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**FEDERAL MINISTRY  
OF FINANCE**

# The Budget Process and the Role of the Ministry of Finance

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- **Main budgetary organs**
- **Budget process from the MoF perspective**
- **Controlling**

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- Central role in **all** budgetary matters
  - Preparation,
  - Implementation,
  - Supervision and
  - Enforcement of federal budget and medium-term expenditure framework (MTEF) - in cooperation with line ministries

- Responsible for financial and tax policies
- Shared responsibility for wage policy for federal civil servants (with the Federal Chancellery)
- Negotiation of Intergovernmental Fiscal Relations Act (with state and local governments)
- External representation of Austria in budget affairs (especially in the EU)

- Assistance in the financial planning and budget controlling
- Assistance in the preparation of budget draft
- Preparation of monthly estimations
- Controlling the budget limitations
- Execution of the budget

# Furthermore ...

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- Government
- Parliament
- Debt Management by the Austrian Treasury
- Book-keeping by the book keeping agency
- General accounting and IT-support by the Federal Accounting Centre
- Federal Court of Audit

- Independent and federal agency
- Processes all government data (received from all layers of government) following EU regulations
- Reports government deficit/surplus and debt levels and provides associated data to EUROSTAT twice per year (end-March and end-September notifications)
- STAT acts on behalf of EUROSTAT.

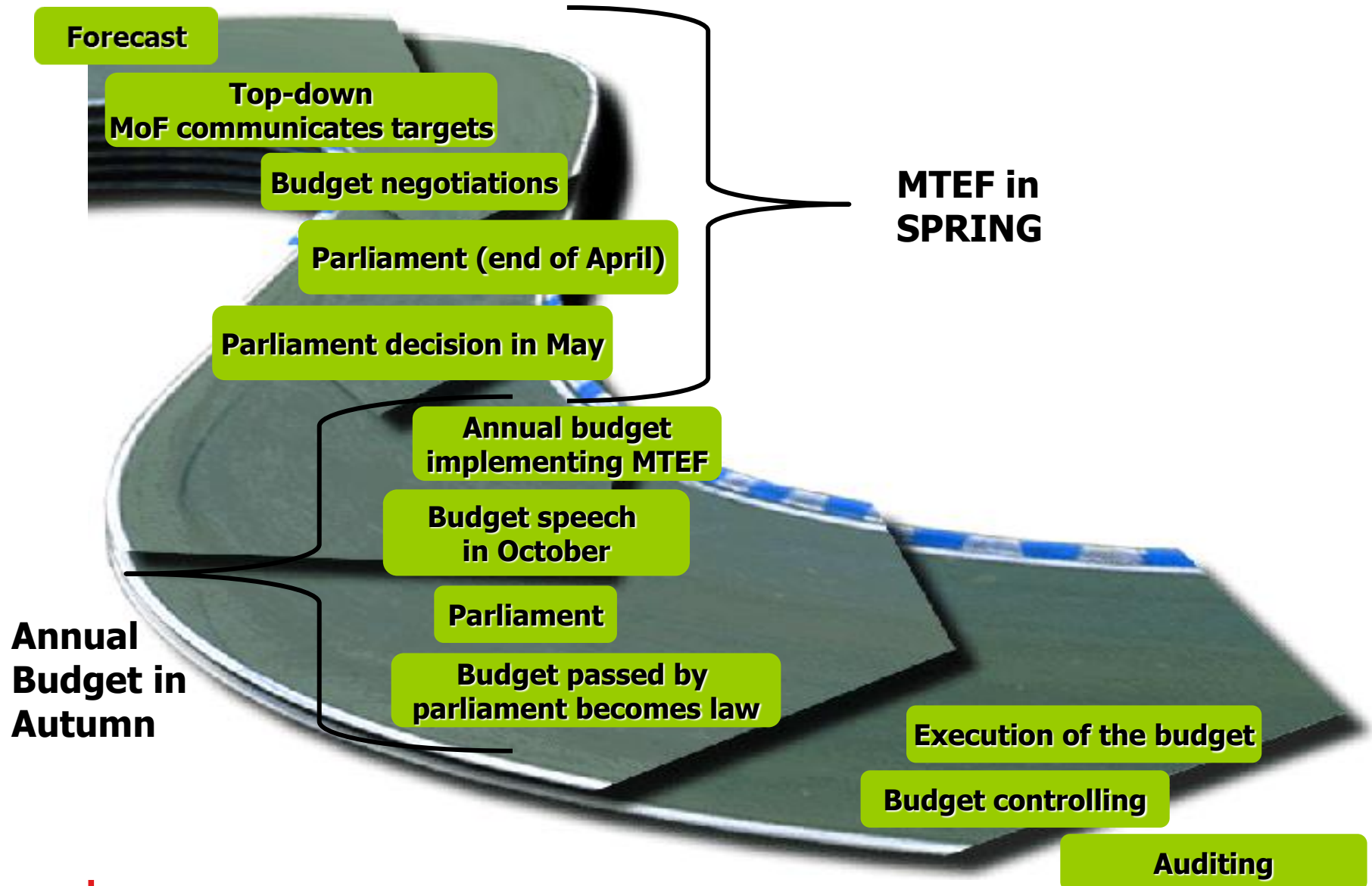


- Reviews data provided by STAT
- Clarification process of open methodological issues
- Publication of the EDP notification tables
- EDP visits by EUROSTAT (not regularly)
- Eurostat decisions interpreting national accounts rules

- Main budgetary organs
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- **EU-rules:**
  - Stability and Growth pact (including Sixpack)
  - Fiscal compact
  - Maastricht treaty
- **National rules:**
  - Austrian Stability Pact (ASP)
  - Medium-Term Expenditure Framework (MTEF)
  - Debt brake

# Budget process



- A cautious macroeconomic forecast is a key requirement for achieving fiscal consolidation.
- Governmental budget forecasts are based on the WIFO (Austrian Institute of Economic Research) short- and medium-term forecasts.

- Macro-economic factors:
  - Annual trends in GDP
  - Inflation
  - Unemployment rate
- Adjustment of the budget of the current year
- Development of parameters for entitlements and transfers
- Current legislation
- No inclusion of political promises

# Top-down budgeting

- Starting point: a binding political decision regarding the total level of expenditures (with **MTEF**)
- On the basis of a **baseline expenditure scenario**
- Each minister is his own Finance Minister.

# Top-down budgeting

## Advantages



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- Reallocation instead of additional expenditures
- Responsibility in the respective ministries
- Better informed decisions
- Verification by the Ministry of Finance
- More orientation towards a global consolidation target



- Preparation of baseline projections
  - For current year plus 4 years
  - By the ministry of finance (purely technical exercise)
  - Based upon the medium-term macroeconomic projection of the WIFO
  - Basis from which policy changes can be measured
- Budget forecasts are estimated on administrative basis with great detail.
- Tax forecasts are made by the Federal Ministry of Finance.

Baseline projections reflect the costs and revenues of existing policies.

- Projections of expenditure for each line ministry
  - Wages and salaries
  - Current expenditure
  - Statutory expenditure (entitlements)
- Revenue projections
  - For all individual taxes
  - Other revenue by budget chapter

- Areas of specific interest:
  - Tax revenues
  - Interest expenditures
  - Pensions (number of old-age pensioners, business cycle)
  - Family benefits (demographic development)
  - Education (demographic development)
  - Fiscal equalization

- Development of revenue and expenditure
- Finding the overall consolidation strategy
  - Expenditures/revenues
  - Global/structural measures
  - Permanent/one-off
  - Determination of priorities
- Identifying, by sector, possible savings, adjustments and structural reforms to achieve the fiscal targets
- Coordination with Prime Minister
- Discussion by the Council of Ministers

- Implementation of the government programm
- Compliance of EU rules
- Budget discipline, better planning
- Personnel plan

- Agreement on major fiscal policy objectives
- Operationalization by establishing hard budget constraints for individual ministry and chapter
- Accompanied by a Strategy Report
- Staffing plan
- Living document

- The aggregate expenditures
- Revenues
- The fiscal targets for deficit und debt
- Policy priorities among and within spending categories
- Fiscal objectives have to reflect economic forecasts and policy directions over medium term

- 30-year reporting horizon
- Macroeconomic model
- Different scenarios and a sensitivity analysis
- Assessment of the forward impact of current policies
- Examination of new policy options
- First long-term public finance report 2013



- Strategy report (Strategiebericht)
- Budget report (Budgetbericht)
- Report with additional explanations to each budget chapter (Teilhefte)
- Reports to special topics (Beilagen)
- Federal report on outsourced entities and public companies (Ausgliederungs- und Beteiligungsbericht)
- Long-term public finance report

- Main budgetary organs
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- Since the year 2000
- Monthly projection of the outcome during the year
- Information for cash management
- Allow for responsive measures in time

- Basis: Bundeshaushaltsgesetz
- Controlling regulation by MoF
- Each ministry obliged to install controlling process
- Monitore expenditure, receipts and personnel
- Report to MoF
- MoF provides IT tool

- Expenditure ceilings
  - of the Medium Term Expenditure Framework
- Annual budget
  - expenditures and receipts
- Personnel
- Maastricht indicators
  - of central and general government

# Who receives the report?

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- Strictly confidential
- Only for internal purposes
- Very few recipients:
  - General director of the budget department
  - Minister of Finance and the cabinet office

- 32 chapters
- Each ministry is responsible for one or more chapters.
- Separate reports for each chapter
  - Deviation from the annual budget
  - Financing/usage of the deviation
  - Variable/fixed areas
  - Personnel

- Ministry report by the 5th of the following month
- Responsible units of the budget division check/change data and forward to controlling unit
- Merging the individual reports and calculating effects on overall outcome by controlling unit



- Checking/Changing
- Analysis
- Identifying the most relevant deviations and illustrate them
- Prepare a set of tables
- Verbal explanation

# Tables in the report

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- Main indicators (overall picture)
- Risks and opportunities
- Reserves
- Deviations (exp./receipts) by chapter
- Maastricht deficit calculation
- MTEF compliance
- Changes since previous report
- Personnel

**Thank you for your attention!**