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Federal Department of Finance FDF
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Budgeting in Austria

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Fritz Zurbrügg



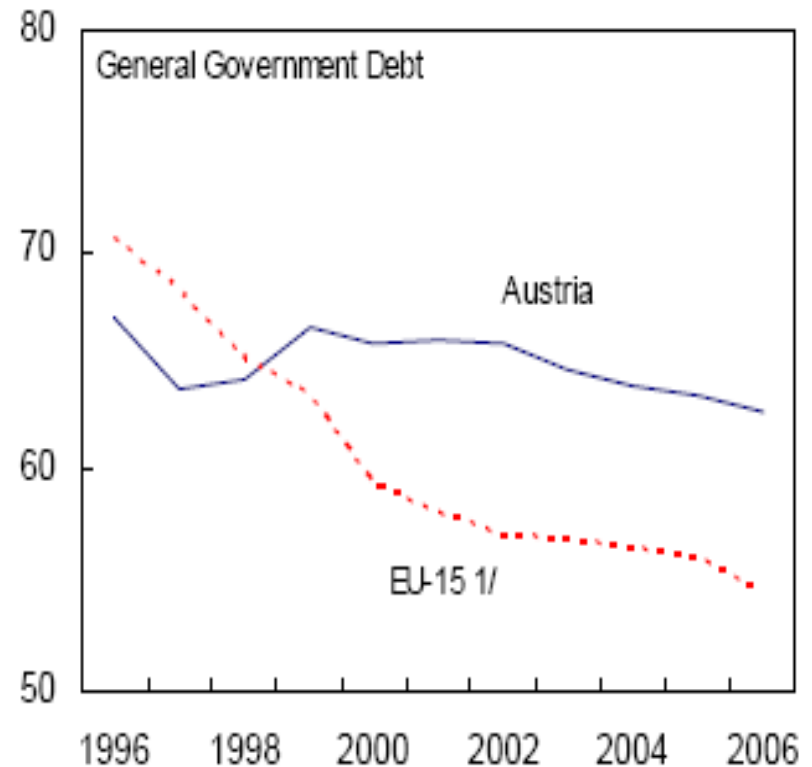
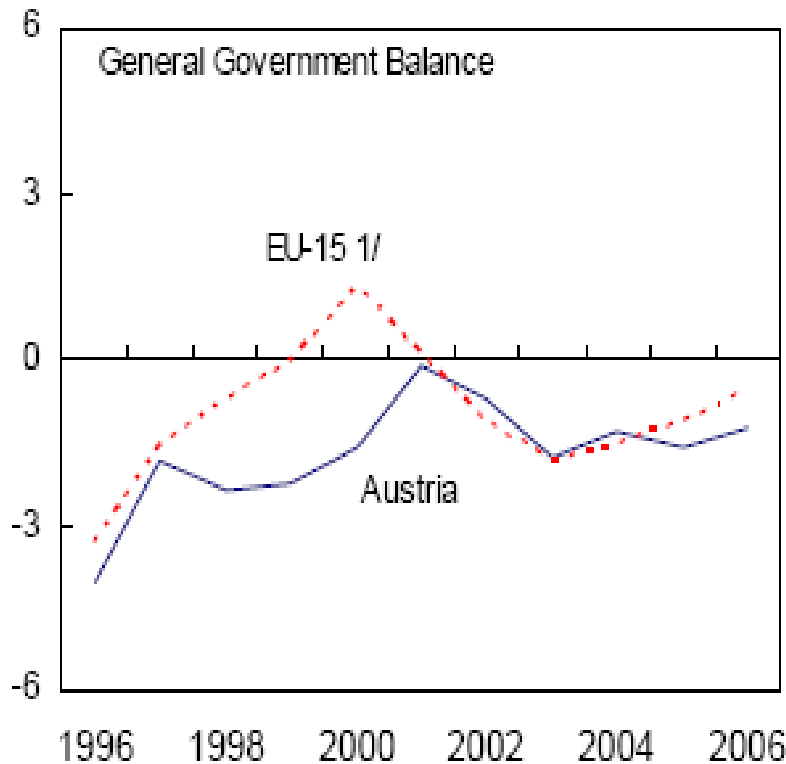
A lot has been done...

- Significant reforms have taken place over the last decade.
- The creation of over 100 independent units that employ over half of the government employees introduced an important performance element.
- The introduction of global expenditure ceilings increased the flexibility of line ministries.
- The increased use of private sector employment contracts and the reform of the civil service pensions were steps in the right direction.



... but more is still required

(In percent of GDP)



Sources: IMF, *IFS*; and *WEO*.
1/ Unweighted average.

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Medium-term expenditure framework

- The MTEF is a key instrument to strengthen medium-term fiscal consolidation. However, its effectiveness will depend on the modalities and implementation.
- What is the overall goal of the MTEF (e.g. balanced budget over the cycle)?
- How binding are the expenditure ceilings in the three forward years?
- How strictly can the limit on variable ceilings be enforced and how do the automatic links to economic indicators work?
- How does the MTEF take into account long-term fiscal sustainability analysis?



Outsourced entities vs. flexible agencies

- The strong move to outsource parts of ministries in the early 1990's increased efficiency.
- Concerns regarding reduced accountability and the "hallowing out" of government were voiced. Control versus efficiency?
- What exactly has changed by introducing flexible agencies?
- What measures are needed to ensure the acceptance of extending the concept of flexible agencies in the context of future budget reforms?



"Rainy day" reserve funds

- Carry-overs are permitted but the restrictions on use are tight. Therefore, ministries have accumulated "rainy day" funds amounting to nearly €4 billion.
- How are these funds financed and for what can they be used?
- Aren't they problematic in terms of year-based budgeting?
- Why are these funds excluded from the overall cash management system?