Living Zones policy has been criticised for its excessive focus on local welfare and service provision and absence of regional growth strategies.

Main features of Korea's multilevel governance framework

While large-scale initiatives such as the development of Sejong and Innovation Cities are driving balanced national development by physically relocating the offices and staff of ministries and institutions from Seoul to locations throughout the country, these initiatives constitute only one part of the government's broader decentralisation agenda. A second form of decentralisation is currently underway, one whose long-term impact on Korean society may be even more profound – the devolution of the central government's authority to the regional and local governments. This large-scale devolution that involves an expansive array of policy domains, will have a significant impact on regional and rural development going forward. In introducing this new era of multilevel governance (MLG) in Korea, it is important to first understand Korea's existing MLG framework, the relationship between levels of government and the competencies and responsibilities that exist at each level.

South Korea is a unitary republic led by a president elected by a national popular vote for a single five-year term. The president is both head of state and head of government. The prime minister is appointed by the president with the consent of the National Assembly and is responsible for assisting the president and directing the executive ministries. The country has a unicameral parliament, the National Assembly (Kuk Hoe), elected for a four-year term. Most of the assembly's seats are filled by election from geographical constituencies, with the remainder are distributed proportionally among the various parties.

Local autonomy has been established in Korea's constitution since it was first written in 1948, although the level of autonomy has been increased since 1995. Local magistrates and assemblies are elected in every province, metropolitan or special city, county and autonomous district. City or county governments appoint officials at lower levels (e.g. *eup* – towns and *dong* – neighbourhoods) (OECD-UCLG, 2019^[11]).

All subnational governments have the same structure made up of an executive body (governor for a province, mayor for a metropolitan city, municipal city, county and autonomous district government) and a local council as a legislative body. Governors and mayors are elected by direct popular vote for a four-year term. As far as council members are concerned, 17%-18% are elected by popular vote and the remaining seats are occupied by proportional representatives.

Korea has a two-tier local government system – regional and municipal – though these are not hierarchical (municipal governments are not subordinate to regional governments). A diverse and complex structure exists within each level (OECD-UCLG, 2019^[11]).

- **Regional level** – There are eight provinces (*do*), one special self-governing province (the island of *Jeju*), six metropolitan cities (*gwangyeoksi*), one special city (Seoul Metropolitan City) and, since 2012, Sejong Special Self-Governing City. Sejong is a key project of the balanced national development policy, founded as a new administrative capital, it will serve as the new home for most of the administrative functions of the central government, bringing major new development and hundreds of thousands of people out of Seoul to a site in central Korea. Metropolitan cities combine the functions of regional and local government.
- **Municipalities** – The lower level of local government includes cities (*si*), counties (*gun* – mostly rural areas) and autonomous districts (*gu*), which reflects the “municipal annexation” process that took place in 1995. The municipal level is further divided into 3 500 sub-municipal localities: 224 *eup* (towns, or other urban division of counties), 1 189 *myeon* (rural divisions of counties), and 2 087 *dong* (neighbourhoods within cities and districts) in accordance with the 2018 Statistical Yearbook published by the Ministry of the Interior and Safety regarding Administrative Districts of Local Governments. There are very large differences in the sizes of area and population of subnational governments even among similar types of local governments. While the average size of municipalities is the highest among OECD countries, the size of sub-municipal entities ranges from 10 000 to 50 000 inhabitants.

The local government sector also comprises 17 educational local authorities (ELA) at the regional level and 188 lower levels of ELA, which are independent elected entities according to the Local Education Autonomy Act. Local governments may establish intergovernmental corporate authorities but this form of co-operation is rarely used.

Local government associations that represent the interests of local governments to the central government include the National Association of Governors, the National Association of Mayors, the Association of Metropolitan and Provincial Council Chairs.

Subnational government responsibilities

The functions of subnational governments (SNGs) in Korea are not clearly defined by law. According to Article 117 of the constitution, local governments have to focus on “matters pertaining to the well-being of local residents, manage properties and may establish their own rules and regulations regarding local

autonomy as delegated by national laws and decrees". The Local Autonomy Act (Article 9) distinguishes SNG functions between those delegated by the central government and those which are local by nature. It identifies six categories of SNG functions:

- Category I: 11 functions related to the territorial jurisdiction, the organisational and managerial aspects of local governments.
- Category II: 10 functions aimed at improving the general welfare of local residents.
- Category III: 14 functions to foster growth in the agricultural, trade and industrial sectors.
- Category IV: 15 functions related to regional development and environmental protection (construction and management of environmental facilities).
- Category V: 5 functions to promote education (however, this falls under the responsibility of independent educational offices), sports activities, culture and art.
- Category VI: 2 functions concerning civil defence and safety (firefighting).

Nevertheless, a conditional clause to Article 9 stipulates that the "central government may exercise its own power and control over any function if other laws define them as the functions of the central government". Both SNG levels have the same functions but at different scales but regions are also responsible for vertical co-ordination between the national government and lower level of government. Independent national agencies manage many other areas, including fire protection and education. As a result, there is a large degree of overlap in the division of responsibilities across levels of government.

Overall, local governments have limited policymaking authority and are usually limited to the implementation of national policies; the act stipulates that the central government can use its own power and control over any function. Recently, local authorities have been pressing for more authority at the local level. Within the framework of the 2017-18 decentralisation programme, new functions could be transferred from the central government to subnational authorities. For example, in November 2018, the Presidential Committee on Autonomy and Decentralisation announced that around one-third of the country's police force is set to be transferred from the central government to regional governments over the next four years. Table 3.5 broadly outlines the main areas of responsibility that are within the mandate of the regional and local governments in Korea. The details of decentralisation will be discussed below.

Table 3.5. Main responsibility sectors and sub-sectors of subnational governments

	Regional level	Municipal level
General public services	Management of public properties and facilities	Management of public properties and facilities
Public order and safety	Policing	Firefighting and rescue services
Economic affairs and transport	Economic affairs; public transport	Economic affairs; public transport
Environmental protection	Environmental protection	Environmental protection, including refuse collection and recycling
Housing and community amenities	Housing	Land use; planning and development control; local housing plans
Health	Healthcare	
Recreation, culture and religion	Culture	Leisure services; sport; libraries
Education	Education	Education
Social protection	Social welfare	Welfare services and social care

Source: SNG-WOFI (2019^[12]), *Asia-Pacific – Korea*, <http://www.sng-wofi.org/country-profiles/KOREA.pdf>; (OECD, 2020^[9]), "Questionnaire", Unpublished, OECD, Paris.

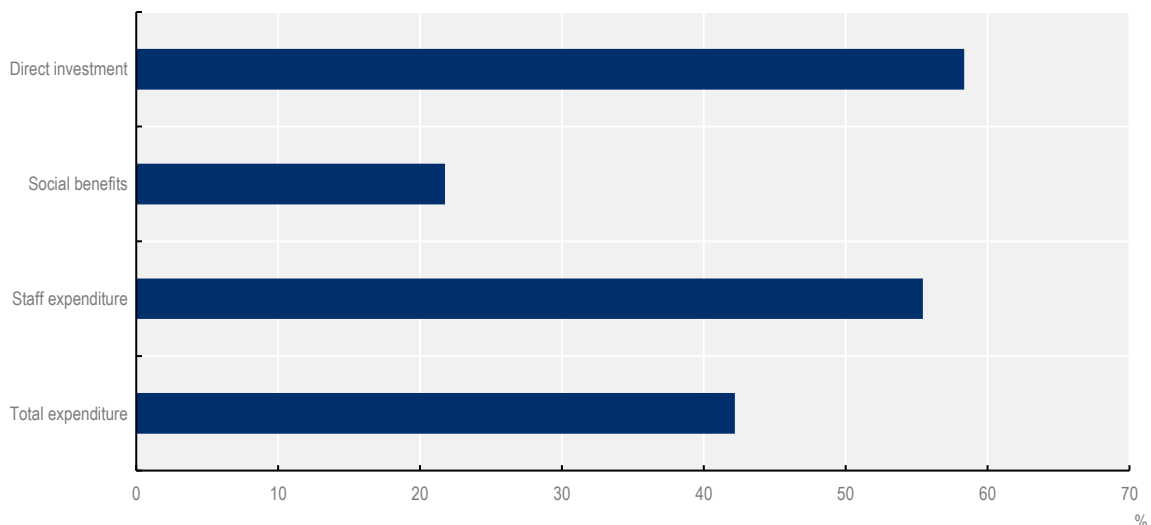
Subnational government financing

Despite fiscal reforms that accompanied the transfer of powers and spending responsibilities to local governments, the lack of fiscal independence at the local level significantly undermines the efficacy of political and administrative decentralisation in Korea.

On the expenditures side:

- SNG spending has increased by 4.1 percentage points from 1995 to 2016 but has decreased as a share of total public spending (-1.7 percentage point), resulting in a mixed picture of transfers of spending responsibilities.
- In 2016, SNG expenditure accounted for 13.8% of gross domestic product (GDP), below the OECD average (16.2%), but for 42.2% of public expenditure, above the OECD average (40.4%).
- SNGs account for more than half of public staff spending (vs. 62.9% in OECD on average but 15 points above the OECD unitary country average) which results partly from the payment of teacher salaries (educational offices).
- The high level of expenditure also reflects the importance of social benefits that are disbursed by SNGs. Subnational social spending represents a significant share of total public social spending, higher than in the OECD on average (16.7%), especially compared to the average of OECD unitary countries (21.8% vs. 10.5% in 2016).
- Korea is among the few OECD countries to use subnational expenditure limits; however, the country has become more inclined to rely on limits since fiscal consolidation started in 2010. This trend has slowed growth in current expenditure.

Figure 3.2. Subnational government expenditure by economic classification



Source: SNG-WOFI (2019₍₁₂₎), *Asia-Pacific – Korea*, <http://www.sng-wofi.org/country-profiles/KOREA.pdf>.

StatLink  <https://doi.org/10.1787/888934223042>

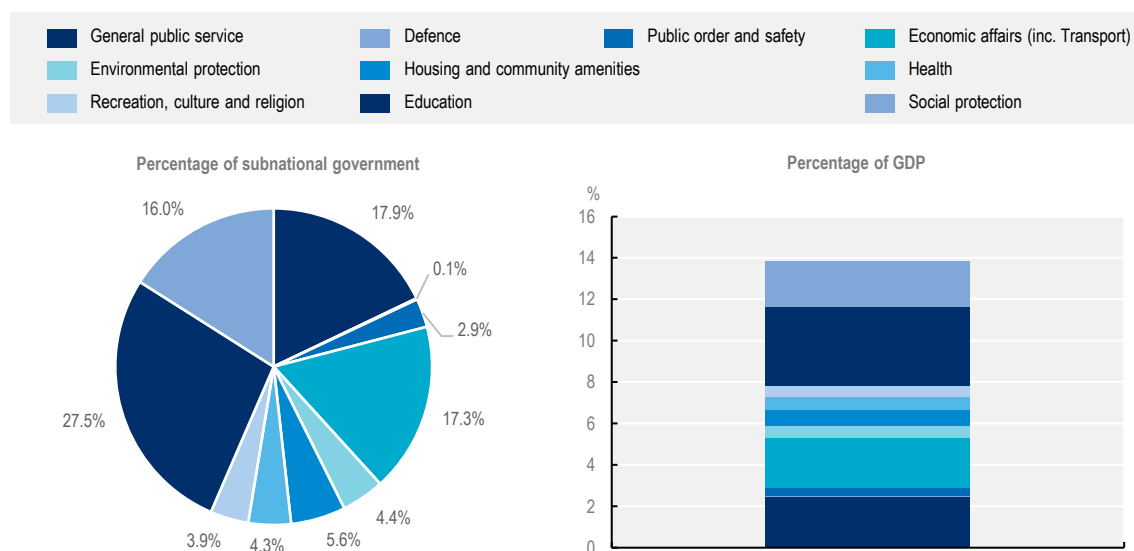
In terms of direct investment, Korea had the highest share of general government spending in 2016 devoted to investment among all OECD countries (16% vs. 8% in the OECD). However, the 2017-21 Fiscal Management Plan shifted spending priorities from economic development activities to social welfare in order to better adapt to the country's ageing population. As a result, infrastructure investment is expected to decline from 5.5% of total spending to 3.2%, while R&D outlays are expected to decline from 4.9% to

4.0% over the period 2017-21. SNG investment has also been particularly high as a share of GDP (3% vs. 1.7% in the OECD), while the share of SNG activities in overall public investment was slightly higher than the OECD average (58% vs. 57% in 2016), reflecting an active role of subnational governments in public investment. The 2013 Special Act on Urban Regeneration provided a framework that encompassed national guidance, a strategic plan and an urban regeneration plan. These plans have called for more collaboration between local and national governments. The incoming administration in 2017 strengthened the act through a 5-year Urban Regeneration New Deal that will designate 100 projects to be supported by an investment of KRW 1 trillion.

Subnational government expenditure by functional classification

Education, delivered via the ELAs, is the largest category of SNG spending, representing 27.5% of total SNG expenditure, followed by general public services (17.9%) economic affairs and transport (17.3%) and social protection (16%). SNGs are particularly active, as a percentage of total public spending, in the areas of housing and community amenities, culture and recreation and environmental protection.

Figure 3.3. Subnational government expenditure in Korea by functional classification



Source: SNG-WOFI (2019^[12]), *Asia-Pacific – Korea*, <http://www.sng-wofi.org/country-profiles/KOREA.pdf>.

StatLink  <https://doi.org/10.1787/888934223061>

However, the share of SNG spending in total public spending has been – on balance – decreasing significantly in all categories since 2013 (a decrease of 17 percentage points in the housing and community amenities categories, 22 percentage points in environmental protection and 26 percentage points in education).

As noted, the 2017-21 Fiscal Management Plan marks a shift in spending priorities from economic activities to social welfare. Social welfare spending has accounted for an increasing share of local expenditure, especially since 2006 when several social welfare services were transferred to subnational governments (pensions for the elderly and for disabled people in 2010, child care allowance, family and healthcare services, national basic living security). Social and health expenditure is on the rise because of Korea's ageing population.

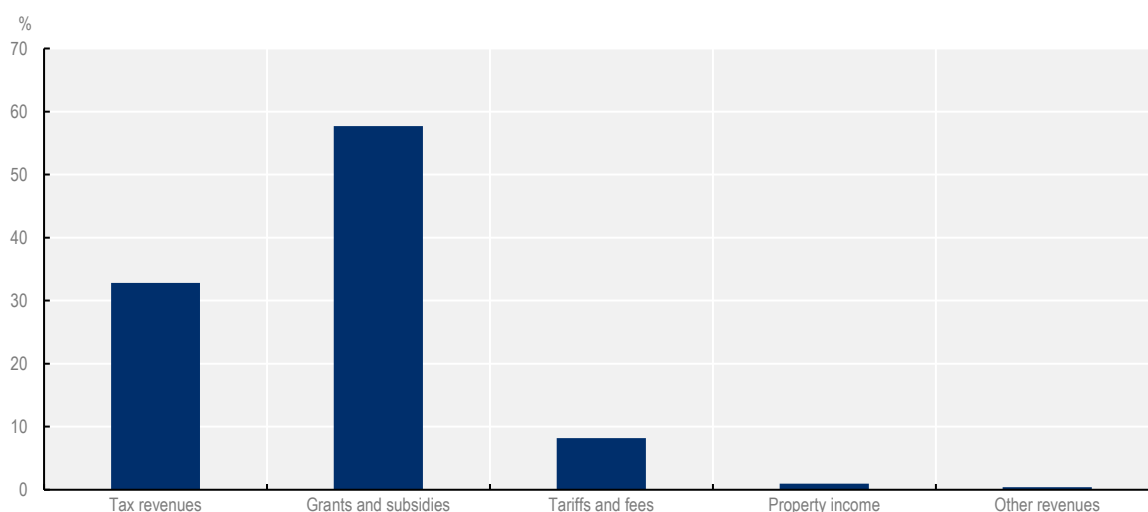
In terms of subnational government revenue, the 1988 Local Finance Act, which determines SNG financing, has been amended several times in 2005, 2009 and 2011, in order to increase fiscal decentralisation and reform the tax and grants systems. In 2016, SNGs still depended heavily on central government transfers whose share in total SNG revenue is well above the OECD average. In 2017, the Ministry of the Interior and Safety (MOIS) announced, as part of the 2017-18 decentralisation programme, that it would increase the ratio of local tax vs. national taxes to 40%-60% in the long term. Expanding the share of local taxes could however raise new challenges in terms of tax disparities. The current structure of the Korean local tax system favours urban areas. Expanding local taxes would exacerbate this situation, further increasing the revenue capacity of the urban areas, at the expense of rural areas, yet it is rural areas that face the greatest challenges in terms of population decline and ageing. This would likely necessitate a review of the country's equalisation mechanisms.

The tax system was reformed in 2011, in order to simplify the tax mix. The number of taxes allocated to SNGs declined from 16 to 11. Indeed, nine of these taxes are ordinary taxes and two are earmarked. Most tax rates are determined by the central government. Provincial taxes comprise ordinary taxes (acquisition tax, registration and license, leisure, and local consumption taxes) and earmarked taxes (community resource and facility and local education taxes). City and county taxes comprise ordinary taxes including inhabitant, property, automobile, local income and tobacco consumption taxes. Metropolitan cities can levy both provincial and municipal own taxes. On 19 December 2017, Korea enacted the 2018 tax reform bill on redistribution and sustainable growth that will amend the acquisition tax exemption clauses and reform environmental tax, among others. In terms of grants and subsidies, transfers from the central government to local authorities mostly include transfers from revenue sharing between levels of government, categorical grants and fiscal equalisation payments.

Revenue sharing is divided between Regular Revenue Sharing (RRS) and Revenue Sharing for Decentralisation (RSD). The RRS consists of 18.3% of national tax revenue. 96% of receipts are non-earmarked to SNGs according to an equalising formula based on an assessment of standard fiscal needs and revenues. The remaining 4% is earmarked.

The RSD system, financed through a decentralisation tax, was introduced in 2006 in order to finance the decentralisation of administrative functions. Categorical grants are very diverse and are aimed at helping local governments to:

- Provide services that would otherwise be too financial onerous.
- Finance delegated tasks and policy projects.
- Provide financial assistance and compensation, among others.

Figure 3.4. Subnational government revenue by category

Source: SNG-WOFI (2019^[12]), *Asia-Pacific – Korea*, <http://www.sng-wofi.org/country-profiles/KOREA.pdf>.

StatLink  <https://doi.org/10.1787/888934223080>

The current Local Finance Equalisation Scheme comprises the transfer of resources between the central and local governments (local subsidy, local education subsidy and subsidy from the national treasury) but also transfers between metropolitan cities and low-level local governments to alleviate internal fiscal disparities. Metropolitan cities give away a certain percentage of the ordinary taxes they collect to low-level local governments based on formulas and special spending needs. Apart from metropolitan cities, provinces also award unconditional grants to lower levels of local government, which are distributed based on population, tax amount collected in a jurisdiction and the fiscal capacity of local governments.

Finally, other revenues include mainly user charges and fees (8% of revenue). Revenue from property (sales of assets, leasing, dividends, etc.) accounts for less than 1% of SNG revenue.

Subnational fiscal rules and debt

According to the Local Autonomy Act, SNGs must maintain a balanced budget. Performance-based budgeting was also introduced for local governments in 2016. A Local Fiscal Crisis Alert System was introduced in 2012 to prevent local governments from being in fiscal insolvency or moratorium, which monitors seven local fiscal statuses which may be connected directly to the fiscal crisis.

In terms of debt, SNGs are free to borrow to fund investment projects (“Golden Rule”). SNGs mostly borrow from the central government’s public loan funds, and recently from “regional development funds”, operated by the upper level of local governments. Since 2006, they have been able to issue bonds without prior approval from the central government if their debt levels are less than the maximum debt ratios set by the authorities (Local Bound Ceiling System). If not, the approval of the Minister of Government Administration and Home Affairs is required. SNG debt in Korea is low, well below the OECD average for unitary countries (8.2% of GDP and 12.0% of public debt). In 2016, half of the outstanding debt was made up of “other accounts payable”, i.e. commercial debt and arrears, while the other half consisted of financial debt. The share of local bonds in SNG debt has been increasing markedly in recent years, climbing to 29% of SNG debt in 2016 (compared to 9% in 2013). Domestic bonds include public bonds, also known as flotation bonds, compulsory bonds and compensation bonds.

Current approaches to decentralisation in Korea

In Korea, decentralisation has two distinct meanings. First of all, there is the decentralisation already discussed that has involved the physical relocation of the central government's offices and staff out of Seoul, through projects like Sejong and the Innovation Cities. Activities in this area are intended to help deconcentrate the population in the Seoul area as well as to help deconcentrate Korea's economic prosperity, thereby ensuring that the country's development occurs in a distributed, balanced way throughout the territory. The government's activities in this area are overseen by the PCBND. The second form of decentralisation is what is sometimes referred to as devolution in other countries, whereby the authorities, responsibilities and fiscal capacity of the central government are transferred to subnational governments, increasing the scope of autonomy of the country's regions. Activities in this area are intended to empower the regions to pursue their own development paths and to govern themselves in a way befitting local values and priorities. By empowering the regions in this way, the expectation is that the activities in this area are overseen by the Presidential Committee on Autonomy and Decentralisation. It is this second form of decentralisation that is discussed in this section.

The decentralisation process in Korea is relatively recent, having started in 1987 with the Declaration for Democratisation. It gained momentum in 1988 with the Local Autonomy Act and the Local Finance Act. Subnational elections for executives and legislative were introduced in 1991 and 1995, when substantial fiscal resources started being transferred to subnational governments. In 1999, a large reform of the public sector was launched including a comprehensive decentralisation programme, under the Act on the Promotion of Devolution of Centralised Administrative Powers to Local Governments. In 2004, the Special Act on Decentralisation, enacted under the impulsion of the Presidential Committee on Government Innovation and Decentralisation, clarified principles and methods for decentralisation, transferred new functions to local governments and abolished special administrative agencies. It was followed by a fiscal reform in 2005 which established the Special Account Balanced National Development.

During the following years, decentralisation was pushed further via the reinforced legal framework. The Special Act on Decentralisation, enacted in 2004, was changed into the Special Act on the Promotion of Decentralisation in 2008, and the Special Act on Decentralisation and Restructuring of Local Administrative Systems was enacted in 2013. For an overview of different laws and committees, see Table 3.6.

In 2017, the administration of Moon Jae-in included decentralisation as one of the Top 100 national tasks: "to promote well-balanced development across every region" (Goal IV), "to promote autonomy and decentralisation to realise grassroots democracy" (Strategy 1) and "to strengthen fiscal decentralisation for financial autonomy" (Task 75). The Moon administration's rationale for this renewed stronger emphasis on decentralisation relates to the understanding that current challenges like demographic change and the introduction of industry 4.0 could be better addressed at the subnational level. The "100 national tasks" programme includes measures to transfer functions of the central government to local governments and to increase the budgets allocated to local governments. In March 2018, as the revised bill of the Special Act on Decentralisation and Restructuring of Local Administrative Systems was promulgated, the Presidential Committee on Autonomy and Decentralisation was set up.

Table 3.6. Decentralisation over time – Governing law and committees by administration

Administration	Governing laws	Implementing committees
Pr. Kim Dae-jung	Act on the Promotion of Devolution of Centralised Administrative Powers to Local Governments (1999)	Presidential Committee for Promotion of Local Empowerment
Pr. Roh Moo-hyun	Special Act on Decentralisation (2004)	Presidential Committee on Government Innovation and Decentralisation
		Presidential Committee for Promotion of Local Empowerment

Pr. Lee Myung-bak	Special Act on the Promotion of Decentralisation (2008)	Presidential Committee on Decentralisation
	Special Act on the Restructuring of Local Administrative Systems (2010)	Presidential Committee for Restructuring of Local Administrative Systems
Pr. Park Geun-hye	Special Act on Decentralisation and Restructuring of Local Administrative Systems (2013)	Presidential Committee on Local Autonomy Development
Pr. Moon Jae-in	Special Act on Local Autonomy and Decentralisation, and Restructuring of Local Administrative Systems (2018)	Presidential Committee on Autonomy and Decentralisation

Source: OECD (2020^[9]), "Questionnaire", Unpublished, OECD, Paris.

The Presidential Committee on Autonomy and Decentralisation co-ordinates the current decentralisation process in Korea. The committee is comprised of 27 members. They include official members (the Minister of Public Administration and Security, the Minister of Strategy and Finance and the Minister for the Cabinet Office) as well as other ministries relevant to the agenda. In addition, the committee has 24 civilian members. Among these, six are recommended by the president, ten by the chairman of the National Assembly, and two each by four major local associations, including the Association of Provincial Governors and Metropolitan City Mayors and the Association of Metropolitan and Provincial Council Chairs. All members are formally appointed by the president. In addition to the representatives from the major local associations and political leaders, cities countries and districts can establish consultative councils for their jurisdiction to exchange information, to make policy recommendations and to collect opinions regarding the tasks of autonomous decentralisation, as prescribed by municipal ordinances. However, voices from the local governments, residents or other stakeholders are only consulted by the committee if it deems necessary to do so.

In September 2018, the Committee on Autonomy and Decentralisation developed a comprehensive plan for autonomous decentralisation. The plan includes 6 strategies and 33 tasks. The 6 strategies are as follows; for a description of the 33 tasks, please consult Annex 3.A:

- Realisation of residents' sovereignty.
- Substantial transfer of central authority to local governments.
- Powerful promotion of fiscal decentralisation.
- Stronger co-operation among central-regional-municipal governments.
- Expansion of autonomy and responsibility of municipalities.
- Restructuring of local administrative systems and improvement of local electoral systems.

The revised Special Act on Local Autonomy and Decentralisation, and Restructuring of Local Administrative Systems includes a series of fundamental changes for local-level governance. It includes devolution of centralised administrative powers to local governments (effective from 1 January 2021). This unprecedented move will see local authorities take over the delivery of 400 tasks spanning 46 laws (Table 3.7), tasks originally handled by 16 of the central government's ministries. Some tasks will be transferred to the regional levels and some to the local level. No differentiation is made between different types of region or to reflect the current capacity of each regional and local government, nor will there be a phased approach, as all 400 tasks will be transferred simultaneously on 1 January 2021. However, administrative and capacity building support is being given to help the SNGs prepare. The goal of the reform is to enable local governments to autonomously establish and enforce policies tailored to their regional needs.

Table 3.7. Breakdown of administrative transfers

	Total	National to <i>Si/Do</i>	National to <i>Si/Do/</i> <i>Si/Gun/Gu</i>	National to <i>Si/Gun/Gu</i>	<i>Si/Do</i> to <i>Si/Do/</i> Large cities	<i>Si/Do</i> to <i>Si/Gun/Gu</i>
No. of administrative affairs	400	242	57	50	27	24
Share (%)	100	60.5	14.2	12.5	6.8	6

Source: OECD (2020^[9]), "Questionnaire", Unpublished, OECD, Paris.

In addition to the allocation of new tasks, the Special Act on Decentralisation also includes a restructuring of administrative systems. This includes consolidation of local governments, particularly *Gu* that have a very small population or area. The consolidation process is evaluated according to geographical conditions, neighbourhood zones, economic zones and the characteristics of each region including their historical and cultural homogeneity, a process overseen by the Minister of Interior. While the minister might recommend consolidation, the process requires local approval and can evoke a local referendum. The consolidation is then implemented by a joint committee led by the heads of the local governments to be consolidated.

The act shall also ensure a more participatory environment for the general public in policymaking, for example through the establishment of regional councils as a platform for proposing policy ideas and collecting opinions on region-specific matters concerning decentralisation. Further, it also guarantees residents' right to direct participation through measures like referenda, residents recall votes, residents' lawsuits and residents' requests for the enactment and abolition of a municipal ordinance. It also stipulates provisions for the establishment of local self-governing entities for the purposes of achieving regional development in line with the constitutional promise that "the country's sovereignty shall reside in the people".

In a move to facilitate participatory budgeting, the law establishes the basis for an expansion of residents' autonomous organisations and broadens the allowed scope of participation from "being limited to budget compilation" to "budgeting processes including compilation", thereby providing residents with an increased opportunity to participate in major municipal projects.

The constitutional amendment bill, proposed by President Moon Jae-in in March 2018, proposed adding the "Republic of Korea promotes decentralisation" into Article 1 of the constitution, further cementing the autonomy of local governments though this proposal failed to achieve quorum. Nevertheless, addressing the regional imbalance between Seoul and surrounding regions is at the core of the government's decentralisation programme.

In addition to the transfer of administrative powers, the central government has also sought to transfer additional fiscal authority to local governments. In October 2019, it announced the implementation plan for fiscal devolution, setting the proportion of national and local budgets at 7:3, from 8:2 currently. To achieve this, the government plans to transform part of the national value added tax (VAT) into a local consumption tax. Consequently, local consumption taxes will rise from 11% to 21% while VAT will be cut in a revenue-neutral way. This change is expected to replenish subnational government finances, by a total of KRW 8.5 trillion, with no additional tax burden on the public. Mindful that some areas are richer than others, the devolution plan includes tools for equalisation to spread the funding more evenly across regional governments than they would otherwise collect. Local consumption taxes collected will be distributed with different regional weights, specifically the Seoul Metropolitan Area, metropolitan cities and provinces by 1:2:3 respectively. Moreover, 35% of the taxes collected in the Seoul metropolitan area will be transferred to Local Mutual Development Funds over the first 10 years to support development among in other parts of the country.

Implementing rural policies in a context of increased decentralisation

With the decentralisation of authority now underway, there are five key areas where progress will be necessary to ensure a smooth and equitable transfer and to ready the subnational governments to make the most of their new autonomy. These include measures to support vertical co-ordination, horizontal co-ordination, capacity building, public engagement and subnational government finances. Successful decentralisation requires a holistic approach that aligns all stakeholders in support of the agenda. With these in place, Korea's regional and local governments will be best prepared to leverage autonomy in support of the prosperity and well-being of their people.

Advancing from top-down policymaking

As a unitary country with a legacy of having a highly centralised approach to public policy, Korea's recent undertaking to decentralise hundreds of state functions to subnational governments marks a profound change for the country that will have a lasting impact on how it governs itself. It may give rise to unforeseen regional divergences and serve to strengthen regional identities across the country. That said, the legacy of centralised policy management may not be easy to set aside, as it is likely still embedded in the institutional memory of public institutions. Institutional changes do not happen overnight and cumulative learning processes explain the path dependency in policymaking and the persistence of central government control despite reforms towards decentralisation.

Traditionally both the central and local governments have had responsibilities and roles in policy planning and implementation, with an arrangement that has left little room for autonomy at the local level, particularly in strategic planning. The central government establishes top-level sectoral plans, such as the CNTP, the Development Plan for Agriculture, Rural Areas and Food Industries, and then local governments elaborate regional sectoral plans that reflect the conditions of each region, along with considering the direction of the national plan. Thus, the role of the local governments has been mostly to implement policies and deliver programmes that were designed and developed at the centre. While they do have some capacity and history of preparing their own development goals and proposals, their dependency on central government funding has meant that national priorities usually take precedence.

Improving vertical co-ordination

Rural development projects are in some cases designed and implemented by the subnational governments while the central government's line ministries have the authority to evaluate the submitted proposals and to co-ordinate. The Presidential Committee for Balanced National Development reviews non-urban policy projects and conducts an annual survey on cases deemed excellent to help improve the policy outcomes. This policy evaluation system leads to budget reductions for ineffective projects and additional financial incentives for outstanding projects.

To help accelerate the implementation of balanced national development projects, the central government decided in January 2019 that subnational government proposals would be exempted from preliminary feasibility checks in the following four areas:

- Promoting regional strategic industries through R&D investment.
- Constructing infrastructure (e.g. roads, rail bridges) supporting regional industries.
- Building metropolitan networks on transport and logistics.
- Projects intended to improve quality of life for residents.

These changes should accelerate the assessment process conducted by the central government so that approvals come sooner. Regions are taking advantage of these changes to push forward with a variety of projects: for example, in Jeollanam-do, the province is planning to extend an expressway to connect islands and build a new export complex for the fishing industry.

Overcoming budgetary constraints

Local governments in Korea have little financial autonomy at the moment, as the central government provides most of their funding via transfers. These transfers, grants and subsidies from the central government constitute approximately 57.7% of their total resources, with own-source revenue from locally applied taxes at just 32.8% in 2016. This compares with the OECD average of 37.2% from transfers and 44.6% from locally applied taxation. While increased fiscal autonomy is a goal of the national government and further fiscal decentralisation is currently underway, the additional revenue that local governments receive may not be sufficient to cover the additional tasks being simultaneously handed over to them and it is not yet clear whether, once the tasks are absorbed and the new fiscal authority given, they will find themselves any less dependent on the central government than they were previously. In addition, the central government recognises that the economic disparities that exist within the country necessitate that, alongside fiscal decentralisation, it will be necessary to have substantial equalisation measures, at least in the near term and, therefore, ongoing central government intervention to support this.

Fiscal imbalances have been covered by tax-sharing agreements (local shared tax) and intergovernmental transfers from the central government (a block grant to promote capital investment called national earmarked categorical grants). In 2005, fiscal reform was enacted establishing the Special Account for Balanced National Development which transformed many specific-purpose grants into integrated national grants for regional development that were otherwise scattered in the central government's accounts. The Special Account for Balanced National Development was then reorganised and renamed the Interregional and Regional Development Special Account in 2010 to expand fiscal spending for local municipalities. Two hundred projects were integrated into 24 comprehensive projects and a block grant was adopted to give local municipalities the authority to autonomously design the projects (OECD, 2010^[3]). Further changes to the account in 2015 saw a further expansion to 37 projects, along with another name change, to the Regional Development Special Account. Most recently, the account was expanded again under the current administration to 43 projects and its name was reverted to the Special Account for Balanced National Development in 2019.

Applying a functional region approach

Territorial relationships change over time and are shaped by socio-economic and cultural changes. Economic development, the mass diffusion of cars, technological progress and improvements in communication and transport have had an impact on the organisation of people, goods, ideas and economic activities across space – whether for residential and employment choices or the consumption of goods and services. The space where individuals carry out their activities, where they live their lives day to day, has expanded and no longer matches the traditional administrative structures that govern territories.

A first step in implementing rural policy is identifying the right scale of intervention by adapting policies and governance to functional geographies. Rural economies are different from urban economies across various dimensions including the physical distance from markets, the costs in terms of connectivity to transport people and goods and the prominence of specific natural endowments for the local economy. The implementation of rural policies thus needs to match the scale of rural economies (e.g. local labour markets, food chains, environmental services and amenities), based on current and future needs of the areas, with effective governance mechanisms at the relevant scale to realise rural policy objectives.

The Korean government and subnational governments within Korea have recognised this and have taken steps in recent years to increasingly apply a functional region approach in their regional development policy. Examples of this include the mega-regional economic zones and supra-economic regions articulated in the 4th CNTP. At the subnational level, the province of Jeollanam-do has developed a consultative body with the metropolitan city of Gwangju recognising their shared interests and the boundary-crossing needs of their people. Their consultative body is working together on 16 different priorities including the development of a new circular expressway, a joint tourism initiative and the

development of new farmers' markets to strengthen the economic bonds between the urban population and the surrounding agricultural rural areas. They are also exploring the expansion of their partnership to include neighbouring Jeonbuk Province to create an even larger economic region that they hope may eventually rival Seoul.

On a smaller scale, the Happy Living Zone concept has been developed in response to the need for sustainable and efficient public service delivery in rural areas. Given the long-term demographic trend of population ageing and outmigration in rural Korea, initiatives like these will become increasingly essential, as it will no longer be feasible to provide comprehensive public services in all municipalities and fiscal challenges are expected to increase (OECD, 2018^[13]). In this regard, policy initiatives that further mobilise regional linkages to enhance the quality of residents' life, deliver services more efficiently and co-operate to pursue economic opportunities should be prioritised.

Working with civil society and other non-governmental stakeholders

Traditionally Korea's non-urban development policy has been a top-down approach led by the central government; however, in recent years, social and economic organisations such as village enterprises, co-operatives, self-help companies and rural community companies have actively been playing larger roles in policymaking and implementation. Public-private co-operation (private assistance) is expanding so that the flexibility and innovation of these intermediate support organisations can be utilised in non-urban policies.

A good example of the partnership between public and private actors would be the social enterprises in Chungcheongnam-do. Social enterprises operate in various social welfare areas such as healthcare for the elderly in remote communities and mental healthcare for children and the youth. The activities of these social enterprises cover a wide range of services, for example, a social enterprise for the elderly's healthcare offers medical services through medical co-operatives in areas of higher proportion of the elder residents. Not only providing medical services for the elderly, the enterprise functions as a vehicle for collaboration between various local actors including local government, volunteer organisation and private companies. Partly funded by the provincial support fund and subsidies from municipalities, the social enterprises are operating with their own incomes from membership fees and medical service provision.

In another example, Jeollanam-do has implemented two new processes in an effort to avoid blind spots in its policy development process. First, their public service now gives active consideration to the spatial environment in their project development including aspects like crime prevention and how the built environment can relieve stress. In all public infrastructure and policy delivery, consideration is now given to potential differential impacts on persons with disabilities, children and multi-cultural families. Second, the province has introduced a participatory budgeting system that encourages the participation of the public. The system permits residents to participate in budget formulation and provides enhanced transparency and efficiency.

Also, in Jeollanam-do, a network of Community Social Security Council provides an opportunity for resident participation in identifying local well-being needs and permits the public to propose solutions. In addition, the Jeollanam-do Welfare Foundation works to develop, implement and evaluate a variety of policy measures for resident well-being and connects stakeholders with private resources to support these efforts.

Although many rural development projects have encouraged resident participation, they have sometimes failed to train independent private partners since the project implementation was mainly led by the public sector or few partners. Since decentralisation will accelerate in the near future, supporting various local actors and partner organisations to develop the necessary capacity to fully and usefully participate in policy development and delivery at the local level will become an increasingly important factor in the success of rural policy delivery in Korea.

Annex 3.A. Korea's decentralisation plan

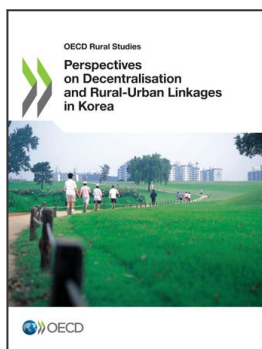
Annex Table 3.A.1. The Comprehensive Plan for Autonomous Decentralisation

Six strategies	33 tasks
1. Realisation of residents' sovereignty	1-1. To guarantee the right of residents to participation
	1-2. To promote participation by residents based on deliberation
	1-3. To enhance the representation and activities of the Resident Autonomy Council
	1-4. To allow residents' request for the enactment and amendment of municipal ordinances
	1-5. To ease requirements for making civil recall or demand of audit
	1-6. To expand the eligibility for resident voting
	1-7. To expand the resident participatory budgeting system
2. Substantial transfer of central authority to local governments	2-1. To redistribute administrative affairs between central and municipal governments
	2-2. To make a function-oriented transfer of central administrative authority to local governments in a comprehensive manner
	2-3. To make it mandatory for central ministries to consult with the Ministry of the Interior and Safety for enactment or amendment of a law that they are responsible for over any possibility of breaching the right of local autonomy
	2-4. To reorganise special local administrative agencies, currently put under the jurisdiction of central ministries, so that some of their administrative affairs can be reallocated to be performed by local governments
	2-5. To expand special provisions regarding administrative affairs of large cities (large cities herein mean those with a population of more than 500 000 or 1 million inhabitants that are neither a Special Metropolitan City nor a Metropolitan City)
	2-6. To introduce an autonomous police system at the metropolitan level
	2-7. To strengthen autonomy in education and secure connectivity and co-operation between autonomy in education and other areas
3. Powerful promotion of fiscal decentralisation	3-1. To improve the structure of national and local taxes
	3-2. To strengthen the basis of securing more local tax revenues
	3-3. To introduce a hometown donation system that allows taxpayers who live in urban areas to contribute to rural areas in return for a tax credit
	3-4. To restructure subsidy programmes
	3-5. To improve equity of local subsidies
	3-6. To expand and reorganise Local Mutual Development Funds, aimed at assisting mutual development among local governments and efficiently managing and utilising the surplus capital of funds (e.g. financial resources for the funds, areas to be used and other details are described in the Framework Act on the Management of Local Government Funds)

Six strategies	33 tasks
4. Stronger co-operation among central-regional-municipal governments	4-1. To establish and operate a co-operative body between central and local governments
	4-2. To boost co-operation among municipalities
	4-3. To realise models for autonomous decentralisation with Jeju and Sejong
5. Expansion of autonomy and responsibility of municipalities	5-1. To give local councils autonomy over the personnel management of their public officials and disclose legislative activities
	5-2. To strengthen organisational autonomy and responsibilities
	5-3. To secure autonomy and transparency in local personnel management systems
	5-4. To enhance the expertise of local public officials
	5-5. To improve autonomy in managing local finance
	5-6. To expand access to local finance information
	5-7. To establish a self-evaluation system
6. Restructuring of local administrative systems and improvement of local electoral systems	6-1. To restructure local administrative systems
	6-2. To improve local electoral systems

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