



# Budgeting in Austria

Istanbul, 31 May – 1 June  
2007

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# Budgeting in Austria

- Budget Formulation
  - Special characteristics
  - Planned reforms
- Role of Legislature
- Organisational structure
- Accruals

# Special characteristics

- Fiscal rule for all levels of government
- 4-year coalition agreements
- Biannual budget planning
- Independent economic assumptions
- Global expenditure ceilings
- Manpower controls

# Fiscal rule for all levels of government

- Stability and Growth Pact
- Austrian Stability Pact sets deficit/surplus targets for all levels of government
- Includes sanctions for government units not fulfilling the Pact

# 4-year coalition agreements

- Coalition necessary for majority in government
- Statement of general policy orientation highlighting special reform initiatives
- Address budgeting issues in broad terms and sets deficit targets for the coalition period
- Reviewed in mid-term
- Does not set expenditure or revenue targets or amounts to be saved or spent on new initiatives

# Biannual budget planning

- Biannual only in budget preparation stage
- Budget law on annual basis
- Primary motive – bring up discussion on difficult/politically sensitive issues only once every two years
- Brings a more than 1-year perspective to budgeting

# Independent economic assumptions

- By the Austrian Institute for Economic Research (WIFO)
- Not enshrined in legislation but enjoys broad political support
- No prudency margin in forecast
- Independent forecast makes it harder for the government to be biased in their expenditure and revenue estimates

# Global expenditure ceilings

- Set for each Chapter
- Each Chapter gets one ceiling for personnel and one for all other expenditures
- Ceilings not binding – MoF proposals in the budget process
- ‘Final’ ceilings depend on negotiations MoF-line ministries
- The introduction of the ceilings can increase focus on reallocation

# Manpower controls

- Stellenplan enacted into law
- Sets at a detailed level number and grades of staff
- Together with general regulations for civil service employees creates inflexibilities
- Future reform plans include not abolishing the Stellenplan, but making it less detailed

# Planned reforms

- Medium term expenditure framework
- Separating setting of expenditure ceilings from the annual budget
- Make ‘each minister his own Finance minister’

# Medium term expenditure framework and budget strategy report

- 4-year rolling framework
- Complement and make coalition agreement more operational and binding
- Separation of overall policy discussion and deciding on appropriations
- Ceilings binding at Rubrik and for  $t+1$  on chapter level
- Small reserve within each Rubrik for unexpected expenditures
- Fixed ceilings for approx. 80 % of total expenditure, flexible ceilings for remaining 20%

# Medium term expenditure framework and budget strategy report (2)

- Setting overall ceilings before discussing appropriations foster fiscal discipline
- MTEF/BSR in spring might lead to too much budget related work for the parliament
- Not having ceilings for total expenditure weakens the ceilings
- Reserve funds should be used second to savings and reallocation
- Expenditure ceilings can become expenditure targets

# Make each minister his own Finance Minister

- Reduce the amount of line items
  - More authority to spending ministers to allocate appropriations within Chapters
  - Increased flexibility to carry over unused appropriations
  - Increase use of performance and results information
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- Increase accountability of line ministers and other management
  - More flexibility regarding the Stellenplan should be part of this reform

# Role of the legislature

- In constitutional terms, there are no restrictions on Parliament's role in the budget process
  - It can amend the budget at will
  - It can prepare its own budget without reference to the government
- In reality, Parliament's role is very limited
  - A function of Austria's political environment
  - A function of Parliament's institutional structure in deliberating the budget

# Role of the Legislature (2)

- Time allocated to discussion of the budget is short
  - Presented only 2 months in advance
  - Deliberated very quickly in parliament within the short two month time period - especially at the committee stage
- No arrangements in parliament for promoting fiscal discipline at present
  - The proposed introduction of a medium-term expenditure framework and a Budget Strategy Report which will set a legally-binding maximum ceiling on total expenditures ahead of the deliberation of individual appropriations will rectify this

# Role of the Legislature (3)

- Present committee structure for deliberating the budget is exemplary in most respects
  - Links together the discussion of finance (budget committee) and policy (sectoral committees)
- But the budget committee could concentrate more on the aggregates...
  - Focus on setting overall priorities between different chapters - especially important with MTEF and Budget Strategy Report
  - Give voice to long-term sustainability issues
- ...And the sectoral committees could concentrate more on integrating the budgetary and substantive policy aspects of their work
  - Focus on using the new performance and results information
  - Thus linking budget, policy and performance

# Organisational structure

- In many respects, the organizational renewal efforts – the hived-off entities – launched the overall management reforms as they represented such a radical break with past practice
- Corporatisation vs. flexible agencies

# Accruals

- The introduction of accrual accounting – and retaining the budget on cash-basis – is in line with OECD best practices
  - The coverage of accruals should be comprehensive, including civil service pension obligations
  - Accruals entails use of sophisticated accounting standards
    - It is important for the body that establishes those standards to have a degree of independence from users in order to ensure their integrity
    - Consideration should be given to the establishment of an independent (advisory) board for the promulgation of accrual accounting standards.
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- Financial reporting could be improved by more frequent, less aggregate and more comparative in-year reporting as well as the timely presentation of the audited annual financial statements.

Thank you!

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