

Embargo:

Release Date: August 29, 2023

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2024 BUDGET PROPOSAL AND 2023-2027 NATIONAL FISCAL MANAGEMENT PLAN

I. 2024 Budget Proposal Directions

Following the transition from expansionary fiscal policies to a sound fiscal approach during the 2023 budget planning, the 2024 budget proposal focuses on improving the fundamentals of fiscal structure.

Fiscal soundness will be adhered for the medium and long-term to ensure the alleviation of future burdens, enhancement of external credibility and securing of fiscal sustainability.

In addition, the government will refrain from wasteful spending by enforcing a full-fledged fiscal reform while vigorously investing in key areas for carrying out national tasks.

Key features

(Total revenue) The total government revenue is projected to be 612.1 trillion won (down 13.6 trillion won), a decrease by 2.2% compared with the budget for 2023 due to the impact of economic slowdown and sluggish asset market.

(Total expenditure) The total government expenditure for 2024 is set at 656.9 trillion won (up 18.2 trillion won), a 2.8% increase compared to the previous year, which is the lowest growth rate in the last 20 years since 2005.

	2023 Budget (A)	2024 Budget Proposal (B)	(trillion, %)	
			Changes B-A	B-A(%)
Total Government Revenue	625.7	612.1	-13.6	-2.2
Total Government Expenditure	638.7	656.9	18.2	2.8

(Fiscal Balance / Government Debt) The government will pursue fiscal soundness through fiscal normalization and curbs on the growth rate of expenditure, aiming to minimize the deterioration of fiscal balance and debt.

Consolidated fiscal balance is set to pose a deficit of 1.9 percent of GDP, a rise by 1.3 percentage points compared with that of the 2023 budget, which is 0.6 percent of GDP.

Managed fiscal balance is projected to record a deficit of 3.9 percent of GDP, a 1.3 percentage points rise compared with that of the 2023 budget, which is 2.6 percent of GDP.

Government debt is expected to increase by 0.6 percentage points compared with that of the 2023 budget to 51.0 percent of GDP from 50.4 percent.

(trillion, %)

	2023 Budget (A)	2024 Budget Proposal (B)	B - A
Consolidated Fiscal Balance (% to GDP)	-13.1 (-0.6)	-44.8 (-1.9)	-31.7 (-1.3%p)
Managed Fiscal Balance (% to GDP)	-58.2 (-2.6)	-92.0 (-3.9)	-33.8 (-1.3%p)
Government Debt (% to GDP)	1,134.4 (50.4)	1,196.2 (51.0)	61.8 (0.6%p)

Budgets by Sector

(trillion, %)

	2023 Budget (A)	2024 Budget Proposal (B)	Changes	
			B-A	B-A(%)
Total Expenditures	638.7	656.9	18.1	2.8
1. Health, Welfare, Employment	226.0	242.9	16.9	7.5
2. Education	96.3	89.7	-6.6	-6.9
3. Culture, Sports, Tourism	8.6	8.7	0.1	1.5
4. Environment	12.2	12.6	0.3	2.5
5. R&D	31.1	25.9	-5.2	-16.6
6. Industry, SME, Energy	26.0	27.3	1.3	4.9
7. SOC	25.0	26.1	1.1	4.6
8. Agriculture & Forestry, Fishery, Food	24.4	25.4	1.0	4.1
9. National defense	57.0	59.6	2.6	4.5
10. Diplomacy, Reunification	6.4	7.7	1.2	19.5
11. Social order, Safety	22.9	24.3	1.4	6.1
12. Public administration, Local governments	112.2	111.3	-0.9	-0.8

II. Budget Proposal by Initiative

1. Welfare for the vulnerable

Build a stronger social safety net

- Raise livelihood benefits for a four-person household by 13.2% or 213,000 won to 1.83 million won, which is a record high increase and expand their eligibility to include households with a median income of 32% or less from the current standard of 30% or less.
- Establish the tailored one-on-one care system for individuals with severe developmental disorders and expand support for persons with disabilities (budget increase by 0.4 trillion won).
- Raise the elderly employment to a record-high level (by 147,000 from 883,000 to 1.03 million) and increase allowances by 20,000 to 40,000 won (approximately 7% increase) in 6 years.

Welfare system with no blind spots

- Enhance support for education and job skills for the youth of multicultural backgrounds to ease a social gap (budget increase by 0.03 trillion won).
- Expand the number of single-parent households eligible for national child care subsidies to those with median income of 63% or less from the current 60 percent or less, and increase the amount of subsidies for the teenage parents with babies up to 1-year-old from 350,000 to 400,000 won per month
- Provide self-care allowances as well as family care voucher (worth 700,000 won per month) for young carers, and assist reclusive youths to come back to social life by offering a variety of support measures including counseling, support for communal living, and etc.
- Reform the calculation method for catastrophic health expenditure from the current disease-based calculation to calculation based on the sum of individual's medical expenses, aiming to ramp up support for people with multiple conditions.

Buttress the youth's preparation for the future and self-reliance of valuable groups

- Provide tailored and comprehensive support for youth employment covering the NEET¹, job seekers and those who works in the 10 designated industries facing labor shortages.
- Offer practical support in daily lives: introduce *K-pass*² for public transport discounts and promote *Sanlidangil* project designed to create a work environment preferred by young people in industrial complexes.
- Expand specialized saving accounts for children receiving basic livelihood benefits from birth to the age of 17 in preparation of their self-reliance
- Increase self-reliance allowances provided for 5 years for self-reliant youths³ to 500,000 won per month from the current 400,000 won.

¹ An acronym for "Not in Education, Employment or Training".

² An integrated subway and bus pass that offers a 20% discount for using public transportation more than 21 times per month. It is scheduled to be introduced from July next year.

³ Young adults who are preparing for self-reliance after being discharged from shelters.

2. Investment for securing future growth engines

Secure industrial and technology competitiveness based on creativity and innovation

- Invest 5 trillion won in the R&D of national strategic technologies, primarily in large-scale strategic projects, global cooperation, and young researchers with an aim of generate innovative achievements.
- Increase the budget for strengthening infrastructure of cutting-edge industries from 1.6 trillion won to 2.0 trillion won, backing up the growth momentum for national advanced strategic industries; provide low-interest loans for SMEs related to national strategic technologies, enhance key infrastructures such as water, electricity, and etc., in the National Advanced Strategic Technology Industrial Complex, and foster talents through job training tailored to industrial settings.

Improve Energy system efficiency

- Inject 1.3 trillion won to protect vulnerable consumers from energy poverty by expanding the scope of energy voucher recipients and supply of high-efficiency air conditioning and heating equipment for low income households.
- Provide 0.8 trillion won worth of support for SMEs, small business owners and general households to implement energy efficiency.
- Invest 2.7 trillion won in securing a stable energy supply; stabilize supply chains by significantly expanding public reserves of key minerals and petroleum, facilitate the nuclear industry by offering financial support, boosting exports and strengthening employee training; further invest in building infrastructures for alternative energy industries such as hydrogen and wind power.

Ease burdens of childbirth and child-rearing

- Inject 9 trillion won to increase housing stability for families with a newborn child under two years; reduce income requirements for purchasing or leasing houses as well as present a prioritized housing supply system.
- Extend the period of parental leave for working parents for the first time since 1995. (maximum 12 → 18 months)
- Expand a monthly allowance for parents with a child aged 0 to 1 year. (0 years old: 700,000 → 1 million won, 1 years old: 350,000 → 500,000 won)

Nurture talents in cutting-edge industries and create a reasonable labor market

- Invest 1.9 trillion won to foster key talents in advanced technology industries such as semiconductors, secondary batteries and displays through support for specialized universities
- Inject 0.5 trillion won to resolve market dualism by improving the merit-based wage system and promote flexible working hours
- Allocate 0.2 trillion won for attracting foreign workers in order to address labor shortages.

3. Creating high-quality jobs through the improvement of economic vitality

Stimulate investments to gain the economic upturn

- Invest 4.4 trillion won to advance four cutting-edge service industries - AI, bio technology, cyber security, Digital Platform Government⁴; facilitate the application of AI across the industries through the support for private sector-led AI technology and service development, and provide new public digital services for improving people's convenience through the Digital Platform Government.
- Increase the budget to 0.6 trillion won spent for providing bold incentives for foreign investments and reshoring companies' planned investments as well as expanding subsidies for domestic companies' relocation to provincial cities.
- Increase investments on culture industries to 1.5 trillion won; more than double the amount of policy financing compared to 2023 for the expansion of K-content exports and enhance regional infrastructures for attracting foreign tourists.

Promote export drive and startup Korea⁵

- Spend 1.9 trillion won on enhancing export drive: provide the additional export financing worth 1.3 trillion won for large-scale projects such as nuclear power, defense, and plants; expand tailored export vouchers for SMEs and strengthen support for their participation in overseas exhibitions.
- Allocate 0.5 trillion won for pursuing *startup Korea*: establish the global TIPS⁶ that includes 20 companies to enhance support for overseas startups and establish Korean Station F⁷ as a global startup hub; boost regional economy as well as job creations through financial support.

Revitalize provincial cities

- Invest 5.7 trillion won for establishing a regional development system collaboratively driven by private sectors, local governments and local universities; raise investment funds worth 300 billion won for regional revitalization, underpin projects to address local extinction, and conduct a structural reform on the financial support system for universities.
- Increase the budget spent on attracting population to agricultural and fishing villages: expand farm payments to 3 trillion won, aiming to stabilize farm businesses and fostering young farmers; offer tailored support for the young farmers at each stage - entry, settlement, growth - to inject vitality in rural areas, and improve the regions' living environments as well as themed tours.

4. Underpinning the essential roles and functions of the nation

Korean armed forces with a strong morale

- Allocate 5.4 trillion won for improving military environment: provide better living environment through renovations of worn-out facilities as well as raise incentives for military services targeting junior officers; raise army salaries to 1.65 million won from 2024 and deploy ice-making water purifiers to all troops.

⁴ The Korean governmental project that citizens, businesses, and the government work in collaboration to solve social problems and creates new values based on a digital platform where all data is connected.

⁵ The Korean government's comprehensive policy for mid- and long-term support of startups.

⁶ TIPS (Tech Incubator Program For Startups) is a governmental project in collaboration with private sectors to invest and support technology startups at their early stage to grow.

⁷ A Private-driven startup incubator located in Paris pursuing openness, autonomy, and diversity.

- Enhance advanced military capabilities by injecting a 7.9 trillion won budget: counter asymmetric threats by advancing general outposts' (GOP) monitoring capacity and developing early warning nanosatellites; upgrade three pillars of the defense system of the Korean army by ramping up combat capabilities of Korean destroyers, F-15K, and special mission aircraft.
- Improve patriots and veterans benefits system: raise veterans' benefits to the 5% range for two consecutive years and selectively increase the benefits to narrow the gaps between beneficiaries.

Strengthen public order and safety system

- Inject 1 trillion won to enhance countermeasures against crimes that damage public security such as drugs, motiveless crimes and *Jeonse*⁸ fraud; Double the budget for fighting against drugs, expand the supply of police's safety equipment, further provide compensations for housing fraud victims, enhance assistance for vulnerable groups to crimes including women and children.
- Invest 0.1 trillion won in establishing counseling programs and expanding mental emergency medical centers, aiming to provide Korean people with a comprehensive mental health management services ranging from the stage of prevention to rehabilitation.
- Spend 6.3 trillion won on upgrading the flood response system; elevate the status of vulnerable local rivers to national rivers and significantly expand the construction of new dams and reservoirs; build an early warning network that can send forecasts to major rivers nationwide 6 hours in advance.
- Increase the budget to 4.6 trillion won spent for enhancing public safety: renovate the flood prevention system for underground tunnels, railway tracks and electric power facilities to prevent natural disasters stemming from climate change; build real fire training facilities and proactively identify risk factors through safety assessments by region.

Step up Korea's role and responsibilities in the global community

- Increase the budget for ODA (Official Development Assistance) commensurate with national prestige - from 4.5 trillion won to 6.5 billion won: quintuple assistance to aid Ukraine (budget increase by 0.4 trillion won) and expand disaster response and food assistance for developing countries (increase by 0.4 trillion won), encourage Korean young talents to make inroad overseas, and ramp up assistance by an additional 0.6 trillion won for the indo-pacific region as well as Africa.
- Allocate 0.16 trillion won for intensifying global cooperation: Increase support for the dispatch of Korean language instructors to schools home and abroad and the development of Korean language textbooks; serve as a non-permanent member of the UN Security Council for 2024-2025 as well as produce video content on the human rights situation in North Korea.

⁸ Lump-sum deposits with no monthly payments.

III. 2023-2027 National Fiscal Management Plan

1. Fiscal Management Directions

- ① Adhere to monetary policy stances to pursue sound finance, aiming to enhance fiscal sustainability.
- ② Make bold investments to fulfilling the four main agendas: strengthening welfare for the vulnerable, investments for future preparation, creating quality jobs, and underpinning the essential roles and functions of the nation.
- ③ Drive a full-fledged restructuration of government spending and continue fiscal reforms.

2. Mid-term Fiscal Outlooks and Fiscal Management Goals

- The total government revenue is projected to increase at an annual average rate of 3.7 percent during the period from 2023 to 2027.
- The annual growth of the total government expenditure for 2023 to 2027 will be managed within the 3.6 percent range.
- The managed fiscal balance in 2024 will exceed a deficit of 3 percent of GDP, but the government will stick to fiscal rules seeking for its gradual improvement from 2025 onwards.
- The managed fiscal balance in 2027 is expected to decline to the minus 2.5 percent level of GDP from the minus 2.6 percent of GDP in 2023.
- The government debt-to-GDP ratio will be managed to record within the mid-50 percent range in 2027.

Mid-term Outlook for Government Revenue and Expenditure

	2023	2024	2025	2026	2027	(trillion, %) Annual growth (%)
The Government Revenue	625.7	612.1	661.5	692.0	722.3	3.7
-Tax Revenue	400.5	367.4	401.3	423.2	444.9	2.7
The Government Expenditure	638.7	656.9	684.4	711.1	736.9	3.6

Mid-term Outlook for Fiscal Balance and Government Debt

	2023 ¹	2024	2025	2026	2027	(trillion, %)
Managed Fiscal Balance (% to GDP)	-58.2 (-2.6)	-92.0 (-3.9)	-72.2 (-2.9)	-69.5 (-2.7)	-65.8 (-2.5)	
Consolidated Fiscal Balance (% to GDP)	-13.1 (-0.6)	-44.8 (-1.9)	-22.9 (-0.9)	-19.2 (-0.7)	-14.6 (-0.5)	
Government Debt (% to GDP)	1,134.4 (50.4)	1,196.2 (51.0)	1,273.3 (51.9)	1,346.7 (52.5)	1,417.6 (53.0)	

1. The figure passed at the National Assembly

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3. Fiscal Innovation Directions

1. Drive a full-fledged restructuration of government spending

- Implement a strict management of the total amount by reducing discretionary spending and optimizing mandatory expenditures.
- Conduct a thorough review on the political feasibility and effectiveness of all assistance projects and undertake structural adjustments such as reductions or terminations to those found to be lacking in feasibility and effectiveness.
- Enhance monitoring for improper recipients and improve digital systems to shore up the government subsidies management scheme.
- Carry out stringent evaluations to ensure fiscal soundness for both new and existing assistance projects.

2. Strengthen the feasibility of government financing projects and enhance performance management

- Promptly implement the follow-up measures to the revised preliminary feasibility study announced in September 2022, taking into account changes in economic and social conditions.
- Select 12 key government projects⁹ that reflect the administration's vision and closely manage them throughout the entire lifecycle, aiming to achieve tangible results over the next five years.
- Strengthen a budget feedback loop by reorganizing the assessment unit of government financing projects from large business units to further subdivided projects starting from 2023.
- Evaluate every 3 years whether the funds will undergo restructuring or be maintained for the entire government funds based on their feasibility and adequacy.

3. Expand government revenue sources and carry out an efficient restructuring

- Prevent leakages in tax collections; increase taxation support to boost economic vitality while reviewing unnecessary tax benefits and shoring up supervision on tax evasion.
- Expand fiscal space through the integrated utilization of surplus from each fund.
- Reform the current levy system through the re-evaluation of the existing levies' purpose and adequacy, taking into account recent economic and social changes.

4. Reform fiscal schemes for further utilization of private sector investments

- Contribute to economic vitality and market-driven economic growth spurred by the active role of private sector investments.
- Continue to expand the utilization and sale of idle and underutilized state-owned assets for underpinning economic dynamics and regional development.
- Advance the national contract system to alleviate the burden on businesses and give a boost to economic activities; materialize contract payments, ease burdens of bidding and contract procedures, and protect the rights of contractors.

5. Shore up the management of medium-and long-term fiscal soundness

- Continue to push for amendments to the National Finance Act for the legislation of fiscal rules.

⁹ Securing the unmatched competitiveness in the semiconductor industry, removing blind spots in the social insurances for the vulnerable workers, caring for persons with disability, securing stable supply chains, enhancing bush fires responses, TIPS programs, etc.

- Drive the enhancement of public institutions' fiscal soundness; dispose of unnecessary assets, develop medium-and long-term financial management plans, establish and implement financial soundness plans for institutions facing financial risks.
- Pursue the establishment of a sustainable fiscal management system that proactively identify financial risks after completing the legislation of fiscal rules.
- Set up medium-and long-term fiscal reform measures to prepare for demographic changes, economic growth slowdown and rising welfare expenditures.