Foreword

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For most of the past three decades Korea successfully held its public debt at a low level, leaving ample fiscal space even in the aftermath of the global financial crisis. In recent years, however, a noticeable slowdown in the growth rate, combined with serial fiscal deficits, have posed concerns for long-run fiscal sustainability. Indeed, there is a growing perception that the current fiscal framework, which emerged from favorable macroeconomic environments in the past, may no longer work effectively in maintaining fiscal soundness in a more decentralized and especially a rapidly aging society.

In this sense, Korea's current fiscal framework which includes fiscal institutions and government expenditures needs to be examined and assessed from the perspective of government's fiscal accountability. Fiscal accountability is the key factor in maintaining fiscal sustainability by mandating that the government's decision be informed and justified. Fiscal accountability requires the answerability of the government about fiscal decision, the transparency of fiscal process, and enforcing mechanisms that ensure these qualities. Enhancing fiscal accountability could improve rationality and transparency in fiscal decision-making and strengthen the government's responsibility in fiscal areas.

In the context, the Korea Development Institute, in cooperation with the East–West Center, commissioned an international team of experts for a study on enhancing fiscal soundness through strengthening fiscal accountability. They discussed the weakness of the current fiscal framework and the ways to improve fiscal accountability and fiscal transparency. They reaffirmed the desirability of more fiscal oversight and accountability in both budget preparation and public spending, and discussed the fiscal issues for such various fields as budgeting, social assistance, pensions, health insurance, social overhead capital investment, and financial support to small and medium-sized enterprises. Their findings will be useful for understanding the problems involved and designing future policies.

On publishing this volume, I would like to thank Dr Robert L. Clark of North Carolina State University, Dr YoungWook Lee of the Korea

Development Institute and Dr Andrew Mason, Senior Fellow of the East–West Center and Professor Emeritus in the Department of Economics at the University of Hawaii, for organizing and editing the chapters for publication. I also wish to thank all the authors and reviewers who contributed to the volume.

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