



REPUBLIK ÖSTERREICH
Parlament

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

The Role of Parliament in the Budget Process

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1 – SETTING THE CONTEXT: THE AUSTRIAN PARLIAMENT



- The Austrian Federal Constitution establishes a **semi-presidential parliamentary system**
- Parliament is **bi-cameral with one dominating chamber** – the National Council (Nationalrat)
- The electoral system is based **on proportional representation**
- **Majority governments** and very **strong party discipline** in parliament are – so far – the rule in Austrian politics
- **Independent (administrative) expert support** for parliamentarians is a rather recent development in Austrian parliamentarism



2 – SETTING THE CONTEXT: PARLIAMENTS AND THE POWER OF THE PURSE

- Approval of the budget as “**the most complete and effectual weapon**” (James Madison) of parliaments – an outdated view?
- Information, complexity and **transparency**
- **Accountability** and **responsibility**
- Legal, economic and political **constraints**

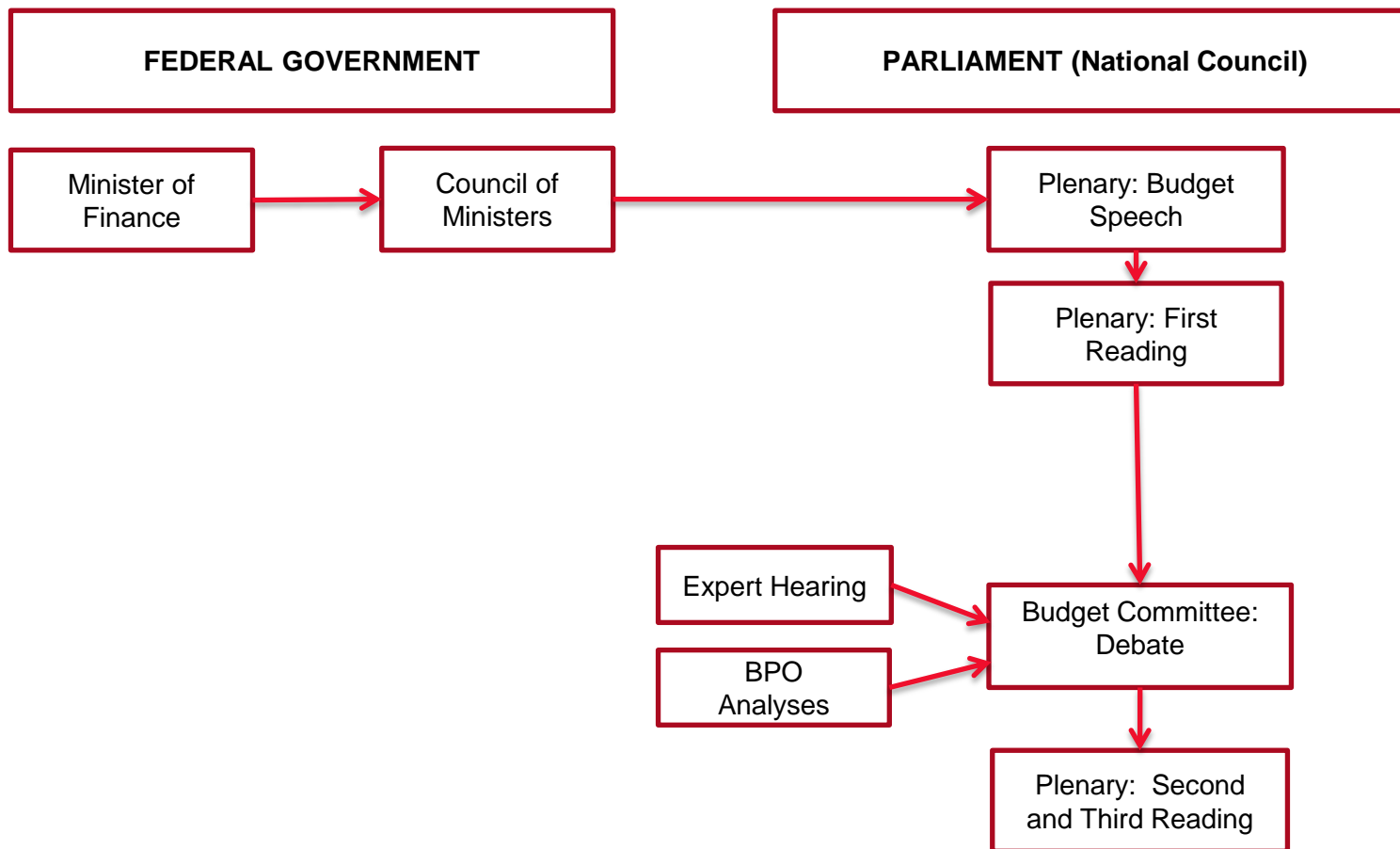


3 – THE NATIONAL COUNCIL'S ROLE IN THE BUDGET PROCESS

- The **Minister of Finance prepares** the budget bills and presents the drafts to the National Council
- The **National Council discusses** the draft of the Federal Medium-Term Expenditure Framework Act and the Federal Finance Act in three readings
- The **National Council** can **amend** and has to **approve** the budget acts and Federal Medium-Term Expenditure Framework Act
- The Minister of Finance may – under given circumstances only overrun the approved budget allocations after **consultation** with the **National Council**
- Furthermore, the **National Council** and especially the Budget Committee **receives** a number of **reports**, supporting the budgetary steering and control function of the National Council



4 – CONSIDERATION AND APPROVAL OF THE BUDGET – AN OVERVIEW

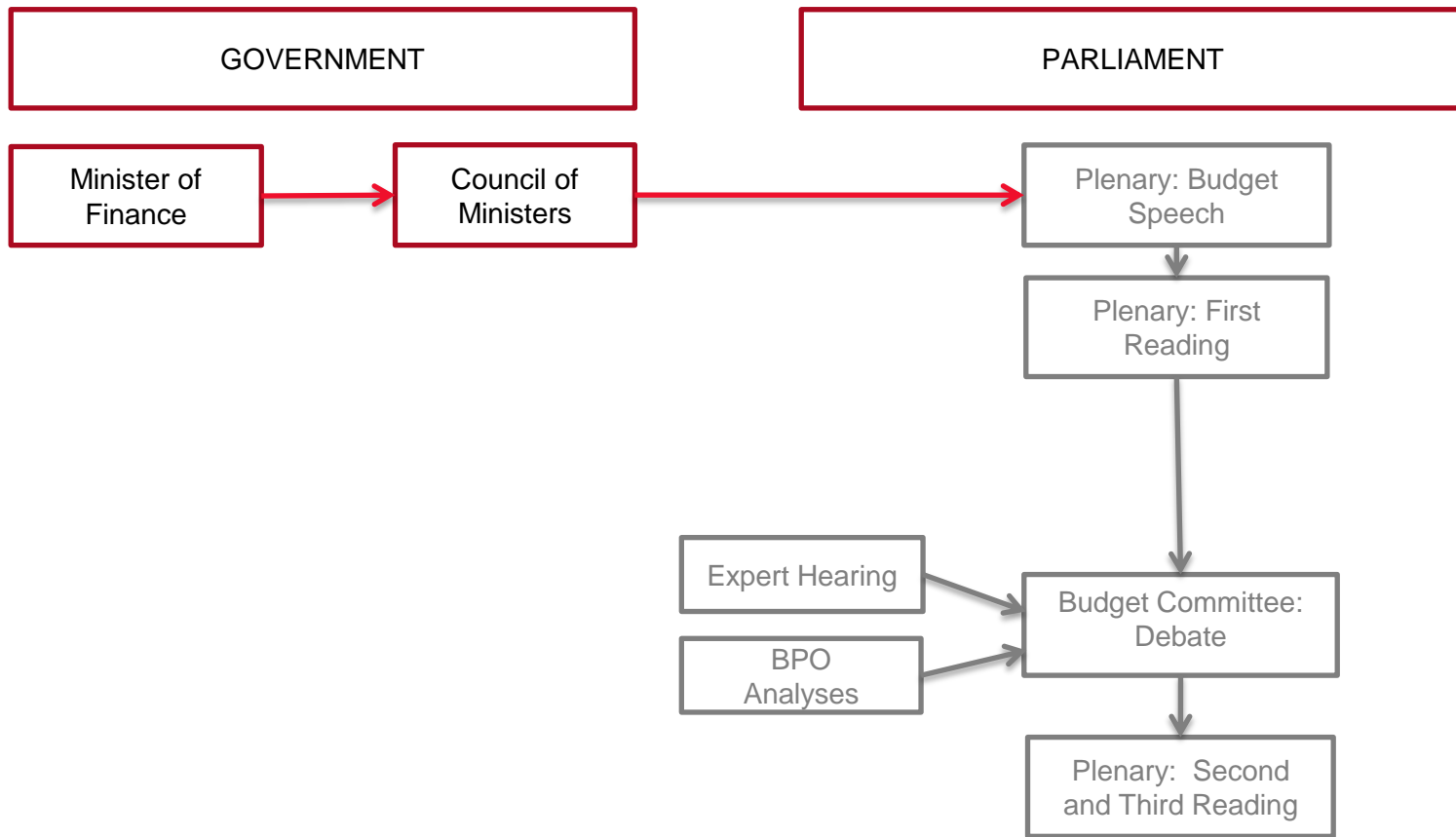


5 – CONSIDERATION AND APPROVAL OF THE BUDGET – AN OVERVIEW

- Federal Government must submit the draft of the budget to the National Council at the latest ten weeks before the beginning of the fiscal year
- Period from the budget speech to the approval of the budget in the National Council approximately **six weeks**
- The **parliamentary budget paradoxon**:
 - No government document is more important than the budget
 - (Almost?) nobody reads the entire budget
- Budget documents must be exiting to overcome the budget paradoxon:
 - Performance: Who has to deliver which results?
 - Allocation: Who disposes of which resources?
 - True and fair view: Financial state of the country?
 - Compliance: Are fiscal frameworks respected?



6 – PRESENTATION OF THE BUDGET BILL



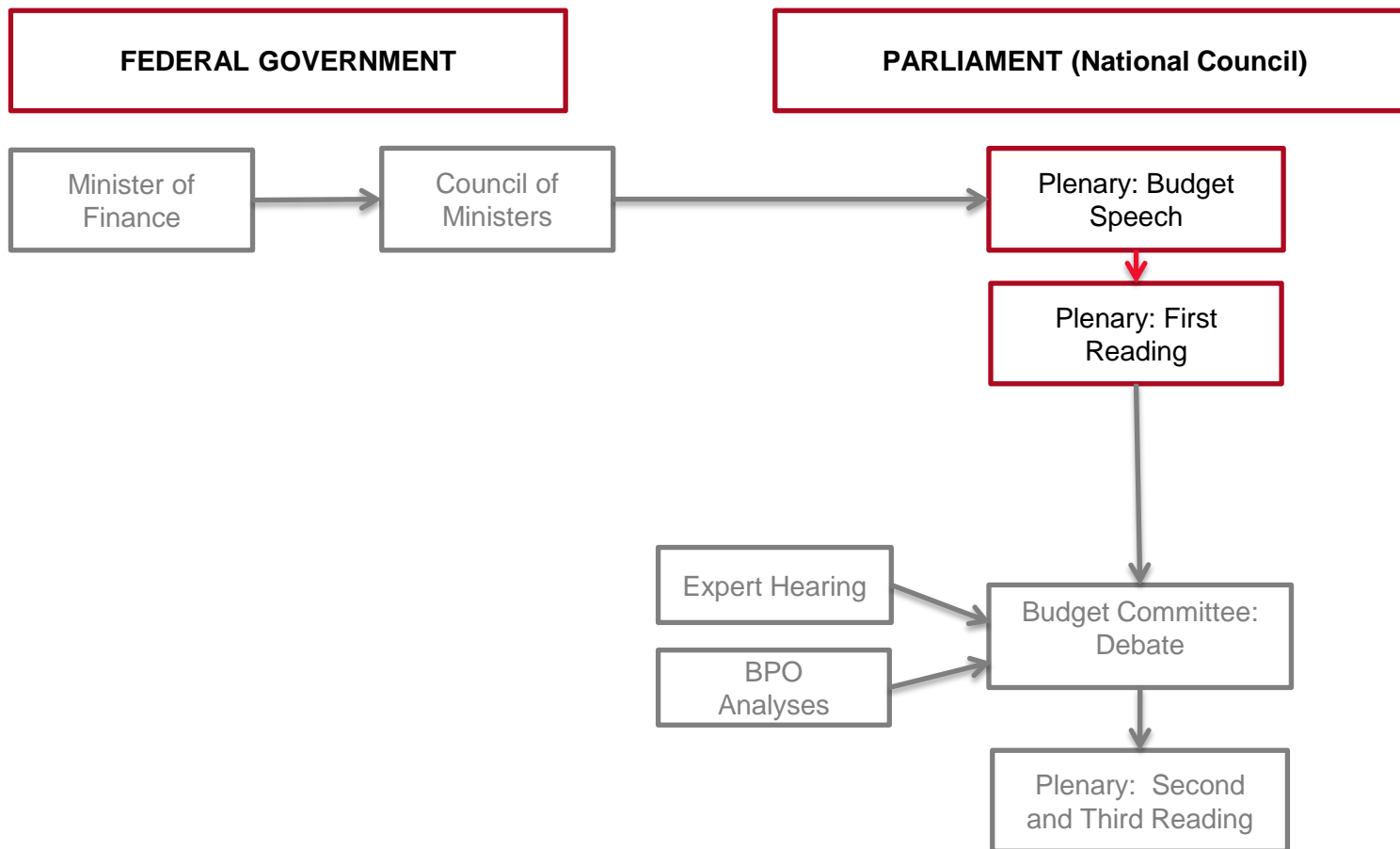
7 – PRESENTATION OF THE BUDGET BILL



- The **Federal Government** must present the **Budget Bill** (Federal Finance Bill) to the National Council at latest **10 weeks** before the end of the fiscal year
- **Members of Parliament** may present a budget bill only if the **Federal Government fails** to do so
- If the National Council has **not passed** a Federal Finance Law household is managed according to the **most recently** passed Federal Finance Law
- National Council may likewise make **temporary provisions** by way of a Federal Law



8 – BUDGET SPEECH AND FIRST READING



9 – BUDGET SPEECH



- Parliamentary proceedings start with the budget speech by the Federal Minister of Finance
- This is a very high-profile event; whole Government and the Federal President are present
- The speech discusses the budget in broad political and economic terms as well as highlighting specific initiatives
- It generally lasts one hour; there is no immediate debate after the budget speech

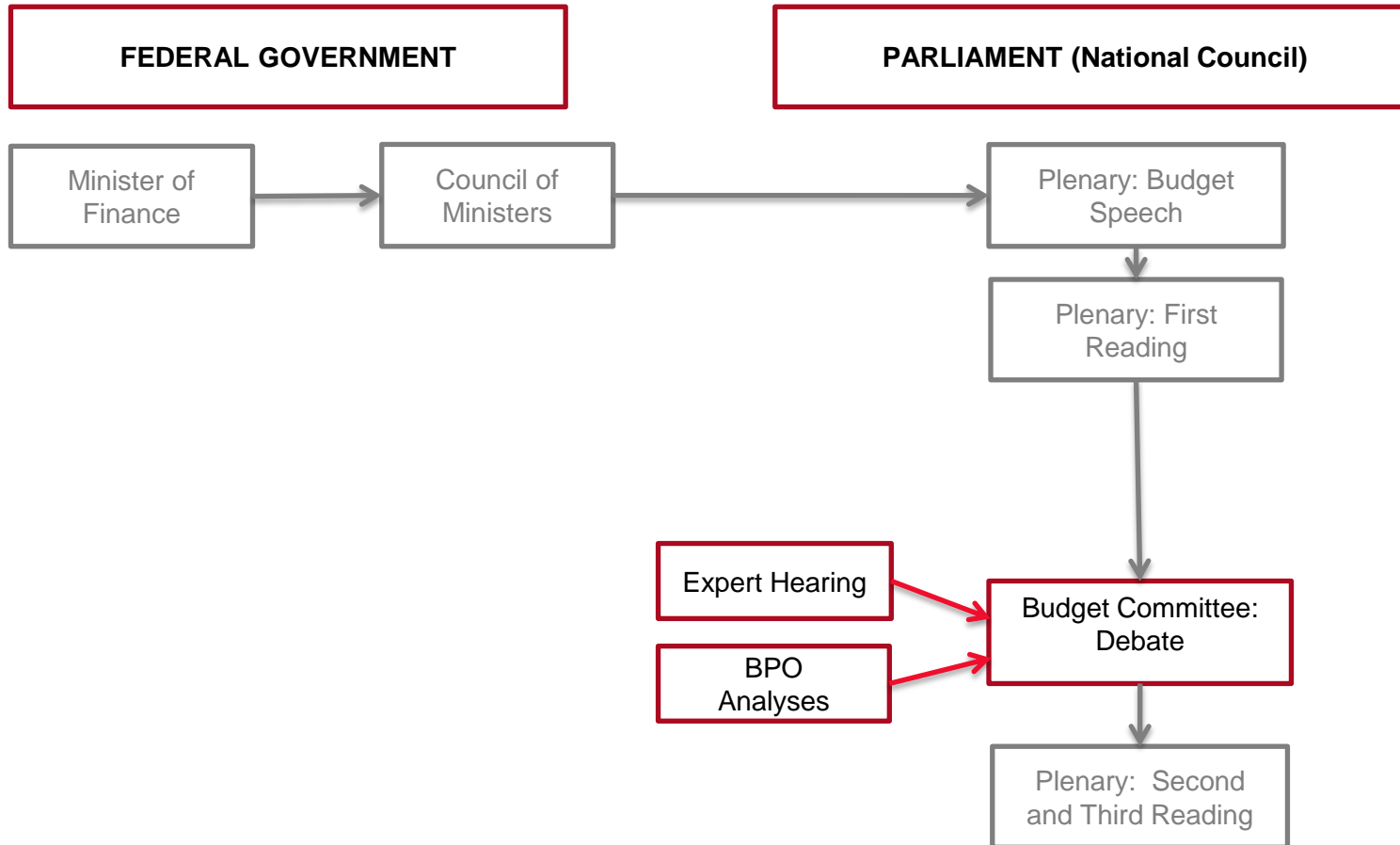


10 – FIRST READING

- Traditionally, the **first reading** of the budget bill follows on the **next sitting day** and has often the character of a very broad and **general debate on** the Federal Government's policies and performance
- The entire day (10 or more hours) is devoted to deliberation of the government's budget proposal with sometimes more than 100 speakers
- Members of Parliament either praising or criticising government's proposal in general terms or in a specific policy field
- Minister of Finance responds to these statements during the debate or at the end of the day in general terms
- At the conclusion of this debate the budget proposal is referred to the **Budget Committee** for further scrutiny



11 – COMMITTEE PROCEEDINGS





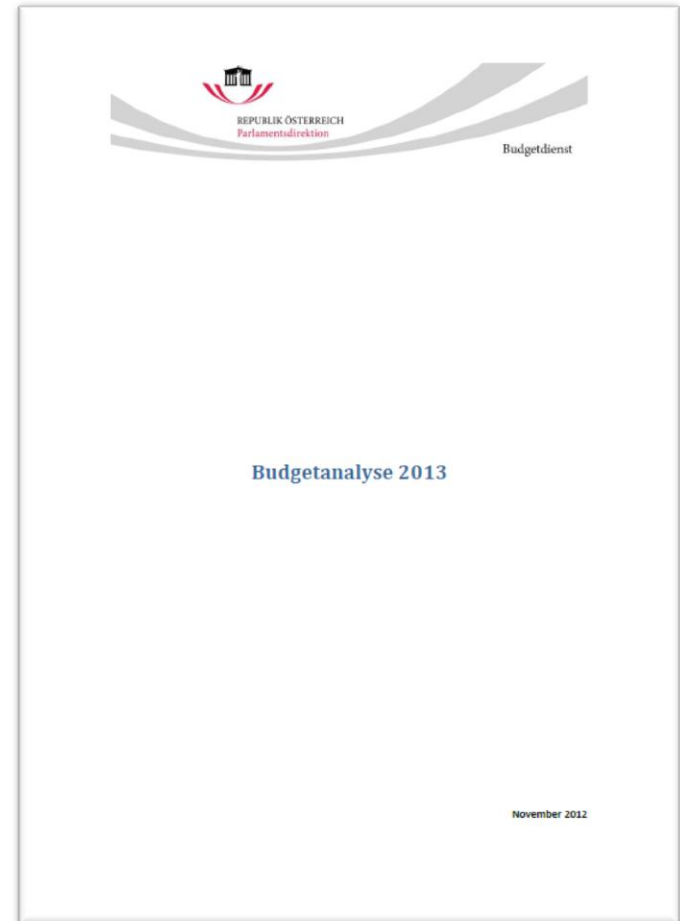
12 – COMMITTEE PROCEEDINGS – EXPERTS AND MPs

- Traditionally, the **Budget Committee** starts to consider the budget bill in the **week after the first reading**
- The Budget Committee will always hold a **public hearing of experts** nominated by the parliamentary groups
- In the course of the next – approx. 7 – sitting days, the committee holds **individual debates on each budget chapter** (no public)



13 – COMMITTEE PROCEEDINGS – BUDGET ANALYSIS 2013 OF THE BPO

- The Parliament Budget Office provided the Budget Committee with a comprehensive budget analyses
- Budget analyses has to be finished until the beginning of the debate in the Committee
- Head of the Parliamentary Budget office gave a short summary at the beginning of the debate
- Additional information and summary sheets were provided to facilitate budget overview



14 – COMMITTEE PROCEEDINGS – SCRUTINY AND AMENDMENTS

- The parliamentary groups will – in addition to or as substitute for their permanent members of the Budget Committee – nominate **members with expertise in the policy areas** associated with each budget chapter
- During these debates the **Federal Minister of Finance** and the responsible **Line Ministers** have to be present
- Each member can submit **a limited number of short written questions** to the Federal Minister of Finance that have to be answered within four days



- The committee can **amend** the budget bill in any way
- In general only few budget appropriations are amended by Parliament



15 – COMMITTEE PROCEEDINGS – THE NEW BUDGET STRUCTURE

- New budget structure with global budgets and the operating statement provides additional insights for Members of Parliament
- Higher aggregated budget allocations have an impact on the parliamentary debate as it was more focused on the strategic approach instead of the former detailed questions on minor budget allocations to specific budget lines
- Extensive budget documents were considered difficult to overview as information is provided in a fragmented way in various documents
- Members of Parliament insisted on missing relevant information and the same time complaint on information overload
- Amendments are only possible at a significantly higher level



16 – COMMITTEE PROCEEDINGS – OUTCOME ORIENTATION

- With the new budget structure in addition to financial data Members of Parliament were provided with performance information on the mid-term outcome objectives envisaged by the Federal Ministries
- Thus they had the possibility to discuss and question the strategic approaches and objectives in the Committee debate
- This caused a change in the way the budget was discussed was
- Performance budgeting and outcome orientation was acknowledged as a great progress but the current state was repeatedly criticized
- Some performance goals were underlined as extremely important, others were considered as too general and not ambitious or concrete enough
- With the discussion of performance goals and performance indicators a process was launched which should ultimately lead to a continuous qualitative improvement of performance information

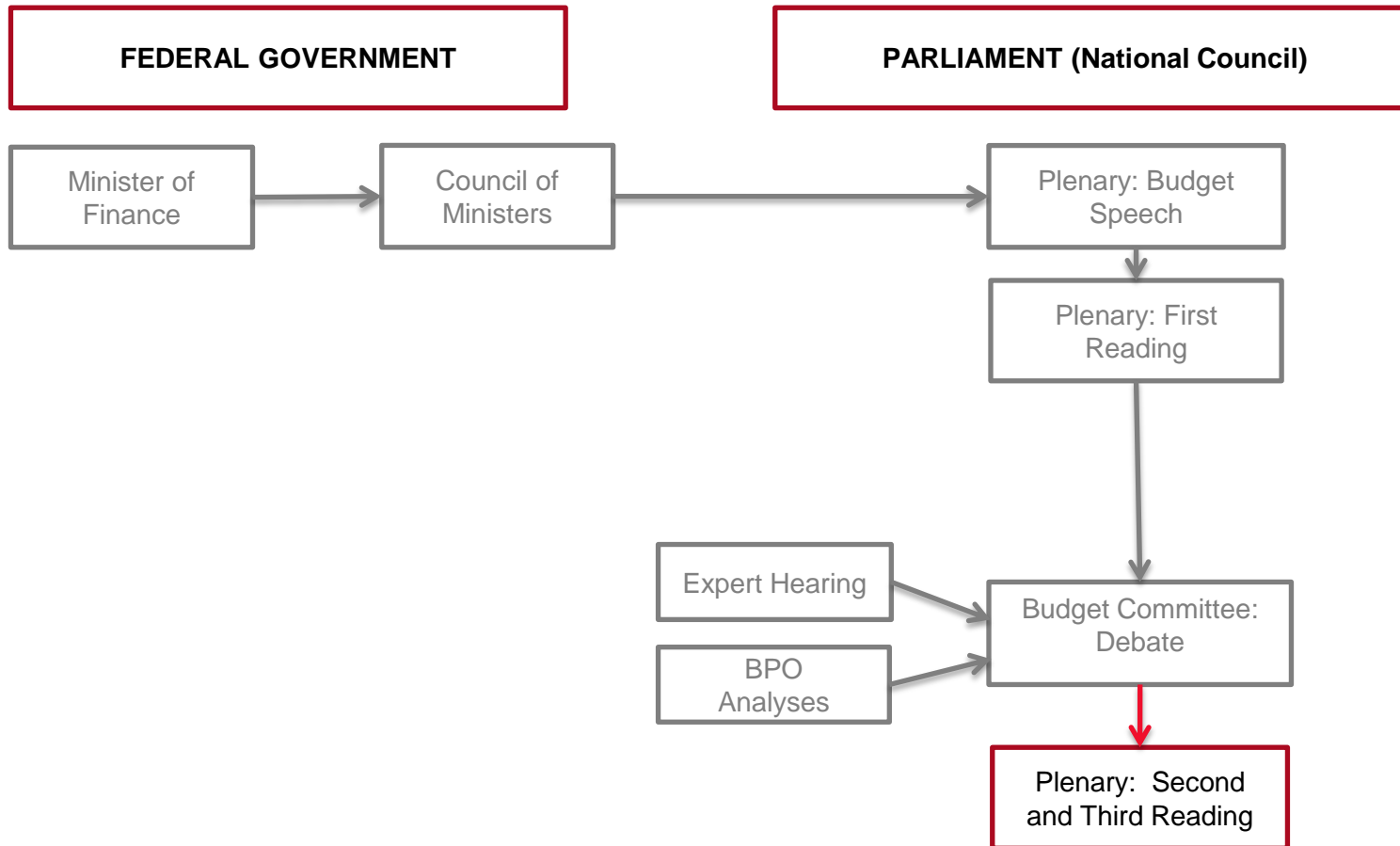


17 – COMMITTEE PROCEEDINGS – GENDER BUDGETING

- High importance of gender equality and gender budgeting in the budget debate
- All political parties took part in the discussion on gender targets
- Systematic overview on objectives and measures and common approach was missed
- Very ambitious objectives (e.g. considerable reduction of the gender pay gap) cannot be implemented in one policy field or by one ministry
- Topic seems to be „female“:
 - Most of the speakers were female MPs
 - No clear distinction between gender equality objectives and female promotion (e.g. women and leadership)
 - More questions and statements concerning equal treatment of women, only in single cases questions concerning equal treatment of men



18 – PLENARY: SECOND AND THIRD READING APPROVAL OF THE BUDGET





19 – PLENARY: SECOND AND THIRD READING

- The report of the budget committee is considered in the plenary in the **second reading** of the budget bill which will take **4 or 5 sitting days**
- Again, the debate will be **structured** along the **budget chapters** and will very often have the character of a general political debate
- Nearly all Members of Parliament take the floor
- Members of Parliament usually move a lot of motions (**resolutions**)



20 – APPROVAL OF THE BUDGET

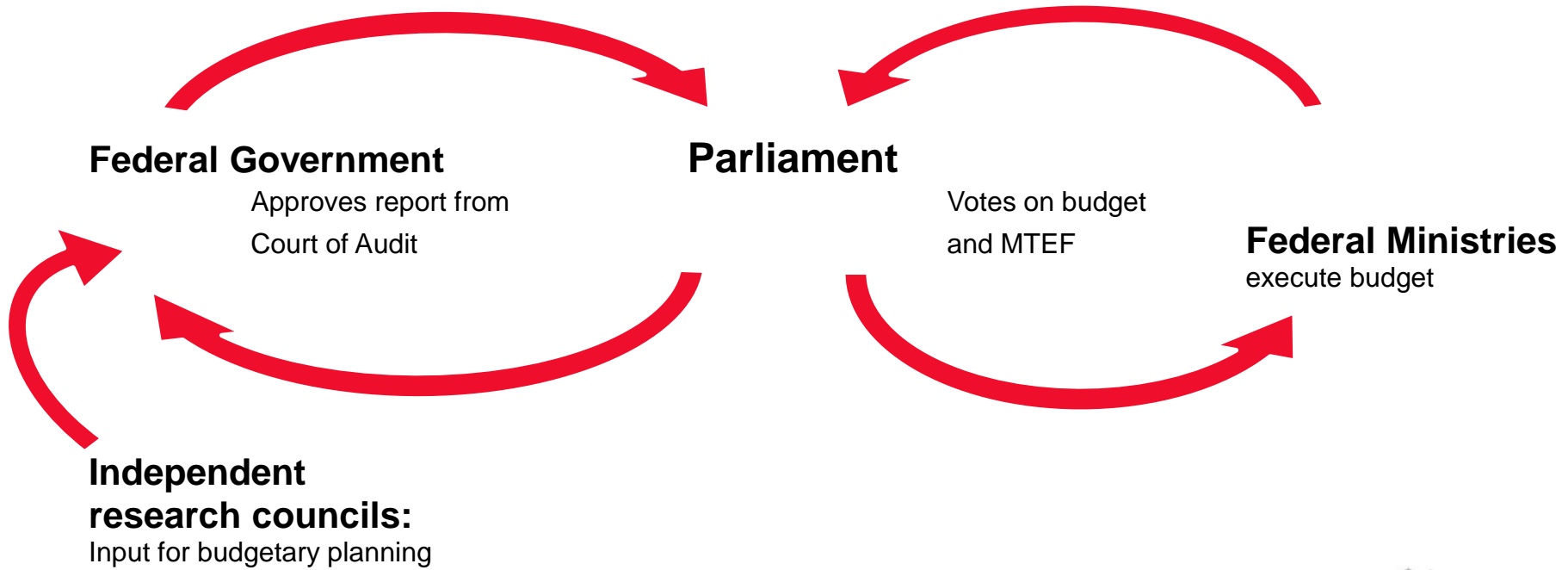
- **Amendments** of the budget bill will usually be moved by Members of Parliament belonging to the parties in government
- Usually, the National Council will vote on diverse **Budget Accompanying Acts**. These change legislation in various matters with financial impact.
- The budget is approved by the National Council by **simple majority**
- The Federal Council will only be notified on the approval of the Federal Budget Act by the National Council



21 – PARLIAMENT AND THE BUDGETARY CYCLE

decides on draft
budget and MTEF

approves correctness of
budgetary execution



22 – PARLIAMENT AND THE BUDGETARY CYCLE

- The National Council **approves** the **Austrian Stability Pact**, the **Medium-Term Expenditure Framework** and **annual Federal Budget**
- The National Council exercises **permanent budgetary control** on the implementation of the Federal Budget in the course of the fiscal year
- The National Council is informed by different reports on the fiscal performance of the sub-national governments
- The National Council discusses the **Stability Program** and the **National Reform Program** after submission to the European Commission
- The National Council deals with the recommendations of the **European Commission** and the **European Council**
- The National Council is not directly involved in the implementation and control of the fiscal rules
- The main responsibility lies with the **Budget Committee**



23 – PARLIAMENT AND THE BUDGETARY CYCLE

THE FISCAL YEAR

Spring

- **Federal Medium-Term Expenditure Framework Act** (binding expenditure ceilings for four years at the level of the five main budgetary headings) together with the strategy report
- stability program and national reform program

Autumn

- **Federal Finance Act** together with the budget statement und personnel plan

Once within the financial year

- Reports on subsidies, on reserves, on receivables etc.

Periodically

- Reports on obligations, allocations commitments, budget controlling, outcome controlling, investments and financial controlling etc.



24 – OTHER COMMITTEES INVOLVED IN BUDGET RELATED DEBATES

- **Finance Committee:** deals with all bills and motions with regard to taxation and regulations of the finance sector.
- **EU Committees:** the Main Committee or the Standing Subcommittee on Matters of the European Union prepares opinions on propositions of the European Union as for example on envisaged Regulations and Directives.



- **Audit Committee:** deals with the reports of the Austrian Court of Audit including specific reports on budget execution whereas the Report on the Federal Financial Statements is discussed in the Budget Committee.



25 – NEW CHALLENGES FOR PARLIAMENT

- Completely **new budgetary structure** and **performance budgeting** changes parliamentary possibilities of steering and controlling the budgetary process
 - New budget rules confer additional powers to **government** and administration
 - The new European fiscal governance framework with the **European Semester** influences procedures and limits national budgetary scopes
 - Federal budget reform envisages a **central role for parliament**
However,
 - Budget process is a highly complex mechanism
 - Large information asymmetries between government and parliament
- Need to realign budget procedures and budget control in parliament
- Fragmentation of information makes it difficult to get a sufficient overview and to combine and cross-check documents



THANK YOU FOR YOUR ATTENTION

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