

Embargo:

Release Date: April 30

Contact Information: Park Gyeong-hun (044-215-7132/ Budget Policy Division)

GUIDELINES FOR FY 2014

The Guidelines for the FY 2014 Budget, which include fund management plans, have been approved at the Cabinet meeting on April 30. Each ministry is required to draw up its budget request according to these guidelines, and submit it to the Ministry of Strategy and Finance by June 20. The Ministry of Strategy and Finance will then submit a comprehensive budget to the National Assembly by October 2.

Fiscal Management Policy Directions

The main policy directions to achieve the vision of ‘a new era of hope and happiness’ are: fiscally supporting national tasks, improving fiscal soundness through increased efficiency, and shifting the focus of fiscal management in line with a new national development paradigm.

New Fiscal Management Focus according to the New National Development Paradigm

New National Development Paradigm	New Focus of Fiscal Management
- From follower to trailblazer in global market	- From copycat fiscal investment strategy to creative and pioneering one
- From input-driven to quality-driven growth focusing on national happiness	- From focusing on economic growth to improving the standard of living and job markets
- From the linear paradigm of welfare being secondary to economic growth to a reciprocal relationship between economic growth and welfare	- Shift to customized welfare and social investment framework, and strengthened work incentives
- From government-led unilateral implementation to interactive and performance-based	- From a supplier-oriented fiscal structure to a user-centered, field-first, and cooperative one

Key Directions for FY 2014 Budget

1) Overall Policy Directions

The 2014 budgeting will emphasize increasing investment efficiency by adjusting similar or overlapping projects and collecting on-site feedback and feedback from policy assessments.

Investment will be directed towards facilitating a creative economy by promoting R&Ds in leading and convergence industries, while at the same time helping create jobs by developing those industries and pursuing inclusive growth with SMEs. The 2014 budget plan will prioritize providing tailored, work-friendly welfare and education which helps develop creativity, while ensuring greater security. The government will also increase investment to support the development and export of Korean culture, and to promote the enjoyment of cultural events and programs.

The 2014 budget will also prioritize strengthening national security and diplomacy through strategic partnerships with neighboring countries. North Korean defectors will receive improved support, which is designed to help them more easily assimilate into Korean society, and inter-Korean exchanges

will also get increased support to prepare for the post-unification era.

2) Investment Priorities

Achieving Economic Prosperity

The 2014 budget guidelines focus on facilitating a creative economy and inclusive development. ICT convergence industries, and R&Ds in leading, creative and convergence industries will be developed, which will create jobs and improve competitiveness. Inclusive growth will also be promoted by building a scaffold for SMEs.

Improving Social Welfare

Improving social welfare and security will be one of investment priorities of the 2014 budget guidelines. The current universal welfare systems will be revised into tailored welfare systems, which will be designed to provide essential support according to recipients' life cycle. Welfare systems will also be improved to encourage work and provide education which helps develop creativity. Security will be improved as the government will increase investment in eradicating the worst four crimes.

Promoting Cultural Activities

The 2014 budgets will prioritize developing Korean culture, while increasing opportunities for socially vulnerable groups to enjoy cultural activities. The government will help expand the spread of Korean art and culture to the world, and support for the enjoyment of different cultural events and programs will be provided according to different age groups.

Founding a Basis for Reunification

National security and diplomatic capabilities will also be reinvigorated through the 2014 budget guidelines. Strategic partnerships with neighboring countries will be expanded. North Korean defectors will receive increased support, which is designed to help them more easily assimilate into Korean society, and inter-Korean exchanges will also get increased support to prepare for reunification.

3) Fiscal Management

Fiscal resources will be managed more efficiently and transparently, and the budget plan will prioritize improving social welfare, increasing project performance and promoting corporation.

The tax base will be broadened when tax breaks expire according to schedule and by legitimatizing the shadow economy. Spending will be restructured through zero-based budgeting. Total public sector debts will be calculated to increase fiscal transparency and monitor potential fiscal risks. Fiscal projects will be more strictly evaluated in terms of performance, similar or overlapping investments will be adjusted, and the results will be reflected in the budget.

<Reference 1>

Overview of FY 2014 Budget Guidelines

Vision	Opening a New Era of 'Hoe and Happiness'		
Key Directions	Financing National Projects and Improving Fiscal Soundness		
Investment Priority	Achieving Economic Prosperity	<ul style="list-style-type: none"> ▪Developing ICT convergence industries and encouraging creativity across industries ▪Founding a basis for inclusive growth by building a scaffold for SMEs 	
	Improving Social Welfare	<ul style="list-style-type: none"> ▪Revising welfare systems to be work-friendly and tailored to recipients ▪Providing education which focuses on developing creativity and individual capabilities 	
	Promoting Cultural Activities	<ul style="list-style-type: none"> ▪Encouraging the development of Korean art and culture ▪Providing increased opportunities for socially vulnerable groups to enjoy cultural activities and programs 	
	Founding a Basis for Peaceful Reunification	<ul style="list-style-type: none"> ▪Reinvigorating national security systems and diplomatic capabilities ▪Preparing for reunification by promoting inter-Korean cultural exchanges and supporting North Korean defectors 	
Fiscal Management	Increasing revenue and restructuring spending	Strictly managing fiscal risks and improving transparency	Putting priorities on social welfare, promising projects and cooperation promotion

<Reference 2>

The 2014 budgeting guidelines, the first budgeting guidelines of the Park Geun-hye administration, provide key fiscal management directions to achieve the goals of the new administration.

Increased Spending Efficiency

The 2014 budgeting guidelines emphasize increasing spending efficiency, a concept unique to 2014.

1) Modifying Inefficient Projects

SME support systems will be streamlined by building a comprehensive system that shows the history of receiving the support. Similar and overlapping projects among ministries will be modified by being combined or connected with other projects, for example environment and river management projects. Complicated support systems in the livestock and fishery industries will be revised to be efficient.

2) Sharing Financial Burdens with Local Governments and the Private Sector

The private sector will be invited to invest in profit-yielding public projects, and local governments will be required to be more financially responsible for their welfare programs. Also, the government will work together with the private sector, such as the National Agricultural Cooperatives Federation, to improve distributions systems.

3) Adjusting Investment Priorities

Existing projects will be reviewed in terms of performance and investment priorities will be adjusted according to the review. The government will set new investment priorities for heavily-invested projects, such as road and railroad construction and river management projects, and the amount of investment in those projects will be reviewed through zero-based budgeting. Government R&D support for large corporations will gradually be reduced.

4) Improving Welfare Delivery System

Unnecessary welfare spending will also be removed through streamlined delivery systems, and government loan programs will involve more of private capital by paying the difference in interest rates, offered by the government and private financial institutions, a policy which was first introduced in 2012.

5) Improving the Performance of Individual Projects

New eligibility standards for government subsidies will be set, and will be applied to projects, such as cultural facilities related projects and international sports events. In addition, the Private School Teachers' Pension Fund's loan program will be evaluated and the result will be reflected in modifying investment priorities.