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From: Ms Eva Maria LEIBMANN-PESENDORDER, Permanent Representation of Austria to the European Union

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To: Mr Carsten PILLATH, Director General, Council of the European Union

Subject: Austria:
Draft Budgetary Plan of Austria as laid down in Article 6(1) of Reg. (EU) 473/2013 on Common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficit of the member states in the euro

Delegations will find attached Austria's Draft Budgetary Plan for 2018 **in English**. This document is aimed for discussion in the Eurogroup.

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Abteilung für Finanz- und
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Eva Maria Liebmann-Pesendorfer

BRÜSSEL-ÖV/BMF/0287/2017

Brüssel, 16. Oktober 2017

Betr.: Übersicht über die österreichische Haushaltsplanung 2018

Die Ständige Vertretung übermittelt in der Anlage die Übersicht über die österreichische Haushaltsplanung 2017 gemäß VO (EU) 473/2013.

Eva Maria Liebmann-Pesendorfer
(elektronisch gefertigt)

Beilage

An
Herrn Gen. Dir. Carsten PILLATH
Generalsekretariat des Rates

Austrian Draft Budgetary Plan 2018

Federal Ministry of Finance

Vienna, October 16th, 2017

This document is an unofficial translation of the German original version and can be accessed at the web page of the Federal Ministry of Finance (<http://www.bmf.gv.at>).

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1. Introduction

In accordance with Article 4(2) of Regulation (EU) 473/2013, “draft budgetary plans” have to be annually prepared by October 15th. These documents should contain the Central Government’s draft budget for the forthcoming year as well as the main parameters of the draft budget for all the other subsectors of the general government. They have to be made public and submitted to the European Commission and the Eurogroup.

Due to the general election (“Nationalratswahl”) on October 15th, 2017 and without prejudice to a future new government, the following draft budgetary plans were drawn up under the assumption of a “no-policy change”. This should ease the coordination of the economic and monetary policy within the EMU. The incoming government will likely submit new and adapted draft budgetary plans (together with the Austrian Stability Programme) by April 2018 at the latest. It is to be expected that this forthcoming budgetary plans will be in accordance with EU budget rules as well as the national stability pact.

The format and content of the present document are in line with the requirements of the “Two Pack Code of Conduct”. This programme is based on the latest revision of national accounts data (ESA2010) from Statistics Austria (STAT), own calculations and assessments by the Federal Ministry of Finance (BMF) as well as the economic forecast by the Austrian Institute of Economic Research (WIFO) of September 29th, 2017.

2. Economic situation in Austria

2.1. Economic development (2016-2018)

Over the period 2008-2013, real growth rates of GDP were at least as high in Austria as in the euro area. Until last year growth was lower than the average of the euro area, but increased continuously and it will develop in parallel with the euro area from 2017 onwards. In 2016 the real growth rate of GDP was 1.5%, the strongest growth contributions came from private consumption and equipment investment. 2016 was the first year since 2012 when net exports contributions were negative. The tax reform contributed a lot to the increase in private consumption.

On September 29th, 2017, WIFO published its latest economic forecast, which forms the basis for this programme. According to WIFO, the short-term economic outlook is favourable. Leading indicators for Austria and consumer confidence are very positive. Lively domestic demand is supported by strong growth in employment, while the better international environment should provide an additional growth stimulus. In 2017 and 2018, the Austrian economy is expected to grow by 2.8%, respectively, in real terms. All demand components should contribute positively to growth. Demand for investments will lessen; this will be offset by private consumption and net exports.

In 2016, the number of persons in employment rose by 60,100 persons (1.6%), labour force expanded by 63,100 persons (1.5%). Labour supply will expand further because of immigration and the increase in the participation rate of older workers, women and foreign workers. In 2017, the number of persons in employment is expected to grow by 76,000 (2%) and the labour force to expand by 60,000 (1.4%). As a result, the unemployment rate as defined by Eurostat increased by 0.3pp to 6.0% in 2016 and will decrease to 5.7% in 2017.

The number of employed persons should also show strong growth in 2018. At the same time the expansion of the labour force continues. Demographic developments will further lift the participation rate of older workers and also the number of foreign workers will continue to increase. The unemployment rate as defined by Eurostat will decrease to 5.4% in 2018.

In 2016 the inflation rate in Austria was 0.9%, with services of restaurants, hotels and housing rents being the main price drivers. The inflation rate is expected to be 1.9% in 2017 and 1.8% in 2018.

Short- and long-term interest rates in Austria have decreased since 2008. This is due to the measures by the European Central Bank (ECB) and the good creditworthiness of the Republic of Austria. Long-term rates of Austria (10-year government bond yield) reached a record low of 0.11% in August 2016 and have increased since then. Against the background of the rate increase by the US Federal Reserve, the expectation of a normalisation of interest rates by the ECB and stronger economic growth, economic analysts expect a moderate increase in interest rates.

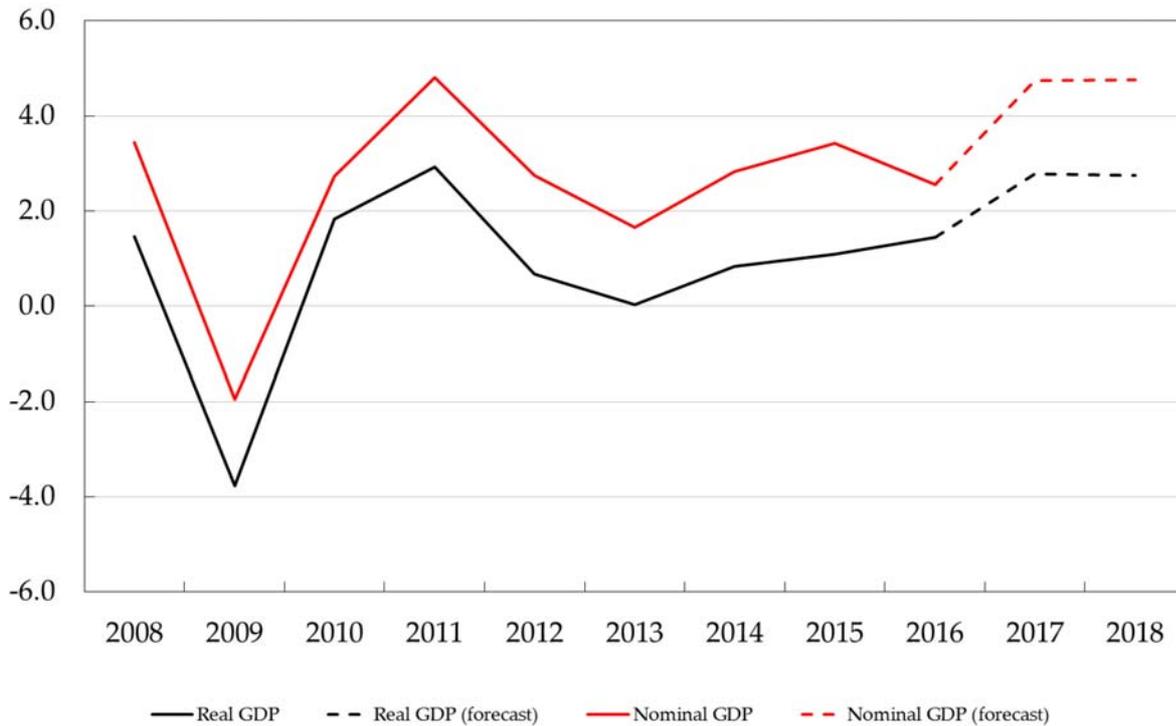
The Institute for Advanced Studies (IHS) published an economic forecast on September 29th, 2017. It expects real GDP growth rates of 2.6% in 2017 and 2.1% in 2018. The forecast is more pessimistic than that of the WIFO. In May 2017 the European Commission (EC) published its Spring Forecast, where it also expected a more moderate growth. For the public budget a nominal growth difference of 0.1pp implies a worsening of the nominal budget balance by 0.058pp on average.

Figure 1: Real GDP growth (Austria and the Euro area)



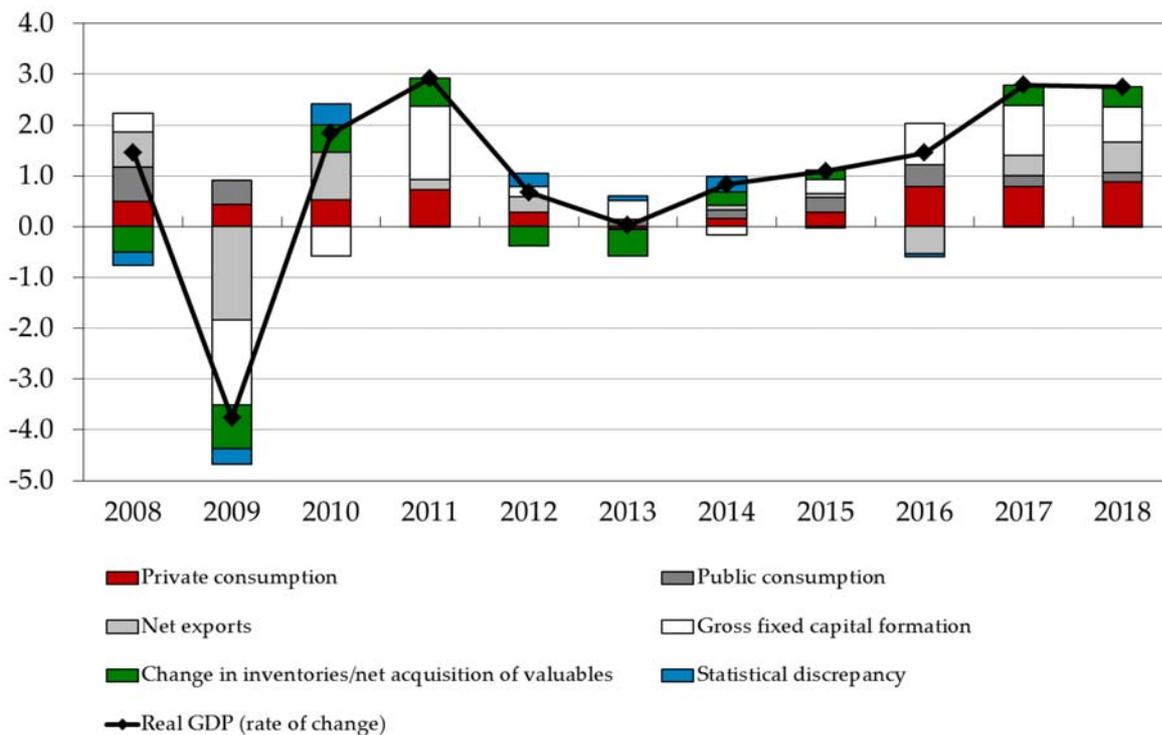
Left axis: Rate of change over previous year in %
Source: European Commission, EUROSTAT

Figure 2: Real and nominal GDP growth



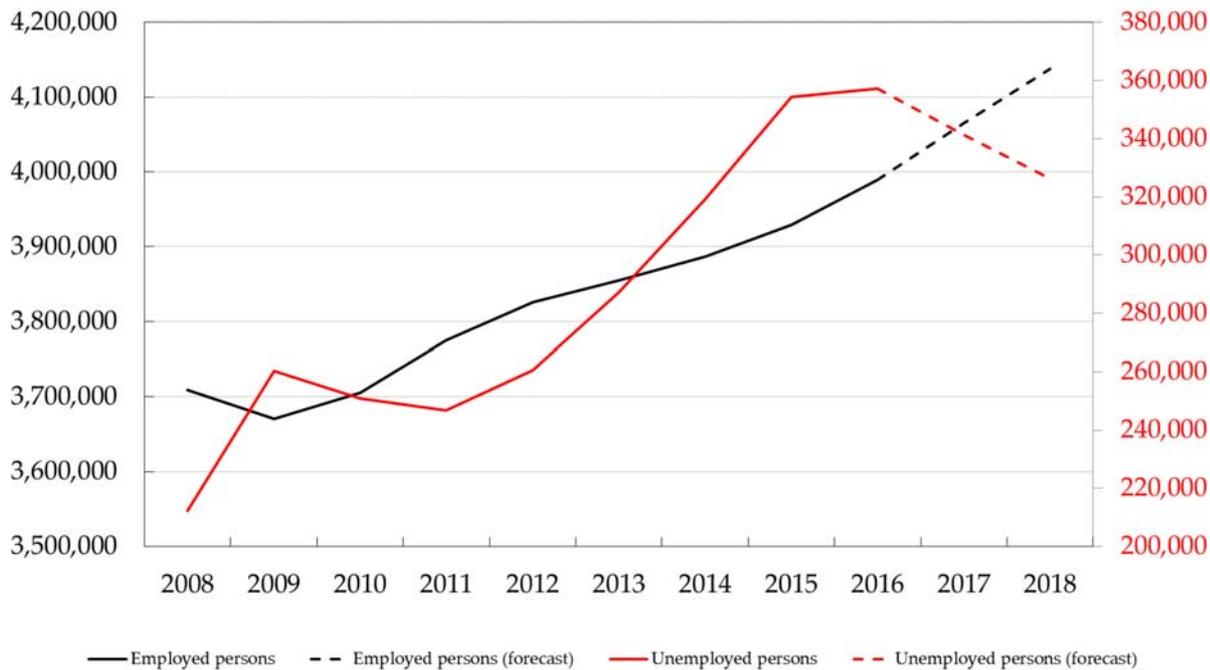
Left axis: Rate of change over previous year in %
Sources: BMF, STAT, WIFO

Figure 3: Contribution to real GDP growth



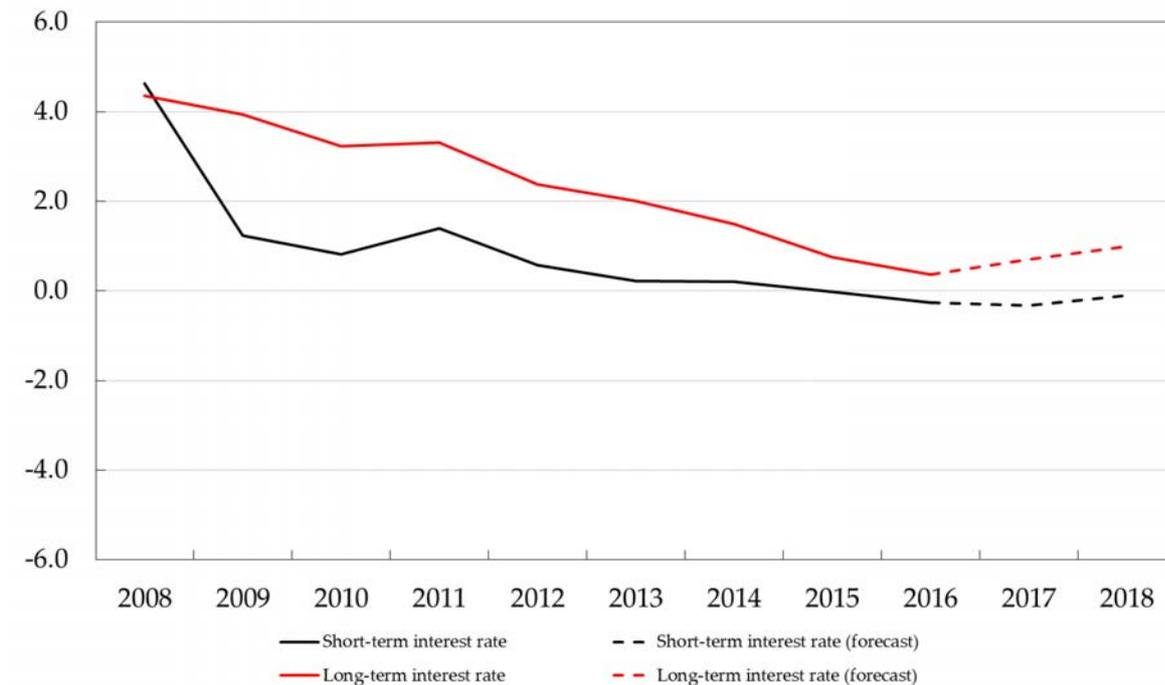
Left axis: Contribution to real GDP growth in percentage points
2017 and 2018 (forecast)
Sources: BMF, STAT, WIFO

Figure 4: Employed and unemployed persons



Left axis: Employed persons
 Right axis: Unemployed persons
 Sources: AMS, BMASK, BMF, WIFO

Figure 5: Development of short- and long-term interest rate



Left axis: Annual average (in %)
 Source: BMF, WIFO

2.2. Financial sector developments

The global economic climate in 2016 and the first half of 2017 has evolved better than expected as potential risks have not emerged. Those risks were rapid US policy rate increases, uncertainties about the economic and financial situation in China as well as possible deflationary risks in the Euro area. The gradual US policy rate increases are having only minor effects on the global economy up to now, the economic and financial environment in China is still stable and deflationary risks in the Euro zone have been averted.

For the second half of 2017 and 2018 there are also positive expectations due to a solid global upturn as well as possible expansive US economic policy measures. In 2018 monetary policy actions should still play an essential role for the financial market developments as gradual steps by the most important global Central banks have to be expected.

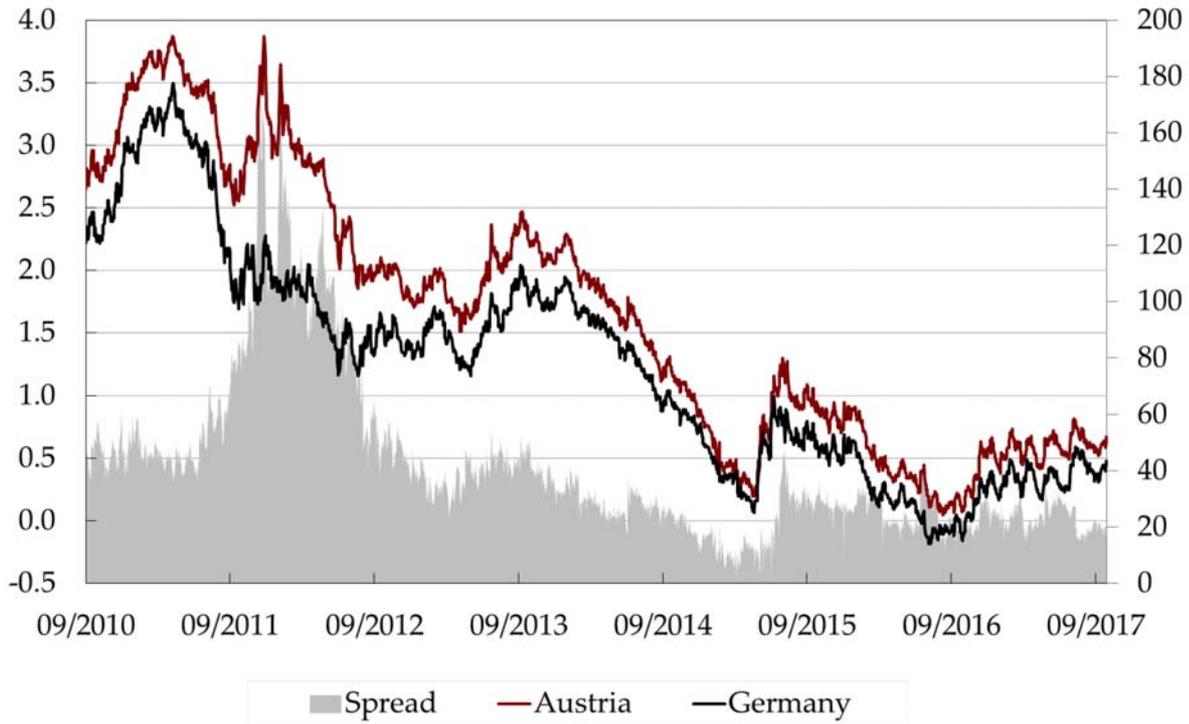
Long-term interest rates

Austria's long-term interest rate (10-year government benchmark bond yield) showed a relatively volatile development since the beginning of 2017 and fluctuated between 0.4% and 0.8% whereas a definite upward trend was observed at the end of 2016/beginning of 2017. From July 2017 to the beginning of September 2017 a slight downward trend started as an abrupt change in the ECB's monetary policy become more unlikely because of the ongoing low inflation rates. These developments were influenced by expectations with regard to inflation and economic growth as well as a possible decrease of the ECB's public sector purchase programme. The spread of 10-year yields over similar-maturity German Bund yields has remained relatively stable since spring 2017, at 15-30 basis points.

Equity market

The Austrian equity market (ATX) showed a significant upward trend since summer 2016 and the increase was more dynamic than the increase of the Euro-Stoxx-50-Index. In September 2017 the ATX reached the highest value since September 2008. A better than expected development in Austrian economic and corporate data as well as ongoing positive economic dynamics in Central and Eastern Europe were responsible for the significant improvement in the equity market climate.

Figure 6: Long-term interest rates and spread



Left axis: Long-term interest rates in %
 Right axis: Spread in basis points
 Source: Macrobond (as of September 29th, 2017)

Figure 7: Equity market performance



Left axis: Index
 Source: Macrobond (as of September 29th, 2017)

Banking sector

The consolidated balance sheet of Austrian credit institutions continued to decline in 2017. As of end-March 2017, total assets amounted to 968.6 bn €, about 9.3% lower compared to March 2016. The decline was due to banks' efforts to improve their capital ratios.

The increase in lending to households and enterprises in Austria remained stable and overall positive. New lending to private households was increasingly driven by housing loans. The decline in foreign currency loans continued.

Credit exposure to the CESEE region is highly diversified. The restructuring process in the region is nearly finished. Austrian banks are now concentrating their activities on the attractive countries. After UniCredit Bank Austria AG has transferred all CESEE activities to UniCredit S.P.A., Italy, the CESEE exposure amounts to roughly 236 bn €.

Credit quality continued to improve in Austria as well as in the CESEE region. In the CESEE region it is, however, notably weaker.

The profitability of the Austrian banking sector improved in 2017 due to declining credit risk provisions.

The consolidated capital base of the banks improved further. The core capital ratio stood at 14.8%. The strengthening of the capital base pursued during the past few years will be continued.

Insurance sector

The domestic insurance sector performed weaker than in 2016 in terms of premiums earned. Domestic premium income was only up by 0.1% to 9.23 bn €, driven by negative impacts from the life insurance sector.

The technical account balance totalled 327.8 m € (-22.5%). The financial result amounted to 1.61 bn €. The result from ordinary activities decreased to 0.93 bn €, down by 21.1%.

Investment funds, pensions funds und corporate provident funds

The investment volume of Austrian investment funds rose compared to the past year from about 173.0 bn € (December 2016) to about 178.0 bn €. The average performance of pension

funds (“Pensionskassen”) stood at 3.3%. Total assets of pension funds increased slightly to 21.645 bn €. The number of prospective beneficiaries rose to 915,000 persons, a 1.33% increase. Assets held by corporate provident funds (“Betriebliche Vorsorgekassen”) rose by 6.97% to about 10.0 bn €, primarily due to inflows as a result of legal requirements. The performance stood at 1.09%.

3. Economic and budgetary policy targets and measures

In the XXVth legislative period, the main objectives of the Austrian Federal Government have been to promote economic growth and employment, support companies, provide security to citizens, and to make Austria more competitive and sustainable. The sustainable budgetary policies of all Austrian governmental authorities give space to

- be prepared for the future,
- tackle new challenges without cutting expenditure of important policy areas, and
- focus the political agenda and foster economic growth.

A solid budgetary policy in accordance with existing EU budgetary rules will be continued. Taking into account additional expenditure related to migration and anti-terrorism measures the structural deficit target shall be reached over the coming years. The medium-term objective is a structural balance of -0.5% of GDP. Reaching the structural balance ensures a proper reduction of the debt ratio to reach the reference value of 60% of GDP.

The Austrian Federal Government already introduced major measures to foster economic growth and employment in the XXVth legislative period. Policies included measures to increase private consumption, to support SMEs, to invest in infrastructure, craft trades and employment as well as structural reforms. Opportunities may arise through digitalization and issues related to energy, climate and the protection of the ecological environment. The rural development shall be strengthened as well.

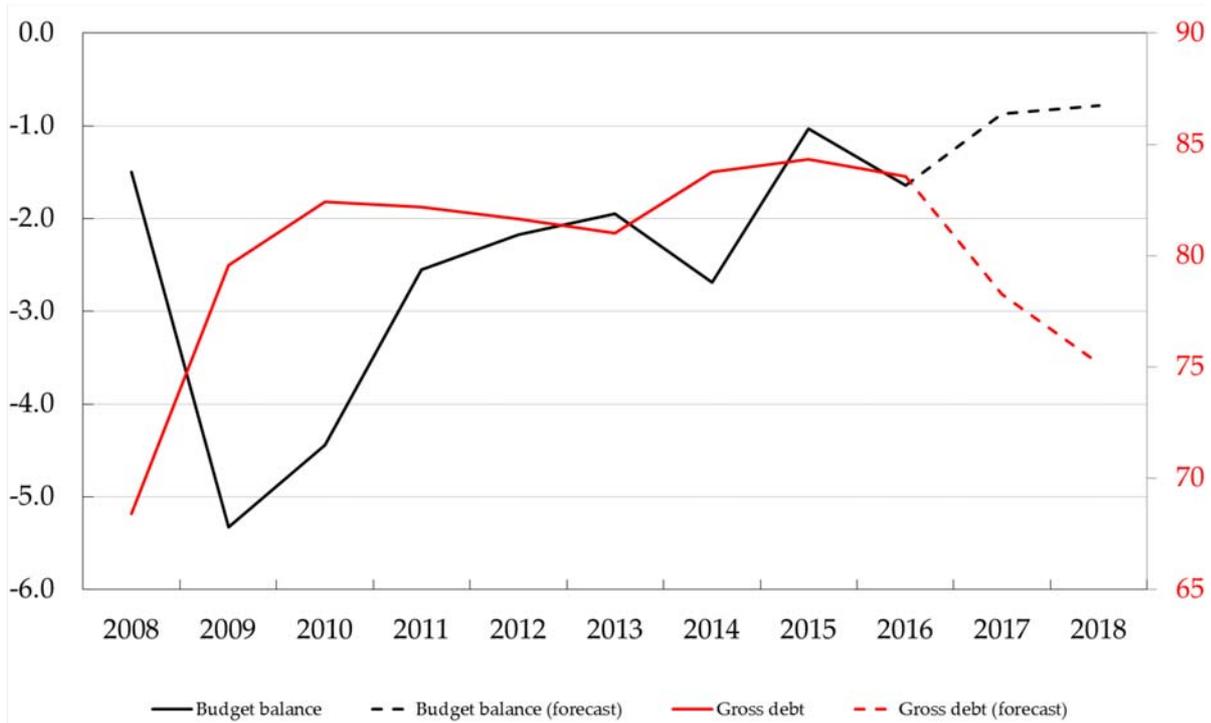
The Austrian Federal Government aimed at developing a new, task-oriented financial equalization scheme. Negotiations with the States and representatives of the municipalities were finished successfully on 14th November 2016. The new financial equalization act focuses on task-orientation, transparency, simplifications and tax autonomy of the States.

Starting mid-year 2016 many policy decisions were taken in areas like deregulation, spending reviews, support of start-up companies, infrastructure, research, education, security, integration, and lowering the non-wage related labour costs and levies. In January 2017 the Austrian Federal Government updated its work programme. Most of the policy measures of the work programme were enacted in Parliament before summer. The most important policy measures are:

- Employment bonus: beginning in July 2017 for every additional employee companies are reimbursed half of the non-wage related labour costs up to 3 years.
- Strengthening research and development: Research ratio shall be increased to 3.76% of GDP. The research bonus to companies will be raised from 12% to 14% beginning in January 2018. Expenditure to the National Foundation for Research, Technology and Development will be raised substantially. Budgets of the universities will be increased from 2019 onwards. A new funding scheme for student support shall be established that is attached to certain procedures for application and access to academic studies.
- Investment bonus for big companies (“Investitionszuwachsprämie”): In addition to the infrastructure investment programme for municipalities and a bonus to SMEs for stepped-up investments, a bonus, restricted to 2017, is paid to companies with more than 250 employees as well.
- 20,000 new jobs: Community and regular work will be financially supported to give meaningful work to long-term unemployed people older than 50 years.
- Tax on flight tickets halved: Beginning in January 2018 the tax on flight tickets will be halved
- Compulsory “year of integration”: As of September 2017 recognized refugees and people granted subsidiary protection have to attend a standardized integration programme which aims at learning German, to receive job guidance and training. Starting in 2018, asylum seekers who likely will be granted asylum are also allowed to participate in this programme.
- Education: schools benefit from a better hierarchical structure of school authorities, school autonomy and the possibility of school clusters. Early child care will be strengthened (second compulsory year of kindergarten). IT-infrastructure will be extended. Study grants will be raised starting 2017/18.

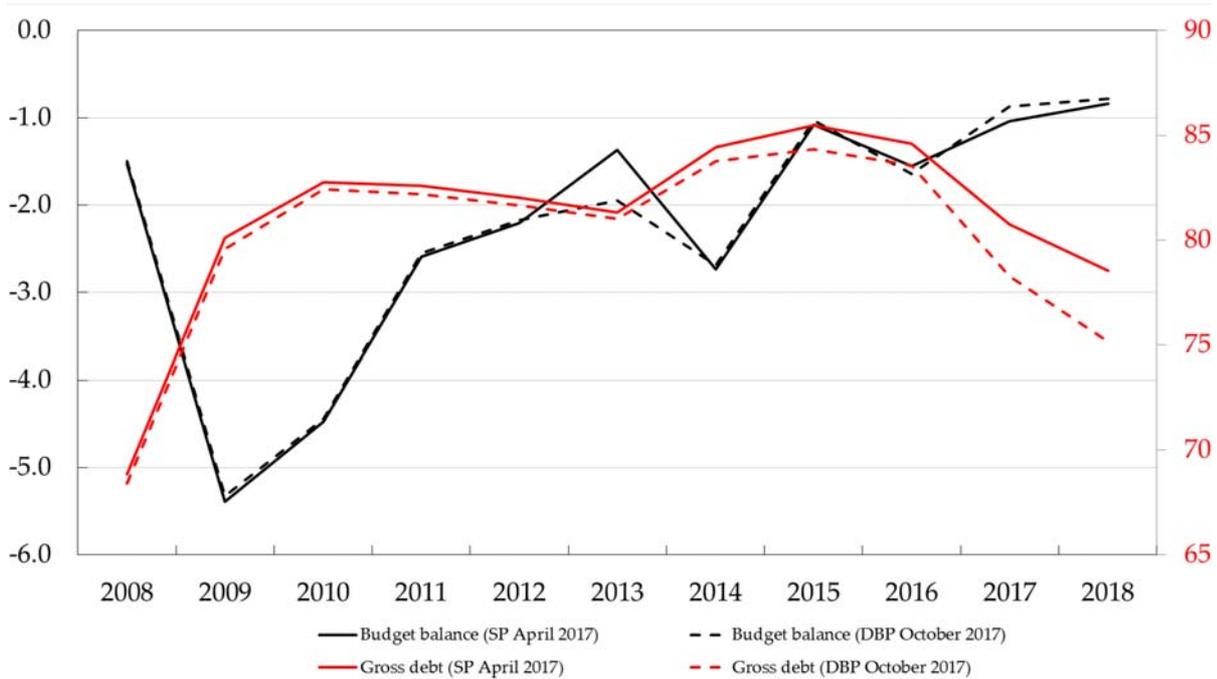
The expenditures related to these policy measures will be financed within the next medium-term expenditure framework which will be enacted in spring 2018 by the newly elected Federal Government.

Figure 8: General government net lending/net borrowing and gross debt



Left axis: General government net lending/net borrowing (in % of GDP)
 Right axis: Gross debt (in % of GDP)
 Sources: BMF, STAT, WIFO

Figure 9: Divergence from latest Stability Programme (April 2017)



Left axis: General government net lending/net borrowing (in % of GDP)
 Right axis: Gross debt (in % of GDP)
 Sources: BMF, STAT, WIFO

3.1. Budget execution in 2017

In 2017, the general government deficit according to Maastricht will decrease to -0.9% of GDP, slightly better than projected in spring. The positive economic development improves both revenues and expenditures. On the other hand the discretionary fiscal measures, which were approved by the Federal Government after the presentation in Parliament of the Austrian Stability Programme in spring, lead to higher expenditures in 2017. The debt-to-GDP ratio will decrease to 78.3%, whilst the debt-to-GDP ratio was expected to be 80.8% in spring. The structural deficit without considering the additional expenditure for refugees and the fight against terrorism is estimated to be -0.7% of GDP, considering the extra cost the structural deficit is estimated to decrease to less than -0.5% of GDP.

The good economic situation has a particularly favourable impact on tax revenues in 2017. Current taxes on income and wealth have increased so far by 6.3% compared to the previous year. As of end of August revenues of capital yields taxes are 17.2% higher compared to the same period last year. Also the corporate income tax is developing dynamically (as of end of August +13.0% compared to last year's period). The banking levy turned out to be higher than last year due to the reform of 2016. VAT revenue increased by 4.9% in the first eight months of the year. Overall tax revenue increased by 5.3% from January to August compared to the same period last year. An increase of 4.1% was planned in the 2017 budget. Due to the ongoing growth in employment, unemployment insurance contributions and employer contributions to the family equalization fund are developing better than expected.

On the expenditure side, the economic recovery leads to an undershooting of budget estimates especially regarding the federal grant to the public pension scheme and the unemployment benefits. In 2017, the federal budget benefits also from the exceptionally low interest rates of the last years.

Discretionary measures that were approved by Parliament before the summer break, cost an additional 0.4 bn € in the year 2017. The new employment bonus, introduced on 1 July 2017, affects the national accounts in 2017 even though it is going to be paid in 2018. According to national account rules, subsidies need to be included in the year of the decision that leads to the transfer. Further measures increasing the deficit are the increase in study grants that started in September 2017, the introduction of the obligatory year of integration for recognized refugees and people granted subsidiary protection, the

employment programme “Aktion 20.000” for older long-term unemployed, the introduction of an investment growth premium for small and medium-sized enterprises and a special grant for new municipal investments.

State and local budgets are expected to be balanced in 2017 after a deficit of 1.5 bn € in 2016. This is supported by the new fiscal equalisation scheme approved in the fall of 2016, which increases the central government’s transfers by 425 m €. In addition, the payment by Carinthia for the liquidation of HETA (1.2 bn € in 2016) was a one-off transaction.

The mandatory pension insurance system also benefits from positive revenue developments; the federal transfer to the pension insurance system in 2017 will be notably lower than planned. The financial situation of the public health insurance scheme is also solid; in 2017 it should achieve a positive balance as well.

In 2017, one-off payments for banks are expected to account for 140 Mio. €. These are drawn guarantees for the HETA. The debt level will decrease from 83.6% of GDP in 2016 to 78.3% of GDP in 2017. There are several reasons for this shift: Pre-payments for the HETA liquidation of about 3.6 bn € (1% of GDP), which temporarily increased the debt level in 2016. This increase will be neutralized in 2017. Furthermore, in July HETA transferred 4.4 bn € of its assets to the general government and to the “Kärntner Ausgleichszahlungs-Fonds“, respectively, which were used to reduce public debt. In addition the liabilities of the other bad banks (Immigon, KA-Finanz) are being reduced. Finally, the high growth of GDP contributes to a quicker decline in the debt-to-GDP ratio.

3.2. General Government Balance 2018

The existing Federal Government did not prepare a budget statement for 2018 due to federal elections. After the elections the next government will be responsible for negotiating a federal budget for 2018 that will be enacted by Parliament. In case that no budget will be enacted until the end of 2017, a provisional budget will come into force automatically. If so, the legislation stipulates that the provisions of the federal finance act for 2017 have to be applied in 2018 as well. Specific budgetary rules have to be followed that limit cash inflows from financial debt to half of its annual ceiling and short-term cash obligations to its annual ceiling.

In 2017 the medium-term expenditure framework has not been updated for the years 2018-2021. The medium-term expenditure framework will also be elaborated by the newly appointed federal government.

The general government Maastricht deficit will be -0.8% of GDP in 2018. The structural deficit though will, also in light of the effects of the cycle, rise to -1.1% of GDP. By taking into account costs for refugees and security measures, the structural deficit is expected to be -0.8% of GDP. The debt ratio will further decrease to 75.2% of GDP. The main reasons for its decline are the gradual reduction of the liabilities of the state-owned “bad banks” and higher economic growth.

For 2018 and following years the EU requires of Austria to maintain a structural balance of at least -0.5% of GDP per year. The “Work Programme of the Austrian Government 2017/18” states that the all measures and programmes have to be funded through a reciprocal reduction of expenditure or increase in revenue in line with the EU-rules.

3.3. Restructuring of the banking sector

Based on the Austrian Financial Market Stability Act (FinStaG), Austrian Banks have been granted capital and liquidity-supporting funds totalling 29.5 bn € since 2008, including participation capital subscribed by the Republic of Austria. Taking into account all repayments to date, the net amount was 18.3 bn €. In 2016, the legal limit for measures aimed at strengthening the Austrian financial market pursuant to FinStaG has been increased by 1.5 bn € to 23.5 bn € in order to fund the purchase of statutorily-guaranteed debt instruments of Heta Asset Resolution AG (HETA) by the Kärntner Ausgleichszahlungs-Fonds (KAF) (see below).

Out of FinStaG funds, 7.4 bn € have been used for the subscription of share capital, shareholder contributions and other capital measures. As at 30 June 2017, Austria still held participation capital amounting to 10 m € issued by immigon portfolioabbau ag (immigon, the legal successor of Österreichische Volksbanken AG - ÖVAG). The general agreement between Austria and the Free State of Bavaria for settling legal disputes related to HETA included a payment of 1.23 bn €. Federal guarantees issued under FinStaG summed up to 7.2 bn € as of end-2016. Claims under guarantees amounted to 1.5 bn €.

In 2016, revenues from guarantee fees relating to the banking sector amounted to nearly 67 m €. Since the Austrian Financial Market Authority (FMA) in its capacity as the

designated Resolution Authority ordered a haircut on due fees of HETA and deferred the remaining liabilities until end of 2023 (see below), guarantee fees were only paid by Hypo Group Alpe Adria (the former SEE network of Hypo International), KA Finanz AG and immigon in 2016. As at 31 August 2016, immigon terminated the guarantee of 100 m € provided by Austria without calling.

On 10 April 2016, FMA in its capacity as the designated Resolution Authority ordered immediate resolution measures on HETA by administrative decision in accordance with § 3 (1) Federal Act on the Recovery and Resolution of Banks (BaSAG). Among other measures, core Tier 1 capital and subordinated liabilities including interest due on 28 February 2015 were reduced to zero, and senior debt was reduced to 46.02 per cent. Moreover, interest from 1 March 2015 was cancelled and the maturity date of all eligible liabilities was harmonised to 31 December 2023. Though the wind-down of HETA shall be completed by 2020, the termination of legal claims will take until end of 2023, according to FMA.

On 2 May 2017, the FMA issued a new administrative decision reducing the write-off of non-subordinated liabilities to 35.6%; the distribution rate thus rises to 64.4%.

The Republic of Austria as owner of HETA has been affected manifold by the FMA administrative decision: the reduction of core and participation capital to zero, the reduction of guarantee fees due as of 1 March 2015 to 64.4 per cent, and the calling under the guarantee of the 1 bn € HETA subordinated notes 2012-2022 plus interest payments.

Following intense negotiations with major creditor groups and the conclusion of a Memorandum of Understanding between the Republic of Austria and creditors in May 2016, KAF launched a second tender offer on 6 September 2016, which was accepted by 98.7 per cent of the creditors. Carinthia contributed 1.2 bn € to the funding; 6.4 bn € were granted as loans pursuant to § 81 Federal Budget Act (BHG) 2013 via ABBAG-Abbaumanagementgesellschaft des Bundes; the remaining amount of up to 1.28 bn € were covered by FinStaG funds.

On 30 June 2017, a resolution was passed at the extraordinary general meeting of HETA on an interim distribution payment to the creditors before maturity. On this basis, around 5.8 bn €, i.e. 69% of the 64.4 per cent-quota fixed as of 2 May 2017 were paid to the creditors of eligible liabilities in the second half of July. This interim distribution payment was made possible by high cash inflows generated by successful asset sales in 2016 and the first quarter of 2017.

In accordance with the Federal Ministry of Finance, KA Finanz has submitted the request for surrendering its banking license and continuation as a wind-down entity pursuant to § 162 BaSAG to the FMA on 9 June 2017; this request was approved on 6 September 2017. The changing regulatory framework and the related requirements (such as Net Stable Funding Ratio, Liquidity Coverage Ratio), which could have only been met at significantly higher costs, were the main reasons for the conversion into a wind-down entity. Finally, the review of the risk-bearing capacity of KF conducted by Oesterreichische Nationalbank (OeNB) in autumn of 2016 contributed to the exacerbation of the situation. The result was that in a liquidation scenario the high hidden burdens would exceed the equity. Therefore, the Republic of Austria was particularly interested in adapting the refinancing structure of KA Finanz to the new circumstances as good as possible. In addition to the granting of federal loans pursuant to § 81 Federal Budget Act (BHG) 2013 via ABBAG-Abbaumanagementgesellschaft des Bundes, the existing guarantee for the commercial paper programme of 3.5 bn € will be replaced in three steps by loans pursuant to § 2 FinStaG. Existing bonds, loans and private placements will be honoured and redeemed at their full nominal values upon maturity.

Immigon is operated as an asset management company pursuant to § 162 BaSAG. In 2016, assets were again reduced according to plan (-1.4 bn €). The balance sheet total as of 30 June 2017 amounted to 1.7 bn €.

In 2016, the restructuring of Volksbankenverbund (Volksbanken association) has progressed as expected. By 2017, the originally more than 40 local banks shall be merged into 8 regional banks until October 2017. The gratuitous transfer of 25%+1 shares of Volksbank Wien to the Republic of Austria in January 2016 serves as collateral for the 300 m € profit participation right, as compensation for the haircut of the state-held participation capital of ÖVAG in 2015. To date, Volksbankenverbund already paid 67 m € to the Republic of Austria. After servicing of the profit participation right is completed (by spring 2024 at the latest), the shares will be re-transferred to the Volksbankenverbund.

3.4. Migration and integration

In 2015, 88,000 applications for international protection were registered in Austria. In autumn of the same year, Austria has applied for consideration of related costs in the evaluation of the budget by the EC. In turn the EC has agreed to consider some of the confirmed costs ex-post within the framework of the Stability and Growth Pact (SGP). This means that the change of costs from 2014 to 2015 is applicable and furthermore, that this

exceptionality is limited to the years 2015 and 2016. For 2015 the EC has considered 0.09% of GDP and for 2016 an additional 0.34% of GDP in its budget evaluation. The EC will also consider the costs in 2017. Therefore the after-effect of this exceptionality will be felt until 2019.

The EU and Austria have reacted to the influx of refugees. Since May of 2016 the number of asylum seekers is below its reference value from 2015. About 42,000 applications for asylum were filed in 2016, of which less than 37,500 were admitted to trial. The federal government has significantly increased personnel in order to tackle the stock pile of asylum trials. In 2017 the number asylum applications is expected further decrease. The costs for basic services will stabilise at a high level, since they do incur during appeals procedures against asylum decisions. In total, related costs in 2017 are expected to be higher than in 2016.

Tables 14, 15 and 16 in the Appendix show the corresponding data regarding asylum expenditures.

3.5. Fight against terrorism

The number and brutality of terrorist attacks in Europe has drastically increased since 2015. Therefore, the European Commission in spring 2016 decided to treat security-related costs for the years 2016 and 2017 as exceptional expenditure in the assessment of budgetary developments. Though Austria has largely escaped open terrorist attacks until now, proper preparation and defensive measures are needed. In particular, the protection of public institutions, better equipment and the extension of security personnel, as well as higher expenses on the fight against cyber-crime, are needed.

Tables 17 and 18 in the annex show respective data on incremental expenditure items in the areas home affairs and national defence for the years 2016 and 2017 (estimated data) compared to 2015. These data remain unchanged compared to the Stability Programme as of April 2017.

3.6. Comprehensive fiscal rules

One of the key elements to safeguard the pace of fiscal consolidation is the system of fiscal rules enshrined in Austrian law (Public Law Gazette I No. 30/2013). Following a transition period, these rules require the central government, the state governments and the

municipalities to achieve from 2017 on structurally balanced budgets as a basic principle. The agreement covers the following key issues:

- Rule on a structurally balanced general government budget (“debt brake”) from 2017 onwards, with the structurally balanced budget defined as a structural general government deficit not exceeding -0.45% of GDP
- Rule on the allowed annual expenditure growth (expenditure brake)
- Rule on public debt reduction as defined in ESA terms (adjustment of the debt ratio)
- Rule on ceilings for public guarantees (BGBl. I Nr. 134/2017), whose implementation was harmonised in the course of the negotiations on the intergovernmental fiscal relations law 2017. From 2019, the maximum amount of guarantees by the central government and the states is limited to 175% of the revenues of the entity, while for municipalities it is limited to 75% of revenues.
- Rules to strengthen budgetary coordination between the central government, the states and municipalities, and to improve medium-term budgetary planning, mutual exchange of information and transparency.

Compliance with the fiscal rules will be ensured by adequate regulation regarding sanctions.

In Austria, the former Government Debt Committee has been legally assigned the role of monitoring compliance with EU fiscal requirements. Under the name “Fiscal Council”, the committee monitors the achievement of the budgetary objectives according to European regulations, issues recommendations and – if deemed necessary – indicates adjustment paths. The Fiscal Council is independent and became operational on November 1st, 2013. Adequately skilled and autonomous members are delegated by the Federal Government, social partners, parties involved in the tax sharing, the Austrian National Bank and the Parliament’s budget office. With regard to fiscal surveillance, the Fiscal Council’s central role is to strengthen budgetary discipline at the levels of the general, state and local governments.

4. Annex

Table 1: Basic assumptions

	2016	2017	2018
Short-term interest rate (annual average)	-0.3	-0.3	-0.1
Long-term interest rate (annual average)	0.4	0.7	1.0
USD/€ exchange rate (annual average)	1.1	1.1	1.2
Nominal effective exchange rate	1.2	0.7	0.6
Real GDP growth (World excluding EU)	3.5	3.8	3.7
Real GDP growth (EU)	1.9	2.5	2.4
Growth of relevant Austrian foreign markets	3.1	6.0	5.0
Import volumes (World excluding EU)	-	-	-
Oil prices (Brent, USD/barrel)	43.7	52.5	52.5

Positions may not sum up due to rounding errors.

Sources: BMF, WIFO

Table 2: Macroeconomic prospects

		2016	2016	2017	2018
	ESA Code	in bn €		rate of change	
1. Real GDP	B1*g	317.1	1.5	2.8	2.8
2. Potential GDP		-	1.5	1.8	2.0
3. Nominal GDP	B1*g	353.3	2.6	4.8	4.8
Components of real GDP					
4. Private final consumption expenditure	P.3	164.9	1.5	1.5	1.7
5. Government final consumption expenditure	P.3	63.9	2.1	1.1	0.9
6. Gross fixed capital formation	P.51g	72.8	3.7	4.2	3.0
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53	-	1.0	1.6	2.2
8. Exports of goods and services	P.6	177.4	1.9	5.5	4.8
9. Imports of goods and services	P.7	166.6	3.1	5.1	3.9
Contributions to real GDP growth					
10. Final domestic demand			2.0	2.0	1.8
11. Changes in inventories ¹⁾	P.52 + P.53		-0.1	0.4	0.4
12. External balance of goods and services	B.11		-0.5	0.4	0.6

1) incl. net acquisition of valuables and statistical discrepancy

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 3: Price developments

	2016	2017	2018
	rate of change		
1. GDP deflator	1.1	1.9	2.0
2. Private consumption deflator	1.2	2.0	1.8
3. CPI	0.9	1.9	1.8
4. Public consumption deflator	1.1	1.2	2.0
5. Investment deflator	1.4	1.6	1.6
6. Export price deflator (goods and services)	-0.6	1.9	1.6
7. Import price deflator (goods and services)	-1.2	2.0	1.6

Positions may not sum up due to rounding errors.

Sources: BME, STAT, WIFO

Table 4: Labour market developments

	2016	2016	2017	2018	
	ESA Code	Level	rate of change		
1. Employment, persons		3,989,031	1.5	1.9	1.8
2. Employment, hours worked (in m)		6,980.3	1.9	1.7	1.6
3. Unemployment rate, EUROSTAT definition		-	6.0	5.6	5.4
4. Labour productivity, persons		79,505.4	-0.1	0.9	0.9
5. Labour productivity, hours worked		45.4	-0.4	1.1	1.1
6. Compensation of employees (in m €)	D.1	170,089.7	3.8	3.8	4.3
7. Compensation per employee		42,639.4	2.3	1.8	2.4

Positions may not sum up due to rounding errors.

Sources: BME, EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2016	2017	2018
	ESA Code	in % of GDP		
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	2.1	2.7	2.9
2. Net lending/borrowing of the private sector	B.9	3.8	3.5	3.7
3. Net lending/borrowing of the general government	B.9	-1.6	-0.9	-0.8
4. Statistical discrepancy		-0.2	-0.2	-0.2

Positions may not sum up due to rounding errors.

Sources: BME, STAT, WIFO

Table 6: Budgetary targets

		2016	2017	2018
	ESA Code	in % of GDP		
Net lending/net borrowing by sub-sector				
1. General government	S.13	-1.6	-0.9	-0.8
2. Central government	S.1311	-1.3	-0.9	-0.9
3. State governments (excl. Vienna)	S.1312	-0.4	0.0	0.0
4. Local governments (incl. Vienna)	S.1313	-0.1	0.0	0.0
5. Social security funds	S.1314	0.1	0.1	0.1
6. Interest expenditure	D.41	2.1	1.8	1.6
7. Primary balance		0.5	0.9	0.8
8. One-off and other temporary measures		-0.1	0.0	0.0
9. Real GDP growth		1.5	2.8	2.8
10. Potential GDP growth		1.5	1.8	2.0
11. Output gap		-1.1	-0.2	0.6
12. Cyclical budgetary component		-0.6	-0.1	0.3
13. Cyclically-adjusted balance		-1.0	-0.8	-1.1
14. Cyclically-adjusted primary balance		1.1	1.0	0.5
15. Structural balance		-0.9	-0.7	-1.1

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General Government debt developments

		2016	2017	2018
	ESA Code	in % of GDP		
1. Gross debt		83.6	78.3	75.2
2. Change in gross debt ratio (in %)		-0.9	-6.3	-4.0
Contributions to changes in gross debt				
3. Primary balance		0.5	0.9	0.8
4. Interest expenditure	D.41	2.1	1.8	1.6
5. Stock-flow adjustment		-0.3	-2.4	-0.3
p.m.: Implicit interest rate on debt		2.5	2.3	2.1

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2016	2017	2018
	in % of GDP		
Public guarantees	20.5	17.6	16.2
of which: Central government ¹⁾	12.0	12.2	11.5
of which: linked to the financial sector ²⁾	0.7	0.7	0.2
of which: State and Local governments	8.4	5.3	4.8
of which: linked to the financial sector ²⁾	5.2	2.4	2.2

1) Guarantees for exports without double count of funding guarantees.

Without liabilities for EFSF as well as without liabilities for euro coins towards Austrian Mint.

According to ESA 2010 liabilities for SchiG, ÖBB according to BFG as well as those of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG according to EurofimaG are included in the public sector and will here not be included in order to avoid double count.

Forecasts are based mainly on statistical values resulting from percentage change in history and are not based on political decisions.

2) Without double count of liabilities for KA Finanz AG, HETA immigion and Kärtner Ausgleichszahlungsfonds.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 9: Budgetary prospects (“no-policy change” - assumption)

		2016	2017	2018
	ESA Code	in % of GDP		
		General government		
1. Total revenue	TR	49.1	48.7	48.1
1.1. Taxes on production and imports	D.2	14.4	14.2	13.8
1.2. Current taxes on income, wealth etc.	D.5	13.0	13.1	13.1
1.3. Capital taxes	D.91	0.2	0.2	0.2
1.4. Social contributions	D.61	15.3	15.2	15.1
1.5. Property income	D.4	0.9	0.8	0.8
1.6. Other		5.3	5.2	5.1
p.m.: Tax burden		-	-	-
2. Total expenditure	TE	50.7	49.4	48.4
2.1. Compensation of employees	D.1	10.7	10.5	10.4
2.2. Intermediate consumption	P.2	6.4	6.3	6.1
2.3. Social payments	D.62, D.632	23.1	22.6	22.3
of which: Unemployment benefits		-	-	-
2.4. Interest expenditure	D.41	2.1	1.8	1.6
2.5. Subsidies	D.3	1.4	1.4	1.3
2.6. Gross fixed capital formation	P.51g	3.0	3.0	3.0
2.7. Capital transfers	D.9	0.8	0.8	0.8
2.8. Other		3.2	3.0	3.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 10: Budgetary prospects

		2016	2017	2018
	ESA Code	in % of GDP		
General government				
1. Total revenue	TR	49.1	48.7	48.1
1.1. Taxes on production and imports	D.2	14.4	14.2	13.8
1.2. Current taxes on income, wealth etc.	D.5	13.0	13.1	13.1
1.3. Capital taxes	D.91	0.2	0.2	0.2
1.4. Social contributions	D.61	15.3	15.2	15.1
1.5. Property income	D.4	0.9	0.8	0.8
1.6. Other		5.3	5.2	5.1
p.m.: Tax burden		42.3	42.0	41.6
2. Total expenditure	TE	50.7	49.6	48.9
2.1. Compensation of employees	D.1	10.7	10.5	10.4
2.2. Intermediate consumption	P.2	6.4	6.3	6.1
2.3. Social payments	D.62, D.632	23.1	22.6	22.4
of which: Unemployment benefits		0.1	0.0	0.0
2.4. Interest expenditure	D.41	2.1	1.8	1.6
2.5. Subsidies	D.3	1.4	1.5	1.6
2.6. Gross fixed capital formation	P.51g	3.0	3.0	3.0
2.7. Capital transfers	D.9	0.8	0.8	0.8
2.8. Other		3.2	3.0	3.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	2016	2016	2017	2018
	in bn €	in % of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue	0.3	0.1	0.1	0.1
of which investments fully matched by EU funds revenue	0.0	0.0	0.0	0.0
2. Cyclical unemployment benefit expenditure at unchanged policies	0.5	0.1	0.0	0.0
3. Effects of discretionary revenue measures	-3.3	-0.9	-0.2	-0.1
4. Revenue increases mandated by law	0.0	0.0	0.0	0.0

Cyclical expenditure defined as actual expenditure (COFOG 10.5) minus expenditure for NAWRU-unemployed.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 12: Quarterly budgetary execution in accordance with ESA standards (in mn €)

	2017	Q1	Q2
	ESA Code	General government	
1. Net lending/net borrowing	S.13	-1,684	-749
2. Total revenue	TR	40,689	44,786
3. Total expenditure	TE	42,373	45,535

Positions may not sum up due to rounding errors.

Source: STAT

Table 13: Divergence from latest Stability Programme (April 2017)

		2016	2017	2018
	ESA Code	in % of GDP		
General government net lending/net borrowing	B.9			
SP April 2017		-1.6	-1.0	-0.8
DBP October 2017		-1.6	-0.9	-0.8
<i>Difference</i> ¹⁾		-0.1	0.2	0.1
Structural balance	B.9			
SP April 2017		-1.0	-0.9	-0.8
DBP October 2017		-0.9	-0.7	-1.1
<i>Difference</i> ¹⁾		0.1	0.1	-0.3
Gross debt				
SP April 2017		84.6	80.8	78.5
DBP October 2017		83.6	78.3	75.2
<i>Difference</i> ¹⁾		-1.0	-2.5	-3.4

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

¹⁾ This difference can refer to both deviations from changes in the macroeconomic scenario and those stemming from the effect of policy measures.

Table 14: Refugees - Impact on the headline balance - breakdown by functional categories

	2016	2017
	in m €	
1. Initial reception costs	782.3	798.4
2. Transport (incl. rescue operations)	119.3	49.4
3. Health-care ¹⁾	0.0	0.0
4. Administrative costs (incl. processing applications for asylum)	79.3	96.4
5. Contributions to Turkey Facility (excl. through EU Budget) and other int. aids	44.0	21.3
6. Other costs and measures	646.4	871.5
7. Total impact on headline balance	1,671.3	1,836.9

¹⁾ included in 1. and 6.

Values for 2016 as adopted by the European Commission in May 2017.

Positions may not sum up due to rounding errors.

Source: BMF

Table 15: Refugees - Impact on the headline balance - breakdown by ESA 2010 categories

	2016	2017
	in m €	
1. Compensation of employees	95.5	104.6
2. Intermediate consumption	118.2	129.4
3. Social payments	1,210.8	1,325.7
4. Subsidies	5.4	5.9
5. Gross fixed capital formation	9.9	10.8
6. Capital transfers	8.0	8.8
7. Other	248.2	271.7
8. Total impact on headline balance ¹⁾	1,696.0	1,856.9
9. Compensation from EU ¹⁾	24.7	20.0
10. Total impact on headline balance (net of EU compensation)	1,671.3	1,836.9
11. Total impact on headline balance (net of EU compensation) in % of GDP	0.47	0.50

¹⁾ In some instances net expenditures are stated in other positions.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 16: Refugees - Country-specific information on costs

	2016	2017
1. Arrivals (incl. transiting refugees, in persons)	-	-
2. Arrivals who are transiting refugees (in persons)	-	-
3. First time applicants (in persons)	41,950	-
4. Positive decisions (in persons)	26,517	-

Positions may not sum up due to rounding errors.

Source: BMF

Table 17: Fight against terrorism - Impact on the headline balance

	2015	2016	2017
			in m €
1. Internal security	0.0	26.9	63.2
2. Defense	0.0	105.8	127.1
3. Total impact on headline balance	0.0	132.7	190.3

Positions may not sum up due to rounding errors.

Source: BMF

Table 18: Fight against terrorism - Impact on the headline balance - breakdown by ESA 2010 categories

	2015	2016	2017
			in m €
1. Compensation of employees	0.0	15.9	32.3
2. Intermediate consumption	0.0	8.0	13.3
3. Social payments	0.0	0.0	0.0
4. Subsidies	0.0	0.7	1.0
5. Gross fixed capital formation	0.0	95.5	133.2
6. Capital transfers	0.0	0.0	0.0
7. Other	0.0	12.6	10.5
8. Total impact on headline balance	0.0	132.7	190.3
9. Compensation from EU	0.0	0.0	0.0
10. Total impact on headline balance (net of EU compensations)	0.0	132.7	190.3
11. Total impact on headline balance (net of EU compensations) in % of GDP	0.00	0.04	0.05

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 19: Country specific recommendations (CSR)

CSR number	List of measures*	Description of direct impact
1 Achieve the medium-term budgetary objective in 2018, taking in account the allowance linked to unusual events	Budgetary framework 2017 – 2020. Federal budgetary framework law for the years 2017-	Stringent structural budget path in line with the MTO ensured. Budget and budgetary framework will be adapted by the incoming Austrian government. Budget performance is regularly monitored on a monthly basis.
Ensure the sustainability of the healthcare system and of the pension system	Health care implementation act 2017 (including a dedicated primary care law (GRUG 2017, Gesundheitsreformumsetzungsgesetz) (cf. Federal Law Gazette I No. 131/2017). Parliamentary decision was taken on 28th June 2017.	Strengthening of primary health care while simultaneously optimizing the use of funds as a key measure to ensure the long-term sustainability of the public health care system and the compliance with defined expenditure ceilings containment (cf. Federal Law Gazette I No. 26/2017). The objective is to expand outpatient care and to implement 75 multi-professional primary care units by the year 2021.
Simplify / streamline fiscal relations and responsibilities across the various layers of government	Subsidised housing contribution act 2018. Parliamentary decision was taken on 20 th September 2017.	Contributions to subsidized housing (Wohnbauförderungsbeitrag) will become an exclusive tax of states as of 1 st January 2018, with full autonomy by the state with regard to the tariff (up to now the contributions were standardized 1% of the base assessment of the social security contributions).

	Education reform act 2017 (see also below). (cf. Federal Law Gazette I No. 138/2017); Parliamentary decision was taken on 28 th June 2017.	Educational boards as a common <i>Bund-Länder</i> authority with joint cross-border structures and a clear chain of command for the entire education agenda
2	Gender equality act on men and women in advisory boards (Gleichstellungsgesetz von Frauen und Männern im Aufsichtsrat, GFMA-G); (cf. Federal Law Gazette I No. 104/2017); Parliamentary decision was taken on 28 th June 2017.	Advisory boards in listed companies as well as in companies with more than 1,000 employees have to be staffed with at least 30% women and 30% men. If the advisory board consists of at least 6 members and the percentage of women/men makes up more than 20% of the entire workforce, management positions must be staffed with highly qualified women, as of 1 st January 2018.
	Expansion of child care facilities and care facilities at the community level. Local government investment act (Kommunalinvestitionsgesetz). (cf. Federal Law Gazette I No. 75/2017); Parliamentary decision was taken on 16 th May 2017.	Targeted contributions by the federal government for the establishment, expansion and renovation of child care facilities and schools as well as of eldercare facilities and facilities for the disabled.
Improve the educational achievements of disadvantaged young people	Education reform act 2017. (cf. Federal Law Gazette I No. 138/2017); Parliamentary decision was taken on 28 th June 2017.	Autonomous schools are able to respond better to the individual needs of pupils. The overall legislative package aims to optimize the framework for the improvement of educational outcomes for all pupils through various school organization measures.
	Obligatory integration year. Labour market	By building on existing competences, people who have

	<p>integration act (Arbeitsmarktintegrationsgesetz); (cf. Federal Law Gazette I No. 75/2017); Parliamentary decision was taken on 16th May 2017.</p>	<p>been granted asylum and subsidiary protection as well as asylum seekers with a high probability of recognition are prepared for the labour market. Progress is documented. Non-cooperative behavior may result in sanctions.</p>
	<p>Language training. Integration act (Integrationsgesetz); (cf. BGBl I No. 68/2017; Parliamentary decision was taken on 16th May 2017.</p>	<p>The objective of this measure is to ensure that people who have been granted asylum and subsidiary protection as well as asylum seekers with a high probability of recognition acquire German language skills (at least language level A2). Participation is compulsory.</p>
	<p>Educational measures in area of basic education and lower secondary educational qualifications for the years 2018 to 2021. Agreement according to Art 15a B-VG among federal and state governments. Parliamentary decision was taken on 28th June 2017.</p>	<p>The continuation of free education offers aims at increasing education levels and thus the employability of persons with low qualifications and low income as well as socially disadvantaged persons.</p>
	<p>Increase of study assistance. Amendment study grants act (Studienförderungsgesetz). (cf. Federal Law Gazette I No. 77/2017). Parliamentary decision was taken on 7th June. (See also Table 6b, national higher education target).</p>	<p>Financial coverage in educational investments.</p>
3		

<p>Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth</p>	<p>Professional Accountants and Tax Advisor's Act 2017 (Wirtschaftstreuhänderberufsgesetz 2017, WTBG 2017); (cf. Federal Law Gazette I No. 137/2017); Parliamentary decision was taken on 29th June 2017.</p>	<p>Substantive adaptations were necessary due to changed requirements of the market as well as due to statutory provisions at EU-level. Shorter and simplified acquisition procedure for accountant and tax consultant authorizations.</p>
	<p>Insolvency law amending statute 2017 (Insolvenzrechtsänderungsgesetz 2017 – IRÄG); (cf. Federal Law Gazette I No. 122/2017). Parliamentary decision was taken on 28th June 2017.</p>	<p>The amendment strives to bring about alleviated debt relief for entrepreneurs and consumers in order to enable a swift return to a productive careers situation.</p>
	<p>SME-promotion act – amendment (KMU-Förderungsgesetz – Änderung) (cf. Federal Law Gazette I No. 87/2017). Parliamentary decision was taken on 29th June 2017.</p>	<p>Increasing the operational framework of ÖHT for the assumption of liabilities from € 250 million to € 375 million to the benefit of small businesses in the tourism and leisure industry.</p>
	<p>Trade act 1994 – amendment (Gewerbeordnung 1994 – Änderung) (cf. Federal Law Gazette I No. 94/2017, Federal Law Gazette I No. 95/2017, Federal Law Gazette I No. 96/2017); Parliamentary decision was taken on 29th June 2017.</p>	<p>Modernization of the trade act: re-organization of simplified authorization for business premises; liberalization of partly-regulated trades, fee exemption of administrative costs (across-the-board exemption from federal fees); liberalization of regulated trades and thus lowering administrative burden (incl. faster procedures) for enterprises; strengthening business-related vocational education and training.</p>
	<p>Facilitating finance for SMEs. SME-financing act (Mittelstandsfinanzierungsgesellschaftengesetz);</p>	<p>Providing a more flexible framework for companies to finance SMEs at the various stages of the company.</p>

	(cf. Federal Law Gazette I No. 106/2017); Parliamentary decision was taken on 29 th June 2017.	
	Encouraging investment (budgetary authorization); (cf. Federal Law Gazette I No. 83/2017); Parliamentary decision was taken on 29 th June 2017.	Investment growth premium in force since 1 st January 2017.

*Decision or entry into effect after submission of the Austrian Stability and the National Reform Programme (April 2017)

Sources: BKA, BMF

Table 20: Targets set by the Union’s strategy for growth and jobs

National headline targets for 2020	List of measures*	Description of direct impact on targets
National target for 2020: Employment [77-78%]	Vigorous implementation of already agreed measures (cf. National Reform Programme 2017. Employment Action 20,000 (Beschäftigungsaktion 20.000): Implemented by Labour Market Policy Financing Act – Amendment (Arbeitsmarktpolitikfinanzierungsgesetz –	The measures listed in the National Reform Programme address labour market policy. Many measures will affect labour market participation in the longer run. This initiative is intended for older long-term unemployed people. Support is given to create additional jobs in municipal governments, non-profit organizations and businesses. There will be available € 778 million for the next two years. It is envisaged to

	<p>Änderung); (cf. Federal Law Gazette I No. 128/2017); Parliamentary decision was taken 29th June 2017.</p> <p>Employment bonus (Beschäftigungsbonus): Budgetary authorization by federal law (cf. Federal Law Gazette I No. 83/2017). Parliamentary decision was taken 29th June 2017.</p>	<p>reduce the level of long-term unemployment by 50% in the long run.</p> <p>The objective of this measure is to create additional stimuli for employment and to improve location quality by reducing non-wage labour costs. From 1st July 2017 onward, businesses will receive a refund of up to 50% of non-wage labour costs for each newly created position subject to full insurance obligations. The technical processing is carried out by aws (development bank of the government).</p>
National target for 2020: R&D [3,76%]		
	<p>Implementation of measures announced in the Austrian Strategy for Research, Technology and Innovation (RTI-strategy).I.</p> <p>Increase research subsidy. Amendment of income tax act (Einkommensteuergesetz); (cf. Federal Law Gazette I No. 82/2017). RTD-fund act – amendment (FTE-Nationalstiftungsgesetz); (cf. Federal Law Gazette I No. 81/2017). Parliamentary</p>	<p>The implementation of the RTI-strategy (incl. specific strategies based on the RTI-strategy) further develops the potentials of science, research, technology and innovation in Austria and will lead to a considerable improvement of the Austrian research an innovation system.</p> <p>From 1st January 2018 onward, this subsidy will be increased from 12% to 14%.</p> <p>Creation of a legal basis for an annual allocation of € 100 million to the National Foundation for Research, Technology and Development for at least 3 years.</p>

	decision was taken 29 th June 2017.	
	Implementation of measures announced in the open innovation strategy.	Implementation of these measures will open up, broaden und further develop the Austrian research and innovation system and in particular develop new sources of innovation.
	Implementation of measures announced in the strategy on intellectual property (IP strategy).	Implementation of these measures will lead to an increase of the innovative capacity of the innovation system and the deployment of the potential in the field of IP.
	Implementation of measures announced in the creative industries strategy.	Implementation of these measures will contribute to the advancement and steep dynamics of Austria's innovation system.
	Implementation of measures announced in the Austrian Action on Public Procurement Promotion Innovation (PPPI).	The initiative on Public Procurement Promoting Innovation (PPPI) is a cornerstone of demand-side innovation policy in Austria. The implementation of these measures will lead to an increase in the share of public procurement volume sed for innovation.
Target: Reduction of greenhouse gas emissions [-16%]		
	Implementation of the action programme 2015 to 2018 (cf. National Reform Programme 2017).	
	Fluorinated greenhouse gas act 2009 –	More efficient reduction of fluorinated greenhouse

	amendment (Fluorierte Treibhausgas-Gesetz 2009 – Novellierung); (cf. Federal Law Gazette I No. 118/2017). Parliamentary decision was taken 28 th June 2017.	gases. Until 2030 an annual reduction of about 70000 t/CO ₂ eq shall be achieved.
	Thermal renovation at local government level. Local government investment act (Kommunalinvestitions-gesetz). (cf. Federal Law Gazette I No. 75/2017); Parliamentary decision was taken on 16 th May 2017.	Targeted contributions by the federal government for the thermal rehabilitation of buildings/facilities owned by municipalities.
Renewable energy target [34% share of total energy consumption]		
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2017).	
	Austrian Act on Green Electricity 2012 – amendment (Ökostromgesetz 2012); (cf. Federal Law Gazette I No. 108/2017). Parliamentary decision was taken 29 th June 2017.	Amendments are intended to stimulate additional investments in the expansion of renewable energy production in order to reach the 34% target. For wind power plants and small hydroelectric power plants overall subsidies in 2017 and 2018 amount up to € 48.3 million. For the installation of photovoltaic systems and storage facilities € 30 million will be provided for the years 2018 and 2019. For the promotion of biogas plants

			€ 11.7 million will be provided during the next 5 years.
National energy efficiency target [25.1 Mtoe]			
	Vigorous implementation of already agreed measures (cf. National Reform Programme 2017).		
National target for the school drop-out rate [9.5%]			
	Target already achieved. Implementation of already agreed measures (cf. National Reform Programme 2017). Educational measures in area of basic education and lower secondary educational qualifications for the years 2018 to 2021. Agreement according to Art 15a B-VG among federal and state governments. Parliamentary decision was taken 28 th June 2017.		The continuation of the “Adult Education Initiative” enables young people and adults living in Austria to acquire basic competences and educational qualifications free of charge even after the end of the school education phase.
National higher education target [38%]			
	Target already reached.		

	<p>Study grants act – amendment (Studienförderungsgesetz). (cf. Federal Law Gazette I No. 77/2017). Parliamentary decision was taken 7th June 2017.</p> <p>Amendment of higher education act 2005 2005,) school-organization law, secondary agricultural and forestry education law, university law 2002, private university law, higher education quality assurance law and repealing the access to higher-education law; (cf. Federal Law Gazette I No. 129/2017). Parliamentary decision was taken 28th June 2017.</p>	<p>Study assistance is increased by 18%. Compensation for the non-valorisation since 2007.</p> <p>Common study system for teacher training colleges and universities. There will also be a uniform format for extended studies, jointly offered studies and study programmes in order to remove artificial barriers between university education and teacher training colleges.</p> <p>An increase of university budget by 1.35 billion Euro for the performance agreement period 2019 to 2021 is laid down in the amendment to the university law 2002.</p>
National poverty target [-235.000 persons]	<p>Vigorous implementation of already agreed measures (cf. National Reform Programme 2017).</p> <p>New regulations for private bankruptcy, applying to proceedings starting from 1st November 2017, in the context of the Insolvency law amending statute 2017 (Insolvenzrechtsänderungsgesetz) 2017. (See also Table 6a).</p>	<p>Transitional regulations apply to proceedings that were pending before the change.</p>

	<p>Decision to abolish the Care Recourse (Pflegereregress); (cf. Federal Law Gazette I No. 125/2017); Parliamentary decision was taken 29th June 2017.</p> <p>See also employment target above.</p>	<p>Legal consolidation of the Care Recourse Prohibition entering into force on 1st January 2018 through constitutional legislation. Recourse to the assets of persons in inpatient care facilities, or their relatives, heirs and donees will be unlawful from that date. The <i>Länder</i> will be compensated to cover their revenue loss.</p>
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*Decision or entry into effect after submission of the Austrian Stability and the National Reform Programme (April 2017)

Sources: BKA, BMF

Sources/Links

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Federal Ministry of Finance (BMF)

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Austrian Fiscal Advisory Council

<http://www.fiskalrat.at/en/>

Institute for Advanced Studies (IHS)

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Austrian Treasury (OeBFA)

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