



REPUBLIK ÖSTERREICH  
Parlament

**PEM PAL Budget Community of Practice (BCoP)  
“The Role of Austria's Parliament in Budgeting”**

# **The Austrian Federal Budget Law Reform**

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# CONTENT

- Overview
- Multi-Annual Budgetary Planning
- Accrual Budgeting and Accounting
- Performance Budgeting
- Challenges for Parliament



# THE AUSTRIAN FEDERAL BUDGET LAW REFORM

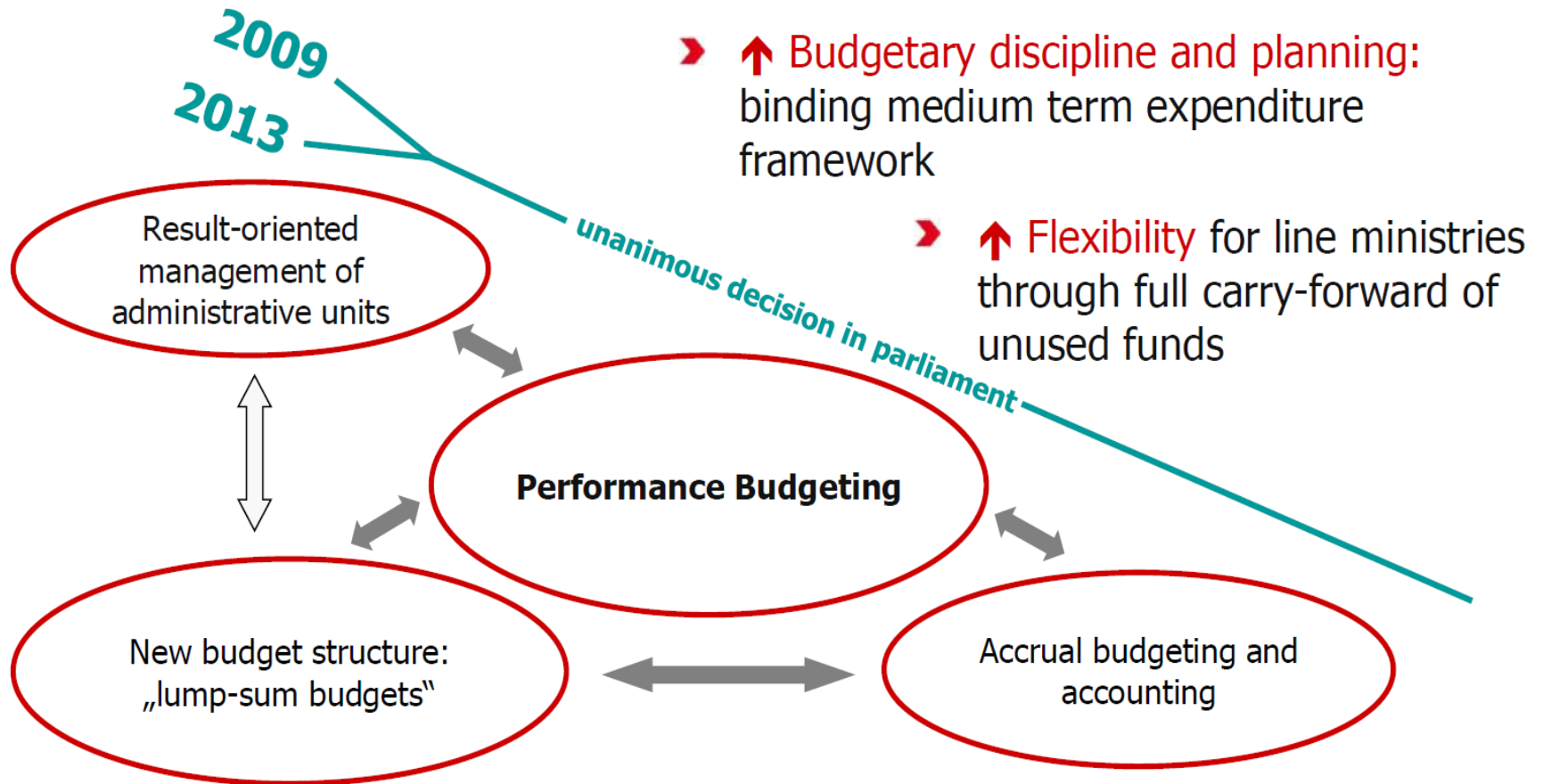


# REFORM OF THE FEDERAL BUDGET LAW

- **Vision:** to improve budgetary decision-making
- **Legal basis of the framework:** Budget law reform in two stages (2009 and 2013) Unanimous decisions in Parliament
- **Reform addresses weaknesses of the traditional system**
  - No binding medium-term perspective
  - Prevailing focus on inputs
  - Monopoly of cash-perspective
- **Objective:** design of the federal budget as a comprehensive steering instrument for resources, outputs and outcomes
- Permanent involvement of Parliament and the Austrian Court of Audit in the reform process by establishing a parliamentary advisory board



# PRINCIPLES OF THE NEW FEDERAL ORGANIC BUDGET ACT



new budget principles: outcome-orientation; efficiency; transparency; true and fair view

Source: MoF



# IMPLEMENTATION: 2 STAGES, 3 LEGISLATIVE AMENDMENTS

Amendment of.....

- **Constitution:** 1st and 2nd stage: objectives, tools, principles
- **Budget Law**  
(1st stage since 2009):  
New budget management on macro-level
- **New organic Budget Law**  
(2nd stage since 2013):  
new budget management on micro-level

Unanimously  
adopted in  
Parliament in  
Dec 07

Unanimously  
adopted in  
Parliament in  
Dec 09



# CONSTITUTIONAL AMENDMENTS

2009:

- **National objectives for public finances**
  - Macroeconomic stability
  - Sustainable public finances
  - Gender Equality
- **Medium-term expenditure framework**

2013:

- **New budgetary principles:**
  - Focus on Outcomes
  - Efficiency
  - True and Fair View
  - Transparency



# MEDIUM TERM EXPENDITURE FRAMEWORK





# 1<sup>ST</sup> STAGE: MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

	Rubrics (= five main budgetary headings)	n+1	n+2	n+3	n+4
1	General Government Affairs, Court and Security				
2	Employment, Social Services, Health and Family				
3	Education, Research, Art & Culture				
4	Economic Affairs, Infrastructure and Environment				
5	Financial Management and Interest				

## Budgetary discipline and planning:

- Binding MTEF & strategy report which explains the ceilings of the MTEF but not individual appropriations.
- Strategy report as an explanatory document



# 1<sup>ST</sup> STAGE: MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

- **MTEF law sets legally binding expenditure ceilings**
  - for 4 years in advance on a rolling basis (n+4 is added annually)
  - for 5 headings (cover several ministries) and
  - 30 budget chapters (ministry specific)
- **MTEF sets ceilings for staff capacity for each line ministry**
- **MTEF = binding for budget planning and execution**
  - Heading level: n+1 to n+4
  - Budget chapter level: n+1 (&n+2)
- **Two kinds of expenditure ceilings**
  - 75 % of expenditure is nominally fixed
  - variable according to predefined indicators for expenditure areas with high sensitivity to the business cycle



# 1<sup>ST</sup> STAGE: MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

## Budgetary Cycle: Spring

- Government presents Federal Medium-Term Expenditure Framework Act together with the strategy report up until April 30th at the latest
  - Parliament debates MTEF every year (amendment for the year n+4)
  - Parliament may modify expenditure ceilings by amending MTEF legal
- ➔ The MTEF has been adapted several times especially in the first periods and has now become a more stable instrument.



# 1<sup>ST</sup> STAGE: MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

## Entwicklung des Bundesfinanzrahmens

in Mio. EUR

	2009	2010	2011	2012	2013	2014	2015	2016	2017	Summe
BFRG 2009-2012 BGBl 51/2009	77.519,9	70.817,4	71.271,3	73.368,9						292.977,5
BFRG 2009-2012 Nov. BGBl 78/2009	77.519,9	70.817,4	71.271,3	73.368,9						292.977,5
BFRG 2009-2012 Nov. BGBl 119/2009	77.519,9	70.817,4	71.271,3	73.368,9						292.977,5
BFRG 2010-2013 BGBl 51/2009		70.817,4	71.271,3	73.368,9	74.733,8					290.191,4
BFRG 2010-2013 Nov. BGBl 78/2009		70.817,4	71.271,3	73.368,9	74.733,8					290.191,4
BFRG 2011-2014 BGBl 33/2010			69.099,3	70.144,3	70.930,6	72.253,1				282.427,3
BFRG 2012-2015 BGBl 40/2011				73.605,6	73.212,9	74.571,1	75.487,7			296.877,3
BFRG 2012-2015 Nov. BGBl 25/2012				75.629,9	73.212,9	74.571,1	75.487,7			298.901,6
BFRG 2012-2015 Nov. BGBl. 62/2012				76.529,9	75.153,3	74.339,4	73.930,3			299.952,8
BFRG 2013-2016 BGBl 25/2012					74.253,3	73.889,4	73.930,3	76.512,2		298.585,1
BFRG 2013-2016 Nov. BGBl. 62/2012					75.153,3	74.339,4	73.930,3	76.512,2		299.935,1
BFRG 2013-2016 Nov. BGBl. 102/2012					75.055,8	74.339,4	73.930,3	76.512,2		299.837,6
BFRG 2014-2017 Regierungsvorlage						74.339,4	73.930,3	76.512,2	78.584,4	303.366,2
Erfolg lt. BRA	69.456,6	67.286,9	67.813,5	72.880,7						

Quelle: Bundesfinanzrahmengesetze, RV BFRG 2014-2017, BRA



# FIRST LESSONS LEARNED

- Austrian MTEF: Focus on budget discipline, sensitivity to the business cycle and on expenditure.
- It seems that the framework contributed to a general government deficit lower than anticipated during the last couple of years, it helped to introduce a longer-term oriented policy debate.
- MTEF was an important step to make the budgetary process more predictable and to foster fiscal discipline.
- Counter-cyclical effects are important, they help to stabilize the economy.
- Besides MTEF Austria introduced regular long-term fiscal projections, to be presented every three years (starting from 2013).
- Although not legally binding for MTEF, it provides a long-term perspective to be taken into consideration.



# 1<sup>ST</sup> STAGE: RESERVES

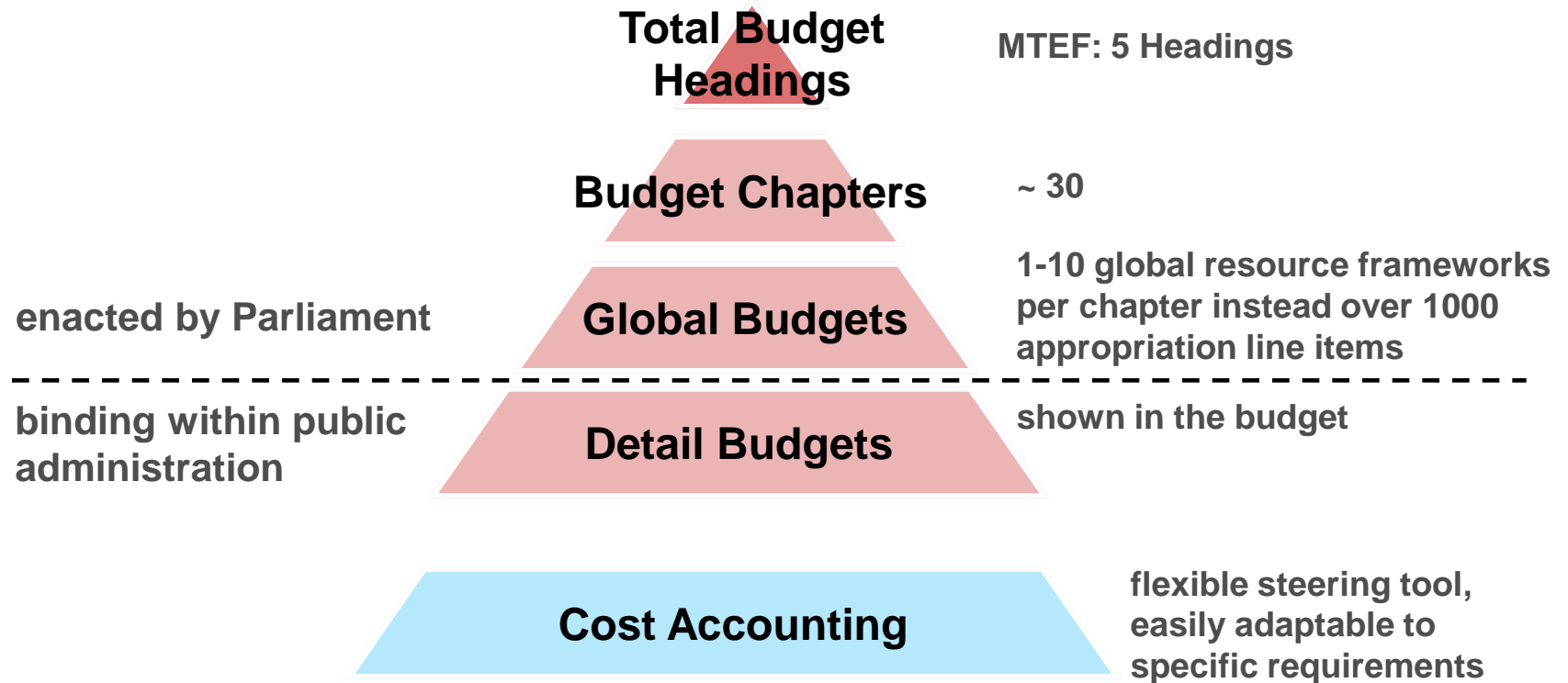
- More flexibility for line ministries in budget preparation and execution
- Full carry-forward possibilities for unused funds without earmarking
- Same rules apply for certain receipts (not for tax revenue !) over budget during the current year
- „December-Fever“ (spending of the rest of the budget in december) considerably reduced
- So far Ministries made extensive use of building up reserves
- Positive effect on interest payments: reserves are financed when they are used and no longer when they are built
- Size of reserves bears some risk



# BUDGET STRUCTURE



# NEW BUDGET STRUCTURE

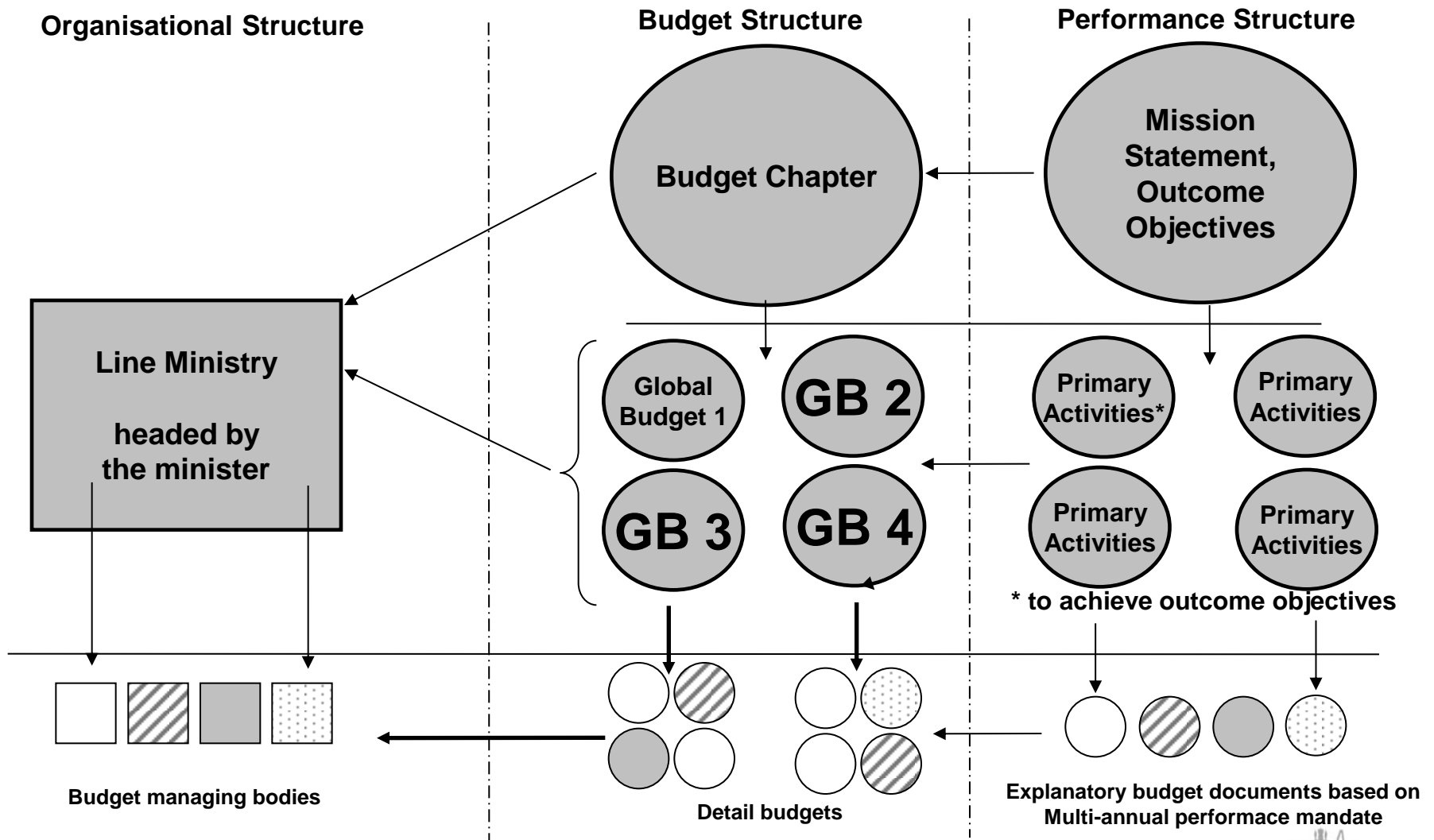


**Transparent budget structure as a prerequisite for other reform elements**





# 2<sup>ND</sup> STAGE: INTEGRATION OF ORGANISATIONAL, BUDGET AND PERFORMANCE STRUCTURES



Source: MOF



# ACCRUAL ACCOUNTING

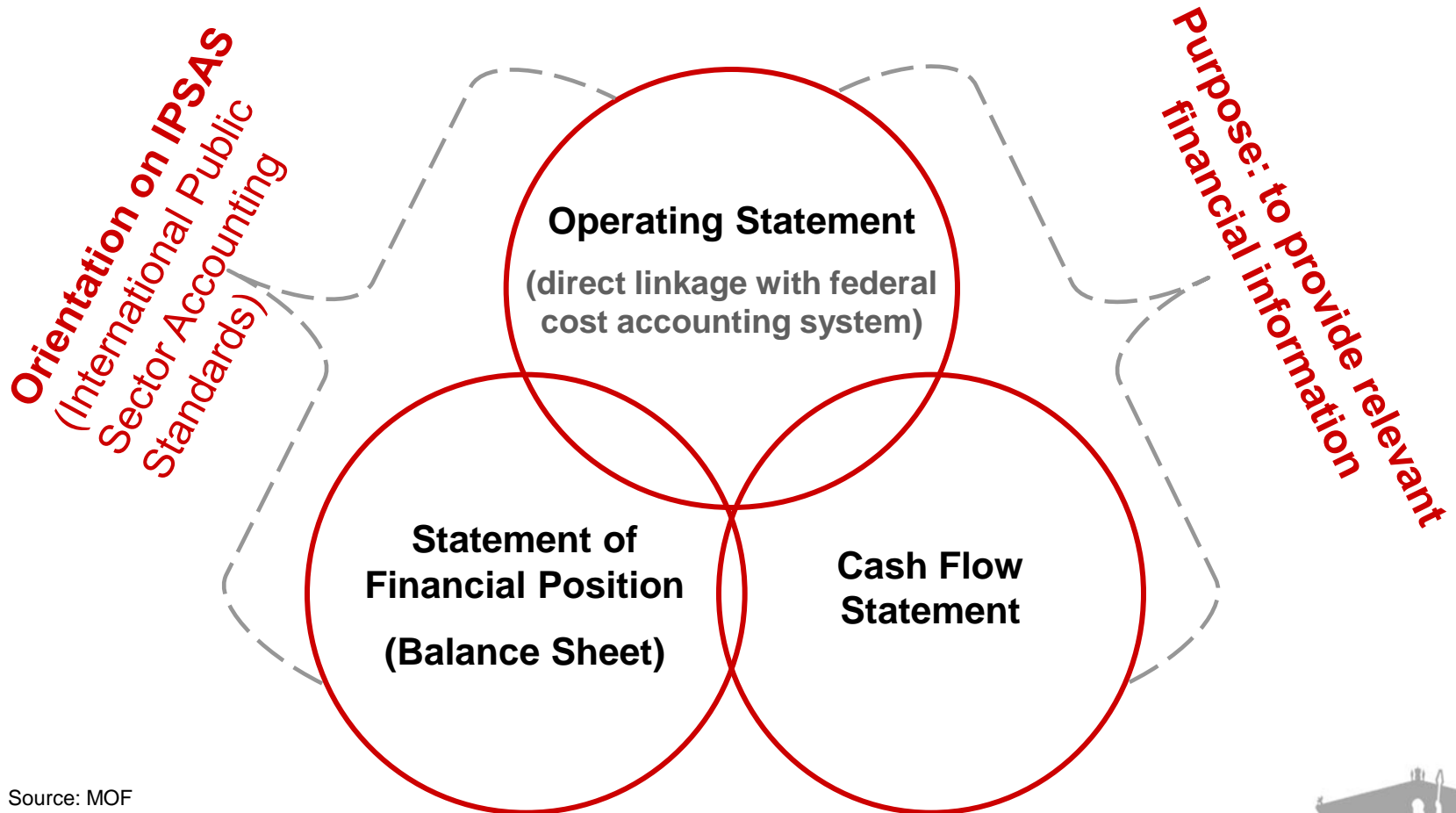


# 2<sup>ND</sup> STAGE: ACCRUAL ACCOUNTING & BUDGETING

- Accrual Accounting and Accrual budgeting: from cash based to two binding perspectives: cash + accrual
- Objectives: provide relevant financial information, become a management instrument
- Two perspectives: use of resources and liquidity
- Ceilings on cash- and accrual-based numbers
- Integration of non-cash items in operating budgets: no cash appropriations for depreciation and provisions
- Ongoing monitoring process during budget execution
- Monthly liquidity management



# ACCRUAL ACCOUNTING AND BUDGETING



Source: MOF



# STATEMENT OF FINANCIAL POSITION

- ~ Balance Sheet
- Only represented as a statement of financial position
- Overview of changes in assets, liabilities and net assets
- Opening Balance sheet in Austria as of 2013
- Line ministers prepare a statement of financial position -> Consolidation through the Ministry of Finance



# STATEMENT OF FINANCIAL POSITION\*

Assets		Liabilities	
Short-term assets:	13.406.897.790,94	Short-term Liabilities	36.162.893.133,67
Long-term assets	76.102.292.902,39	Long-term Liabilities	187.219.596.890,75
		Net Assets	-133.873.299.331,09
89.509.190.693,33		=	89.509.190.693,33

\* Opening balance as of 1.1.2013



# OPERATING STATEMENT

- ~ Profit-and-loss account
- Accrual budget consists of
  - budget based on the operating statement
  - operating statement
- Overview of expenditures and revenues
- Expenses/Revenues are recognized at the time of use/growth of resources



# CASH FLOW STATEMENT

The Cash Budget consists of

- Budget based on the cash flow statement and
- Cash flow statement

Records inflows and outflows of funds in form of expenditures and receipts

- Expenditures are recognized at the time of payment execution; expenditures are outflows of liquid funds (bank balances, cash) within a financial year, i.e. all expenditures from 1 January to 31 December.
- Receipts are recognized according to the value date of the account statement; they are inflows of liquid funds within the financial year.
- Payments made after 31 December must be recognized in the following financial year





# FIRST LESSONS LEARNED

- Federal budget consists of
  - cash flow statement
  - operating statement
- Cash-perspective is still very dominant
- New information on investment/depreciation, provisions, tax receivables, bad and doubtful debts
- Accrual perspective adds a new level of complexity
- Transition period poses challenges to public administration and requires additional explanatory comments
- Parliament has to get used to new information



# PERFORMANCE BUDGETING



# OUTCOME ORIENTATION: OBJECTIVES

- Show outcomes and outputs to be achieved with the underlying budgets
- Facilitate priority setting for politics and subsequently in the public administration
- Strengthen performance accountability for line ministries and budget managing bodies
- Enable administrative level to present results and achievements



# OUTCOME ORIENTATION

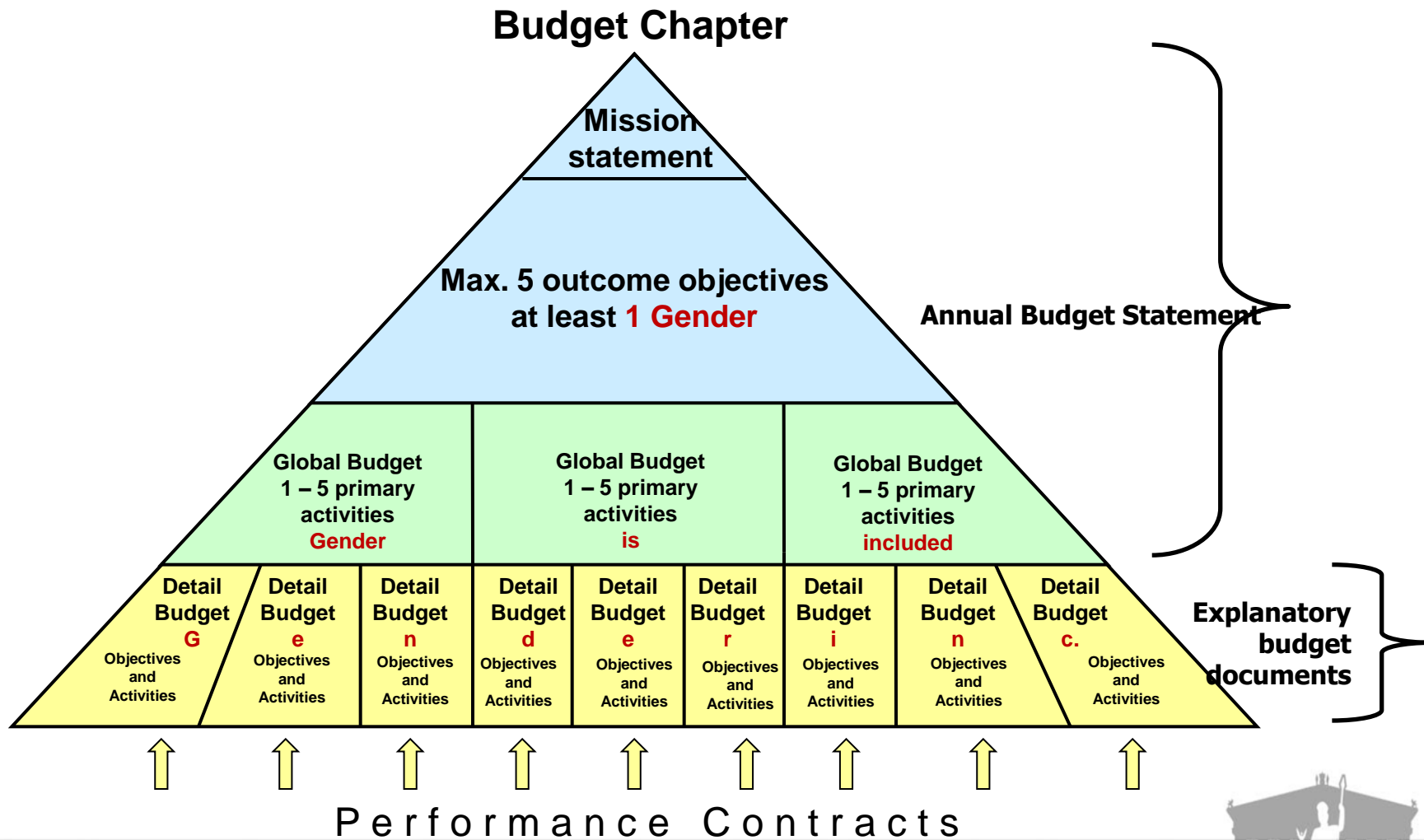
Budget shall develop from input orientation towards a comprehensive steering document of resources and performance based on the new constitutional principle of outcome orientation.

Implementation:

- MTEF/Strategy report refers to outcomes/strategies
- Performance information in the annual budget bill on the level of budget chapter, global and detailed budgets
- Management with performance mandates (resources, aims, achievements)
- Outcome Controlling
- Reporting Requirements
- Outcome-oriented impact assessment with respect to legislative proposals and other projects



# PERFORMANCE INFORMATION ON DIFFERENT BUDGET LEVELS



# OUTCOME ORIENTATION FOR PARLIAMENT

- Budget changes its character: Not only decisions on resources (who gets what?) but steering resources and results (who gets what for which results?)
- Requires relating budget to results
- Budget provides Parliament and the Public with information on
  - Resources
  - Outputs/outcomes
  - Recommendations of the Court of Audit
- Parliament decides on outcomes and outputs as part of annual budget bill
- Entails cultural change on the political level (setting priorities, transparent decision-making, etc.)



# FIRST LESSONS LEARNED

- Intensive discussion of objectives in budget committee and the plenary
- Appreciation of new federal budget law as a considerable improvement
- Appreciation of information relating financial to outcome information
- Appreciation of increased transparency by providing outcome information through all levels of the budget (global budget, detail budget)

## **but identification of potential for improvement**

- More ambitious targets
- More clearly defined objectives
- Mid-term objectives and international comparisons
- More general overviews on cross departmental targets (ie. research, gender)
- Coordination between Ministries should be enhanced



# GENDER BUDGETING

- Application of gender mainstreaming in the budgetary process
- Provisions of the Austrian Constitution and the new federal budget law

*“The Federation, Laender and municipalities subscribe to the de-facto equality of women and men. Measures to promote factual equality of women and men, particularly by eliminating actual existing inequalities, are admissible.” Art. 7 Austrian Constitution*

*“The Federation, Laender and municipalities have to strive for gender equality in their budget management.” Art. 13 Austrian Constitution*

*“In the budget management of the Federation, the relevant principles of outcome orientation - especially in accordance with the targets of gender equality - ..are to be considered.” Art. 51 Austrian Constitution*





# GENDER BUDGETING AND BUDGET LAW 2013

Equality of women and men as the only outcome-oriented objective to be considered by all Ministries and Supreme Institutions

is implemented in the budgetary process in the context of

- Outcome objective on budget chapter level
  - Activities on global budget level
  - Objectives and activities on detail budget level
- Most of the Ministries have defined targets with impact on the society; only in individual cases have internal organisational targets been determined
  - New federal budget law is a lever for gender equality, but room for improvement regarding the implementation
  - Missing a clear distinction between gender equality targets, female promotion and social targets



# OUTCOME-ORIENTED IMPACT ASSESSMENT

- New regime covers impact assessments of new regulations and projects with budgetary consequences
- Streamlines previous approaches to impact assessment and sets up a unified and coherent system
- Entails a two-step procedure to identify and assess substantial impacts on the overall economy, on small and medium-sized enterprises, environmental impacts, impacts in the field of consumer protection policy, on administrative costs for citizens and enterprises, social impacts, on children and impacts regarding equality of women and men
- Financial impacts have to be always assessed
- Provides ministry staff with an it-tool to carry out the assessments and to automatically generate necessary legal materials
- Obligatory internal ex-post evaluation



# EXPECTATIONS AND CHALLENGES



# BUDGET LAW REFORM: EXPECTATIONS

- Improve budgetary decision-making
- Stronger involvement of Parliament in objective setting
- Create a more transparent budget structure
- Improve medium-term fiscal discipline
- Complement cash perspective by taking use of resources into account
- Show outcomes and outputs to be achieved with underlying budgets



**Effective steering system for federal administration and political decision making**



# CHALLENGES FOR PARLIAMENT

- Thorough change of budgetary structure and parliamentary possibilities of steering and controlling the budgetary process
- New budget rules give executive government and administration additional powers
- Need for more stringent parliamentary control of budget execution
- Federal budget reform envisages a central role for parliament
- However, budget process is a highly complex mechanism
- Large information asymmetries



**Need to realign budget procedures and budget control in Parliament**



# CHALLENGES FOR PARLIAMENT

- How to use new information effectively for debate and control
- Promote transparency and accountability
- Watch performance
- Reward ambition, insist on efficient use of resources
- Communicate to the Public



# THANK YOU FOR YOUR ATTENTION

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