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Contact: Deputy Director Mr Choi Cheol-seung, Division of Finance (tel. 044-201-3240)

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MOLIT Finalizes a 57.1 trillion won Budget and Fund Plan for FY2021

Under five pillars of overcoming crisis and preparing for future, strengthening safety, enhancing regional vitality, bolstering ‘housing safety net’, and advancing transportation services

1. Overview

On 2 December 2020, the Ministry of Land, Infrastructure and Transport (MOLIT) of Korea announced that the ministry’s 2021 budget and fund operation plan was approved for approximately 57.1 trillion won at the plenary session of the National Assembly. The total amount of appropriations for the ministry in 2021 is up about 7 trillion won from what was allocated for 2020.

During the deliberation at the National Assembly, the proposed plan for budget was raised by 463.6 billion won, primarily for the projects* aimed at revitalizing regional economies, boosting innovation, and reinforcing transportation services, while the proposed plan for the National Housing and Urban Fund was trimmed by 131.0 billion won.

* The projects include one to create multi-functional urban centers (W1.5bn); to strengthen public value of metropolitan buses (W5.2bn); to support the operation of bus routes in remote rural areas (W33.9bn); to renovate old subway cars (W113.2bn); to establish 'Innovative Park in Campus' (31.4bn); to construct the Seoul-Sejong Expressway for two sections (W694.2bn); and to provide more convenient transport services for people with limited mobility (W72.7bn).

As for the finalized plan for 2021, the allocated spending on social overhead capital (SOC) amounts to 21.5 trillion won on an yearly upward trend from 15.1 trillion won in 2018, 15.8 trillion won in 2019, and 18.7 trillion won in 2020.

MOLIT Budget and Fund Plan for 2021

	2020 final plan (A)	2021 proposal (B)	2021 final plan (C)	(hundred million won)	
				(C-A)	(C-B)
Budget	204,963	231,348	235,984	31,021	4,636
Fund	296,354	335,901	334,591	38,237	△1,310
Total	501,317	567,249	570,575	69,258	3,326

2. Five focal points

1) Overcoming crisis and preparing for future

MOLIT significantly expanded the budget for the *Korean New Deal* initiative from 1,286.5 billion won for 2020 to 2,368.5 billion won for 2021. The initiative is designed to help the nation better respond to the COVID-19 pandemic by focusing on establishing infrastructure, improving living environments, and facilitating innovation and industrial transition.

As part of the initiative, MOLIT set aside 227.6 billion won and 364.5 billion won for the green remodeling of public buildings and public rental homes, respectively, which will ultimately contribute to the nurturing of the domestic architectural industry focusing on eco-friendliness, as well as stepping up international coordination efforts in tackling climate change.

In addition, the ministry raised the budget for the ‘Smart SOC’ designed to better operate major facilities with higher forecasting accuracy from 814.0 billion won for 2020 to 1,497.4 billion won* for 2021. The increased budget in this area will likely support more convenient lives of people and safer operations of aging infrastructure.

* The allocated budget breaks down to the establishment of an advanced road system (W517.9bn), smart railway SOC (W268.2bn), a smart flooding management system (W180bn), the commercialization of autonomous vehicles (W29.6bn), and the construction of a smart airport (W6.8bn).

Furthermore, the ministry increased the budget for logistics infrastructure from 6.2 billion won for 2020 to 31.9 billion won for 2021 to innovate dilapidated distribution centers and incentivize greater investment for private distribution centers. The increased budget for the logistics industry will likely help the Korean society better deal with growing demand for contact-free businesses.

2) Strengthening safety

To take preemptive measures on aged infrastructure and make living environments free of disasters and accidents, MOLIT augmented its safety-related budget from 4,828.2 billion won for 2020 to 5,888.4 billion won for 2021.

For roads, the ministry will spend 2,492.4 billion won to prevent traffic accidents by fixing broken pavements, reinforcing aging bridges and tunnels, improving hazard-prone areas and points of congestion, and installing various safety equipment such as lighting for crossroads.

For railways, it set aside 2,093.9 billion won for the maintenance and repairs of electrical installations, bridges, tunnels, and subway facilities. Of note, a budget worth 113.2 billion won was newly appropriated for the replacement of subway cars that has reached the end of their useful service life.

For flood prevention, the ministry will invest 766.1 billion won to better manage national rivers.

To support traffic accident victims who are uninsured, deceased/injured in hit-and-run cases, or vulnerable groups of people, MOLIT is set to put 51.7 billion won into a fund established to subsidize damage from motor vehicle accidents.

3) Enhancing regional vitality

To revitalize stagnant regional economies, MOLIT increased the budget for fostering regional hubs and establishing inter-city transportation networks in 2021. For example, it set aside 400.7 billion won for the implementation of 15 balanced national development projects that were announced in January 2019 to be exempt from preliminary feasibility studies.

The budget for urban regeneration increased from 777.7 billion won for 2020 to 868.0 billion won for 2021, while the investment in the National Housing and Urban Fund for lending and aged industrial complexes for regeneration purposes was set at 957.3 billion won.

Of note, the budget for creating multi-functional urban centers was newly appropriated at 1.5 billion won during the National Assembly deliberation process. The project that aims to meet the industrial, research, residential and recreational needs of regional metropolitan areas will be implemented with the establishment of plans for leading areas.

In addition, the ministry ballooned the budget for improving living conditions of Innovation Cities for permanent stay from 15.7 billion won for 2020 to 77.2 billion won for 2021. It also raised the budget for the construction of major inter-city transport networks via roads, railways, and aviation to enhance accessibility and connectivity of regional economies as well as local job creation.

Budget for Major Inter-city Transport Networks

(billion won)			
Sector	Project	Proposal	Finalized
Roads	Seoul-Sejong Expressway	669.9	694.2
	Saemangeum-Jeonju Expressway	187.9	192.9
	Daegu Circular Expressway	105.6	114.4
	Dangjin-Cheonan Expressway	105.3	107.3
	Bongdam-Songsan Privately Financed Expressway	133.7	133.7
Railways	Honam High Speed Railway (second phase, Gwangju-Mokpo)	200	212.0
	Busan-Ulsan Electrified Double Track Railways	127.2	127.2
	Gangneung-Jejin Railways	60	60
	Pohang-Samcheok Railways	258.5	265.5
	Seohae Line Electrified Double Track Railways	580	593
	Dodam-Yeongcheon Electrified Double Track Railways	505	519
Aviation	Ulleung-do Small Airport	80	80
	Heuksando Small Airport	6.9	6.9
	Jeju Second Aiport	47.3	47.3

4) Bolstering ‘housing safety net’

MOLIT expanded the budget and fund to increase housing benefits and public homes for vulnerable people who are undergoing difficulties due to the economic hardship.

To serve the growing number of recipients, the ministry raised the budget for housing benefits from 1,630.5 billion won for 2020 to 1,987.9 billion won for 2021.

In addition, it set aside approximately 19.8 trillion won for the investment in the National Housing and Urban Fund for public homes to support the effective implementation of the Housing Welfare Roadmap.

Meanwhile, the investment in the fund to provide borrowers with low-rate loans for housing purchases, lump-sum deposits, or monthly rents was set at 9.9 trillion won in a measure to alleviate housing burden for people with no home ownership.

5) Advancing transportation services

To save travel time in metropolitan areas, the ministry will continue its projects to build metropolitan railways, subways, GTX (Great Train eXpress), BRT (bus rapid transit) systems, and transit centers.

Specifically, the budget for metropolitan railways including Shinansan Line, Byeollae Line, Jinejop Line as well as GTX-A Line, and subways in Seoul (Sillim Line and Dongbuk Line) and Gwangju was set at 1,231.5 billion won for 2021, up from 917.1 billion won in 2020.

The budget to establish five routes for metropolitan BRT systems (two in Busan, Changwon, Daejeon, Suwon-Guro) was set at 14.1 billion won, while projects to build transit centers in Gyeonggi-do, Ulsan, Suwon, Busan, and the southern part of Busan as well as devising the basic design of the GTX station will be financed with 18.4 billion won.

MOLIT also increased the budget to improve bus services, support people with limited mobility, and solve parking difficulties. The budget was set at 4.05 billion won for the semi-public bus system and at 3.39 billion won for providing bus services in remote rural areas, respectively.

The central government agency also plans to support the local introduction of low-floor buses with a budget worth 66 billion won.

To address the shortage of parking lots in downtown areas and residential sites, the ministry set aside 257.1 billion won to build public parking lots.

3. Remarks

Mr Jeong Kyung Hun, Deputy Minister for Planning and Coordination of MOLIT stated that "the ministry will ensure the prompt implementation of the finalized budget for 2021 at the National Assembly to perform the essential tasks and projects for bringing vitality to local economies and making our national land a safer place to live in".