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Fiscal Consolidation and Budget Reform in Korea
The Role of the National Assembly

Kun-oh Kim
The research described in this report was conducted within the RAND Center for Asia Pacific Policy (CAPP) under the auspices of the International Programs of the RAND Corporation.
This paper considers fiscal reforms that the Republic of Korea could make in order to provide better information, regulations, and organizational structures for policymakers concerned about Korea's growing debt.

This research was conducted within the RAND Center for Asia Pacific Policy, part of International Programs at the RAND Corporation. The center aims to improve public policy by providing decisionmakers and the public with rigorous, objective research on critical policy issues affecting Asia and U.S.-Asia relations. The paper was written while the author served as a research fellow at RAND under an agreement with the National Assembly of the Republic of Korea.

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The Korean government has had a budget deficit nearly every year since 1997. Korea’s fiscal responses to the financial crises of 1997–1998 and 2007–2010 led to a rapid accumulation of budget deficits and national debt. As a result, the size of the national debt has increased dramatically, from 11.9 percent of gross domestic product (GDP) in 1997 to 33.4 percent in 2010 (Figure S.1). The growing debt-to-GDP ratio, coupled with structural factors that will continue to put pressure on government budgets—a declining fertility rate and a rapidly aging population—jeopardizes South Korea’s fiscal situation over the medium-to long-term.

The Korean National Assembly (NA) is poorly structured for managing the deteriorating fiscal situation. Constitutional and resource constraints limit the budgetary power of the NA. Its total budget deliberation time is limited to three months, and the NA has neither sufficient staff nor its own auditing agency.

Figure S.1
Korean Government Balance and Debt as a Percentage of GDP, 1997–2010

SOURCES: Ministry of Strategy and Finance, 2010b, 2011a, 2011b; personal communication from the ministry.
The Korean government needs to take preemptive measures to retain room for countercyclical policies. Korea’s export-dependent economy remains vulnerable to external shocks, and future shocks will likely impose a fiscal burden on the Korean economy.

This paper argues that the NA should enact legislation to establish a new parliamentary budget process centered on a fiscally constrained budget resolution, which would be scheduled for adoption prior to consideration of revenue or spending bills. This legislation should be buttressed by a combination of legislative tools to enhance Korea’s capacity to enforce budget constraints. Budget enforcement procedures employed by the U.S. Congress could be applied to the Korean parliament if tailored to the NA’s unique constitutional constraints and budgetary processes. Enforcement tools available to the NA include (1) the allocations of spending by the Special Committee on Budget and Accounts (SCBA) to the 16 standing committees; (2) points of order; (3) the reconciliation process; and (4) limits on discretionary spending and a pay-as-you-go (PAYGO) process enforced by sequestration.

To allow sufficient time for budget deliberation, new legislation should mandate that the president submit the medium-term fiscal consolidation plan to the NA by the end of April, rather than October 2.

This paper makes three additional policy recommendations to achieve mid- to long-term fiscal consolidation in Korea:

- Enhance the National Assembly Budget Office’s (NABO’s) mid- to long-term estimating capability by augmenting its manpower resources. This will enable NABO to help the chairperson of the SCBA develop statements regarding the budgetary effects of PAYGO measures by preparing cost estimates for proposed legislation.
- Take further steps to enhance transparency regarding contingent liabilities, and develop a means of systematically valuing the potential losses from contingent liabilities.
- Pass an amendment to the Korean constitution to transfer the Board of Audit and Inspection (BAI) from the executive branch to the NA. If a constitutional amendment proves infeasible, the NA should establish its own specialized support agency, modeled after the U.S. Government Accountability Office (GAO), to identify and reduce duplicative executive programs.
Acknowledgments

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I am grateful to the National Assembly for awarding me a scholarship to do research at RAND, and I owe deep thanks to my seniors and colleagues at the National Assembly for their support and encouragement. This research would have been much more difficult without the support of the National Assembly staff.

I also thank Jessica Yeats and Erin Smith for the dedication and attention to detail that they brought to the production of this paper. Needless to say, any errors and omissions are the sole responsibility of the author.
As a result of a series of decisive policy interventions to spur Korea’s economic growth, the Korean economy has recovered substantially from the global financial crisis that began in mid-2007. Nonetheless, threats to this recovery remain, particularly those posed by the spread of the U.S. financial crisis to Europe. Korea’s fiscal responses to the financial crises of 1997–1998 and 2007–2010 led to a rapid accumulation of budget deficits and national debt. Given Korea’s vulnerability to external shocks and the growing demands on entitlement spending arising from its low fertility rate and aging population, restoring fiscal soundness to the Korean economic system is an urgent priority for Korean policymakers.

The recent downgrading of the credit ratings of both the United States and Japan, coupled with the anticipated expenditures associated with the possible reunification of Korea, underscore the importance of fiscal consolidation.

The Korean government has had a budget deficit nearly every year since 1997. Korea faced extreme fiscal challenges during the financial crisis of 1997–1998 and increased its borrowing to speed the recovery. Recovery from the crisis resulted in greater debt than had been recorded during the crisis. This raised the awareness of policymakers that Korea was on an unsustainable path: The size of the national debt has increased dramatically, from 11.9 percent of Korea’s gross domestic product (GDP) in 1997 to 33.4 percent in 2010. In addition, analyses of demographic change have reinforced the sense of crisis.

The National Assembly (NA) responded to the debt crisis by passing the National Finance Act of 2006. That act stipulates that the executive branch must submit to the NA a five-year National Fiscal Management Plan (NFMP) annually when it submits the budget. Although the National Finance Act has had some success in dampening deficits, it has profound shortcomings. Most significantly, it has failed to establish an enforcement mechanism capable of making the fiscal targets of the NFMP legally binding. The financial crisis of 2007–2010 struck an unexpected blow, further pushing Korea onto an unsustainable debt path and signaling that the reforms of 2006 were not enough and that further reforms were needed.1 The central research question explored in this paper is how the NA can establish the requisite fiscal rules and budget enforcement procedures to achieve mid- to long-term fiscal consolidation in Korea, while retaining an ability to employ countercyclical fiscal policies in times of fiscal crisis.

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1 During a financial crisis, the government needs the flexibility to use deficit spending to stimulate the economy even if it adds to the debt in the short term. An excessive debt-to-GDP ratio threatens the viability of this option.
This chapter addresses the current fiscal position of South Korea and provides background material on the budget deficit, the national debt, and budget reform efforts for fiscal consolidation.

South Korea’s unified budget balance includes the Social Security Funds balance. The surplus in the Social Security Funds therefore offsets the budget deficit, making Korea’s national budget appear more balanced than it actually is (see Table 2.1 for data on the unified budget balance and the Social Security Funds balance). Excluding Social Security Funds, South Korea’s consolidated central government balance (the fiscal deficit) rose to 4.1 percent of GDP in 2009 and declined to 1.1 percent of GDP in 2010 (see Table 2.1 and Figure 2.1) and is projected to be 2.0 percent in 2011. Deficit increases from 2008 to 2011 were mainly the result of supportive policy measures introduced during the global financial crisis. Although the budgets of fiscal years 2010 and 2011 imply some fiscal restraint relative to 2009, they still show an expansionary trend compared with pre-crisis levels, which ranged from –1.3 percent of GDP to 0.7 percent during 2000–2007 (see Table 2.1).

Figure 2.1 shows that the Korean financial crisis of 1997–1998 and the current global financial crisis significantly added to the deficit. The peak deficit was 5.1 percent of GDP in 1998, and the second highest deficit was 4.1 percent in 2009. From 2008 to 2011, the Korean government recorded the largest budget deficits since 2000. As a result of these accumulating deficits, the national debt has soared. Table 2.1 shows that from a base of 18.6 percent in 2002, national debt as a percent of GDP grew to 31.1 percent in 2006, a jump of 12.5 percentage points. Given the relative health of Korea’s economy in those years, the rapid debt increase during this period is striking and merits discussion. The key explanation for this period of growth in national debt is that in 2003 the government began paying down the debt resulting from the Korean financial crisis of 1997–1998. During that crisis, public funds to rescue troubled financial institutions were raised mainly through the issuance of bonds by

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1 The Social Security Funds include the National Pension Fund, the Industrial Accidents Compensation Insurance Fund, the Employment Insurance Fund, and the Teachers’ Pension Fund. For more data on the Social Security Funds, see NABO, 2011.

2 These figures come from the Ministry of Strategy and Finance’s official press release on the 2012 budget (September 28, 2011).

3 In December 1997, the Korean authorities sought bail-out loans totaling $58.3 billion from the International Monetary Fund (IMF) because of Korea’s external liabilities. Since then, Korea has implemented tough structural reforms in order to overcome the crisis. For more information on the Korean financial crisis, see Kim (2006).

4 The funds used to pay down the debt resulting from the Korean financial crisis of 1997–1998 increased from 14.4 trillion won (8.7 percent of the 2003 national debt) in 2003 to 53.3 trillion won (18.9 percent of the 2006 national debt) in 2006 (see the fourth column of Table 2.2).
Table 2.1
Korean Government Balance and Debt, 1997–2010 (trillions of won)

<table>
<thead>
<tr>
<th>Year</th>
<th>Unified Budget Balance</th>
<th>Social Security Funds Balance</th>
<th>Balance Excluding Social Security Funds (% of GDP)</th>
<th>National Debt (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>-7.0</td>
<td>5.8</td>
<td>-12.8 (-2.6)</td>
<td>60.3 (11.9)</td>
</tr>
<tr>
<td>1998</td>
<td>-18.8</td>
<td>6.1</td>
<td>-24.9 (-5.1)</td>
<td>80.4 (16.0)</td>
</tr>
<tr>
<td>1999</td>
<td>-13.1</td>
<td>7.3</td>
<td>-20.4 (-3.9)</td>
<td>98.6 (18.0)</td>
</tr>
<tr>
<td>2000</td>
<td>6.5</td>
<td>12.5</td>
<td>-6.0 (-1.0)</td>
<td>111.2 (18.4)</td>
</tr>
<tr>
<td>2001</td>
<td>7.3</td>
<td>15.5</td>
<td>-8.2 (-1.3)</td>
<td>121.8 (18.7)</td>
</tr>
<tr>
<td>2002</td>
<td>22.7</td>
<td>17.6</td>
<td>5.1 (0.7)</td>
<td>133.8 (18.6)</td>
</tr>
<tr>
<td>2003</td>
<td>7.6</td>
<td>6.6</td>
<td>1.0 (0.1)</td>
<td>165.8 (21.6)</td>
</tr>
<tr>
<td>2004</td>
<td>5.2</td>
<td>9.2</td>
<td>-4.0 (-0.5)</td>
<td>203.7 (24.6)</td>
</tr>
<tr>
<td>2005</td>
<td>3.5</td>
<td>11.6</td>
<td>-8.1 (-1.0)</td>
<td>247.9 (28.7)</td>
</tr>
<tr>
<td>2006</td>
<td>3.6</td>
<td>14.4</td>
<td>-10.8 (-1.3)</td>
<td>282.7 (31.1)</td>
</tr>
<tr>
<td>2007</td>
<td>33.8</td>
<td>30.2</td>
<td>3.6 (0.4)</td>
<td>299.2 (30.7)</td>
</tr>
<tr>
<td>2008</td>
<td>11.9</td>
<td>27.5</td>
<td>-15.6 (-1.5)</td>
<td>309.0 (30.1)</td>
</tr>
<tr>
<td>2009</td>
<td>-17.6</td>
<td>25.6</td>
<td>-43.2 (-4.1)</td>
<td>359.6 (33.8)</td>
</tr>
<tr>
<td>2010</td>
<td>16.7</td>
<td>29.7</td>
<td>-13.0 (-1.1)</td>
<td>392.2 (33.4)</td>
</tr>
</tbody>
</table>


Figure 2.1
Korean Government Balance and Debt as a Percentage of GDP, 1997–2010

SOURCES: Ministry of Strategy and Finance, 2010b, 2011a, 2011b; personal communication from the ministry.
the Korea Deposit Insurance Corporation (KDIC) and the Korea Asset Management Corporation (KAMCO) (Bang, 2010; Hong, 2010). The debt created by these government-guaranteed KDIC/KAMCO bonds did not count toward Korea’s national debt. From 2003 to 2006, KDIC/KAMCO bonds worth 49 trillion won were converted into treasury bonds, shifting the debt onto Korea’s national balance sheet and resulting in a record increase in the national debt (see the fourth column of Table 2.2). Between 1997 and 2010, the national debt rose from 11.9 percent of GDP to 33.4 percent (see Table 2.1 and Figure 2.1).5 The Korean government projects that the national debt will exceed 422.7 trillion won in 2011, reaching 33.3 percent of GDP.

The total national debt can be divided into two parts: the debt that will be paid off from future tax revenue and the debt that can be offset by corresponding assets. In 2009, 45 percent (155.2 trillion won) of the total national debt (359.6 trillion won) was the debt that would be paid from future tax revenue. An example of this kind of debt is the debt generated by the budget deficit. In 2009, the government borrowed 97 trillion won (27 percent of the 2009 national debt) because of the budget deficit (see the third column of Table 2.2). Another example of this kind of debt is the debt from converting government guaranteed KDIC/KAMCO bonds into treasury bonds, as explained above. The remaining 55 percent (190.9 trillion won) of the national debt outstanding in 2009 is the debt that can be offset by corresponding assets. For example, the government borrowed 104.9 trillion won (29 percent of the 2009 national debt) to stabilize the nation’s foreign exchange market through the Foreign Exchange Equalization Fund (see the fifth column of Table 2.2).6 According to the Bank of Korea, Korea’s foreign reserves stood at 307.2 billion dollars at the end of April 2011. Foreign reserves, such as securities and deposits, are assets that can be immediately converted into cash for redemption

<table>
<thead>
<tr>
<th>Year</th>
<th>National Debt (% of GDP)</th>
<th>General Accounta</th>
<th>Public Fundsb</th>
<th>Stabilizing Foreign Exchange Market</th>
<th>National Housing Bonds</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>133.8 (18.6)</td>
<td>26.4</td>
<td>0</td>
<td>20.7</td>
<td>34.0</td>
<td>52.7</td>
</tr>
<tr>
<td>2003</td>
<td>165.8 (21.6)</td>
<td>29.4</td>
<td>14.4</td>
<td>33.5</td>
<td>36.8</td>
<td>51.7</td>
</tr>
<tr>
<td>2004</td>
<td>203.7 (24.6)</td>
<td>31.9</td>
<td>29.4</td>
<td>51.3</td>
<td>36.7</td>
<td>54.4</td>
</tr>
<tr>
<td>2005</td>
<td>247.9 (28.7)</td>
<td>40.9</td>
<td>42.4</td>
<td>67.1</td>
<td>39.7</td>
<td>57.8</td>
</tr>
<tr>
<td>2006</td>
<td>282.7 (31.1)</td>
<td>48.9</td>
<td>53.3</td>
<td>78.6</td>
<td>43.3</td>
<td>58.6</td>
</tr>
<tr>
<td>2007</td>
<td>299.2 (30.7)</td>
<td>55.6</td>
<td>52.7</td>
<td>89.7</td>
<td>43.6</td>
<td>57.3</td>
</tr>
<tr>
<td>2008</td>
<td>309.0 (30.1)</td>
<td>63.0</td>
<td>49.2</td>
<td>94.0</td>
<td>45.2</td>
<td>57.6</td>
</tr>
<tr>
<td>2009</td>
<td>359.6 (33.8)</td>
<td>97.0</td>
<td>49.5</td>
<td>104.9</td>
<td>48.5</td>
<td>59.7</td>
</tr>
</tbody>
</table>


a Used to finance the deficit in the general account generated by the budget deficit.
b During the financial crisis of 1997–1998, public funds to rescue troubled financial institutions were raised mainly through the issuance of bonds by the KDIC and the KAMCO. From 2003 to 2006, KDIC/KAMCO bonds worth 49 trillion won were converted into treasury bonds.

5 At the end of 2009, the national debt amounted to 359.6 trillion won, or 33.8 percent of GDP. In 2010, the debt reached 392.2 trillion won (33.4 percent of GDP).

6 Another example of this kind of debt is the debt from the National Housing Bonds issued for public provision of housing services (see the sixth column of Table 2.2). These data on the national debt were downloaded from Ministry of Strategy and Finance, 2011a.
of external debt, although the appropriateness and expected benefits from intervening in the currency market have been the subject of considerable debates in the NA (NABO, 2011). This paper focuses on the debt generated by the budget deficit as opposed to the debt that can be offset by corresponding assets.

If we consider social security’s long-term effect on the national debt, the declining fertility rate and the rapidly aging population may have grave implications for South Korea’s fiscal situation over the medium to long term. In 2009, according to Statistics Korea (2011a), South Korea recorded the lowest fertility rate among Organisation for Economic Co-operation and Development (OECD) countries, declining to a mere 1.15 children per woman. The percentage of the population over age 65 is projected to increase from 11 percent in 2010 to 38.2 percent in 2050 (Statistics Korea, 2011b). A 2008 study by the Korea Development Institute projected that, under current law, the National Pension Fund will be depleted around 2060. The cost of the Social Security programs, together with the cost of possible Korean reunification, could burden future generations with unprecedented debt-to-GDP ratios.7

7 The outlook on Korea’s national debt will be discussed in Chapter Four.
This chapter presents an overview of the budget process and budgetary power of the NA, to provide context for the discussion of budget reform proposals.\(^1\)

**The Budget Process of the National Assembly**

The budget process of the NA differs significantly from that of the United States with respect to the functions and roles of committees. The NA’s Special Committee on Budget and Accounts (SCBA) plays the role of U.S. congressional appropriations committees and, in part, the role of congressional budget committees, when it sets out budget totals. Its role as the latter is limited, however, because the NA has neither the budget resolution process nor the reconciliation process used in Congress (Schick, 2007; Keith 2008a). The 16 standing committees of the NA play the role of the authorizing committees of the U.S. Congress.

Korea’s budget process begins with the submission of the President’s budget to the NA each October 2 (See Figure 3.1).\(^2\) The standing committees then generate and vote on the budget recommendations they intend to submit to the SCBA. After reviewing and incorporating these recommendations, the SCBA reports an appropriations bill to the plenary. The Korean Constitution stipulates that the NA should vote on the budget bill by December 2 of each year (Article 54), although this typically does not happen until closer to the end of December.\(^3\)

It is worth noting that the 15-member Subcommittee on Reconciliation (of the 50-member SCBA) accounts for the lion’s share of the changes to the President’s budget. The role of standing committees in the budget process is limited because their recommendations are rarely accepted by the SCBA.\(^4\) In order to increase the extent to which the SCBA accepts the standing committees’ recommendations, Article 84 of the National Assembly Act stipulates that the SCBA may add a new budget item or increase the amount of a budget item that a standing committee had decreased only with the consent of the responsible standing committees. In

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\(^1\) For a more detailed explanation of the budgetary process of the NA, see Kim, 2006, pp. 134–145.

\(^2\) The submission date is stipulated in Article 54-2 of the Korean Constitution.

\(^3\) The NA has passed the budget bill within the deadline (December 2) only five times since 1990. However, the NA has passed the budget bill before the fiscal year begins on January 1 every year since 1960.

\(^4\) From 1988 to 2001, the SCBA accepted, on average, 21 percent of the budget increase recommendations and 29 percent of the budget decrease recommendations made by standing committees (Kim, 2006).
spite of this article, members of the SCBA in practice tend to add new budget items or increase the amount of budget items that have been decreased by standing committees. This is because the standing committees must accept the SCBA’s decisions made through bargaining and compromises among party leaders. The full SCBA rarely amends the budget bill at full committee markup. The full Assembly also rarely amends the budget bill on the floor (Krehbiel, 1991).

A salient feature of the Korean budget process is that the SCBA tends to decrease the budget, whereas the standing committees tend to increase it (Kang, 1993). The main explanation for this phenomenon is that standing committee members may have a strong incentive

---

5 To reform the earmarking practices in SCBA appropriations, especially in the Subcommittee on Reconciliation, Article 69-4 of the NA Act, amended in 2005, stipulates that committees and subcommittees shall record the minutes of their meetings in detail. In spite of this article, earmarking still prevails in the SCBA, especially in the Subcommittee on Reconciliation. For information on reform of U.S. congressional earmarking practices in appropriations, see Keith, 2008b.
to add projects that disproportionately benefit their constituents (Shepsle and Weingast, 1987; Weingast and Marshall, 1988; Adler, 2002). The SCBA, on the other hand, presents the majority party’s fiscal policy and therefore places a greater emphasis on the collective reputation of the majority party and makes a determined effort to reduce the budget deficit (Cox and McCubbins, 1993). Table 3.1 shows that from 1995 to 2009 the NA increased the President’s budget only in 2003, 2004, and 2009.

In reality, the executive branch drives the budgetary process. Table 3.1 demonstrates that the NA has only minimally amended the President’s budget since 1995. From 1995 to 2009, the NA changed the President’s budget by an average of only 0.55 percent each year (see the sixth column in Table 3.1, and Figure 3.2).

### Table 3.1

Annual Budget Amendments by the National Assembly, 1995–2009 (millions of won)

<table>
<thead>
<tr>
<th>Year (NA)</th>
<th>Government Budget (A)</th>
<th>Increase (B)</th>
<th>Decrease (C)</th>
<th>Final Budget (A + B – C)</th>
<th>Rate of Net Change (%) (B – C/A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995 (14th)</td>
<td>58,003,100</td>
<td>150,666</td>
<td>191,666</td>
<td>57,962,100</td>
<td>–0.1</td>
</tr>
<tr>
<td>1996 (15th)</td>
<td>67,780,000</td>
<td>306,962</td>
<td>508,362</td>
<td>67,578,600</td>
<td>–0.3</td>
</tr>
<tr>
<td>1997 (15th)</td>
<td>70,360,300</td>
<td>295,031</td>
<td>391,761</td>
<td>70,263,570</td>
<td>–0.1</td>
</tr>
<tr>
<td>1998 (15th)</td>
<td>80,570,000</td>
<td>839,741</td>
<td>1,271,941</td>
<td>80,137,800</td>
<td>–0.5</td>
</tr>
<tr>
<td>1999 (15th)</td>
<td>86,736,400</td>
<td>500,607</td>
<td>763,000</td>
<td>86,474,007</td>
<td>–0.3</td>
</tr>
<tr>
<td>2000 (16th)</td>
<td>94,930,000</td>
<td>20,000</td>
<td>825,400</td>
<td>94,124,600</td>
<td>–0.8</td>
</tr>
<tr>
<td>2001 (16th)</td>
<td>106,480,000</td>
<td>1,612,078</td>
<td>1,008,749</td>
<td>107,083,329</td>
<td>–0.6</td>
</tr>
<tr>
<td>2002 (16th)</td>
<td>111,657,979</td>
<td>617,812</td>
<td>792,694</td>
<td>111,483,100</td>
<td>–0.2</td>
</tr>
<tr>
<td>2003 (16th)</td>
<td>117,542,945</td>
<td>1,676,999</td>
<td>863,899</td>
<td>118,356,046</td>
<td>0.7</td>
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<td>2004 (17th)</td>
<td>131,511,025</td>
<td>3,980,354</td>
<td>1,121,000</td>
<td>134,370,379</td>
<td>2.2</td>
</tr>
<tr>
<td>2005 (17th)</td>
<td>145,702,874</td>
<td>649,402</td>
<td>1,544,666</td>
<td>144,807,610</td>
<td>–0.6</td>
</tr>
<tr>
<td>2006 (17th)</td>
<td>157,987,336</td>
<td>1,224,526</td>
<td>2,694,143</td>
<td>156,517,719</td>
<td>–0.9</td>
</tr>
<tr>
<td>2007 (17th)</td>
<td>176,110,797</td>
<td>1,357,515</td>
<td>2,483,116</td>
<td>174,985,195</td>
<td>–0.6</td>
</tr>
<tr>
<td>2008 (18th)</td>
<td>196,993,668</td>
<td>3,440,119</td>
<td>3,562,509</td>
<td>196,871,278</td>
<td>–0.1</td>
</tr>
<tr>
<td>2009 (18th)</td>
<td>200,781,505</td>
<td>3,165,473</td>
<td>2,663,522</td>
<td>201,283,456</td>
<td>0.2</td>
</tr>
</tbody>
</table>

*Source: Adapted from data in Ministry of Strategy and Finance, 2010b.*

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6 Members of the SCBA usually try to increase the budget items that provide specific benefits to their constituents while trying to decrease the budget as a whole to satisfy the demands of the party’s leaders, who support overall budget cuts (Fenno, 1973; Mayhew, 1974; Owens, 2003; Kim, 2006).
The Budgetary Power of the National Assembly

The Constitution (Article 54) deliberately vested the NA with budgetary power so that it could amend the President’s budget. Unlike his American counterpart, the Korean President cannot veto the budget bill. The budget bill becomes effective on the date when it passes the NA. However, there are considerable constitutional constraints on the budgetary power of the NA.

First, the NA cannot increase any program in the budget without the consent of the executive (Article 57 of the Constitution). The NA is therefore only empowered to reduce the President’s budget without the consent of the executive (Kim, 2006; Kim, 2007). As a result, the budget process is characterized by negotiation and compromise between the NA and the executive.

Moreover, Korean budget bills are not pieces of legislation like American appropriation bills. As a result, only the executive can introduce budget bills to the NA (Article 54 of the Constitution). Total budget deliberation time is limited to three months, effectively limiting the budgetary power of the NA. Since the fiscal year begins on January 1 and the budget must be passed by then, the NA has only three months for budget deliberations.\(^7\)

Finally, the NA has a much smaller staff for budgetary matters than the executive branch does, and it lacks its own auditing agency. The Board of Audit and Inspection (BAI), whose primary responsibilities are to audit the operation of executive agencies and investigate expenditures, belongs to the executive branch (Article 97 of the Constitution). In contrast, its Ameri-

\(^7\) As explained above, the executive should submit the budget bill to the NA on October 2, and the NA should vote on the budget bill by December 2 (Article 54-2 of the Constitution). Even when the deadline is missed, the NA has passed the budget bill before the beginning of the fiscal year (January 1) since 1960.
can and British counterparts, the Government Accountability Office (GAO) and the National Audit Office (NAO) belong to the legislative branch (Kim, 2006). In addition to performing the auditing function of the BAI, the GAO also aids Congress in reviewing overlapping federal programs, agencies, and initiatives by releasing its annual duplication review (National Commission on Fiscal Responsibility and Reform, 2010). The NA has great difficulty in identifying and reducing duplicative executive programs because it does not have its own specialized support agency to help it perform these tasks. The NA Budget Office (NABO) and the BAI have different but complementary roles, like their American counterparts. The NABO reviews the impact of legislation on expenditures and monitors the revenue and spending actions of the NA, while the BAI serves as the government’s principal auditing and evaluation agency. Although the BAI is explicitly tasked with program evaluation, the NABO also evaluates programs to assist the NA with its task of government oversight. The NA created the NABO in 2004, modeling it on the U.S. Congressional Budget Office. Its major roles are to advise the NA on the likely budgetary impact of spending and tax plans and to assist the SCBA and other committees by making fiscal projections and estimating future economic trends (Kim, 2006). The major constraints on its oversight capacity derive from a manpower shortage. As of 2011, the NABO has 116 full-time employees, and its Program Evaluation Bureau has only 28 full-time employees. The BAI, in contrast, has 1,035 full-time employees. Scholars point out that institutional constraints on the NA's oversight power derive from the stipulation in the Korean Constitution that the BAI belong to the executive branch, which limits its autonomy from the executive (see, e.g., Lim et al., 2000). Highlighting the trend in advanced democracies toward establishing nonpartisan agencies that work for the legislative branch (e.g., as in the United States and the United Kingdom) or agencies independent from the executive branch (e.g., as in France and Germany), these scholars argue that control of the BAI should be transferred to the NA through a constitutional amendment. 

The following chapter discusses the adoption of a binding fiscal rule and a budget enforcement mechanism to achieve long-term fiscal consolidation in South Korea.

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8 The GAO assists Congress by auditing executive branch operations, evaluating executive programs, and investigating expenditures and agency operations as requested by the congressional committees (Schick, 2007; Oleszek, 2011).

9 In practice, it is very difficult to amend the Constitution because it requires a two-thirds vote of members of the NA and approval by a majority of voters in a referendum (see Article 130 of the Constitution) (Kim, 2006). Therefore, in Chapter Five we recommend that the NA establish its own specialized support agency if a constitutional amendment should prove infeasible.
Budget Reform Proposals for Fiscal Consolidation in the National Assembly

This chapter addresses the adoption of a binding fiscal rule and budget enforcement procedures to achieve mid- to long-term fiscal consolidation in Korea. These budget enforcement procedures may be divided into two parts: budget resolution enforcement and the “pay-as-you-go” (PAYGO) process with limits on discretionary spending. An increase in fiscal transparency and accountability can also serve as an important element of policy reform to make Korean government finances sustainable.

There are differing views on the necessity of these proposed measures. Some experts argue that Korea’s budget deficit and national debt challenges are mild compared with other OECD countries (Bang, 2010). Further, some argue that because the government’s debt is backed by its corresponding assets, the increase in the national debt is not a serious concern. These arguments raise an important question: Are measures to enforce more stringent budgeting necessary in Korea?

Most literature on fiscal consolidation in Korea (e.g., Hong, 2010; IMF, 2010a; NABO, 2011) suggests that, indeed, stricter rules are needed to restore Korea’s fiscal soundness in the medium term. In 2010, the Executive Board of the International Monetary Fund (IMF) welcomed the Korean government’s plan to achieve a surplus (excluding Social Security Funds) by 2013–2014 and recommended the introduction of a binding fiscal rule. From a survey of the existing literature, the following four arguments emerge as the main reasons to adopt the measures outlined in this paper. First, the continuing rise of the debt-to-GDP ratio since 1997 calls for vigilance. Second, the measure of national debt used by the IMF to calculate Korea’s official debt figures understates the actual increase in the debt-to-GDP ratio. Contingent liabilities arising from loan guarantees, the implicit pension debt in the public pension system, public enterprise debt, and the debt in numerous quasi-fiscal accounts of public funds are all beyond the scope of the IMF debt measurement, and scholars suggest that the national debt

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1 For more information on the importance of the role of fiscal rules, see Committee for a Responsible Federal Budget, 2010, and IMF, 2009. The Committee for a Responsible Federal Budget recommends that countries with weak fiscal credibility establish fiscal consolidation plans and that the most successful plans involve multiyear adjustments. The IMF (2009) observes that such rules in large fiscal adjustments have proved effective in improving budgetary performance and lowering debt levels across advanced and emerging market economies since 1980.

2 For more information on the comparison of Korea’s debt ratios with other countries, see OECD, 2011.

3 On public enterprise debt, the Korean authorities are sanguine because public enterprises’ debt is backed by their corresponding assets (IMF, 2010a).

4 For further information, see IMF, 2010b.
The proposed measures in this paper should be interpreted with caution because they are designed to achieve fiscal consolidation over the medium term (five years), thus allowing annual deficit limits to be adjusted for changes in economic conditions. The problems that arise from strict regulations based on short-term fixed targets that fail to take into account dynamic economic conditions will therefore not occur under this framework. It should also be noted that since the budget process is inherently political in nature, political considerations will influence the extent to which the NA enforces the rules.

Finally, a comprehensive proposal to enhance budgetary discipline needs to include measures to increase the role of automatic stabilizers. For example, using the Employment Insurance Fund to increase transfer payments during periods of high unemployment would help expand Korea’s limited social safety net as well as reduce the need for expansionary policies that may prove difficult to reverse.5 A thorough discussion of automatic stabilizers, however, is beyond the scope of this paper.

Budget Resolution Enforcement

The Korean government operates under the medium-term fiscal framework outlined in the National Fiscal Management Plan (NFMP), which includes objectives to guide the size and distribution of expenditures, total revenues, fiscal balance, and the national debt. In accordance with Article 7-1 of the National Finance Act, the President submits the five-year NFMP to the NA together with the budget. However, because the budget dominates the focus and agenda of the NA, the NFMP receives little attention. In practice, the NFMP is used only as a reference for budget deliberation, and no actions are taken with respect to the NFMP alone. In a 2010 report, the IMF observed that the objectives set forth in the NFMP, such as the aggregate spending ceiling, are not supported by a formal fiscal rule (IMF, 2010a). As the IMF explains, the aggregate spending ceiling has been revised every year to ensure linkage with the annual budget and is therefore not legally binding on the NA. To make the NFMP more effective, the NA amended the National Finance Act (Article 7-8) in 2010. The amendment stipulates that the Ministry of Strategy and Finance present the outline and key points of the forthcoming NFMP to the NA Strategy and Finance Committee prior to the final submission of the NFMP to the NA (Article 7-8). The amendment also calls upon the executive to submit greater details regarding the medium-term fiscal outlook and the executive’s evaluation of the previous year’s NFMP. In accordance with this new requirement, the report was provided to the committee on September 2, 2010. Unfortunately, however, the report omitted necessary details regarding the fiscal objectives and allocations of outlays among the budget functions and failed to provide a detailed explanation for adjustments from the previous year’s plan.

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5 This is a particularly attractive option given that Korea has relatively small automatic stabilizers compared with other OECD countries. For more on the role of automatic stabilizers, see Hong, 2010, p. 20.
Budget Reform Proposals for Fiscal Consolidation in the National Assembly

(NABO, 2011). An additional limitation to the NFMP lies in the fact that it is made without a broad supporting consensus between the NA and the executive because there is no requirement that the NA deliberate and vote on the NFMP. Therefore, as the IMF observed, the adoption of a fiscal rule for both the executive branch and the legislative branch would make the targets of the medium-term fiscal consolidation plan more binding and would better encourage program prioritization (IMF, 2010a).

In 2010, the Executive Board of the IMF recommended enhanced formalization of the medium-term fiscal framework, including the introduction of a binding fiscal rule, as mentioned above. At the NA Strategy and Finance Committee hearing on fiscal reform to further fiscal consolidation in 2010, Hyung-Su Park, director of the Center for Fiscal Analysis at the Korea Institute of Public Finance, urged the NA to adopt a rule requiring that spending increases not exceed revenue increases until a debt target is reached. He also argued that the NA should mandate that increases in direct spending or decreases in revenues due to legislative action be offset, so that there would be no net increase in the deficit or reduction of the surplus (Yonhap News, 2010).

In May 2010, the government announced that it would introduce a rule requiring that the upper bound on the growth of total expenditure be “growth rate of total revenue minus 2–3 percentage points,” and that it would introduce a PAYGO principle when formulating the budget (NABO, 2011, p. 82). However, the NABO has criticized the announcement, claiming that the government’s PAYGO principle lacks the requisite binding power because it is merely another guideline for budget development and is not public law (NABO, 2011). NABO therefore suggested that the NA adopt the PAYGO principle through legislation and that the NA adopt a fiscal rule requiring that the growth of total expenditure be “2 percent less than the potential growth of nominal GDP” (NABO, 2011). NABO apparently suggested that the NA adopt the PAYGO principle through legislation and that the NA adopt a fiscal rule requiring that the growth of total expenditure be “2 percent less than the potential growth of nominal GDP” (NABO, 2011). If the budget were to adhere to NABO’s proposed rule, the growth rate of total expenditures would be constrained to 4 percent each year until 2014 (See Table 4.1), suggesting that the NABO’s proposed rule is more strict than the administration’s with respect to constraining government spending (NABO, 2011). According to the figures presented in Table 4.1, the NABO plan appears to result in

<table>
<thead>
<tr>
<th>Table 4.1</th>
<th>Outlook on Total Expenditure, Balance Excluding Social Security Funds, and National Debt, 2010–2014 (trillions of won)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>NABO</td>
</tr>
<tr>
<td>Administration</td>
<td>292.8</td>
</tr>
<tr>
<td>Balance excluding Social Security Funds</td>
<td>NABO</td>
</tr>
<tr>
<td>Administration</td>
<td>–30.1</td>
</tr>
<tr>
<td>National debt (% of GDP)</td>
<td>NABO</td>
</tr>
<tr>
<td>Administration (% of GDP)</td>
<td>400.4</td>
</tr>
</tbody>
</table>

SOURCE: NABO, 2011, Table 3.1.
NOTE: The NABO’s outlook on total expenditure, balance excluding Social Security Funds, and national debt follows the NABO’s fiscal rule.

For a complete discussion of the PAYGO process, see the next section. PAYGO is addressed here only in the context of an overall budget enforcement procedure.
greater debt than the administration’s plan, despite the fact that the NABO proposal is stricter on expenditures. The main reason for this is that the administration’s figures are based on more optimistic assumptions about key macroeconomic variables, such as the economic growth rate. Accordingly, the administration’s 2014 total revenue projection is larger than the NABO projection by 13 trillion won. The NABO argues that if total revenue is estimated based on this overly optimistic growth outlook, planned expenditures can become too high, making it more difficult to achieve the medium-term fiscal target (NABO, 2011).

In devising mechanisms to enforce these budget constraints, Korea should look to the budget enforcement procedures employed by the U.S. Congress. Despite the challenges facing U.S. efforts to reduce its own national debt, the U.S. model with respect to budget enforcement mechanism is appropriate for the Korean context. First, evidence suggests that the U.S. rules actually worked during the 1990–2001 period. The enactment of the budget enforcement rules in the Budget Enforcement Act of 1990 contributed to liquidation of the deficit in the 1990s, culminating in a balanced budget in 1998. As budget surpluses spurred Congress to increase expenditures, compliance with these rules weakened and the associated decline in fiscal discipline contributed to the reappearance of budget deficits beginning in 2002 (Schick, 2007). The American experience therefore suggests that if Korea can effectively enforce these mechanisms, U.S.-style budget enforcement rules should contribute to fiscal consolidation in Korea. The important point is that the extent to which the legislative and the executive can work together will ultimately determine the fate of the fiscal consolidation reform efforts. The tension between economic stimulus and fiscal consolidation can justify weakened budgetary discipline, as was seen in the 2010 tax act enacted by Congress in December 2010. U.S. congressional budget enforcement procedures applicable to the NA include the following: (1) the annual adoption by the NA of a resolution on the budget prior to consideration of revenue or spending bills; (2) allocations of spending to the 16 standing committees; (3) points of order;7 (4) the reconciliation process; and (5) limits on discretionary spending and a PAYGO process enforced by the sequestration process (Keith 2008a; Keith 2010). Of course, these procedures would need to be adapted to fit NA processes, constraints, and requirements.9

First, it is necessary to consider the constitutional constraints on the budgetary power of the NA. Because total budget deliberation time is limited to three months, the adoption of the budget resolution after the submission of the President’s budget would severely limit the time available for budget deliberation. A practical alternative would be to enact legislation requiring the President to submit the medium-term fiscal consolidation plan (NFMP) to the NA by April 30 rather than by October 2, and requiring the NA to adopt the budget resolution by July 31 (see Table 4.2). In accordance with Article 29 of the National Finance Act, by April 30, the Ministry of Strategy and Finance provides policy guidance for the agencies’ budget requests, which include the total allocation as well as the allocation for each agency. Therefore, the submission of the NFMP to the NA each April 30 would not significantly increase the

7 The 1974 Congressional Budget Act provides for points of order to block violations of budget resolution policies and congressional budget procedures. For example, Section 311 of the act bars Congress from considering legislation that would cause total outlays to exceed the level set in the budget resolution. For more information, see Keith, 2008a.

8 For more explanation of the classification of direct (mandatory) and discretionary spending in Korea, see NABO, 2011.

9 Using legislation to impose fiscal discipline suffers from the fact that the NA can always change past laws.
burden on the executive. This timeline would provide ample time for budget deliberation. Reflecting the adopted budget resolution, the President would have two months before he submitted the budget to the NA on October 2, just as the U.S. president submits the budget update called the Mid-Session Review (Keith, 2008a).

Secondly, the process of allocating discretionary spending to committees and subcommittees needs to be adapted to the NA’s budget process. As explained in Chapter Three, the SCBA plays the role that the congressional appropriations committees in the United States do, as well as the role of the congressional budget committees. While all 16 standing committees of the NA make recommendations on discretionary spending to the SCBA, the Subcommittee on Reconciliation is the only subcommittee within the SCBA that has jurisdiction over discretionary spending. The NA should therefore legislate that the SCBA allocate discretionary spending amounts set forth in the budget resolution among the 16 standing committees, as is done in the section 302(b) allocations by the U.S. congressional appropriations committees (Keith, 2008a). Given that the sum of all allocations to the standing committees may not exceed the amount available to the SCBA, allocating discretionary spending to standing committees can be expected to have a constraining effect on total discretionary spending (Schick, 2007). This is particularly true given that the NA’s standing committees tend to increase the budget.

The PAYGO Process and Limits on Discretionary Spending

The U.S. PAYGO process was first established under the U.S. Budget Enforcement Act of 1990 (BEA) and is stipulated in the U.S. Statutory Pay-As-You-Go Act of 2010. The limits on discretionary spending were previously created by the BEA and are stipulated in the Budget Control Act of 2011 (Saturno, 2011; Heniff, Rybicki, and Mahan, 2011). These procedures should be tailored to the NA in the following ways.

The budgetary effects of PAYGO measures should be determined by statements inserted into committee reports to be listed on the plenary agenda by the SCBA chairperson. The

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Table 4.2
Proposed National Assembly Budget Process Timetable

<table>
<thead>
<tr>
<th>Deadline</th>
<th>Action to Be Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 30</td>
<td>President submits National Fiscal Management Plan to the NA</td>
</tr>
<tr>
<td>July 31</td>
<td>The NA completes action on budget resolution</td>
</tr>
<tr>
<td>October 2</td>
<td>President submits budget to the NA</td>
</tr>
<tr>
<td>December 2</td>
<td>The NA passes the budget bill</td>
</tr>
<tr>
<td>January 1</td>
<td>Fiscal year begins</td>
</tr>
</tbody>
</table>

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10 In order to secure enough time for budget deliberation, the NA needs to adopt the budget resolution, which sets forth budget aggregates and allocations of outlays among the budget functions covering a rolling five-year period, by July 31—that is to say, five months before the fiscal year begins on January 1. The U.S. Congress adopts its budget resolution by April 15—i.e., five and a half months before the fiscal year begins on October 1.

11 Keith, 2010, points out that the Senate has established aggregate limits on discretionary spending as part of the budget resolution, although the statutory discretionary spending limits expired in 2002.
NABO should assist the SCBA chairperson in developing the statements by preparing cost estimates of legislation. Because NABO has experienced difficulty in the past when performing cost estimates and scorekeeping effectively due to manpower shortage, the NA should enhance the NABO’s mid- to long-term cost estimating capability by augmenting its manpower resources. The NABO can play a critical role in determining the fate of pending legislation.

The NA also needs to retain the sequestration process, similar to that stipulated in the U.S. Statutory PAYGO Act, as an effective means of enforcing deficit targets. The sequestration process would require the Ministry of Strategy and Finance to determine whether a violation of the PAYGO requirement had occurred shortly after a parliamentary session ends. If a violation were discovered, the President would issue a sequestration order that implemented cuts in nonexempt direct spending programs to offset the net deficit increase (or surplus reduction) (Keith, 2010). The NA also needs to adopt special procedures by which the sequestration order could be modified or the implementation of the order affected.

The NA should enact legislation establishing limits on discretionary spending enforced by the sequestration process similar to those stipulated in the Budget Control Act of 2011. It should additionally consider establishing limits within each category of discretionary spending (e.g., defense and nondefense). Discretionary spending limits apply to an annual appropriations bill, whereas the PAYGO process applies to direct spending and revenue legislation (Schick, 2007; Keith, 2008a; Keith, 2010).

**Increasing Fiscal Transparency and Accountability**

The Korean government has liabilities arising from loan guarantees and public enterprise debt that are recorded as contingent liabilities rather than national debt. Regarding loan guarantees, at the end of 2009, government guaranteed debt amounted to 29.8 trillion won, or 2.8 percent of GDP (NABO, 2010). Public enterprise debt surpassed 213.2 trillion won (around 20 percent of GDP) at the end of 2009. The Korean government also has implicit debt in its public pension systems.

In 2010, the executive submitted the Government Guaranteed Debt Management Plan (GGDMP) and Mid- to Long-Term Fund Financial Management Plan (MLTFFMP) to the NA, pursuant to the National Finance Act of 2010. However, the NABO maintains that the GGDMP should provide a sufficient basis for forecasting of the size of guaranteed debt (NABO, 2011). It also urged the MLTFFMP to reflect the results of an annual recalculation of the public pension system’s total unfunded liability in order to promote sustainable public pensions, including the National Pension Fund (NABO, 2011). In addition, the IMF (2010a)

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12 In 2010, there were only 17 NABO staff members performing cost estimates.

13 Sequestration was retained in the Budget Enforcement Act of 1990 as a means of enforcing two mechanisms: limits on discretionary spending and a PAYGO requirement for revenue and direct spending legislation (Keith, 2008a). However, in the Statutory PAYGO Act, the sequestration process applies only to a violation of the PAYGO rules.

14 For more information on special procedures under the Budget Enforcement Act, see Keith, 2008a, pp. 18–20.

15 On the other hand, public enterprises’ debt is backed by their assets, which amounted to 342 trillion won at the end of 2009 (Ministry of Strategy and Finance, 2010a).
argued that additional pension reforms, such as raising social security contributions, should be considered to ensure the pension fund’s long-term sustainability.

The IMF (2010a) also urged the government to take more decisive steps to strengthen the financial position of public enterprises. Accordingly, in 2010 the Executive Board of the IMF considered it prudent to monitor the development of the debt levels of Korea’s public enterprises and to review their medium- and long-term investment plans.16

On the whole, the NFMP, GGDMP and MLTFMP, which were submitted along with the 2011 budget bill, lack sufficient information transparency. This lack of transparency threatens the NA’s institutional arrangements for risk management. The executive should strengthen information-sharing with the NA and the public (NABO, 2011). Specifically, the NA should take further steps to enhance fiscal transparency regarding contingent liabilities and should develop a means for systematically valuing the potential losses from contingent liabilities (IMF, 2010a).

The NA should also give priority to efforts to identify and terminate ineffective, wasteful, or redundant programs and tax expenditures in order to increase fiscal accountability.

16 For further information, see IMF, 2010b, p. 3.
This paper calls for fiscal reform in Korea for three primary reasons. First, the continuing rise of the debt-to-GDP ratio since 1997 calls for vigilance, and the IMF measure of national debt used in calculating Korea’s official debt figures understates the severity of the actual debt-to-GDP ratio increase. Second, the Korean government needs to take preemptive measures to retain room for countercyclical policies. Korea’s export-dependent economy remains vulnerable to external shocks, and future shocks will likely impose a fiscal burden on the Korean economy. Finally, the budgetary pressures that will be imposed by Korea’s rapidly aging population and declining fertility rates underscore the urgency of a medium-term consolidation framework.

The December 2010 report released by the U.S. National Commission on Fiscal Responsibility and Reform was entitled “The Moment of Truth.” Korea also has arrived at its moment of truth, and success in that moment will depend on the willingness of its elected leadership to act to restore a balanced budget and achieve fiscal consolidation. The NA should enact legislation to establish a new parliamentary budget process centered on the adoption of a fiscally constrained budget resolution that would be scheduled for adoption prior to consideration of revenue or spending bills. This legislation should be supplemented with the following legislative tools to enhance Korea’s capacity to enforce these budget constraints: (1) allocations of spending to the 16 standing committees; (2) points of order; (3) the reconciliation process; and (4) limits on discretionary spending and a PAYGO process enforced by the sequestration process.

U.S. congressional budget enforcement procedures could be applied to some extent to the NA. These procedures will need to be tailored to the NA’s constitutional constraints and differences in the budget process. To preserve sufficient time for budget deliberation, the NA should enact legislation requiring that the President submit the medium-term fiscal consolidation plan to the NA by April 30, rather than by October 2. Second, to meet the unique requirements associated with the NA’s committee structure, the NA should legislate that the SCBA allocate discretionary spending amounts among the 16 standing committees.

In addition to the adoption of a binding fiscal rule and budget enforcement procedures, this paper makes three additional policy recommendations to achieve mid- to long-term fiscal consolidation in Korea:

- Enhance the NABO’s mid- to long-term estimating capability by augmenting its manpower resources. This will enable the NABO to assist the SCBA chairperson in developing the statements regarding the budgetary effects of PAYGO measures by preparing cost estimates of legislation.
• Take further steps to enhance transparency regarding contingent liabilities and develop a
means of systematically valuing the potential losses from contingent liabilities.
• Pass an amendment to the Constitution to transfer the BAI from the executive to the NA.
  If a constitutional amendment should prove infeasible, the NA should establish its own
  specialized support agency, modeled on the U.S. Government Accountability Office, to
  identify and reduce duplicative executive programs.

A strong political consensus for fiscal consolidation is needed if meaningful budget
reform is to be effective. Despite political disagreement over how best to achieve fiscal consoli-
dation, it is important to generate at minimum a political consensus recognizing the urgency
of reform and the need to act now. Given the risks of a mounting national debt, the political
parties should be able to find compromises that could help all of them achieve their long-term
policy goals. For example, one such compromise could be to suggest that priority be given to
consolidating duplicative executive programs and identifying and terminating ineffective or
wasteful duplicative tax expenditures, as explained in Chapter Four. The author hopes that this
paper will serve as a starting point for a serious conversation about achieving fiscal consolida-
tion in Korea.
Bibliography


IMF—See International Monetary Fund.


NABO—See National Assembly Budget Office.


OECD—See Organisation for Economic Co-operation and Development.


