



THE NEW PLAN OF PUBLIC AGENCY RELOCATION IN PROGRESS

Traditionally, Korea has had its population and industries excessively concentrated in the Capital Region. In order to actively tackle such excessive concentration, the Korean government relocated public agencies a few times since 1964, when the Measure of Prevention for the Overpopulation in Large Cities was implemented.

The first relocation plan, the Plan for Dispersion of Large City Population, was established by the Economic Planning Board (EPB) in 1973. The EPB selected 46 public agencies (24 government-controlled or government-contributed bodies and 22 government-financed bodies), and moved 40 of them to new locations. The second plan, which the EPB produced in 1980, was to relocate not only some agencies directly controlled by the Korean central government near the Gwacheon Government Complex, but also several government-invested research institutes to the Daedeok Science Park. The third relocation was planned by the Ministry of Government Administration in 1985. Originally, the plan intended to move the central government's offices to Daejeon. But, it resulted in ten agencies' relocation to the Daejeon Government Complex, 8 years after the plan was modified in 1990.

Recent Public Agency Relocation

Since 2003, the Korean government has actively undertaken the planning of public agency relocation in pursuit of balanced national development. Recently, the government has implemented two different plans of public agency relocation: one to relocate central government agencies to the Multifunctional

Administrative City (MAC) to be built in the Chungnam Province; the other to relocate other public bodies outside the Capital Region - the New Plan of Public Agency Relocation.

Pursuant to the Balanced National Development Act (BNDA), the governmental and public bodies to be relocated encompass: the Korean central government's ministries and offices; subsidiaries of such agencies of the central government; government-invested corporations and their subsidiaries; government-financed agencies; government-contributed agencies; and other public agencies. Among these governmental and public entities, 16 departments and 2 offices of the Korean central government and some of their subsidiaries are due to move into the MAC in the near future. Other public entities, excluding the governmental bodies, will be distributed across the Korean territory outside the Capital Region, except Chungnam Province and the City of Daejeon. As presented earlier, the MAC will be built in the Chungnam Province, and Daejeon already has the Daedeok Science Park and the Daejeon Government Complex.

Systems of Recent Public Agency Relocation

The Korean government's recent public agencies' relocation project, the Plan of the MAC and the New Plan of Public Agency Relocation, have been based on different systems of planning and implementation. The MAC plan has been set up and enacted by the Steering Committee for the MAC, which is currently supported by the Advisory Board for the MAC under the Ministry of Construction and Transportation (MOCT). On the other hand, pursuant to the BNDA,

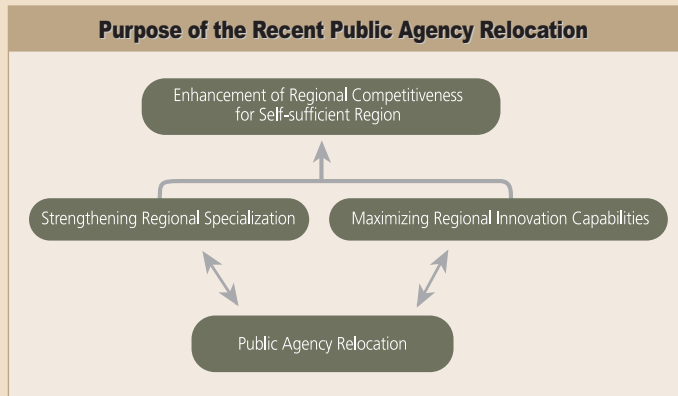
the Presidential Committee on the Balanced National Development (PCBND) has produced and implemented the New Plan of Public Agency Relocation, receiving necessary support from the Advisory Board for Public Agency Relocation under the MOCT.

Purpose and Strategy of the Recent Public Agency Relocation

The relocation of public agencies that the Korean government actively pursues, especially the New Plan of Public Agency Relocation, is intended to boost specialization and innovation capabilities of non-Capital regions which have long witnessed underdevelopment, compared to the Capital Region. Stated otherwise, the new relocation plan seeks to enable such regions outside the Capital Region to enhance regional competitiveness and achieve self-sufficient development.

Unlike the previous ones, the New Plan of Public Agency Relocation emphasizes not only functional linkages and connections among public agencies but also regional innovation capabilities for the plan’s success.

The agencies to be relocated are classified into multiple groups on the basis of specialized functions. The public agencies consisting of a functional group



are strategically relocated together to a region. This strategy is to strengthen and maximize functional linkages or connections among public agencies. To be sure, allocation of such functional groups to individual regions takes such regions’ industrial strategies and characteristics into full account.

The New Plan of Public Agency Relocation

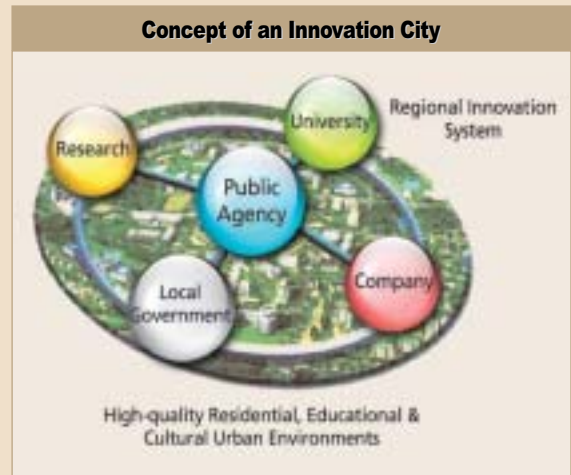
According to the principles of the public agency relocation plan, PCBND announced the New Plan of Public Agency Relocation on 24 June 2005, jointly with 21 central government departments, such as the Ministry of Construction and Transportation and the Ministry of Finance and Economy. This plan has

Functional Groups and No. of Agencies Allocated to Regions		
Region	Functional Group	No. of Agencies
Busan	Maritime Affairs & Fisheries, Finance	12
Daegu	Industrial Technology, Education & Academy, Utilities	12
Gwangju	Electrics	3
Ulsan	Energy, Labor Welfare Industrial Safety	11
Gangwon	Mine, Health, Tourism	13
Chungbuk	Telecommunication, Human Resources, R&D	12
Chungnam	Policy Research Institutes, etc.	47
Jeonbuk	National Land Development, Agriculture, Culture	13
Jeonnam	Telecommunication, Agriculture, Electrics	15
Gyeongbuk	Road & Transportation, Agricultural Innovation	13
Gyeongnam	Housing Construction, Small & Medium Business	12
Jeju	International Relations, Education & Training	9
Other	-	1
Total	-	176

clarified that the 176 agencies out of the 346 public bodies which are currently located on the Capital Region will be relocated. The 176 entities are classified into 21 functional groups.

The PCBND has arranged this grouping to make sure that agencies affiliated with one group will in general have similar or interconnected functions to perform. And then, except for the Chungnam Province and the City of Daejeon, each region outside the Capital Region is allocated to two functional groups, while only Gwangju gains one group. This allocation has been conducted in consideration of functional linkage or connection of each group with industries, in which each region is or intends to be specialized.

And each region plans to construct an innovation city where the public bodies classified into the same functional group are supposed to move. As presented above, the public agencies moving to an innovation city are closely linked with the relevant region's strategic (or specialized) industries, universities and R&D institutes. Given this, each innovation city will be a futuristic urban place (or district) equipped with the following features: innovation milieu to expedite cooperation and networking among companies, uni-



versities, and R&D centers; high-quality residential, educational, cultural, and recreational facilities; and advanced transportation and telecommunication networks.

The Korean government intends to complete this new project of public agency relocation by 2012.

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NATIONAL FISCAL MANAGEMENT PLAN AND SOC INVESTMENT POLICY

The Korean government has established and confirmed the National Fiscal Management Plan as a part of its fiscal reform to strategically distribute and efficiently utilize the national resources. As a guideline suggesting the direction of the fiscal management activities for the following five years, the National Fiscal Management Plan is expected to vastly contribute to development of the fiscal management in line with execution of the Top-down Budgeting System, establishment of the Performance Management System, and implementation of the Digital Budget Accounting System.

Through the National Fiscal Management Plan, the government can fathom the size of mid-term usable fiscal resources, and choose policies within the scope to boost the materialization possibility and predictability of policies. In addition, the national priority can be systematically reflected on the expenditure

plan, increasing rationality of the fiscal resource distribution.

Major Components of the National Fiscal Management Plan

The government is concerning about fiscal conditions for the next five years. Especially, the increase in revenues is expected to slow down in accordance with the decrease in the potential growth rate in the future. On the other hand, the government needs to play an active role in improving the national competitiveness in terms of expenditures, simultaneously expanding the social welfare system and enlarging the fiscal needs to boost the quality of life. Facing such changing circumstances, the government is ultimately seeking to expand the growth potential and improve the fiscal resources distribution structure