



REPUBLIK ÖSTERREICH
Parlament

The Role of Parliament in the Austrian Budget Process

Parliamentary Budget Office

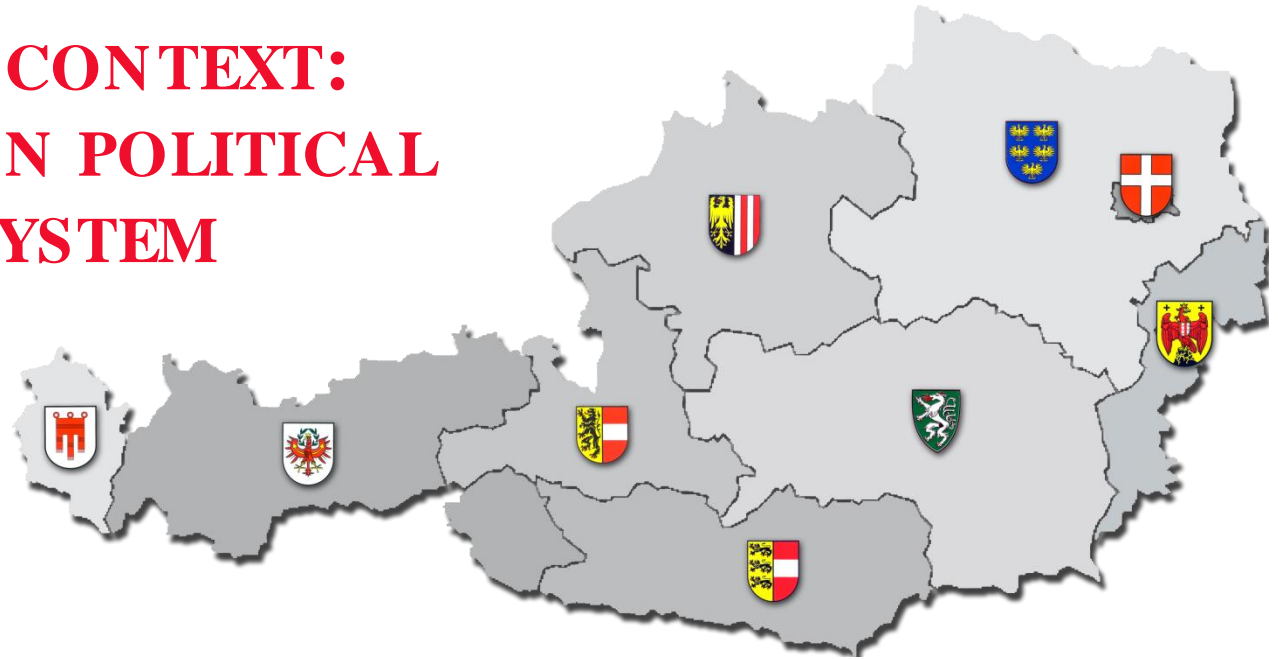
14th of December 2016

AGENDA

- The Role of Parliament in the Austrian Budget Process
- Budgetary instruments for strategic management
- Experiences with the Medium-Term-Expenditure Framework and Performance Budgeting
- The Austrian Parliamentary Budget Office



SETTING THE CONTEXT: THE AUSTRIAN POLITICAL AND FISCAL SYSTEM



- The Republic of Austria is a federal state and is composed of nine autonomous federal provinces, the so called “Laender”
- Legislative and executive powers are shared by the federal and provincial parliaments and governments
- However, legislative and fiscal powers are highly centralised
- On the local level the 2,100 municipalities have the right to self government



SETTING THE CONTEXT: THE AUSTRIAN POLITICAL AND FISCAL SYSTEM

- Laender and municipalities have their own systems of financial management (i.e. own budgets) and may levy taxes
- However, important taxes as the income tax, value-added tax etc. are practically raised only on the federal level and revenue offices are managed solely by the federal level and to a small extend by municipalities
- Laender and municipalities receive funds by fiscal transfers from the federal government's tax revenue under the system of revenue sharing and fiscal equalisation
- Municipalities and their local budgets are supervised by the Laender
- The revenue-sharing plan covers few years and is re-negotiated at regular intervals between all levels of government
- Necessity to find a consensual agreement and to pass a corresponding law ensures strong position of the Laender



SELECTED ECONOMIC INDICATORS

		2012	2013	2014	2015	Forecast	
						2016	2017
Population	<i>in 1.000</i>	8,426.3	8,477.2	8,543.9	8,629.5	8,739.1	8,813.9
Gross domestic product	<i>real GDP growth</i>	0.7	0.1	0.6	1.0	1.7	1.5
	<i>nominal, in Bill. €</i>	317.1	322.5	330.4	339.9	352.2	363.0
Consumer prices; Inflation rate	<i>in %</i>	2.4	2.0	1.7	0.9	1.0	1.7
Employment	<i>Growth in %</i>	1.4	0.6	0.7	1.0	1.4	1.1
Unemployment	<i>in 1.000</i>	260.6	287.2	319.4	354.3	361.3	377.3
Unemployment rate Eurostat-Definition	<i>in %</i>	4.9	5.4	5.6	5.7	6.0	6.1
Current account balance	<i>in % of GDP</i>	1.5	2.0	1.9	2.5	2.8	2.6
Secondary market yield (10y bonds)		2.4	2.0	1.5	0.7	0.3	0.3

Sources: Statistics Austria, WIFO forecast 2016-2017 (Sep 2016)



GENERAL GOVERNMENT DEVELOPMENT

<i>in % of GDP</i>	2012	2013	2014	2015	Forecast	
					2016	2017
Maastricht-deficit	-2.2	-1.4	-2.7	-1.0	-1.4	-1.2
Structural deficit	-1.8	-1.2	-0.7	0.1	-0.9	-0.9
Public debt	82.0	81.3	84.4	85.5	83.2	80.9
Primary balance	0.5	1.2	-0.3	1.3	0.8	0.8

Sources: Statistic Austria, BMF-Federal Ministry of Finance, Draft Budgetary Plan 2017

- General State Maastricht-deficit is well below the 3 % of GDP-limit of the Maastricht-treaty.
- Austria is committed to structural balance of -0,5 % of GDP as its MTO. Government expects to meet the MTO in 2016 for the third consecutive year. Expectations of the European Commission are somewhat lower due to different treatment of one offs (for refugees) and higher estimates for labour market expenses.
- Public debt is considerably over the 60 % of GDP limit.

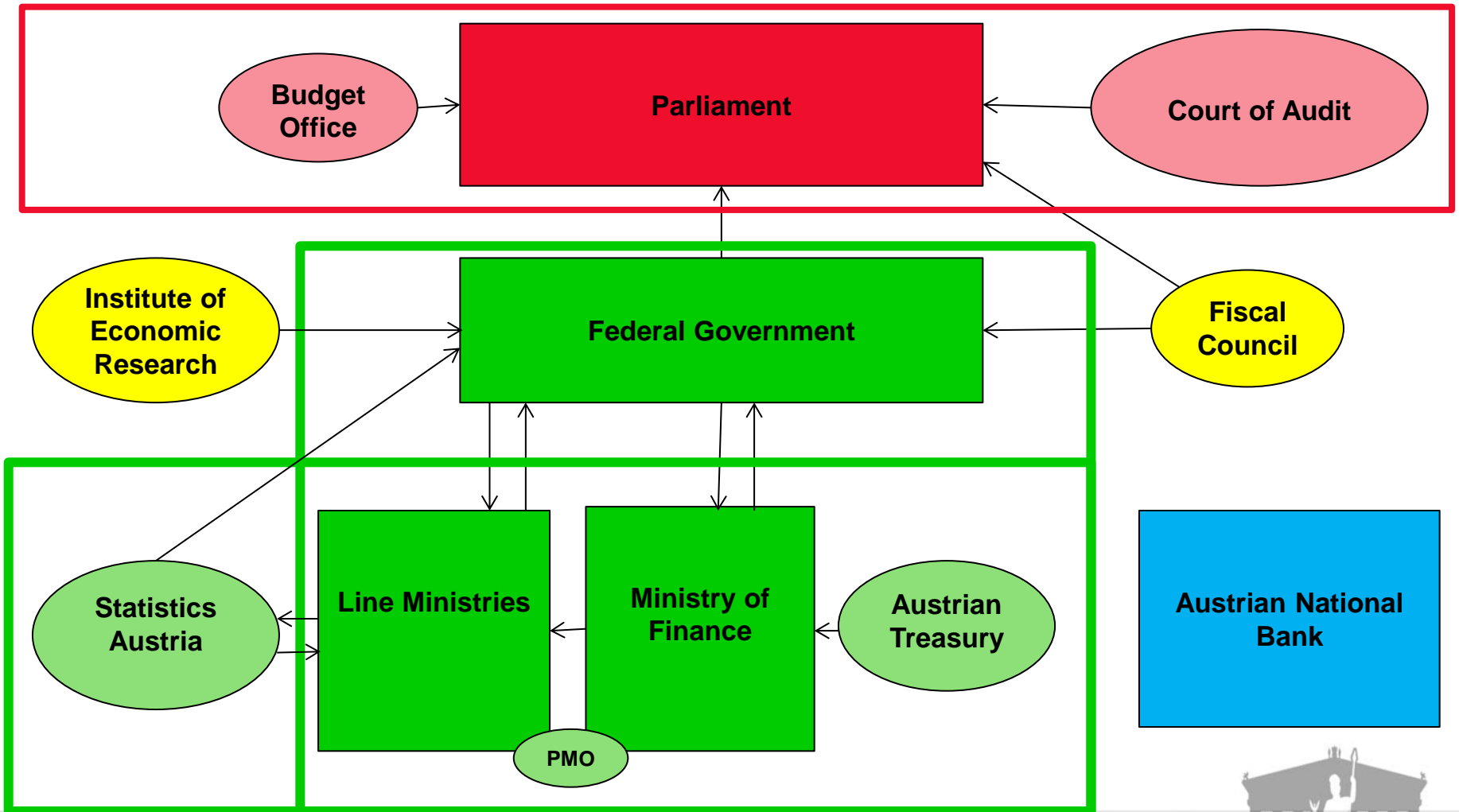


THE ROLE OF PARLIAMENT IN THE AUSTRIAN BUDGET PROCESS



MAIN ACTORS OF FISCAL GOVERNANCE

European Union



SETTING THE CONTEXT: THE AUSTRIAN PARLIAMENT

- Austria is a **parliamentary democracy**, the electoral system is based on proportional representation
- Parliament is **bi-cameral with one dominating chamber** – the National Council (Nationalrat, 183 members) and the Federal Council (Bundesrat, 61 members)
- The National Council has **exclusive competence** in budgetary matters
- In the National Council **six parliamentary groups** are represented, very strong party discipline in parliament
- Since 1945 the Austrian political system was dominated by majority governments and usually by grand coalitions of the two major parties



PARLIAMENT AND THE BUDGETARY CYCLE - THE FISCAL YEAR

Spring

- **Federal Medium-Term Expenditure Framework Act** (binding expenditure ceilings for four years at the level of the five main budgetary headings) together with the strategy report
- Stability Program and National Reform Program

Autumn

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

Periodically

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

Once within the financial year

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

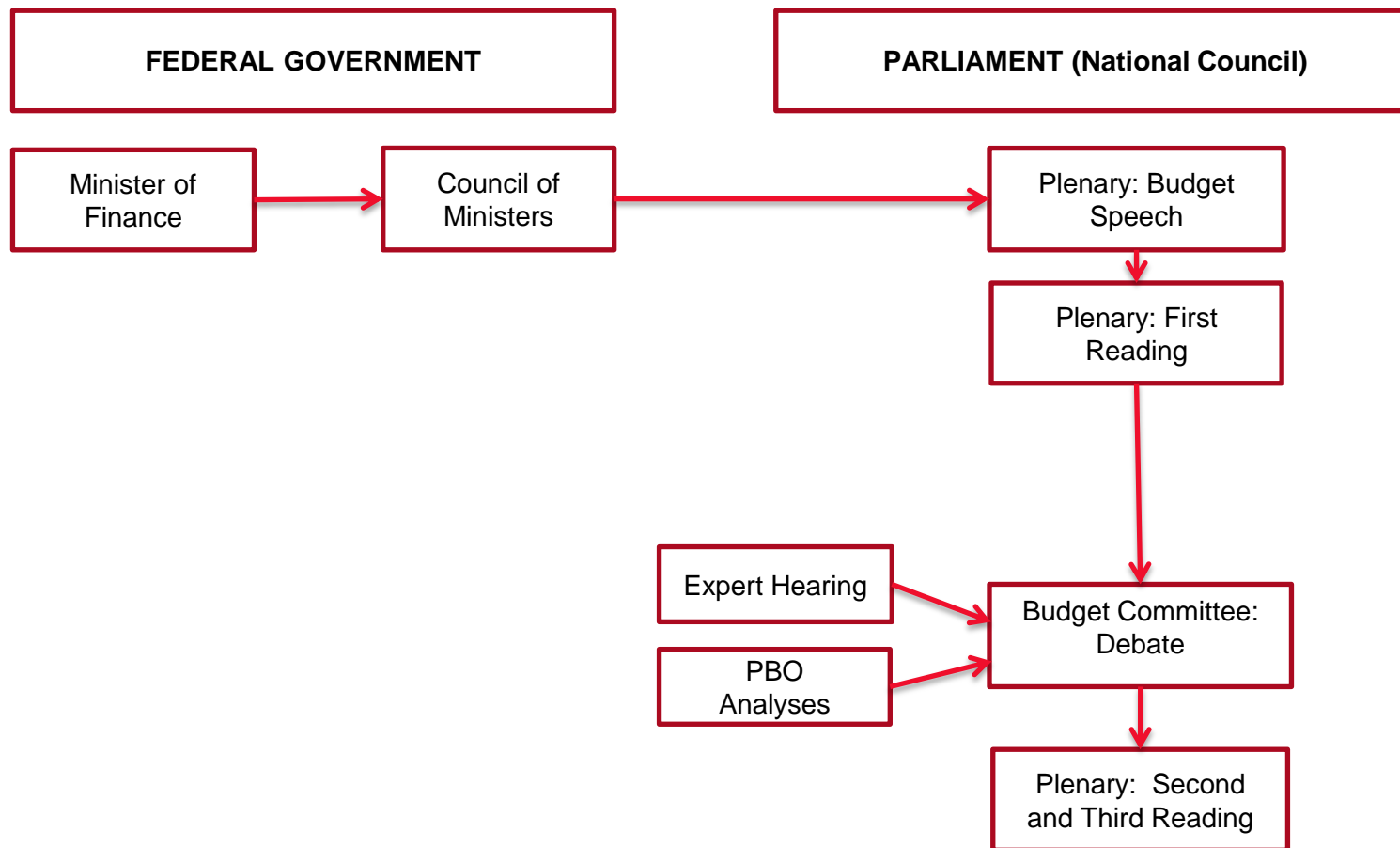


BUDGET AUTHORITY OF NATIONAL COUNCIL

- Minister of Finance **prepares** the budget bills and presents the drafts to the National Council
- National Council **discusses** draft Federal Medium-Term Expenditure Framework Act and Federal Finance Act in three readings
- National Council can **amend** and has to **approve** the budget acts and MTEF act
- The National Council may also empower the Minister of Finance in the Federal Finance Act to overrun the approved budget allocations under certain circumstances and up to certain amounts
- The National Council and especially the Budget Committee receive a number of **reports**, supporting the budgetary steering and control function of the National Council



CONSIDERATION AND APPROVAL OF THE BUDGET – AN OVERVIEW



THE BUDGET COMMITTEE

- Budget Committee prepares the approval of MTEF, the Federal Finance Act and of all kinds of bills regarding budgetary matters. It also debates the Federal Financial Statements.
- During the debate of the draft budget the Minister of Finance or the responsible Line Ministers have to be present and must answer any questions arising in respect of the budget allocations.
- As for the implementation of the Budget Finance Act, the Budget Committee discusses and resolves so called Budget Accompanying Acts (Budgetbegleitgesetze). These Budget Accompanying Acts change legislation in various matters with financial impact as for instance laws on family grants, social security or hospital funding.
- Budget Committee plays an important role in exercising parliamentary (budget) control and in holding Government accountable in general



COMMITTEE PROCEEDINGS IN THE BUDGET DEBATE

- The Budget Committee will always hold a **public hearing of experts** nominated by the parliamentary groups
- In the course of the next five sitting days, the committee holds **individual debates on each budget chapter** (not public) with the Minister of Finance and the respective Line Ministers



- The parliamentary groups may nominate – as substitute for their permanent committee members – **members with expertise in the policy areas** associated with each budget chapter
- The committee can **amend** the budget bill in any way
- BUT: in general only few budget appropriations are amended by Parliament



REGULAR MEETINGS OF THE BUDGET COMMITTEE

- Topics on the agenda of regular meetings, for example
 - Reports on current budget execution (e.g. budget controlling, monthly budget execution)
 - Reports on outcomes and evaluation of former impact assessment
 - New legislation assigned to the budget committee
 - Draft documents in connection with the European Semester (e.g. Austrian Stability Programme, National Reform Programme)
- Budget Office prepares short analysis on documents which are on the agenda of regular meetings
- Head of the Budget Office always participates in the meetings and may be consulted in his role as an expert



BUDGET EXECUTION

Budget execution: Reporting obligations	
Monthly budget execution reports	monthly
Major future obligations	quarterly
Overruns of approved budget allocations	quarterly
State guarantees	once a year, 1 months after the end of a fiscal year
Financial debts	once a year, 1 months after the end of a fiscal year
Budget execution of preceding year	31st of March of the following year
Receivables: Deferrals, Instalments payments	31st of March of the following year
Reserves	31st of March of the following year
Public investment and financial controlling	twice a year, May and November
Budget execution and budget controlling	twice a year, April and September
Results of outcome controlling	October
Results of outcome controlling/internal evaluations	May
Direct subsidies	until the end of the year following the fiscal year of reporting



BUDGETARY INSTRUMENTS FOR STRATEGIC MANAGEMENT



NEW ELEMENTS IN THE AUSTRIAN FISCAL FRAMEWORK

- **Medium-Term Expenditure Framework:** Legally binding for four years (since 2009)
- **Accrual accounting** and **budgeting** on the federal level (since 2013)
- **Performance budgeting** and **result-oriented management** of administrative units (since 2013)
- **New rules for reserves** with the possibility to carry forward any unused funds at the end of the fiscal year as an unearmarked reserve (since 2009)
- **Long-term projections** covering a period of 30 years (since 2013)
- **Fiscal rules:** Federal and sub-national debt brake rule (since May 2012)
- Comprehensive **reporting system** during the fiscal year on the budget execution and performance results (since 2013)
- Considerably extended **Impact assessment** on new legislation (since 2013)



BUDGET LAW REFORM: EXPECTATIONS

- Involvement of a special Parliamentary Budget Advisory Council on Budget Law Reform (Budget Spokesmen and Experts of Parliamentary Groups) and the Court of Audit in elaborating the draft of the new organic budget law
- Improve budgetary decision-making
- Stronger involvement of Parliament in objective setting
- Create a more transparent budget structure
- Improve medium-term fiscal discipline
- Complement cash perspective by taking use of resources into account
- Show outcomes and outputs to be achieved with underlying budgets



Effective steering system for federal administration and political decision making



CHALLENGES FOR PARLIAMENT

- Comprehensive change of budgetary structure and parliamentary possibilities of steering and controlling the budgetary process
- Accrual and performance budgeting provides Parliament with additional budget oversight possibilities
- Efficient use of new budget information for debate and control requires new technical knowledge
- Budget changes its character: Not only decisions on resources (Who gets what?) but steering resources and results (Who gets what for which results?)
- Parliament has the possibility to **discuss and question the strategic approaches** and political objectives in the Committee debate
- Entails cultural change on the political level (setting priorities, transparent decision-making, etc.)

 **Need to realign budget procedures and budget control in Parliament**



EXPERIENCES WITH THE MEDIUM-TERM- EXPENDITURE FRAMEWORK AND PERFORMANCE BUDGETING



MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

- Government presents Federal Medium-Term Expenditure Framework Act together with the strategy report up until April 30th at the latest
- Strategy report as an explanatory document to outline the expenditure ceilings but not individual appropriations
- Parliament debates MTEF every year (necessary amendment at least for the year n+4) and may modify expenditure ceilings
- MTEF in the past was usually adapted several times



MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

<i>in Mio. EUR</i>	2012	2013	2014	2015	2016	2017	2018	2019	2020	Summe
BFRG 2012-2015 BGBl. I 40/2011	73.605,6	73.212,9	74.571,1	75.487,7						296.877,3
BFRG 2012-2015 Nov. BGBl. I 25/2012	75.629,9	73.212,9	74.571,1	75.487,7						298.901,6
BFRG 2012-2015 Nov. BGBl. I 62/2012	76.529,9	75.153,3	74.339,4	73.930,3						299.952,8
BFRG 2013-2016 BGBl. I 25/2012		74.253,3	73.889,4	73.930,3	76.512,2					298.585,1
BFRG 2013-2016 Nov. BGBl. I 62/2012		75.153,3	74.339,4	73.930,3	76.512,2					299.935,1
BFRG 2013-2016 Nov. BGBl. I 102/2012		75.055,8	74.339,4	73.930,3	76.512,2					299.837,6
BFRG 2014-2017 BGBl. I 88/2013			74.339,4	73.930,3	76.512,2	78.584,4				303.366,2
BFRG 2014-2017 Nov. BGBl. I 7/2014			74.339,4	73.930,3	76.512,2	78.584,4				303.366,2
BFRG 2014-2017 Nov. BGBl. I 37/2014			75.204,3	74.385,2	77.704,2	78.988,3				306.281,9
BFRG 2015-2018 BGBl. I 37/2014				74.385,2	77.704,2	78.988,3	80.521,3			311.598,9
BFRG 2015-2018 Novelle BGBl. I 140/2015				75.074,0	77.704,2	78.988,3	80.521,3			312.287,7
BFRG 2016-2019 BGBl. I 63/2015					76.541,2	77.509,0	78.991,0	80.388,2		313.429,5
BFRG 2016-2019 1. Novelle BGBl. I 140/2015					76.636,3	77.509,0	78.991,0	80.388,2		313.524,5
BFRG 2016-2019 2. Novelle BGBl. I 34/2016					78.107,5	77.509,0	78.991,0	80.388,2		314.995,7
BFRG 2016-2019 3. Novelle BGBl. I 60/2016					78.107,5	77.509,0	78.991,0	80.388,2		314.995,7
BFRG 2016-2019 4. Novelle Reg. VL 1283 d.B.					78.639,3	77.509,0	78.991,0	80.388,2		315.527,5
BFRG 2017-2020 BGBl. I 34/2016						78.202,7	78.814,1	80.408,7	83.038,4	320.463,8
BFRG 2017-2020 1. Novelle BGBl. I 60/2016						78.202,7	78.814,1	80.408,7	83.038,4	320.463,8
BFRG 2017-2020 2. Novelle Reg. VL 1283 d.B.						77.089,8	78.814,1	80.408,7	83.038,4	319.351,0
Erfolg laut BRA	72.880,7	75.567,3	74.652,5	74.589,5						
BVA bzw. BVA-E					76.452,2	77.457,2				



MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

Heading			MTEF 2017-2020				
			2017	2018	2019	2020	
			<i>in Mio. EUR</i>				
0,1	General Government Affairs, Court and Security	nominally fixed	9.578,5	9.160,9	9.177,4	9.450,6	
		variabel	75,1	75,1	75,1	75,1	
		Total	9.653,6	9.236,0	9.252,5	9.525,7	
2	Employment, Social Services, Health and Family	fixed	21.804,1	22.245,4	22.733,4	23.255,1	
		variabel	17.906,4	19.608,5	20.590,9	21.593,9	
		Total	39.710,5	41.853,9	43.324,4	44.849,0	
3	Education, Research, Art & Culture	fixed, Total	13.983,6	13.849,1	13.953,0	14.181,9	
4	Economic Affairs, Infrastructure and Environment	fixed	7.381,2	7.355,5	7.290,9	7.373,1	
		variabel	2.155,4	2.191,5	2.228,2	2.267,7	
		Total	9.536,6	9.546,9	9.519,1	9.640,8	
5	Financial Management and Interest	fixed, Total	4.745,4	4.328,2	4.359,7	4.840,9	
			Total	77.629,8	78.814,1	80.408,7	83.038,4

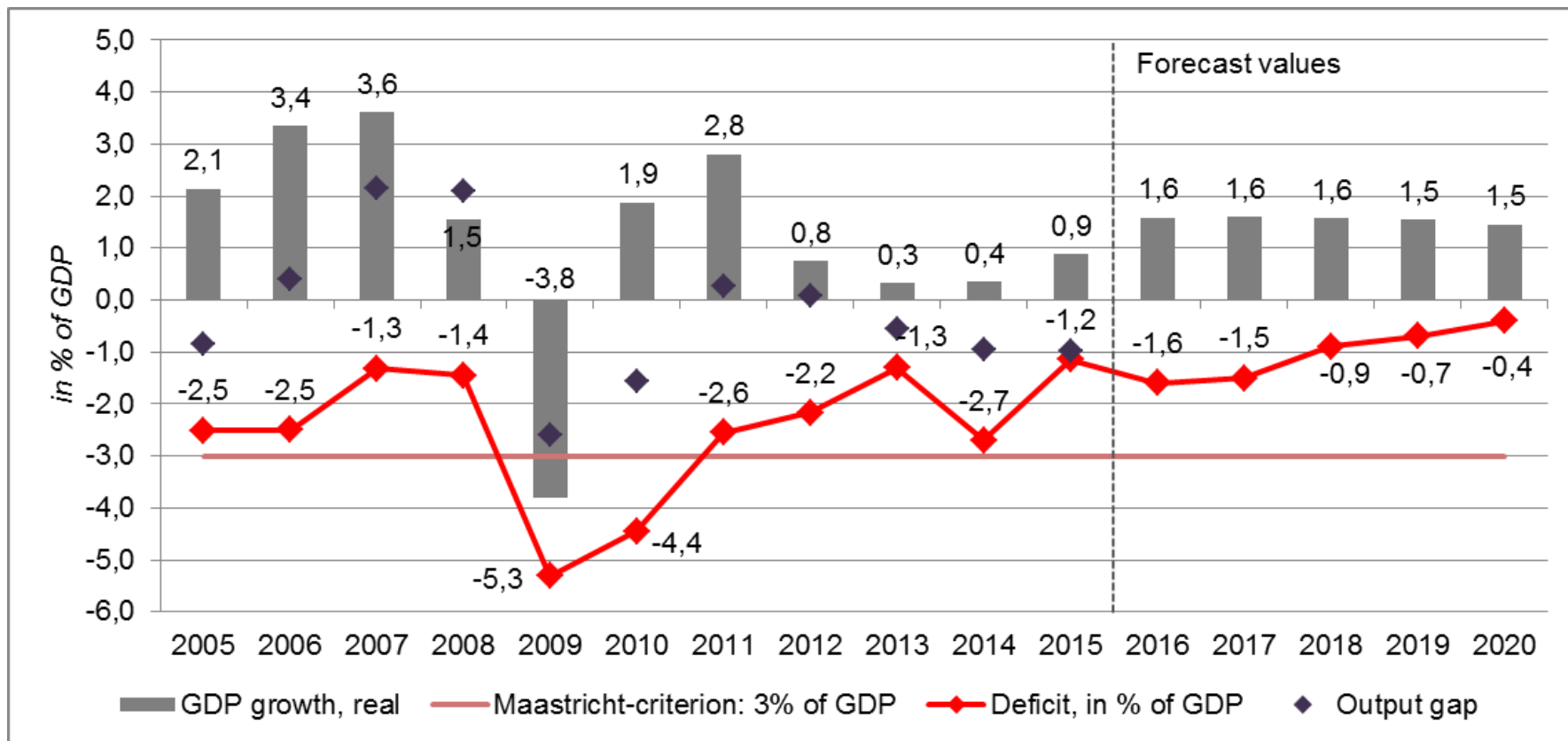


MEDIUM TERM EXPENDITURE FRAMEWORK (MTEF)

- Austrian MTEF: Focus on budget discipline, sensitivity to the business cycle and on expenditure.
- It seems that the framework contributed to a general government deficit lower than anticipated during the last couple of years, it helped to introduce a longer-term oriented policy debate.
- MTEF is an important step to make the budgetary process more predictable and to foster fiscal discipline.
- Counter-cyclical effects are important, they help to stabilize the economy.
- Besides MTEF Austria introduced regular long-term fiscal projections, to be presented every three years (starting from 2013).
- Although not legally binding for MTEF, it provides a long-term perspective to be taken into consideration.



BUDGET DEFICIT



- Highest public deficit in 2009 with -5.3 % of GDP
- Weak economic growth rates between 2012 and 2015
- Reduction of public deficit considerably below the Maastricht-threshold



OUTCOME ORIENTATION

- Show outcomes and outputs to be achieved with the underlying budgets
- Facilitate priority setting for politics and subsequently in the public administration
- Strengthen performance accountability for line ministries and budget managing bodies
- Enable administrative level to present results and achievements

Implementation:

- MTEF/Strategy report refers to outcomes/strategies
- Performance information in the annual budget bill on the level of budget chapter, global and detailed budgets
- Outcome Controlling/Reporting Requirements
- Outcome-oriented impact assessment with respect to legislative proposals and other projects



OUTCOME ORIENTATION FOR PARLIAMENT

- Budget changes its character: Not only decisions on resources (Who gets what?) but steering resources and results (Who gets what for which results?)
- Budget provides Parliament and the Public with information on
 - Resources
 - Outputs/outcomes
 - Recommendations of the Court of Audit
- Parliament has the possibility to **discuss and question the strategic approaches** and political objectives in the Committee debate
- Parliament decides on outcomes and outputs as part of annual budget bill
- Entails cultural change on the political level (setting priorities, transparent decision-making, etc.)
- Performance budgeting and outcome orientation were acknowledged as a **major step** forward but the current state was **partly criticized**



PERFORMANCE EVALUATION AND REPORTING

- Reporting on achievements and impacts
 - based on internal assessments of Line Ministries
 - quality assurance and support by the Federal Performance Management Office (in the Federal Chancellery)
- Annual Federal Performance Report
 - focus: outcome and output statements in the Annual Budget
 - drawn up by the Federal Performance Management Office
 - to be submitted to Parliament by October 31st
- Annual Report on impact assessment of new regulations and projects with budgetary consequences
 - focus: internal assessment of the outcome of new regulations and major projects
 - to be submitted to the Federal Performance Management Office by May 31st of the following year



PERFORMANCE BUDGETING

Lessons learnt:

- Performance information can change the political discussion:
 - Provides additional insights for Members of Parliament and is generally very appreciated
 - Can help to make government policy goals more transparent
 - Can potentially support a more strategic parliamentary debate rather than detailed questions on minor budget allocations to specific budget lines
- But performance budgeting needs time to get more into the focus of the political discussion and to shift from a planning tool developed by the administration to a steering tool for politicians.
- Performance information must be debated by Parliament to become relevant for Government.



PERFORMANCE BUDGETING

Lessons learnt:

- Performance information in budget shall be political 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
- Goals and indicators should be closely linked to government program
- Activities should show a link between budget allocations and performance information
- Outcome objectives should show a medium-term perspective
- Extensive performance information on all budget levels impedes oversight and makes it difficult to identify political priorities
- Performance information should be limited to a small number of relevant indicators, to track government performance against targets
- Discussion in the Budget Subcommittee to improve Performance information



THE AUSTRIAN PARLIAMENTARY BUDGET OFFICE



ESTABLISHMENT OF THE NEW PARLIAMENTARY BUDGET OFFICE

- Longstanding efforts to provide Parliament with immediate and government-independent budgetary expertise and to strengthen its position in relation to government
- New budget law confers former Parliament's rights in budgetary matters to a higher level of aggregation (73 global budgets instead of more than 1,100 individual budget lines) and requires additional technical knowledge
- Strengthening of the parliamentary budgetary control:
 - Additional reporting requirements for the Minister of Finance
 - Establishment of the new independent Parliamentary Budget Office as a pilot project to
 - => provide government-independent and objective analysis
 - => support Parliament, in particular the Budget Committee in budgetary matters



LEADING PRINCIPLES OF THE PBO

- **Independence** and **objectivity**
- Support parliamentary work in substantive issues of budget approval and budget control and so further strengthen Parliamentarism
- Orientation of all products and services on the tasks and needs of the Budget Committee
- **Equal treatment** and equal distance to **all political parties**
- High quality performance through competent staff
- Contribution to increase the accountability of Government towards Parliament and the Public
- Promotion of fiscal transparency by **publication** of all results and products on the **website of Parliament**



BASIC DOCUMENTS

- **Political agreement** between all the political parties represented in the Austrian national assembly
- **Statement of the Budget Committee** of the Austrian Parliament, 10th of November 2011 (1510 d.B. XXIV. GP)
- According to the Law on the Austrian Fiscal Advisory Council (monitors government compliance with fiscal rules in Austria and submits recommendations to Government and Parliament on fiscal policy) the Head of PBO is a consulting member of the Council



MANDATE

To support Parliament in the budgetary process, in consulting and enacting budget laws and exercising its oversight role.

Key tasks:

- (1) To support the Budget Committee in form of written expertise, analysis and short studies on budgetary matters presented by the government according to Federal Organic Budget Act (e.g. draft fiscal framework and budget, reports)
- (2) To prepare brief information and short analysis upon request of members of the Budget Committee
- (3) To support other parliamentary committees regarding impact assessment of new legislation
- (4) To consult the Parliament on performance budgeting and the effective equality of women and men (gender budgeting)



ORGANIZATION

- Establishment of the PBO in 2012 by the President of the Parliament in the Organizational Chart as a unit of the Parliamentary Administration, within the Department of Legal, Legislative and Research Services
- However the PBO has a specific mandate to support and consult MPs and especially the Budget Committee independently and directly
- The Head of PBO agreed upon a catalogue of products and services with the budget speakers of the parliamentary groups
- Head of PBO takes part in meetings of the Budget Committee as an expert

RESOURCES

- Staffing with 8 employees in total (6 academic experts, 2 assistants)
- Recruitment procedures require public competition
- Head of PBO was nominated after hearing and consultation with budget speakers of the parliamentary groups



FRAMEWORK FOR DEFINING THE FUNCTIONS

- PBO is an instrument of Parliament and linked to parliamentary work
- Procedures for budget preparation are still heavily focused on the Ministry of Finance and the Government
- Parliamentary amendments of the draft budget have limited scope and generally are initiated by MPs of the governing parties
- Budget Committee plays an important role in exercising parliamentary (budget) control and in holding Government accountable in general
- PBO does not provide individual services for parliamentary groups or members but supports the whole Budget Committee and the National Council
- Functions of the PBO have been defined in respect of changes by the new organic budget law and the new challenges for Parliament



CATALOGUE OF PRODUCTS & SERVICES (I)

Ongoing analysis:

Written expertise, analysis and short studies on all budget-relevant draft documents presented by Government, in particular

- Medium Term Expenditure Framework (MTEF)
- Annual Federal Finance Act (Budget)
- Documents in connection with the European Semester (e.g. Annual Growth Survey, Austrian Stability Programme, National Reform Programme)

Support the Budget Committee to control budget execution. This includes analysis of

- Reports on budget controlling and of monthly reports on budget execution
- Reports on outcome controlling (performance reports)
- Subsidy reports; Reports on assumption of liabilities, financial debt and currency swap agreements etc



CATALOGUE OF PRODUCTS & SERVICES (II)

Analysis upon request:

- Responses to budget related questions of the Budget Committee or its members (e.g. involvement of national parliaments in the preparation of stability program; actual budget risks; expenses for refugees)

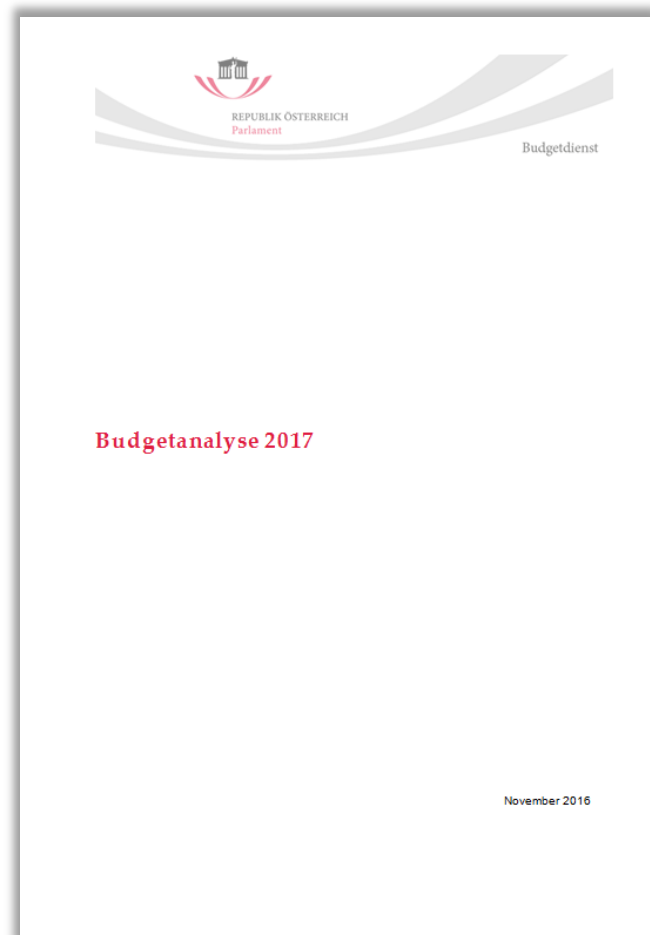
Analysis out of own initiative:

- Provide suggestions to the Budget Committee on how to further improve budget documents and reports
- Consultation services on performance and gender budgeting (e.g. suitability of indicators for measuring performance)
- Consultation regarding impact assessment of new legislation as requested by committees (e.g. impact of the latest Austrian tax reform)
- Participate in the evaluation and further development of the Federal Organic Budget Act



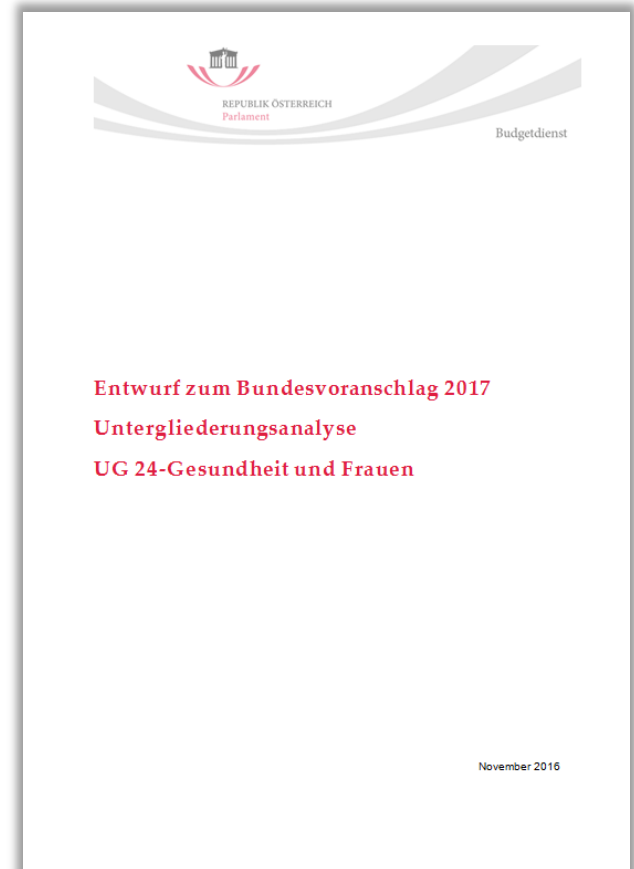
ANALYSIS OF THE FEDERAL BUDGET FOR 2017

- Parliament receives the federal budget draft for the following year in October and the Medium-Term Expenditure Framework for the next 4 years in April
- Federal Budget for 2017 was enacted at the end of November
- Budget Office supports the Budget Committee with expertise and analysis on draft budget plan and all budget materials



ANALYSIS ON EACH BUDGET CHAPTER (33 CHAPTERS)

- Short analysis (15-25 pages) to support debate in the budget committee on each chapter
- Provide additional information if available (e.g. in the chapter on labour on the current and forecasted labour market situation)
- Explain main expenditures and revenues trends
- Compare the (planned) development of expenditures and revenues in a chapter with that of macroeconomic variables (inflation, GDP growth)
- Present the performance goals/tasks/indicators of that chapter



THANK YOU FOR YOUR ATTENTION

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