Introducing Performance Budgeting in Austria
Experiences and Lessons

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AGENDA

- Austrian Organic Budget Law Reform
- Performance Budgeting in Austria
- First experiences in the parliamentary budget process
- Parliamentary Budget Office Work on Performance Budgeting
- Lessons learnt and PBO Recommendations
AUSTRIAN ORGANIC BUDGET LAW REFORM

• Budget law reform in two stages (2009 and 2013)
• **Objective:** Improve budgetary decision-making and design of the federal budget as a comprehensive steering instrument for resources, outputs and outcomes
• Permanent involvement of Parliament and the Austrian Court of Audit
• Unanimous decisions in Parliament
• Major changes and new elements in the Austrian Fiscal Framework
• **New budget principles:** outcome-orientation, efficiency, transparency, true and fair view
AUSTRIAN FISCAL FRAMEWORK

2009
- Binding MTEF & strategy report
- Carry-forward possibilities

2013
- New budget structure
- Accrual budgeting and accounting
- Fiscal sustainability report
- Performance Budgeting
- Result-oriented management of administrative units
NEW BUDGET STRUCTURE

Transparent budget structure as a prerequisite for other reform elements

Source: MOF
PERFORMANCE INFORMATION ON DIFFERENT BUDGET LEVELS

Budget Chapter

Mission statement

Max. 5 outcome objectives (at least 1 gender objective)

Global Budget 1 – 5 primary activities

Gender

Global Budget 1 – 5 primary activities

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Global Budget 1 – 5 primary activities

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Detail Budget

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Objectives and Activities

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Annual budget statement

Explanatory budget documents

Performance Contracts

Source: MOF
CHALLENGES FOR GOVERNMENT

• Present relevant strategic objectives
• Coordinate performance information between ministries
• Define credible measures to achieve envisaged objectives
• Set ambitious but reachable and influenceable mid-term targets

CHALLENGES FOR PUBLIC ADMINISTRATION

• Establish performance as an integral part of the whole budget process
• Develop relevant, comprehensible, consistent and comparable performance information
• Find adequate and relevant indicators to measure performance
• Integrate performance management in the budget execution
CHALLENGES FOR PARLIAMENT

• Parliament decides on financial resources and on results (outcomes and outputs) as a part of annual budget bill
• Use performance information effectively for a more strategic debate and control
• Reflect critically on performance information (e.g. indicators) and insist on performance
• Press for a smarter use of resources and reward ambition
• Use all parliamentary instruments (e.g. amendment, budget committee statement, parliamentary resolution)
• Focus on gender objectives (at least one per budget chapter)
• Communicate to the Public
## Example: Chapter "Labour"

<table>
<thead>
<tr>
<th>Outcome objective</th>
<th>Provide guaranteed apprenticeship training for young people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why this outcome objective?</td>
<td>Young people shall quickly gain experiences in the job market, use their experiences and gain new professional qualifications. Young people need chances and perspectives, a freely chosen, stable and future-proof career choice is of prime importance.</td>
</tr>
<tr>
<td>What is being done to achieve this outcome?</td>
<td>Apprenticeship guarantees: provision of sufficient places in apprentice training centres for young people who were unsuccessful in finding an apprenticeship</td>
</tr>
</tbody>
</table>
| What would success look like? | • **Number of young people unsuccessful in searching for an apprenticeship:** status 2013: 5727, target level: 2014: < 5700; [definition: total number of young people registered with AMS, who have not found an apprenticeship, source: AMS,]  
• **Number of apprenticeship openings:** status 2013: 3420; target level 2014: >3400 [definition: yearly average of apprenticeship openings]  
• **Youth unemployment rate:** status 2013: 8.1%, target level 2014: < 8%; [definition: youth unemployment rate, 15-24 year olds, AMS] |

Source: MOF
**Example: Chapter "Taxes"; Gender Objective**

<table>
<thead>
<tr>
<th>Outcome objective</th>
<th>Improve distribution of paid and unpaid work between women and men by the tax system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why this outcome objective?</td>
<td>For different reasons (e.g. carry-out of unpaid work, high part-time work ratio, employment in fields with lower average payment, child care) the gender pay gap in Austria tends to be on a high level compared to other countries. The gender pay gap is the difference between male and female earnings expressed as a percentage of male earnings.</td>
</tr>
<tr>
<td>What is being done to achieve this outcome?</td>
<td>Reduce adverse incentives for (full) employment of women in the tax system (e.g. reduction of the minimum income tax rate for increasing full employment of women)</td>
</tr>
</tbody>
</table>
| What would success look like? | • **Gender pay gap**: status 2011: 18.5%, target level 2015: 17.5%  
• **Women in part-time work**: status 2012: 86%; target level 2015: 84% |

Source: MOF
PBO Work on Performance Budgeting

Mandate

• PBO Mandate refers explicitly to performance budgeting

Analyses of Performance Information and Performance Reports

• Information on key aspects of performance budgeting
• Analyses of performance information in federal budget acts and in strategic reports to mid-term expenditure framework
• Compilation of oversight maps on outcome and gender objectives
• Assessment of performance reports of government

First evaluation of the budget law reform

• PBO provides input on Parliaments‘ user perspective
• Recommendations for enhancement of performance budgeting
123 performance objectives with 323 performance indicators (key figures only)

About 300 activities with 475 indicators (key figures or milestones)

Budget law includes in total 660 indicators to measure performance
PARLIAMENTARY BUDGET PROCEEDINGS

- Performance budgeting was generally very appreciated by MPs
- More strategic parliamentary debate rather than detailed questions on minor budget allocations to specific budget lines
- Intense discussion on performance information in the Budget Committee and in the plenary
- Performance budgeting and outcome orientation were acknowledged as a major step forward but the current state was partly criticised
- Some performance objectives were underlined as extremely important
- Others were considered as too general, goal indicators as not performance linked or not ambitious enough, measures as not concrete enough
LESSONS LEARNT

• Performance budgeting helps to make government policy goals more transparent and to enforce political accountability

• Extensive performance information on all budget levels impedes oversight and makes it difficult to identify political priorities

• Quality differs between ministries and must be harmonised

• Outcome objectives are partly long-term, making it difficult to track government performance

• Links between performance information and budget allocations are very loose

• Active involvement of Parliament in objective setting can be improved

• Austria is a late runner in implementing a comprehensive performance budgeting framework; too early to finally judge but yet room for improvement
RECOMMENDATIONS OF THE PBO

• Performance information in the budget shall be politically relevant and timely to attract sufficient attention

• Level of ambition of targets is crucial for the political discussion and must be obvious or sufficiently explained

• Quality of indicators to effectively measure performance must be evaluated permanently and improved

• Performance budgeting framework should be aligned closely with government-wide strategic objectives

• Performance information should be limited to a smaller number of relevant indicators

• Presented measures should show a link between budget allocations and performance information

• Improvement of the system requires adequate timeframe
THANK YOU FOR YOUR ATTENTION

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