

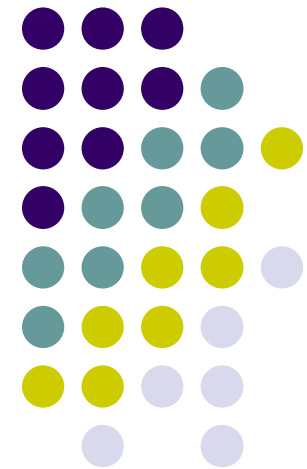
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Session 5.

Budgeting for Results

Under a Crisis Context: Current Issues

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Purpose of Budgeting for Results

- Fiscal discipline
 - Aggregate control
- Allocative efficiency
 - Budget reallocation from ineffective to effective programs
 - Budget reallocation from low priority to high priority areas
- Technical efficiency
 - Efficient provision of public goods and services



Nature of current economic crisis

- Current economic crisis
 - Collapsing financial sector and danger of credit crunch
 - Many firms are experiencing cash flow problem due to increased debt and decreasing market demand
 - Many households are subject to loss in income and asset
- Market freeze and threat to citizens' livelihood

Goals of government intervention under an economic crisis



- Seemingly conflicting goals of government intervention under a crisis
 - Need to restructure non-viable assets and firms
 - Assets and firms' quality itself is bad
 - At the same time, need to support firms and households who are unduly affected by the economic crisis
 - Liquidity is the problem rather than quality
 - How or who will decide targets for restructuring and those for support?
 - How to restructure without causing minimum spillover effects?

Roles of public spending under an economic crisis



- Creating demand: Stimulus Spending
 - Increase public investment
 - Invest in green growth, invest in infrastructure and so on
 - Subsidize people's spending
 - Consumption coupon, tax credit and so on
- Saving unduly affected firms and households
 - Provide subsidy to unduly affected firms and minimize impact of toxic assets on financial system
 - U.S. example: Encourage investors to purchase toxic assets by providing subsidy
 - Strengthening social safety net
 - More generous benefit



General Issues

- How big should the stimulus spending be?
 - E.g.: The withdrawn U.S. proposal at G20 summit is 2% of GDP for 2009 and 2010
- How to finance public spending increases or tax cuts?
- Public spending increases vs. tax cuts?
 - Public spending may be more effective for the purpose of short-term boost
- How to maximize the effects of public spending increases?
 - Effects of stimulus spending
 - Effects of helping unduly affected parties

Issues of budgeting for results under a crisis



- What results?
 - Is demand created?
 - Short term goal: Job creation, consumption increase
 - Are affected firms and people benefited?
 - Short term goal: temporary assistance to unduly affected parties
- How to identify programs which will be effective in creating jobs and income?
- How to identify parties who are unduly affected and in need of assistance?
- How to ensure efficient and effective delivery without delay and corruption?
- Is there will be monitoring system?

Steps of budgeting for results under a crisis



- Identify good targets for investment and subsidy
 - Deliver investment and assistance with speed and accuracy
 - Monitor the effectiveness and appropriateness of the spending programs
- Open the information to the public and ask for the inputs from general public, particularly about fraud and corruption



Thank You!