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## **VICE MINISTER YONG-BEOM CHO ATTENDS 14<sup>TH</sup> INTERNATIONAL FORUM ON BUDGETING AND BILATERAL MEETING WITH OECD CHIEF ECONOMIST**

The 14<sup>th</sup> International Forum on Budgeting was held on September 30-October 1 at the OECD Paris Headquarters, France, jointly organized by the Ministry of Planning and Budget(MPB), the Korea Development Institute(KDI), and the OECD. The forum, celebrating the 30<sup>th</sup> anniversary of the Republic of Korea's OECD membership, was held under the theme "Beyond Crises: Budgeting for the Future". The forum was attended by delegates including Vice Minister of Planning and Budget of the Republic of Korea Yong-beom Cho, Ambassador of Korea to the OECD Tae-ung Baik, President of KDI Se-jik Kim, OECD Deputy Secretary-General Yasushi Masaki, Chairman Emeritus of the Committee of Senior Budget Officials Barry Anderson, and Head of Budgeting and Public Management at the OECD Jon Blondal.

Meanwhile, Vice Minister Cho met with OECD Chief Economist Stefano Scarpetta to exchange views on Korea's fiscal policy, including the 2027 budget proposal and the newly introduced Future Fund.

### **Bilateral Meeting with OECD Chief Economist**

Vice Minister Cho, in the bilateral meeting with Chief Economist Stefano Scarpetta, explained that the 2027 budget proposal seeks to strengthen Korea's future growth potential while addressing structural challenges facing the economy and society. He outlined the government's planned investments in three mega-projects—Semiconductors, Physical AI, and AI data centers—as well as seven strategic technology areas (SEED<sup>1</sup>). He also highlighted policy efforts to address demographic change, regional disparities, and other structural challenges.

Vice Minister Cho also explained the rationale behind the new Future Fund. He noted that the Fund is intended to enable part of increased revenues to be used for investments that support Korea's longer-term growth potential, while providing a fiscal buffer against future fluctuations in revenue. He added that the Fund is also intended to help mitigate fluctuations in government revenues associated with semiconductor cycles, as highlighted in this year's OECD Economic Survey of Korea.

During the discussion, Chief Economist Scarpetta referred to the establishment of a fund to save excess revenue for the future "a wise policy choice." The two sides discussed how such a mechanism could help manage fluctuations in government revenues and facilitate strategic investment within a medium- to long-term framework. The OECD side also shared relevant international experiences, noting that countries such as Ireland and Norway have established mechanisms to set aside public resources for longer-term fiscal needs and future generations.

<sup>1</sup> SEEDs(Strategic Emerging Engines for Disruptive Innovation): 7 tech sectors including SMR(Small Modular Reactors), Nuclear Fusion, Renewable Energy, Quantum Technology, Space and Aviation, Advanced Bio, Critical Supply Chain

## Key Discussions at the Forum

Vice Minister Cho, through his opening remarks, stressed the important role of public finance amid the multi-crisis facing the international community and the AI transformation, stating that the government must open up new pathways for future growth through proactive fiscal policies. In particular, he introduced the 2027 budget proposal which includes proactive investments in the three mega-projects and the seven SEED technologies. He also highlighted the Korean government's efforts to innovate fiscal management to support these investments, including strong expenditure restructuring and the establishment of the Future Fund. Moreover, he emphasized that public finance must serve as the last resort to safeguard the national economy and people's livelihoods, as well as the key to future prosperity, establishing a virtuous cycle that enhances fiscal sustainability through economic growth.

In the first session, under the theme “Budgeting for Growth and Transformation”, Canada introduced its Capital Budgeting system designed to increase capital investment, while Australia, New Zealand, and Sweden respectively explained the importance of securing fiscal space for long-term growth and crisis management as well as complying with fiscal rules. Korea highlighted the role of the Future Fund which will serve as a driver for long-term growth and a successful great transformation, and that the fund will create a stepping stone for a new leap forward by expanding investments in promising sectors. The OECD advised its member countries that fiscal management should focus on inducing private investment and boosting productivity through investments in R&D, human capital, and infrastructure, as well as improvements in regulations and licensing, while emphasizing the need for a medium-term fiscal framework to prepare for long-term spending pressures driven by population aging.

In the second session, “Budgeting in Times of Crisis”, Greece, Finland, and Portugal discussed fiscal challenges in European countries and shared experiences of overcoming the COVID-19 pandemic, reaching a consensus on the need for prompt fiscal support and budget flexibility in times of crisis. In this regard, KDI shared with the participants the case where the Korean government successfully overcame a crisis by preemptively handling growing uncertainties, such as the sharp rise in energy prices stemming from geopolitical risks as of April 2026, through a 26.2 trillion won supplementary budget.

In the third session, “Overcoming Fiscal Challenges”, Korea and other OECD member countries gathered ideas for fiscal innovation to simultaneously ensure growth and fiscal sustainability amid rising fiscal pressures caused by uncertainties such as low birth rates, population aging, and supply chain disruptions. Hyun-kyung Oh, Director of the Fiscal Sustainability Division of MPB, introduced the goal of Korea's 2027 budget proposal designed to enhance potential growth while maintaining fiscal sustainability, as well as the government's efforts to establish a mid- to long-term strategy that encompasses all sectors of society. In response, the OECD also underlined the need for structural reforms, such as expanding labor market participation, and improving governance efficiency through the utilization of data and AI.