

Reinforcement and Reform of ‘Special Account for Regional Development’ for 2nd Balanced National Development

Youngsub Kwon Managing Director

Yongsik Roh Associate Research Fellow

Sunghee Min Associate Research Fellow

Jaesung Choi Associate Research Fellow

Yoo Choi Assistant Research Fellow

Korea Research Institute for Human Settlements

Summary

1. Since the Special Account for Balanced National Development (SABND) was created in 2005 with the budget of 5.5 trillion won, the volume of Special Account for Regional Development (SARD) has increased to 10.4 trillion won in 2015. Amid the era of demographic cliff, 20 cities in Korea experiencing over supply of physical stocks due to sustained and severe population decline are classified as ‘Shrinking Cities.’
 - Created in the participatory government, Special Account’s name, purpose, contents, and scale and method of operation have changed over the years of Lee Myung-bak and Park Geun-hye Administration.
 - In 2017, Special Account for Regional Development is managed by central and local government; central government pursues projects under economic development account and local government does under account for basis of living.
2. Local governments autonomously establish a Special Account for Balanced Regional Development, securing stable financing and local autonomy to coordinate customized regional development projects to under-developed areas, and to improve project management capacity along with realizing tangible achievements.
 - According to ‘Regulations on Regional Development and Support (Article 71)’, Local governments have enacted Special Account for Under-developed regions(Special Account for Balanced Regional Development) as an ordinance and have built the accordance system in considerable extent by implementing balanced regional development projects.
3. Regions without any ordinance, enforcement regulation nor special account for the balanced regional development are required to establish and expand the scale of account, and regions with provisional operation are expected to prolong the time period for region-customized and balanced development.

- Balanced Regional Development Ordinance is enacted in 9 Provinces: Gyeonggi, Kangwon, North Chungcheong, South Chungcheong, North Jeolla, South Jeolla, North Gyeongsang, South Gyeongsang, and Jeju.
- Among all provinces, Gyeonggi, North Chungcheong, South Chungcheong, North Jeolla, North Gyeongsang, South Gyeongsang, Jeju joined in holding both enforcement regulation and special account, and North Gyeongsang recently also took part in, whereas Kangwon Province and South Jeolla Province have neither.

Policy Issues

1. Enlarge the share of account for basis of living (City·Province Top-down budgeting, City·County·District Top-down budgeting) among Special Account for Regional Development, establish regional cooperation projects and retitle Special Account for Regional Development to its original name to avoid confusion from Local Governments' Special Account for Balanced Regional Development.
2. Support to municipal governments in enacting Balanced Regional Development Support Ordinance and enforcement regulation and either in establishing and running Special Account for expediting balanced regional development in municipality. Central government to focus on balanced development at between City·Province and Inter-Region·Trans-Region.
3. Support regional specialized project or regional cooperation project to visualize the outcomes of the regional development project that was implemented through Special Account for Balanced Regional Development and start developing a self-reliant localized model in the long term.