

KWDI Issue Paper

Research Title: A Study on the Linkage of Local Government Gender Budgeting and the Medium-term Local Government Finance Plan

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Abstract

- ◆ In 2022, the gender budgeting for local government marked the 10th year of its adoption. The gender budgeting has been operated from a single-year perspective, focusing on preparing for 'gender budget statements.' As a result, the existing approach to gender budgeting has shown limitations in terms of mid-to-long term perspectives or strategies.
- ◆ Against this backdrop, this study suggests the need to align the local government's gender budgeting with the mid-term local fiscal plan, along with specific ways to ensure such alignment.
- ◆ The alignment between the local government's gender budgeting and the mid-term local fiscal plan is expected to ① facilitate the discussion on gender equality budget, and ② expand the perspectives and scope of gender budget.

Background & Issues

- The main interest in and discussion of the local government's gender budgeting have been focused on the statutory document 'gender budget statements.' However, such an approach has shown limitations as follows.
 - ▶ The approach centered around gender budget statements has lacked mid-to-long term views or strategies, since it has been applied to individual programs without considering the bigger picture of the fiscal operation.

- The limitations demonstrated by the local government's gender budgeting appear the same in the national gender budgeting, and have been constantly indicated as issues in the National Assembly's review of gender budget/settlement. As a policy alternative to these issues, it has been suggested to align the gender budgeting with the national fiscal operation plan.
- In the same context, this study explored the need and specific ways to align the local government's gender budgeting with the mid-term local fiscal plan.
 - ▶ The mid-term local fiscal plan is a five-year rolling plan aimed at ensuring a systematic operation of the local finance, based on the mid-to-long term outlook for the local government's revenue and expenditure demands. The mid-term local fiscal plan serves as the basis on which the local fiscal operation plan including the investment review and budgeting is established.
 - ▶ The mid-term local fiscal plan also reflects policy priorities and accordingly allocates resources. In this regard, if the mid-term local fiscal plan reflects gender perspectives, it will make it possible to present how to change the way the local finance is operated to improve gender equality, and to influence the priorities of policy/budget allocation.

Survey & Analysis Results

● The need to align local governments' gender budgeting with mid-term local fiscal plan

● The need to change the local governments' gender budgeting

- ▶ Since the fiscal year of 2013, the number of target programs and the amount of budget have significantly increased in the local governments' gender budgeting. Despite such an increase, however, the gender equality awareness among the relevant public officials has not much improved. The survey on the awareness of public officials conducted in 2014 and 2019 asked public officials about whether their awareness had changed after preparing the gender budget statements and about how much they had used the gender budget statements in the budgeting process, and the results of this survey show that there is no difference in their responses between the survey in 2014 and the one in 2019. These survey results indicate that the gender equality goals and the directions of gender budgeting described in the gender budget statements are not reflected in the local government-wide or department-wide mid-to-long term policy directions and strategies. It also means that the local gender budgeting system has not driven changes in the way the local finance is operated.

- ▶ The issues described above indicate that a change is required in the way the local governments' gender budgeting is operated, in order to improve the gender equality awareness of the relevant public officials and achieve the fundamental goal of the gender budgeting system. In other words, the current gender budgeting should be changed in a way to be aligned with the mid-term local fiscal plan so that the discussion on gender equality budget could take place.
- ▶ This study focuses on the alignment with the mid-term local fiscal plan, considering the current fiscal environment. In the present contractionary fiscal environment, the government's policy goals such as gender equality are highly likely to be placed low on the priority list. Therefore, it is necessary to review the policy instruments that are used for operating the gender budgeting so that the gender budget will remain usable. In other words, there is a need to consider new policy instruments that could influence the budget allocation. One of such policy instruments is the mid-term local fiscal plan that enables the gender equality budget to be allocated systematically and be operated strategically.

The need to reflect gender perspectives in the mid-term local fiscal plan

- ▶ The government needs to consider diverse values in its fiscal operation while evaluating and managing its fiscal programs from multiple perspectives. One of such perspectives is gender equality which needs to be discussed along with the differences by region and income level.

The need to align the budgeting system with main fiscal systems

- ▶ The budget system of local municipalities can be operated with efficiency and accountability, when the budget structure encompasses the entire budgeting systems while allowing the individual systems to demonstrate their own characteristics. However, the gender budgeting system is different from other budgeting systems in terms of its institutional objectives, background, functions, and content. As a consequence, the gender budgeting system has been operated separately from other budgeting systems, without any instruments to connect itself with the entire budgeting process/system or to check and improve the efficiency and accountability of the budget operation from a comprehensive perspective.
- ▶ Therefore, the gender budgeting needs to be aligned with other main fiscal systems including the mid-term local fiscal plan, in particular, because many of the projects/programs subject to gender budgeting are related to the national subsidy programs and require continuity by its nature. The existing gender budgeting tend to have a single-year perspective on its programs. However, many of the local government programs generating gender-based benefits bring about gender gap in the beneficiaries of the programs from a mid-to-long-term perspective. Therefore, it is critical to align the gender budgeting with the mid-term fiscal plan.

● Case examples of alignment between local governments' gender budgeting and mid-term local fiscal plan

● Gyeonggi-do

- ▶ Gyeonggi-do focuses on four pillars in aligning its gender budgeting with the mid-term local fiscal plan.
 - Reflect gender equality goals and strategies in the objectives and fiscal operation of the local government: Current Gyeonggi-do government's mid-term local fiscal plan consists of 'the overview of mid-term local fiscal plan', 'conditions and outlook for fiscal operation', 'basic direction of mid-term fiscal operation', 'investment plan by area', and 'detailed program plans.' The basic direction of mid-term fiscal operation refers to the basic direction based on the conditions and outlook for the fiscal operation or to the basic direction of the local government. Therefore, if gender equality goals are reflected in the local government's goals, they will be included in the basic direction of the mid-term local fiscal plan, which will ultimately integrate gender perspectives to the mid-term fiscal operation of the local government.
 - Improve the laws and systems related to the establishment of mid-term local fiscal plan: By amending Provision 4 under Article 33 of Local Finance Act based on what is stipulated in Provision 2 of Article 3 of Local Finance Act, the gender budgeting principles and the gender equality goals of local municipalities can be included in the process of establishing the mid-term local fiscal plan. This amendment proposal seeks to include information related to gender budget operation in the mid-term local fiscal plan, by stipulating such content in the Mid-Term Local Fiscal Plan Establishment Standard.
 - Select the investment projects/programs under the mid-term local fiscal plan among the projects/programs subject to gender budgeting so that the gender budgeting system can be operated based on a mid-term perspective: Regarding this, the Ministry of the Interior and Safety needs to amend the Guideline on Preparation of Gender budget Statements.
 - Amend the 「Ordinance on the Improvement of Gender budgeting Effectiveness for Gyeonggi-do」: Add a new provision to Article 3 of this Ordinance that 'the local government's budget shall be managed in a way to operate the gender budgeting based on a mid-term perspective, in order to achieve gender equality goals.'

● Sejong Special Self-Governing City

- ▶ Sejong City plans to align its gender budgeting with the mid-term local fiscal plan, by discovering the potential elements of its mid-term local fiscal plan that could be connected to the gender budgeting and then adding the relevant gender-responsive contexts to the mid-term local fiscal plan.
- Chapter 2 Conditions and Direction for Mid-Term Fiscal Operation: The fiscal conditions and direction for Sejong City shall include the content related to gender budget.

- Chapter 3 General Information about Mid-Term Fiscal Plan: Create a provision on 'Gender budgeting Operation Plan.'
- Chapter 4 Fiscal Plan by Area: Reflect gender-balanced benefits in the policy directions by area. Considering different characteristics by area, however, it is not appropriate to mandatorily apply gender-balanced benefits to all areas.

Policy Recommendations

Based on the outcome of the study, two proposals were presented as follows.

Improvement of local governments' gender budget statements

- ▶ Add 'Performance Target' item in the table of items on the gender budget statements, which are supposed to be prepared by the team in charge of budget at the local municipality. By doing so, establish gender equality goals as five-year mid-term goals while setting and managing relevant performance targets.

2022 Local Municipality Budgeting Operation Standard & Fund Management Plan Establishment Standard

4. Description items

1) Team in charge & description items

Team in Charge	Items					
Team in charge of budget at the local municipality	I . Gender Equality Goals					
	II . Gender budgeting Directions					
	III. Overview of Gender Budget, Table of Total Budget by Area/Program/Function/Organization					
		2022	2023	2024	2025	2026
	Performance Target 1					
	Performance Target 2					
Office/Bureau	IV. Gender Budget Statements by Office/Bureau, Gender budgeting Directions, Table of Total Budget, Table of Total Budget by Program					
Office/Division	V . Gender Budget Statements by Team					
	1. Table of Total Programs					
	Gender budgeting Directions, Table of Total Budget, Table of Total Budget by Program					
	2. Materials about each program					
	Program overview, programs subject to gender budget, gender benefit analysis, cause analysis on gender gap, performance targets, the expected effect on gender equality					

Improvement of Local Finance Act and Mid-Term Local Fiscal Plan Establishment Standard

- ▶ Considering the clear necessity to align both systems, stipulate the alignment between gender budgeting and mid-term local fiscal plan in the relevant law and guideline (Local Fiscal Plan Establishment Standard) as a compulsory element. The specific way the two systems are aligned with each other shall be determined autonomously by the local government, depending on their local context. But, the local municipalities shall be presented with the method to align the two systems (proposal) to better understand how to align them.
- ▶ It is possible to refer to the case example of Jeju Special Self-Governing Province, where they aligned the gender budgeting with the mid-term local fiscal plan based on their local ordinance, by ‘analyzing and evaluating the outcome of gender budget operation → including the analysis & evaluation results in the fiscal management report → reflecting the fiscal management report in the next fiscal year’s budgeting and mid-term local fiscal plan.’ It is also possible to utilize the performance plan by ‘reflecting gender equality goals in the vision/improvement policy and directions/strategic goals of the performance plan → setting up the basic direction of fiscal operation in line with the performance plan’s vision and development strategies in the process of establishing the mid-term local fiscal plan.’
- ▶ Local governments that have already established gender equality goals can directly reflect the gender equality goals in the basic direction of their fiscal operation. Similarly, local governments that have already conducted an adequate analysis in the process of preparing gender budget statements can reflect the analysis results in the fiscal resources allocation plan by area or use the analysis results as a criteria for fiscal resources allocation by area.

Amendment Proposal for Local Finance Act

As-Is	To-Be
<p>Article 33(Establishment of Mid-Term Local Fiscal Plan)</p> <p>③ The mid-term local fiscal plan shall include the following items.</p> <ol style="list-style-type: none"> 1. Basic direction and objectives of fiscal operation 2. Mid-term fiscal conditions and outlook for the fiscal volume 3. Relevant items in the related national plan and local government plan 4. Fiscal resources allocation plan by area 5. Budget and fund-specific operation direction 6. The outlook, rationale, and management plan by area regarding the increase rate and calculation details of the mandatory expenditure (referring to the expenditure whose execution and volume are determined by laws and regulations, including the interest expenditure: the specific scope of mandatory expenditure shall be determined by the Presidential Decree) and the increase rate of the discretionary expenditure (referring to the expenditure besides the mandatory expenditure) 7. The outlook and basis for the integrated local fiscal statistics in accordance with Article 59 8. The outlook and management plan for the integrated fiscal balance(referring to the fiscal statistics combining the general accounting, special accounting, and funds: the amount after subtracting the net expenditure from the net revenue) 9. Programs subject to investment review and issuance of municipal bond 10. Other matters determined by the Presidential Decree 	<p>Article 33(Establishment of Mid-Term Local Fiscal Plan)</p> <p>③ The mid-term local fiscal plan shall include the following items.</p> <ol style="list-style-type: none"> 1. Basic direction and objectives of fiscal operation 2. Mid-term fiscal conditions and outlook for the fiscal volume 3. Relevant items in the related national plan and local government plan 4. Fiscal resources allocation plan by area 5. Budget and fund-specific operation direction 6. The outlook, rationale, and management plan by area regarding the increase rate and calculation details of the mandatory expenditure (referring to the expenditure whose execution and volume are determined by laws and regulations, including the interest expenditure: the specific scope of mandatory expenditure shall be determined by the Presidential Decree) and the increase rate of the discretionary expenditure (referring to the expenditure besides the mandatory expenditure) 7. The outlook and basis for the integrated local fiscal statistics in accordance with Article 59 8. The outlook and management plan for the integrated fiscal balance(referring to the fiscal statistics combining the general accounting, special accounting, and funds: the amount after subtracting the net expenditure from the net revenue) 9. Programs subject to investment review and issuance of municipal bond 10. Outlook and management plan for the relevant budget and programs from gender-responsive perspectives 11. Other matters determined by the Presidential Decree

Mid-Term Local Fiscal Plan Establishment Standard

<Mid-Term Local Fiscal Plan Establishment Standard>

- ◆ Collect opinions from residents about the mid-term local fiscal plan by utilizing the ‘citizen participatory budget system.’
 - Since the citizen participatory budget system was expanded throughout all budgeting processes(as of March, 2018), it is possible to collect sufficient opinions from residents about the mid-term local fiscal plan by utilizing the citizen participatory budget system including seminars, public hearings, and discussions.
- ◆ **Reflect gender-responsive perspectives in the process of establishing mid-term local fiscal plan, by utilizing the gender budgeting system**

- ▶ A combination of these two systems is expected to bring about the following effects.
 - Contribution to the discussion of gender equality budget
 - In general, single-year budget is based on the incremental budgeting approach, which focuses on allocating fiscal resources for the next fiscal year and thereby has politically and economically sensitive interest at stake.
 - Whereas, the mid-term local fiscal plan is a five-year plan in which fiscal resources are allocated to each year’s fiscal programs within the five-year timeframe. The mid-term local fiscal plan is not a fixed plan but a flexible plan in which part of the details can be changed every year. Since the mid-term local fiscal plan is more of a tentative agenda, it has lower conflict of interest.
 - If gender-responsive perspectives are applied to the mid-term local fiscal plan, it will become possible to discuss gender equality budget from a macro-perspective, identify the entire volume of gender equality budget, and allocate the relevant fiscal resources from a mid-to-long term perspective.
 - Broader expansion of gender budgeting perspectives and the relevant target areas
 - Performance targets of the current gender budget statements based on specific single-year programs are mostly centered around gender-disaggregated beneficiaries of the relevant programs and are marked, for example, as ‘the rate of women beneficiaries.’ However, taking a mid-term perspective on gender budget statements will make it possible to utilize a fiscal allocation approach different from the existing dichotomic approach that simply consists of men and women.
 - In addition, applying gender-responsive perspectives to diverse areas of the mid-term local fiscal plan will help expand the scope of gender budget, which is currently concentrated into ‘social welfare’, to include other areas as well.

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Responsible Ministry : Ministry of Economy and Finance (Welfare Budget Division)

Related Ministry : Ministry of Gender Equality and Family (Gender Impact Assessment Division)