

KWDI Issue Paper

Analysis and Evaluation of Gender Budgeting in Korea (III)

Integration between the national financial management system and the gender-sensitive budget system.

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Abstract

Since 2016, we have checked the performance of the gender-sensitive budget system and sought ways to reform the system on a mid-to-long-term basis. As an extension thereof, this paper aims to set goals in gender equality by the function of the government and to present ways to establish and operate a gender equality-oriented performance budget system based thereon. Specifically speaking, this study is designed to identify main gender inequality issues in key areas where gender inequality issues have been deemed to be hardly discovered (we focus on three spheres such as public order & safety, land & regional development, and science & technology) in connection with the classification of expenditure budgets by function and to set goals in gender equality by department to resolve such issues. Moreover, this study aims to present how to reflect gender perspectives into each budgeting process to effectively achieve objectives in gender equality.

At present, one of the biggest issues facing the gender-sensitive budget system is the fact that the system is yet to be acknowledged as part of the national financial management structure. It's because gender equality perspectives-based management and control procedures have yet to be institutionalized by the national financial management process. Because gender equality perspectives-based analyses are not institutionalized in connection with investment plans by area in the context of national financial management planning, mid-to-long-term business plans that are crafted by department in accordance with national financial management plans fail to reflect gender equality. Even when each Ministry devises business plans for each fiscal year and asks for the allocation of budget, plans to promote gender equality based on the unique functions and goals of each Ministry are not formulated, failing to identify related projects. Furthermore, the performance plan, which is a key document for performance-based budgeting, does not include gender equality-related items at all. The performance report, which is submitted as an attachment to the budget report after the implementation of projects, specifically deals with whether to achieve the indicators mentioned in the performance plan, as well as their connection with goals. However, it does not include the performances of projects that were implemented for gender equality. Only the gender-sensitive budget report, which is a separate performance-related document, contains such information but is not referred to in other performance control-related documents. Therefore, the gender-sensitive budget report is only mentioned when the National Assembly or the Ministry of Gender Equality and Family points out its incompleteness and demands improvements, failing to have any effect on the process of assessing the performances of financial projects and drawing up budgets for the succeeding year. In other words, gender equality is not reflected in the whole process of national financial management. This means that the effectiveness of the gender-sensitive budget system is not ensured as a tool for the gender mainstreaming of national financial activities.

The national financial management consists of planning, budgeting, budget execution, settlement, and performance assessment. The following reform is required by phase from gender equality perspectives

1. Planning

- ▶ The national financial operation plan should organically link to the basic plan for gender equality. To reflect gender equality perspectives in national financial planning, goals in gender equality by investment area should be set, considering the mid-term financial outlook when devising the basic plan for gender equality promotion policies. This should also be specified in the national financial plan. Based thereon, guidelines for setting goals in gender equality by Ministry should be identified when crafting the basic plan for gender equality promotion policies. This should be fed back to identifying new projects for the facilitation of gender equality when preparing a mid-term business plan every year.

National financial management system

- Specify national goals for gender equality in the national financial plan
- Attach the results of GIA for investment plans by sphere
- Gather women's opinions

Gender-sensitive budget system

- Set up goals in gender equality by area and Ministry (gender equality promotion plan) → Reviewed and approved by the gender equality committee → Deliver results to each Ministry prior to crafting a mid-term business plan
- Develop new gender equality promotion projects when preparing a mid-term business plan by Ministry

Source: Written by the participating researchers.

2. Budgeting

- What is important in this phase is to revise the system to enable gender impact and goals in gender equality to be reflected in devising a budget request and a performance plan. To this end, budgeting guidelines should be revised to enable each Ministry to demand the additional allocation of budget for projects which are found to be qualified to receive more budget for the promotion of gender equality in accordance with the results of gender impact assessment (GIA) for the previous year's projects. Moreover, pursuant to a mid-term business plan, new projects should be identified, considering each Ministry's unique goals in gender equality. These two projects are subjected to the gender-sensitive budget system.

National financial management system

- Reflect GIA results when the allocation of budget is demanded
- Submit unit project descriptions for GIA
- Include gender-sensitive budget data in performance plans

Gender-sensitive budget system

- Present the list of gender equality projects by Ministry and projects subjected to GIA: Ministry of Gender Equality and Family → Ministries
- Select gender equality projects and those subject to GIA: Ministries → Ministry of Gender Equality and Family
- Prepare gender-sensitive budget documents for gender equality projects (the same form as performance plans)
- Demand descriptions by Ministry for projects subjected to GIA (Make it mandatory to submit data pursuant to the Gender Impact Assessment Act; specify the deadline: Ministry of Gender Equality and Family → Ministries)
- Conduct GIA based on submitted data; send results: Ministry of Gender Equality and Family → Ministries
- Prepare gender-sensitive budget documents only for projects that can present gender equality performance indicators in accordance with GIA (include gender-sensitive indicators in performance plans): Ministries → Ministry of Gender Equality and Family

Source: Written by the participating researchers.

3. Settlement

- ▶ Based on revised performance plans and gender-sensitive budget documents, performance reports and gender-sensitive settlements are prepared. Performance reports and gender-sensitive settlements contain the same information on individual projects. However, in the general section on performance goals by Ministry, performance reports describe strategic and program goals by Ministry while gender-sensitive settlements focus on the description of goals in gender equality by Ministry.

National financial management system

- Include gender-sensitive settlement data in performance reports

Gender-sensitive budget system

- Prepare gender-sensitive settlements in the same format as performance reports
- Describe gender equality projects in the same way as performance reports; describe GIA projects, focusing on added performance indicators

4. Performance assessment

- ▶ Performance reports contain information on the performance of gender equality-related projects. Therefore, when the Ministry of Economy and Finance assesses financial projects and the Office for Government Policy Coordination evaluates government business based on the reports, the performances of gender equality projects are also assessed. The achievements of projects subjected to gender-sensitive budget, which are specified in performance reports, and improvements presented pursuant to external evaluation (GIA, etc.) are reflected in internal assessment reports by Ministry. After being evaluated by higher-level organizations including the Ministry of Economy and Finance and the Government Business Assessment Committee, these act as basic data for choosing superior and inferior projects or Ministries. These results have effects on determining the total expenditure when preparing the budget

for the succeeding year. In conclusion, the effective management of performances in gender equality in the process of implementing projects has the same effects on budgeting for the next fiscal year as the assessment of other financial projects. Also, these evaluation results are fed back to the Gender Equality Committee, functioning as the basic data for conducting separate evaluation only through gender-sensitive budget and GIA projects. These also provide reasonable data for evaluating each Ministry's endeavors for gender mainstreaming.

National financial management system

- Reflect performance reports and gender-sensitive settlements in the internal financial business assessment report. Include GIA results in the description of matters pointed out by external organizations
- Include the degree of achievement of goals in gender equality in the government's internal evaluation report. Reflect performance reports and gender-sensitive settlements therein

Gender-sensitive budget system

- Included in the Ministry of Economy and Finance's assessment of general financial projects
- Included in the Prime Minister's Office's assessment of government business.
- The Gender Equality Committee's independent evaluation of GB and GIA projects

Source: researchers

3

Policy suggestions

Diverse laws should be revised to implement the reformed gender-sensitive budget system

1. Revise the National Finance Act (, etc.) for system improvement at the phase of planning

- ▶ Add 'the Basic Direction and Goals of Financial Management to Improve the Level of National Gender Equality' (as Subparagraph 1-2) to Article 7 (National Financial Management Planning, etc.), Paragraph 2 (Content of Plans), and Subparagraph 1 (the Basic Direction and Goals of Financial Management) of the 「National Finance Act」. Add the 'Evaluation and Analysis of the

Effects of the Allocation of Financial Resources and Investment Direction by Sector Pursuant to the National Financial Management Plan on Gender Equality' (as subparagraph 5) to Paragraph 3 (Attachments) thereof. It is also deemed to be necessary to make it mandatory to gather the opinions of related experts when collecting opinions via work groups by sector and open forums after revising guidelines for national financial management planning.

- ▶ Revise Article 7 (Basic Planning for Gender Equality Policies) of the 「Framework Act on Gender Equality」 and add 'Identify Gender Inequality Issues and Present Goals in Gender Equality as Solutions thereto in Connection with Investment Plans by Sector Devised Pursuant to the National Financial Management Plan' to Paragraph 2 (Content of Basic Plans) thereof. As a result, a legal framework is established to connect the national financial management plan to gender equality-related basic plans.

2. Revise the 「Gender Impact Analysis and Assessment Act」 and others laws for system improvement at the phase of budgeting.

- ▶ It is necessary to revise various guidelines for Ministry of Economy and Finance's budgeting, performance plan preparation, gender-sensitive budget document preparation, gender impact assessment document preparation, and so forth.
- ▶ Revise the gender-sensitive budget document-related provisions (Article 26 and Paragraph 2 of the 「National Finance Act」 and Article 9, Paragraph 1, and Subparagraph 2-2 of the 「Enforcement Decree of the National Finance Act」 as follows: "Gender-sensitive budget documents should include 'expected benefits in gender equality,' 'performance goals,' 'the analysis of benefits by gender,' and so forth" → "Gender-sensitive budget documents should include 'connection with goals in gender equality by Ministry,' 'gender equality-related performance indicators,' 'reasons for the selection of performance indicators, and so forth.'
- ▶ Revise guidelines for gender impact assessment and gender-sensitive budget document preparation. At present, according thereto, gender-sensitive budget documents should be automatically prepared for budget projects subjected to gender impact assessment. This should be amended to determine whether to prepare gender-sensitive budget documents in accordance with GIA results.
- ▶ The 「Gender Impact Analysis and Assessment Act」 needs to specify the deadline for submitting gender impact assessment documents for projects subject to GIA. The following provision (as Article 7-2) should be added to Article 7 (timing of assessment) thereof: "The gender impact assessment for projects should be conducted by the end of March of the fiscal year".

3. Revise the 「National Finance Act」 and other laws for system improvement at the phase of settlement.

- ▶ Revise Article 57, Paragraph 2 of the 「National Finance Act」 as follows: “Gender-sensitive settlements should include execution performance, the analysis and assessment of effects on gender equality, and so forth” → “Gender-sensitive settlements should include execution performance, the analysis of performance in gender equality, plans to improve gender equality, and so forth”

4. Revise the 「National Finance Act」 and other laws for system improvement at the phase of performance assessment.

- ▶ What is important in revising the system at the phase of performance assessment is to establish a legal framework for implementing financial projects and evaluating government business based on gender equality perspectives by revising the 「National Finance Act」 and the 「Framework Act on Korean Public Service Evaluation」 specifying performance-based financial management.
- ▶ The following provision (as Paragraph 10) needs to be added to Article 8 (Performance-based financial management) of the 「National Finance Act」 : “Chiefs of central agencies and the Economy and Finance Minister should consider the effects of financial projects on men and women when establishing performance management systems and assessing key financial projects pursuant to Paragraphs 1 and 6 of the 「National Finance Act」 . ”The following provision (as Paragraph 3) should also be added to Article 9 (Reflecting analysis and assessment results) of the 「Gender Impact Analysis and Assessment Act」 : “Central and local governments should work hard to reflect analysis and assessment results in evaluating financial projects prescribed in Article 8 of the 「National Finance Act」 . ”
- ▶ Article 6 (Performance management plans), Paragraph 2 of the 「Framework Act on Korean Public Service Evaluation」 should be revised as follows to enable goals in gender equality by Ministry to be specified in performance management plans: “Performance management plans should include duties and strategic goals by Ministry and performance goals (, etc.) for the fiscal year.” → “Performance management plans should include duties, strategic goals, and goals in gender equality by Ministry and performance goals (, etc.) for the fiscal year.”

This paper is expected to react to issues from the gender-sensitive budget system, present necessary improvement measures for overcoming various institutional limitations, and thereby contribute to enabling the gender-sensitive budget system to be positioned as a real tool for gender mainstreaming.

- ▶ Existing worries about and criticism against the gender-sensitive budget system can be summarized as follows: 1) arbitrary and unreasonable selection of projects; 2) system operation concentrated on specific Ministries and sectors; 3) lack of effective performance management systems; 4) excessive administrative burdens; and 5) questionable effects on the promotion of gender equality. Therefore, it is deemed to be necessary to revise guidelines for operation planning and gather the opinions of gender equality experts when implementing the process of collecting various opinions via work groups and open forums by sector.
- ▶ This paper helps identify gender inequality agendas by area based on classification by government function, find out goals in gender equality by Ministry, select target projects that will directly/indirectly contribute to achieving such goals, and thereby present ways to overcome project selection-related problems.
- ▶ At the same time, this study identifies a significant number of gender-sensitive budget projects through the above procedure even in the three sectors where gender inequality agendas have been deemed to be hardly found, making it possible to effectively react to issues from the concentration of target projects. As a result, this paper establishes a basic framework for the gender-sensitive budget system to act as a real tool for gender mainstreaming.
- ▶ Gender-sensitive budget projects are identified at the level of unit projects, making gender-sensitive budget and settlement documents for the projects compatible with performance plans and reports which are basic documents for performance management and thereby enabling the performance of gender-sensitive budget projects to be evaluated within the performance management system for financial projects based on the Ministry of Economy and Finance and the Government Business Assessment Committee. As a result, this study leaves open the possibility of overcoming the lack of performance management systems.
- ▶ Whether gender equality has substantially improved via the gender-sensitive budget system will be able to be quantitatively checked by using performance information from gender-sensitive settlements. Moreover, the burden of preparing performance evaluation-related documents is expected to be relieved, exposing managers to less administrative burdens.