

Embargo:

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GUIDELINES FOR THE 2026 BUDGET PROPOSAL

On March 25th, the government approved and finalized the “Guidelines for the 2026 Budget Proposal and Fund Management Plan” in a Cabinet meeting. In accordance with the National Finance Act, these guidelines will be notified to the heads of central government agencies by March 31st and will serve as a framework to be followed when submitting budget requests for 2026. With the finalization of these guidelines, the 2026 budget formulation process has now officially begun.

Next year’s budget proposal will focus on resolving pressing issues such as domestic and external uncertainties and economic hardships while enhancing national competitiveness in response to declining potential growth, demographic challenges, and regional depopulation. In addition, it aims to improve fiscal sustainability and efficiency through strategic resource allocation.

The 2026 budget proposal will ① serve as a catalyst for economic recovery and stability in people’s livelihoods, ② support the development of high-tech industries such as AI, industrial transformation, and the stabilization of exports and supply chains to cope with global technological competition, ③ strengthen economic and social fundamentals to address demographic decline, regional depopulation, and the climate crisis for building a sustainable future, and ④ ensure public security and reinforce robust diplomatic and defense investments. Further details are as follows:

- I. Stabilizing People’s Livelihoods and Supporting Economic Recovery
 - Stimulate domestic demand and achieve the stability of small business operations
 - Create jobs, particularly for young people
 - Protect vulnerable groups and shore up their self-sufficiency
 - Revitalize regional economies through housing and safety infrastructure.
- II. Enhancing Industrial Competitiveness
 - Establish an AI innovation ecosystem
 - Support key high-tech industries such as semiconductors and biotechnology
 - Transition to leading-edge R&D initiatives
 - Diversify exports and stabilize supply chains
- III. Building a Sustainable Future by Bolstering Economic and Social Fundamentals
 - Prepare for demographic challenges such as low birth rates and aging population
 - Tackle the risk of regional depopulation
 - Respond to the climate crisis through carbon-free energy
 - Foster future talent in new and high-tech industries.

IV. Ensure Public Safety and Strengthen Robust Diplomacy and Security

- Prevent and respond to crimes related to people's livelihoods
- Expand disaster management systems and medical infrastructure
- Reinforce advanced military capabilities and foster the defense industry
- Shore up support for bilateral and multilateral diplomatic initiatives

At the same time, as concerns over fiscal sustainability grow due to a weakening revenue base caused by declining future growth rates and increasing mandatory expenditures driven by an aging population, efforts to beef up fiscal innovation will be strengthened, including the reassessment of mandatory spending.

The following are key directions for fiscal management innovation.

- i. With an aim to **boost the effects of fiscal spending**, efforts will be made to resolve structural issues, expand tailored support to recipients, and step up inter-departmental integration and cooperation.
- ii. In order to **implement intensive fiscal restructuring**, discretionary spending will be reduced by more than 10% and subsidy, investment, and contribution programs will be reorganized. In particular, mid and long-term mandatory expenditure requirements will be reviewed in consideration of demographic changes, and efficiency measures, including structural reforms, will be explored when necessary.
 - i. **Investment resources and methods will be diversified** by expanding the use of private resources and private financing, improving tax expenditure management and the accuracy of revenue forecasting, and strengthening the efficient use of fund and accounting surplus resources.

Each ministry will submit its budget request to the Ministry of Economy and Finance (MOEF) by the end of May, based on the budget preparation guidelines. MOEF will complete the preparation of the government budget proposal after going through consultations with relevant ministries and local governments, as well as gathering public opinions from June to August. The finalized budget proposal will be submitted to the National Assembly by September 2nd.