

Foreword

Increasing inequalities have received strong attention as part of policy debates in recent years, prompting many countries to pay greater attention to the redistributive implications of their policy choices. In public finances, the conversation surrounding inequality usually focuses on redistribution through a taxation angle. However, the redistributive impact of public expenditure in reducing inequality is even greater than that of taxation. Going some way to recognising this, many countries have increased their focus on the redistributive impact of public spending. Given this increased interest, this report aims to shed light on how evidence related to distributional issues can be integrated into policy making through the budget process. This area has seen many innovative practices emerge in recent years. Countries have been developing results-based budgeting approaches that can help integrate broader social and distributional goals into the budget process. Many have also introduced distributional impact analysis as part of the budget formulation process.

In order to better understand how best to incorporate distributional concerns into the budget process, this study focuses on eight countries with especially noteworthy practices in this area – Canada, France, Ireland, Italy, Korea, the Netherlands, New Zealand, and Sweden. The analysis draws upon a workshop organised with the full co-operation and support of the Korea Institute of Public Finance (KIPF), as part of fully collaborative work. The report provides a set of detailed country case studies on how budgeting procedures to address inequality. The report addresses the tools, frameworks and underlying quantitative underpinnings that are necessary for such distributional analysis to be conducted. From this research, the report draws seven key lessons that aim to assist budget and policy analysts who are looking to implement similar practices. These lessons will also help promote understanding on how best to mobilise some of the modelling tools and underlying data infrastructures to ensure evidence informed policy making.

This publication was reviewed by the Committee of Senior Budget Officials.



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