

A Reflection on Two Decades of Working with the OECD Network on Fiscal Relations across Levels of Government



KIM Junghun

Chair of OECD Network on Fiscal Relations across Levels of Government
President of Fiscal Policy Institute

Over the past two decades, I have worked with the Korea Institute of Public Finance (KIPF), a government research institute affiliated with the Ministry of Economy and Finance. During this time, I have closely worked with the OECD, especially in the area of intergovernmental fiscal relations (IFR). This is a policy area that deals with fiscal issues across central and subnational governments. It naturally deals with tax, budget, and regional policies, as well as with fiscal governance, especially constitutions and laws that dictate fiscal relations across levels of government. As a result, the OECD Network on Fiscal Relations across Levels of Government (NFR)—a Level 1 OECD committee that deals with IFR policy issues—has four related divisions (Centre for Tax Policy and Administration; Directorate for Public Governance; Centre for Entrepreneurship, SMEs, Regions and Cities; and Economics Department). The uniqueness of the multidimensionality of NFR has given me the privilege of meeting with many excellent OECD Secretariat staff. I think this is a good opportunity to reflect on the evolution of the OECD NFR as a way of celebrating the 25th anniversary of Korea's OECD membership.

For those who study intergovernmental tax structure, understanding the nature of



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local taxation is key to understanding the nature of (fiscal) decentralisation. When I made my first business trip to the OECD in 2001, I was fortunate to meet with Leif Jensen, who was at an early stage of developing the concept of “local taxing power”. In the US, local tax rates are determined by local governments. In Korea, however, local tax rates are determined by the central government (parliament). To one who was thinking that the standard theory of IFR needs to be interpreted carefully and dealt with in a country-specific way, it was surprisingly good news that such a concept was being developed at the OECD level.

By the early 2000s, it was generally agreed by the OECD, IMF, and World Bank that reliable subnational statistics need to be collected and analysed at the OECD level since such a task is challenging for many developing countries. After a preliminary meeting in 2003, the first NFR meeting was held in 2004, and I was elected as Chair of the Statistical Meeting of NFR and later as NFR Chair in 2011. The head NRF Secretariat member was initially Christopher Heady, who is now at the University of Kent, and then the baton was passed to Hansjörg Blöchliger in 2006. A key concept related to local taxing power is “tax sharing”, which is often stipulated in constitutions (e.g. Germany) or laws (e.g. Austria). Hansjörg Blöchliger played a leading role in producing a series of publications on local taxing power, tax sharing, and intergovernmental grants. His

contribution is significant since the unique and valuable OECD data and analysis on tax autonomy have drawn attention from many academic and policy researchers.

The current head of the NFR Secretariat is Sean Dougherty. Even though the importance of inclusive growth had been emphasised in the OECD since around 2010, the relationship between fiscal decentralisation and inclusive growth was not fully appreciated until 2017 when Dougherty joined NFR. He was instrumental in producing, among many publications that NFR has created, a series on the relationship between fiscal decentralisation and inclusive growth. As the presence of Ángel Gurría, former OECD Secretary-General, at an NFR annual meeting demonstrates, these publications have turned out to be another successful project of NFR.

Come to think of it, why am I so interested in the activities of the OECD? At a preliminary NFR meeting that took place in 2004, Jorgen Lotz, then the Danish delegate and a good friend of mine thereafter, asked me why a man from Asia seemed to know more about European countries than European experts themselves. This was after I made an intervention about the European Charter of Local Self-Government. I did not respond to him in detail, but there is actually a very good reason. If one reads official Korean documents, it is noticeable that OECD statistics play an important role in supporting the government's policy positions. In many other countries, "foreign cases" also play a role, but not as much as in Korea. When I prepare a policy report, the most challenging question that government officials in the Ministry of Economy and Finance pose is "Why is it A in Korea, but B or C in other OECD countries?" This sounds like a straightforward question, but to answer it requires knowledge not only of the economy and statistics but also of the institutions, political economy, and history of other countries. To learn such qualitative information, there is no better place than OECD committees. To be exposed to challenging and thought-provoking questions, there is no better way than working with government officials in Korea. I should add that the officials in the Ministry of Economy and Finance did not just ask questions—they fully supported research collaboration with the OECD. Many influential NFR publications were made possible through the financial support of the Ministry of Economy and Finance.

The OECD is often described as a rich countries' club. Yet, as Professor Christina Davis of Harvard University aptly puts it, the OECD is more than just a rich countries' club since its main contribution is to induce member countries to adopt policies and regu-

lations that fit with an inclusive and democratic society. The well-known Economist magazine once described the OECD as a research and standards body. This is also correct since the OECD produces valuable research outputs and establishes best-practice standards, without which it would have taken much longer for a country like Korea to become an advanced democratic nation in such a remarkably speedy way. To me, the abbreviation “OECD” represents open-minded, energetic, curious, and dedicated people. The same description goes for the public servants in the Korean government. Since this is the occasion to celebrate the 25th anniversary of Korea’s OECD membership, I would like to end by saying that, more than anything else, it is the people at the OECD and the Korean government that have made the partnership between Korea and the Organisation so productive and successful.