# PEMPAL BCOP

# Program and Performance Budgeting Working Group Workshop on Performance Budgeting in Austria, March 13, 2018, Vienna, Austria

# EVENT REPORT

Table of Contents

[1. Background 2](#_Toc511807706)

[**Event Objectives and Participants** 2](#_Toc511807707)

[2. Agenda Overview 3](#_Toc511807708)

[3. Overview of Presentations 3](#_Toc511807709)

[**Austrian Budget Reform – Performance Budgeting** 3](#_Toc511807710)

[**(Regulatory) Impact Assessment in Austria** 7](#_Toc511807711)

[**Role of the Federal Performance Management Office** 9](#_Toc511807712)

[4. Lessons Learned 14](#_Toc511807713)

[ANNEX I: AGENDA 20](#_Toc511807714)

[ANNEX II: SpeakEr Biographies 21](#_Toc511807715)

**Distribution**: PEMPAL website, report to be distributed within participants' governments/institutions by participants.

**Process**: The report was prepared by Naida Čaršimamović Vukotić from the PEMPAL Budget Community of Practice Resource Team, based on discussions from the BCOP’s Program and Performance Budgeting Working Group workshop. The report was shared with all event participants.

# **Background**

### **Event Objectives and Participants**

On March 13, 2018 members of PEMPAL**[[1]](#footnote-1)**  Budget Community of Practice (BCOP) Program and Performance Budgeting Working Group (PPBWG) gathered in Vienna, Austria to attend the PPBWG workshop on the performance budgeting in Austria. The workshop was held a day before the 2018 BCOP Plenary meeting that also took place in Vienna.

Twelve BCOP members who attended the PPBWG workshop came from the Ministries of Finance of 11 BCOP PPBWG member Governments from the ECA region: Armenia, Belarus, Bulgaria, Croatia, Georgia, Kosovo, Kyrgyz Republic, Moldova, Russian Federation, Ukraine, and Uzbekistan[[2]](#footnote-2). The BCOP resource team members Naida Čaršimamović Vukotić and Maya Gusarova provided technical support in preparing the agenda and facilitating the workshop, while logical and administrative support was provided by Ksenia Galantova and Kristina Zaituna of the PEMPAL Secretariat.

This workshop is a part of the activities of PPBWG’s Action Plan for FY18. The objectives of the Working Group are: to identify key trends in program budgeting implementation and spending reviews and to learn from specific PEMPAL and international country examples in these areas.

The objective of the workshop was to examine at technical levelthe performance budgeting system and recent reforms in Austria with the Austrian Ministry of Finance and the Federal Ministry for Civil Service and Sport of Austria.

The objective of the BCOP members’ attendance and contribution to the 12th meeting of the OECD Senior Budget Officials’ Network on Performance and Results was to network with the Ministries of Finance of the OECD countries and learn about the current state of affairs and plans of the OECD countries in performance budgeting.

# **Agenda Overview**

The Agenda of the workshop of the BCOP’s Program and Performance Budgeting Working Group is provided in the Annex I. The workshop comprised four sessions.

In the first session, participants had an opportunity to hear and discuss technical details of the Austrian budget reform overall, with focus on performance budgeting with Ms. Monika Geppl from the Ministry of Finance of Austria. This session also set the scene for the next two sessions. In the second session, Mr. Andreas Fraydenegg, also from the Ministry of Finance, presented on the regulatory impact assessments and evaluations in Austria. In third session, Mr. Roland Schneider from the Federal Performance Management Office (FPMO) presented on the FPMO’s role in quality control of objectives and indicator and on monitoring and reporting.

Biographies of all three speakers from the Austrian Ministry of Finance and the Federal Performance Management Office are given in Annex II.

During the last session of the workshop, as per usual practice of BCOP workshops, the members exchanged lessons leant from the workshop and provided an update on reforms in their own countries in the topics discussed. In addition, the participants also discussed the future activities of the PPBWG.

The remainder of this Report provides details on the discussion and outcomes of the workshop of the BCOP’s Program and Performance Budgeting Working Group. All presentations are available at <https://www.pempal.org/events/workshop-program-and-performance-budgeting-working-group>.

# **Overview of Presentations**

### **Austrian Budget Reform – Performance Budgeting**

Ms. Monika Geppl from the Directorate General for Budget and Public Finances of Ministry of Finance started her presentation explaining that the performance focus was at the core of the Austrian budget reform. She gave an overview of the reform, followed by details on performance budgeting framework. She then in more detail examined gender budgeting (as gender is always an integral part of performance measuring in Austria) and an example of programs and indicators in the sector of education.

Prior to the budget reform, there were no mid-term budgeting and overall focus in budgeting was on inputs, with thousands of budget line items and without expected results and indicators. Budget hearings were also input driven, as opposed to being driven by the expected results of spending. In addition, Austria had cash accounting. Thus, the motivation for the reform were multifaceted, but the overall underlying primary motive was to improve budgetary decision-making and to ensure that the budget is a comprehensive steering instrument for resources and expected results. The reform was implemented in two phases, first one started in 2009 and the second in 2013.

The reform has had two main objectives – to increase budgetary discipline and planning by establishing binding Medium-Term Expenditure Framework (MTEF) and strategy report while simultaneously also increasing flexibility for line ministries through full carry-forward possibilities without earmarking. There are four inter-connected key elements: result-oriented management of ministries units, lump-sum budgets, accrual budgeting and accounting, and performance budgeting including gender budgeting. The new budget principles are defined as outcome-orientation, efficiency, transparency, and true and fair view.

MTEFs are on rolling basis for four years, enacted in legislation and binding in annual budgetary process. The integral MTEF part is a strategy report with different policy areas, each with performance indicators. This was the first document to introduce performance budgeting in Austria. In terms of flexibility provisions, in the first years after introduction of the carry-forward possibilities, there were savings, however in the recent years line ministries want to use these funds more, which threatens the fiscal position. In 2013, the lump-sum budget concept was introduced, with a global budget within which the line ministries can shift spending. There is both cash budgeting and accrual budgeting now. While having these many elements introduced within one large reform helped with ensuring wide support and ownership, there have also been challenges resulting from numerous changes implemented simultaneously, not least because in most ministries it is the same staff that largely works on all of these areas. A key success factors for Austrian reform was inserting the underlying key reform concepts into the Constitution, as Austria is a legislation-centric administration.

MTEF sets legal expenditure ceilings for 4 years for 5 headings (with one heading covering several ministries) and for around 30 budget chapters (similar to policy areas, with each chapter being ministry specific). The five headings are: i) General Government Affairs, Court, and Security; ii) Employment, Social Services, Health and Family; iii) Education, Research, Art, and Culture, iv) Economic Affairs, Infrastructure, and Environment; and v) Financial Management and Interest. Under budget chapters, there are global budgets, i.e. total of 70 global resource frameworks (versus more than 1,000 appropriation lines prior to reform). Average number of global budgets per budget chapter is 2-3 (e.g. police within the Ministry of Interior). These three levels in budget structures (5 headings, 30 budget chapters, and 70 global budgets) is what is enacted by Parliament. More detailed levels are detail budgets (total of 250 detailed budgets), which are at a more operational level (e.g. regional police forces within the police global budget). Detailed budgets are binding only within the public administration and ministries have freedom to shuffle resources among detailed budgets. Budget documentations sent to parliament include detailed budget information along with the performance indicators, however the Parliament does not vote on these.

Each global budget has 1-5 primary activities associated with it. At the detailed budget level, there are performance contracts between the line Minister and the manager, tied to high level objectives of the budget chapter/policy area (for example, Minister of Interior Affairs with the police heads). These contracts are not published and are used in administration, but summaries are given in the budget documentation to ensure transparency.

The budget planning process and calendar is similar to other countries and is harmonized with the EU processes and calendar. Forecasts are provided by an interdependent research organization (Austrian Institute for Economic Research – WIFO) and sent to Ministry of Finance to prepare the MTEF with the top-down targets and hold budget negotiations with the line Ministries. MTEF is adopted by the Parliament in May. Then the work on the annual budget implementing MTEF starts. The annual budget is sent to Parliament in October where not only the budget speech is held but also very detailed performance-based discussions in committees. Performance execution reporting to Government is on annual basis, while internally the ministries track indicators more frequently.

Budget structure is connected to organizational structure, with each budget chapter having one Minister responsible for it, including outcomes and outputs. The Ministers are also responsible for global budgets, but not for detailed budgets, which are the responsibility of public administration spending unit heads. Each budget chapter consists of: a mission statement, maximum of five outcome objectives with at least one gender-related objective, 1-3 global budgets each with 1-5 primary activities of which at least one is gender-related, and 1-3 detailed budget per each global budget each with objectives and activities.

In the planning of objectives and activities, gender equality needs to be taken into account. The main concept is not new for Austria, however prior to this reform it was not applied directly to budget process. Gender-based assessments have been conducted from time to time by external institutions but integrating gender into budgeting has raised awareness to a higher level. Ministry of Finance conducted numerous trainings in gender budgeting and now almost all budget chapters have a gender focus. Budget is used as a lever for gender equality, which is the key lever as the budgetary decisions are key decisions in which government policy is put into numbers. Gender equality is also included in the Constitution now within the constitutional budgetary concept being defined as outcome orientation including gender equality. Integrating gender mainstreaming and budgeting goes beyond allocating separate. Budgets for women and men and counting women and men; it rather requires gender analyses, identification of challenges, definition of objectives (i.e. outcome statements), actions to be taken (i.e. output statements) and evaluation and reporting. Austrian experience is that there is a lack of gender-disaggregated data in certain policy areas (e.g. mobility), while a lot of data is available in some areas (e.g. education). Thus, indicators need to be developed ad data collection mechanisms put in place in order to be in a better position to identify and reduce gender inequalities.

Specific detailed example of budget, performance indicators, and budget documentation in education were also presented. The presentation concluded with the explanation of responsibilities related to defining, tracking, reporting, and controlling performance information. Line ministries are responsible for drafting outcome and output statements, whole the FPMO conducts a quality check to ensure uniform quality od objectives and indicators among line ministries. Line ministries need to “comply or explain” based on FPMO’s recommendations, i.e. either amend the output and outcome statements or explain why they are not implementing the recommendations. Ministry of Finance then conducts a plausibility check related to funds (e.g. if a Ministry asked for more funding but has not increased their performance targets accordingly). Ministries conduct their own evaluations on annual level by end May and the FPMO conducts quality checks and consolidation and submits the overall Annual Federal Performance Report to Parliament by end October. Parliament holds discussions on results with the political accountability considerations. This report is available when the budget for the next year is being discussed, so that the Parliamentarians take it into account when deciding on the budget.

After the 2.5-year implementation of performance budgeting experience, the main current challenges in Austria are related to only a loose connection existing between spending and each objective, but it is still more linked than prior to reform. Such reform takes time as it exceeds the scope of mere budget management and people are still getting use to the shift in focus towards expected outcomes. Moreover, the improvement of quality of performance information is an ongoing process. On the other hand, the reform also resulted in important opportunities, including facilitation of more targeted policy making on political level, enabling the administrative level to present its results and achievements, and providing a better insight into spending to citizens.

PEMPAL participants engaged in a discussion with the presenter, including on:

1. spending reviews – they were introduced in Austria last year, with only pilot reviews being done by now, but more reviews are ongoing and planned, based on topics that come up in budget negotiations between the Ministry of Finance and line ministries to focus where improvements are needed;
2. formalized program classification - the hosts clarified that the program classification is not formalized per se, but budget chapters are stable, small changes only when a new government comes but very rarely, while global budgets are also very stable, from time to time some changes happen at the detailed budget level, e.g. due to reorganizations at operational level.
3. consequences for performance targets not being achieved - hosts clarified that there are no automatic consequences, which are hard to be established as there is no direct link between performance and budget allocations, but at the level of parliamentary committees “naming and shaming” is used; and
4. gender budgeting - hosts explained that the political will is key success factor for this reform and that the political level in Austria was ready for reform and it was important that the reform package was comprehensive so that the support from all political parties was secured.

### **(Regulatory) Impact Assessment in Austria**

Mr. Andreas Fraydeneggfrom the Directorate General for Budget and Public Finances of Ministry of Finance presented on the Austrian practices in conducting Regulatory Impact Assessments (RIAs). The underlying rationale behind RIA is the need to ensure that the desired impact is higher than undesired impact, thinking about external environment in a holistic approach. RIA is mandatory for all new laws, ordinances, and international agreements and for all projects (such as procurement and building projects) above a certain threshold value. RIAs are conducted by the line Ministry or the agency that will implement the regulation or the project that is being assessed. Only significant impacts are assessed in detail. Internal evaluations are mandatory to compare what was estimated during RIA with what actually happened, for learning purposes.

There are seven steps to RIA: i) problem analysis (answering the question on why anything should be done at all), ii) outcome statement (what is the desired end-state), iii) output statement (what will be done to achieve the desired end-state), iv) impact assessment, v) planning of internal evaluation (when will the internal evaluation be done in the framework of five years), vi) detailed documentation, and vii) internal evaluation. Within the impact assessment, there are nine dimensions defined by law: financial (budgetary) impact, impact on the overall economy, impact on enterprises, environmental impact, impact on consumer protection, impact on administrative costs for citizens and enterprises, social impact, impact on children and young people, and impact regarding equality of women and men. Not all dimensions are relevant in each case.

RIA is regulated by the budget law and is seen as a key instrument to achieve the guiding constitutional public finance principles - efficiency, transparency, outcome orientation, gender equality and a true and fair view on the state of the public finances. There are ten differentregulations/bylaws on how to do an impact assessment. The RIA process ensures that the administration ex-ante assesses in details financial consequences of the proposed policy/project from an outcome and efficiency perspective and taking into account the diverse impact dimensions. It is important that RIAs are comparable among each other and a standardized Ministry of Finance IT tool facilitates this.

In terms of the financial scope of RIA, direct costs are taken into also at subnational levels of government (regional and local), including both expenditures and revenues, as well as impact on social providers. Time scope of 4 years is taken into account, to match the medium-term financial framework scope. Public enterprises and self-governing bodies are currently not covered. Long-term impact is taken into account wherever possible. For each RIA, Ministry of Finance makes checks for the most relevant impact dimensions – impact on public budgets and impact on administrative costs for citizens and business. For budgetary impact, it conducts quality assurance and check whether it is in line with the budget. The main checks are whether the consequences for public budgets are fully and correctly assessed (at the level of detailed budgets), whether the calculations and models are comprehensible, verifiable, and consistent, does the RIA contradict some previous experiences or evidence, how will the expenses be covered, and are there any savings. For administrative costs, RIA measures the time needed for complying with the regulation, converted into financial costs. Since a specific goal for Austrian administration is deregulation, given the current legislation/regulation overburden, Ministry of Finance also point to these principles in assessment of the RIA statement.

Overall lessons from Austrian experience with RIA so far are that the quality of RIAs varies, but overall RIA quality has improved since 2013 (The Court of Auditors assessed that in 2017 more than 80 % of RIAs had a good or very good assessment of financial impact) and that often it depends on the individuals conducting assessments. Ministry of Finance’s assessments of RIA statement have proved to be a key success factor. However, the impact of RIA on public policy debate is still rather low and needs to increase, as well as the presence of RIAs in political and media context. Looking forward, the Ministry of Finance will work on further improving the RIA quality, further enhancing its use, strengthening its role in public policy debate, extending the scope (e.g. to include public enterprises), and develop a new IT tool (as the old is five years old and streamlining is needed).

PEMPAL participants engaged in a discussion with the presenter, including on:

1. specificities of RIA methodology – the hosts kindly agreed to share the methodological documents with PEMPAL participants, included in ten different regulations/bylaws;
2. deregulation – it was specified that RIA is not mandatory when regulation is being cut without being replaced with new one; however, if there are multiple laws in design stage which are inter-connected, a joint RIA is possible;
3. the role of external independent experts in RIA to prevent possible conflict of interest – the hosts explained that the Austrian approach is to ensure that the Minister who will be implementing the assessed legislations/regulation/project is held accountable for RIA and that the external expertise is not mandatory, but that the line ministry that is conducting a RIA can engage external experts;
4. the role of counterfactual in impact assessment – the hosts explained that counterfactual can be included in problem analysis, but this happened rarely as it is hard to do so, thus this is currently a weak element of RIA; and
5. RIAs in the bigger picture of political and financial considerations – the hosts explained that if RIA is bad in terms of poor assessment, sometimes that legislation/regulation is not adopted and as a part of a bigger picture, RIA informs the policy debate, but larger political and financial considerations are also taken into account.

### **Role of the Federal Performance Management Office**

Mr. Roland Schneiderfrom the Federal Performance Management Office (FPMO) in the Austrian Federal Ministry for the Civil Service and Sport (recently moved to this Ministry from the Federal Chancellery) gave a detailed presentation on the role of FPMO in quality control of objectives and indicators, monitoring and reporting of performance. It is responsible, among other things, for the performance orientation system in the federal budget and for accompanying impact assessment scheme. The FPMO, through the Vice Chancellor, reports to Parliament twice a year about the progress of the implementation of performance orientation. Within that system, FPMO’s main mission includes: improving quality and functioning of the overall system, establishing close cooperation with other stakeholders (including Ministry of Finance, Parliamentary Budget Office, and Directorate General for Gender Equality of the Federal Chancellery), informing the Austrian Parliament and the public about progress, coordinating horizontal dimensions (including gender equality) with other ministries; and overall pushing for openness, transparency, efficiency and effectiveness of the system. The guiding principles of the Directorate General within which FPMO is situated are to: be transparent about results, focus on equal opportunities for men and women, keep talking and keep everyone involved, and be patient. In terms of the last principle of patience, it is recognized that these processes require significant change and will take time. The target group, federal employees, is a large and diverse group of over 100,000 people and a customized approach is needed for different segments/problems. Thus, the FPMO is committed to keep making the case for a modern civil administration and to systematically coordinate and organize programs and activities to unleash such substantial change.

There are two key instruments used by the FPMO: performance management (outcome orientation) and outcome-oriented impact assessments. The FPMO ensures that these two are integrated.

The chart below illustrates the link between the budget structure and performance structure, used for performance management.



Within RIAs, key features used are outcomes, outputs, intended and unintended impacts, and financial information and connection to budget.

Overall performance management cycle follows the principle of “plan, do, check, and act” and the basic idea is a learning process, thus rather than being only about achieving objectives, it is a about gathering evidence on how to do better in future. The results of evaluations are used for future planning and decision making. The cycle and the main roles and institutions at each stage are shown below.



Performance management quality assurance includes FPMO’s ongoing support in the development or outcome and output statements to line ministries on demand-basis, as well as specific quality assurance of the draft outcome and output statements submitted by the line ministries, based on which the FPMO prepares recommendations and sends them to line ministries. In case of ministries’ non-compliance with the FPMO’s recommendations, they need to submit a mandatory explanation. In practice in most instances this works very well and even if the line ministries cannot implement the recommendation immediately they oblige themselves to implement it later. However, a minor part of administration is more challenging to work with, so overall the process requires patience. As opposed to state external audit function, FPMO attempts to change the system from within and uses a softer approach without publishing information on non-compliance. It is the Parliament that takes the harsher role in the shape of “naming and shaming”. The quality assurance is based on six criteria, laid out in the federal budget act: i) relevance, ii) consistency, iii) comprehensiveness, iv) contextualization, v) comparability, and vi) verifiability. These six criteria are checked within four clusters: i) horizontal and vertical consistency (are objectives in line with the sectoral strategic document and policies and EU long term strategies such as EU 2020; are they consistent horizontally with other relevant policies, including those of other ministries; and are issues that require inter-ministry collaboration properly taken into account, such as gender), ii) architecture of key performance indicators (do indicators adequately measure results and whether they are adequately formulated), iii) relevance for control (usefulness for management and appropriateness of measures to achieve expected objective), and iv) formal guidelines. Within the indicator architecture, it is essential to review the link between outcome target and indicators, to ensure that indicators enable observation of influence of implemented measures on outcome targets and that consider interdependence and potential blind spots (is the whole picture captured, are some indicators missing). Within the relevance for control, it is important to review the structural connection of the hierarchy of targets (is the target hierarchy and indicator architecture significant, meaningful and informative, are indicatorscontrollable/influenceable, and is there a connection between output measures and development of indicators).

RIA quality assurance includes FPMO’s support to lead ministry in conducting the RIA and providing recommendations for RIA revisions. Similarly, to performance management quality assurance recommendations, some Ministries understand the process and rationale and are good at preparing RIAs and in accepting and implementing FPMO’s recommendations, while the work with other ministries is more challenging. A specific challenge is that there are a lot of lawyers in public administration, which may not have the right skills for assessing socioeconomic impacts and macro-modelling. In such instances, FPMO highlights these issues, but cannot necessarily solve them. Same six criteria used for quality assurance of performance management are used in the quality assurance of RIAs.

The last part of Mr. Schneider’s presentation focused on evaluation and reporting. Evaluations are done for transparency and accountability towards parliament and society, to ensure effectiveness of policies for society, and to serve as a basis for rational management, evidence-based policy making, and continuous learning. Ex-post evaluations examined implications of policies on different groups and systematic data collection across all institutions allows horizontal analysis of all policies geared towards certain target groups. Target audience groups for FPMO’s evaluation reporting are parliament (the most important audience), interested, public/lobbies, ministries, and the Federal Government. It is important to have audience clearly defined so to gear the content towards that audience appropriately.

FPMO’s evaluation reporting include two main reports annually – the Annual Federal Performance Report and the Annual Internal Evaluation Report.

The Annual Federal Performance Report is submitted to Parliament by the FPMO by October 31st and is then used by the Parliament and interested public for discussion of performance budgeting results and political accountability and for parliament’s decision for the next year’s budget. The FPMO prepares this report based on the inputs sent by the line ministries by May 31st which includes Ministries’ own evaluations and statement on achievements of objectives. Based on this, FPMO conducts quality assurance, standardization, coordination, and finally consolidated reporting. The official Performance Report to Parliament contains information about the achievement of objectives at the level of budget chapters (outcome statement) and global budgets (output statement). The objectives at operational level are not reported to Parliament.

The Annual Internal Evaluation Report is a report on evaluations of RIAs, which have to be done within five years of initial RIA, i.e. an overview summary of the RIA internal evaluations which is meant to use for discussion by the parliament budget committee. Government entities submit to FPMO a report about its internal evaluation in the previous year by February 28th, based on which FPMO conducts quality assurance, summarizes, and comments on these inputs and prepares the consolidate report which is submitted to the Parliamentary Committee by May 31st. The goal is to make internal evaluations more transparent to parliamentarians and the public and to make them a part of the parliamentary debate and influence the policy making, including about budget allocations for the upcoming years.

Both the Annual Federal Performance Report and the Annual Internal Evaluation Report are available digitally online and FPMO invest efforts in finding more inciting ways to present them to be more appealing to the readers. As the printed reports are around 400 pages, the online version is created to visualize data. For example, data on percentage of indicators that achieve target values are available in a time series (although it should be noted that as the reform and the system is still quite new, the ministries are allowed to adjust medium-term forward targets and learn as they go). There is also specific reporting on gender equality, using the main topics of family and work, labor market, heath etc. Topics such as gender equality in decision making positions are examined.

The presentation concluded with the overview of challenges, main of which are:

1. collecting meaning data (specific formulation of objectives and indicators and lack of knowledge in public administration about indicator construction, availability, reliability, and timeliness of data – this challenge is addressed by training in workshop series and by constant support and quality assurance by FPMO),
2. designing user friendly IT tools (there are many public servants involved in conducting and evaluating performance management and RIAs and a single input and interoperability between different systems is needed as well as the FPMO oversight – this challenge is addressed through web-based tool for evaluating performance goals and indicators and automated reporting)
3. increasing accountability and awareness (a strong cultural change is needed and awareness must be raised inside and outside of government – this challenge is addressed through a central government body that provides feedback, PR, training, handbook, and quality assurance; patience is needed), and
4. evaluation and oversight (using the collected data for strategic planning and steering and governance of institutions).

PEMPAL participants engaged in a discussion with the presenter, including on:

1. data collection mechanisms by line ministries – the hosts explained that some ministries have a long history of collecting data and in some sectors vast statistical data is available, but the other extreme is where ministries do not have data and sometimes they can propose that the statistical agency starts collecting official data, in which case there are data collection and data analyses costs; surveys of citizens or service users’ perceptions can be conducted if they are properly conducted externally (as most ministries do not have necessary research methods expertise);
2. division of responsibilities and cooperation between the Ministry of Finance and FPMO – while it may be more efficient to not have the functions split between the Ministry of Finance and FPMO, within the reform planning it was decided to split them. On the one hand this encourages a more intense involvement of the center of government, and on the other hand it allows for a dual assessment approach, where one institution is focusing more on outcomes and the other more on more classic budget deliberations.
3. responsibility for setting performance indicator target values – ultimately, the line Minister is accountable for the proposed target values in the draft budget, although FPMO makes suggestions if there are issues, while Parliament ultimately decides on the whole federal budget act (initially, there were tendencies of line ministries to set low targets but when they overshoot their targets later, it is hard to justify requests for additional funds, thus people are learning with the system, and Ministry of Finance and FPMO emphasize this learning value and objectives of the reforms);
4. flexibility of shuffling funds among economic classification budget line items – the hosts explained that within each budget level there are also economic classification items, but now there is flexibility to shift funds among economic classification budget line items with almost no restrictions (salaries are set by the law and employment level by the Federal Staffing Plan, however there is some flexibility with bonuses);
5. performance budgeting at subnational level – subnational level has a similar structure, but on a voluntary basis, while there are no RIAs, but financial impact assessment exists; similar reforms are currently implemented on subnational levels, including the introduction of accrual budgeting/accounting.

# **Lessons Learned**

In the last session of the workshop, in a round table country-by-country format, PPBWG workshop participants identified the following selected main lessons from the example of Austria that are interesting and/or applicable in their own countries based on this workshop:

1. *Russian Federation*:
   1. In Austria, programs are defined based on objective and performance indicators, not the other way around, which is an important success factor for good quality program structure. The scope of a program is large, so the number of programs is manageable, and the performance indicators are also focused in a very rational way, with around five key indicators. This is a direction to which PEMPAL countries should also strive – optimization, streamlining, and rationalization of programs and indicators.
   2. Austria is one of the most flexible countries in terms of shuffling funds within programs. There is around 100 budget lines, while in Russia this number is around 3,000 and similar situation is in most other PEMPAL countries. There is room for further reduction of budget line items and reduced rigidity in PEMPAL countries, however, not to the extent of flexibility that exists in Austria, as fiscal discipline considerations are important for PEMPAL countries. Also, parliaments can be an obstacle to increase in spending flexibility, as it is hard for them to let go of power.
   3. Interaction with the Parliament in Austria is different than in most PEMPAL countries, as the line Ministers in Austria present and defend their budgets in the adoption procedure. On the other hand, in PEMPAL countries the budget is still considered to be the responsibility of the Ministry of Finance primarily and line ministries are not sufficiently involved in the parliamentary procedure.
   4. Roles and responsibilities are quite evenly distributed between the Ministry of Finance and FPMO in Austria, with the clear role od Ministry of Finance on budget allocations, while FPMO is responsibility for the quality assurance of performance indicators. These experiences can be useful for PEMPAL countries in terms of division of work between the Ministry of Finance and Ministry of Economic Development (or similar bodies, depending on a country). Clear distinction of power is very important and it limits the staffing and streamlines decision making process.
   5. Austrian practices in RIA are very interesting. Most countries do some type of financial impact assessments to some extent, but in Austria RIA is a clearly structured exercise, one of the best examples we have heard.
   6. One challenging part in the Austrian experience is the possibility of changes in the budget structure when government change (although very rarely). In PEMPAL countries similarly there are cases where programs reflect executive body structure so if the body changes so does the program. At the strategic level this should not be the case, the highest-level program structure should be stable.
2. *Croatia*:
   1. Limiting the number of performance indicators as is the case in Austria is a good approach and is needed in our countries too.
   2. The format of budget documentation and reporting in Austria includes a shorter and more reader friendly versions, which would be needed in our countries as well, as the current budget documentation with the program and performance information is over 1,000 pages.
   3. The main lesson, which we have been working on, is to increase the role of performance information in the decisions on expenditure limits and in the discussions in budget adoption procedure at the government level in the parliament, as is done in Austria.
   4. Austrian practices in RIA in terms of different impact dimensions and the internal evaluations conducted five years after RIA is very interesting and can be applicable to our countries.
   5. In terms of flexibility for shuffling funds within programs, as was previously mentioned, there is a lot of room for further reduction of budget line items and reduced rigidity in PEMPAL countries, but the extent of flexibility that exists in Austria is not applicable for our countries due to cultural and fiscal discipline considerations.
3. *Kyrgyz Republic*:
   1. The flexibility for shuffling funds within programs in Austria is very broad. In PEMPAL countries, limitations are very important, although a good balance with increased flexibility needs to be found, as mentioned previously.
   2. The format of Annual Performance Report sent to Parliament in Austria is impressive, as well as the RIA’s connections to performance indicators used in budgeting side.
4. *Georgia*:
   1. The absolute flexibility for shuffling funds within programs in Austria is not applicable for our countries entirely due to different public administration culture and Georgia in fact moved back from flexibility to more rigidity for discipline (there was 5% restructuring possibility and increase in allocations by 1/12 with the approval of the Ministry of Finance – now the approval of government is needed and the limitations on cutting capital expenditure is also installed).
   2. It is interesting that in Austria FPMO reviews the quality of indicators, as the budget analysts from the Ministry of Finance follows one budget user and know everything about that budget user.
   3. Having limits on number of indicators is good and Georgia has a limit of 5 too, but some ministries still send up to 60 indicators and let the Ministry of Finance cut them.
5. *Armenia*:
   1. The main lesson is streamlining of number of indicators, which is necessary in our countries. Armenia’s plan is to focus on the number and quality of indicators in the next period, as in 2019 the complete move to program budgeting is expected.
6. *Ukraine*:
   1. Austrian experiences are very interesting but not all is applicable o PEMPAL countries, not only because of cultural and discipline considerations, but also because of availability of funds. For example, some aspects of the gender budgeting reform in Austria would be too costly for our countries in some cases.
   2. The discussion on flexibility of for shuffling funds within programs is very important, in particular on how to make the spending units more responsible and accountable when the flexibility is provided to them. The gist is that the flexibility must be given to some extent, but it needs to be balanced and done carefully.
7. *Moldova*:
   1. The structure and hierarchy of budget and performance indicators are very important. This exemplifies the importance of having key national indicators, which most of our countries do not have. In our countries we at times move to very detailed operational level and there is a danger of losing the link to national and sectoral polices at high level.
   2. As discussed above, flexibility issue is very important. In Moldova, government can reallocate up to 10% of amount adopted by the Parliament at program level, with Ministry of Finance’s opinion and with limits on salaries and capital expenditure.
   3. The quality assurance of performance management as done in Austria is very important. In PEMPAL countries, in addition to an issue of too many indicators, there is also an issue of Ministry of Finance assuming primarily the methodological role, in the future more efforts need to be invested in monitoring, including the understanding of how line ministries conduct monitoring. Ministry of Finance may be best suited to conduct this role as opposed to another body.
8. *Bulgaria*:
   1. The most interesting was the Austrian budget structure, with three tiers of which the detailed budget tier is used exclusively for administration purpose.
   2. Strict prescription of number of global budgets, detailed budgets, objectives, and indicators has clear advantages in streamlining and standardization, while on the other hand it may be hard to squeeze some programs into these criteria. Aiming to streamline indicators, Ministry of Finance of Bulgaria instructed the line ministries to only include performance indicators that measure strategic goals in the budgeting documentation, while other “ordinary” indicators should be measured internally for the ministries’ internal management. One-year experience show that the line ministries had difficulties with this without the assistance of Ministry of Finance, thus the Ministry of Finance will work closely with three pilot sectors in the next period to assist them in defining strategic versus ordinary indicators.
   3. Connected to the previous point, it would be useful to explore in more detail the ways to streamline coordination between the Ministry of Finance and line ministries in terms of defining and monitoring indicators to ensure the adherence to the Ministry of Finance’s guidelines while at the same time provide a wider range of independence to the line ministries so that they are held accountable.
9. *Uzbekistan*:
   1. Uzbekistan has launched a series of reforms since 2016, including in PFM with transparency promotion and long-term budgeting frameworks.
   2. In Austrian experience, particularly interesting is the role of ministries in discussing budget in parliament. Our countries need to work on this.
   3. In terms of lumpsum budgeting, an important pre-requisite is the line ministries’ capacity to efficiency and effectively distribute it.
   4. Other interesting and useful elements from Austrian experiences include gender analysis methodology, the authority of an independent research institute in forecasting, Parliamentary Budget Office’s role in facilitating parliamentarians’ discussion on performance, and the authority of FPMO on performance reporting. Ministries of Finance in our countries mostly seem to take all of these roles, thus some redistribution should be considered.
10. *Belarus*:
    1. Austrian experience is very interesting and sententious and although not everything is applicable to our countries, we should strive to achieve some key elements.
    2. The extend of parliamentary involvement is especially impressive both in steering the overall reform and also in discussions about budget decisions.
    3. It is interesting to see that the line ministries also have a role that is much larger than in PEMPAL countries in terms of setting indicators and targets.
    4. Limiting the number of indicators as is done in Austria would go a long way in streamlining the currently overly complex systems in our countries.
11. *Kosovo*:
    1. Kosovo has not introduced program budgeting yet despite multiple efforts, due to lack of strong and constant political will. Austrian experience confirms that strong and broad political will is the main key success factor in such reforms.

The World Bank Resource Team members also provided comments on the workshop and participants’ discussions, reflecting inter alia the focus on holistic approach to reforming in which program budgeting is not the only part; importance of adopting a patient gradual approach and learning; balance between flexibility and accountability of program managers; delineation between the Ministry of Finance and FPMO (i.e. Ministry of Economic Development or the relevant body within the government office in PEMPAL countries); and streamlining the program structure and number of indicators used in budgeting while enabling the line ministries/budget users to use additional indicators for their internal management purposes. Finally, topics of future work of the Working group were discussed, based on results of pre-event survey. It was decided that this Working Group will focus on spending reviews after completion of its knowledge product on performance indicators.

Overall, the participants concluded that the workshop was very useful. It was agreed that additional materials from the Austrian authorities would be collected and shared with the PPBWG members. This Report and all of the materials from the workshop are shared with the wider BCoP community at the web-site [www.pempal.org](http://www.pempal.org). The participants appreciated the highly qualified presenters who were aware of both the big picture as well as operational details. This contributed greatly to excellent discussion, which took place between the hosts and the participants.

# **ANNEX I: AGENDA**

Moderator: Nikolay Begchin, Lead of Program and Performance Budgeting Working Group, Ministry of Finance of the Russian Federation

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| Time | Activity | Speaker |
| 09:00-09:15 | Introduction | PEMPAL, BCOP Executive Committee |
| 09:15-09:45 | Austrian Budget Reform –Performance Budgeting | Monika Geppl (Austrian Ministry of Finance) |
| 09:45-10:15 | (Regulatory) Impact Assessment | Andreas Fraydenegg (Austrian Ministry of Finance) |
| 10:15-10:45 | Questions to the panel of speakers |  |
| 10:45-11:15 | Coffee Break |  |
| 11:15-11:45 | Role of the Federal Performance Management Office (FPMO): Quality Control of Objectives and Indicators, Monitoring and Reporting | Roland Schneider (FPMO in the Austrian Federal Ministry of Public Service and Sports) |
| 11:45-12:45 | Questions to the panel of speakers |  |
| 12.45-14.00 | Lunch |  |
| 14.00-15.30 | INTERNAL PPBWG ROUND TABLE:  Analysis of lessons from the example of Austria and updating of information on further development in the member countries of the WG  Plans for future activities of the WG | Moderated by Naida Čaršimamović Vukotić, BCOP World Bank Resource Team |

# **ANNEX II: SpeakEr Biographies**

**Monika Geppl**

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|  | Since 2014 Austrian Ministry of Finance (MoF), Directorate General for Budget and Public Finances; as of December 2017 advisor in the spending review unit of the MoF. 2014-2017 advisor on budget reform and budget analyst in one of the “mirror units” within the MoF, monitoring expenditure of the line ministries.  From 2008 to 2014 Austrian Federal Chancellery, 2011-2014 deputy head of the Federal Performance Management Office within the Federal Chancellery, responsible for the implementation of performance informed budgeting and regulatory impact assessment.  Finishing studies in Socioeconomics with specialisation in Public Management at the Vienna University of Economics and Business. |

**Andreas Fraydenegg**

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|  | He is an expert in regulatory impact assessment at the Directorate General for Budget and Public Finances in the Austrian Ministry of Finance. He is coordinating the quality review process for regulatory impact assessments from all ministries.  Before joining the Civil Service in 2016, he was a consultant at PwC. He studied Business and Public Management at the University of Innsbruck and holds a Ph.D. in Business and Economics from the University of Graz. He is lecturer at the Federal Academy of Administration. |

**Roland Schneider**

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|  | Roland Schneider is an expert in performance management and regulatory impact assessment at the Federal Performance Management Office in the Austrian Federal Ministry for Public Service and Sports.  Before joining the Federal Performance Management Office, he worked in the Directorate General for Coordination in the Federal Chancellery and as an assistant at the Vienna University for Economics and Business, where he also studied Socioeconomics. |

1. Public Expenditure Management Peer Assisted Learning network established 2006 by the World Bank and other donors. Currently has 21 countries participating with members from budget areas of Ministries of Finance. Supported by World Bank, Ministry of Finance of Russian Federation, and SECO. See [www.pempal.org](http://www.pempal.org) for more information. [↑](#footnote-ref-1)
2. PPBWG members are from total of 15 PEMPAL countries: Albania, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Georgia, Kosovo, Kyrgyz Republic, Moldova, Russian Federation, Serbia, Turkey, Ukraine, and Uzbekistan. [↑](#footnote-ref-2)