

The Role of Budget Institutions

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OECD Spending Better Framework





1 – Set Clear Fiscal Objectives

Core to Achieving Success Fiscal Outcomes

Acts as the “Anchor” for Subsequent Fiscal Principles

High-Level Fiscal Objectives Should be Explicitly Disclosed

Budget Balance; Aggregate Levels of Revenue, Expenditures and Debt

Either in Legislation, or Government’s Political Programme / Coalition Agreement

Political commitment is the Key

Simplicity in Design

Fosters transparency, accountability



2 – Objective Economic Assumptions

Crucial for Avoiding Revenue Shortfalls and
Unplanned Macro Spending Pressures

All Key Economic Assumptions Should be Disclosed

Sensitivity Analysis Should be Provided

Uncertainty Should be Quantified

IFI's Play an Important Role to Prevent Biased Economic Assumptions

*“The accuracy of the economic assumptions in the budget
are the government’s key fiscal risk – every year.”*



3 – Expenditure Baselines

Baselines Illuminate Consequences of Spending Decisions over Next 3-5 Years

Shows the full-year impact of spending decisions

Acts as an “early warning” mechanism for emerging spending pressures

Baselines are an Integral Part of the Budget Process, Not a Separate Exercise

Should be the Responsibility of the Same Entity as Prepares the Annual Budget

Baselines Should Include All Expenditures

Both expenditures authorized in the annual budget, and authorized in separate legislation

Baselines Should be Continually Updated throughout the Year



4 – Top-Down Expenditure Ceilings

Operationalize high-level fiscal objectives

Expenditure Ceilings for the Medium-Term

Consistent with the Government's Term of Office, or on a Rolling Basis

Expenditure Ceilings Set Prior to Submission of Proposals by Line Ministries

Each Expenditure Ceiling the Responsibility of a Single Minister

Ministers Should have Flexibility to Reallocate Resources within their Ceiling
Budget Office should have capacity to Assess Such Reallocations

Certain Expenditure Ceilings May be Flexible in Nature

Cyclical expenditures (for example unemployment benefits)

“Each Minister is His Own Finance Minister.”



5 – Spending Review

Spending Reviews identify opportunities for reallocation
in order to fund higher priorities and to control total expenditures

All expenditure should be subject to spending review, not only new spending

Each spending review should have a clear scope and objective

Spending Reviews should have Explicit Link to the Budget Process

OECD Best Practices for Spending Review



6 – Informed Spending Decisions

The Use of Performance and Results Information, Budget Impact Analysis and Evaluation are Key to Informing Spending Decisions

Key Performance Indicators Should be Included in Budget Documentation

Report actual performance against objectives

Gender Budgeting and Green Budgeting

Powerful instruments for affecting change

Policy Evaluation allows for In-Depth Assessments of Programmes

“Performance Budgeting is a Journey, Not a Destination”



7 – Consider All Forms of Expenditures

Government Expenditure Takes Many Forms

Authorized in the annual budget

Entitlement / Mandatory Expenditures authorized in Separate Legislation

Tax Expenditures

Loans and Guarantees that may have Future Budgetary Implications

All Should be Considered on Equal Terms in the Annual Budget Process

Default Risks for Guarantees and Social Rates of Interest for Loans

Make explicit and fund when granted



8 – Budget Transparency

Revenues, Expenditures, Assets and Liabilities should be Reported in a Comprehensive, Timely, Routine and Reliable Manner

Reports should take account of the Needs of the User, and be Presented in an Accessible and Understandable Format

The Ministry of Finance should Promote Understanding of the Budget amongst the Public and Key Stakeholders



9 – Line Ministries as Partners

Budget reforms, such as Top-Down Expenditure Ceilings,
Shift How Finance Ministries and Line Ministries Work Together

An Effective Budget Function needs to be in place in Line Ministries
in order for them to carry out this role

Finance Ministries should Actively Nurture this Relationship at All Stages

Need to Build Trust

Finance ministries as First Movers, Provide Incentives

Clear Communication and Open Dialogue



10 – Budget Oversight

Oversight of the Budget Process by Parliaments and the Public is Fundamental to Democratic Governance and Trust in Government

Parliaments should provide for Realistic Debate on Budgetary Choices
Roles and functions of budget committees and sectoral committees

Engagement of Citizens in the Parliamentary Budget Process should be Actively encouraged

Parliamentary Budget Offices (and Independent Fiscal Institutions) have Important Role in Enhancing Parliamentary Oversight and Enriching Debate

Thank You !

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