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Preface

I am pleased to present Local Government in Korea, published by the Korea Research Institute for Local Administration, designed to inform local government experts and stakeholders both domestically and internationally.

This booklet aims to showcase Korea's dynamic local government system and highlight its development trajectory and innovative practices.

As countries worldwide confront challenges such as economic growth, urbanization, and regional disparities, the role of local governments has become increasingly significant. Korea's local government system has made remarkable progress in fostering regional development, enhancing the efficiency of public administration, and empowering local communities through decentralization. I believe that Korea’s experiences will provide valuable insights for other nations.

I hope that this publication serves as a valuable resource for scholars, practitioners and policymakers, and that it contributes to strengthening cooperation between Korea and other countries in the field of local government.

The Korea Research Institute for Local Administration is committed to advancing local government through research and international cooperation and sharing the research results globally.

Finally, I would like to extend my heartfelt gratitude to the researchers of the Korea Research Institute for Local Administration for their invaluable contributions to this booklet. I also extend my sincere thanks to stakeholders, both domestically and internationally, for their unwavering support and dedication to advancing local government.

December 2024

Dong-il Yook

President, Korea Research Institute for Local Administration

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Chapter 01

Overview of Local Government in Korea

Section 1. The Constitution and Local Autonomy Act of Korea

1. The Constitution of Korea

The Constitution of the Republic of Korea, first ordained and established on July 17, 1948, has undergone nine amendments to reach its present form. The current Constitution, which was fully amended on October 29, 1987, consists of 130 Articles in 10 Chapters and six Supplementary Provisions. As the supreme law of the Republic of Korea, the Constitution guarantees the fundamental rights of its citizens and establishes the principles for the organization and functioning of the State. Rooted in democracy and the rule of law, it plays a vital role in safeguarding the freedoms and rights of the people and maintaining national order. The Constitution of the Republic of Korea consists of the Preamble, General Provisions, Rights and Duties of Citizens, the National Assembly, the Executive, the Courts, the Constitutional Court, Election Management, Local Autonomy, the Economy, and Amendments to the Constitution.

The following is the Preamble of the Constitution of the Republic of Korea.

Preamble

We, the people of Korea, proud of a resplendent history and traditions dating from time immemorial, upholding the cause of the Provisional Republic of Korea Government born of the March First Independence Movement of 1919 and the democratic ideals of the April Nineteenth Uprising of 1960 against injustice, having assumed the mission of democratic reform and peaceful unification of our homeland and having determined to consolidate national unity with justice, humanitarianism and brotherly love, and To destroy all social vices and injustice, and To afford equal opportunities to every person and provide for the fullest development of individual capabilities in all fields, including political, economic, social and cultural life by further strengthening the basic free and democratic order conducive to private initiative and public harmony, and To help each person discharge those duties and responsibilities concomitant to freedoms and rights, and To elevate the quality of life for all citizens and contribute to lasting world peace and the common prosperity of mankind and thereby to ensure security, liberty and happiness for ourselves and our posterity forever, Do hereby amend, through national referendum following a resolution by the National Assembly, the Constitution, ordained and established on the Twelfth Day of July anno Domini Nineteen hundred and forty-eight, and amended eight times subsequently.

Chapter 1. General Provisions stipulates the identity of the Republic of Korea and the fundamental operating principles. The provisions include the statement that the Republic of Korea is a democratic republic and that sovereignty resides in the people.

Chapter 2. Rights and Duties of Citizens contains umbrella provisions that stipulate that all citizens are assured of their fundamental rights equally. It also includes provisions that guarantee human rights and the freedoms of speech, religion, and assembly, among others. In addition, it delineates the obligations of citizens to the State, including the duty of national defense and the duty to receive education.

Chapter 3. The National Assembly establishes the National Assembly as the legislative body and details the process for electing members of the National Assembly, as well as its powers and responsibilities. It also stipulates that the National Assembly has authority over legislation, budget bill deliberations, and audits and inspections of state affairs.

Chapter 4. The Executive outlines the powers and responsibilities of the President and the Executive Branch. It specifies the process for electing the President, the term of office of the President, the powers and duties of the President, and the roles of the Prime Minister and the State Council.

Chapter 5. The Courts and Chapter 6. The Constitutional Court define their respective roles and powers. The courts protect the rights of citizens, while the Constitutional Court protects the constitutional order. Chapter 7. Election Management prescribes the establishment of the National Election Commission to govern the administration of elections and referenda.

Chapter 8. Local Autonomy consists of two articles addressing local governments and councils. Chapter 9. The Economy states that the nation's economic order is based on a respect for the freedom and creative initiative of enterprises and individuals in economic affairs. And Chapter 10. Amendments to the Constitution outlines the procedures for constitutional amendments.

The following are the provisions of Chapter 8. Local Autonomy of the Constitution of the Republic of Korea.

Chapter 8. Local Autonomy

Article 117

(1) Local governments shall deal with administrative matters pertaining to the welfare of local residents, manage properties, and may enact provisions relating to local autonomy, within the limit of Acts and subordinate statutes.

(2) The types of local governments shall be determined by Act.

Article 118

(1) A local government shall have a council.

(2) The organization and powers of local councils, and the election of members; election procedures for heads of local governments; and other matters pertaining to the organization and operation of local governments shall be determined by Act.

2. Local Autonomy Act

The Local Autonomy Act of the Republic of Korea is the primary Act governing local autonomy as stipulated in Chapter 8 of the Constitution. The Local Autonomy Act provides the basic principles and operational framework of local autonomy. Local autonomy refers to the process by which local residents form local governments and take autonomy in addressing local affairs. The Local Autonomy Act details the powers, organization, operation and financial management of local governments. The Act aims to provide the legal grounds for local governments to operate independently, encourage civil engagement, and guarantee the autonomy of local governments. Local governments in Korea are categorized into (1) broad-area local governments including Special City, Metropolitan City, Special Self-Governing City, *Do*, and Special Self-Governing Province, and (2) basic local governments such as *Si, Gun*, and *Gu*. In addition to these local governments, following the full amendment to the Local Autonomy Act in December 2020, special-purpose local governments may be separately established, if necessary, to achieve specific purposes. Local government exercise legislative autonomy, administrative autonomy, and fiscal autonomy.

Section 2. Progress of the Local Autonomy Act and the Local Government System

1. Changes in the Local Autonomy Act

After the government of the Republic of Korea was established in 1948, the first Constitution provided for local autonomy in Korea. On July 4, 1949, the Local Autonomy Act was formally enacted as Act No. 32, marking the beginning of local autonomy in Korea. As of 2024, the Local Autonomy Act has been amended 73 times, ranging from changes in individual provisions to full revisions. Most of these amendments were made after the restoration of local autonomy in 1991. Specifically, pre-1991 amendments account for only 13.7% of all amendments, while the remaining 86.3% were made after 1991.

The following describes the timeline of changes in the Local Autonomy Act.

- Introduction: The enactment of the Local Autonomy Act in 1949 marked a significant shift from a centralized political system to democratic local autonomy. Despite challenges such as the Korean War and political uncertainties, local autonomy formally began with the inaugural local elections of basic and broad-area local councils in 1952 and continued until 1960 when the third local elections were held. During this period, the broad-area local governments consisted of Seoul Special City and *Do*, and the basic local governments operated at the *Si, Eup*, and *Myeon* levels.

- Discontinuation: In 1961, the May 16 military coup d'état led to the abolition of local autonomy and a reassertion of a centralized political regime. With the implementation of the Provisional Measures Act on Local Autonomy, local councils were dissolved, and the appointment system for the heads of local governments was reinstated. During this period, the Local Autonomy Act became effectively defunct, and local elections were discontinued until the revival of local autonomy in 1991. During this period, broad-area local governments consisted of Seoul Special City, *Jikhalsi*, and *Do*, while basic local governments consisted of *Si* and *Gun*.

- Revival: One of the results of the June 1987 Democratic Movement was the reignition of the demand for the reinstatement of local autonomy, which led to a comprehensive revision of the Local Autonomy Act in 1988 and the revival of local autonomy in Korea. In 1991, members of basic and broad-area local councils were elected, and the current election system for the heads of local governments was reintroduced in 1995. This development served as a critical turning point in decentralizing the powers of the central government and restoring local autonomy and democracy.

- Growth: The Local Autonomy Act was fully amended for the first time in 30 years in December 2020 and went into effect in January 2022. This marked the expansion and growth for the nation's local government system. The amendment included provisions designed to strengthen the autonomy and accountability of the local governments, enhance the authority of local councils, and facilitate civil engagement. It also introduced various measures to improve the financial independence of local governments.

2. Changes in the Local Government System in Korea

The Local Autonomy Act of the Republic of Korea provides a critical institutional framework for ensuring the autonomy of local governments and civil engagement, solidifying its role as a key mechanism for democracy. The full revision of the Act in December 2020 introduced measures to enhance civil engagement in the administration of local governments, such as a recall system and a resident ordinance initiative system. These measures are expected to improve the transparency and accountability of local governance. In addition, the amendment granted local councils to monitor and oversee the policies of local governments by establishing institutional measures to ensure the professionalism and independence of local councils. To support the financial independence of local governments, the distribution structure between national and local taxes was revamped, granting local governments greater authority to secure their own financial resources.

The table below summarizes the progress of the local government system in Korea.

<Table 1> Changes in the local government system in Korea

Category	Introduction (1949-1960)	Discontinuation (1961-1990)	Revival and growth (1991-Present)
Type of local government	▪ Broad-area local governments: Seoul Special City, *Do* ▪ Basic local governments: *Si*, *Eup*, *Myeon*	▪ Broad-area local governments: Seoul Special City, *Jikhalsi*, *Do* ▪ Basic local governments: *Si*, *Gun*	▪ Broad-area local governments: Special City, Metropolitan City, Special Self-Governing City, *Do*, Special Self-Governing Province ▪ Basic local governments: *Si*, *Gun*, *autonomous Gu*
Organizational structure	▪ Separation of powers (local council + executive organ)	▪ Integration of powers (abolition of local councils)	▪ Separation of powers (local council + executive organ)
Election of heads of local governments	▪ Term 1 (1952): Appointment/indirect election - Seoul Special City Mayor and *Do* Governors: Appointed by the President	▪ Appointment - Appointed from among state officials	▪ Term 4 (1995) - ▪ Term 11 (2022): Direct election by residents - *Si* Mayors and *Do* Governors: Direct election by residents

Category	Introduction (1949-1960)	Discontinuation (1961-1990)	Revival and growth (1991-Present)
Election of heads of local governments	- Heads of *Si*, *Eup*, and *Myeon*: Indirect election by councils ■ Term 2 (1956): Appointment/direct election - Seoul Special City Mayor and *Do* Governors: Appointed by the President - Heads of *Si*, *Eup*, and *Myeon*: Direct election by residents ■ Term 3 (1960): Direct election by residents - Seoul Special City Mayor and *Do* Governors: Direct election by residents - Heads of *Si*, *Eup*, and *Myeon*: Direct election by residents		- Heads of *Si*, *Gu*n, and *Gu*: Direct election by residents
Election of council members	■ Term 1 (1952) - ■ Term 3 (1960): Direct election by residents - Seoul Special City Council and *Do* Council: Direct election by residents - *Si, Eup*, and *Myeon* Council: Direct election by residents	■ Abolition of local councils - Seoul Special City and *Do*: Approval by the Minister of the Interior - *Si* and *Gun*: Approval by the Governor	■ Term 4 (1991) ~ ■ Term 12 (2022): Direct election by residents - *Si* and *Do* Council: Direct election by residents - *Si, Gun* and *Gu* Council: Direct election by residents

Adapted from Korea Research Institute for Local Administration. (2021). *30 Years of Local Autonomy and Future Vision and Strategy for Decentralization.*

3. Local Autonomy Laws in Korea

Laws relating to local autonomy in Korea can be classified according to their legal status as special laws and general laws, or according to their nature as laws dealing with general matters and laws dealing with specific matters. Local autonomy laws that are classified as general laws include the Local Autonomy Act, the Residents' Voting Act, the Recall of Elected Officials Act, the Local Education Autonomy Act, the Local Public Officials Act, the Local Finance Act, the Local Tax Act, the Framework Act on Local Taxes, the Local Tax Collection Act, the Local Subsidy Act, the Public Property and Commodity Management Act, the Local Public Enterprises Act, the Framework Act on the Management of Local Government Funds, the Act on the Operation of Local Government-Invested or –Funded Institutions, and the Act on Resident Initiative, and special laws include the Special Act on Local Autonomy and Decentralization and Restructuring of Local Administrative Systems, the Act on Special Cases Concerning the Administration of Seoul Special Metropolitan City, the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City, the Special Act on the Establishment of Sejong City, the Special Act on the Establishment of Gangwon Special Self-Governing Province, and Special Act on the Establishment of Jeonbuk Special Self-Governing Province, among others.

In terms of nature, laws that address general matters include the Local Autonomy Act, the Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City, the Special Act on the Establishment of Sejong City, etc., and laws that address specific matters include the Special Act on Local Autonomy and Decentralization and Restructuring of Local Administrative Systems, the Act on Special Cases Concerning the Administration of Seoul Special Metropolitan City, the Residents' Voting Act, the Recall of Elected Officials Act, the Local Education Autonomy Act, the Local Public Officials Act, the Local Finance Act, the Local Tax Act, the Framework Act on Local Taxes, the Local Tax Collection Act, the Local Subsidy Act, the Public Property and Commodity Management Act, the Local Public Enterprises Act, the Framework Act on the Management of Local Government Funds, the Act on the Operation of Local Government-Invested or –Funded Institutions, etc.

The table below shows key laws relating to local autonomy and the years of their enactme

<Table 2> Local autonomy laws and years of enactment

Local autonomy law	Enactment
▪ Local Autonomy Act	Jul 4 1949
▪ Local Tax Act	Dec 22 1949
▪ Local Subsidy Act	Dec 31 1961
▪ Local Public Officials Act	Nov 1 1963
▪ Local Finance Act	Nov 11 1963
▪ Local Public Enterprises Act	Jan 29 1969
▪ Local Education Autonomy Act	Mar 8 1991
▪ Act on Special Cases Concerning the Administration of Seoul Special Metropolitan City	May 31 1991
▪ Residents'Voting Act	Jan 29 2004
▪ Public Property and Commodity Management Act	Aug 4 2005
▪ Framework Act on the Management of Local Government Funds	Aug 4 2005
▪ Special Act on the Establishment of Jeju Special Self-Governing Province and the Development of Free International City	Feb 21 2006
▪ Recall of Elected Officials Act	May 11 2007
▪ Framework Act on Local Taxes	Mar 31 2010
▪ Special Act on the Establishment of Sejong City	Dec 27 2010
▪ Act on the Operation of Local Government-Invested or –Funded Institutions	Mar 24 2014
▪ Local Tax Collection Act	Dec 27 2016
▪ Special Act on Local Autonomy and Decentralization and Restructuring of Local Administrative Systems	Mar 20 2018
▪ Act on Resident Initiative	Oct 19 2021
▪ Special Act on the Establishment of Gangwon Special Self-Governing Province	Jun 10 2022
▪ Special Act on the Establishment of Jeonbuk Special Self-Governing Province	Jan 17 2023
▪ Special Act on Local Autonomy and Decentralization and Balanced Regional Development	Jun 9 2023

Chapter 02

Local Administrative System in Korea

Section 1. Local Administrative System

1. Overview

According to Article 2, Paragraph 16 of the Special Act on Local Autonomy and Decentralization and Balanced Regional Development, the term "local administrative system" means a series of systems related to the hierarchical structure of local autonomy and local administration, the jurisdictional areas of local governments, the distribution of functions between the Special Metropolitan City, Metropolitan Cities, *Dos*, and *Sis/Guns/Gus*.

The three pillars of a local administrative system, namely jurisdiction, hierarchy, and function are closely interrelated. Therefore, designing or reforming a local administrative structure should consider all three elements. First of all, a jurisdiction is the spatial area where an administrative agency operates and performs its functions. It is ideal that the size of a jurisdiction is appropriate for the effective performance of its assigned functions. Hierarchy is the vertical arrangement of jurisdictions of different sizes according to their functions. If the appropriate scale for a function is national (for example, defense or diplomacy), it should be performed by a state agency, or if metropolitan (for example, metropolitan economic development), by a metropolitan agency. For narrower functions (for example, waste treatment or urban transportation), basic local agencies are more appropriate, and localized functions such as street cleaning are best managed by neighborhood organizations (Kim, 2012, p.16)[1].

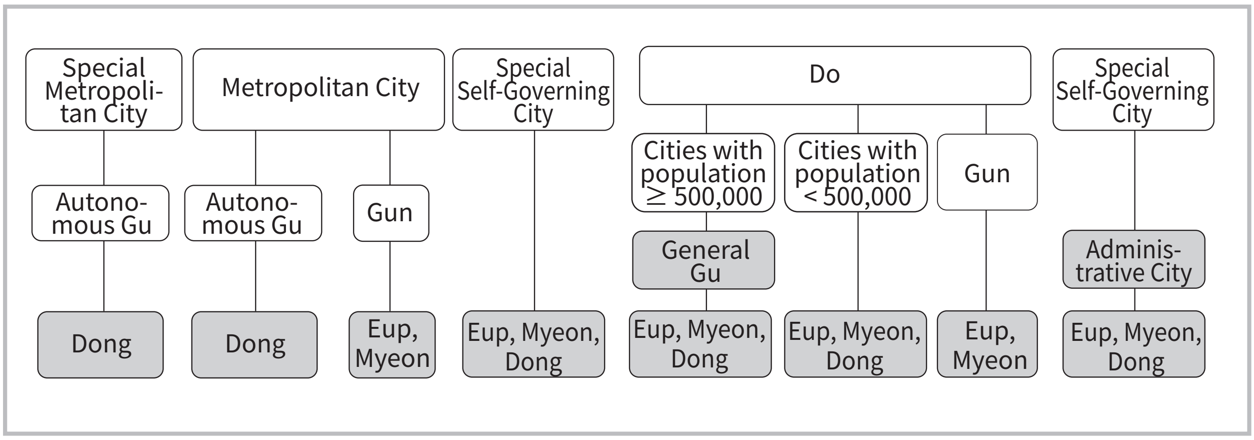
1) Kim, S. (2012). *The Political Economy of Local Government Restructuring.* Paju: Korean Studies Information.

2. Pillars of the Local Administrative System: Hierarchy, Jurisdiction, and Function

The hierarchy of local administration is the vertical distribution of authority and responsibility within a government or administrative system, or the structured redistribution of functions. The administrative hierarchy plays an important role in ensuring the efficient operation and management of the organization and is usually divided into multiple levels. Each level has different authorities and responsibilities, with higher levels supervising and directing lower levels. The distribution of authority helps prevent inefficiencies that may result from concentrating all responsibilities at a single level.

According to Article 2 of the Local Autonomy Act, local governments in Korea are divided into broad-area local governments and basic local governments. As the upper level of local government in the hierarchy, broad-area local governments manage broad-area local government affairs and supervise basic local governments under their jurisdiction. Basic local governments form the lower level of the hierarchy and manage basic local government affairs. The hierarchical structure of local government is divided into autonomous and administrative levels. However, the hierarchical structure in Korea usually refers to the autonomous level. In other words, the autonomous hierarchy is composed of broad-area and basic local governments, and *Eups*, *Myeons*, and *Dongs* are installed as administrative units. As an exception, among the special self-governing cities and provinces, Jeju Special Self-Governing Province has a one-tier autonomous hierarchy and a two-tier administrative hierarchy. As of 2023, 3,549 administrative units have been established: 34 general *Gus* (administrative cities), 234 *Eups*, 1,178 *Myeons*, and 2,103 *Dongs*.

<Figure 1> Structure of the local administrative system in Korea



In local administration, jurisdiction refers to a defined geographical boundary established for specific purposes based on certain criteria, and legally, it denotes the territorial scope over which a public agency or entity exercises its authority (as cited in Choi, 1981, p.13, and Kim, 2012, p. 13). Jurisdictions are categorized into autonomous jurisdictions and administrative jurisdictions based on their legal nature. Autonomous jurisdictions refer to the jurisdiction of local governments that have autonomous power over them, and administrative jurisdictions refer to the territorial scope of administrative agencies. Since local governments are administrative agencies, autonomous jurisdictions are inherently included in the concept of administrative jurisdictions. Local administrative jurisdictions are further divided into general-purpose districts and special-purpose districts, depending on the complexity of their functions. In general-purpose districts, a single administrative agency performs multiple functions, while special-purpose districts are designed to perform specific functions. The local administrative system of Korea is primarily comprised of general-purpose autonomous districts, namely, general local governments at the *Si* and *Do* level or *Si, Gun*, and autonomous *Gu* level.

<Table 3> Categorization of local administrative districts

<table>
<tr><th colspan="2" rowspan="2">Categorization of local administrative districts</th><th colspan="2">Complexity of functions</th></tr>
<tr><th>Multifunction</th><th>Single function</th></tr>
<tr><td rowspan="2">Legal nature</td><td>Autonomous unit</td><td>General-purpose autonomous districts
Example: General local governments (Si and Do, Si, Gun, and autonomous Gu)</td><td>Special-purpose autonomous districts
Example: Special-purpose local governments (local government associations)</td></tr>
<tr><td>Administrative unit</td><td>General-purpose administrative districts
Example: Lower-level administrative units (Eup, Myeon, Dong, etc.)</td><td>Special-purpose administrative districts
Example: Frontline agencies (regional environmental offices, etc.)</td></tr>
</table>

Source: Kim (2012, p.15), Table 1-1.

In Korea, the functions of local administration are primarily discussed in terms of the duties performed by local governments. The Local Autonomy Act outlines the criteria and grounds for the classification and allocation of the functions of the state. Article 11 of the Local Autonomy Act stipulates the principles for the distribution of functions between the state and local governments. Article 15 specifies state affairs that cannot be handled by local governments, such as affairs necessary for the existence of the nation, affairs requiring performance in a uniform manner throughout the nation, nationwide affairs, highly technological affairs and affairs beyond the financial capabilities of local governments.

The scope of affairs handled by local governments is outlined in Article 13 of the Local Autonomy Act, which distinguishes autonomous affairs from delegated affairs, stating: “Local governments shall perform autonomous affairs of their jurisdiction and the affairs entrusted under statutes.” Article 14 of the Local Autonomy Act specifies the criteria for the allocation of affairs among different types of local governments.

<Table 4> Scope of affairs handled by local governments

Article 13, Paragraph 2. Examples of the affairs of local governments under paragraph (1) shall be as follows: Provided, That if it is otherwise prescribed by other Acts, this shall not apply: <Amended on Aug. 8, 2023; Jan. 9, 2024> 1.Affairs concerning the jurisdiction, organization, administrative management, etc. of local governments: (a) Coordination of the names, locations and areas of the administrative areas within the jurisdiction; (b) Establishment, revision, abolition, and operation and management of municipal ordinances and rules; (c) Organization and management of subordinate administrative agencies; (d) Guidance on and supervision of subordinate administrative agencies and organizations; (e) Management of personnel matters, welfare, and education of public officials under jurisdiction; (f) Imposition and collection of local taxes and revenues other than local taxes; (g) Formulation and execution of budget, audit of accounting, and management of property; (h) Management of administrative equipment, computerization of administration and improvement of administrative management; (i) Management of public property; (j) Management of family relation registration and resident registration; (k) Drafting of various kinds of surveys and statistics needed by local governments; 2. Affairs concerning the promotion of welfare of residents: (a) Projects concerning the welfare of residents; (b) Installation, operation and management of facilities for social welfare; (c) Protection of and support for persons living in poverty; (d) Protection and promotion of the welfare of senior citizens, children, persons with mental disorder, juveniles and women; (e) Establishment and operation of health and medical treatment institutions; (f) Prevention of infectious or other diseases, and prevention of epidemics; (g) Operation and management of cemeteries, crematoriums, and charnel houses; (h) Guidance for the improvement of sanitary conditions of hospitality business places; (i) Collection and disposal of sewage and garbage; (j) Establishment and operation of local public enterprises; 3. Affairs concerning the promotion of industries including agriculture, forestry, commerce, industry, etc.: (a) Installation and management of agricultural irrigation facilities, such as small ponds, reservoirs, etc.; (b) Support for production and distribution of agricultural, forestry, livestock and marine products; (c) Management of agricultural materials;

(d) Management of and guidance on combined farming;
(e) Fostering of and guidance on profit-making business other than agriculture;
(f) Encouragement of sidelines for farming households;
(g) Management of public forests;
(h) Projects for development of small-scale livestock raising, and for promotion of dairy;
(i) Prevention of livestock epidemics;
(j) Fostering of and support for local industries;
(k) Consumer protection and encouragement of savings;

4. Affairs concerning local developments, and establishment and management of living environmental facilities for residents:
(a) Projects for local development;
(b) Execution of local civil engineering and construction projects;
(c) Execution of urban planning projects;
(d) Installation, repair and maintenance of provincial roads and / roads;
(e) Encouragement of and support for the improvement of residential living environments;
(f) Improvement of rural houses and village structure;
(g) Activities for protection of nature;
(h) Management of local rivers and small rivers;
(i) Installation and management of waterworks and sewerages;
(j) Installation and management of simplified water supply facilities;
(k) Designation and management of *Do*/Metropolitan parks, *Gun* parks, *Si* parks, *Gu* parks, etc.;
(l) Installation and management of urban parks, park facilities, green areas, sightseeing and resort facilities, etc.;
(m) Installation and management tourist attractions, tourist complexes, tourism facilities, etc.;
(n) Operation of local railroad projects;
(o) Installation and management of facilities for traffic convenience such as parking lots, traffic signs, etc.;
(p) Establishment and execution of countermeasures against disasters;
(q) Fostering of and support for the local economy;

5. Affairs concerning the promotion of education, sports, culture and art:
(a) Establishment and operation of, and guidance on, day-care centers, kindergartens, elementary schools, middle schools, high schools and other kinds of schools equivalent thereto;
(b) Installation and management of public educational, sports and cultural facilities such as libraries, playgrounds, plazas, gymnasiums, museums, performance centers, galleries, music halls;
(c) Designation, registration, preservation, and management of local cultural heritages;
(d) Promotion of local culture and art;
(e) Fostering of local cultural and art organizations;

6. Affairs concerning local civil defense and local firefighting:
(a) Formation and operation of, guidance on, and supervision of, local and workplace civil defense organizations (including a volunteer fire brigade);
(b) Prevention of, alert for, extinguishment and investigation of, and rescue and first aid activities in, fires in local areas;

7. International exchange and cooperation:
(a) Attraction of and support for international organizations, events, and competitions;
(b) Exchange and cooperation with foreign local governments.

3. Discussions on the Restructuring of Local Administrative Systems

Article 43, Paragraph 1 of the Special Act on Local Autonomy and Decentralization and Balanced Regional Development, enacted in 2023, prescribes the basic directions for the restructuring of local administrative systems, stating that it shall be promoted to ensure an efficient response to administrative demand by local governments, development suitable for regional characteristics, enhance the convenience of residents, and strengthen the competitiveness of the State and local governments. The basic directions are: 1. Appropriateness of local autonomy and local administrative hierarchy, 2. Adjustment of autonomous districts to enhance the living convenience of residents, 3. Assignment of roles and functions corresponding to the scale and autonomous capacity of local governments, and 4. Promotion of neighborhood autonomy by residential unit.

Both ruling and opposition parties have made attempts to discuss the restructuring of the local administrative system, but in-depth deliberation has proven difficult. This is mainly due to the complexity of the interests of the regions concerned and challenges in reaching a consensus on such reforms. As a result, past administrations' efforts to restructure the local government system have revolved primarily around issues such as the relations between the central and local governments, the distribution of affairs, the integration of *Sis*, *Guns*, and *Gus*, and the expansion of local autonomy. However, considerations of the integration of local governments themselves have been often overlooked.

However, in light of current global trends such as globalization, informatization, and urbanization, there have been persistent calls to address issues such as the integration of local governments to achieve economies of scale to meet the evolving demands of residents. In response, in May 2024, the Ministry of the Interior and Safety established the Advisory Committee for Future-Oriented Administrative Restructuring to discuss key issues related to the local administrative system, *inter alia*, the integration and consolidation of local governments.[2)]

Section 2. Administrative Districts in Korea

Local governments in Korea are categorized into broad-area local governments (*Si* and *Do*), which include Special Metropolitan City, Metropolitan City, Special Self-Governing City, *Do*, and Special Self-Governing Province, and basic local governments, which include *Si*, *Gun*, and autonomous *Gu* (Article 2, Paragraph 1 of the Local Autonomy Act). These are considered general-purpose local governments established with general purposes and functions to handle comprehensive local affairs (Ahn, 2010).

1. Broad-Area Local Governments

Broad-area local governments oversee broad jurisdictions and serve as intermediaries between the central government and basic local governments. More specifically, broad-area local governments handle administrative affairs that require broad management, planning, or coordination, for example roads, transportation, or other functions that involve two or more basic local governments. In Korea, this category includes Special Metropolitan City, Metropolitan City, and *Do* (Province).

First, Special Metropolitan City is granted special treatment in its status, organization, and operation in consideration of its unique nature as the capital city. Seoul is the only Special Metropolitan City in Korea. According to Article 197, Paragraph 1 of the Local Autonomy Act, it is stipulated that "Exceptions may be granted to the status, organization, and operation of Seoul Special Metropolitan City in consideration of its distinctiveness as a capital city, as prescribed by Acts," granting Seoul the special status as the Special Metropolitan City.

Metropolitan Cities are local governments legally separate from Dos and have the equal status as *Dos*. The Metropolitan City system was introduced to better address the issues inherent to metropolitan cities with populations over one million by separating them from *Dos* that are primarily comprised of rural areas. Initially, they were called *Jikhalsi* (municipality directly administered by the central government) but later renamed *Gwangyeoksi* (metropolitan city) on January 1, 1995.

2) Changing, abolishing, or establishing a district as a jurisdiction where a local government exercises political or administrative authority.

Being the traditional form of broad-area local governments, *Dos,* or Provinces, are intermediate autonomous administrative districts between the central government and basic local governments. Among the local governments in Korea, *Dos* govern the largest jurisdictions, and they play a crucial role in inter-regional coordination and broad-area management.

2. Basic Local Governments

Basic local governments are the smallest unit of local government that provides essential public services for citizens' everyday life. In Korea, they include *Sis* (cities), *Guns* (counties), and autonomous *Gus* (districts), which are responsible for a variety of administrative services directly related to the daily lives of the residents.

A *Si* is an administrative unit with a population of over 50,000 people and is typically an urban area. *Sis* feature a high population density, the majority of residents engaged in secondary and tertiary industries, and their socio-economic lifestyle being distinctly different from that of rural areas. To meet the administrative demands innate to urban areas, *Sis* operate separately from *Guns*.

Next, *Guns* were originally established as basic local administrative districts in rural areas under the jurisdiction of *Dos* as per the 1949 Local Autonomy Act. During the first and second Republics, they were not autonomous local governments but mere administrative districts. However, with the enactment of the Provisional Measures Act on Local Autonomy in 1961, the *Eup* and *Myeon* autonomy system was abolished, and *Guns* were granted legal personality for the first time, thus becoming basic local governments. However, it was not until the revival of local autonomy in 1991 that *Guns* began to function fully as basic local governments.

Finally, autonomous *Gus* were granted legal personality as basic local governments with the seventh amendment to the Local Autonomy Act in 1988, in consideration of the special nature of metropolitan areas and the single-tier autonomous structure of the Special Metropolitan City and Metropolitan Cities. With this amendment, *Gus* that had been mere administrative districts in the Special Metropolitan City and Metropolitan Cities become recognized as basic local governments. Autonomous *Gus* were originally established for efficient administration in metropolitan areas. However, Article 2, Paragraph 2 of the current Local Autonomy Act stipulates "A *Gu* that is a local government shall mean only those within the jurisdiction of a Special Metropolitan City or a Metropolitan City, and the scope of the autonomous authority of an autonomous *Gu* may be determined differently from that of a *Si/Gun* as prescribed by statutes," allowing for administrative functions tailored to their unique circumstances.

Section 3. Administration of *Eup, Myeon*, and *Dong*

1. Concept of *Eup, Myeon*, and *Dong* and Their Legal Grounds

The Local Autonomy Act prescribes that local governments may operate *Dongs* for administrative purposes for administration efficiency and residents' convenience (Article 4-2, Paragraph 4). The ultimate purpose of installing an *Eup, Myeon*, or *Dong* is to improve administration efficiency and residents' convenience. An *Eup* is established by ordinance and is typically a jurisdiction that is largely urbanized and has a population of over 20,000 (Article 10, Paragraph 3 of the Local Autonomy Act). An *Eup* may be established when population living in the urbanized area within the jurisdiction is more than 40% of the total population and more than 40% of the households are engaged in urban industries (Article 9, Paragraph 3 of the Enforcement Decree of the Local Autonomy Act). In areas with a population of less than 20,000 people, an *Eup* may be established in a *Myeon* that is located in the seat of the *Gun* office, or a *Myeon* from the *Myeons* of a city in the urban and rural complex form without any *Eup* (Article 10, Paragraph 3 of the Local Autonomy Act). *Myeons* are established by ordinance where administrative agencies are located and there is a *Myeon*-level administrative system with the capacity to develop its own administrative system. In the event of changes in administrative conditions, for example population decline, two or more *Myeons* can be merged and managed as one administrative *Myeon*. *Dongs* are established by ordinance, for administration efficiency and residents' convenience in response to changes in local circumstances, such as large-scale development projects.

The history of *Eup*, *Myeon*, and *Dong* traces back to the Japanese colonial period when the Governor-General of Korea restructured local administrative units into *Eup*, *Myeon* and *Dong*, which were maintained during the U.S. military government period after the nation's liberation in 1945. In 1999, the community service center concept was introduced and the functional transition of the *Eup, Myeon* and *Dong* was pursued, with the aim to provide cultural, recreational, local welfare, resident convenience and civil education services and foster a sense of self-governance and community awareness among residents.

2. Installation of *Eups, Myeons* and *Dongs* and Affairs Handled

In Korea, there are 17 *Si/Do*-level administrative districts, 226 *Si/Gun/Gu*-level administrative districts, and 3,524 *Eups*, *Myeons*, and *Dongs* (Ministry of the Interior and Security, 2023, p.4). While Seoul, Gwangju, Daejeon exclusively have *Dongs* in their jurisdictions, the other broad-area local governments have *Eups*, *Myeons*, and *Dongs*. The proportion of *Eups* and *Myeons* is higher in *Dos* than in Metropolitan Cities (Table 5).

Eups, Myeons, and *Dongs* handle 99 affairs as stipulated by 28 laws and regulations. These include affairs specified in six Acts, nine Presidential Decrees (Regulations and Enforcement Decrees), 13 Ministerial Decrees (Enforcement Rules), and affairs delegated by the central government on the ground of the Regulations on the Delegation and Entrustment of Administrative Authority and delegation provisions in individual Acts.

<Table 5> Administrative districts in Korea (as of December 31, 2022)

Category		*Sis/Guns/Gus*				Administrative *Sis* and non-autonomous *Gus*		*Eups/Myeons/Dongs*				Branch offices			
Si/Do		Total	*Si*	*Gun*	*Gu*	*Si*	*Gu*	Total	*Eup*	*Myeon*	*Dong*	Total	*Si/Do*	*Si/Gun/Gu*	*Eup/Myeon*
Total (17)		226	75	82	69	2	32	3524	234	1177	2113	87	10	12	
Special Metropolitan City	Seoul	25			25			426			426				
Metropolitan City	Busan	16		1	15			205	4	1	200	1		1	
	Daegu	8		1	7			142	6	3	133	2			2
	Incheon	10		2	8			155	1	19	135	6	1	1	4
	Gwangju	5			5			97			97	1	1		
	Daejeon	5			5			82			82				
	Ulsan	5		1	4			56	6	6	44	1	1		
Special Self-Governing City	Sejong							22	1	9	12				
Do	Gyeonggi	31	28	3			17	567	37	102	428	7	1	4	2
	Gangwon	18	7	11				193	24	95	74	8	2		6
	Chungbuk	11	3	8			4	153	16	86	51	5	3		2
	Chungnam	15	8	7			2	208	25	136	47	5	1	1	3
	Jeonbuk	14	6	8			2	243	15	144	84				
	Jeonnam	22	5	17				297	33	196	68	30		1	29
	Gyeongbuk	23	10	13			2	330	38	200	92	14		1	13
	Gyeongnam	18	8	10			5	305	21	175	109	7		3	4
Special Self-Governing Province	Jeju					2		43	7	5	31				

Notes: ① Nine *Myeons* (without *Myeon* offices): Jindong, Jinseo, and Jangdan *Myeons* in Paju, Gyeonggi; Geunbuk and Geundong *Myeons* in Cheolwon, Gangwon.

※ Seven *Myeons*: No residents; three *Myeons*: Residents present and administration functioning (Gunnae and Jindong *Myeons* in Paju – Jangdan *Myeon* Office).

② Households and populations: Based on resident registration as of December 31, 2022.

③ Public officials: Number of local public officials as of December 31, 2022, excluding heads of local governments and state public officials.

3. Improvement of *Eups, Myeons*, and *Dongs*

The recent advancement of digital technologies has led to significant improvement of the efficiency of administration at the *Eup, Myeon*, and *Dong* level. With the dissemination of online civil service systems and mobile service delivery, residents can now access various government services without temporal or spatial limits. In particular, the introduction of digital administration has increased accessibility for residents and enabled more efficient administration. Despite the development of digital government, however, some *Eups* and *Myeons* still face the digital divide, leaving the residents underserved. To address this gap, both central and local governments are striving to promote digital education and develop infrastructure with the aim to prevent digital exclusion.

Considerations should also be given to innovations to encourage civil engagement by, for example, vitalizing residents' councils and strengthening administrative organizations at the neighborhood level. It is crucial to create a structure where residents effectively play leading roles in decision making, rather than a mere formality. Efforts should be made to embrace various resident participation mechanisms, such as resident participation in budgeting, resident initiative, and resident recall systems, and to establish online and offline resident participation platforms.

Chapter 03

Organization of Local Governments and Local Councils

Section 1. Organization of Local Governments and Executive Organs

1. Organization of Local Governments

The organizational structure of a local government refers to how the administrative authority and power structure of the local government is arranged to provide administrative services through various administrative activities aimed to benefit its residents based on its autonomous authority. It is primarily associated with the relationship between the deliberative and executive organs of the local government. The organization structure is designed to achieve its objectives by establishing the local government-level deliberative and executive organs to develop a democratic political system and efficient administrative framework. The organization of a local government shows how its political powers and executive systems are organized, and changes in political powers surrounding the local council and the executive structure led by the head of the local government can affect the outcomes of the local government's activities, hence the appropriate design of institutional frameworks is critical. This allows the local government to better contribute to the ultimate goal of local autonomy, i.e., improving the welfare of residents.

Basically, local governments perform functions and administrative services that the central government is supposed to perform. Achieving their intended objectives requires deliberative and executive organs. The organizational structure of local governments can be categorized depending on the relationship between the deliberative and executive organs, i.e., whether they are separated, confronting, or integrated. Accordingly, the structure is broadly classified into the separation of powers, the integration of powers, and a crossover model that combines both elements.

The separation of powers model follows the principle of separate between deliberative and executive organs, balancing between the two through mutual containment of powers. In contrast, the integration of powers model is based on the principle of the integration of the deliberative and executive organs, merging deliberative and executive powers into a single agency. The crossover model combines elements of both the separation and integration models. The deliberative functions are separated from the executive functions in this model. However, it emphasizes coordination rather than opposition between the two organs.

The organizational structure of local governments aims to establish a democratic political system and an efficient administrative system. The appropriate design of organizational structure helps achieve democracy and efficiency.

2. Changes in the Organizational Structure of Local Governments in Korea

The Local Autonomy Act provides that residents elect both the members of local councils and the heads of local governments through direct elections. Therefore, the organizational structure of a local government is designed to maintain a balance of power between the deliberative organ (local council) and the executive organ (head of the local government). Chapters 5 and 6 of the Local Autonomy Act contain provisions on the local council and the head of the local government and prescribe mechanisms for mutual oversight. The separation of powers model is intended to allow the elected heads of local governments to exert leadership effectively to fulfill the objectives of the executive organ. However, the full amendment to the Local Autonomy Act in December 2020 expanded the legal framework to allow for other organizational structures, such as the integration of powers model, although additional legislation would be needed for such alternative structures to be implemented.

Below are a summary of the key changes in the organizational structure of local governments in Korea.

<Table 6> Key changes in the organizational structure of local governments

Local council	Time	Local council	Head of local government	Remarks
Term 1	1952-1956	Direct election by residents	Basic: Indirect election by local councils Broad-area: Appointment	The 1st *Si/Eup/Myeon* Council Election (1952) The 1st *Do* Council Election (1952)
Term 2	1956-1960	Direct election by residents	Basic: Direct election by residents Broad-area: Appointment	The 2nd *Si/Eup/Myeon* Council Election (1956)
Term 3	1960-1961	Direct election by residents	Basic: Direct election by residents Broad-area: Direct election by residents	The 3rd *Si/Eup/Myeon* Council Election (1960)

Dissolution of council	1961-1988	Dissolution of council	Basic: Appointment Broad-area: Appointment	Councils dissolved by 5.16 Decree No. 4 (1961)
Transitional period of democracy	1988-1991	Principle: Councils organized Transitional measure: Councils not organized	Principle: Direct election by residents Transitional measure: Appointment	-
Term 4	1991-1995	Basic: Direct election by residents Broad-area: Direct election by residents	Appointed by the President under transitional measures	*Si/Gun/Gu* Council Election (Mar 1991) *Si/Do* Council Election (Jun 1991)
Term 5 – Term 12	1995-Present	Basic: Direct election by residents Broad-area: Direct election by residents	Basic: Direct election by residents Broad-area: Direct |election by residents	Provincial Elections and local Council Elections conducted in 1995, 1998, 2002, and every 4 years thereafter

Adapted from Korea Research Institute for Local Administration. (2021). *30 Years of Local Autonomy and Future Vision and Strategy for Decentralization.*

Section 2. Organizational Management of Local Governments

1. Concept of Autonomous Organization and Legal Grounds

The autonomous organizational authority of local governments refers to their authority to establish organizational structures such as administrative agencies and personnel. It grants local governments autonomy to operate organizations and personnel in consideration of their regional characteristics and at the same time ensure accountability in their organizational and personnel management. The autonomous organizational authority encompasses authority to establish and manage administrative agencies and authority to determine and manage personnel. The authority to establish administrative agencies is local governments' authority to establish and operate administrative agencies in consideration of their administrative demand, and the authority to manage personnel is their authority to determine and manage personnel in consideration of their administrative demand.

Local governments' organizational management is conducted on the grounds of the following statutes.

- Local Autonomy Act: Article 125 (Administrative Organizations and Public Officials) stipulates basic matters concerning the administrative organizations and public officials of local governments. It states that a local government have the authority to have administrative organizations and local public officials take partial charge of the duties thereof.

- Regulations on Administrative Agencies and Fixed Number of Officials of Local Governments, Etc.: This Presidential Decree details the standards for the establishment of local governments' administrative agencies and personnel management. It provides specific guidelines for the organization and personnel management of local governments and sets differential standards depending on the size and nature of local governments.

- Local Public Officials Act: The Act stipulates matters concerning the position and rank system of local government officials. It prescribes basic matters regarding the appointment, remuneration, service, and status of local government officials, serving as an important guide for local government personnel management.

- Local government ordinances and rules: Local governments set out the details of their organizational structure and operations in consideration of their own circumstances, such as the Ordinance on the Establishment of Administrative Agencies of the Seoul Metropolitan Government and the Ordinance on the Fixed Number of Officials of the Busan Metropolitan Government. These ordinances and regulations are enacted in consideration of the administrative needs and local characteristics of each local government.

2. Key Mechanisms for Local Government Organizational Management

The organizational management system of local governments has undergone multiple reforms since 1991. During the period when local autonomy was suspended, the individual approval system was in place until 1987. With the 1988 amendment to the Local Autonomy Act, the baseline quota system was introduced. This was replaced in 1994 by the standard quota system. In 2004, a lump-sum personnel cost system was planned, which came into effect in 2007. Since 2014, the baseline personnel cost system has been in place. The baseline personnel cost system sets a framework to estimate personnel costs based on each local government's circumstances for organizational and personnel management. Article 4-2 of the Regulations on Administrative Agencies and Fixed Number of Officials of Local Governments, Etc., serves as the legal ground for this system. It seeks equity among local governments while accommodating the specific needs of individual local governments. Under the baseline personnel cost system, appropriate levels of personnel cost are estimated in consideration of various factors such as the size, population, and financial situation of each local government. This allows for preventing excessive disparities in staffing and promoting balanced development. It also allows local governments to secure the necessary workforce while maintaining financial soundness. However, it also comes with a drawback of being less adaptable to rapidly-evolving administrative demand.

<Figure 2> Changes in organizational management of local governments

	1987	1988	1994	2007	2014
System	Individual approval system	Baseline quota system	Standard quota system	Lump-sum personnel cost system	Standard personnel cost system
Relevant legislation	Provisional Measures Act on Local Autonomy	Rules on Local Governments' Local Public Officials Standards, Etc. (Ministry of the Interior Decree) General Rules on the Organization and Quota of Local Administrative Agencies (Ministry of the Interior Decree)	Regulations on Administrative Agencies and Fixed Number of Officials of Local Governments, Etc. (Presidential Decree)	Regulations on Administrative Agencies and Fixed Number of Officials of Local Governments, Etc. (Presidential Decree)	Regulations on Administrative Agencies and Fixed Number of Officials of Local Governments, Etc. (Presidential Decree)
Key details	Administrative agencies and quotas approved by Presidential Decree or the Minister of the Interior	Determined by Rule within the baseline	Determined by Ordinance or Rule within the baseline; workforce imbalance resolved to an extent	Determined by Ordinance within the lump-sum personnel cost	Lump-sum personnel cost management based on financial capabilities

Source: Kang et al., (2023, p.18). Figure 2-1.

3. Improvement of Local Governments' Organizational Management

Currently, local governments in Korea are facing organizational management challenges. First, declining population and aging require organizational restructuring. Active discussions on the appropriate size of organizations are ongoing, as declining population means a decrease in administrative demand, but aging and other demographic changes require an increase in administrative services.

Considerations should be also given to organizational management systems to build smart administrative systems in response to digital transformation, for example establishing big data analysis teams and introducing AI-based civil service systems. This should go beyond merely introducing technology. Rather, it requires an overall change in organizational culture and work processes. Also needed are training programs for public officials' digital capacity building.

Given the decentralization of powers, strengthening organizational capabilities is also of prime importance. The current administrative structure poses limitations in providing administrative services that precisely align with the characteristics of each local government. Institutional improvements are needed to develop expertise to meet the needs of each local government.

Section 3. Local Council Composition and Operation

1. Overview of Local Councils

The local councils of Korea are core institutions of democracy and local autonomy guaranteed by the Constitution. Article 118 of the Constitution stipulates that a local government shall have a council and the members thereof shall be elected.

Constitution of the Republic of Korea
Article 118 (1) A local government shall have a council. (2) The organization and powers of local councils, and the election of members; election procedures for heads of local governments; and other matters pertaining to the organization and operation of local governments shall be determined by Act.

Local councils are legislative organs that make decisions to enact, amend, and abolish local government legislation known as Ordinances. They also deliberate and approve key policies within their jurisdictions, for example reviewing and confirming local government budget bills and approving financial statements. As such, local councils serve as a pivotal decision-making mechanism for local governments and are, as stipulated by the Constitution, a collegial body composed of members elected by the residents.

Local councils in Korea were first established in 1952, but it was not until the fourth Local Council in 1991 that they positioned themselves as democratic representative bodies of residents and a central decision-making mechanism for local governments. As local governments in Korea follow the separation of powers model, local councils have the authority to deliberate and make decisions. Its functions also include representing residents, enacting Ordinances, and overseeing the executive organ. From a functional perspective, the local council plays a crucial role in representing the opinions of residents, exercising legislative power, and overseeing the executive organ. In order to perform these functions effectively, it is necessary to establish various support systems for local councils to ensure their autonomy and make institutional efforts to enhance the professionalism and accountability of local council members.

The amendment to the Local Autonomy Act passed by the Plenary Session of the National Assembly on December 9, 2020 (which entered into force on January 13, 2022) included a provision on the independence of the personnel authority of local councils (Article 103). Under this provision, the authority to appoint local council staff, which had previously been vested in the head of the local government (with some of it delegated to the secretary general of the local council, etc.), was transferred to the chairperson of the local council. This was an important institutional change that ensured the independence of the local council as a deliberative body from the executive body.

In addition, the amendment strengthened local legislative authority by prohibiting subordinate laws and regulations from restricting the content and scope of the delegation or directly requiring matters delegated by law to be regulated by Ordinance. By introducing policy support officers to assist local councils in autonomous legislation, budget deliberations and administrative audits, the amendment seeks to promote the independence and professionalism of local councils and delegates matters related to local councils, such as the operation of council meetings, to Ordinances to allow local councils to determine these matters in accordance with local characteristics.

2. Local Council Organization and Operation

Local councils are the "deliberative organ of the local government." They include basic local councils established in *Sis, Gun*s, and *Gus*, and broad-area local councils established in Special Metropolitan City, Metropolitan Cities, *Dos*, and Special Self-Governing Provinces. The Local Autonomy Act specifies the authority of local councils and outlines matters related to their organization and operation. Members of local councils are elected directly by residents through universal, equal, direct, and secret voting (Article 31 of the Local Autonomy Act), and their term of office is four years (Article 32 of the same Act).

<Table 7> Changes in the number of local council members since 1991

Local council	Time	Total number of council members (people)	Broad-area council members (people)	Basic council members (people)
Term 1	1991.4-1995.6	5,170	866	4,304
Term 2	1995.7-1998.6	5,513	972	4,541
Term 3	1998.7-2002.6	4,180	690	3,490
Term 4	2002.7-2006.6	4,167	682	3,485
Term 5	2006.7-2010.6	3,626	738	2,888
Term 6	2010.7-2014.6	3,731	855	2,876
Term 7	2014.7-2018.6	3,692	794	2,898
Term 8	2018.7-2022.6	3,751	824	2,927
Term 9	2022.7-Present	3,860	872	2,988

Local councils are composed of members directly elected by residents. The chairperson and vice-chairperson(s) of a local council serve a two-year term and are elected through a secret ballot by the council members. Local councils may establish committees as stipulated by Ordinances, which include standing committees to review and handle bills and petitions under their jurisdiction and special committees to address specific matters. Local councils establish administrative bodies as stipulated by Ordinances to manage administrative affairs and support the activities of council members. *Si*- and *Do*-level councils have secretariats, while *Si/Gun/Gu* councils have bureaus or departments.

The chairperson of a local council represents the council, presides over its proceedings, maintains order in the chamber, and oversees the administrative affairs of the council. As the representative and presiding officer of the council, the chairperson's powers include representation, presiding, maintaining order, and administrative oversight. The powers of the local council committees include reviewing and processing bills and petitions, proposing bills within their jurisdiction, submitting bills to the plenary session, and requesting the attendance and responses of local government heads or relevant public officials. The secretary-general, executive director or head of the secretariat of the local council acts under the orders of the chairperson to manage the affairs of the council and supervise the officials under its authority. The authority of the secretary-general (or head of the bureau/department) includes (1) administrative management and (2) supervision of public officials under its authority.

3. Changes in Local Council Systems

The local councils, as a core institutional mechanism for local autonomy in Korea, have striven to perform their functions independently of the executive organ. Efforts have been made to enhance the autonomy of local councils and improve the professionalism and accountability of council members through various institutional reforms. Below is a table that summarizes the changes in the local council system.

<Table 8> Key institutional improvements related to local councils in Korea

Term	Year	Key institutional improvements to local council operations
Term 2 (1995.7-1998.6)	1996	▪ Introduced proportional representation for broad-area local council elections.
	1998	▪ Ensured the perpetuation of local autonomy through amendments to the election act.

Term	Year	Key institutional improvements to local council operations
Term 3 (1998.7-2002.6)	1999	■ Changed meeting allowances to per diems. ■ Introduced biannual regular meetings for the first and second halves of the year. ■ Clarified the right of local council committees to make motions in the Local Autonomy Act. ■ Expanded the scope of recusal for chairpersons and members. ■ Introduced resident initiative in ordinance enactment, amendment and abolition and audits
Term 4 (2002.7-2006.6)	2003	■ Removed the provision on the emeritus status for local council members.
	2005	■ Changed per diems to fixed monthly allowances. ■ Introduced a residents suit system. ■ Strengthened control over unlawful local council decisions.
	2006	■ Introduced payment (established a deliberation committee on parliamentary expenses) ■ Abolished remote meeting attendance reimbursement paid during the sessions. ■ Autonomized local council sessions and standing committee operations. ■ Increase the number of expert members on local council committees. ■ Expanded the expert panel system. ■ Delegated authority to appoint local council administrative staff to the local council secretary-general. ■ Established the ground for the establishment of a special ethics committee. ■ Mandated the establishment of a code of ethics and a code of conduct as Ordinance.
Term 5 (2006.7-2010.6)	2009	■ Expanded the scope of prohibition of concurrent offices. ■ Provided leave of absence during local council terms of office for teachers who are eligible to join a political party. ■ Prohibited local council members' for-profit activities related to their duties in standing committees.
Term 6 (2010.7-2014.6)	2011	■ Extended the duration of administrative audits. ■ Established penalties for refusing to provide documentation and rejecting oaths. ■ Established grounds for follow-up measures on administrative audits and findings. ■ Reduced notification periods for special sessions; introduced notice for ordinance bills. ■ Introduced a cost estimation system for bills submitted by the local government head.

Term	Year	Key institutional improvements to local council operations
Term 6 (2010.7-2014.6)	2014	■ Delegated appointment authority to the secretary-general of the local council for public officials in technical service and, in part, public officials in special service.
Term 7 (2014.7-2018.6)	2016	■ Moved the first regular session of the local council to May or June (in line with adjustments to the revenue and expenditure settlement periods). ■ Added financial statements, performance reports, and attachments to the closing documentation to settlement audits.
	2018	■ Introduced electronic methods for resident initiative in the enactment, amendment, and abolition of Ordinances. ■ Adjusted the travel reimbursement rules for local council members.
Term 8 (2018.7-2022.6)	2021	■ Introduced policy advisors to support legislative activities. ■ Delegated regular meeting dates, calls for special meetings, and submission of bills to Ordinances. ■ Granted the chairperson the authority to manage the personnel of the council's secretariat. ■ Revised the provision on the prohibition of local council members' concurrent offices. ■ Mandated the establishment of an ethics committee.
Term 9 (2022.7-Present)	-	■ Pursued the enactment of the Local Council Act.

Adapted from Korea Research Institute for Local Administration. (2021). *30 Years of Local Autonomy and Future Vision and Strategy for Decentralization.*

Chapter 04

Cooperation System between Local Governments and Special-Purpose Local Governments

Section 1. Cooperation System between Local Governments

The local administrative system in Korea consists of broad-area and basic local governments. However, recent changes in living and economic environments have led to the emergence of demand beyond the boundaries of the two-tier administrative divisions (Jeon and Kim, 2024). Cooperation systems among local governments, including special-purpose local governments, aim to address this change and promote cooperation among local governments in order to remain competitive and meet broad-area administrative demand. Local governments compete and cooperate with each other on equal terms to establish desirable mutual relationships and work together to resolve common problems and achieve common interests and goals. Under the current local administrative system, institutional mechanisms have been established to address these changes in the administrative environment and demand through cooperation, without requiring lengthy and complex restructuring of the administrative system.

Fully amended in 2022, the Local Autonomy Act highlights cooperation between the State and local governments. Article 164 maintained the previous encouragement of cooperation among local governments and introduced Paragraph 2, explicitly stipulating that "the heads of relevant central administrative agencies may provide assistance necessary for promoting cooperation among local governments." In addition, Article 183 (Duty of the State and Local Governments to Cooperate), Paragraph 3 of Article 184 (submission of opinions on local government affairs), and Article 186 (Establishment of Central and Local Government Cooperation Council) as a venue for dialogue, cooperation, and discussion between the central and local governments were established to further encourage cooperation among local governments.

<Table 9> Systems for cooperation between local governments in Korea

Type of cooperation	Description	Merits	Demerits
Administrative agreements	Regulate matters relating to the internal organization or administrative procedures of a government or government agency on a project-by-project basis without the need for legislation.	■ Flexible, project-by-project cooperation	■ Weakly binding
Delegation of affairs	Local governments or their heads delegate part of their affairs to other local governments or their heads.	■ No agents of rights created, hence cost reductions. ■ Flexibility and adaptability ensured as the specifics can be determined by the parties themselves	■ Institutional flexibility could be a limiting factor due to lack of experience in cooperation and negotiation.
Administrative councils	Jointly handle some affairs involving two or more local governments.	■ Loose cooperation ■ No restrictions on collaborators	■ Non-standing body with no separate organization or working-level committees, hence weak executive power.
Local government associations	Two or more local governments jointly handle one or more affairs.	■ Strong executive power ■ Useful for eventual processing of affairs	■ Restrictions on local governments' autonomy regarding the establishment and operation of associations.
Special-purpose local governments	A coalition of local governments formed by two or more local governments to handle broad-area affairs for a specific purpose.	■ A standing executive structure ■ Binding force for the outcome of consultation	■ Require the formation of executive and deliberative agencies

Source: Jeon et al, (2023, p.143)

Under the same Act, the cooperation systems among local governments include a wide range of mechanisms, from cooperative projects through administrative agreements to delegating affairs to other local governments, establishing administrative councils between local governments, and pursuing structural cooperation by establishing local government associations or special-purpose local governments. Administrative agreements are the simplest and most commonly used means for cooperation among local governments, as they do not require specific institutional arrangements. Such agreements take the form of contracts in public law on equal terms between administrative entities. They operate on the principle of contractual freedom without requiring specific legal grounds.

Delegation of administrative affairs, as outlined in Article 168 of the Act, is a highly flexible and adaptive mechanism that allows local governments to determine cooperative matters without the need to establish a separate entity in public law. Delegation constitutes a contract in public law, and it serves as a primary means of administrative cooperation and assistance. However, such arrangements are generally decided based on customary practices, rather than legislation, hence often lacking standardized procedures or formats. Criticisms have arisen regarding insufficient detailed regulations on implementation, financial support, involvement of local councils, and incentives from the central government. To date, delegation in Korea has primarily been used in relatively simple and standardized tasks, such as food waste management, education and training, animal quarantine, public health, and environment, and inspection services.

Administrative councils, as stipulated in Article 169 of the Act, are established by two or more local governments to jointly handle specific matters. This approach provides flexibility in addressing broad-area administrative needs beyond the boundaries of individual local governments by establishing rules through negotiation among the local governments without limiting their independence. While there are no restrictions on the scope of cooperation, administrative councils are typically used for matters that are inherent to local governments rather than for matters handled by central administrative agencies. The use of administrative councils is likely to increase with the expansion of living and economic areas and the flexibility in the scope of cooperation. However, several limitations are noted, including the lack of robust executive capacity due to the absence of working-level committees or executive bodies, and the vulnerability to legal disputes due to the lack of legal personality of the councils, although there is some legal binding force.

Local government associations, as stipulated in Article 176 of the Act, are legal entities under public law created by two or more local governments through mutual consultation in order to jointly manage one or more administrative affairs. These associations operate as independent administrative agencies with their own decision-making and executive organs, and have a stronger executive capacity than administrative councils, which do not have legal personality. This framework covers not only the autonomous affairs of local governments, but also collective delegated affairs and agency delegated affairs from central administrative agencies. Although these arrangements have been widely used in the EU, Japan and other countries, there are challenges in effectively coordinating this cooperative system due to the relatively large size of the basic local governments in Korea. In addition, there has been criticism that legal ambiguities regarding the status of associations and the division of responsibilities among participating local governments, as well as the requirement of approval from the Minister of the Interior and Safety for the establishment of associations, undermine their functionality. Nevertheless, there are examples of associations addressing cross-jurisdictional administrative needs, for example in the fields of informatization, environment, transportation, and free economic zones.

Special-purpose local governments are established through the union of local governments to create a new local government. According to Article 118 of the Constitution, special-purpose local governments must have their own local council, which requires the election of local council members and the head of the local government. Details of these arrangements are discussed in the following section. Other mechanisms for cooperation include consultative bodies of local government heads or councils, as well as cooperative mechanisms established by laws such as the Special Act on Balanced Regional Development.

Section 2. Special-Purpose Local Governments

The system of special-purpose local governments was introduced by the full amendment to the Local Autonomy Act in 2022, with the aim of meeting the increasing demand for broad-area administration and overcoming the limitations of the existing broad-area cooperation framework. Article 2, Paragraph 3 and Article 3, Paragraph 1 of the Act provide the definition and legal status of special-purpose local governments, and Chapter 12 of the Act contains specific provisions on the system. In Chapter 12 (Special-Purpose Local Governments), Articles 199 to 211 provide details on the establishment, dissolution, amendment of rules of special-purpose local governments, recommendation of the Ministry of the Interior and Safety, administrative jurisdictions, rules, master plans, local councils and executive organs, and expenses-bearing structures, among others.

<Table 10> Provisions in the Local Autonomy Act related to special-purpose local governments in Korea

Local Autonomy Act		Details
Provision	Description	
Art. 2, Para. 3	■ Grounds for the establishment of special-purpose local governments	■ Organizational composition - Local council and head of the special-purpose local government - Local council: constituent local governments' council members hold concurrent office - Head of the special-purpose local government: elected by the council; head of a constituent local government may hold concurrent position

<table>
<tr><th colspan="2">Local Autonomy Act</th><th rowspan="2">Details</th></tr>
<tr><th>Provision</th><th>Description</th></tr>
<tr><td>Art. 3, Para. 1</td><td>■ Legal status of special-purpose local governments</td><td rowspan="2">■ Personnel
- Own personnel + constituent local governments' personnel
- Special-purpose local government to hire its own personnel
■ Funding
- Constituent local governments' contributions and State funding (delegated affairs)</td></tr>
<tr><td>Chap. 12
Art. 199 – Art. 211</td><td>■ Establishment
■ Recommendation for establishment
■ Jurisdiction
■ Rules
■ Master plans
■ Composition of the council
■ Organization of executive agencies
■ Expenses-bearing</td></tr>
</table>

Source: Geum et al., (2021, pp.21-22).

Specifically, special-purpose local governments possess legal personality as a local government and have authority to establish a local council, making them essentially similar to general local governments. However, special-purpose local governments differ from general local governments in that they can set their jurisdiction flexibly as needed and perform only specific functions, rather than the full range of functions carried out by general local governments. Special-purpose local governments operate under rules established between local governments and have legal personality as local governments, which gives them flexibility in operating their jurisdictions and administration to jointly meet specific broad-area administrative needs.

The constituent local governments of a special-purpose local government, through mutual consultation, establish rules subject to the resolution of the local councils of the constituent local governments and the approval of the Minister of the Interior and Safety. The head of the special-purpose local government is elected by the local council of the special-purpose local government in accordance with the rules. He/she draws up a master plan for managing the affairs under its jurisdiction, which is subject to a resolution of the local council. The expenses related to the operation of the special-purpose local government and the handling of its affairs are distributed among the constituent local governments in accordance with the terms specified in the rules, taking into account, among others, the population of the constituent local governments and the scope of the services provided.

As in similar overseas cases such as special districts and metropolitan planning organizations (MPOs) in the United States, the Greater London Authority in the UK, and the Union of Kansai Governments in Japan, Korea's special-purpose local governments primarily function to meet the needs of broad-area administrations, *inter alia*, transportation, environment, regional development, education, and human resource development (Geum, 2018, pp. 50-64). Specifically, these functions are focused on areas that require economies of scale or scope in local administration, functions that reveal limitations due to spatial segmentation of administrative districts, and functions that justify autonomy from the central government.

Special-purpose local governments can be established between broad-area local governments, between basic local governments, or between broad-area and basic local governments. In Korea, special-purpose local governments are typically viewed as a mechanism for establishing a "mega city" through the union of broad-area local governments, as in the case of the "Busan-Ulsan-Gyeongnam Mega City" initiative, which was first discussed in the late 2010s with the hope of creating a mega city by 2023. The "Busan-Ulsan-Gyeongnam Mega City" aimed to revitalize the economy of the southeastern region of Korea by uniting three broad-area local governments - Busan, Ulsan and Gyeongsangnam-do - into the country's second largest city. However, this initiative was ultimately thwarted when some of the participating local governments withdrew shortly before the planned launch in January 2023 (Jeon, 2022).

Following global trends such as the expansion of supply chains and economic blockization, Korea has seen an increase in the use of the special-purpose local government system as a means to integrate or unite neighboring local governments to form a larger economy. Following the example of the Busan-Ulsan-Gyeongnam Mega City, broad-area local governments in Chungcheong, Daegu-Gyeongbuk, and Honam have expressed interest in establishing special-purpose local governments and have even established joint task forces to advance these initiatives. In certain regions near the DMZ, mega-city projects have been pursued among basic local governments. In addition, as a precursor to the establishment of special-purpose local governments or local government integration, an increasing number of local governments are working together to identify joint projects and initiatives aimed at mutual growth and cooperation.

Special-purpose local governments are seen as a promising mechanism to address the limitations of general local governments in meeting specific administrative needs, particularly in the context of local autonomy. This system is expected to meet the demand of local governments that require a dedicated administrative structure to address specific needs and adopt best practices. However, challenges remain, such as the burden of establishing a new local government, including issues related to the composition of the local council and the election of local government leaders. The loose links between the constituent governments and the different perspectives, as well as potential conflicts among residents, suggest that institutional improvements are needed.

Chapter 05

Decentralization Policies and Systems

Section 1. Decentralization Policies and Functional Affairs Transfer Policies

The means and approaches to address social issues under the central government's initiative require both universality and expertise. However, modern policy issues are complicated, and there is a risk that the application of uniform policies led by the central government may not be in line with specific local circumstances. This has led to the growing global trend toward decentralization. Korea, too, is pursuing legislative and institutional changes to transfer the functions and authority of central administrative agencies to local governments as an important pillar of decentralization policy.

Articles 11 to 15 in Chapter 3, Section 1 of the Local Autonomy Act outline the principles and scope for the distribution of functions and affairs between the State and local governments. According to these provisions, affairs closely associated with the daily lives of residents are in principle performed by local governments that are in close contact with the residents. In contrast, affairs that are either difficult for local governments to perform or are more efficiently managed at a state level, such as foreign affairs, national security, and judiciary, are the responsibilities of the State (Ju et al., pp. 30-32).

With the full-scale implementation of local autonomy and the resulting establishment of local governments, administrative authority began to be transferred to local governments. In Korea, local autonomy was introduced through the enactment of the Constitution and the establishment of the government in 1948, temporarily suspended during the Korean War and the military regime, and fully reinstated in the 1990s. With the resumption of local autonomy, the decentralization policy was promoted in earnest with the enactment of the Act on the Devolution of Authority by Central Administrative Agencies. Subsequently, government organizations such as a decentralization committee were established identify affairs to be transferred, which was further accelerated with the enactment of the Special Act on Decentralization in 2004. This Special Act underwent a series of name changes and amendments and finally evolved into the Special Act on Local Autonomy and Decentralization and Balanced Regional Development in 2024, maintaining the drive of the decentralization policy for balanced regional development (Ju et al., 2024, pp. 37-43).

<Table 11> Percentage of administrative affairs that have been transferred since the full-scale implementation of local autonomy

Category Category	Transfer confirmed Transfer confirmed	Transfer completed						Incomplete Incomplete
		Subtotal	Kim Dae-jung administration	Roh Moo-hyun administration	Lee Myung-bak administration	Park Geun-hye administration	Moon Jae-in administration	
Total	3,256	2,489	232	987	763	209	291	767
Kim Dae-jung administration	612	611 (99.8%)	232 (37.9%)	374 (61.1%)	4 (0.7%)	1 (0.2%)	-	1 (0.2%)
Roh Moo-hyun administration	902	875 (97.0%)	-	613 (68.0%)	243 (26.9%)	19 (2.1%)	-	27 (3.0%)
Lee Myung-bak administration	1,587	1,003 (63.2%)	-	-	523 (33.0%)	189 (11.9%)	291 (18.3%)	584 (36.8%)
Park Geun-hye administration	0	0	-	-	-	-	-	0
Moon Jae-in administration	155	0	-	-	-	-	-	155 (100%)

Source: Hong, 2023.

The decentralization policy pursued under this Special Act entered a new phase with the enactment of the Act for Partial Amendment of 46 Acts, Including the Act on Price Stabilization for the Central Administrative Authority and Central Administration, Etc., commonly known as the En Bloc Decentralization Act, in 2020. Discussions on the enactment of this Act were initiated in the early 2000s to enable the Presidential Committee on Autonomy and Decentralization to quickly and efficiently transfer the powers and administrative affairs of the central government to local governments under the aforementioned Special Act. The purpose of enacting the En Bloc Decentralization Act was to address the delays and associated costs of individually amending relevant laws for decentralization by collectively amending all relevant laws. Specifically, it aimed to amend 46 Acts to transfer 400 administrative affairs conducted by 16 central administrative agencies, including the Act on Price Stabilization. Under this Act, 94 administrative affairs (87.2%) were transferred from the central government to local governments, and 51 administrative affairs (12.8%) were transferred from broad-area local governments to basic local governments.

<Table 12> Transfer of administrative affairs under the En Bloc Decentralization Act of 2020

Category	Total	State → *Si/Do*	State → *Si/Do, Si/Gun/Gu*	State → *Si/Gun/Gu*	*Si/Do* → *Si/Gun/Gu*, Metropolitan City	*Si/Do* → *Si/Gun/Gu*
Number of affairs	400	242	57	50	27	24
Proportion (%)	100	60.5	14.2	12.5	6.8	6

Source: Ministry of the Interior and Safety, 2024, internal data.

This Act not only improved the efficiency of decentralization through en bloc amendments to relevant laws, but also played an important role in promoting the transfer of administrative personnel and financial resources associated with these transfers. In the past, despite the transfer of administrative affairs under the Special Act, there were concerns about the lack of corresponding transfer of necessary administrative personnel and financial resources. The enactment of this Act marked a significant step forward in addressing these issues. Under this Act, the aforementioned committee pursued institutional improvements to allow for preliminary studies and assessments of human resource and financial needs prior to transfer. Accordingly, the 400 affairs transferred under this Act were evaluated to estimate the cost of their execution, and 87 affairs that incurred costs were selected. Support for the handling of these affairs was then provided by increasing the allocation of subsidies under the 2021 Balanced Development Special Account.

Since the enactment of this Act, efforts have been made to identify affairs to be transferred and coordinate among relevant agencies. In order to institutionalize the en bloc transfer mechanism established under this Act, steps are being taken to draft the second En Bloc Decentralization Act. In 2021, the committee completed the deliberation and resolution of this matter, including the pre-announcement of the bill and the preliminary review by the Ministry of Government Legislation. However, this initiative faced objections from certain political groups. As a result, efforts were made to address relevant issues by submitting 12 bills through standing committees of the National Assembly to amend relevant laws individually. When the 12 laws are amended for the second en bloc decentralization, 261 affairs handled by 13 ministries will be transferred to local governments.

Section 2. Civil Engagement Systems

Local autonomy operates on the foundation of local administrative systems to guarantee efficiency and democracy. Local administrative services delivered by local administrative systems structured by hierarchy, jurisdiction, and functional distribution aim to improve the quality of residents' lives and promote regional development by providing community-centered services. In this context, residents are key stakeholders in decentralization for the efficiency of local autonomy. Residents participate in local politics to exercise their rights and fulfil their responsibilities, improve the efficiency of local administrative services through the co-production of administrative services, and embody the value of democracy by ensuring accountable local autonomy.

The Local Autonomy Act defines residents as persons who have domicile within the jurisdiction of a local government, and Articles 17 and 27 of the Act enumerate the rights and responsibilities of residents. As prescribed by statutes or regulations, residents have the right to participate in the process of decision-making and implementing policies of their local governments that have effects on their lives, the right to use the property and public facilities of their local governments and to benefit equally from the administration of their local governments, and the right to participate in the elections of the members of local councils and the heads of local governments, among others. The obligations of residents include sharing the expenses of their local governments, which serves as the legal ground for imposing local taxes (Ha, 2024, pp.3–4).

In addition to the election of the head of the local government and members of the local council, Article 18 of the Act stipulates the right to referendum, Article 19 stipulates the right of residents to request the enactment, amendment, or abolition of Ordinances, Article 20 stipulates the right of residents to submit opinions on the enactment, amendment, or abolition of rules concerning the affairs of local governments that affect the rights and obligations of residents, Article 21 stipulates the right of residents to request an inspection, Article 22 stipulates the right of residents to file a lawsuit, and Article 25 stipulates the right of residents to recall.

<Table 13> Right to political participation as a right of residents

	Referendum	Residents' request for Ordinance	Residents' request for inspections	Residents' lawsuit	Residents' recall
Subject	Head of the local government	Local council	Minister of the competent ministry for *Sis* and *Dos*; Mayor or Governor for *Sis*, *Guns*, and *Gus*	Head of the local government	Head of the local government, members of the local council (excluding members of *Si/Do* councils)

	Referendum	Residents' request for Ordinance	Residents' request for inspections	Residents' lawsuit	Residents' recall
Claimant	Residents (aged 19 and over), local council, head of the local government	Residents (aged 18 and over)	Residents (aged 18 and over)	Residents who requested an inspection (aged 18 and over)	Residents (aged 19 and over)
Limita-tions	No signatures from 60 days before the election day to the election day	No signatures solicited during the election period	Cannot be filed after 2 years from the date of processing	Separate resi-dent lawsuits cannot be filed for a pending is-sue	No signatures from 60 days before the election day to the election day
Delibera-tion, etc.	Head of the lo-cal government	Local council	Superior authority (inspection request review board)		Competent elec-tion committee ※Vindication: sub-ject of the recall vote
Post-request measures	Voting (23-30 days from notice)	Brought to the local coun-cil (within 60 days)	Inspection (within 60 days)	Residents' law-suit	Voting (23-30 days from notice)
Confirma-tion	By majority vote	By resolution	Inspection comple-tion and publication (notification)	Court hearing and ruling (tri-trial system)	By majority of votes cast
Notifica-tion of results, etc.	Head of the lo-cal government, local council	Representa-tive claimant	Representative claimant, head of the local government	Residents (claim for actual expenses if successful), head of the local government (obligation to take measures on final ruling, claim for damages, com-pensation order)	Loss of office (at the point of publication of results), notifica-tion (heads of central and local governments, local council, represen-tative claimant, relevant parties)
Objection	Petition and ref-erendum law-suits, re-votes			Claim for damage if unpaid, claim for return of unjust enrichment	Recall referendum lawsuits, re-votes

Source: Ministry of Government Legislation, Easy Law website (https://www.easylaw.go.kr/).

The heads of local governments may hold a referendum over major matters decided by the local governments which impose an excessive burden or have a significant effect on the residents. Residents may request the enactment, amendment, or abolition of ordinances and rules of their local government. They may also submit opinions on rules directly related to rights and obligations.

Residents of a local government who are aged 18 years or older may file a request for inspection under the joint signatures of at least the number of residents of at least 18 years old determined by ordinance of the relevant local government, which shall not exceed 300 persons in the case of a *Si/Do*, 200 persons in the case of a large city with a population of at least 500,000 persons, and 150 person in the case of a *Si/Gun/Gu*. This allows residents to make a request for an inspection to the Mayor/Governor where it is deemed that the conduct of any affairs under the jurisdiction of a local government and its head violates any statute or regulation or substantially undermines the public interest. Residents who have filed a request for inspection may file a lawsuit against the head of the local government for any unlawful act or the neglect of duties. Finally, residents have the right to recall the head of the local government and the members of the local council, excluding the proportional representative members of the local council.

The exercise of these resident rights is further facilitated with the Resident e-Direct platform (www.juminegov.go.kr) developed by the Ministry of the Interior and Safety and local governments. Local governments encourage residents' participation through online and offline suggestion programs and administrative innovation, where residents and public officials discuss and propose reforms. These initiatives stem from the establishment of the civil proposal mechanism in the Civil Petitions Treatment Act in 1997, followed by the introduction of the citizen proposal system and amendments to laws and regulations related to public officials in 2000 and the nationwide expansion of these programs in 2010 and thereafter. Currently, the nationwide petition platform, e-People, serves as a unified complaints and suggestions platform, which operates the Citizen Proposal Center. Other programs include the SME Ombudsman Program and policy monitoring initiatives to evaluate citizens' satisfaction with policy and collect feedback.

While these residents' rights are seen as mechanisms for direct resident participation, residents' associations for participation in local administration and participatory budgeting are indirect participation mechanisms aimed at bringing local government closer to residents' daily lives (Jeon et al., 2022).

Residents' associations were institutionalized to enhance democratic participation and allow residents to participate in the administration of their local governments given the relatively large size of basic local governments in Korea compared to those in other countries. Since the full-scale implementation of local autonomy in the 1990s, existing *Eup, Myeon,* and *Dong* offices, which are subordinate administrative jurisdictions of *Sis, Guns*, and *Gus* have been converted to community service centers, and residents' associations have been established as counterparties to the *Eup*-, *Myeon*-, and *Dong*-level administrative agencies. Since the 2010s, efforts have been made to further strengthen local autonomy by residents by evolving residents' committees into residents' associations. The participatory budgeting system allows residents to engage in the budgeting processes of their *Eup, Myeon, Dong* or higher-order administrative agencies, i.e., *Sis, Guns, Gu*s and *Sis* and *Dos*. Actively incorporating residents' opinions in the allocation of discretionary budgets, this mechanism enhances transparency in local administration and empowers residents' participation.

In addition, under the Official Information Disclosure Act, local governments are required to disclose information related to local autonomy, including legislative activities of the local council, the organization of the executive organ, and finance to enhance the transparency of administrative processes. The same Act also provides that the Minister of the Interior and Safety may establish and operate information systems that collect and provide local autonomy information to residents.

The Act on Welfare of Persons with Disabilities, the Welfare of Senior Citizens Act and other laws and regulations define benefits granted to residents, which are further detailed in local government ordinances and rules. Typically, the benefits provided by local governments include health and welfare services provided by local government initiatives, employment and self-support services, residential services, services for childcare, youth, and women, lifelong education, sports and recreational services, participation rights through resident autonomy and participatory budgeting, and tax exemptions for vulnerable groups, veterans and persons of national merit, agricultural and fishery workers, public transportation users, and climate change mitigation efforts.

Section 3. Regionally-tailored Special Cases

As mentioned earlier, the decentralization policy has been consistently promoted under the national policy framework with a policy push for en bloc transfer of affairs. While the en bloc transfer approach involved the one-size-fits-all transfer of authority to local governments from central administrative agencies, since 2020, there have been discussions on differential transfer of authority, which aims to tailor the transfer of authority to the circumstances of each local government. Prior to these discussions, special cases for local governments in differential decentralization had been discussed since the early 2000s, and began to be applied to comprehensive local governments in the mid-2000s, followed by application to basic local governments in the 2010s.

The special case system implies the diversification of local autonomy. It has gained attention following discussions on differential decentralization as a regionally-tailored decentralization policy. Under this system, certain local governments are granted special exceptions from the conventional legal framework, which distinguishes them from general local governments in terms of the recognition of the particularities of local autonomy and support systems specific to these exceptional local governments. The term "special case" refers to laws or regulations that define exceptional and special cases in relation to the general norms established in existing legal frameworks.

The term “special case” was coined in the 1988 amendment to the Local Autonomy Act, which signaled the resumption of local autonomy. The Act stated, “Recognition of special case may be granted to the Seoul Special Metropolitan City in terms of its status, organization, and operation, in consideration of its distinctiveness as a capital city, as prescribed by statute.” Article 197 of the current Local Autonomy Act stipulates special cases regarding the status, organization, and operations of Seoul Special Metropolitan City, Sejong Special Self-Governing City, and Jeju Special Self-Governing Province, and Article 198 provides for the recognition of special cases to large cities with a population of at least 1 million persons and at least 500 thousand persons, in terms of the public administration, financial operation, and guidance and supervision by the State, in consideration of actual administrative demand, balanced national development, local extinction crisis, and other issues.

<Table 14> Details of special cases for local governments

Category	Concept	Method	Cases
Administrative special case	Additional authority for specific administrative management	Transfer of authority	Special cases for large cities with 1 million population Special cases for large cities with 500,000 population
Organizational special case	Additional authority for specific organizational management	Transfer of authority	Special cases for large cities with 1 million population Special case for Jeju Special Self-Governing Province
Financial special case	Additional support from specific state funding sources	Funding support	Special case for Jeju Special Self-Governing Province Regional special districts
Guidance and supervision special case	Change in the subject of guidance and supervision	Change in regulation	Regional special districts

Source: Yoo and Jeon, 2022, p.21.

Special cases for local governments have generally been applied to autonomy. Since it is difficult to adjust the scope of local legislation defined in individual laws, the powers of local administration, local organization and local finance are generally considered as the scope of special cases. Special cases recognized for local governments mean the differentiation of the level of autonomy based on specific goals or criteria, hence a differentiated approach to decentralization. In other words, special cases for local governments impose differentiation based on the characteristics of local governments beyond the standard level of autonomy, which is in line with the direction of regionally-tailored decentralization policy.

Special cases for local governments are broadly classified into comprehensive, partial, and individual cases, depending on the criteria used to classify the subjects of the special cases. The comprehensive method involves classifying local governments based on specific criteria, such as population or industrial structure, and diversifying the level of autonomy depending on the categories. The partial method selectively applies diversification based on the local government's capacity, willingness, and circumstances. Unlike the comprehensive method, which grants special cases uniformly based on pre-defined criteria, the partial method is applied in a bottom-up or selective manner based on the individual capacities and willingness of individual local governments. The individual method recognizes special cases by enacting individual laws for certain local governments. In this method, the subject of special cases is selected by individual laws in order to achieve national policy goals. This can be viewed as either bottom-up or top-down approach depending on the context.

Special cases are a way to meet specific administrative needs. In Korea, it is important to distinguish between cases recognized for broad-area and basic local governments. The special cases for broad-area local governments are part of the national policy aimed at decentralization and balanced regional development based on the operation of Special Self-Governing Cities and Provinces under the current local autonomy system. As broad-area local governments, Special Self-Governing Cities and Provinces are jurisdictions where there is a need to grant special cases given their specific administrative needs.

In Korea, there are four Special Self-Governing Cities and Provinces other than the nation's capital, Seoul. Jeju Special Self-Governing Province was established in 2006 in consideration of the special environment and economy of the island. In 2012, Sejong Special Self-Governing City was established as the newly established administrative capital. Gangwon and Jeonbuk Special Self-Governing Provinces were established in 2023 and 2024, respectively. Special Self-Governing Cities and Provinces are established by enacting Special Acts on the establishment of Special Self-Governing Cities and Provinces in consideration of their distinctive characteristics. These Special Acts provide special cases in consideration of their regional circumstances (Ju et al., 2024, pp.26-27).

The legal grounds for the introduction of special cases for basic local governments are the Local Autonomy Act, the Special Act on Local Autonomy and Decentralization and Balanced Regional Development, and the Act on Regulatory Special Cases for Regulation-Free Zones and Special Economic Zones for Specialized Regional Development. As mentioned above, special cases for basic local governments are granted to large cities with a population of 500,000 people or more, large cities with a population of 1 million people or more, and *Sis*, *Gun*s and *Gus* with special administrative needs (Yu and Park, 2023).

The special cases for *Sis*, *Guns*, and *Gus* were established under the amended Local Autonomy Act of 2022 with the aim to promote democratic and efficient local administration and achieve balanced regional development. The criteria for granting special cases to *Sis, Guns*, and *Gus* are outlined in Article 119 of the Enforcement Decree of the Act, which are: if there is a specific natural or social administrative need, if there is a need for special cases in the implementation of regional development strategies, or if additional special cases are needed beyond existing legal measures for areas with declining population. Special cases may be granted following deliberation, as specified in Articles 120 and 122 of the Enforcement Decree.

The special cases for large cities are based on the Local Autonomy Act and the Special Act on Local Autonomy and Decentralization and Balanced Regional Development. The purpose of this system is to recognize the special administrative needs of large cities with high population densities, which justify administration equivalent to that of broad-area local governments, and to promote regional hub cities to improve regional competitiveness. Metropolitan areas that serve as regional hubs are typically broad-area local governments, such as Special Metropolitan and Metropolitan Cities, while others remain as basic local governments within Do areas. This administrative hierarchy has remained largely unchanged since the full-scale implementation of local autonomy. Over time, changes in the living and economic environment have led to the emergence of densely-populated basic local governments that effectively serve as quasi-metropolitan cities. In these densely-populated areas, there has been a growing need to directly handle certain functions typically assigned to Special Metropolitan and Metropolitan Cities.

Special cases for large cities are granted to these large basic local governments, categorized into large cities with a population of 500,000 or more and large cities with a population of 1 million or more. Special cases for large cities with a population of 500,000 or more or large areas with a population of 300,000 or more and an area of 1,000㎢ or more are basic special cases, where they are allowed to perform part of the affairs performed by a Do pursuant to Article 14, Paragraph 1, Subparagraph 2. Additional special cases are granted to large cities with a population of 1 million or more. Under Article 58, Paragraph 1, Subparagraph 2 of the Special Act on Local Autonomy and Decentralization and Balanced Regional Development, they are named a "Special City" and are granted special cases in terms of organizational and finance, including administrative and assistant organs, as stipulated in Articles 59 to 62. Article 4, Paragraph 2 of the Act on the Establishment and Operation of Local Government-Funded Research Institutes stipulates that large cities with a population of 500,000 or more, being basic local governments, may establish a local government-funded policy research institute.

Section 4. Regional Regulatory Innovation

Regulatory reform aims to improve the quality of citizens' lives by eliminating unnecessary administrative regulations that restrict citizens' rights or impose obligations, and discouraging the creation of inefficient regulations, thereby promoting autonomy and creativity in social and economic activities and pursuing the continuous improvement of national competitiveness. In Korea, the Administrative Regulation Framework Act of 1998 recognized regulatory reform as an important role of the state, and administrations have since pursued regulatory reform as one of their top priorities.

Local regulatory innovation has been promoted as part of the national regulatory reform agenda, primarily targeting regulations delegated to local governments by central administrative agencies and autonomous regulations under local government ordinances and rules. In addition, areas administered by local governments are directly affected by central government regulations. Therefore, these areas are also important targets for regulatory reform. Accordingly, local regulatory reform policies have focused on proposing improvements to central administrative regulations and improving their own regulations. Since the 2010s, the Ministry of the Interior and Safety has led local regulatory reform with the participation of local governments (Jeon et al., 2024, pp. 9-23).

<Table 15> Local regulations by broad-area local government (as of September 2023)

Area	Total number of regulations	Proportion (%)	Delegated regulations	Autonomous regulations	Percentage of delegated regulations (%)	Percentage of autonomous regulations (%)
Seoul	2.603	6.48	2.185	418	83.9	16.1
Busan	1,513	3.77	1,247	266	82.4	17.6
Daegu	1,161	2.89	885	276	76.2	23.8
Incheon	1,914	4.77	1,494	420	78.1	21.9
Gwangju	919	2.29	757	162	82.4	17.6
Daejeon	804	2.00	719	85	89.4	10.6
Ulsan	826	2.06	751	75	90.9	9.1
Sejong	547	1.36	491	56	89.8	10.2
Gyeonggi	6,057	15.08	5,319	738	87.8	12.2
Gangwon	3,313	8.25	2,693	620	81.3	18.7
Chungbuk	2,467	6.14	2,057	410	83.4	16.6

Area	Total number of regulations	Proportion (%)	Delegated regulations	Autonomous regulations	Percentage of delegated regulations (%)	Percentage of autonomous regulations (%)
Chungnam	3.109	7.74	2.652	457	85.3	14.7
Jeonbuk	3,624	9.02	2,857	767	78.8	21.2
Jeonnam	3,944	9.82	3,203	741	81.2	18.8
Gyeong-buk	3,410	8.49	3,183	227	93.3	6.7
Gyeong-nam	2.732	6.80	2.378	354	87.0	13.0
Jeju	1,220	3.04	280	940	23.0	77.0
Average	2,363	-	1,950	412	80.8	19.2
Total	40,163	100	33,151	7,012	82.5	17.5

Source: Kim et al, 2023, p.12; Regulatory Information Portal (www.better.go.kr).

According to the Administrative Regulation Framework Act, which provides the national regulatory reform framework, the Regulatory Reform Committee was established in 2012 under the Office for Government Policy Coordination under the Prime Minister. In 2023, the Local Regulatory Innovation Committee was established under this committee as the control tower for local government regulatory innovation, and the Ministry of the Interior and Safety issued the Guidelines for the Operation of the Local Regulatory Innovation Committee, which marked the institutionalization of local regulatory reform. The Local Regulatory Innovation Committee is supported by the Local Regulatory Innovation Team of the Ministry of the Interior and Safety as its secretariat, and the Korea Research Institute for Local Administration, a government-funded research institute under the Ministry of the Interior and Safety, as a specialized body for research and analysis. In addition, a governance consisting of experts from academia and research institutes, the Board of Audit and Inspection and the *Si/Do*-level Administrative Appeals Commission, industry and other private organizations was established to support the nationwide local government reform.

Local governments have also established or strengthened their own frameworks in line with the regulatory reform system of the Ministry of the Interior and Safety. As of 2024, all 17 broad-area local governments and 225 basic local governments have issued autonomous regulations on regulatory reform. Under these autonomous regulations, the broad-area local governments have established *Si/Do* regulatory reform committees and the basic local governments have established *Si/Gun/Gu* regulatory reform committees. In addition, dedicated departments for regulatory reform have been established within local governments, and policy think-tanks under broad-area local governments have been assigned to prepare for the designation of specialized bodies to further support local governments' regulatory reform.

Efforts are also being made to promote local regulatory innovation through the aforementioned governance framework by identifying regulatory improvement tasks for central government agencies (Jung et al., 20-23, pp. 34-49). The Ministry of the Interior and Safety, in cooperation with the *Si/Do* governments, organizes regular meetings with the private sector and relevant administrative agencies. To streamline the process of local regulatory reform, the "mobile local regulatory express" policy aims to collect frontline opinions on regulatory improvement and facilitate interagency consultation.

In addition, annual public competitions are held to identify improvement tasks and efforts are being made to develop an online regulatory improvement platform for the continuous identification of improvement tasks. At the national level, the Regulation Information Portal (www.better.go.kr) managed by the Office for Government Policy Coordination and the SME Ombudsman (www.osmb.go.kr) of the Ministry of SMEs and Startups play leading roles in regulatory policy and information dissemination. For local regulations, efforts are underway to expand the mobile local regulation reporting center to local governments and to address regulatory issues faced by local businesses and residents through the local government regulatory reform reporting center on the Regulation Information Portal.

The local governments' regulatory improvement tasks identified through these processes are subject to consultation between the Ministry of the Interior and Safety and relevant central government agencies to seek amendments to relevant laws and regulations. If such amendments are not accepted, they discuss countermeasures at the monthly meetings of the Local Regulatory Innovation Committee and make recommendations for improvement to the relevant central government agencies. In addition, the Ministry of the Interior and Safety is working to develop an integrated information system to manage comprehensive information on regulatory targets, track progress and monitor implementation, including necessary legislative amendments.

The Ministry of the Interior and Safety is working to encourage local governments to adopt the regulatory systems established under the Administrative Regulation Framework Act. These include a regulatory registration system based on the principle of regulatory legality, sunset clauses for regulations, regulatory impact assessments, transition to comprehensive negative regulations and ex-post regulations, regulatory sandboxes and special cases for regulations, the resolution of bundled regulations, and a regulatory trial system. While these systems have been implemented at the central government level, local governments have not yet fully incorporated them into their own regulatory systems and policies due to staffing and capacity constraints. To address this, the Ministry of the Interior and Safety has focused on strengthening the institutional foundation for regulatory reform in local governments, including amending autonomous regulations in line with the Act and producing and disseminating a manual on local government regulatory management to help local governments adopt the national regulatory systems.

Recently, the Ministry of the Interior and Safety has focused on producing and disseminating guidelines for the effective implementation of autonomous regulation registration and sunset clauses, for example the Guidelines for Preparing Local Regulatory Impact Reports. To ensure the participation of the private sector in regulatory reform, the Ministry is pursuing the expansion of the regulatory trial system introduced in 2022 to local governments and the reform of the autonomous regulation registration system. Other efforts, although not explicitly codified in legislation, include positive administration to improve structural regulations, a database of authoritative interpretations for local public officials, and pre-consulting inspections in cooperation with the Board of Audit and Inspection (Ministry of the Interior and Safety, 2024, pp.170-191).

The Ministry of the Interior and Safety also strives to support the capacity building of local officials involved in local regulatory affairs. The Ministry and specialized agencies regularly hold training and consultation sessions and seminars for local public officials in charge of regulatory affairs. As part of the performance management of local regulatory reform, annual evaluations of local government regulatory reform are conducted to provide feedback and administrative and financial incentives. Long-term initiatives include citizen satisfaction surveys on regulatory reform and mid- to long-term performance measurement and monitoring of local regulatory reform. In conjunction with these initiatives, the Ministry also conducts public outreach through local regulatory innovation competitions, local regulatory innovation briefings, positive administration best practice competitions, publicity campaigns, and social media promotions.

Chapter

06 Digital Innovation of Local Administration

Section 1. Data-based Administration

According to Article 2, Paragraph 1 of the Data-Based Administration Act, data-based administration means "administration that is conducted objectively and scientifically by utilizing data created by a public institution or acquired from another public institution, corporation, organization, etc. for policy formulation and decision-making in a manner that collects, stores, processes, analyzes and visualizes them." This Act mandates public institutions to perform data-based administration and imposes an obligation to register such data on an integrated management platform. Data-based administration is applied to major policy-making processes, the collection of public opinion, analysis of specific groups and regions, the elimination of potential risk factors, response to future demand, and the efficiency of administration, among others (Article 8, Paragraph 1 of the Data-Based Administration Act).

The Minister of the Interior and Safety shall formulate a master plan for promoting data-based administration every three years in order to systematically implement data-based administration (Article 7, Paragraph 1 of the Data-based Administration Act). The master plan aims to provide smart government services through data-based scientific administration and includes a system necessary for the linkage, provision and sharing of data, legislative and institutional reform, professional human resources development, and funding plans (Article 6, Paragraph 3 of the Data-based Administration Act). The implementation plan aims to evaluate achievements related to promotion of data-based administration in the immediately preceding year, develop plans for promoting data-based administration in the relevant year to implement the master plan, and establish plans for managing data-based administration related budget and personnel management (Article 7, Paragraph 3 of the Data-based Administration Act).

It is noteworthy that the committee for promoting data-based administration includes a deputy head of the local government, suggesting that the local government plays a significant role in data-based administration. Local governments also play important roles in establishing the foundation for integrated data management to facilitate the shared use of data across the government and developing performance management indicators to measure the achievements of data-based administration (Lee et al., 2021).

The Data-based Administration Act specifies the procedures for data sharing and registration among public institutions. The head of a public institution may register data deemed to require sharing on the integrated data management platform (Article 8, Paragraph 1 of the Data-based Administration Act). The Minister of the Interior and Safety may request a public institution to register data after investigating the data that need to be shared by various institutions. In such cases, the head of the public institution shall comply with such request, unless there is a compelling reason not to do so (Article 8, Paragraph 3 of the Data-based Administration Act). Registered data can be freely collected and used by public institutions. If data provision is rejected, the Minister of the Interior and Safety mediates the matter through the committee, and the head of the relevant public institution is notified of the results of mediation to implement the results of mediation (Article 13, Paragraphs 1 and 2 of the Data-based Administration Act).

The successful promotion of data-based administration requires a data management system for public institutions and a data platform. Public institutions systematically manage metadata for data created or acquired and managed by the public institution (Article 16, Paragraph 1 of the Data-based Administration Act), and the Minister of the Interior and Safety may conduct the integrated and interconnected management of the data (Article 16, Paragraph 2 of the Data-based Administration Act). The Act also highlights the importance of data standardization for the consistency and utilization of data (Article 17, Paragraphs 1 and 2 of the Data-based Administration Act).

To this end, the head of a public institution appoints an officer who exercises general control over the work of promoting the institution's data-based administration (Article 19, Paragraph 1 of the Data-based Administration Act) and may establish and operate a data analysis center (Article 20, Paragraph 1 of the Data-based Administration Act). The data-based administration officer is in charge of data linking, data provision, and the joint use of data, as well as the establishment of the data management system. In addition, the Ministry of the Interior and Safety may establish and operate a government-wide integrated data analysis center and designate specialized agencies to assist public institutions in effectively performing data-based administration. These specialized agencies are responsible for data management, analysis, and policy support, and perform various functions related to statistical analysis and data registration (Article 21, Paragraph 1 of the Data-based Administration Act).

The successful establishment of data-based administration necessitates fact-finding surveys and evaluations. The head of a public institution makes a self-inspection of the actual conditions of data-based administration and submits the results to the Minister of the Interior and Safety (Article 22, Paragraph 1 of the Data-based Administration Act), and the Minister of the Interior and Safety synthesizes the inspection results and discloses them (Article 22, Paragraph 2 of the Data-based Administration Act). The inspection encompasses various aspects including data registration, collection, management, and specialized personnel management to monitor the effectiveness and development of data-based administration.

As such, the Data-based Administration Act aims to realize scientific and efficient administration by strengthening data sharing and management systems among public institutions. Local governments play a key role in data-based administration and will contribute to improving the quality of citizens' lives through innovative data-based administrative.

Section 2. Digital Platform Government

Data-driven administration can be achieved by a digital platform government. A digital platform government means a government where people, businesses, and the government work together to address social issues and create new value through a digital platform. It should be viewed as an extension of the informatization policy Korea has pursued to position itself as a leader in the information era, rather than an emerging policy separate from the existing informatization policy (Lee et al., 2022).

The inception of Korea's informatization policy began with the enactment of the Act on the Expansion and Promotion of the Use of Computer Networks in 1987. Under this law, a master plan for national institutions' computer networks was established, and the government was equipped with computers and networks, laying the foundation for national informatization. In the 1990s, informatization emerged as a key social issue, leading to the enactment of the Framework Act on Informatization Promotion in 1995 (presently the Framework Act on Intelligent Informatization) and the establishment of the Ministry of Information and Communication. During this period, the National Informatization Master Plan was established, and this informatization policy led to the development of e-government.

The Korea Financial Crisis in 1997 called for the revision and supplementation of the informatization policy, and the Kim Dae-jung administration pursued the transition to a knowledge-based economy under the banner of "Cyber KOREA 21." In 2001, the E-Government Act was enacted to promote e-government initiatives in earnest. During this period, e-government focused on overhauling the administrative service system and preparing for building effective e-government systems.

From 2003 to 2007, efforts were made to upgrade informatization and concretize e-government services, leading to the computerization of civil services and the establishment of an integrated work system. From 2008 to 2017, the informatization paradigm shifted towards convergence and utilization. During this period, system redundancies, hacking, and personal information leakage were identified as key issues following the universalization of the Internet. To address these issues, the government established the fourth National Informatization

Master Plan aimed to realize a creative and reliable knowledge information society. Subsequently, the Park Geun-hye administration made a shift in the informatization policy towards people-oriented services, leading to Government 3.0 initiatives to strengthen bilateral communication between the government and citizens.

In 2018, the sixth National Informatization Master Plan was established to pursue intelligent innovation in the era of the Fourth Industrial Revolution. Under this plan, efforts to reorganize the government's existing informatization initiatives into intelligent government projects powered by big data and artificial intelligence (AI) technologies. The Ministry of the Interior and Safety announced the Intelligent Government Master Plan to provide tailored services in the fields of healthcare, welfare, and education and apply intelligent technologies to various areas including crime and disaster prevention.

As a priority agenda of the Yoon administration, the digital platform government policy is seen as an extension of this intelligent informatization paradigm. The seventh Comprehensive Plan for Intelligent Information Society established in 2023 aims to accelerate digital transformation and build a platform that interconnects all data, thereby making a framework where citizens, businesses, and the government work together to address social issues. This entails a public-private cooperation system to resolve current issues by leveraging the core technologies of the Fourth Industrial Revolution.

Informatization policies have also been pursued at the local level. The recent regional informatization policy is centered around the "10 Smart Nation Projects" and focuses on addressing real-life problems such as administration, safety, welfare, and transportation by using AI and advanced ICT technologies, rather than focusing on addressing civil complaints. The sixth National Informatization Master Plan includes regional informatization projects for intelligent digital transformation, including smart cities, smartization of agriculture and fisheries, and eliminating the urban-rural gap.

Informatization has been a focal point of policy at both national and local levels, as digital transformation and innovation of local governments, which provide public services closely related to residents' daily lives, is an important strategic tool to respond to economic and social changes. Digital platform government will help central and local governments work together to provide better services to citizens and achieve balanced regional development.

Chapter 07

Accountability of Local Governments

Section 1. Systems to Ensure Local Government Accountability

1. Overview

Local governments in Korea are granted autonomous authority to establish and implement policies tailored to the needs of their communities. Autonomy ensures that local governments provide services tailored to local characteristics and needs, contributing to effectively meeting the needs of local residents. Ultimately, autonomy aims to promote local development by providing policies and services that best fit the characteristics of the local community.

Autonomy guarantees the independence of local governments, but it may also lead to evasion of responsibility and poor management. Therefore, ensuring accountability is essential to maintain the autonomy of local governments while preventing the waste of public resources and achieving policy effectiveness. Accountability fosters trust among residents, promotes transparency in local government operations, and contributes to the quality of public services. Building trust with the community and maintaining transparency in administrative operations are crucial for the sustainable development of local governments. To this end, Korea has various accountability systems, which entail diverse measures aimed at enhancing administrative transparency, fairness, and accountability. The following are key accountability mechanisms for local governments.

2. Local Governments' Own Accountability Mechanisms

Local governments have various internal control mechanisms to ensure their lawful and efficient functioning. These can be categorized into mechanisms to ensure the accountability of the local government by the executive organ (head of the local government) and mechanisms to ensure the accountability of the local government by the local council (deliberative organ). The mechanisms to ensure accountability by the executive organ include self-audits and self-evaluations. On the other hand, the mechanisms to ensure accountability by the local council include voting rights, administrative audits, and administrative investigations, as well as measures to ensure the accountability of the local council such as the prohibition of holding concurrent office and ethics committees.

Articles 140 to 151 of the Local Autonomy Act provide the legal grounds for local governments to adequately manage the allocation and execution of resources and budgets. The Act provides that local governments shall be accountable and transparent in managing their own financial activities.

Self-audits are based on Article 2 of the Act on Public Sector Audits. It defines self-audit as "where the head of an audit organization of a central administrative agency, local government or public institution inspects, examines, checks, analyzes and verifies all the duties, activities, etc. of an institution with which he/she is affiliated (including the institution he/she is affiliated with and subordinate organizations thereof) and persons belonging to such institution, and deals with the results thereof." The self-audit mechanism of a local government is twofold: the independent model refers to the inspector system, while the collegiate model refers to the audit committee system. As of June 2024, 10 out of the 17 broad-area local governments (Seoul, Busan, Daegu, Gwangju, Daejeon, Sejong, Gangwon, Chungnam, Gyeongnam, and Jeju) have an collegiate audit committee, and seven broad-area local governments (Incheon, Ulsan, Gyeonggi, Chungbuk, Jeonbuk, Jeonnam, and Gyeongbuk) conduct self-audits through independent inspectors.

For self-evaluation, Article 2, Paragraph 3 of the Framework Act on Public Service Evaluation requires the heads of *Si/Do*-level and *Si/Gun/Gu*-level local governments to conduct self-evaluation of their strategic projects and own affairs and pursue improvements accordingly. This self-evaluation is designed to evaluate local governments' own policies, and the detailed evaluation items are to be determined by the head of the local government. The head of the local government organizes self-evaluations and conducts evaluations through a self-evaluation committee.

In addition, the Local Autonomy Act defines the oversight role of local councils. According to Article 47 of the Local Autonomy Act, local councils have the authority to deliberate and approve major policies and budgets of local governments and are responsible for monitoring the lawful operation of local governments. Under Article 49 of the Local Autonomy Act, local councils also have the authority to conduct audits and investigations of local governments' administration.

3. Mechanisms to Ensure Accountability by Higher Authorities

The systems to hold local governments accountable are primarily provided by the National Assembly, central government agencies, and the Board of Audit and Inspection. These controls ensure that local governments are in compliance with laws and regulations and are accountable to citizens. As a core element of the democratic process, they play an important role in ensuring local governments' transparency and accountability.

The National Assembly's inspections of local governments are governed by Article 61 of the Constitution, Article 127 of the National Assembly Act, and Article 7, Paragraph 2 and Article 7-2 (Inspections of Local Governments) of the Act on the Inspection and Investigation of State Administration. Article 7, Paragraph 2 of the Act provides that the Special Metropolitan City, Metropolitan Cities, and Dos among local governments are subject to inspection, and that the scope of such inspection is limited to the duties delegated by the State and projects for which the State provides budgetary support, such as subsidies.

The central government's audits of local governments are stipulated in Article 184, Paragraph 1, Article 185, Article 190, and Article 191 of the Local Autonomy Act, Article 2 of the Regulations on the Administrative Audit of Local Governments, and Article 9 of the Regulations on the Delegation and Entrustment of Administrative Authority. In particular, Article 2 of the Regulations on the Administrative Audit of Local Governments specifies four types of administrative audits of local governments, which are joint governmental audits, comprehensive *Si/Do* audits, specific audits, and service audits.

Audits of local governments by the Board of Audit and Inspection are stipulated in Articles 22, 23, and 24 of the Board of Audit and Inspection Act. The Board of Audit and Inspection audits the accounts and administrative operations of local governments and public officials to improve the legitimacy and efficiency of administration.

These mechanisms to ensure accountability by higher authorities aim to review the policies and budget execution of local governments and ensure their compliance with laws and regulations. This oversight and regulatory framework is shaped by central government policy instructions and serves to ensure that local government operations are in line with national policy goals.

4. Mechanisms to Ensure Accountability by Residents

Various systems have been established to ensure local government accountability by residents. Mechanisms grounded in legislation include referendum, resident audits, resident lawsuits, recall, local ombudsman, and the disclosure of information to residents. These are primarily based on the Local Autonomy Act and local government ordinances. Although not formal mechanisms, the roles of civil society and the media are equally important. Civil society and the media act as external oversight mechanisms over the operations of local governments, playing a critical role in safeguarding public interests. Civil society groups monitor local government policies and administration and organize campaigns to improve the quality and transparency of public services. Meanwhile, the media report on local government policies and administration, exposing misconduct or corruption and attracting public attention. These external oversight activities contribute to strengthening the accountability of local governments. One of the mechanisms to ensure local government accountability through direct participation of citizens in administration is participatory budgeting. It allows residents to directly engage in the budgeting process, thereby strengthening the fairness and effectiveness of budget execution. In Korea, the participatory budgeting system was first introduced by the Gyeonggi Provincial Office of Education in 2010 and subsequently expanded nationwide following the 2011 amendment to the Local Finance Act. Article 39, Paragraph 2 of the Local Finance Act stipulates that the heads of local governments may establish a participatory budgeting body, such as a resident-participatory budgeting committee. This system is considered as a successful model of resident participation.

The Official Information Disclosure Act requires local governments to provide citizens with access to information. Article 3 of the Act stipulates the obligation of all public institutions, i.e., local governments, to provide citizens with information related to their activities. This enables citizens to exercise external oversight and citizen participation in the policy and budget execution process. These mechanisms play an important role in ensuring the transparency of local governments.

<Table 16> Resident-participatory budgeting best practice

<Resident-participatory budgeting system of Siheung City: Linking and integrating local autonomy and participatory budgeting to ensure effective participation>

The participatory budgeting system and resident associations have evolved according to their respective needs. Following the transition to local autonomy led by resident associations at the Eup/Myeon/Dong level, Siheung City made efforts to converge these two systems. Siheung City enacted the Siheung City Participatory Budgeting System Ordinance in 2006, under which the Participatory Budgeting Committee was established. On February 18, 2020, the ordinance was partially amended to stipulate the right of the residents association to participate in the Participatory Budgeting Committee. The table below shows the types of projects subject to participatory budgeting in Siheung City.

Category	Details	Subject
1. General proposals (within ordinary budget limits)	[Proposals made by residents; reviewed and deliberated by the committee to allocate budget] ■ Projects that have citywide impact or influence 2 or more Dongs. ■ Institutional and policy improvements. ■ Projects that require expertise and follow-up (management) and are best executed by the administrative organ.	Competent divisions

Category	Details	Subject
2. Autonomous planning (KRW 760 million)	[Proposals made by the residents association; executed by the residents association after review and concretization] ■ Projects proposed (planned) and executed by the residents association to identify and address issues in their neighborhood. ■ Projects that have localized impact, for example projects for community (village) vitalization, and are best executed by the residents association. * Up to KRW 40 million per Dong.	Dong-level residents association

Source: Siheung City, 2023.

Source: Ministry of the Interior and Safety, Resident-participatory budgeting best practices.

Section 2. A New Paradigm for Balancing Autonomy and Accountability

The balance between autonomy and accountability significantly influences the governance structure and the policy-making process. While autonomy ensures the independent decision-making by local governments, a systematic governance is necessary to guarantee accountability in policy-making and operations. In this regard, there has been a movement to strengthen participatory governance models, aiming to enhance both autonomy and accountability through civil engagement. Policy formulation and implementation that incorporates community inputs contribute to achieving this balance. Participatory governance models support maintaining the balance between autonomy and accountability by allowing residents to directly engage in decision-making processes. The participatory budgeting system discussed earlier is an example of the mechanisms to promote resident participation in budgeting. More recently, the Public-Private Organizational Diagnosis Task Force seeks to encourage the involvement of external experts across all aspects of local governments' organizational management.

There is also a push to apply technology- and data-driven solutions in the area of accountability. There is also a movement to apply technology and data-driven solutions in the area of accountability. This involves leveraging data analytics and technology to ensure balance between autonomy and accountability. Real-time monitoring and analysis of public data allows for real-time monitoring of the results of policy implementation, data analysis to evaluate the effectiveness of policies, and taking measures as needed.

<Table 17> Example of an online platform for budget execution disclosure

<Seoul Metropolitan Government’s online platform for transparent budget execution: Seoul Finance Portal (openfinance.seoul.go.kr)>

Seoul Metropolitan Government operates an online platform that discloses details of budget execution in real time. This platform provides citizens with the budget details in a transparent manner and includes functions to collect real-time feedback on the budget execution process. This helps earn citizens’ trust in the city’s budget operations and encourage interest and participation in the budget process.

Chapter 08

International Exchange and Cooperation of Local Governments

Section 1. Concept of International Exchange and Cooperation of Local Governments

International exchange and cooperation by local governments means activities conducted by Do/Si-level and other local governments as authoritative agents, including economic diplomacy, trade, and the exchange of human and physical resources, culture, institutions, policies, and information, as opposed to activities traditionally conducted by the central government as the sole diplomatic actor. According to local government ordinances in Korea, international exchange and cooperation is a process of exchanging human and physical resources, culture, institutions, policies, and various types of knowledge and information on equal terms across national boundaries for the purpose of friendship, cooperation, and mutual understanding, manifested through public and private exchanges with foreign cities under sister-city relationships and similar reciprocal agreements.

The role of local governments is now emphasized in the field of diplomacy, which was traditionally considered the preserve of the central government. Reflecting this shift, the full amendment to the Local Autonomy Act in 2021 introduced provisions on international exchange and cooperation of local governments. These provisions explicitly include international exchange and cooperation in the scope of local government affairs and grant local governments the role of seeking cooperation with foreign local governments, private organizations, and international organizations. In addition, the amendment includes provisions on local government support for international organizations and the establishment and operation of overseas offices.

First, the Act specifies international exchange and cooperation within the scope of local governments' affairs, including the attraction of, and support for, international organizations, events, and competitions, and exchanges and cooperation with foreign local governments (Article 13, Paragraph 2, Subparagraph 7 of the Local Autonomy Act). In addition, local governments has the authority to decide or pass a resolution on exchange and cooperation with foreign local governments (Article 47, Paragraph 1, Subparagraph 10 of the Local Autonomy Act).

The Act also stipulates "Local governments may promote cooperation with foreign local governments, private organizations, and international organizations (including intergovernmental organizations, such as the United Nations and its subsidiary organs and specialized agencies; quasi-intergovernmental organizations, such as inter-local governmental organizations; and international non-governmental organizations: hereinafter the same shall apply) to enhance international exchanges, cooperation, trade, and investment insofar as they do not conflict with foreign and trade policies of the State" (Article 193 of the Local Autonomy Act). Local governments' support for international organizations is set forth in Article 194 of the Local Autonomy Act, stating "local governments may dispatch public officials to international organizations or subsidize necessary expenses, such as operating expenses, to support the establishment, attraction, or activities of international organizations." And Article 195, Paragraph 1 of the Local Autonomy Act include a provision on the establishment and operation of local governments' overseas offices: "Local governments may jointly establish overseas offices, solely or jointly through cooperation among local governments, in necessary places to conduct affairs relating to international exchanges and cooperation and other affairs."

These newly established provisions on international exchange and cooperation of local governments explicitly provide the role of local governments as non-state agents in the international community, encompassing international exchange and cooperation, trade and investment attraction, and cooperation with quasi-governmental and non-governmental organizations. Furthermore, these provisions established legal grounds for the establishment, attraction, or support of international organizations and the establishment and operation of overseas offices to facilitate international exchange and cooperation activities by local governments.

In addition, the Public Diplomacy Act of 2016 requires the Ministry of Foreign Affairs to establish and report public diplomacy plans for local governments' public diplomacy. Article 2 of the Public Diplomacy Act, public diplomacy means diplomatic activities through which the State promotes foreign nationals' understanding of and enhance confidence in the Republic of Korea directly or in cooperation with local governments or the private sector based on culture, knowledge, policies, etc.

The Minister of Foreign Affairs formulates a master plan for public diplomacy in consultation with the heads of related *Si/Do* local governments (Article 6, Paragraph 1 of the Public Diplomacy Act), and the heads of related *Si/Do* local governments formulate and implement an annual action plan for public diplomatic activities (Article 7, Paragraph 1 of the Public Diplomacy Act). Article 12 of the Public Diplomacy Act provides for the designation of institutions that pursue public diplomacy, eligibility of these institutions for designation other than the Korea Foundation, and financial support for the operation of these institutions.

Section 2. Areas of International Exchange of Local Governments

Local governments' international exchange and cooperation is categorized into sisterhood relationships and friendship (Governors Association of Korea, 2015). While the central government seeks international exchange and cooperation in the form of diplomacy, local governments' international exchange and cooperation is embodied in the form of sisterhood.

Sisterhood is an agreement between local governments that promises close cooperation on matters of mutual interest and exchange and cooperation to promote friendship and joint development in administration, economy, culture and human resources, among others. Sisterhood agreements are subject to resolution by local councils under Article 47, Paragraph 1, Subparagraph 10 of the Local Autonomy Act and Article 37 of the Enforcement Decree of the Act.

Another form of cooperation between local governments, friendship is a pre-sisterhood arrangement and a precursor to future exchanges. Typically, friendship agreements lead to sisterhood relationships. Unlike sisterhood, friendship agreements do not require resolution by the local council.

Table 18 shows the sisterhood relationships and friendship agreements of local governments in Korea. From the 1960s to the 1980s, exchange and cooperation arrangements were made with 86 local governments in first-world countries with which Korea had established diplomatic relations during the Cold War, such as the Americas (the U.S., Canada, etc), Asia (Japan, Taiwan, Indonesia, etc.), and Europe (Norway, Denmark, France, Italy, etc.). In the post-Cold War era of the 1990s, these exchange and cooperation agreements were expanded to 343 local governments around the world, including those in China and Russia. The number of exchange and cooperation arrangements has continued to increase since the 2000s, reaching 1,444.

<Table 18> Local governments' international exchange and cooperation

Category	Broad-area local governments			Basic local governments			Total
	Subtotal	Sisterhood	Friendship	Subtotal	Sisterhood	Friendship	
1960s	6	6	0	4	4	0	10
1970s	6	6	0	12	12	0	18
1980s	23	22	1	35	34	1	58
1990s	101	69	32	242	164	78	343
2000s	154	59	95	455	173	282	609
2010s	174	34	140	510	124	386	684
2020s	43	11	32	108	39	69	151
Total	507	207	300	1,366	550	816	1,873

Note: For the 2020s, data through 2023.

Source: Governors Association of Korea (https://www.gaok.or.kr).

A commonly used criterion for categorizing the types of international exchange and cooperation of local governments is the area-based categorization as shown in the table below (Governors Association of Korea, 2015). According to this table, international exchange and cooperation among local governments is divided into administrative, human resources, culture and arts, tourism, youth, sports, technology and academia, economic and trade, private, and symbolic projects.

<Table 19> Types of local governments' international exchange and cooperation

Category	Details
Administrative exchange	Delegation visits, administrative information exchange, 10th anniversary ceremony, etc.
Human resource exchange	(Mutual) dispatch of public officials, public officials training, youth exchange visits, homestay, university students exchange, etc.
Culture and arts exchange	Festivals, art troupe performances, Go and calligraphy exchange, art exhibitions, Hanbok fashion shows, etc.
Tourism exchange	Tourism product exhibitions, school field trips, medical tourism, etc.
Youth exchange	Homestay, school field trips, youth sports exchanges, language programs, international internships, etc.
Sports exchange	Friendly soccer matches, friendly baseball matches, international athletic competitions, etc.
Technology and academia exchange	Seminars on administrative information, international symposiums, agricultural technical training, industrial training, etc.
Economic exchange	Economic exchange agreements, dispatching market development delegations, economic consultation meetings, international internships, exchanges between chambers of commerce, investment briefings, opening direct flights, technology transfer agreements, etc.
Private exchange	Exchange between chambers of commerce, exchange between private organizations such as art associations and medical societies, university student exchange, etc.
Symbolic projects	Parks, street naming ceremonies, sister city pavilions, honorary citizenship, etc.
Others	Medical outreach, fundraising, aid, animal donations, etc.

Source: Governors Association of Korea (https://www.gaok.or.kr).

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II

Local Finance

Chapter

09 Overview of Local Finance

Section 1. Local Finance and Legal System

1. Concept and Significance of Local Finance

Local finance includes all activities of local governments related to revenues and expenditures, and the management and disposal of assets and liabilities. The fiscal year of local governments is the same as that of the central government, running from January 1 to December 31 each year. Accounts are categorized into general accounts and special accounts. General accounts are used for the inherent functions of local governments, and special accounts are established and operated for certain revenues and expenditures that need to be handled separately from general revenues and expenditures for the operation of local public enterprises under the Local Public Enterprises Act or for certain projects. In addition to the general and special accounts, local governments may establish funds to manage assets or operate funds for administrative purposes or public interest.

2. Legal Framework for Local Finance

The legal framework for local finance is structured with laws that provide basic matters, local taxes that constitute the largest portion of local governments' revenue, funds, local financial adjustment mechanisms, and local public enterprises and corporations. The Local Autonomy Act, the Local Finance Act, and the Local Accounting Act outline the basic principles of local finance. For local financial adjustment, the Act on the Adjustment of National and Local Taxes, the Local Subsidy Act, and the Subsidy Management Act stipulate matters related to local financial adjustment mechanisms.

<Table 20> Key local finance legislation

Category	Law	Details
Basic matters	Local Autonomy Act	Stipulate the types of local governments, organization and operation, residents' participation in local administration, and the basic relations between the State and local governments; Chapter 7 (Finance) provides for local finance.
Basic matters	Local Finance Act	Establish basic principles for local governments' finance to ensure sound and transparent management and autonomy of local finance.
	Local Accounting Act	Provide for the basic matters of local governments' accounting and fund management to ensure transparent local accounting and efficient fund management.
Local tax	Local Tax Act	Stipulate the legality of taxation, imposition, collection, and other matters for each local tax assessed by local governments.
	Framework Act on Local Taxes	Stipulate basic and common matters related to local taxes, taxpayers' rights, obligations, and remedies; clarify the legal aspects of local taxes; pursue fair taxation; and ensure the fulfilment of residents' tax obligations.
	Act on Restriction of Special Cases Concerning Local Taxation	Stipulate matters related to local tax exemptions and special cases and restrictions thereof for the effective implementation of local tax policy, hence contributing to the realization of sound local financial management and fair taxation.
Fund	Framework Act on the Management of Local Government Funds	Stipulate basic matters concerning the management and operation of funds established by local governments to ensure the public nature of local government fund management and the efficiency of local finance.
Local financial adjustment	Act on the Adjustment of National and Local Taxes	Provide for the adjustment of national and local taxes.
	Local Subsidy Act	Distribute funding sources for the administrative operations of local governments and financial adjustment to ensure the sound development of local administration.
	Subsidy Management Act	Stipulate basic matters concerning the subsidy budgeting, application, decision, and use to promote the proper management of subsidy budgets, including efficient subsidy budgeting and execution.
Local public enterprises and corporations	Local Public Enterprises Act	Provide for matters related to the operation of enterprises directly established and managed by local governments or established and managed through separate judicial persons for management rationalization, thereby contributing to the development of local autonomy and residents' welfare.

Category	Law	Details
Standards	Local Government Budget Planning and Operation Standards	Categorize and manage the division and establishment of items in local governments' revenue and expenditure budgets in the business budget system.
	Rules on Local Government Accounting Standards	Categorize and manage the division and establishment of items in local governments' revenue and expenditure budgets in the program budget system.
	Standard on the Establishment of Fund Management Plans	Provide for matters concerning the management and operation of funds, including revenue and expenditure planning standards, thereby ensuring the sound management of local government funds and the balance of fund management between local governments.

Source: As cited in Yoon, 2024, *Theories of Local Finance*, p.64.

Section 2. Major Local Finance Systems

1. Program Budget System

In 2008, local governments adopted a program budget system where budgets are allocated to programs, rather than items. The program budget system is designed to link budgets with mid- to long-term policies and improve financial performance by structuring, executing, and operating budgets centering on policies and programs and facilitating program-based performance management.

2. Accrual-basis Accounting and Double-entry Bookkeeping

In 2007, local governments transitioned from the conventional cash-basis, single-entry accounting to an accrual-basis, double-entry accounting system. In accrual-basis, double-entry accounting, changes in financial position (assets, liabilities, and net assets) and operating performance (revenues and expenses) are recognized at the time of transactions occur, and transactions are recorded as double entries based on the principle of debit-credit equilibrium.

3. Gender Sensitive Budget System

In 2013, local governments introduced a gender sensitive budget system, where gender perspectives and gender awareness are factored in the budgeting process. Gender sensitive budgeting considers the impact of budget planning and execution on different genders to ensure that no gender is unfavorably affected.

4. Resident-participatory Budget System

The resident-participatory budget system has been mandated for local government budgeting since 2011, as an institutional mechanism to gather diverse public opinions during the budgeting process. The resident-participatory budget system is a new collaborative budgeting framework where the traditionally government-dominated authority and function of budget formulation is shared with residents.

5. Local Financial Adjustment by the Central Government

The mechanisms for financial adjustment between the central government and local governments include local subsidies and national subsidies. Local subsidies are a mechanism for redistributing a portion of national tax revenue (19.24% of inland revenue) for the administrative operations of local governments to balance fiscal disparities between local governments. These subsidies include general subsidies, special subsidies, and decentralization subsidies. National subsidies are governed by the Subsidy Management Act. These subsidies are distributed among local governments from the national budget (general or special accounts), serving as funding resources for specific purposes and conditions. In addition, there are subsidies under the Special Accounts on Regional Development to support regional development and enhance competitiveness of metropolitan economies.

6. Local Financial Adjustment by the Broad-area Local Governments

For financial adjustment between broad-area and basic local governments, city/provincial subsidies and adjustment subsidies are provided. City/provincial subsidies are provided under the Local Finance Act where deemed necessary by the city or province for the implementation of policy or to address financial needs of *Si/Gun/Gu*-level local governments in its jurisdiction, allocated within the limits of the budget of the city/province. Adjustment subsidies are intended for adjustment between autonomous *Gus* in a Special Metropolitan City or a Metropolitan City by allocating of a portion of its general tax revenue as general and special subsidies.

7. Local Bond Issue Aggregate Limit System

The local bond issue aggregate limit system allows local governments to issue bonds within a pre-determined limit by local council resolution, taking into account their financial standing, debt and other relevant factors. To issue local bonds in excess of the pre-determined limit, the approval from the Minister of the Interior and Safety is required, and the bonds may be issued by local council resolution. The local bond issue limit applies to local bonds, debt-bearing act, the performance of guaranteed obligations, and build-transfer-lease (BTL) payments.

8. Medium-term Local Financial Planning

Medium-term local financial planning is a multi-year budgeting system that takes into account the local government's development plans and needs in the medium- and long- term. It involves the development of five-year budget plans for efficient local financial management. Medium-term local financial planning sets annual budget formulation criteria for local governments based on medium- and long-term plans, and considers investment efficiency and priority in program budget allocation, thereby promoting sound financial management and contributing to the financial linkage between the state and local governments.

9. Local Government Investment Review

The local government investment review was introduced to promote efficient use of limited local budgets and planned financial operations in connection with medium-term local financial plans, and prevent reckless overlapping of investments in investment projects. It verifies and examines the feasibility and efficiency of major investment projects and events in advance. The results of the investment review include appropriate, conditional, reconsideration and inappropriate.

10. Local Financial Analysis

Local financial analysis aims to improve the soundness and efficiency of local finance by analyzing and evaluating the financial status and performance of local governments based on objective data. The analysis and evaluation of local governments was introduced in 1998 in accordance with the Local Finance Act. For local governments whose financial soundness and efficiency are found to be inadequate by the local financial analysis, cause analysis is conducted to help the local government improve its finance and prevent financial crises.

11. Local Financial Crisis Management

The government (Ministry of the Interior and Safety) introduced the Local Financial Crisis Management System (formerly known as the Local Fiscal Crisis Warning System) in 2012 to predict and respond to financial crises in local governments. This involves a series of processes to predict and respond to financial crises in local governments by examining the level of financial risks for major financial indicators of local governments.

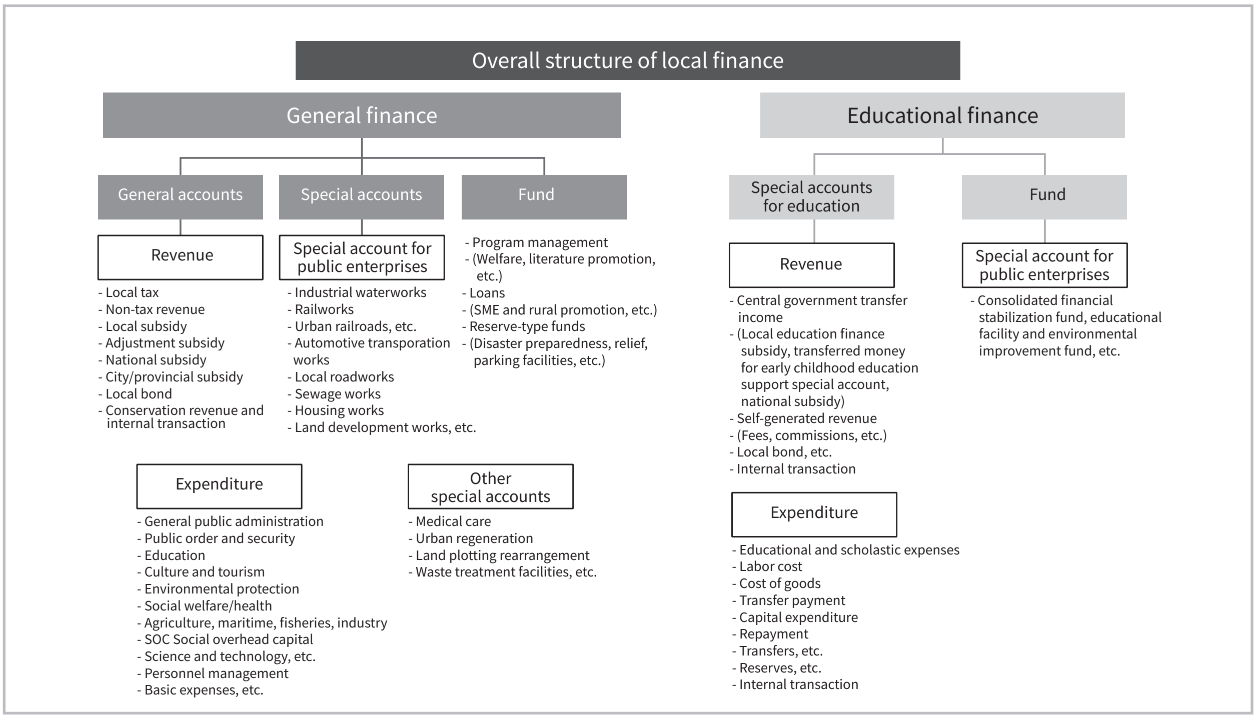
Section 3. Principles of Local Finance and Management

There are five key principles in local finance, which are grounded in the Local Autonomy Act and the Local Finance Act: 1) sound financial management, 2) autonomous financial management, 3) planned financial management, 4) efficient financial management, and 5) fair financial management (Ra, 2014, p.35). First, sound financial management means that the local government provides basic public administrative services while maintaining a stable budget balance and secure more advanced financial functions, thereby gradually enhancing the level of its administrative services. Second, autonomous financial management means that the local government should secure its own revenue based on its own autonomous financial authority and conduct financial activities under its own responsibility to vitalize the local economy, facilitate regional development, and provide various local administrative services. Third, planned financial management emphasizes far-sighted financial planning and operations in consideration of the future. Fourth, efficient financial management suggests that the local government should aim to achieve maximum results with minimal input, given the limited resources available to improve the welfare of the residents. Finally, fair financial management means that financial operations that are discriminatory or unfair against specific groups, social classes, or regions should be avoided (Ra, 2014, p.39).

Section 4. Local Finance Structure and System

The structure of local finance can be divided into general finance and educational finance. General finance is further broken down into general accounts, special accounts, and funds. First, general accounts are financial accounts for the general operation of the local government and are broadly classified into revenue and expenditure. The revenue is comprised of self-generated revenue and dependent revenue. Special accounts are used for specific purposes of the local government. Educational finance for the operation of metropolitan and provincial offices of education consists of special accounts for education and funds. The special accounts for education are categorized into revenue and expenditure, similar to that of the general accounts in general finance. The following figure summarizes this structure.

<Figure 3> Overall structure of local finance



Source: As cited in Yoon, 2024, Theories of Local Finance, p.79.

1. Comparison between National and Local Finance

Local finance, along with central government finance, is an important pillar of public finance. According to a recent comparison of the central government budget, local government budget, and local education budget, the central government budget in 2024 is KRW 488 trillion and 621.9 billion, the local government budget is KRW 310 trillion and 81.8 billion, and the local education budget is KRW 92 trillion and 488.6 billion. They account for 54.8%, 34.8%, and 10.4%, respectively.

<Table 21> Comparison of national and local budget (in terms of size)

(Unit: KRW 100 million)

Category	2019	2020	2021	2022	2023	2024
GDP (KRW billion)	2,040,594.3	2,058,466.5	2,221,912.9	2,323,781.5	2,401,189.4	-

Central government	3,617,859	3,862,379	4,174,201	4,558,366	4,843,752	4,886,219
Local government	2,310,152	2,532,263	2,630,917	2,883,083	3,054,109	3,100,818
Local education	705,960	739,013	718,605	826,902	974,192	924,886

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds,* p.24. KOSIS National Statistics Portal.

Taking into account financial transfers from the central government to local governments (local subsidies, national subsidies), financial transfers from the central government to local offices of education (local education subsidies and local subsidies for educational accounts), and transfers and subsidies from local governments to local education offices, the changes in the proportion of central government, local government, and local education office finance are obtained. As of 2024, the central government accounts for 40.6% with KRW 268 trillion and 592.2 billion, local governments account for 45.0% with KRW 297 trillion and 748.5 billion, and local offices of education account for 14.4% with KRW 95 trillion and 435.6 billion.

<Table 22> Comparison of central government, local government, and local educational finance (in terms of fiscal expenditure)

(Unit: KRW 100 million)

Category	2019	2020	2021	2022	2023	2024
GDP (KRW billion)	2,040,594.3	2,058,466.5	2,221,912.9	2,323,781.5	2,401,189.4	-
Central government	1,913,463	2,163,914	2,413,619	2,508,270	2,549,290	2,685,922
Local government	2,306,449	2,396,034	2,484,016	2,765,951	2,970,204	2,977,485
Local education	754,402	761,310	745,751	877,002	1,002,879	954,356

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.24. KOSIS National Statistics Portal.

2. Vulnerabilities in Independent Financial Resources of Local Governments

Local finance in Korea is highly dependent on the central government and has vulnerabilities in independent financial resources. In 2024, dependent financial resources such as local subsidies and grants account for 46.4% of the total local budget of KRW 310 trillion and 81.8 billion. This clearly shows that local governments are highly dependent on the central government.

<Table 23> Composition of local governments' revenue (2024)

Local budget: KRW 31,081.8 billion				
Self-generated revenue (44.6%)		Transfer revenue (46.4%)		Local bond (1.4%)
Local tax	Non-tax revenue	Subsidy	Grant	
KRW 110,733.1 billion	KRW 27,511.3 billion	KRW 60,249.5 billion	KRW 83,709.3 billion	KRW 4,271.9 billion

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.31.

In 2024, the national to local tax ratio is 76.8% to 23.2%. Over the past five years, the national to local tax ratio has been around 77 to 23.

<Table 24> Proportion of national and local taxes

(Unit: KRW 100 million, %)

Category	2019	2020	2021	2022	2023	2024
National tax (%)	2,934,543 (76.4)	2,855,462 (73.7)	3,440,782 (75.3)	3,959,393 (77.0)	3,440,711 (75.7)	3,673,140 (76.8)
Local tax (%)	904,604 (23.6)	1,020,488 (26.3)	1,127,984 (24.7)	1,185,707 (23.0)	1,106,155 (21.4)	1,107,331 (23.2)

※ Settlement of accounts for 2022; final budget for 2023; original budget for 2024.
Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.26.

In 2024, the proportions of own and dependent revenues are 44.6% and 46.4%, respectively. Dependent revenue shows an upward trend, and self-generated revenue decreases over time, while local bond revenue seems to remain stable.

<Table 25> Proportion of self-generated revenue and dependent revenue

(Unit: KRW 100 million, %)

Category	2022	2023	YoY change	2024	YoY change
Total	2,883,083	3,054,109	5.9	3,100,818	1.5
Self-generated revenue	1,328,144(46.1)	1,399,757(45.8)	5.4	1,382,444(44.6)	△1.2
Transfer revenue	1,317,281(45.7)	1,412,877(46.3)	7.3	1,439,588(46.4)	1.9
Local bond	40,343(1.4)	28,836(0.9)	△28.5	42,719(1.4)	48.1
Conservation revenue and internal transaction	197,315(6.8)	212,639(7.0)	7.8	236,068(7.6)	11.0

※ Based on original budgets.

※ Following the reorganization of tax revenue items in 2014, carryovers, inter-account transfers, deposits, balances, conservation revenue and other items previously considered internal transactions were excluded from (temporary) non-tax revenue.

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.26.

3. Financial Disparities between Local Governments

In terms of financial independence, which is expressed as the percentage of self-generated revenue (local taxes + non-tax revenue) in the revenue budget, the average of broad-area local governments in 2024 is 46.0%, while that of basic local governments is only 26.5%, showing a significant gap between local governments. The highest and lowest financial independence ratios reported by broad-area local governments are 74.6% and 24.3%, respectively. While the highest financial independence ratio achieved by a basic local government is 64.3%, the lowest is only 7.8%.

<Table 26> Comparison of financial independence between local governments (2024)

(Unit: %)

Category	Broad-area local governments					Basic local governments		
	Special Metropolitan City	Metropolitan City	Special Self-Governing City	*Do*	Special Self-Governing Province	*Si*	*Gun*	Autonomous Gu
Average	46.0					26.5		
	74.6	45.7	65.0	35.7	39.1	32.7	14.3	25.0
Highest	(Seoul) 74.6	(Incheon) 54.5	(Sejong) 65.0	(Gyeonggi) 49.1	(Jeju) 39.1	(Seongnam) 64.1	(Ulju) 36.9	(Gangnam, Seoul) 64.3
Lowest	(Seoul) 74.6	(Gwangju) 39.0	(Sejong) 65.0	(Jeonbuk) 24.3	(Jeju) 39.1	(Namwon) 10.5	(Bonghwa) 7.8	(Yeongdo, Busan) 10.5

※ Based on gross budget (pre-reorganization).

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.293.

Chapter

10 Local Expenditures

Section 1. Budget by Local Government

The total local budget size is KRW 310 trillion and 81.8 billion. Of the total budget, general accounts are KRW 273 trillion and 700.3 billion, and special accounts are KRW 36 trillion and 381.5 billion, with the general account to special account ratio of 88.3% to 11.7%. By local government type, broad-area local governments (*Si/Do*) have a budget of KRW 203 trillion and 447.1 billion, and basic local governments (*Si/Gun*/autonomous *Gu*) have a budget of KRW 106 trillion and 634.7 billion, with the broad-area local government to basic local government ratio of 65.6% to 34.4%. Of the broad-area local government budget (65.6%), Special Metrpolitan, Metrpolitan, and Special Self-Governing Cities have a budget of KRW 97 trillion and 290.4 billion (31.4%), and Dos and Special Self-Governing Provinces have a budget of KRW 106 trillion and 156.7 billion (34.2%). Among the basic local governments (34.4%), Sis have a budget of KRW 62 trillion and 428.1 billion (20.1%), *Guns* have a budget of KRW 28 trillion and 498.9 billion, and autonomous *Gus* have a budget of KRW 15 trillion and 707.6 billion (5.1%).

<Table 27> Size of local budgets by account and government (2024)

(Unit: KRW 100 million, %)

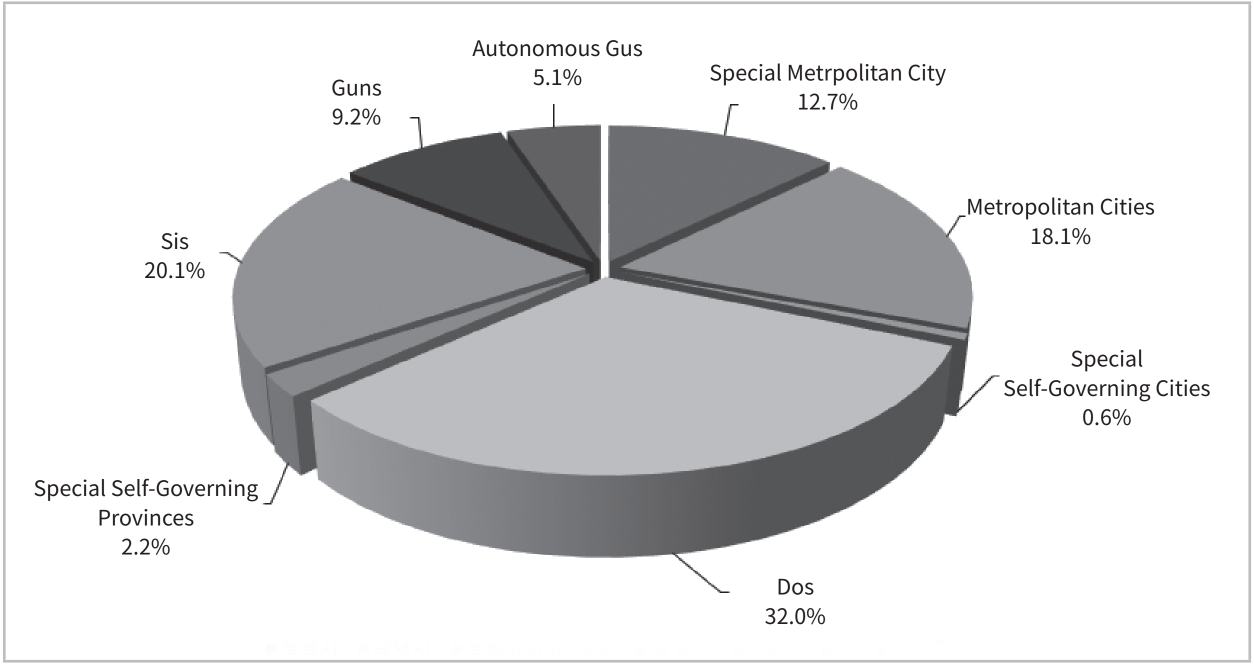
Government	Budget	Proportion	General accounts	Proportion	Special accounts	Proportion
Total	3,100,818	100.0	2,737,003	88.3	363,815	11.7
Subtotal	2,034,471	65.6	1,785,909	57.6	248,562	8.0
Special Metropolitan City	394,949	12.7	311,900	10.1	83,049	2.7
Metrpolitan Cities	560,033	18.1	467,383	15.1	92,650	3.0
Special Self-Governing Cities	17,922	0.6	15,662	0.5	2,259	0.1

Government	Budget	Proportion	General accounts	Proportion	Special accounts	Proportion
Dos	992,848	32.0	932,846	30.1	60,002	1.9
Special Self-Governing Provinces	68,719	2.2	58,117	1.9	10,602	0.3
Subtotal	1,066,347	34.4	951,094	30.7	115,253	3.7
Sis	624,281	20.1	531,050	17.1	93,232	3.0
Guns	284,989	9.2	272,472	8.8	12,517	0.4
Autonomous *Gus*	157,076	5.1	147,572	4.8	9,504	0.3

※ Broad-area local governments have a larger share of revenue because most of the overlap between broad-area local governments and basic local governments is subsidies, which are deducted from the revenue of the receiving basic local governments.

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.27.

<Figure 4> Budget size by local government (2024)



Section 2. Budget by Program Structure

In terms of program structure, most of the local government budget in 2024 is for policy projects. The policy project budget is KRW 259 trillion and 257.9 billion, accounting for 83.6% of the total budget, followed by administrative and operating expenses of KRW 40 trillion and 220.9 billion (13%), and financial activities of KRW 10 trillion and 603 billion (3.4%). Policy project budgets are financial expenditures for projects that target residents. Of the KRW 259 trillion and 257.9 billion, subsidized projects account for 56.7% with KRW 146 trillion and 980 billion, and own projects account 43.3% with KRW 112 trillion and 277.9 billion. Administrative and operating expenses consist of personnel expenses and basic expenses for organizational operations, of which proportion has increased slightly from 12.9% in 2022 and 12.8% in 2023 to 13% in 2024. Expenses for financial activities mean conservative expenditures such as internal transactions and repayment of borrowings. In 2022, they accounted for 3.8% of the total budget but decreased to 3.6% in 2023 and 3.4% in 2024.

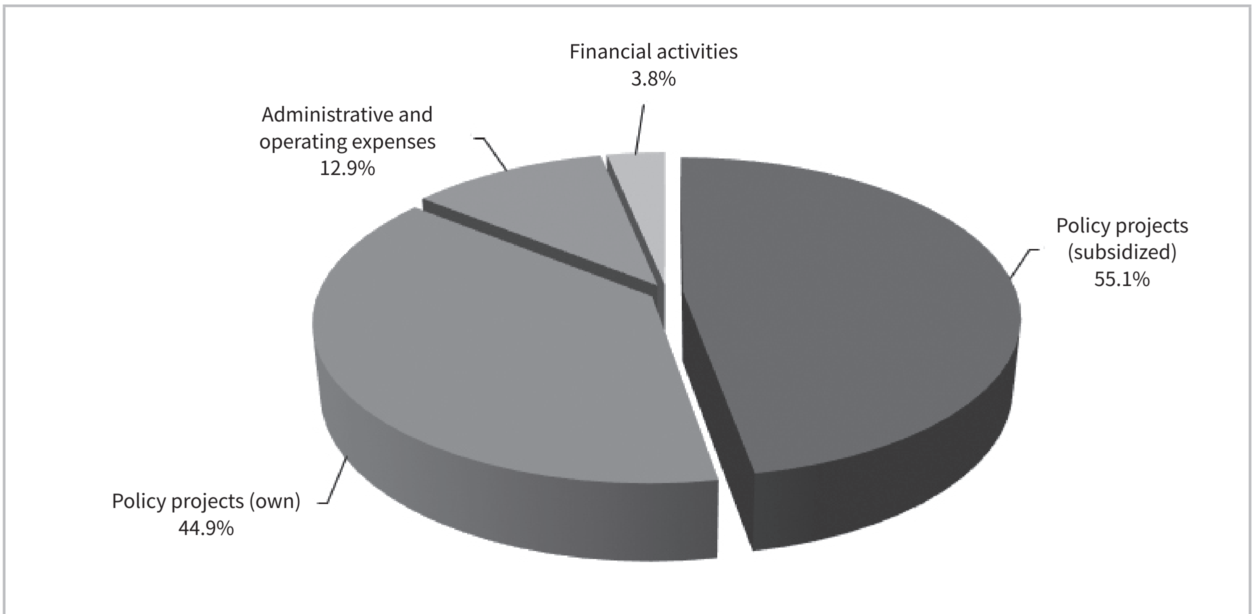
<Table 28> Size and share of expenditure budget by program structure

(Unit: KRW 100 million, %)

Category		2022	Proportion	2023	Proportion	2024	Proportion
Total		2,883,083	100.0	3,054,109	100.0	3,100,818	100.0
Policy projects	Subtotal	2,401,819	83.3	2,554,295	83.6	2,592,579	83.6
	Subsidized projects	1,324,657	55.1	1,398,192	54.7	1,469,800	56.7
	Own projects	1,077,162	44.9	1,156,103	45.3	1,122,779	43.3
Administrative and operating expenses		369,908	12.9	388,473	12.8	402,209	13
Financial activities		111,357	3.8	111,341	3.6	106,030	3.4

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.183.

<Figure 5> Local expenditure by program structure (2024)



Section 3. Budget by Function

The functional classification of local government expenditure budgets was previously categorized into chapters, sections, and items, comprised of five chapters and 16 sections. With the transition from the item-based budget system to a program budget system, the expenditure functions are now categorized into 13 divisions and 51 groups in line with the UN Classification of the Functions of Government (COFOG) and the central government's expenditure function classification. The expenditure function classification shown in Table 29 represents structured classification of local government functions, for example general public administration, public order and safety, education, culture and tourism, environment, social welfare, health, and agriculture, forestry and fisheries. This classification facilitates understanding the activities and characteristics of local governments.

<Table 29> Classification of the functions of local government expenditure budgets

Division (13)	Group (51)
General public services	Legislative and electoral administration, local administration and financial support, finance, general administration
Public order and safety	Police, disaster prevention, civil defense, fire
Education	Early childhood, primary and secondary education, tertiary education, lifelong and vocational education
Culture and tourism	Arts, culture, tourism, sports, cultural heritage, general culture and tourism
Environment	Water, wastewater, water quality, waste, air, nature, marine, general environmental protection
Social welfare	Basic security, support for vulnerable classes, childcare, family, women, seniors and youth, labor, veterans, housing, general social welfare
Health	Healthcare, food and drug safety
Agriculture, forestry and fisheries	Agriculture and agricultural areas, forestry and mountain areas, marine and fisheries and fishing areas
Industry, SME and energy	Industrial finance support, industrial technology support, trade and investment attraction, industrial promotion and advancement, energy and resource development, general industrial and SMEs
Transportation and logistics	Road, urban railroad, shipping and ports, flight and airports, public transportation, logistics, etc.
Land and regional development	Water resources, regions and cities, industrial complexes
Science and technology	Technology Development, science and technology research support, general science and technology
Reserve	Reserve

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*.

Of the 2024 local government expenditure budget of KRW 310 trillion and 818 billion, social welfare expenditures have the largest share, accounting for 33.3%, or KRW 103 trillion, followed by environment (9.5%), transportation and logistics (7.8%), agriculture, forestry, and fisheries (6.6%), land and regional development (5.4%), and general public administration (5.2%).

In terms of functional expenditure, the general and special accounts show different priorities. In the general accounts, social welfare accounts for 35.0%, agriculture, forestry and fisheries for 7.8%, transportation and logistics for 6.3%, and general public administration for 6.1%, implying high spending on social welfare, rural support and transportation. On the other hand, in the special accounts, environmental protection has the highest share of 29%, followed by 25.3% for social welfare and 15.2% for transportation and logistics, indicating that the budget is focused on environmental protection, social welfare and transportation.

<Table 30> Local government expenditure structure and size (2024)

(Unit: KRW 100 million, %)

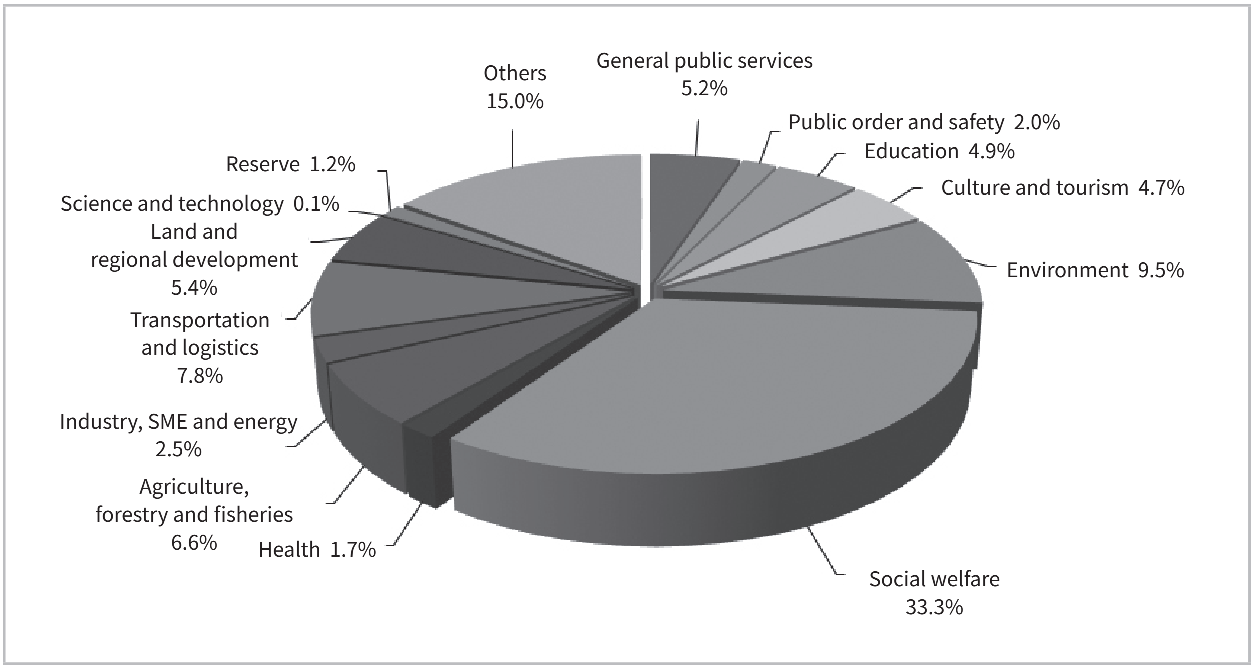
Division	Total	Proportion	General accounts	Proportion	Special accounts	Proportion
Total	3,100,818	100.0	2,549,160	100.0	551,658	100.0
General public services	162,718	5.2	155,408	6.1	7,310	1.3
Public order and safety	61,394	2.0	43,509	1.7	17,885	3.2
Education	152,806	4.9	150,448	5.9	2,357	0.4
Culture and tourism	145,250	4.7	142,200	5.6	3,050	0.6
Environment	295,786	9.5	136,064	5.3	159,722	29.0
Social welfare	1,031,559	33.3	892,038	35.0	139,521	25.3
Health	52,106	1.7	52,077	2.0	28	0.0
Agriculture, forestry and fisheries	204,044	6.6	199,937	7.8	4,108	0.7
Industry, SME and energy	77,305	2.5	72,727	2.9	4,578	0.8
Transporta-tion and logistics	243,260	7.8	159,627	6.3	83,634	15.2
Land and regional development	167,610	5.4	121,560	4.8	46,050	8.3

Science and technology	3,719	0.1	3,717	0.1	3	0.0
Reserve	36,842	1.2	34,177	1.3	2,665	0.5
Others	466,418	15.0	385,670	15.1	80,748	14.6
Personnel	382,271	-	311,071	-	71,200	-
Basic expens-es, etc.	84,147	-	74,599	-	9,548	-

※ Personnel expenses: Remuneration, other employee remuneration, public official remuneration, pension contributions, national health insurance premium, public official insurance contributions, etc.

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.183.

<Figure 6> Local expenditure by function (2024)



Chapter

11 Local Revenue

Section 1. Overview of Tax Revenue

As of 2024, total local tax revenue amounts to KRW 310 trillion and 81.8 billion, with KRW 273 trillion and 700.3 billion of general accounts (88.2%) and KRW 36 trillion and 381.5 billion (11.7%) of special accounts. By revenue source, local governments' revenue consists of local taxes, non-tax revenue, local subsidies, subsidies, and local bonds. Of the revenue budget, local taxes account for 35.7%, or KRW 110 trillion and 733.1 billion, followed by subsidies (27%), local subsidies (19.4%), non-tax revenue (8.9%), and local bonds (1.4%). By account, the general accounts are highly dependent on local tax revenue at 40.5%, and the special accounts on non-tax revenue at 43.1%.

<Table 31> Local tax revenue structure by source (2024)

Category	Total	Proportion	General accounts	Proportion	Special accounts	Proportion
Total	3,100,818	100.0	2,737,003	100.0	363,815	100.0
Local taxes	1,107,331	35.7	1,107,331	40.5	-	-
Non-tax revenue	275,113	8.9	118,410	4.3	156,703	43.1
Local subsidies	602,495	19.4	596,191	21.8	6,304	1.7
Subsidies	837,093	27.0	728,644	26.6	108,449	29.8
Local bonds	42,719	1.4	22,769	0.8	19,950	5.5
Conservation revenue and internal transactions	236,068	7.6	163,659	6.0	72,409	19.9

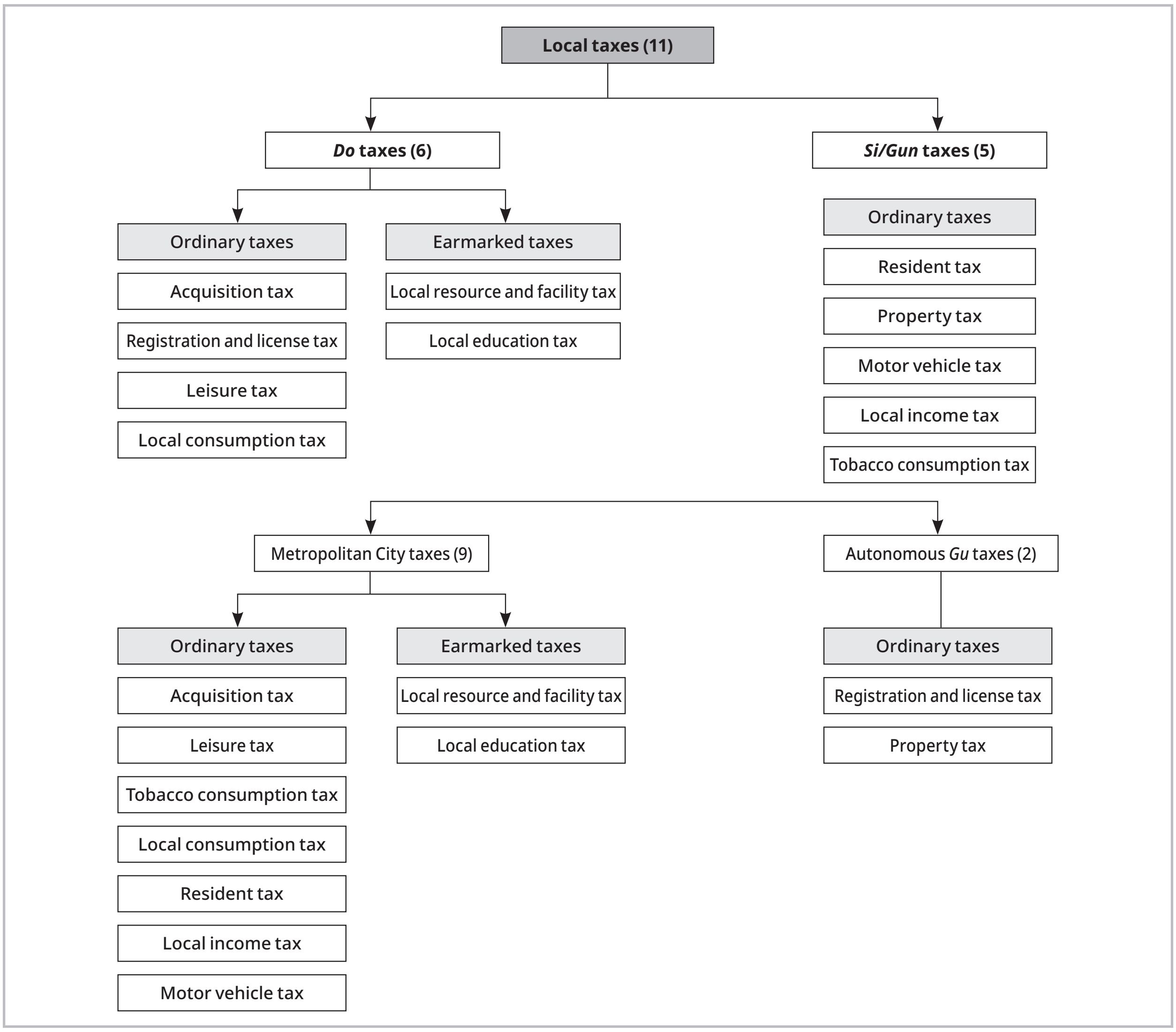
Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.181.

Section 2. Local Taxes

1. Local Tax Structure

The local tax system in Korea consists of 11 tax items, including 9 ordinary taxes and 2 earmarked taxes. They can also be categorized into *Do* taxes (6 items), *Si/Gun* taxes (5 items), Metropolitan City taxes (9 items), and autonomous *Gu* taxes (2 items). Among these, the ordinary taxes include acquisition tax, registration and license tax, resident tax, property tax, motor vehicle tax, leisure tax, tobacco consumption tax, local consumption tax, and local income tax. The earmarked taxes consist of local resource and facility tax and local education tax. The structure of the local tax system is summarized in Figure 7.

<Figure 7> Local tax structure



Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*.

2. Status of Local Tax

Of the total local tax of KRW 110 trillion and 733.1 billion in 2024, ordinary taxes account for 91.2% at KRW 100 trillion and 881.3 billion, followed by earmarked taxes (8.2%, KRW 9 trillion and 108.2 billion), and revenue brought forward from the previous year (0.6%, KRW 743.6 billion). In terms of local tax items, acquisition tax accounts for the highest share of 22.3% at KRW 24 trillion and 695.2 billion, followed by local consumption tax 22.2%, local income tax 18.0%, property tax 13.7%, motor vehicle tax 6.9%, tobacco consumption tax 3.17%, resident tax 2.38%, registration and license tax 1.77%, and leisure tax 0.84%. While broad-area local governments (Sis and Dos) are highly dependent on local income tax (26.8%), acquisition tax (26.1%), and local consumption tax (18.7%), in basic local governments (*Sis, Guns*, and autonomous *Gus*) property tax (37.9%), local income tax (25.2%) and motor vehicle tax (12.8%) account for the majority.

<Table 32> Local taxes (2024)

(Unit: KRW 100 million)

Category		Total	Special Metrpolitan/ Metrpolitan City taxes	Special Self-Governing City taxes	*Do* taxes	Special Self-Governing Province taxes	*Si* taxes	*Gun* taxes	Autonomous *Gu* taxes	Proportion (%)
Total		1,107,331 (1,124,058)	413,739 (430,466)	8,518	326,768	18,738	218,259	39,111	82,197	100.0
Ordinary taxes	Subtotal	1,008,813 (1,025.541)	370,684 (387,412)	7,873	278,160	17,063	214,771	38,651	81,610	91.1
	Acquisition tax	246,952	108,246	2,168	131,924	4,615	-	-	-	22.3
	Registration and license tax	19,651	302	147	10,446	323	-	-	8,433	1.8
	Resident tax	26,385	8,479	143	-	157	11,690	1,613	4,303	2.4
	Property tax	150,273	18,593	1,081	-	2,008	59,487	7,887	61,217	13.6
	Motor vehicle tax	76,419	31,179	602	-	1,200	36,553	6,884	-	6.9
	Leisure tax	9,266	2,564	6	6,007	688	-	-	-	0.8

Ordinary taxes	Tobacco con-sumption tax	35,135	13,375	175	-	608	17,416	3,562	-	3.2
	Local income tax	245,665	77,238	2,472	129,783	5,655	13,950	8,910	7,657	22.2
	Local consump-tion tax	199,068	110,708	1,079	-	1,809	75,676	9,795	-	18.0
Ear-marked taxes	Subtotal	91,082	40,278	640	48,367	1,518	279	-	-	8.2
	Local resource and facility tax	19,786	8,036	160	11,109	203	279	-	-	1.8
	Local education tax	71,295	32,242	480	37,257	1,316	-	-	-	6.4
Revenue brought forward from the previous year		7,436	2,777	5	242	157	3,209	460	587	0.7

※ The figures in parentheses represent the gross budget based estimate; for Seoul Special Metrpolitan City head office and its autonomous *Gus*, the sum of the figures differs from the net total due to the overlapping portion of the jointly imposed property tax deducted from the head office (KRW 1,672.7 billion.

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.54.

3. Local Tax Items

1) Acquisition tax

Acquisition tax is a local tax imposed on individuals who acquire real estate, motor vehicles, machinery, aircraft, ships, stumpage, mining rights, fishing rights, golf club memberships, horse-riding club memberships, condominium memberships, or comprehensive sports facility memberships. The tax rate ranges from 2% to 7% depending on the type of goods or services acquired. The head of the local government may adjust the tax rate within a 50% range as stipulated by ordinances.

2) Registration and license tax

The registration and license tax is a local tax imposed on individuals who register or obtain a license. For registrations, the tax is provided at a standard rate. For licenses, the tax varies depending on the type of license and the region where the license is obtained. Taxes are payable for each type of license obtained. The head of the local government may adjust the tax rate within a 50% range as stipulated by ordinances.

3) Leisure tax

The leisure tax is a local tax paid by operators of businesses such as cycle, boat, horse racing or suchlike to the local governments where their business sites and off-site ticket facilities are located. The tax base is the total sales amount of betting tickets, horse racing tickets, etc., and the tax rate is 10% of the tax base.

4) Tobacco consumption tax

The tobacco consumption tax is a local tax imposed on tobacco, payable when manufacturers take out products from the manufacturing site and importers or distributors take out products from the bonded area. The tax base is determined by the number of cigarettes or their weight and volume, and the tax rates vary by the type of tobacco, subject to adjustment within a 30% range by Presidential Decree.

5) Local consumption tax

The local consumption tax is imposed by converting 25.3% of the national value-added tax (VAT) into a local tax. The local consumption tax is imposed by the broad-area local government that has jurisdiction over the address or residence of the consumer who consumes the goods and services.

6) Resident tax

The resident tax is divided into per-capita rate tax and per-property rate tax. The per-capita rate resident tax is payable by natural and judicial persons with an address in the local government's jurisdiction and natural persons who operate a business of a certain scale provided by Presidential Decree in the jurisdiction. The per-capita rate tax rate is determined by *Si/Gun* ordinance within a maximum limit of KRW 10,000 or based on a standard rate, subject to adjustments of up to 50% by ordinance. The standard rate for per-capita rate resident tax imposed on judicial persons is divided into four levels on the size of the business, ranging from KRW 50,000 to KRW 200,000. The per-property rate resident tax is assessed at a rate not exceeding KRW 250 per square meter of the total floor area of the business premises. The head of the *Si* or *Gun* may reduce this rate by ordinance. However, business premises emitting pollutants as defined by Presidential Decree are subject to double the standard tax rate.

7) Local income tax

The local income tax is divided into pro-rata income and pro-rata workshop portions. The pro-rata income portion is imposed by the local government on natural and judicial persons obligated to pay income tax, while the pro-rata workshop portion is imposed on employers who pay salaries to their employees. The standard tax rate for the pro-rata income portion varies according to taxable income brackets, generally amounting to 10% of the income tax. The head of the local government may adjust the tax rate within a 50% range as stipulated by ordinance. The standard tax rate for the pro-rata workshop portion is 0.5% of the total salary paid to employees, and the head of the local government may reduce this rate by ordinance.

8) Property tax

The property tax is a local tax imposed on land, buildings, houses, aircraft, and ships. The standard rate for property tax varies depending on the taxable property, subject to adjustments of up to 50% by ordinance.

9) Motor vehicle tax

The motor vehicle tax is a local tax imposed on motor vehicle ownership and usage. The tax on motor vehicle ownership is imposed on owners of motor vehicles registered or reported within the jurisdiction of the local government. The tax rate varies depending of the commercial and non-commercial use of the vehicle and its engine displacement. The head of the local government may adjust the tax rate within a 50% range as stipulated by ordinance. The tax on motor vehicle usage is imposed by the competent local government on those obligated to pay the transportation, energy, and environment tax for gasoline, diesel, or suchlike. The standard tax rate for motor vehicle usage is 36% of the transportation, energy, and environment tax on the taxable goods, subject to adjustments of up to 30% as prescribed by Presidential Decree.

10) Local resource and facility tax

The local resource and facility tax is imposed to finance the protection and development of local resources such as underground and underwater resources, tourism resources, water resources, and special terrain, disaster prevention and safety projects, environmental protection and improvement projects, and other balanced regional development projects, and to cover the cost of the operation of fire facilities, waste treatment facilities, repair facilities, and other public facilities.

11) Local education tax

The local education tax is imposed for the expansion of local education funding sources to improve the quality of local education. The tax base and rate for the local education tax is as follows: 20% of acquisition tax for those obliged to pay the acquisition tax, 20% of registration and license tax for those obliged to pay the registration and license tax for registrations, 40% of leisure tax for those obliged to pay the leisure tax, 43.99% of tobacco consumption tax for those obliged to pay the tobacco consumption tax, 10% of per-capita resident tax for those obliged to pay the per-capita resident tax (or 25% in a Si with a population of 500,000 or more), 20% of property tax for those obliged to pay the property tax, and 30% of motor vehicle tax for those obliged to pay the vehicle tax. The Local education tax can be adjusted by up to 50% of the standard tax rate by ordinance (except for the leisure tax).

Section 3. Non-tax Revenue

Non-tax revenue is a major source of local-government's self-generated revenue along with local tax revenue. It consists of current non-tax revenue and temporary non-tax revenue. Current non-tax revenue is a stable source of revenue recurring each fiscal year, generated through local government property rental income, charges, fees, collection subsidies, business income, interest, etc., and is primarily based on the benefit principle. Temporary non-tax revenue, on the other hand, is nominal income such as transfers in accounting and non-recurring revenue in the current year, for example carryover funds, transfers, property sales, retained income, share of cost, and revenue from the previous year.

In 2024, the local non-tax revenue is KRW 29 trillion and 791.8 billion, with current non-tax revenue accounting for 65.2% and temporary non-tax revenue 22.1%. The current non-tax revenue (65.2%) is primarily composed of charges (37.3%), followed by business income (7.2%), fees (7.1%), collection subsidies (5.6%), and interest (4.2%). Temporary non-tax revenue (22.1%) is comprised of other revenue (9.0%), followed by property sales (4.4%), share of cost paid by other local governments (3.9%), and revenue from the previous year (3.3%).

The non-tax revenue is made up of 45.8% general accounts and 54.1% special accounts. The general accounts are primarily comprised of other revenue (18.1%), fees (14.7%), charges (13.4%), collection subsidies (11.9%), and interest, whereas the special accounts are primarily comprised of charges (57.6%), share of cost (15.9%), and business income (8.4%).

<Table 33> Local non-tax revenue (2024)

(Unit: KRW 100 million, %)

Category		Total	Proportion	General accounts	Proportion	Special accounts	Proportion
Total		297,918	100.0	136,685	100.0	161,233	100.0
Current non-tax revenue	Subtotal	194,310	65.2	77,844	57.0	116,466	72.2
	Property rental	11,647	3.9	4,701	3.4	6,947	4.3
	Charges	111,142	37.3	18,281	13.4	92,861	57.6

Current non-tax revenue	Fees	21,175	7.1	20,136	14.7	1,038	0.6
	Business income	21,336	7.2	7,833	5.7	13,504	8.4
	Collection subsidies	16,587	5.6	16,209	11.9	378	0.2
	Interest	12,423	4.2	10,684	7.8	1,739	1.1
Temporary non-tax revenue	Subtotal	65,898	22.1	50,577	37.0	15,321	9.5
	Property sales	13,000	4.4	9,525	7.0	3,474	2.2
	Share of cost paid by other local governments	11,710	3.9	7,166	5.2	4,544	2.8
	Returned subsidies	4,633	1.6	4,372	3.2	261	0.2
	Other revenue	26,787	9.0	24,784	18.1	2,003	1.2
	Revenue from the previous year	9,768	3.3	4,730	3.5	5,039	3.1
Local administrative penalties and charges	Subtotal	37,710	12.7	8,264	6.0	29,446	18.3
	Penalty surcharges	300	0.1	241	0.2	59	-
	Enforcement fines	1,264	0.4	1,155	0.8	110	0.1
	Compensa-tion	337	0.1	307	0.2	30	-
	Administra-tive fines	5,652	1.9	2,122	1.6	3,530	2.2
	Clawback	26	-	23	-	3	-
	Administra-tive charge	30,099	10.1	4,389	3.2	25,711	15.9
	Penalty	31	-	27	-	4	-

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.63.

Section 4. Local Bonds

Local bonds are debts incurred by local governments to make up for revenue shortfalls by borrowing money from external sources. Local bonds involve repayment over more than one fiscal year and take the form of local government bonds, loans, etc. Local bonds are issued for (1) the construction of public and community facilities, (2) projects where the principal and interest can be paid from project revenue, (3) compensating unforeseen revenue shortfalls due to natural disasters or force majeure, (4) disaster prevention and recovery, (5) refinancing previously issued bonds, and (6) other projects deemed necessary to improve the welfare of residents.

In 2024, the total amount of local bonds issued is KRW 4 trillion and 71.9 billion, accounting for 1.4% of the total budget, 0.8% of the general accounts, and 5.5% of the special accounts. In 2019, local bonds accounted for 1.5% of the local budget before increasing to 2.2% and 2.1% in 2020 and 2021, respectively, during the COVID-19 period, followed by a downward trend to 1.1% in 2022 and 0.9% in 2023. By account type, local bonds account for 0.73% of general accounts and 0.64% of special accounts in 2024.

<Table 34> Trends in local bond issue by year

(Unit: KRW 100 million, %)

Year	Total			General accounts			Special accounts		
	Total amount	Local bonds	Dependence	Total amount	Local bonds	Dependence	Total amount	Local bonds	Dependence
2019	2,720,533	40,316	1.5	2,322,341	12,738	0.5	398,192	27,578	6.9
2020	3,061,095	68,026	2.2	2,642,072	33,575	1.3	419,023	34,451	8.2
2021	3,275,869	65,332	2.0	2,857,702	37,194	1.3	418,166	28,138	6.7
2022	3,515,950	37,202	1.1	3,130,393	17,791	0.6	385,557	19,411	5.0
2023	3,380,044	31,868	0.9	2,994,811	12,396	0.4	385,232	19,472	5.1
2024	3,100,818	42,719	1.4	2,737,003	22,769	0.8	363,815	19,950	5.5

※ Final budget until 2023; original budget for 2024.
Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.90.

Chapter

12 Local Finance Adjustment System and Intergovernmental Financial Transfers

Section 1. Local Finance Adjustment System

A local finance adjustment system is a system involved in the ownership and distribution of resources in the relations between the central and local governments and broad-area and basic local governments. Vertical financial relations describe the financial relations between the central government, broad-area local governments, and basic local governments, whereas horizontal financial relations refer to the financial relations between local governments at the same level of administrative hierarchy. Local subsidies are designed to promote the sound development of local administration by allocating a portion of national tax revenue as financial resources for local administrative operations. The financial resources for local subsidies consist of 19.24% of the total domestic tax revenue.

<Table 35> Framework of intergovernmental financial relations

<table>
<tr><th colspan="2">Agent</th><th>Means</th><th>Details</th></tr>
<tr><td rowspan="5">Vertical financial relations</td><td rowspan="2">Central government → Basic local government</td><td>Tax</td><td>National tax-local tax</td></tr>
<tr><td>Transfer revenue</td><td>Local subsidy, national subsidy</td></tr>
<tr><td rowspan="2">Broad-area local government → Basic local government</td><td>Tax</td><td>Special Metrpolitan/Metrpolitan City tax-Autonomous Gu tax
Do tax-Si/Gun tax</td></tr>
<tr><td>Transfer revenue</td><td>Special Metrpolitan/Metrpolitan City → Autonomous Gu: Autonomous Gu adjustment subsidy, Si subsidy
Do→Si/Gun: Si/Gun adjustment subsidy, Do adjustment subsidy</td></tr>
<tr><td>Central government → Autonomous organizations of education</td><td>Tax and transfer revenue</td><td>Local educational subsidy (including educational tax), national subsidy</td></tr>
</table>

<table>
<tr><td rowspan="2">Horizontal financial relations</td><td>Local governments at the same level</td><td>Tax and transfer revenue</td><td>Local mutual development fund, Seoul Special Metrpolitan City joint property tax</td></tr>
<tr><td>Broad-area local government → Autonomous organizations of education</td><td>Tax and transfer revenue</td><td>Local educational tax, tobacco consumption tax, Si/Do tax transfer, etc.</td></tr>
</table>

Source: As cited in Yoon, 2024, p.198; Yoon, 2019, p.160.

<Table 36> Intergovernmental financial transfers

<table>
<tr><th colspan="2">Agent</th><th colspan="3">Transfer revenue</th></tr>
<tr><td rowspan="3">Vertical financial relations</td><td>Central government → Basic local government</td><td>Local subsidy:</td><td>■ General subsidy
■ Special subsidy
■ Real estate subsidy
■ Firefighting safety subsidy</td><td>National subsidy</td></tr>
<tr><td>Broad-area local government → Basic local government</td><td colspan="3"></td></tr>
<tr><td>Special Metrpolitan/ Metrpolitan City → Autonomous Gu</td><td colspan="2">Autonomous Gu adjustment subsidy</td><td>Si subsidy</td></tr>
<tr><td rowspan="4">Horizontal financial relations</td><td>Do→ Si/Gun</td><td colspan="2">Si/Gun adjustment subsidy</td><td>Do subsidy</td></tr>
<tr><td>Central government → Autonomous organizations of education</td><td colspan="2">Local educational subsidy (including educational tax)</td><td>National subsidy</td></tr>
<tr><td>Local governments at the same level</td><td colspan="3">Local mutual development fund, Seoul Special Metrpolitan City joint property tax</td></tr>
<tr><td>Broad-area local government → Autonomous organizations of education</td><td colspan="3">Local educational tax, tobacco consumption tax, Si/Do tax transfer, etc.</td></tr>
</table>

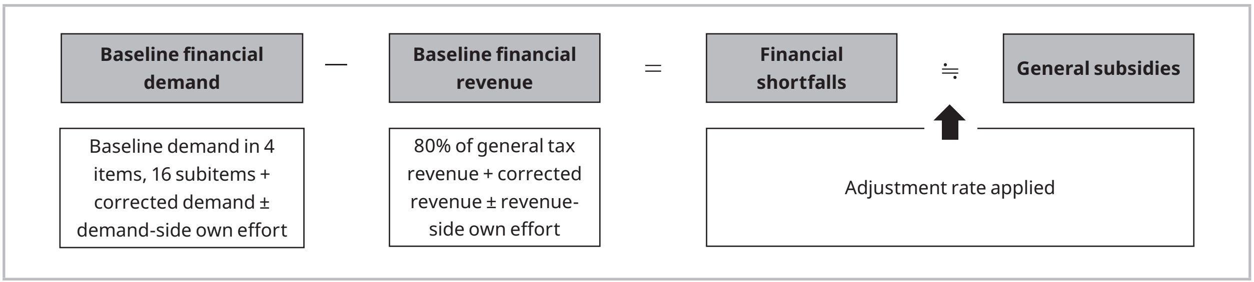
Source: As cited in Yoon, 2024, p.208; Yoon, 2019, p.167.

Section 2. Local Subsidy

Local subsidies promote the sound development of local administration by allocating a portion of national tax revenue as financial resources for local governments' administrative operations. The local subsidies are funded by 19.24% of the total domestic tax revenue. Local subsidies are categorized into general subsidies, special subsidies, real estate subsidies, and firefighting safety subsidies. The general subsidies, constituting 97% of the total local subsidies, are allocated as general resources to maintain local governments' administrative operations. The special subsidies, accounting for 3% of the total local subsidies, are designed to meet unforeseen financial needs that cannot be assessed through the general subsidy estimation process, for example disasters, the establishment of public welfare facilities, and projects encouraged by the state. The real estate subsidies are funded by the total amount of comprehensive real estate holding tax and its settlements, which are allocated to local governments in its entirety. Lastly, the firefighting safety subsidies are funded by 45% of the tobacco consumption tax and its settlements. The amount of firefighting safety subsidies are determined by various factors, including local governments' firefighting personnel and facilities, investment needs in fire and safety facilities, disaster prevention and safety efforts, and the financial conditions of local governments.

The general subsidies, which accounts for the majority of local subsidies, are allocated as follows for local governments of which annual revenue falls short of the baseline revenue.

<Figure 8> Calculation of general subsidies (2024)



Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.90.

The local subsidies have shown a consistent upward trend in recent years, growing from KRW 34 trillion and 888 billion in 2014 to KRW 66 trillion and 759.3 billion in 2024, a 1.91-fold increase. The general subsidies have increased from KRW 31 trillion and 884.5 billion (2014) to KRW 59 trillion and 843.9 billion (2024), a 1.87-fold increase. The special subsidies have increased from KRW 986.1 billion (2014) to KRW 1 trillion and 850.8 billion (2024), a 1.87-fold increase. The real estate subsidies have increased from KRW 1 trillion and 139.1 billion (2014) to KRW 4 trillion and 109.8 billion (2024), a 3.6-fold increase. The firefighting safety subsidies, which were introduced in 2015 after the abolition of the decentralization subsidies, have increased from KRW 314 billion (2015) to KRW 954.7 billion (2024), a 3.04-fold increase.

<Table 37> Trends in local subsidies by year

(Unit: KRW million)

Year	Total	General subsidies	Special subsidies	Decentral-ization subsidies	Real estate subsidies	Incremen-tal subsi-dies	Firefight-ing safety subsidies
1993	4,413,085	4,011,896	401,189	-	-	-	-
1994	4,724,569	4,295,062	429,507	-	-	-	-
1995	5,484,226	4,985,661	498,565	-	-	-	-
1996	6,377,734	5,797,940	579,794	-	-	-	-
1997	6,798,732	6,142,666	614,266	-	-	41,800	-
1998	7,039,226	6,353,842	635,384	-	-	50,000	-
1999	6,710,770	5,782,518	578,252	-	-	350,000	-
2000	8,261,545	7,468,678	746,867	-	-	46,000	-
2001	12,288,992	11,119,538	1,111,954	-	-	57,500	-
2002	12,109,400	10,884,910	1,088,490	-	-	136,000	-
2003	14,910,674	12,238,522	1,223,852	-	-	1,448,300	-
2004	14,469,054	13,012,867	1,301,287	-	-	154,900	-
2005	19,877,486	17,927,570	711,566	845,381	392,969	-	-
2006	21,461,392	18,691,488	743,396	1,006,508	1,020,000	-	-
2007	25,196,900	21,316,202	852,759	1,138,733	1,889,206	-	-
2008	31,098,993	25,795,852	1,039,411	1,378,423	2,885,307	-	-
2009	28,319,634	23,032,062	924,253	1,230,543	3,132,776	-	-
2010	28,012,760	24,679,136	992,880	1,318,672	1,022,072	-	-
2011	30,895,246	27,274,652	1,101,027	1,457,548	1,062,019	-	-
2012	34,186,188	30,191,425	1,257,977	1,615,433	1,121,353	-	-
2013	35,474,592	31,308,105	1,314,921	1,688,560	1,139,100	-	-
2014	35,698,180	31,884,524	986,119	1,688,437	1,139,100	-	-
2015	34,888,072	32,176,185	987,407	-	1,410,400	-	314,080
2016	37,967,278	35,023,661	1,083,206	-	1,445,711	-	414,700
2017	44,363,917	41,032,266	1,269,038	-	1,549,126	-	513,487
2018	49,044,581	45,211,842	1,398,305	-	2,017,174	-	417,260
2019	57,555,615	52,602,827	1,626,892	-	2,942,062	-	383,834
2020	50,322,101	44,926,519	1,389,478	-	3,320,970	-	685,134
2021	59,169,926	51,331,840	1,587,583	-	5,215,345	-	1,035,158
2022	81,044,923	70,414,236	2,177,760	-	7,567,673	-	885,254
2023	67,529,747	59,519,727	2,062,534	-	4,960,858	-	986,628
2024	66,759,324	59,843,917	1,850,842	-	4,109,800	-	954,765

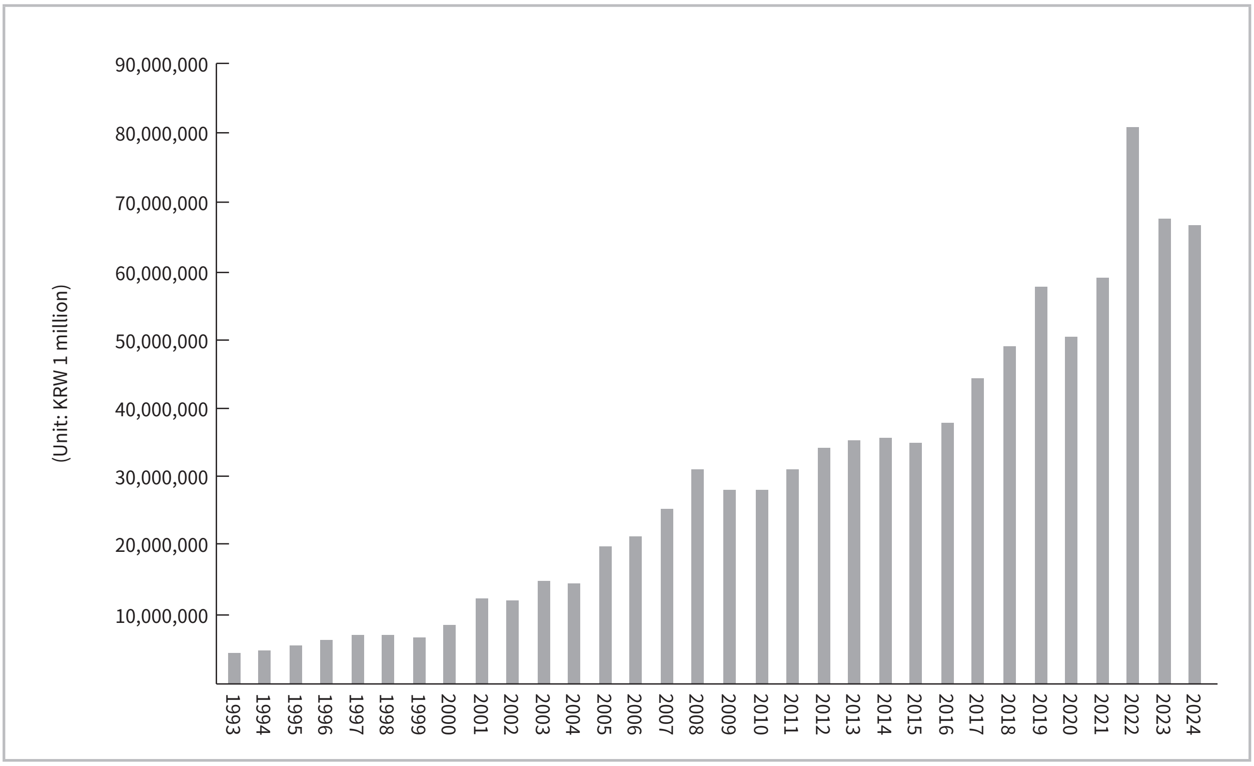
※ Final subsidies until 2023; original budget for 2024.

※ Incremental subsidies abolished and decentralization subsidies and real estate subsidies introduced in 2005.

※ Decentralization subsidies abolished and firefighting safety subsidies introduced in 2015.

Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.74.

<Figure 9> Trends in local subsidies by year



Section 3. National Subsidy

The State may grant subsidies to local governments when deemed necessary for policy purposes or specific financial needs of the local government within the budget. National subsidies are designed to provide financial support to cover all or part of the costs of performing delegated state affairs and policy programs. They include grants-in-aid, treasury subsidies, and national subsidies in the narrow sense. Grants-in-aid are provided to cover the costs of performing affairs delegated by the State. Treasury subsidies are designed to cover all or part of the costs for programs undertaken by local governments depending on the level of state liability. National subsidies in the narrow sense mean encouraging local governments to implement specific programs or supporting local governments' finance.

In 2024, the total amount of state-subsidized programs is KRW 114 trillion and 986.2 billion, of which

KRW 80 trillion and 515.7 billion is national subsidies, and local governments contribute 30% of the amount, or KRW 34 trillion and 470.4 billion. In terms of annual trends, the share of national subsidies is on the rise, while local government contributions are declining. Local governments' contributions to state-subsidized programs have decreased from 33.1% in 2019 to 30.0% in 2024.

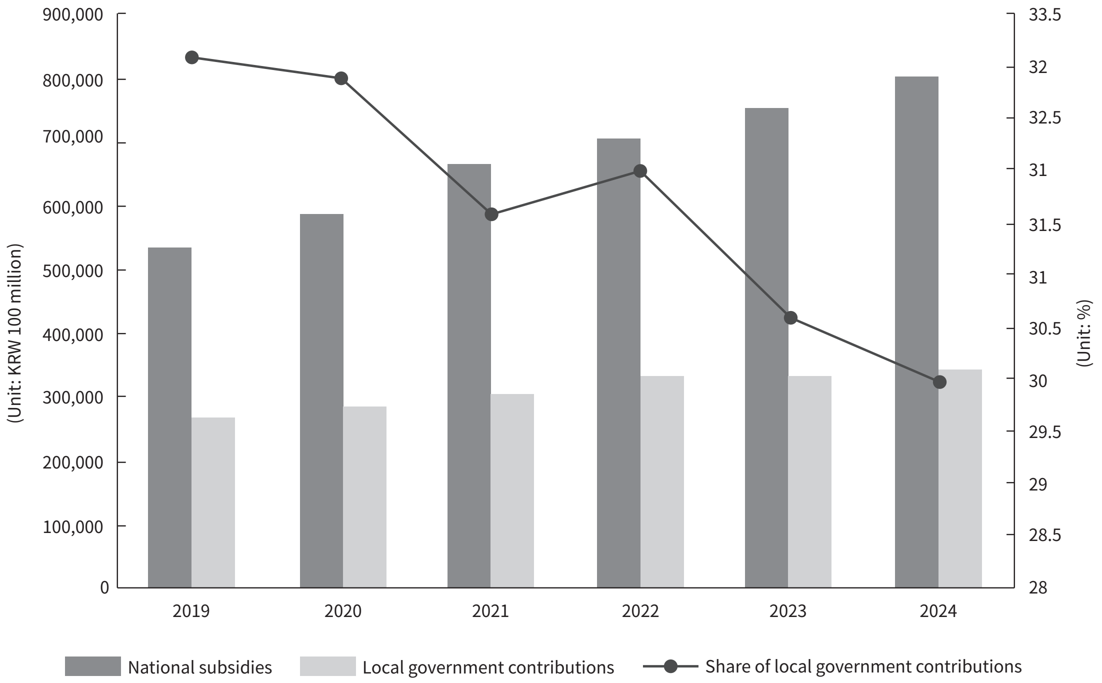
<Table 38> National subsidies and local government contributions

(Unit: KRW 100 million, %)

Category	State-subsidized programs	· National subsidies	· Local government contributions
2019	800,992 (815,959)	535,994 (535,994)	264,998 (279,966)
Proportion	100.0 (100.0)	66.9 (65.7)	33.1 (34.3)
2020	867,050 (883,660)	581,492 (581,492)	285,558 (302,168)
Proportion	100.0 (100.0)	67.1 (65.8)	32.9 (34.2)
2021	974,594 (992,990)	666,580 (666,580)	308,014 (326,410)
Proportion	100.0 (100.0)	68.4 (67.1)	31.6 (32.9)
2022	1,040,695 (1,060,063)	707,355 (707,355)	333,340 (352,708)
Proportion	100.0 (100.0)	68.0 (66.7)	32.0 (33.3)
2023	1,087,455 (1,108,362)	754,282 (754,282)	333,173 (354,080)
Proportion	100.0 (100.0)	69.4 (68.1)	30.6 (31.9)
2024	1,149,862 (1,168,731)	805,157 (805,157)	344,704 (363,574)
Proportion	100.0 (100.0)	70.0 (68.9)	30.0 (31.1)

※ Amounts included in local governments' original budgets.
※ Figures in parentheses represent the amount of state-subsidized programs at the detailed project level.
Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.82.

<Figure 10> Trends in national subsidies and local government contributions



Section 4. City/Provincial Subsidy and Adjustment Grant

As broad-area local governments, *Sis* and *Dos* may provide city/provincial subsidies and grants-in-aid for adjustment to *Sis, Guns*, and autonomous *Gus* when deemed necessary for policy reasons or the financial circumstances of the local governments within the limits of their budgets. The grants-in-aid for adjustment provided by Special Metrpolitan and Metropolitan Cities to autonomous *Gus* are divided into general grants-in-aid for adjustment and special grants-in-aid for adjustment, which account for 90% and 10% of the total amount of grants-in-aid for adjustment, respectively. *Si/Gun* grants-in-aid for adjustment are calculated by the total *Si/Do* revenue collected by the Si or Gun and the local consumption tax of the *Si* or *Gun*, divided by the population of the *Do* as at the end of the previous year and multiplied by the population of the *Si* or *Gun* as at the end of the previous year.

Grants-in-aid for adjustment are provided under Article 173 of the Local Autonomy Act by the mayor of a Special Metrpolitan City or a Metrpolitan City to allocate a portion of general tax revenue as determined by ordinance to adjust financial resources among its autonomous Gus. In 2016, the *Si/Do* subsidies amounted to KRW 12 trillion and 974.8 billion and the grants-in-aid for adjustment were KRW 10 trillion and 453.3 billion.

These amounts increased to KRW 23 trillion and 95.8 billion and KRW 13 trillion and 494 billion in 2024, respectively.

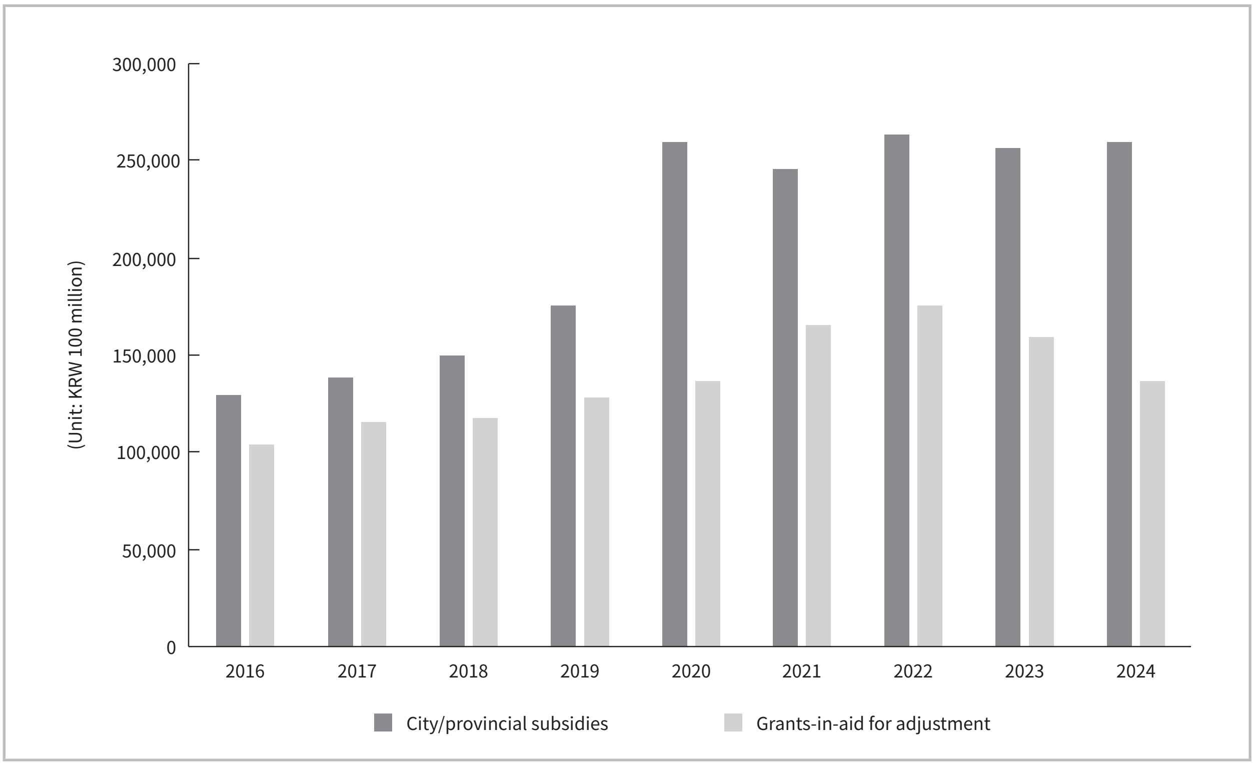
<Table 39> City/provincial subsidies and grants-in-aid

(Unit: KRW 100 million)

Year	Total	City/provincial subsidies	Grants-in-aid for adjustment
2016	234,281	129,748	104,533
2017	254,409	138,711	115,698
2018	267,647	150,526	117,121
2019	304,310	176,099	128,211
2020	397,082	260,033	137,049
2021	410,651	245,848	164,802
2022	440,110	264,510	175,599
2023	416,884	257,150	159,734
2024	365,897	230,958	134,940

※ Final budgets until 2023; original budget for 2024; *Si/Gun/Gu* budgets.
Source: Ministry of the Interior and Safety, (2024). *Overview of Local Government Budgets and Funds*, p.87.

<Figure 11> Trends in city/provincial subsidies and grants-in-aid for adjustment by year



Section 5. Local Education Subsidy

Local finance in Korea is categorized into general local finance and local education finance. Under the dual structure of local autonomy, the separation between general autonomy and education autonomy means the separate operation of general local financal and local education finance in accordance with relevant laws. For local education finance, Article 38 of the Local Education Autonomy Act mandates the establishment of special accounts for educational expenses by local governments. In addition, *Si/Do* Offices of Education have no authority to impose taxes for educational expenses but receive the entirety of the local education tax collected by local governments through the special accounts for educational expenses. They also receive 20.79% of domestic taxes from the central government as local education subsidies.

<Table 40> Structure of local education finance of local governments

Level of local government	Account	Encumbrance	Details
Broad-area local government	General accounts	Statutory	Si/Do tax transfers
			Tobacco consumption tax transfers
			Local education tax transfers
			Free educational expense transfers
			School site charge transfers
			Local education subsidy compensation
			Educational benefit subsidies
		Non-statutory	Public library operating expenses
			Other support
			Educational expense assistance
Basic local government	General accounts	Statutory	Educational benefit subsidies
			Free educational expense transfers
		Non-statutory	Educational expense assistance

Source: As cited in Yoon, 2014, p.194; Ministry of Education, 2020, p.32.

Chapter

13 Local Finance Management System

Section 1. Medium-term Local Government Finance Plan

The medium-term local government finance plan is a multi-year budget designed to incorporate the development plans and needs of local governments in the medium- to long-term. It is a five-year rolling plan aimed at addressing the limitations of single-year budgeting and enhancing the rationality and planning of budget formulation by ensuring efficient resource allocation for planned local financial management. The medium-term local government finance plan was first introduced in 1988 under the Local Finance Act. In 2005, the planning period was adjusted from the first half (April) to the second half (November) of the year. Since 2007, the plan has been linked to the program budget system. Starting from 2014, programs not included in the medium-term local government finance plan are, in principle, excluded from investment appraisal and the issuance of local bonds (Yoon, 2021, p.236).

Local governments can benefit from establishing a medium-term local government finance plan. First, the plan provides guidelines for annual budget formulation. Second, it ensures program budget allocation based on investment efficiency and priority, hence sound financial management. Third, it ensures financial linkage between central and local governments.

Establishing a medium-term local government finance plan is an annual requirement for all 243 local governments. First, the Ministry of the Interior and Safety provides guidelines for drafting the plan to local governments. Based on the plans submitted by the 243 local governments, the ministry collects feedback from relevant central government agencies to develop a comprehensive plan, which is subject to review by the Local Financial Planning Committee. Local governments submit their medium-term local government finance plans to the Ministry of the Interior and Safety, and the ministry reports them to the State Council. The medium-term local government financial plan includes the basic directions and goals of medium-term financial management in relation to the local government's development goals and strategies, fiscal projections that estimate revenue, expenditures and the availability of investment resources, area-specific investment plans, and program-specific annual investment schedules, among others.

<Figure 12> Medium-term local government finance planning process

Section 2. Local Government Finance Investment Appraisal

Local financial investment appraisal is a preemptive mechanism that aims to ensure the planned and efficient operation of local finance and prevent indiscriminate, redundant investments in programs by evaluating the feasibility and efficiency of major investment and event-type programs before budget formulation. Article 36 of the Local Finance Act stipulates that "when the head of a local government compiles a budget, he or she shall compile the budget based on a medium-term local government finance plan … and the results of investment appraisal …" This highlights the system's role in preemptive financial management for efficient and planned local financial operations.

Local financial investment appraisal was introduced in 1992 as a mechanism to review local financial investments and loans, with legal grounds established in the Local Finance Act in 1994. The growing needs to ensure the sound and productive local financial management in alignment with the national plans and the efficient and planning management of limited local resources highlight the importance of the appraisal system. In practice, it pre-verifies the feasibility of major investment programs linked to the medium-term local government finance plan, thereby preventing such programs from becoming insolvent.

The appraisal of local investment programs is carried out by the local government or a higher-level local government, depending on the size of the program. Under the current system, larger investment programs are subject to appraisal by an investment appraisal committee organized by a higher-level authority. For example, an investment program of a *Si, Gun,* or *Gu* is appraised by the *Si/Gun/Gu* itself or its higher-order Si or Do, or even the central government, depending on the size of the program. Similarly, investment programs of broad-area local governments (*Sis* and *Dos*) are subject to self-appraisal or appraisal by the central government. Investment appraisal involves basic appraisal documentation by the local government's program department and investment appraisal department, preliminary appraisal at the working level, on-site appraisal, preparation of a report, and decision by the investment appraisal committee.

The Minister of the Interior and Safety, and the head of the competent Si or Do should notify the relevant organizations and agencies of the results of the appraisal within 14 days from the completion of the appraisal. The appraisal results should be taken into consideration in the allocation of national subsidies and city/provincial subsidies and in the approval of the issuance of local bonds. According to Article 5 of the Investment Appraisal Rules, the types of investment appraisal results are categorized as appropriate (where the feasibility and financing plans of the program have been recognized and the program can be implemented), conditional (where the program is considered feasible but prerequisites and financing requirements must be met), reconsideration (where the scope, timing, financing and repayment strategies of the program should be reconsidered), and inappropriate (where the program lacks justification and should not be implemented).

<Table 41> Measures for each step of investment appraisal

	Financial analysis workflow	
Ministry of the Interior and Safety	Inform local governments of the basic plan (June)	- Financial analysis manual (plan) (June) and training
Local governments	Finalize the settlement of local government finance (June)	- Submit local government settlement data to local councils (May 10)
Local governments	Enter indicator data in the local finance management system (e-Hojo) (July)	- Enter data in the local finance management system (e-Hojo) for indicator-specific entries
Ministry of the Interior and Safety	Conduct documentary analysis (July-August)	- Analyze data entries for financial analysis indicators
Ministry of the Interior and Safety	Conduct on-site inspections (September)	- Check and verify data errors, validate financial operations, and investigate data-specific issues and best practices
Ministry of the Interior and Safety	Compile the results of the financial analysis and prepare a report (October-November)	- Conduct comprehensive analysis and prepare a report based on the results of the on-site inspections, including indicator-specific trends, comparison with similar organizations, and future directions
Ministry of the Interior and Safety	Reward outstanding local governments and conduct financial diagnosis for underperformers (December)	- Reward outstanding local governments with financial incentives - Conduct financial diagnosis for underperforming local governments to establish and implement financial soundness plans
Ministry of the Interior and Safety	Publish financial analysis results (December)	- Disclose local government rankings - Publish the financial analysis results on “Local Finance 365”

Section 3. Limit on Local Bond Issue

When the Local Autonomy Act was enacted in 1949, a local bond issuance approval system was introduced to allow local governments to issue local bonds, subject to local council resolution and approval of the Minister of the Interior, in exceptional circumstances such as debt repayment, permanent benefits, and emergency disaster recovery. With the implementation of local autonomy, the procedures for the issuance and approval of local bonds were revised. Currently, local governments' debts are managed based on the Regulations on Local Debt Management and Approval Standards for Local Bonds. In 2006, following amendments to the Local Autonomy Act, the Local Finance Act, and the Enforcement Decree of the Local Finance Act, the Ministry of the Interior and Safety introduced an aggregate limit system for local bond approval. In 2008, the Regulations on the Establishment of Local Bond Issuance Limits were abolished and replaced by the Local Bond Planning Standards (Guidelines), under which the aggregate limit system is operated.

The local bond issue aggregate limit system allows local governments to issue bonds within a pre-determined limit by local council resolution. To issue local bonds in excess of the pre-determined limit, the approval from the Minister of the Interior and Safety is required. The local bond limit is the maximum amount of local bonds that may be issued by local council resolution without the approval of the Minister of the Interior and Safety in accordance with Article 11, Paragraph 2 of the Local Finance Act and Article 10, Paragraph 1 of its Enforcement Decree. The limit is set annually by the Minister of the Interior and Safety within the range of 10% of the local government's budget of the year before last year in consideration of the financial situation of the local government such as the size of the local government's debt and repayment schedule.

The procedure for issuing local bonds begins with the Ministry of the Interior and Safety establishing the limits of local bond issuance and planning guidelines. Local governments then establish local bond issuance plans and submit them to the Ministry of the Interior and Safety. The ministry compiles the plans submitted by the local governments and conducts working-level review, followed by consultation with relevant central government agencies. Finally, the ministry approves the local bond issuance plans through its internal committee review and notifies the local governments of the results.

The local bond issuance limits are determined based on the financial situation of each local government. The "local bond self-issuance capability index" and the "debt repayment ratio" are used to assess the debt level and financial conditions of the local government. The limits are established for different levels of local governments, and separate limits are established separately. Finally, the basic limits are calculated based on the local government's local bond self-issuance capability index, hierarchy-based bond issuance ratios, and the availability of current general revenue.

<Table 42> Criteria for calculating the limit on local bond issue

<table>
<tr><th colspan="2">Category</th><th>Special Metrpolitan and Metropolitan Cities, Special Self-Governing Cities and Provinces</th><th>Dos and large cities with a population of more than 1,000,000</th><th>Sis and Guns</th><th>Gus</th></tr>
<tr><td rowspan="4">Total limit
(A+B)</td><td>Basic limit (A)</td><td colspan="4">Local bond self-issuance capability index × Tier-specific calculation ratio × Current general revenue</td></tr>
<tr><td>Local bond self-issuance capability index</td><td colspan="4">1- {(General liability (settlement))+ BTL rent (settlement) + contingent liability (50%)) / current general revenue (settlement)}</td></tr>
<tr><td>Tier-specific calculation ratio</td><td>10%</td><td>8%</td><td>5%</td><td>2%</td></tr>
<tr><td>Separate limit (B)</td><td colspan="4">Regional development bond and urban railway bond + refinancing + regional job program</td></tr>
</table>

Source: Ministry of the Interior and Safety, 2023 local bond issuance planning guidelines.

Section 4. Budgeting and Standards

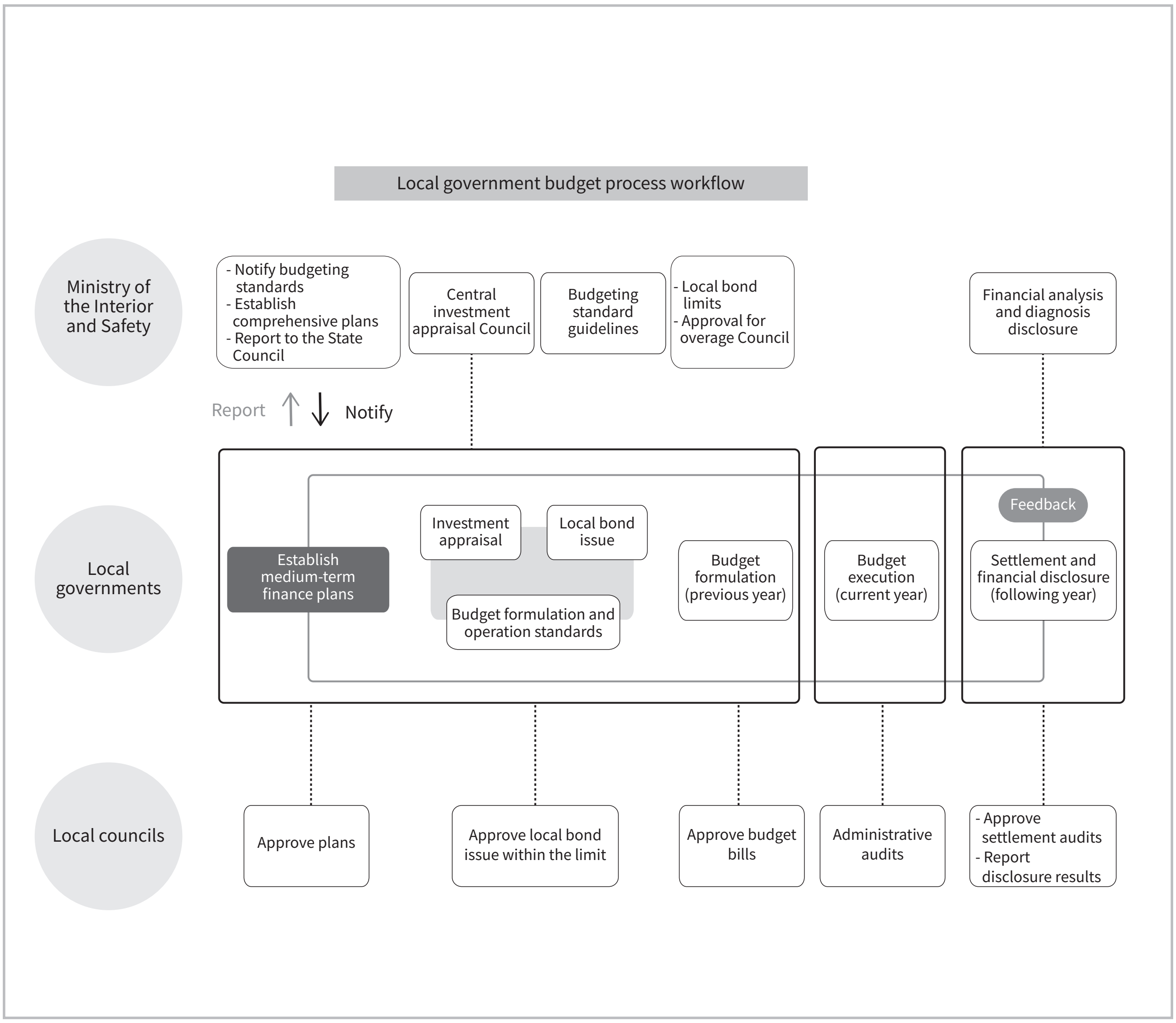
The budget formulation and operation standards for local governments aim to ensure consistency in local governments' budgeting in terms of standard expense and budget items and statistical processing. Article 5 of the Local Finance Act provides for program budget performance management, and Article 38, Paragraph 2 of the Local Finance Act and Article 8 of the Rules on Local Government Budget Formulation and Operation stipulate matters related to standard expenses for local governments' budget formulation. And Article 41 of the Local Finance Act and Article 47 of its Enforcement Decree provide the program-based budget system for the classification and management of local governments' revenue and expenditure budget items.

The general principles of budget formulation by local governments are that local governments should strive to secure financial resources to promote the welfare of residents, and that the budget should be formulated in such a way as to increase the efficiency and soundness of expenditures. In particular, it should meet the basic needs of the residents, promote their welfare, promote the sustainable development and growth of the local economy, lay a foundation for local financial independence, ensure sound financial expenditure and operation with reasonable revenue, and be consistent with national policy directions.

These budget formulation standards are generally applicable to the general accounts, special accounts, and funds of local governments. However, special accounts for public enterprises may be operated with separate budget items and configurations, and in this case, these budget items are linked to specific budget items to prepare consolidated financial statements that help understand the overall soundness of local finance.

For budget formulation, the Ministry of the Interior and Safety provide guidance on the conditions and directions of local finance to ensure effective alignment with the basic policy directions of the State in accordance with Article 38, Paragraph 1 of the Local Finance Act and Article 2 of the Rules on Local Government Budget Formulation and Operation. For program budget performance management, local governments may prepare performance management plans, etc., as specified by the Minister of the Interior and Safety, and the Minister of the Interior and Safety should include necessary information for program budget performance management. In addition, local governments should allow residents to participate in the budgeting process, including formulation, execution, and settlement (excluding the matters subject to local council resolution under Article 47 of the Local Autonomy Act).

<Figure 13> Budget formulation and operation standards in the local government budget process



Source: Local Finance 365.

Section 5. Local Finance Analysis and Diagnosis

The local government financial analysis and diagnosis system was introduced in 1994 with the aim of analyzing and evaluating the financial status and performance of local governments based on objective data, thereby improving the soundness and efficiency of local finance. The system is legally based on the Local Finance Act of 1998 and conducts annual analysis and evaluation of local governments. The financial analysis and diagnosis of local governments serves as an important mechanism for monitoring the financial status and performance of local governments based on the previous year's settlement data. The results of the financial analysis are used to provide incentives, such as special subsidies for outstanding local governments and financial consulting for underperforming local governments, to improve their financial soundness and efficiency. Before the introduction of the local government financial analysis and diagnosis system, the financial analysis of local governments relied on single indicators such as self-sufficiency, which focused on measuring the financial capacity of local governments. However, these single indicators were not sufficient to provide accurate insights into the financial status of local governments, highlighting the need for a comprehensive analysis using various indicators.

In 1998, seven financial analysis indicators were pilot-tested with settlement data from FY1997. In 1999, the scope was expanded to ten indicators for the financial analysis and diagnosis of all local governments. Based on these results, the system was fully implemented in 2000. Since then, the system has evolved into a financial analysis and diagnostic system that assesses not only revenue but also expenditure and liabilities to accurately understand local governments' financial soundness and efficiency. Since 2020, in response to the COVID-19 pandemic and the worsening national and regional economic downturn, efforts have been made to develop indicators to assess the roles and responses of local governments, ranging from financial planning to execution and establish financial planning as a new pillar of the analysis and diagnosis to enhance the autonomy and accountability of local governments' financial operations, ensuring effective financial management from budget planning to execution.

Currently, the process consists of a series of stages: financial analysis → financial diagnosis → evaluation of the implementation of the financial soundness plan. Local governments are informed of the basic plan, including a financial analysis manual, every June. Once the local governments' accounting is completed, a document analysis is conducted using data from the local financial management system, called e-Hojo, followed by on-site inspections to prepare a comprehensive report on the financial analysis and financial diagnosis. The results are published by the end of December each year.

<Figure 14> Financial analysis workflow

Financial analysis workflow		
Ministry of the Interior and Safety	Inform local governments of the basic plan (June)	- Financial analysis manual (plan) (June) and training
Local governments	Finalize the settlement of local government finance (June)	- Submit local government settlement data to local councils (May 10)
Local governments	Enter indicator data in the local finance management system (e-Hojo) (July)	- Enter data in the local finance management system (e-Hojo) for indicator-specific entries
Ministry of the Interior and Safety	Conduct documentary analysis (July-August)	- Analyze data entries for financial analysis indicators
Ministry of the Interior and Safety	Conduct on-site inspections (September)	- Check and verify data errors, validate financial operations, and investigate data-specific issues and best practices
Ministry of the Interior and Safety	Compile the results of the financial analysis and prepare a report (October-November)	- Conduct comprehensive analysis and prepare a report based on the results of the on-site inspections, including indicator-specific trends, comparison with similar organizations, and future directions
Ministry of the Interior and Safety	Reward outstanding local governments and conduct financial diagnosis for underperformers (December)	- Reward outstanding local governments with financial incentives - Conduct financial diagnosis for underperforming local governments to establish and implement financial soundness plans
Ministry of the Interior and Safety	Publish financial analysis results (December)	- Disclose local government rankings - Publish the financial analysis results on “Local Finance 365”

Section 6. Local Finance Disclosure

The local financial disclosure system is a mechanism through which local governments disclose their financial operation results and matters of public interest to residents based on their budgets and settlements. It aims to help residents better understand the local government’s financial management, ensure financial accountability and transparency, and lay a foundation for autonomous control over their financial operations, thereby promoting sound financial management.

In 1994, the Financial Operations Disclosure System was introduced, where local governments were required to disclose key information on their financial operations, for example revenue and expenditure budget execution, local bonds, and outstanding short-term borrowings, etc., at least annually as stipulated by ordinance (Article 118-3 of the former Local Finance Act). However, inconsistencies in the scope, methods, and timing of disclosures across local governments made it difficult to provide well-organized information to residents and facilitate comparison between local governments. To overcome the limitations of the existing financial disclosure system, the 2006 amendment to the Local Finance Act introduced the Local Finance Disclosure

System, stipulating the subjects of financial disclosure, methods, timing, and the installation of a local finance disclosure deliberation committee. Under this system, local governments now annually disclose (February and August) quantitative data on financial operations such as revenue and expenditure execution, local bonds, outstanding short-term borrowings, as well as the results of financial analysis and diagnosis, the findings from audits by oversight agencies, and other key information of public interest (Yoon, 2021, p.265).

To ensure effective financial disclosure, the Ministry of the Interior and Safety provides financial disclosure manuals and training, and requires local governments to report the results of settlement and budget-based financial disclosure, after which the ministry inspects the results of financial disclosure and takes follow-up action.

<Figure 15> Local financial disclosure workflow

Financial disclosure workflow		
Ministry of the Interior and Safety	Issue guidelines (basic plan) (July)	- Financial disclosure manual (plan) (June) and training
Local governments	Each local government makes settlement-based financial disclosure (end August)	- Local government-specific financial disclosure (settlement-based) (website, newsletter, etc.) - Financial disclosure reporting (within 5 days after disclosure)
Ministry of the Interior and Safety	Financial disclosure follow-up management (September-November)	- Compile local government-specific financial disclosure data (settlement-based) and make a comprehensive disclosure - Take follow-up action including local governments' financial disclosure inspections
Ministry of the Interior and Safety	Inform local governments of changes in the guidelines (early January following year)	- Inform local governments of changes in the budget-based financial disclosure manual
Local governments	Each local government makes budget--based financial disclosure (end February following year)	- Local government-specific financial disclosure (budget-based) (website, newsletter, etc.) - Financial disclosure reporting (within 5 days after disclosure)
Ministry of the Interior and Safety	Financial disclosure follow-up management (March-April following year)	- Compile local government-specific financial disclosure data (settlement-based) and make a comprehensive disclosure

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III

Regional Development

Chapter 14

Overview of Regional Development Policy

Section 1. Structure of Regional Development Policy

Regional development policy is the intention, strategies and means of the State for the improvement and development of human settlement areas and systems, including cities, agricultural, forestry and fishery areas, neighborhoods, etc., as part of the national development initiative. In Korea, regional development policy was developed in the 1960s as a spatial tool for economic growth. In particular, prior to the implementation of local autonomy, the central government took the initiative in regional development policy in various sectors, including industry, housing, infrastructure, culture, environment, and rural and urban development.

Following the introduction of local autonomy in the 1990s, local governments establish and implement their own regional development policies, effectively dividing the functions of regional development policy between the State and local governments.

In particular, the inauguration of the Participatory Government in 2003 marked a significant change in the structure of regional development policy. Previously, regional development policy was not recognized as a separate agenda within national policy. However, in the Participatory Government, regional development policy became one of the core policy agendas of the State. Accordingly, a balanced regional development system was established at the national level, moving away from a fragmented, isolated policy implementation system. A national-level regional development policy was firmly established by the Participatory Government, guided by the Special Act on Balanced National Development.

Section 2. Progress of Regional Development Policy

The historical development of regional development policy in Korea can be summarized as follows. In the midst of the postwar period in the 1960s and 1970s, the top priority of national policy was rapid economic growth. Thus, regional development policy in this period focused on the provision of industrial sites and social overhead capital such as roads, ports, and water to achieve economic development. Regional development was considered ancillary to the overarching goal of laying the foundation for national economic growth. Guided by the growth pole strategy of generating spillover effects in surrounding areas, the Seoul-Incheon axis, the Seoul-Busan axis, the Guro Industrial Complex, and the Masan Free Export Zone were established, laying the foundation for development centered on the Seoul-Busan axis.

In 1968, the Land Planning Basic Plan was established. As regional development centered on the growth poles worsened population concentration in the capital region, initiatives to prevent such concentration were pursued in the late 1970s. Accordingly, the Industrial Placement Act was enacted in 1977, followed by the establishment of the Capital Region Population Redistribution Plan in 1978 and the Blank Plan for the Construction of the Administrative Capital in 1979.

Despite these efforts, the concentration in the capital region persisted in the 1980s, driven by the unbalanced regional development policy of investing in growth poles and spillover effects. The Regional Settlement Zone policy was established and implemented to curb the growth of Korea's two major cities, Seoul and Busan, by establishing basic settlement zones with a population of 250,000 or more, regional settlement zones with a population of 500,000 or more, and metropolitan settlement zones with a population of 5 million or more. However, regional development imbalances persisted due to the lack of specific policy instruments. To address these problems, the Seoul Metropolitan Area Readjustment Planning Act was enacted in 1982.

In the 1990s, the focus of regional development policy shifted from growth to balance. However, balanced development strategies in the 1990s revolved primarily around regulations in the capital region and physical infrastructure led by the central government, without thorough consideration of the specific needs for regional development. In 2013, Korea became the 13th largest economy in the world and a member of the Organization for Economic Cooperation and Development (OECD), and Seoul positioned itself as a global city alongside world-famous cities.

However, the input-oriented strategy also revealed limitations in the growth of the national economy and unbalanced regional development. The input-oriented strategy was not feasible in a knowledge-based economy, and the compressed growth achieved with this strategy led to unbalanced development between the growth poles and other areas. In particular, the spillover effects from the growth poles were not as strong as expected, resulting in an uneven concentration of political, economic, administrative, and development capacities in the capital region. In 2000, the capital region, which occupies only 11.8% of the country's territory, accounted for 48.3% of the national population and 47.7% of gross regional domestic product (GRDP), 58.8% of businesses, and 67.8% of financial deposits.

In the early 2000s, the Participatory Government pursued a balanced national development policy, recognizing that unbalanced regional development was harming not only both capital and non-capital regions, but also the nation as a whole. In the capital region, diseconomies of agglomeration led to a decline in quality of life and competitiveness, while non-capital regions were at risk of collapse due to the lack of growth drivers. To address these challenges, the Participatory Government set the creation of regional innovation through cooperation among multiple stakeholders of regional development as the most important agenda to achieve balanced national development.

In the late 2000s, the Lee Myung-bak administration made a paradigm shift in regional development policy from the balanced development of regions to regional development led by broad-area economic spheres. Moving away from the district-based regional development pursued by the Participatory Government, the focus was on strengthening the nation's global competitiveness, with the focus on broad-area economic spheres.

The Park Geun-hye administration, which took office in 2013, established the Living Happiness Spheres, acknowledging that the previous administration's regional development policy based on broad-area economic spheres was far from delivering tangible benefits to residents. The Living Happiness Spheres aimed to promote residents' happiness by encouraging local governments to work together to complement each other's functions for residents' happiness.

The Moon Jae-in administration presented decentralization, inclusion and innovation as the three core values of the balanced national development policy. In line with the constitutional mandate to "elevate the quality of life for all citizens," the government restructured the regional innovation system at the *Si/Do* level and initiated the Innovation City Season 2 strategy to create jobs for regional innovation.

The national agenda of the Yun Seok-yeol administration called for an era of livability in every corner of the country and established a balanced regional development policy aimed at stopping inequalities in opportunities and livelihoods by location and breaking the vicious cycle of concentration in the capital region and the collapse of the regions. The balanced regional development policy underwent a comprehensive reform to create decent jobs in the regions by strengthening the foundation for innovative growth and to promote regional development by encouraging the regions to take advantage of their own strengths and characteristics.

<Table 43> Overview of regional development policy

Category	Focus	Policy goals	Development strategies	Features
1960s	■ Efficiency	■ Overcome poverty ■ Rebuild the nation	■ Building industrial complexes ■ Building infrastructure	■ Unbalanced development ■ Led by the central government
1970s	■ Efficiency	■ Achieve economic growth ■ Build foundations for industry	■ Growth pole strategy (4 major river areas)	■ Unbalanced development ■ Led by the central government
1980s	■ Efficiency	■ . Achieve economic growth (with slight considerations to distribution)	■ Distributed growth poles ■ 4 major economic spheres	■ Unbalanced development ■ Led by the central government
1990s	■ Slight consideration to equity	■ Globalization ■ Regional specialization	■ Distributed growth poles ■ Curbing capital region growth	■ Regional development concept introduced ■ Led by the central government
2000s	■ Equity	■ Balanced regional development ■ Overcome regionalism = balanced development	■ Regional innovation system ■ Innovation cities ■ Public institution relocation	■ Regional development included as a national agenda ■ Led by the central government
2010s	■ Efficiency	■ Strengthen regional competitiveness	■ Broad-area economic spheres ■ Living happiness spheres	■ Policy: led by the central government ■ Comprehensive aid concept introduced
2020s	■ Quality of life	■ Equal opportunities for all citizens	■ Region-led development ■ Specialized regional development	■ Realizing the constitutional value of balanced development ■ Emphasis on the equal improvement of citizens' lives

Chapter 15

Balanced Regional Development Policy

Section 1. Progress of the System

Since the enactment of the Special Act on Balanced National Development in 2004, the regional balanced development policy has undergone changes due to shifts in the government's policy on balanced development and amendments to the Act. Different administrations have pursued different balanced regional development policies with different policy goals and means. Over time, the title of the Act has changed, as have the relevant statutory plans and institutions and special accounts.

<Table 44> Changes in the balanced regional development policy

Category	Roh Moo-hyun administration (2003-2008)	Lee Myung-bak administration (2008-2013)	Park Geun-hye administration (2013-2017)	Moon Jae-in administration (2017-2022)	Yun Suk-yeol administration (2022-Present)
Policy objectives	Innovation-driven spatially balanced development (functionally decentralized balanced national development)	Regional competitiveness and specialized development (job creation)	Regional happiness and quality of life (HOPE)	Region-led foundations for independent growth (decentralized balanced national development)	Equal opportunity regardless of location (region-led balanced development)
Policy means	■ Balanced national development 5-year plan (2004-2008) ■ Special Act on Balanced National Development	■ Balanced regional development 5-year plan (2009-2013) ■ Special account for broad-area and regional development	■ Regional development 5-year plan (2014-2018) ■ Special account for regional development	■ Balanced national development 5-year plan (2018-2022) ■ Special account for balanced national development	■ Integration of decentralization and balanced development laws

Category	Roh Moo-hyun administration (2003-2008)	Lee Myung-bak administration (2008-2013)	Park Geun-hye administration (2013-2017)	Moon Jae-in administration (2017-2022)	Yun Suk-yeol administration (2022-Present)
Policy means	■ Special account for balanced national development ■ Innovation cities	■ 5+2 broad-area economic sphere policy ■ Mega-regional development projects	■ Living happiness sphere policy	■ Innovation city 2.0, urban regeneration new deal	■ Comprehen-sive plan for local era ■ Special Act on Local Autonomy and Decen-tralization and Balanced Regional Development
Implementa-tion structure	■ Balanced National Development Committee (central) ■ Regional Innovation Councils (local)	■ Regional Development Committee (central) ■ Broad-area Economic Development Committees (local)	■ Regional Development Committee (central) ■ Living Sphere Development Councils (local)	■ Balanced National Development Committee (central) ■ Regional Innovation Councils (local)	■ Local Era Committee (central) ■ (Balanced development committee +Decentral-ization committee) ■ Local Era Committees (local)
Accounts	■ Regional innovation account ■ Regional development account	■ Broad-area development account ■ Regional development account	■ Economic development account ■ Livelihood account	■ Regional support account ■ Regional autonomy account	■ Regional sup-port account ■ Regional autonomy account

Section 2. Regional Innovation Policy

Policies to realize balanced regional development are divided into innovation policy, industrial policy, spatial policy, and qualitative development policy. The particular focus of the Special Act on Balanced National Development has been on the regional innovation policy.

Regional innovation policy aims to strengthen regional innovation capacities, including the establishment of regional innovation systems, regional innovation clusters and Innovation Cities. The development of regional innovation systems enables the establishment of strategies led by organizations at the regional level. The innovation clusters are designed to encourage cooperation between businesses, research institutes, universities, local governments, financial institutions, etc. to drive innovation.

As part of spatial policy, the development of Innovation Cities aims to decentralize key players for innovation to drive regional development. This involves the development of a Multifunctional Administrative City, Innovation Cities, and Enterprise Cities, and the relocation of public institutions. This policy aimed to develop cities as key players in balanced regional development, relocate public institutions to Sejong and 10 Innovation Cities, and create four Enterprise Cities.

Among them, Innovation Cities were created for the relocation of public institutions in accordance with the Special Act on Balanced National Development and the Special Act on the Establishment and Development of Innovation Cities. Under these Acts, an Innovation City is defined as a future city that accepts the public institutions relocated from the capital region to a non-capital region and is developed so as to be furnished with an innovative environment where industries, universities, research institutions, and public institutions can work in close cooperation, and a residential environment allowing for high-level residence, education, and culture. It does not simply entail the physical relocation of public institutions. Rather, Innovation Cities are developed under the broader framework of regional innovation.

Driven this initiative, 10 Innovation Cities were created to accommodate public institutions relocated from the capital region, including 153 institutions: 44 government organizations and 109 government-administered institutions. Among them, 115 institutions were relocated to the 10 Innovation Cities, except for Sejong Multifunctional Administrative City, which meant the relocation of 42,000 employees (Relevant Ministries, 2018).

<Table 45> Status of 10 Innovation Cities

Region	Location	Functions relocated	Area (thousand ㎡)	Planned population (thousand people)	Institutions relocated					Number of employees relocated (people)
					Total	Government organizations	Public enterprises	Quasi-government institutions	Others	
Total (10 Innovation Cities)			44,879	267	113	32	15	44	22	40,681
Busan	Yeong-do-gu Nam-gu Haeun-dae-gu	Maritime and fisheries, finance, film promotion, etc.	935	7	13	2	2	5	4	3,122

Daegu	Dong-gu	Industrial promotion, education/scholastic promotion, gas industry, etc.	4,216	22	11	2	2	6	1	3,438
Gwangju/ Jeonnam	Naju-si	Power industry, ICT, agriculture, arts and culture, etc.	7,361	49	16	3	3	9	1	6,923
Ulsan	Jung-gu	Energy industry, labor and welfare, occupational safety, etc.	2,991	20	9	2	2	4	1	3,148
Gangwon	Wonju-si	Mining promotion, health and life, tourism, etc.	3,585	31	12	1	2	7	2	6,113
Chungbuk	Jin-cheon-gun Eum-seong-gun	ICT, human resources development, science and technology, etc.	6,899	39	11	3	-	4	4	3,116
Jeonbuk	Jeonju-si Wanju-gun	National land development and management, agriculture and bio, food research, etc.	9,852	29	12	7	-	3	2	5,300
Gyeong-buk	Gim-cheon-si	Road transport, agricultural technological innovation, power technology, etc.	3,812	27	12	6	2	1	3	5,561
Gyeong-nam	Jinju-si	Housing construction, SME promotion, national pension, etc.	4,093	38	11	1	2	4	4	4,004

Jeju	Seogwi-po-si	International exchange, education and training, national tax administration, etc.	1,135	5	6	5	-	1	-	714

Source: Ministry of Land, Infrastructure and Transport (2018), Comprehensive Development Plan for Innovation Cities.

Section 3. Relocation to Innovation Cities

The development of Innovation Cities began with the establishment of the Public Institutions Relocation Plan in 2005 and the enactment of the Special Act on Innovation Cities in 2007. In December 2019, 12 years after the commencement of the project, all public institutions included in the plan were relocated. In October 2020, Daejeon-Chungnam Innovation City was designated as another Innovation City, bringing the total number of Innovation Cities to 11.

Among them, Gangwon Innovation City in Bangok-dong, Wonju-si houses the Korea Research Institute for Local Administration and other public institutions. It forms a healthcare-bio cluster focusing on the medical device, bio and tourism industries. With a planned population of 30,000, it is the fourth smallest of the Innovation Cities. However, the presence of an Enterprise City within a 10 km radius provides a high multiplier effect for the region. The number of companies relocating to Gangwon Innovation City has jumped from one in 2016 to 105 in 2022, and the total population reached 26,616 in 2022. The relocation of public institutions and population growth in the Innovation City demonstrate its benefits for regional development.

<Table 46> Cluster-specific placement of institutions in Gangwon Innovation City

Category	Area	Public institutions relocated	Key industries to attract
A	Health and bio	National Health Insurance Service, Health Insurance Review and Assessment Service Korea Veterans Health Service, Korean Red Cross, National Forensic Service	Advanced medical device/medical convergence industry, U-health industry, cardiovascular and healthcare service, biomedical materials R&D, BT convergence-based industries
B	Resource development	Korea Mine Rehabilitation and Mineral Resources Corporation, Korea Coal Corporation, Mine Reclamation Corporation	Novel materials/nano-fusion technology industry, renewable energy technology industry, mine reclamation technology industry

C	Pubic service	Road Traffic Authority, Korea Research Institute for Local Administration	Financial and insurance services, legal, accounting, consulting, design industries
D	Tourism and culture	Korea Tourism Organization, Korea National Park Service	Medical tourism, cultural, and MICE industries

Source: Gangwon-Wonju Innovation City Pureunsum website (http://pureunsum.gwd.go.kr/).

However, there has been criticism that the Innovation Cities have focused on the relocation of public institutions and have not achieved their original objective of serving as regional hubs for balanced development. The current policy focus is on the development of industrial clusters to help Innovation Cities serve as new innovation hubs for balanced development.

Chapter

16 Development Policy for Underdeveloped Regions

Section 1. Progress of the System

Underdeveloped regions are defined as regions with a relatively low level of development. These include not only structurally disadvantaged regions with sluggish growth, but also regions facing economic decline due to industrial decline or the relocation of key functions. The government's policy for developing underdeveloped regions dates back to the Saemaul Undong, which was introduced in the 1970s to modernize rural areas. However, with the disintegration of the agrarian society due to industrialization and urbanization, and the opening of agricultural markets, Saemaul Undong, which relied on competition among rural areas for development, was no longer valid as a sustainable strategy for rural development.

Subsequently, the government's underdevelopment region policy focused on curbing concentration in the capital region and relocating population and industry to non-capital regions. Since the 1990s, more proactive policies have been implemented, including the Comprehensive Development Project for Island Areas (1988-), the Comprehensive Development Project for Remote Areas (1990-), the Rural Settlement Area Development Project (1990-), and the Development Promotion Zone Project (1996-).

With the inauguration of the Roh Moo-hyun administration in 2003, balanced national development emerged as a key policy agenda. Accordingly, a series of policies were implemented to support underdeveloped regions. The government recognized that the previous development policy for underdeveloped regions, which was driven by the central government, had limitations in equipping regions with the ability to drive self-initiated innovation due to overdependence on the central government. As a result, the government implemented the New Vitality Policy for endogenous regional development driven by regional innovation.

Under the Lee Myung-bak administration, these policies for underdeveloped regions were consolidated into a broader-area basic living sphere policy. Notable projects for underdeveloped regions during this period included the Growth Promotion Area Development Project and the Development Project for Regions in Special Situations. The Park Geun-hye administration adopted the "Happiness Living Sphere" approach to regional development policy, shifting the focus to a more granular level and emphasizing neighborhood-based revitalization and quality of life. The policy also marked a significant shift from central government-driven development strategies to region-led initiatives, consolidating siloed, ministry-specific support programs into tailored support packages. Although policies specific to the development of underdeveloped regions were somewhat scaled back under these two administrations, they did make some meaningful efforts to establish minimum standards for living conditions at the national level and emphasize the importance of quality of life in underdeveloped regions.

The Moon Jae-in administration implemented large-scale urban regeneration projects to revitalize the existing downtown and declining urban areas. This was an extension of the underdeveloped regions policy, which had focused on rural areas, to declining urban areas that lacked the capacity for self-reliance. The government established the Local Extinction Reaction Fund and enacted the Special Act on Support for Depopulation Regions, which designated regions with serious population problems as depopulation regions. Meanwhile, under the Yun Suk-yeol administration since 2022, concrete support and programs have been established for these depopulation areas. The government supports areas with special conditions and border areas and pursues policies to improve the population vitality of the regions.

<Table 47> Changes in development policy for underdeveloped regions

Category	Policy measures	Legal grounds
1990s	■ Comprehensive Development Project for Islands ■ Comprehensive Development Project for Hinterlands ■ Rural Settlement Sphere Development Project ■ Development Promotion District Project ■ Abandoned Mine Area Development Project	Island Region Development Promotion Act Hinterlands Development Promotion Act Act on Special Measures for health and Medical Services in Agricultural and Fishing Villages Balanced Regional Development and Support for Local Small and Medium Enterprises Act Special Act on the Assistance to the Development of Abandoned Mine Areas
2000s	■ Border Area Development Project ■ Small Local Town Promotion Project ■ Cultural Village Development Project	Special Act on Support for Border Area Act on the Assistance to the Development of Small Local Towns Agricultural and Fishing Villages Improvement Act
2010s	■ Growth Promotion Area Development Project ■ Development Project for Areas in Special Conditions ■ Comprehensive Support Project for the Development of Five Islands in the Yellow Sea	Special Act on Balanced National Development Special Act on Balanced National Development Special Act on Support for Five Island of the Republic of Korea in the Yellow Sea

Category	Policy measures	Legal grounds
2010s	■ Agricultural Village New Vitality Plus Project ■ Urban Regeneration Project ■ Fishing Village New Deal 300 Project ■ Consolidated Support Project for Depopulation Regions	Special Act on Balanced National Development Special Act on Promotion of and Support for Urban Regeneration Fishing Villages and Fishery Harbors Act Special Act on Balanced National Development
2020s	■ Local Extinction Reaction Fund ■ Fishing Village New Vitality Promotion Project	Framework Act on the Management of Local Government Funds Fishing Villages and Fishery Harbors Act

Section 2. Policies for Depopulation Regions

In response to rapid demographic change due to low birth rates and an aging population, Korea is implementing policies to address the population crisis at the national level. Rural areas have so far served as a "population dam" that mitigates the shock effect of national depopulation with relatively high birth rates. However, they are now facing a serious population crisis caused by the outflow of young people. In particular, underdeveloped regions, unlike urban areas, are experiencing both natural population decline due to births and deaths and social population, pushing them to the brink of extinction.

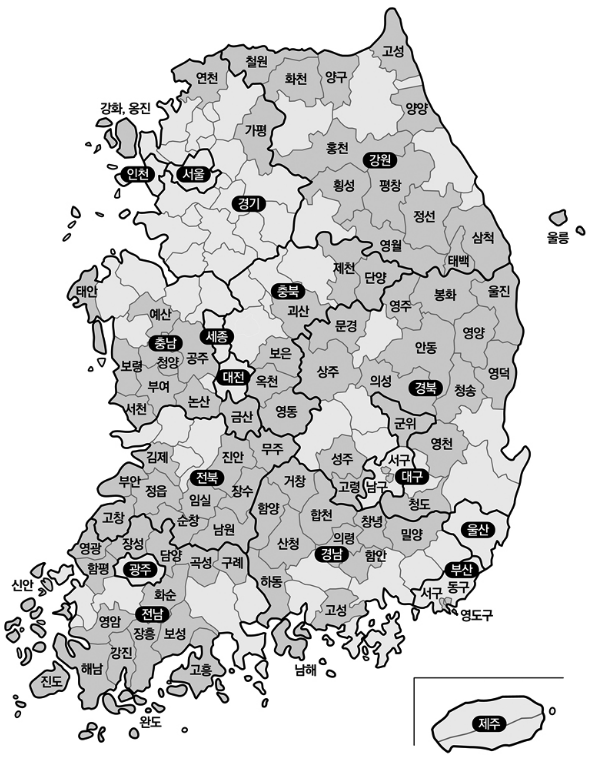
Recognizing that the risk of local extinction undermines national competitiveness, the government is implementing policies to address the problem of depopulation. In October 2021, the government amended legislation to designate *Si/Gun/Gu* local governments at risk of extinction due to population decline as "depopulation regions." Administrative and financial support systems have been developed for these regions to improve living conditions, create jobs, build skills, and revitalize communities. The Local Extinction Reaction Fund has been established, in which the government will invest KRW 1 trillion annually from 2022 to 2013. The fund will be used to help depopulation regions implement programs that are appropriate to their circumstances. To ensure the effectiveness of these initiatives, the government evaluates the investment plans submitted by local governments on an annual basis, based on which differential funding is provided. In addition, local governments are required to prepare five-year master plans for depopulation regions to enable regions to implement depopulation response strategies in a structured and comprehensive manner. This master planning mandate ensures that State and local governments pursue policies that are fully aligned with the overarching goal, rather than fragmented and sporadic policies.

Korea’s depopulation policy aims to restructure the existing government-led framework into a region-led framework, allowing regions to pursue independent development in consideration of their own conditions. Ultimately, it will contribute to resolving regional imbalances and revitalizing underdeveloped regions, thereby achieving balanced national development.

Section 3. Designation of Depopulation Regions

In 2021, the government amended the Special Act on Local Autonomy and Decentralization and Balanced Regional Development (formerly the Special Act on Balanced National Development) and, in consultation with relevant ministries, designated 89 Sis, Guns, and Gus as depopulation regions in October. The designation of depopulation regions is intended to provide support to regions that are experiencing population decline and loss of vitality. The government used the depopulation index, which consists of eight demographic and economic indicators, for the quantitative evaluation for the designation of depopulation regions. The depopulation index is calculated by using the average annual population growth rate, population density, net youth migration rate, daytime population, aging rate, youth population ratio, crude birth rate, and financial independence rate with indicator-specific weights. Regions with poor demographic and financial conditions that make it difficult to sustain the community and provide basic services for residents’ lives are designated as depopulation regions. Depopulation regions are designated every five years, and the second round of designation will take place in 2027.

<Table 48> Depopulation index and the designation of depopulation regions

<table>
<tr><th>Category</th><th>Details</th><th>Designation of depopulation regions</th></tr>
<tr><td>Legal ground</td><td>Special Act on Local Autonomy and Decentralization and Balanced Regional Development</td><td rowspan="11">


</td></tr>
<tr><td>Designation cycle</td><td>Every 5 years</td></tr>
<tr><td>Designation</td><td>89 Sis, Guns, Gus</td></tr>
<tr><td rowspan="8">Depopulation index (8 indicators)</td><td>① Average annual population growth rate</td></tr>
<tr><td>② Population density</td></tr>
<tr><td>③ Net youth migration rate</td></tr>
<tr><td>④ Daytime population</td></tr>
<tr><td>⑤ Aging rate</td></tr>
<tr><td>⑥ Youth population ratio</td></tr>
<tr><td>⑦ Crude birth rate</td></tr>
<tr><td>⑧ Financial independence rate</td></tr>
</table>

Source: Ministry of the Interior and Safety website (https://www.mois.go.kr/frt/sub/a06/b06/populationDecline/screen.do).

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