

Public Governance Directorate
Senior Budget Officials

Budgeting in Austria



OECD Journal on Budgeting

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by

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Over the past decade Austria has undertaken a carefully-considered and ambitious series of modern budgeting reforms. Evaluation of the budget reforms was purposely built into the reform process. The budget law provides for an external evaluation no later than 2017. To meet these obligations, Austria's Federal Ministry of Finance (Bundesministerium für Finanzen, BMF) set in place a comprehensive evaluation process in three parts during 2017. A first review conducted by the IMF focused on fiscal transparency. This second review, carried out by the OECD, covers budgetary management, performance budgeting and related issues. A third review by the Alpen-Adria University is focused on the financial management and reporting system including accrual accounting; as well as preparation of a synthesis report drawing upon the three stand-alone studies.

The external evaluation exercises come after an internal evaluation conducted by the BMF which has considered several of these topics; some reforms have already been implemented, or are now underway, on foot of that internal review.

JEL codes: H50, H61, H83

Keywords: Budget reforms, performance, impact assessment, financial management, transparency, cash and accruals financial reporting

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Acronyms

| Acronym | German name | English name |
|---------|--|--|
| BFG | Bundesfinanzgesetz inkl. Anlagen | Annual Budgeting Act including Annexes |
| BFRG | Bundesfinanzrahmengesetz | Medium-term Budgeting Framework Act (MTEF) |
| BHG | Bundeshaushaltsgesetz | Organic Budget Law |
| BKA | Bundeskanzleramt Österreich | Chancellery |
| BMASK | Bundesministerium für Arbeit, Soziales und Konsumentenschutz | Federal Ministry of Labour, Social Affairs & Consumer Protection |
| BMF | Bundesministerium für Finanzen | Ministry of Finance |
| BMGF | Ministerium für Gesundheit und Frauen | Federal Ministry of Health and Women's Affairs |
| BVA | Bundesvoranschlag | Draft Annual Budget |
| DBP | Übersicht über die Haushaltsplanung | Draft Budgetary Plan |
| FINA | | Standing Committee on Finance (Canada) |
| FISK | Fiskalrat | Austrian fiscal council |
| FPMO | Wirkungscontrollingstelle des Bundes | Federal Performance Management Office |
| GFSM | | Government Finance Statistics Manual |
| HIS | Haushaltsinformationssystem | Financial management information system (FMIS) |
| IPSAS | | International Public Sector Accounting Standards |
| MN | Maßnahmen | Output statements |
| MTOs | Mittelfristige Budgetziele | Medium-Term Budgetary Objectives |
| NED | | National Economic Dialogue (Ireland) |
| NRP | Nationales Reform Programm | National Reform Programme |
| OGD | | Open government data |
| PBO | Budgetdienst | Parliamentary Budget Office |
| RH | Rechnungshof | Court of Audit |
| RIA | Wirkungsorientierte Folgeabschätzungen für Rechtsmaßnahmen | Regulatory Impact Assessment (RIA) |
| SDGs | | United Nations Sustainable Development Goals |
| SPU | Stabilitätsprogramm | Stability Programme |
| UG | Untergliederungen | Budget chapters |
| WIFO | Österreichisches Institut für Wirtschaftsforschung Wien | Austrian Institute of Economic Research Vienna |
| WZ | Wirkungsziele | Outcome objectives |

Executive summary

Arising from a carefully-considered and ambitious series of reforms introduced from 2009 to 2013, Austria has in place a balanced, inter-connected set of budgetary governance arrangements which are designed to achieve a number of objectives:

- promote an orderly, planned evolution of public finances and of public expenditures over the medium term
- incentivise a disciplined, flexible approach to financial management within line ministries
- promote a focus upon performance and results achieved with public funds, via an outcome-oriented approach to policy-making and budgeting
- promote gender equality in resource allocation and use
- improve transparency and rigour in public financial management through the use of accruals as well as cash accounting methodologies in both budgeting and reporting
- provide comprehensive and informative budget reports which can facilitate parliament's role in scrutinising and engaging with the fiscal, budgetary and performance information
- more generally, promote a co-ordinated government-wide approach to budgeting and policy-making in balance with a strong tradition of ministry autonomy.

In principle, the processes and tools in place in the Austrian budget system are in line with the spirit of the OECD Recommendation on Budgetary Governance, which sets out ten principles of modern budgeting.¹ In practice, budget practitioners and stakeholders in Austria report that much progress has been made, by reference to each of the objectives set out above, although the system is not fully living up to its initial aspirations in all respects. The OECD's view is that the fundamental rationale and ambition of the Austrian budget reform remain sound, although the system would benefit from a "re-set" which allows space for a focused, co-ordinated set of adjustments to the original reforms.

For annual budgeting to operate effectively within a normative medium-term framework, it is necessary for the budgeting system as a whole to operate in a 'top down' manner, starting from the fiscal policy goals, and progressing to more detailed budgetary allocations that are consistent with these goals. In recent years, the discussion of the detail of budget chapters in spring has shifted the focus away from what ideally should be a strategic debate on orientations of national fiscal policy. Consolidating these more detailed discussions of the medium-term framework to the October budget period, as recently decided, is consistent with a rational and streamlined approach to budget formation; provided that the spring period remains an active phase of the budget calendar for parliamentarians and policy-makers. The OECD suggests that national debate on Austria's macro-fiscal policy should take place in spring – aligned with, but supplementary to, the EU-related Stability Programme Update – helping also to frame realistic expectations for the resource-allocation phase. International models of pre-budget consultation and debate should be considered, allowing the government to hear a range of views from parliamentarians and from civil society, before the draft budget is prepared.

The multi-year expenditure ceilings have not yet become established as fixed and normative upper limits, to govern and safeguard the evolution of overall public expenditure. To this extent, the potential of medium-term planning to effect a cultural change among ministries, balancing resource flexibility with reinforced budgetary discipline, has not been fully realised. In practice, ministries have continued to treat the expenditure ceilings more as “floors” and a starting point for negotiations. In part, the shortcomings in multi-annual planning are also due to a lack of resilience in the fiscal framework, leading to regular annual revisions of overall fiscal parameters and of the ceilings: it is accordingly proposed that a fiscal margin or “buffer” be gradually introduced to the overall framework to improve resilience. Introducing such a fiscal margin is not a trivial exercise and involves additional opportunity costs and trade-offs in resource allocation. In considering how to undertake this task, Austria could usefully build upon its own national models of spending review and outcome-oriented *ex post* programme evaluation, while also considering modern international practices.

Line ministries need to demonstrate a clearer commitment to manage within fixed expenditure ceilings. At the same time, the tools and incentives to facilitate line ministries in this regard should be reinforced. Austria’s system of line ministry reserves and carry-over is generous in international terms. The overhang of unused reserves has led to uncertainties about their potential macro-fiscal impact, and this partly explains why the reserve system has become frozen in recent years. Unfreezing the system should involve a co-ordinated package of measures including cancellation of large, technical and “unearned” reserves (e.g. relating to debt interest expenditure or export guarantees); differentiating more clearly among the types of expenditure that may give rise to reserves; setting clear rules to limit the accumulation of reserves; and linking the draw-down of reserves to the use of the “fiscal margin” in the medium term expenditure framework outlined above. Subject to such improvements, it is the view of the OECD that the carry-forward flexibility of ministry reserves, which arise from efficient and disciplined management within the fixed ceilings, can and should be maintained; and that on this basis, short-term budget management by the BMF can focus primarily on the expenditure ceilings, while medium-term budget management can ensure that the expenditure ceilings are consistent with the balance of expenditures and receipts (“top-down” budget management).

The reforms introduced a new budget structure with lump sum budgets that allow for more flexibility for line ministries around in-year reallocations², allowing managers to pay more attention to performance and results. The BMF still maintains a strong oversight role in budget execution, in particular for projects with substantial financial impacts. A newly introduced approval process for the reallocation of resources between global budgets provides additional checks. This process however has introduced some delays in the approval process. There should be clear deadlines for approvals on reallocations to ensure the effectiveness of the system. In case of refusal of requests, timely decisions can reinforce trust between line ministries and the ministry of finance, improve planning and avoid potential payment shortages at the end of the year. The revived flexibility and trust within budgetary management (as recommended above), and associated reduced requirements for detailed approval and oversight, will also create opportunities to improve the administrative cost-benefit ratio, while ensuring that statutory responsibilities regarding budget management continue to be met.

As the key policy tool of government, the budget system should promote implementation of national strategic objectives. Some stakeholders observe that higher-level goals of government could be expressed in a clearer and more focused way, which could serve to

better anchor the system of outcome-oriented policy-making and inform the lower level performance targets and indicators. The OECD suggests that each Government Programme, as the definitive expression of political priorities to be pursued by the executive, could usefully be prepared with this purpose in mind. The limited number of cross-government outcome goals expressed in this context would de facto sit at the apex of the performance hierarchy, and would directly transfer to the economic and budget priorities³ that are currently set out in the Strategy Statement and Budget Statement. The high-level outcome goals could usefully draw upon and reference national and international benchmarks, such as Europe 2020 objectives and UN Sustainable Development Goals.

Such a move would directly benefit Austria's system of performance budgeting. In principle this system is well-structured, using a hierarchy of performance indicators which benefit from quality-assurance input from the Federal Chancellery and the Federal Ministry of Finance. However, not all of the indicators are yet fully and uniformly aligned with the economic and budget priorities (although reforms underway aim to strengthen strategic co-ordination) and given the high level of ministerial autonomy, there is sometimes a lack of coherence. Parliament has also criticised the relevance of some of the indicators. The performance budgeting system is otherwise well-understood and applied systematically across government - also due to significant investments by the BMF and the FPMO in training civil servants in the concepts and applications of performance budgeting - which helps in comprehension and use of performance information.

Austria's distinctive system of gender budgeting is well integrated within the performance budgeting framework and rates highly in international comparison. Reflecting the OECD's more general findings, a clearer articulation of government-wide gender priorities would help improve the relevance and coherence of the gender budgeting indicators: in this context there is scope for closer alignment with the gender equality priorities advanced by the Ministry for Health and Women's Affairs. An annual Gender Budget Statement, building upon the composite report already included in the Federal Chancellery's annual report on outcome orientation, would help to make explicit such a co-ordinated and directional approach.

The performance information provided by the Federal Ministry of Finance and the Federal Chancellery provides the basis for an active and serious engagement by the parliament in the exercise of its functions. Members of sectoral committees currently play a role in the Budget Committee's discussions around performance, by substituting in for members of the Budget Committee during debates on the budget bill. Given the scale of budget and performance-related information already available, and the increasing volume which will be available in the near future – notably the performance-related reports and evaluations co-ordinated by the Federal Chancellery – there is scope to give sectoral committees an even greater role in discussion of performance information (e.g. as regards quality and relevance of proposed objectives and achievements, review of key evaluations) for the ministry that they cover. Such an approach should allow for the Budget Committee and the Subcommittee on Budgetary Performance and Execution to further benefit from each sectoral committee's specialised knowledge, while freeing them to focus more on their core mandate.

Austria's system of impact assessments is advanced practice in international terms and its standard use of outcome-oriented impact assessments, both *ex post* and *ex ante*, is a large potential asset for evidence-based policy-making and thus an important additional

instrument to achieve better budgetary control, as they are for example as a basis for the negotiations of line ministries with the BMF on projects with substantial financial impacts. Used correctly, in tandem with performance budgeting and disciplined medium-term management within spending ceilings, this additional instrument can significantly streamline interactions and controls between line ministries and the BMF; although it was not the intention of the reform (nor would it be desirable) that such interactions be completely reduced. To realise this objective, there is however a need for greater integration of the results of the impact assessments, and the large corpus of performance-related information, within the system of budgetary decision-making. One of the bottlenecks in using impact assessments may be related to challenges of developing a “performance culture” within the public administration as a whole, i.e. developing skills for seeking, generating and using performance and evaluative information as a routine tool of policy-making. In addition, impact assessments may benefit from more systematic stakeholder engagement and public consultation.

The outcome-oriented structuring of the budget has yielded benefits for accountability and transparency through clearer delineation of management responsibility at the level of line ministries. This new structure has also supported the quality of parliamentary budget debate, particularly within the Budget Committee, through facilitating a more outcome-focused discussion, and challenging the line ministries to provide meaningful qualitative information regarding their objectives. However, further work remains to be done to support this improved culture of performance-oriented scrutiny, in the directions outlined below.

The budget documentation supplied by the Federal Ministry of Finance is comprehensive and provides parliamentarians and other stakeholders with multiple avenues of obtaining relevant data. Building on improvements of the past year, it is suggested that the Federal Ministry of Finance further develop a distinct and recognisable “design language” for its documents, including summary notes, consistent nomenclature and colour-coding, to allow parliamentarians and other readers to quickly orient themselves within the overall corpus of information and quickly find the pertinent information they need. In similar vein the Budget Report could usefully be re-purposed as a summary “policy-maker’s handbook” presenting key budget proposals and performance goals. In parallel, the adoption of “open budget data by default” and production of a Citizen’s Budget could help streamline the printed budget documentation, while making the material accessible and useful for a wider range of societal stakeholders.

The parallel presentation of both cash and accruals information in budget reports is advanced practice internationally, facilitated by a well-integrated IT system. This important pillar of budgetary reform has the potential to improve the quality and reliability of data available for decision-making and accountability, to the extent that it provides policy-makers with fuller, objective and undistorted information regarding the financial context and implications of policy options. Both approaches, cash and accruals, have complementary strengths: in international terms, good practice is for the cash basis to serve as the primary reference for establishing fixed spending limits, while the accrual basis provides a definitive reference for forecasting and financial reporting. On the other hand, if the role and nature of accruals information is not generally understood, it has the potential to distract and confuse policy-makers. The BMF should clearly re-state the intended uses and benefits of cash and accruals accounting and incorporate this messaging into capacity-building and awareness initiatives. Currently cash and accruals information are not used to their full potential and stakeholders report some obstacles exist to making full use of the operating statement. There is some scope for streamlining

accruals information. The OECD recommends that monthly budget execution reports should be presented on the basis of cash only, for which reliable information is available; and the corresponding accruals reports should be presented quarterly, along with explanation of how the figures correspond with planned in-year profiles. Both cash and accrual reports should be accompanied with an “interpretative note” as a guide to their use. In presenting accruals information both retrospectively (in financial reports) and prospectively (budgets and the medium-term framework), a consistent and uniform approach should be adopted.

New reporting requirements have generated additional workload with an associated administrative cost. To mitigate this impact, streamlining of specific reports may be considered (e.g. moving accrual-based execution reports to a quarterly basis, and merging of the Budget and Strategy reports). However, with experience, as new reporting requirements become routine, perceptions of increased workload are diminishing. Additionally, innovative automatisisation processes (e.g. further development of the HIS) could be used to increase the cost-benefit ratio over time. To facilitate this process, knowledge-sharing across ministries should be supported to give the opportunity for mutual learning and adoption of best practices. The provision of freely available government data (open data) would furthermore reduce the pressure to provide supplementary and more technical data within the budget reports.

Summary of Key Recommendations

The following recommendations are organised according to the sections in which they appear in the review.

Section 2. Annual and multi-annual budgetary management

1. Redesign the spring phase of the budgetary cycle to present and hold a strategic debate on the government’s fiscal policy strategy. This debate should be aligned with, but supplementary to, the EU-related Stability Programme Update presented in the same time-frame, grounded on issues such as how the economic outlook affects the available “fiscal space”; the broad principles and priorities that will inform the government’s subsequent budgetary proposal; and the establishment of the aggregate expenditure ceiling for year four of the multi-year frame of reference. The discussion should be designed to provide an opportunity for a pre-budget phase of scrutiny and engagement by the National Council, and to promote parliamentary debate and input on high level policy priorities.
2. Develop a designated national document (e.g. a “Pre-Budget Fiscal Report”) as a basis for the spring fiscal policy debate.
3. Introduce clear deadlines for approvals on reallocations between global budgets to ensure the effectiveness of the system. In case of refusal of requests, timely decisions can reinforce trust between line ministries and the ministry of finance, improve planning and avoid potential payment shortages at the end of the year.
4. Redesign the system of ministry reserves, setting clear rules to limit the accumulation of reserves. Clear guidelines should support the original objective of flexible, efficient and disciplined budget planning consistent with Austria’s fiscal policy objectives and obligations. This can be done by amount (e.g. a cap on the level relative to the overall expenditure ceiling or a restriction on the

annual level of carry-overs allowed), and/or time (e.g. a principle that carried-over amounts must be used within a specified time period).

5. Dissolve technical and “unearned” reserves. This should include reserves resulting from changes to interest rates, export guarantees and expired eligibility-defined programmes, to reduce the current stock of reserves to a reasonable level. The multi-year nature of major acquisitions and projects within the medium term expenditure framework ceilings should be explicitly recognised and removed from the reserve system.
6. Maintain carry-forward flexibility of “earned” reserves. To restore trust on the part of ministries in the operation of the reserve system, and to improve planning, the carry-forward flexibility of “earned” reserves should be maintained. To facilitate this, reserves could be recognised in the baseline of expenditures and the medium term expenditure framework, and ministries could be allowed to earmark carry-forwards for projects.
7. In future, provide a clearer picture of the source of reserves in the reserves report (*Rücklagenbericht*) distinguishing between “unearned” and “earned” reserves. The current IT systems should be updated to enable the differentiation and tracking between “earned” reserves and “unearned” reserves.
8. Introduce an explicit and realistic “fiscal margin” into the medium term expenditure framework that can act as a buffer to absorb unexpected cost pressures, and allow for new policy priorities to be accommodated, where necessary, while still respecting public finance objectives and fiscal rules. The fiscal margin should be treated as a part of the expenditure baseline, rather than as a new initiative to be considered and debated each year.
9. In developing the “budgetary margin”, consider new mechanisms to identify fiscal space, including through building upon the existing focused spending review mechanism as developed by the BMF and drawing upon the existing corpus of outcome-oriented *ex post* programme evaluations.
10. Consider mechanisms to link the use of the fiscal margin embedded with the medium term expenditure allocations to the availability of reserves in the relevant ministry. This mechanism should be considered to ensure a balance between reserve withdrawals and the build-up of reserves (i.e. a sustainable “steady state” system), thus further incentivising line ministries to treat expenditure ceilings as effective and realistic binding limits within which resources need to be stewarded.
11. Design an additional “backstop” rule as a further safeguard to prevent large draw-downs of the accumulated reserves that could result in significant impact on the fiscal position. Such an additional rule may include early notification obligations for the drawdown of accumulated reserves to give the BMF the opportunity to assess the net fiscal impact of the proposed drawdowns. As a general principle, drawdowns may be allowed to the extent that their net fiscal impact can be accommodated within the fiscal margin for the budget year and future years of the BFRG. In the case where proposed drawdowns would collectively exceed the fiscal margin, a “decision rule” should be put in place whereby significant proposed drawdowns are curtailed to within sustainable limits.

Section 3. Performance aspects of budgeting

12. The Government Programme (or Coalition Agreement) should be designed with a view to its fundamental role as an “anchor” for outcome-orientation in policy-making and in budgeting. Particular attention should be given to articulating the high-level outcome goals for which the government and public administration will be accountable. High level priorities should in turn be reflected in the policy priorities in the new Budget Report (potentially merged with the Strategy Report), as well as the proposed fiscal policy document in spring.
13. Internationally comparable benchmark indicators should be considered first when developing the indicators for each budget chapter. This would bring Austria’s outcome objectives into fuller and more explicit alignment with the EU 2020 and UN Sustainable Development Goals, and would also support a streamlining of associated reporting requirements.
14. Adopt a more participative, inclusive approach to the setting and design of outcome objectives and indicators. Line ministries and the Federal Chancellery’s Federal Performance Management Office should seek to ensure the relevance of the objectives and indicators chosen, including on gender, to the parliamentary scrutiny process. This may be accomplished through a more targeted engagement of relevant sectoral committees on these specific topics and through a more systematic engagement with the parliamentary Sub-Committee on Execution and Performance.
15. Streamline the performance reports to make their key messages more visible and accessible to parliamentarians and the public.
16. In the medium term, develop the financial management IT system to allow tracking of the level of resources associated with the gender objectives and make this information available in the Gender Statement.
17. The Ministry which has overall responsibility for gender equality should be further engaged in the task of co-ordinating and articulating the whole-of-government approach to promoting gender equality. This joined-up approach should in turn be reflected in the gender objectives identified and prioritised by the line ministries.
18. Continue to develop a comprehensive set of gender disaggregated data to improve the body of evidence underpinning gender objectives and indicators and gender impact assessments. Over time, all data and statistics systems, including in the financial management IT system, should be designed to provide gender-disaggregated data.

Section 4. Budgetary documents and oversight

19. **Create a clear system to facilitate navigation across the various budgetary documents.** The Budget Report could be re-designed as a single overview document that serves as a “policy-maker’s handbook”, not only summarising the key information but functioning as an index document for all related supplementary documentation. Clearly established and visually highlighted links between the different budget documents are also advisable to allow the individual reader to find quickly the information of specific interest to them.
20. **Continue to develop a distinct and consistent “design language” to facilitate navigation across the various budgetary documents.** This should include uniform table and section headings; consistent nomenclature and colour-coding (in particular for cash and accrual data); and structuring of content. Such a uniform budgetary reporting framework should also be carried through, as appropriate, to the corresponding elements within the performance reports by the Federal Chancellery.
21. **Highlight key information in budgetary documents.** This may include highlights on the specification of the annual financial details, and on critical performance information linked to the identified political priorities. In particular in the context of the increasing number of impact assessments published, selected highlights should allow parliamentarians to easily identify evaluations of programmes with the greatest financial and/or societal impact.
22. **Support continued development of best IT practices for standardised reporting.** Innovative automation processes could be used to increase the cost-benefit ratio over time for reporting. Knowledge-sharing of IT tools across Ministries should be supported to identify best practices.
23. **Continue to provide monthly execution reports with official, reliable cash information.** Accrual information and analysis should be provided in quarterly reports including a narrative report explaining deviations from in-year profiled expenditures and revenues.
24. **Enhance the explanatory information in the supplementary budget documents.** The supplementary budget documents should provide the narrative for the more technical Chapters, including explanations for significant changes in allocations and performance goals, and highlighting links to the higher level objectives and measures.
25. **Expand the provision of open data.** In line with current government commitments Austria’s “Digital Roadmap” and the “Cooperation OGD Österreich” initiative, an “open by default” policy should be considered allowing users to compare, combine and follow the connections among; different data sets, including international comparisons. Data-visualisation tools provide added value for individual users and should be further developed and improved.
26. To promote budget transparency and inclusiveness, **consider international models of pre-budget debate and consultation**, allowing the budgetary formation phase within parliament and government to benefit also from a range of views on budgetary priorities before the draft budget is prepared (see also Recommendations 1 and 2); as well as enhancing the visibility of the impact assessment process to the wider public, for example by publishing a more

comprehensive set of (final) impact assessments – legislative, regulatory and spending-related – through a single public website. A “citizen’s budget” could also be produced with a view to fostering public understanding and engagement.

27. **Include accruals information in the medium term expenditure framework to correspond with the cash-based information.** Extending the “true and fair view” to this budget-related report would more consistently apply the “aims and principles” of budgetary management set out in Section 2 of the Federal Organic Budget Law.
28. **Ensure clarity and accessibility of accrual data.** The cash- and accrual-based tables in the budget reports should be more clearly distinguishable from one another, e.g. through colour-coding, formatting and applying other elements of the improved “design language” for budgetary documents. In addition, each table – both cash and accruals-based – should include a short interpretative note to guide non-technically-expert readers. This interpretative note should routinely include a factual explanatory comment regarding any significant discrepancies (or apparent discrepancies) between the two reports.

1. Reforming the Austrian budget process – Legal and administrative context

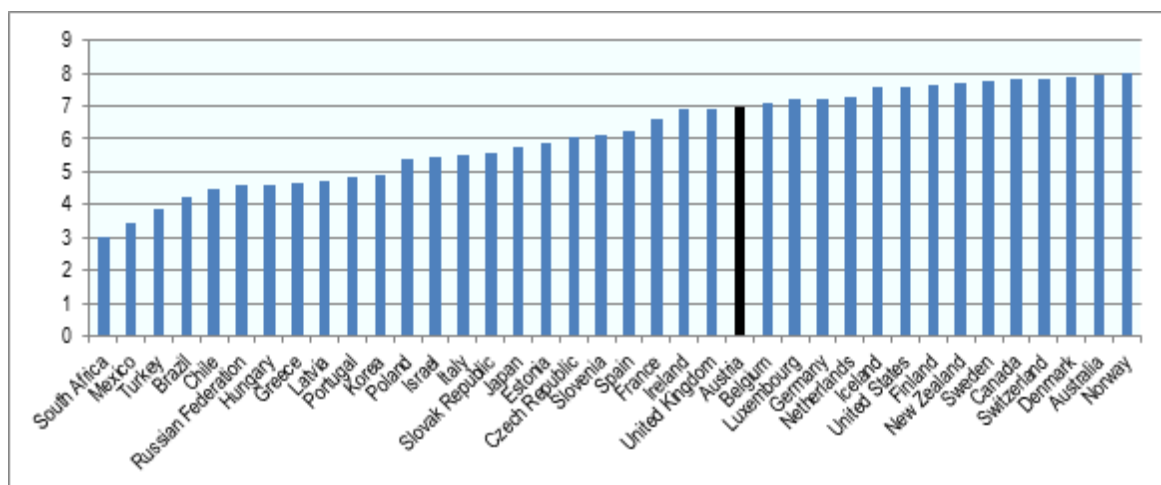
1.1. Austria general characteristics

Austria is a federal republic comprising nine States. Fiscal co-ordination between the different levels of government is laid out in the Austrian Stability Pact which implements EU fiscal rules for all levels of government, allocates shares of the budget balance and public debt to the levels of government, and defines the monitoring and enforcement mechanism. The federal and state governments and the Austrian Association of Cities and Municipalities agreed to this pact in mid-2012. The Austrian budget reform only covered the federal level however similar budget reforms are currently being implemented at the level of subnational governments (states and municipalities) and will enter into force as of 2019/2020.

A parliamentary representative democracy, Austria’s head of State is the President and head of government is the Federal Chancellor, although the position of chancellor is characterised as “first among equals” as the constitution does not vest the chancellor with the authority to issue directions to other cabinet ministers. Austria has a bicameral legislature. The National Council or lower house is comprised of 183 members directly elected through proportional representation for a five year term. The Federal Council, or upper house, is comprised of around 60 members indirectly elected through the provincial assemblies. According to the constitution the National Council has exclusive competence in budget matters.

A small country with a population of around 8.7 million, Austria enjoys favourable international rankings for jobs and earnings, income, and subjective life satisfaction (OECD, 2017a). Austria performs well in many measures of well-being in the OECD Better Life Index and Austrians are generally more satisfied with their lives than the OECD average Figure 1. However, Austria lags behind other high-income small European peer economies with respect to work/life balance, health, and housing, as discussed in recent OECD Economic Surveys, which focused on health in 2011, well-being more broadly in 2013 and gender inequality in 2015 (OECD, 2017a).

Figure 1. Austria performs well in many measures of well-being in the OECD Better Life Index

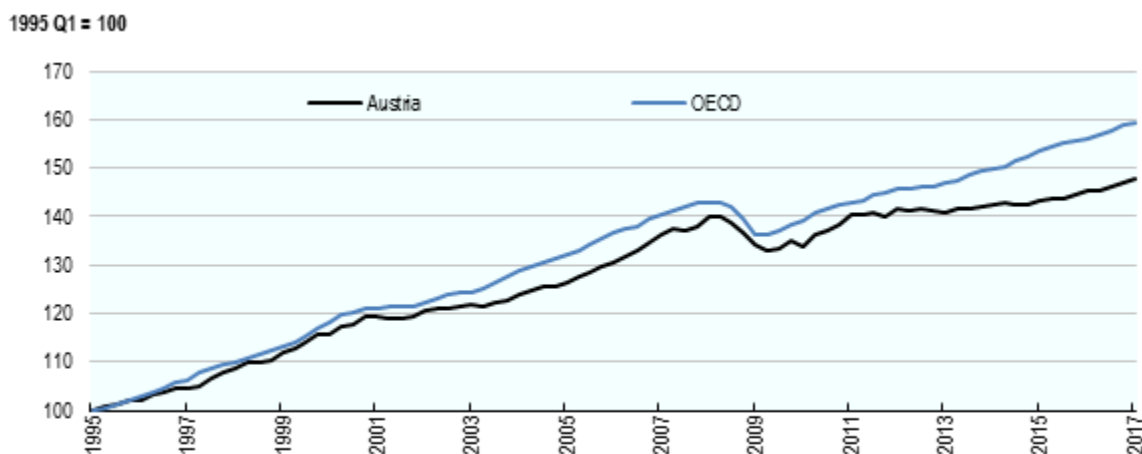


Note: These scores, and the resulting ranking, have been obtained setting all weights equal for each dimension of well-being. The OECD does not publish any official country ranking of the Better Life Index. Source: OECD Better Life Index 2016.

1.2. The Austrian economy

Austria is a stable and wealthy economy and Austria was one of the few countries in the euro area to emerge relatively unscathed from the financial and economic crisis, with the help of a generous rescue package for Austrian banks. Austria's economy is closely tied to that of other EU economies, especially Germany. Austria has one of the highest GDPs per capita in the EU and GDP per capita and the employment rate exceed the OECD average. Growth has picked up following the 2016 tax reform and the recovery of export demand, although like most OECD countries trend output growth has declined since the 1990s and there are concerns around labour force participation and slowing productivity (OECD, 2017a).

Figure 2. Growth is regaining momentum



Source: OECD Economic Survey 2017

Austria's public debt peaked at 85.5% cent of GDP in 2015, and fiscal consolidation is underway after the stimulus in 2016 (IMF, 2017). Although Austria's fiscal balances and the public debt ratio have improved, the foreseeable costs of ageing remain very high (OECD, 2017a). According to the IMF (2017) Austria will have to find efficiencies in health and education expenditure and subsidies and implement further pension reform measures to meet ageing-related costs in the medium to long term. This would require adjustments in fiscal relations between the federal and subnational governments. The OECD's 2017 Economic Survey of Austria also recommended an in-depth spending review in education, health, care and public administration.

Table 1. Debt as a percentage of GDP

| | 2014 | 2015 | 2016 | 2017 | 2018 (projected) |
|---|-------|-------|-------|-------|------------------|
| General government gross debt | 106.8 | 106.2 | 106.1 | 102.7 | 100.9 |
| General government debt, Maastricht definition | 84.4 | 85.5 | 84.6 | 81.1 | 79.3 |

Note: See definition of general government gross debt according to the convergence criteria set out in the Maastricht Treaty here: <https://stats.oecd.org/glossary/detail.asp?ID=1161>

Source: OECD Economic Outlook 101 database

1.3. Overview of Austria's budget reform process

1.3.1. Austria's budget process before the reforms

Until the mid-1990s, Austria's budget process was traditional, cash-based, highly legalistic and input-oriented. Moreover, with no binding medium-term perspective in budgeting, the BMF and line ministries experienced difficulties in planning. A first critical reform in the mid-1990s introduced top-down budgeting. Then in 2000, several pilot projects (so-called 'Flexi-Clause') were undertaken with around 20 administrative offices in different line ministries that experimented with performance information and new forms of budget flexibility (a lump-sum appropriation with appropriations defined several years in advance, flexibility of *virements* within that lump sum, and the possibility to carry forward savings) (Steger, 2010). The positive experiences from these pilot projects helped build momentum for reform. At the same time the BMF began to collect good practice examples internationally, mainly from peer countries within the OECD.

1.3.2. Building consensus for the reforms

According to the Constitution and the Organic Budget Law, macro-fiscal policy competence is vested in the BMF, including overall-co-ordination (for federal government but also with lower levels of government), setting the fiscal stance, the federal budget and budget rules, taxes and fees, and economic policy assessments of laws. Given these competencies, the BMF was the natural leader of the budget reform process.

Such wide-ranging reforms had implications for actors in the budget process. Stakeholders needed to be convinced of the reforms merits and what they stood to gain. The reforms implied significant cultural change within the Austrian civil service and the major actors in the budget process such as the parliament and the Court of Audit. Moreover, the reforms needed cross party support and a broad political consensus. The BMF worked to build this consensus over several years. In 2004 an informal parliamentary reform committee was established bringing together experts and all parties represented in parliament. This allowed party representatives the opportunity to give their views and inputs from the ideas phase to the detailed legislative proposal phase. In

particular, the process ensured that the role and rights of parliament were well considered. Representatives from the Court of Audit were also integrated into the committee and were influential in strengthening political acceptance of the reforms (Steger, 2010). Ultimately the consensus the committee built led to parliament unanimously adopting amendments to the Constitution and to the budget law in December 2007 - effectively ensuring that the reform process had to move forward - and a New Organic Budget Law in December 2009. The amendments to the Constitution enshrined four new constitutional principles of budgeting in line with the reforms (see Figure 3).

Figure 3. Four new constitutional principles of budgeting



Source: Authors.

Among other key actors, the Chancellery supported the reform in exchange for a role in monitoring performance aspects of the reform, thus enriching their portfolio. The most difficult negotiations around the reforms took place with the line ministries. The intended benefits of the reform are listed below in Table 2. How did key stakeholders benefit from reforms?

Table 2. How did key stakeholders benefit from reforms?

| Stakeholder | Benefits |
|-------------------------------|--|
| Line Ministries | <ul style="list-style-type: none"> - Greater flexibility in budget preparation and execution (new budget structure, reallocation rules, reserve system), and increased budgetary responsibility - Performance information provides opportunity to communicate progress and success stories - Medium-term planning |
| Chancellery | New role in monitoring/providing quality control of output and outcome indicators and measures |
| Parliament/ Political Parties | <ul style="list-style-type: none"> - New more comprehensive reporting requirements of the administration to Parliament - Regular detailed performance information, accrual information - Parliamentary Budget Office (PBO, est. 2012) to support Budget Committee with technical budget expertise |
| Court of Audit | <ul style="list-style-type: none"> - New responsibility to evaluate performance - Additional reports from line ministries and BMF - Accrual information - Recommendations of Court of Audit now appear in budget documents with goal of creating greater awareness |

Source: Authors.

1.3.3. Content and implementation of the reforms

With the legal basis established, the reforms were introduced in two phases in 2009 and 2013. During these implementation phases, the BMF made significant investments in training civil servants. Phase one introduced a medium term expenditure framework (*Bundesfinanzrahmengesetz*, BFRG) with legally binding expenditure ceilings covering four years ahead on a rolling basis, as well as more flexibility for the line ministries. The latter included the opportunity for line ministries to carry forward unused funds and to build reserves (every minister as their own finance minister). This opportunity was

extended to administrative units⁴ in the federal government during the second phase of the reform. Phase two included:

- Changes to the budget structure, the so called “global budgets” below the chapter level that replaced the more than 1 000 previous detailed appropriations (see section two for a more detailed description).
- Accrual budgeting and accounting, bringing Austria’s accounting system more in line with International Public Sector Accounting Standards (IPSAS).
- Performance and gender budgeting.

Austria also introduced long-term fiscal projections of up to 30 years to provide a long-term perspective for budget planning.

It is interesting to note, that at the same time that Austria was introducing its budget reforms, new European obligations came into force: the 'Two-Pack' (2011), 'Six Pack' (2011), and Fiscal Compact (2013), which introduced additional co-ordination and greater macroeconomic surveillance and surveillance of budgetary processes. Under the Fiscal Compact the national budget must be in balance or surplus according to the treaty's definition (a general budget deficit not exceeding 3.0% of GDP and a structural deficit not exceeding a country-specific medium-term budgetary objective) and countries must adopt an automatic correction mechanism to correct potential significant deviations. The Fiscal Compact also calls for a national independent monitoring institution - in Austria's case legislation was passed in 2013 which transformed the Government Debt Committee into a Fiscal Advisory Council (*Fiskalrat*) with an expanded mandate.

Today Austria’s budget system is internationally acknowledged as an example of a modern, streamlined and performance-oriented regime. Austria is seen as a leader internationally in areas such as gender budgeting. Subsequent sections of this review examine certain reforms listed above in more depth, highlighting the achievements to date and identifying areas where further progress should be considered to live up to the aspirations of the reform process.

2. Annual and multi-annual budgetary management

2.1. Introduction

The framing of the annual budget process within a clear multi-annual perspective is one of the hallmarks of the Austrian budget reform. To this end, the medium-term expenditure framework (*Bundesfinanzrahmengesetz*, BFRG) took effect from 1 January 2009 as part of the first stage of the budget reform. The BFRG is intended *inter alia* to allow for a distinction between the strategic elements of fiscal policy-making and the annual and operational practices. In line with the “semester” approach adopted in the context of the EU Stability and Growth Pact (SGP), the practice in recent years has been to split these key elements of budgetary management over two phases: the fiscal policy and strategic phase in the spring semester, with a specification of the annual budget in the autumn. From 2017 the system is being modified: to streamline and avoid duplication of multi-annual and annual budget discussions, the decision on the BFRG is moved to autumn for the temporary trial period of two years (for 2017⁵ and 2018).

The OECD *Recommendation on Budgetary Governance* calls on governments to “manage budgets within clear, credible and predictable limits for fiscal policy”. The first budget principle recommends to:

“apply top-down budgetary management, within these clear fiscal policy objectives, to align policies with resources for each year of a medium-term fiscal horizon; noting that in this context, [governments] should adopt overall budget targets for each year to ensure that all elements of revenue, expenditure and broader economic policy are consistent and are managed in line with the available resources.”

In principle Austria’s approach lends itself well to implementation of the OECD Recommendation. In practice, as outlined in this section, there would appear to be scope for a clearer delineation of the fiscal policy, strategic and budgetary functions over the course of the annual and multiannual cycle.

2.2. Austria's annual and multi-annual budget processes

2.2.1. Fiscal policy phase and multi-annual ceilings

In Austria, the BFRG aims to ensure an alignment between multi-year fiscal policy targets and the resourcing of high-level budget priorities, which are specified at the Chapter level. This “top-down” approach is intended to provide the advantage for ministries to have some degree of assurance regarding the resources available to achieve their policy goals, and thus to encourage policy planning within a fixed and sustainable budgetary envelope.

As in many euro area EU member states, the national fiscal policy process is closely aligned with the “European semester”. Under the Stability & Growth Pact, such countries present their National Reform Programme (NRP) and Stability Programme Update (SPU) by the 30th of April setting out the government’s plans to achieve medium-term economic and fiscal policy objectives. While the SPU deals primarily with fiscal policy and is handled by the Federal Ministry of Finance, the NRP is co-ordinated by the Federal Chancellery and reports *inter alia* on Austria’s progress towards *Europe 2020* targets at the federal, provincial and local government levels.

The BFRG provides legally binding expenditure ceilings for the upcoming budget year plus the three subsequent fiscal years on a rolling basis. The binding expenditure ceilings specified in the BFRG apply to high-level groupings of budget chapters referred to as “rubrics”. Within the BFRG, expenditure ceilings are also displayed at the level of budget chapters, but these ceilings have legal force only for the upcoming budget year. The multi-year expenditure ceilings have however not yet become established as fixed and normative upper limits (discussed in Section 2.3). The BFRG also defines an upper limit for the number of personnel that may be employed. Until 2017 the BFRG had to be submitted to National Council by the 30 April, concurring with the presentation of the Stability programme to the EU (Table 3. The Austrian budget calendar).

Table 3. The Austrian budget calendar

| | Until 2017 | Planned (2017/2018) |
|---|--|------------------------|
| Ministry of Finance drafts the BFRG | | |
| Presentation of the Stability programme to the EU | by the 30 th of April | |
| Federal Government passed the BFRG for the next four years | | |
| BFRG has to be submitted to National Council | by the 30 th of April | → October |
| Court of Audit prepares federal financial statement | | 30 June |
| Parliament passes federal financial statement | | September |
| Based on BFRG Line ministries and BMF prepare draft Annual Budgeting Act | | |
| Draft Annual Budgeting Act is passed by the Federal Government presented to National Council | 10 weeks before fiscal year (around October) | |
| Draft budgetary plan must also be submitted to the European Commission | 15 October | |
| Adoption of the BFG (If necessary, amendment of BFRG on Chapter level for the current and upcoming budget.) | End of November | |

Source: Authors, based on Austria BMF.

As an essential element of a top-down budgetary process, Austria's fiscal strategy is outlined in the Fiscal Strategy Report. Together with the BFRG, the Fiscal Strategy Report provides the high level background document for the debate on medium term budgeting planning and policy priorities. The report states the government's medium term objectives in terms of high-level targets, as well as more concrete challenges and output objectives related to the multi-year allocations for each of the 33 Chapters. The linkages between these objectives and the performance dimensions of the budgetary process are elaborated in Sections 3 and 4.

In practice, stakeholders report that the Chapter allocations in the Fiscal Strategy Report have become a *de facto* focus of political and public attention. Discussion on these allocations has some of the character of an annual budget-type debate, i.e. involving detailed discussions on specific and minor allocations, as distinct from a high-level debate about fiscal policy orientations. Partly to avoid duplication of budgetary discussions between the spring and autumn phases, the presentation of the BFRG and the Fiscal Strategy Report has been moved to October for a temporary period of two years, 2017 and 2018. In fact the conduct of federal elections in October 2017 has delayed this overall schedule.

For such a move to enhance, rather than diminish, parliamentary engagement with the budget process, the spring semester should not be left vacant (in budgetary terms) but should be used to present and debate the government's broad fiscal strategy. Second, to offset the concentration of additional information in the autumn phase, special attention needs to be given to the streamlining and presentation of budgetary information (see Section 4).

With regard to the use of the spring semester for a strategic discussion on fiscal policy, such a discussion should be framed as a key milestone in the annual budgetary cycle, rather than as an abstract macroeconomic discourse. A strategic discussion could usefully be grounded on such issues as how the economic outlook affects the available "fiscal space"; the broad principles and priorities that will inform the government's subsequent budgetary proposal; and the establishment of the aggregate expenditure ceiling for the incoming year 4 of the multi-year frame of reference. Each of these aspects would benefit

from parliamentary scrutiny and input; and would indeed help to inform a transition from the fiscal policy phase, through a pre-budget phase of scrutiny and engagement (as elaborated in Section 4) and on to the October budget phase.

The EU-related SPU document must still be published in April. While the SPU serves well as a legal anchor of national fiscal policy and provides extensive supporting material, in its current form the document does not lend itself well to a parliamentary discussion of Austria's fiscal policy at federal level. In fact the SPU presentation of economic and budgetary objectives has been broadened in 2017 relative to previous years, in line with views expressed by the Fiscal Council⁶. Some stakeholders, such as the Court of Audit and the Chamber of Commerce, have expressed concern about the limited fitness of the SPU for medium-term planning (WKO, 2017; RH, 2017). There would appear to be space for a new document, e.g. a "Pre-Budget Fiscal Report" - aligned with, but distinct from, the SPU - to serve the purposes of enhanced parliamentary and public engagement with the Austrian budget cycle in the first half of the year. Box 1. Swedish "whole of year" budgeting model below outlines how similar issues have been addressed in Sweden.

Box 1. Swedish "whole of year" budgeting model

Sweden's annual and multi-annual budget processes are of top-down character to budgeting, anchored within a sound, steady framework for fiscal policy. Accordingly, the annual budget is not a standalone event but is part of a multiannual chain of decisions which are designed to promote prudence and sustainability. Swedish "whole of year" budgeting model in Sweden is sequenced via a series of events over the course of the year, progressing from the presentation of high-level fiscal aggregates in spring through to the more detailed budgetary proposals in the autumn.

Spring Fiscal Policy Bill

The Spring Fiscal Policy Bill, which needs to be submitted by 15 April each year, allows the government to frame the context for the annual budgetary process in broad terms in the early part of the year. The Spring Bill includes comprehensive information on the fiscal policy outlook, perspectives on fiscal risks and long term sustainability, a follow up of budgetary policy targets, and extensive baseline information on all areas of public spending. It focuses clearly upon medium-term fiscal plans and omitting details on expenditure, which is reserved for the Budget Bill.

The Spring Bill provides for parliamentary debate on fiscal policy, in general terms. As the Bill does not generally deal with detailed budgetary matters, in practice it serves to introduce greater transparency to the budget process to the benefit of the Swedish Parliament and the public in general. A functional benefit of the Spring Bill for parliament is providing a channel for parliamentary engagement in matters of fiscal policy prior to the drafting of the detailed budget.

During the preparation of the Spring Bill (February-April), high-level working groups involving the Ministry of Finance and the Prime Minister's Office meet regularly to help identify political and policy priorities which ought to be reflected in the budget planning. These discussions are informal and help to structure thinking and planning processes; they do not lead to definitive policy conclusions at this early stage. However, when line ministries present their "budget request" in May, it is expected that they will reflect the discussions and orientations from the spring meetings.

Budget Bill

In autumn, the Budget Bill containing the Government's detailed proposals for the coming year is the focal point of the parliament's annual budget dialogue. It aligns with, but provides greater specificity to, the general guidance set out in the Spring Fiscal Policy Bill.

The Budget Bill is the legal vehicle whereby the parliament decides the ceiling for central government expenditure for the third year ahead. The expenditure ceiling for the current budget year is thus decided three years in advance. Within the aggregate expenditure ceiling, the Government proposes in the Budget Bill an allocation of expenditures among about 27 Expenditure Areas in the second and third budget years ahead. These Expenditure Area estimates, or indicative budget frames, are approved by the parliament and function as a guideline for medium-term policy planning.

Source: OECD (2016), Budgeting in Sweden

2.2.2 Annual budget phase

The Chapter expenditure ceilings of the BFRG for the current year are disaggregated into specific budget allocations ("global" and "detail budgets"), by a process involving dialogue between the line ministries and the corresponding "mirror units" in the Federal Ministry of Finance. Based on proposals from the Federal Ministry of Finance, the draft Annual Budgeting Act (*Bundesfinanzgesetz*, BFG) must be agreed unanimously by the government (i.e. the Ministerial council) before it can be presented to the lower house of parliament, the National Council, in October (Table 4. Decision process for the budget in the National Council (example 2016)). The draft BFG is accompanied with a substantial series of documents - informally the "budget brick" - which are outlined and discussed in Section 4.

In specifying the policy measures for the annual budget, some policies - including upward adjustments to the Chapter ceilings since the spring - will inevitably have implications for multi-year ceilings. However up to now, the remaining three years of the medium-term ceilings have not been adjusted in autumn; and as a result it is hard to identify a point in time when the ceilings are "fixed" at a realistic level. The regular adjustment of the ceilings each spring, with a possibility of revision to the budget-year ceiling in October, contributes to a sense that the expenditure ceilings lack a normative character (for further discussion on budgetary discipline see Section 2.3)

The recent decision to consolidate the annual and multi-annual aspects of budgetary management during the autumn season could potentially help to rectify this tendency. By making explicit from the outset the annual and multi-annual implications of policies, the expenditure ceilings should be fully aligned in October and could therefore be factored into the economic planning for the following spring semester. Moreover, ensuring that the Budget Chapters arrived at in this process have a definitive legal status for the full period of the multi-year framework, rather than mere technical projections or aspirations, would also be helpful. Setting the multi-year Budget Chapters as fixed in law is not in itself a solution to the problem of regular adjustment - especially in a context where the relevant law is revisited each year - but may nevertheless send a strong signal of the normative character Austria's medium-term framework. Other suggested reforms, set out below, are also aimed at improving the resilience of this framework.

The participation of the National Council in the process for the decision of the draft bill involves various stages of consultation and discussion (Table 4. Decision process for the budget in the National Council (example 2016)). Based on Art. 51 of the Federal Constitutional Law, the draft Annual Budgeting Act is submitted to the National Council 10 weeks before the start of the fiscal year (which in Austria is the calendar year), giving the parliament slightly less time for debate than recommended in the *OECD Best Practices for Budget Transparency*. As EU rules require the submission of a “draft budgetary plan” by the 15th of October, in practice the draft Annual Budgeting Act is presented to parliament around this date. The procedure for the Annual Budget Act commences with a “first reading” before the National Council via the budget speech. About four weeks after the first reading, the bill passes on to the Budget Committee, where debates on the individual Chapters take place (around two hours each). The sessions in the budget committee start with short hearings of experts appointed by the various parties on the overall federal budget. For the individual debates line ministers are invited for questions and answer sessions. However, parliamentary stakeholders and civil society stakeholders interviewed raised concerns about the limited engagement from civil society (see Section 4). Finally, a second and third reading takes place in a plenary session before the final vote by the National Council (Table 4. Decision process for the budget in the National Council (example 2016)). While the National Council has the formal legal power to change the proposed allocations, the established practice - reflecting the political reality that the government tends to have a majority of votes in the National Council - is that no significant changes to the budget are made.

Table 4. Decision process for the budget in the National Council (example 2016)

| National Council: | Annual Budgeting Act needs to be submitted to the National Council in National Council 10 weeks before the fiscal year |
|---|--|
| i. Budget speech | 12 October |
| ii. First reading | 13 October |
| iii. Budget Committee (including expert hearings) | 15 – 18 November |
| iv. Second reading | 22 November |
| v. Third reading | 23 November |
| vi. Final vote | 24 November |

Source: Adapted from PBO (2017a), *Lesehilfe zu den Budgetunterlagen*.

2.3. Financial management and discipline within line ministries

One of the key aims of the Austrian budget reform was the more flexible use of resources within the current fiscal year as well as across fiscal years in exchange for greater exercise of budgetary responsibility. Such flexibility was aimed at supporting more efficient use of resources within the global budgets, including through adoption of the “true and fair view” of the financial position, and allowing for the savings from efficiencies to be retained through the building of reserves. In turn such a heightened focus on efficiency would underpin a disciplined approach to financial management strictly within the ceilings of each line ministry, and more closely in line with the outcome-oriented policy making (Steger, 2010). This section examines these questions from the perspective of:

- improved governance and efficiency in administration through consistent structures for the internal budgets, organisation and personnel (Section 2.3.1)

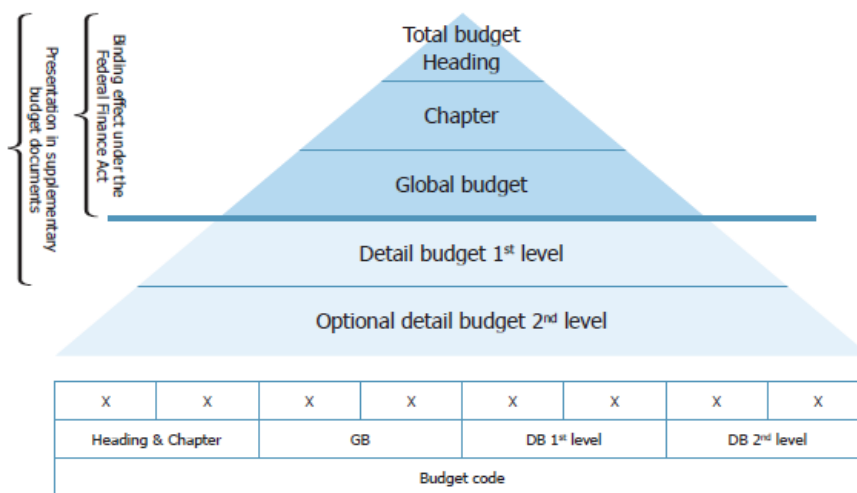
- greater flexibility for the line ministries in the retention and use of resources (Section 2.3.2 and 2.3.3)
- greater transparency and accountability for the National Council and the public (see Section 4.2)

2.3.1. *The streamlined budget structure*

The reformation of the budget structure during the second stage of the Federal Budget Reform in 2013 was an ambitious, potentially far-reaching element of the overall vision for budgetary reform and its implementation. The reform of the budget structure simplified appropriations below chapter level. While the original frame of legally binding 5 rubrics (*Rubriken*) and about 33 chapters (*Untergliederung*) was preserved (Figure 4. The new budget structure), the reform significantly reduced the more than 1 000 detailed, legally binding appropriations to a total of 75 global budgets. Additionally, more specific budget information is available in the form of 387 “detail budgets”⁷, although figures at this level are indicative rather than legally binding.

In principle, this streamlined approach to budget presentation allows for space – both physically (in the budget documentation) and cognitively – for the presentation and consideration of performance information, as discussed in Section 3. In practical terms, the freedom of line ministries to reallocate moneys within their global budgets gives them an important tool to manage for efficiency.

Figure 4. The new budget structure



Source: BMF

2.3.2. *Improved governance and efficiency in the administration*

In effect, however, the budget reform has not yet proven effective in increasing the perception of financial discipline within line ministries. As indicated earlier, the multi-year expenditure ceilings are not yet regarded as “fixed” due in part to *lacunae* in the continuity of annual and multi-annual phases, and in part to an established practice of continual adjustment. In fact, several stakeholders have expressed their concerns that a

cultural change has not yet taken place and that expenditure ceilings are seen by line ministries as minimum and, essentially, as the basis for negotiations, rather than as an effective ceiling within which resources will be stewarded. Table 5. BFRG adjustments in Austria 2012-20 below illustrates the effective lack of continuity in budget ceilings across the multi-year horizon. Addressing these issues will involve a strengthening of the binding character of the BFRG including through resilience mechanisms (see Section 2.4); as well as an improvement in institutional incentives, such as changes in the organisational structure, for ministries to manage within their ceilings.

Table 5. BFRG adjustments in Austria 2012-20

| <i>in Mio. EUR</i> | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Summe |
|---|-----------------|-----------------|-----------------|-----------------|----------|----------|----------|----------|----------|-----------|
| BFRG 2012-2015 BGBl 40/2011 | 73.605,6 | 73.212,9 | 74.571,1 | 75.487,7 | | | | | | 296.877,3 |
| BFRG 2012-2015 Nov. BGBl 25/2012 | 75.629,9 | 73.212,9 | 74.571,1 | 75.487,7 | | | | | | 298.901,6 |
| BFRG 2012-2015 Nov. BGBl. 62/2012 | 76.529,9 | 75.153,3 | 74.339,4 | 73.930,3 | | | | | | 299.952,8 |
| BFRG 2013-2016 BGBl 25/2012 | | 74.253,3 | 73.889,4 | 73.930,3 | 76.512,2 | | | | | 298.585,1 |
| BFRG 2013-2016 Nov. BGBl. 62/2012 | | 75.153,3 | 74.339,4 | 73.930,3 | 76.512,2 | | | | | 299.935,1 |
| BFRG 2013-2016 Nov. BGBl. 102/2012 | | 75.055,8 | 74.339,4 | 73.930,3 | 76.512,2 | | | | | 299.837,6 |
| BFRG 2014-2017 BGBl 88/2013 | | | 74.339,4 | 73.930,3 | 76.512,2 | 78.584,4 | | | | 303.366,2 |
| BFRG 2014-2017 Nov. BGBl 7/2014 | | | 74.339,4 | 73.930,3 | 76.512,2 | 78.584,4 | | | | 303.366,2 |
| BFRG 2014-2017 Nov. BGBl. 37/2014 | | | 75.204,3 | 74.385,2 | 77.704,2 | 78.988,3 | | | | 306.281,9 |
| BFRG 2015-2018 BGBl. 37/2014 | | | | 74.385,2 | 77.704,2 | 78.988,3 | 80.521,3 | | | 311.598,9 |
| BFRG 2015-2018 Novelle BGBl. 140/2015 | | | | 75.074,0 | 77.704,2 | 78.988,3 | 80.521,3 | | | 312.287,7 |
| BFRG 2016-2019 BGBl. 63/2015 | | | | | 76.541,2 | 77.509,0 | 78.991,0 | 80.388,2 | | 313.429,5 |
| BFRG 2016-2019 1. Novelle BGBl. 140/2015 | | | | | 76.636,3 | 77.509,0 | 78.991,0 | 80.388,2 | | 313.524,5 |
| BFRG 2016-2019 2. Novelle Reg. VL 1096 d.B. | | | | | 78.107,5 | 77.509,0 | 78.991,0 | 80.388,2 | | 314.995,7 |
| BFRG 2017-2020 Reg. VL 1096 d.B. | | | | | | 78.202,7 | 78.814,1 | 80.408,7 | 83.038,4 | 320.463,8 |
| Erfolg laut BRA bzw. vorf. Erfolg | 72.880,7 | 75.567,3 | 74.652,5 | 74.589,1 | | | | | | |
| Differenz zwischen Erfolgswert und letztgültigem Bundesfinanzrahmen | -3.649,2 | 511,5 | -551,8 | -484,9 | | | | | | |

Source: PBO 2016, Analyse Bundesfinanzrahmen 2017 – 2020.

The new budgetary model led some ministries to adapt their internal organisational structure in order to realise internal efficiencies, effectiveness and financial discipline. Given the strong autonomy of line ministries, no single model of governance was propagated, and ministries evolved different approaches so that those responsible for certain goals would have the means and institutional incentives to steer the respective resources accordingly. The specification of distinct global budgets within certain line ministries gave rise to a process of management decentralisation, to increase budget responsibility within directorates, using performance as a management tool (see Box 2. Ministry of Interior – Decentralisation of budget responsibilities).

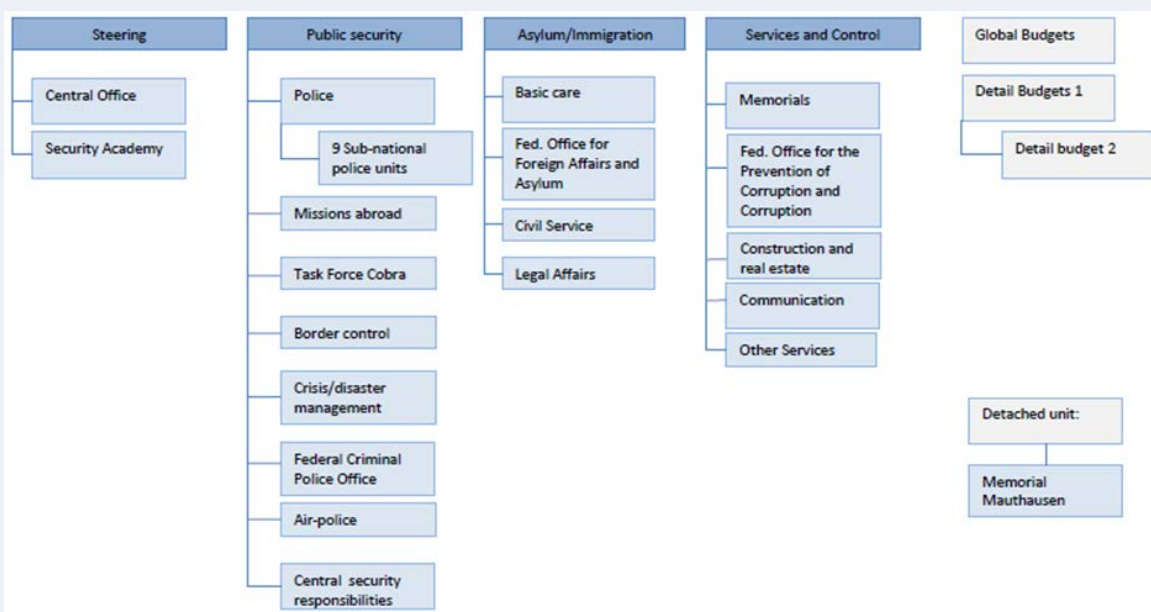
The reform furthermore prompted a positive change in thematic aspects of management within ministries. After the reform, the budget was thematically restructured, being grouped not by spending but by outcome. Each Chapter is assigned to one budgetary body and represents one clear budget area - such as labour, education and the environment - encompassing different areas of management responsibility. For instance, within the Federal Ministry of Labour, Social Affairs and Consumer Protection, the budget chapter “Social” covers the global budgets of “management and service”, “care”, “social provision and compensation” and “targeted measures aimed at disabled people” in contrast to a large number of legally binding titles. Through approaches such as this, line ministries have been enabled to establish close links between performance objectives, responsible administrative units and the respective budget structure (See Box 3. Outcome oriented planning and control in BMASK).

In light of positive experiences from some line ministries, such approaches to decentralised and thematic management may be worth exploring further for other ministries.

Box 2. Ministry of Interior – Decentralisation of budget responsibilities

After initial scepticism¹ about the alignment of the organisational structure following the budget reform, the Ministry of Interior made significant changes to their structure to comply with the budget structure and support financial discipline. The single Chapter (UG 11, Inneres) that falls under the Ministry of Interior includes four global budgets (Public security; Asylum/Immigration; Services and Control; and Steering), each - as far as possible - responsible for their performance, budget and personnel, with the objective to incentivise budget responsibility in each directorate (global budget).

Organisation structure Chapter 11: Interior Affairs



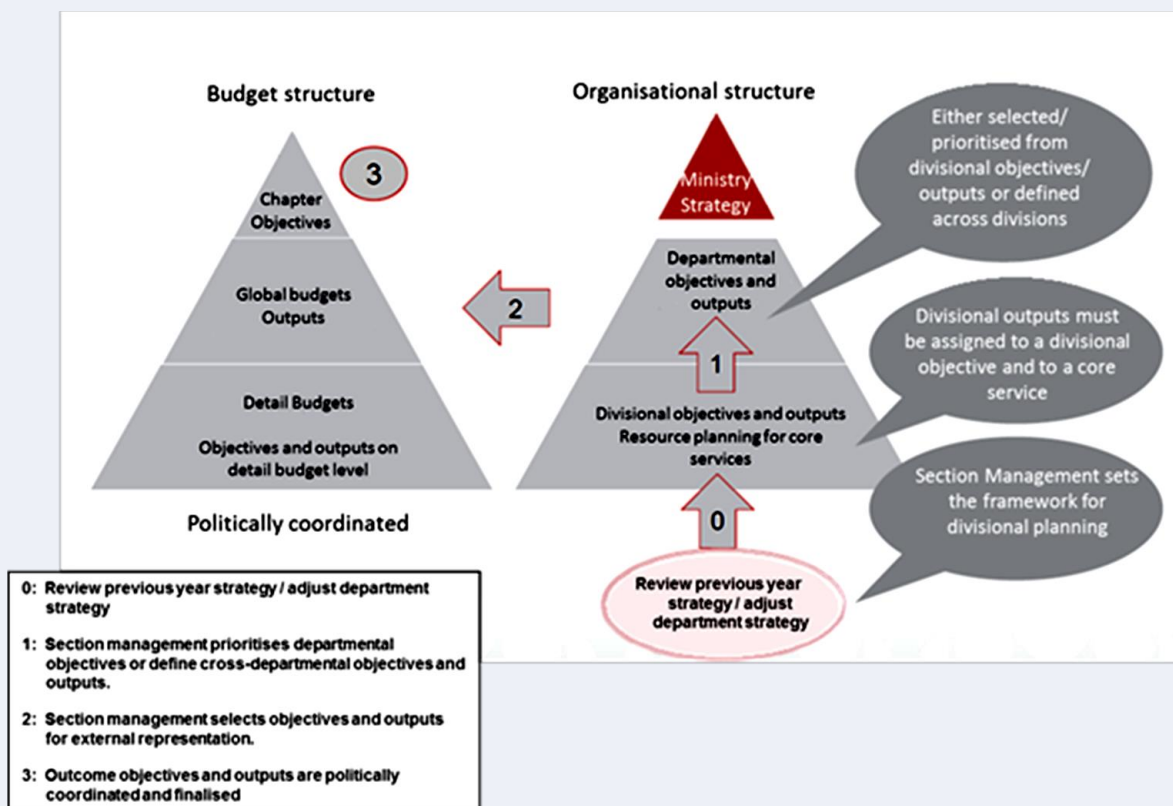
Note: ¹See Stellungnahme des Bundesministeriums für Inneres zum Bundeshaushaltsgesetz, GZ.: BMI-LR1423/0020-III/1/a/2009.

Source: Interviews, May 2017, Ministry of Interior.

Box 3. Outcome oriented planning and control in BMASK

Linking the organisational structure to the new budget structure, the Federal Ministry of Labour, Social Affairs & Consumer Protection (Bundesministerium für Arbeit, Soziales und Konsumentenschutz – BMASK) used outcome orientation performance as a uniform and comprehensive management tool. For effective and resource-saving control, planning and steering was organised according to the organisational structure - derived from the budget structure - leading to a clear allocation and definition of responsibility along the hierarchy of the organisational structure (Figure below).

Outcome oriented planning and control in the BMASK



Source: Adapted from "Die Ressourcen-, Ziel und Leistungsplanung, im Bundesministerium für Arbeit, Soziales, und Konsumentenschutz, Mag. Harald Vegh, Abt. I/A/5, Wien, am 18. Oktober 2012, <http://archiv.bundeskanzleramt.at/DocView.axd?CobId=49177>.

2.3.3. Financial management

The higher aggregated budget levels introduced more flexibility for the line ministries in their financial management operations. Similar to several OECD countries, Austria's consolidation and streamlining of line items reduce the need for approval for in-year re-allocations (*virements*) compared to the situation before the reform, allowing managers to pay more attention to non-financial information on performance and results. Within the new structure the budgetary bodies, such as line ministries, can reallocate funds between appropriations within the same global budget level without approval of the National

Council or the Ministry of Finance. Nevertheless, the BMF and the Court of Audit have to be informed. For reallocation between two global budgets of the same chapter the approval of BMF is still required.

Although the budget reform has reduced the BMF's power to intervene in the lower levels of the budget execution, the BMF still maintains its oversight role. The current provisions support the BMF role with regard to the federal budget execution. In general, mirror units within the BMF monitor the expenditure of the line ministries and act as single point of contact for the budgetary measures. Mechanisms open to the BMF during the budget execution include approval requirements for the draw-down of reserves, the reallocation between global budgets, the approval of costly projects exceeding certain thresholds (e.g. procurement activities, rentals, subsidies, bills)⁸ or projects that have a budgetary impact on upcoming financial years⁹. As part of the flexibility aspect of the budget reform, the level of the thresholds for the approval requirements were increased. Due to recent common concerns about the complexity of the current system of thresholds, the BMF aims at simplifying them, while however maintaining the threshold levels. Such a simpler, rationalised approach should yield benefits in terms of supporting flexible budget management within line ministries.

Reallocation rules in many OECD countries usually vary according to the kind of expenditure to which they relate. Line ministries/agencies are typically allowed to reallocate a percentage (2-5%) of current expenditure appropriations within programmes and a smaller percentage between programmes - a more restrictive approach when compared to Austria. Usually, the approval of both the Ministry of Finance and Parliament is required for larger reallocations or for reallocations across ministries. Appropriations for salaries can typically be reallocated to other operational spending but not the other way around. Countries have different regimes regarding capital spending. Since entitlement spending is sanctioned in law other than the budget, the amount appropriated is usually a non-binding estimate (Hawkesworth et al., 2013). Other countries however, such as Germany (Box 4. Approval mechanisms in Germany), still maintain a closer oversight of budget execution.

Box 4. Approval mechanisms in Germany

Although Germany's budget system uses a large number of individual line items, budget managers within departments may transfer funds within administrative groupings of expenditure as designated in the budget document. These groupings relate to personnel expenditure, non-personnel administrative expenditure, and various categories of capital expenditure (viz. construction works, large-scale investment, and other capital expenditure). In practice, there is virtually unlimited scope for such *virements* within the same grouping, and there is a 20% leeway for *virements* across groupings provided all are within the same "chapter" of the departmental budget). Such *virements*, which are provided for under section 20 of the Federal Budget Code, do not as a rule require advance approval of the Federal Ministry of Finance, although unforeseen *virements* beyond these limitations and across different chapters are subject to advance approval.

Source: OECD (2014), Budget Review: Germany, OECD Journal on Budgeting, Volume 2014, Issue 2

In Austria, some inconsistencies in implementation, such as issues of timeliness in approval during budget execution can limit the effectiveness of this flexibility. The newly introduced lengthy approval process for the reallocation of resources between global budgets - with, albeit rare, cases of approvals delayed by up to six months - can severely restrict the cash liquidity of the line ministries. As reallocations often take place towards the end of the year, these long approval processes have led to payment shortages in some cases. While the delay can also be caused by insufficient information provided by the line ministries, timely decisions, clear deadlines - in case of refusal of requests, ensure the effectiveness of the system.

The BMF regularly monitors the expenditure of the line ministries. Each month, the BMF produces short reports that contain information on the budget execution (on cash and accrual basis) regarding the previous month and cumulated data for the ongoing fiscal year, among other key figures, which is submitted to the National Council. Furthermore, the Court of Audit is available to assist the National Council in its control of the execution of budget. It is responsible for preparing the federal financial statement (*Bundesrechnungsabschluss*), which, since 2016, is published by the end of June¹⁰. The basis for the final budgetary control of the National Council is the approval of the federal financial statement (September), which also coincides with the start of the budgetary consultations in National Council after the summer break. In 2017, the Budget Committee stressed the importance of the federal financial statement for the monitoring function of the National Council (PBO, 2017a).

An additional control and evaluation mechanism that was introduced with the second stage of the budgetary reform is the financial impact assessment of projects and new legislations on public budgets (regulated in §§ 17 and 18 of the Federal Budget Law (BHG, 2013)). For projects with substantial financial impacts for example, impact assessments form an important basis for the negotiations with the BMF. For a comprehensive discussion of impact assessments see Section 3.

2.3.4. The role of reserves

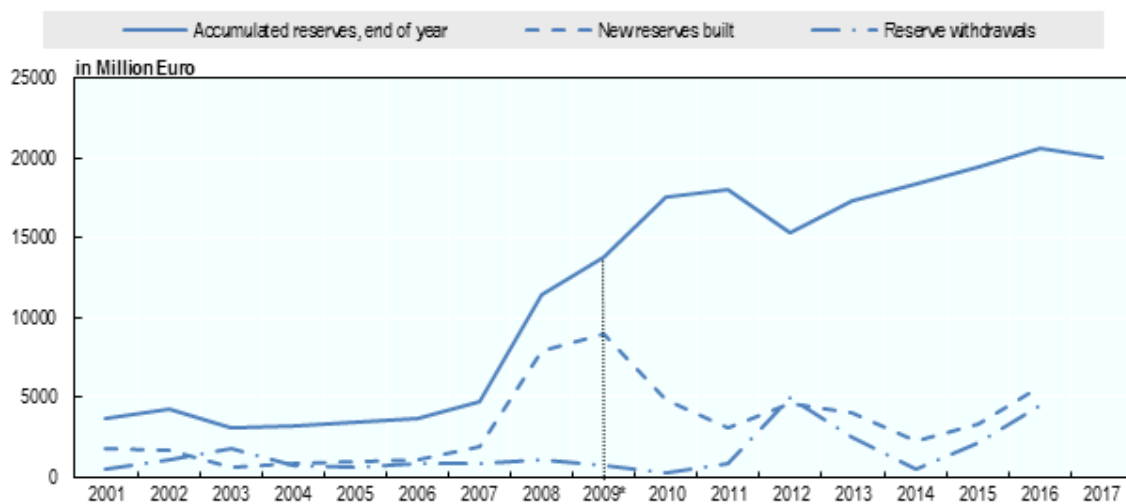
In Austria, the Federal Budget Reform also aimed to increase the flexibility to the budget planning and implementation by allowing Line Ministries to carry forward unused funds and additional revenues of the year to future periods. The new reserves system allowed federal ministers to transfer unused financial resources and additional revenue to the next fiscal years without any major restriction, either quantitative caps or time constraints.

As stated in the *OECD Recommendation on Budgetary Governance*, encouraging sufficient institutional incentives and flexibility helps to ensure that expenditure boundaries are respected. In most OECD countries, carrying over unused funds is permitted to promote such fiscal discipline, as well as allocative and operational efficiency (especially through the avoidance of rushed spending of remaining allocations at end-year, so-called “December fever”). The possibility of carry-overs can encourage the more cost effective use of budgeted resources and enables active management of the overall rather than annual cost of a project. Their use also avoids repeated revisions to the budget and can compensate for delays attributed to procurement procedures (OECD, 2014a¹¹).

In fact, the introduction of the new reserve system initially proved successful in providing a strong incentive for cost savings and active multi-annual management of the budget. Until 2008, reserves could only be built in exceptional circumstances and were earmarked for their original purpose. The introduction of the new rules in 2009 resulted in a

significant increase of the ministries' flexibility to use saved funds for their own multiannual priorities, and led to an accumulation up to EUR 20.6 billion reserves across ministries by December 2016 (Figure 5. Reserves accumulation). The new flexibility also mitigated the aforementioned phenomenon of "December fever".

Figure 5. Reserves accumulation



Notes: Accumulation also includes liquidations of reserves and merges; *) New reserves built= accumulated reserves.

Source: BMF.

Austria's liberal system of reserves and large accumulation of unused funds is without close international equivalent in the OECD (Box 5. Carry over of unused appropriations in OECD countries). In principle, a "steady state" balance of reserve accumulation and draw-down would have a net neutral effect of the fiscal position, while also yielding the management and performance efficiencies outlined above. However, against a background of severe fiscal consolidation, it has proven difficult over recent years to reconcile the need for rigorous control of fiscal aggregates with the potential for large and unplanned reserve withdrawals. In addition, the inability to differentiate between "earned" reserves (i.e. those reflecting genuine fiscal effort and efficiency / innovation on the part of ministries) and "unearned" reserves such as windfall profits or "savings" arising from overly accommodative budgets, accelerated the reserve accumulation such that the overall level reached more than 25% of the entire budget in 2016 (see Figure 5. Reserves accumulation above). The technical and "unearned" reserves, including reserves resulting from changes to interest rates, export guarantees and expired eligibility-defined programmes, now constitute about 70% of all reserves. Exclusion of these more technical funds (such as found in Budget Chapter 45, 46, 51, 58) would immediately reduce the reserves fund to EUR 6,700bn or about 9% of the budget. In addition, examples of expenditure areas with relatively high amounts of accumulated reserves are Chapters 41 "Transport, Innovation and Technology" and 43 "Environment" (See overview of reserves accumulation (2017) in the Figure A A.1 in the Annex).

Box 5. Carry over of unused appropriations in OECD countries

Most OECD countries permit the carry-over of unused funds, mostly subject to *ex ante* approval from the Central Budget Authority. Only four countries (Belgium, Chile, Greece and Mexico) do not permit carry-overs whatsoever and additional three countries (Ireland, Italy and Luxembourg) do not permit carry-overs for discretionary and operational expenditures, while another two countries (the Slovak Republic and Turkey) do not permit carry-overs for operating expenditures.

Similar to Austria, only two countries (Czech Republic and Denmark) do not require a threshold or approval for carry-over of any of the three types of expenditure. Two countries (Israel and the Slovak Republic) allow carry-over of discretionary expenditures and investment expenditures respectively without approval from the Executive or Legislature and without a threshold. In addition, three countries (Finland, Korea and the USA) do not require approval as carry over is only allowed when specified in the budget law. In Luxembourg most of the investment spending is managed via funds allowing unused resources to be transferred from one year to another (without approval). In the remaining countries some sort of approval is required from either the executive (Ministry of Finance, joint ministers or Cabinet), the legislature, or both. In addition numerical or other limits may apply (see table below for examples of restrictions and approval mechanism for carry-overs in OECD countries). Almost all approvals by the executive are according to *ex ante* procedures while three countries use an *ex post* approval from the legislature in a combination with an *ex ante* approval by the executive (Hungary, Italy and New Zealand). A few countries also require *ex ante* approvals from both the executive and the legislature (Australia, Canada, Ireland, Japan, Poland and for some part, Turkey).

Restrictions for ministers to carry over unused funds on discretionary, operational and investment spending, within their responsibility (2014)

| Country | No. carry over not permitted | Yes without a threshold and without requiring any approval | Yes without a threshold but requiring approval | Yes up to a certain threshold without approval, but above this threshold approval is required | Yes up to a certain threshold and also requiring approval | Other | Approval of Ministry of Finance/ Economy | Approval of legislature | Other type of approval |
|----------------|------------------------------|--|--|---|---|---------|--|-------------------------|------------------------|
| Australia | | | | | | D; O; I | ● | ● | ○ |
| Austria | | D; O; I | | | | | | | |
| Belgium | D; O; I | | | | | | | | |
| Canada | | | | O; I | D | | ● | ● | ● |
| Chile | D; O; I | | | | | | | | |
| Czech Republic | | D; O; I | | | | | | | |
| Denmark | | D; O; I | | | | | | | |
| Estonia | | | I | | D; O | | ● | ○ | ○ |
| Finland | | | | | | D; O; I | ○ | ○ | ○ |
| France | | | | D; O; I | | | ● | ○ | ○ |
| Germany | | | | | | D; O; I | ● | ○ | ○ |
| Greece | D; O; I | | | | | | | | |
| Hungary | | | D; O; I | | | | ○ | ◐ | ● |
| Iceland | | | | | | | | | |

| Country | No, carry over not permitted | Yes without a threshold and without requiring any approval | Yes without a threshold but requiring approval | Yes up to a certain threshold without approval, but above this threshold approval is required | Yes up to a certain threshold and also requiring approval | Other | Approval of Ministry of Finance/Economy | Approval of legislature | Other type of approval |
|-----------------------------|------------------------------|--|--|---|---|-----------|---|-------------------------|------------------------|
| Ireland | D; O | | | | I | | ● | ● | ○ |
| Israel | | D | O; I | | | | ● | ○ | ○ |
| Italy | D; O | | | | I | | ● | ● | ○ |
| Japan | | | D; O; I | | | | ● | ● | ○ |
| Korea | | | | | | D; O; I | ○ | ○ | ○ |
| Luxembourg | D; O | | | | | I | ○ | ○ | ○ |
| Mexico | D; O; I | | | | | | | | |
| Netherlands | | | | | D; O; I | | ● | ○ | ○ |
| New Zealand | | | | | D; O; I | | ○ | ● | ● |
| Norway | | | | | D; O; I | | ● | ○ | ○ |
| Poland | | | | | | D; O; I | ● | ● | ● |
| Portugal | | | D; O; I | | | | ● | ○ | ○ |
| Slovak Republic | O | I | | | | D | ● | ○ | ● |
| Slovenia | | | | | | D; O; I | ○ | ○ | ● |
| Spain | | | | | D; O; I | | ● | ○ | ○ |
| Sweden | | | | D; O; I | | | ● | ○ | ○ |
| Switzerland | | | D; O; I | | | | ● | ○ | ○ |
| Turkey | O | | | | | D; I | ● | ● | ● |
| United Kingdom | | | | | D; O; I | | ● | ○ | ○ |
| United States | | | | | | D; O; I | ○ | ○ | ○ |
| Russian Federation | | | | | D; O; I | | ● | ○ | ○ |
| Total (countries) | 9 | 5 | 6 | 3 | 9 | 10 | 26 | 26 | 26 |
| ● = <i>Ex ante</i> approval | | | | | | | 19 | 6 | 7 |
| ● = <i>Ex post</i> approval | | | | | | | 0 | 3 | 0 |
| ○ = No approval needed | | | | | | | 7 | 17 | 19 |

Key: M = Mandatory, D = Discretionary, O = Operational, I = Investment
Source: OECD (2014a), Budgeting Practices and Procedures in OECD Countries, OECD Publishing, Paris.
<http://dx.doi.org/10.1787/9789264059696-en>; § 55 and § 56, Bundeshaushaltsgesetz 2013, (Version of 04.12.2017).

To tighten control over the fiscal aggregates, new restrictions to the use of reserves by the line ministries were introduced from 2014. The Federal Organic Budget Act 2013 only limits the use of reserves to the extent that all other outstanding liabilities had to be met¹² - requiring case-by-case approvals from the BMF. In the case of earmarked appropriations, additional funds and variable payments, reserves could be built, but the intended use had to be maintained for their use. To include more restrictive and explicit criteria for the use of reserves, the provisions in the Annual Budget Law were amended for the fiscal year of 2014 and subsequent fiscal years. The new restrictions *inter alia* require for example, that line ministries could in general only use their reserves for unforeseen events, and would not allow for funding of new projects.¹³

In practice, the new restrictions have led to a freeze in the accumulation of additional reserves. The change of the system has also had the effect of diminishing the level of assurance, on the part of the line ministries, that savings allocated to the reserve system will in fact be available for future draw-down. As a result, the former tendency towards “December fever” has re-established itself to some degree.

Clear rules and planning security are needed to restore trust between the BMF and the line ministry and to re-establish a system that supports the original objective of flexible, efficient and disciplined budget planning. Unlocking the potential of the reserves mechanism, in line with the original vision of Austria’s budget reform, will require a stronger assurance that the system can be used in a manner that is consistent with Austria’s fiscal policy objectives and obligations. Rather than have recourse to *ad hoc* approvals, this can be achieved through clearly defined rules about the build-up of such reserves, including qualitative and quantitative safeguards (see Box 6. Approval mechanisms and restrictions for carry-overs in OECD countries), as well as cancelling the carry-forward of unused funds under flexible ceilings and for technical and “unearned” reserves. As well as re-establishing assurance that the reserve system remains compatible with macro-fiscal planning, the more targeted system can place the focus more directly upon incentivising fiscal effort, efficiency and innovation within all ministries.

Box 6. Approval mechanisms and restrictions for carry-overs in OECD countries

In many OECD countries, carry-overs may be allowed after a qualitative evaluation and/or with quantitative restrictions (see Box 2.5). For example, as part of an evaluation, the Central Budget Authority would approve or reject requests by ministries or agencies to carry-over funds on predefined expenditures programmes.

Quantitative rules include:

- a limit on the amount of carry-over allowed in any given year (usually 2-5% of the budget appropriation);
- a ceiling on the amount of accumulated carry-overs;
- or limits on the draw-down of accumulated carry-overs.

For instance, in **Canada**, unused funds from operating and capital budgets can be carried over up to a 5% limit. Similar to **France and Sweden**, **Estonia** sets this limit for such carryovers at 3% of the total expenditure, with the exception of investment projects and co-financing of projects partly funded by the EU, for which all unused amounts can be transferred to the following year. In the Netherlands carry overs are also restricted to 1% of the budget appropriation.

In **Ireland**, subject to approval by Minister for Public Expenditure, departments are allowed to carry over savings in three different cases: 1) 100% of savings that represent up to 2% of the gross current allocation, 2) 2/3 of their savings from 2% to 6% of the gross current allocation (with the remainder accruing to the Exchequer), and 3) savings above 6% of the gross current allocation, after examination on a case by case basis. There is also a provision that - should the proposed carryover across all departments pose risk to respecting the overall government ceiling - there is a possibility to limit it. The carried-over funds can be spent on one-off projects and structural measures, but cannot create a new lasting liability.

In **Finland and Sweden**, most operating expenditures and investments may be carried over for a maximum of two years.

In the **United Kingdom**, unlimited carry-over of both operating and investment budgets were permitted, but the approval of the finance ministry is needed to draw down the funds.

In **Germany**, the Federal Budget Code allows for appropriated funds from one year to be carried over for use for the same purpose in the following year, subject to conditions. The main condition is that the carryover must be justified in each case by an objective requirement to do so (e.g. a legal or contractual obligation). A distinctive feature of Germany's approach to carry-over is that any such expenditure in the second year must be explicitly financed through savings in other areas of the departmental budget. This approach ensures that carry-over does not entail any adverse impact on budgetary plans and the public finances, and it requires departmental budget managers to prioritise within their overall allocations and to pay special attention to timely budget execution. On the other hand, the incentives for managers to realise savings and efficiencies in budget execution would appear limited under this model compared to the experience of other OECD countries which allow departments to retain the benefits of year-end savings for carry-over purposes, without the requirement to "cover the use" of such funds through offsetting revenue or savings measures.

Source: Hawkesworth et al. (2013); Sherwood (2015), Medium-Term Budgetary Frameworks in the EU Member States, Discussion Paper 021, December 2015; Lienert and Ljungman (2009), Carry-Over of Budget Authority, IMF PFM blog; Cangiano, M. (2017), Top-Down Budgeting and MTBFs, Presentation held at Public Resource Management Seminar, State General Accounting Department, Ministry of Finance, Rome, February 6-8, 2017, OECD (2014), Budget Review: Germany, OECD Journal on Budgeting, Volume 2014, Issue 2.

The "reserves report" (*Rücklagenbericht*) increases the transparency of reserve accumulation and use. The report published by the BMF provides detailed information about withdrawals and allocation by Ministries. Collating and presenting this information of reserves by source would make it easier to distinguish between "unearned" and "earned" reserves and outline clear rules for accumulation.

Furthermore, if they are to be compatible with a responsible fiscal management, reserves need be more clearly accommodated within the medium-term expenditure framework. The multi-year nature of certain programmes or capital expenditures should be reflected in the use of multi-annual appropriations within the BFRG ceilings and removed from the scope of the reserve system. Moreover, direct linkages to a budgetary margin can furthermore avoid the risk of over-budgeting and indeed enhance the incentives for new policy priorities and structural reforms (see next section).

On this basis, the BMF would be in a stronger position to focus its short-term budgetary management activities on the exercise of discipline with regard to the established expenditure ceilings; while applying medium-term budgetary management via the BFRG to ensure alignment of these ceilings with the requirements of prudent macro-fiscal management ("top down" budgetary management).

2.4. *The role of medium-term fiscal margins*

The Austrian BFRG does not integrate “fiscal buffers” or unallocated margins within the budgetary ceilings in an explicit manner, although variable ceilings act as stabilisers to some extent. The BFRG ceilings are divided into fixed and variable ceilings depending on their linkage to the business cycle. The variable ceilings include social benefits, but also payments related to the European Regional Fund and the European Stability Mechanisms and other payments that cannot be sufficiently predicted.¹⁴

Nevertheless, these margins are limited in scope and cannot accommodate new pressures that may arise over the course of the budget cycle, whether from new political priorities or demand-driven factors. As a result the established practice is for the ceilings to be adjusted to reflect emerging realities; and this in turn undermines the normative character of the ceilings in particular and of the BFRG in general.

In order to address this, consideration should be given to amend current rules in order to introduce an explicit and realistic “fiscal margin” into the BFRG rubric ceilings. Currently the very limited margin in place can only be used when it is no longer possible to reallocate funds between chapters. An amended approach would involve a far more substantial and flexible “fiscal margin” which would a) act as a buffer to absorb unexpected cost pressures, and b) allow for new policy priorities to be accommodated, where necessary, while still respecting public finance objectives and fiscal rules. International examples (Box 7. Fiscal margins in Sweden) illustrate that fiscal margins can be used to promote resilience of the overall fiscal framework; provided that the high-level ceilings are then enforced rigorously as binding budget constraints.

Box 7. Fiscal margins in Sweden

The principle of compliance with the expenditure ceilings appears to be widely understood within Sweden’s public administration, and lends a strong, medium-term continuity to the budgeting and planning processes. The application of this principle is facilitated by the operation of the “fiscal margin” amounts, which are buffer amounts within the overall expenditure ceiling and which provide some measure of flexibility, from year to year, to respond to emerging pressures without re-opening the overall expenditure ceiling for that year.

The fiscal margin is a tool to balance the medium-term rigour of the Swedish framework with year-to-year flexibility. The margin is calculated according to the guiding principle that actual expenditures should be allowed some leeway to move automatically in response to macroeconomic developments, without jeopardising the overall expenditure ceiling. To achieve this, the government’s guidelines specify that the fiscal margin should amount to at least 1.5% of ceiling-restricted expenditure for the budget year (year y), 2% for the following year (year $y+1$) and 3% for each of the following two years (year $y+2$ and $y+3$). In practical terms, the fiscal margin is left unaccounted for (and unbudgeted for) within the annual budget allocations and multi-annual expenditure ceilings. The fiscal margins are not regarded as “contingency reserves” but rather as operational stabilisation mechanisms.

Source: OECD, 2016, Budgeting in Sweden

Introducing a fiscal margin is not a mere accounting exercise: it involves the administrative and political resolve to build up and set aside an explicit margin, and to include this margin in calculating compliance with fiscal rules; with the “opportunity cost” of allocating this amount towards identifiable areas. Given the tight fiscal position in Austria, generating such headroom within the multi-year budgetary ceilings would require a sustained, disciplined approach. In transitioning to such an arrangement, one possible approach would be as follows:

- formally adopt the ambition of incorporating such a margin within the budgetary framework
- identify from the outset the anticipated scale of the margin, when it has been fully implemented, and the length of the transition period during which it will be built up
- within the BFRG, set aside a specific budget line for the fiscal reserve and begin to apportion funds each year, on a gradual basis, so that by the end of the transition period the budgetary margin is fully in place
- in the context of annual budgetary cycle, the strategic fiscal policy discussion upon the availability, maximisation and use of “fiscal space” (see Section 2.2) should reckon the budgetary margin as a part of the expenditure baseline, rather than as a new initiative to be considered and debated each year.

In order to accelerate progress towards the new arrangement, Austria may consider building upon its own system of targeted spending reviews, as currently being developed within the BMF, as well as the existing (and growing) corpus of outcome-oriented *ex post* assessments of existing programmes. It may also be instructive to have regard to other international approaches which aim to maximise fiscal space (see e.g. Box 8).

Box 8. International approaches to maximising “Fiscal Space”

In a context of fiscal retrenchment or significant political re-prioritisation, many OECD countries have found it necessary to go beyond established processes of programme evaluation, in order to undertake a more systematic review of where “fiscal space” may be identified in the overall public finances.

In **Denmark** since the 1980s a system of targeted spending reviews known as “special studies” is integrated into the annual budget preparation process. These tend to focus on saving measures, although in principle they may recommend increases in funding for existing programmes. Since the crisis the annual number of special studies has increased and the focus has shifted from finding space for new expenditure priorities towards more aggregate expenditure reduction. Most special studies are agency reviews or programme reviews carried out by joint MOF/spending ministry taskforces, with formal terms of references approved by Cabinet. Taskforces present savings options to the Minister of Finance and the Economic Committee of Cabinet. These recommendations should in principle be based on consensus between the MOF and the spending ministry concerned, but if they are unable to reach consensus, separate recommendations may be put forward. The Economic Committee generally makes the final decision about which savings measures will be adopted in the budget.

Prompted by its fiscal crisis in the 1990s, **Canada's** “program review” process involved a methodical and rigorous re-appraisal of all baseline expenditures and led to major cutbacks. However the process came to be seen as unduly attritional and unsustainable in administrative terms; leading to an evolution towards a model of ongoing “strategic reviews”.

The **UK's** Comprehensive Spending Review model, also dating from the 1990s, was explicitly connected to administration-wide re-setting of multi-year fixed spending ceilings. The Comprehensive Spending Review tool remains in place in the UK and is deployed by HM Treasury at irregular intervals –generally from 2 to 4 years apart– depending on the needs of the political cycle and other factors.

In **Ireland**, the evolution of the budgetary framework illustrates the evolving role of spending review. Against a background of severe fiscal retrenchment and budgetary correction, an *ad hoc* comprehensive spending review was conducted in 2009 led by independent experts from the private and public sector, with a view to identifying major policy savings, efficiencies and associated reform options. In 2011, the new government introduced a series of reforms including a medium-term expenditure framework, performance budgeting and a commitment to periodic “Comprehensive Reviews of Expenditure”. These regular reviews were designed to support the medium-term expenditure framework by allowing for the examination of baseline expenditure alongside new policy proposals. In the 2014 comprehensive review, spending ministries were asked to identify a certain volume (5%) of savings. By 2016-2017, with budgetary correction essentially completed, the periodic spending review model has evolved in favour of more ongoing, annual evaluative exercises.

Source: 2016 OECD Performance Budgeting Survey; Kennedy F. and Howlin J., Spending Reviews in Ireland: Learning from Experience, OECD Journal on Budgeting Vol 2016/2 (2017).

An explicit fiscal margin would also provide opportunities for factoring the system of ministerial reserves into the multi-annual framework, in a way that assures compliance with overall fiscal rules. As indicated above, a smooth operation of fiscal reserves in a “steady state” should normally involve no (or marginal) net fiscal impact. On some occasions, however, it might happen that a number of ministries propose to draw down a large proportion of their accumulated reserves at the same time, and in such cases the impact of the overall fiscal position could be significant. As a safeguard or “backstop”, an additional rule could be designed with a number of features, outlined on an illustrative basis below:

- a requirement that all ministries notify the BMF during the spring semester of their intention to draw down a specified portion of their accumulated reserves for allocation in the autumn budget
- the net fiscal impact of the proposed drawdowns is assessed by the BMF over the summer, in the light also of proposed contributions / accumulation of reserves by the various ministries
- as a general principle, drawdowns could be allowed to the extent that their net fiscal impact can be accommodated within the fiscal margin for the budget year and future years of the BFRG

- in the case where proposed drawdowns would collectively exceed the fiscal margin, a “decision rule” is in place whereby significant proposed drawdowns are curtailed to within sustainable limits.

In more general terms, flexibility mechanisms such as the budgetary reserves (see Section 2.3.4) and the proposed budgetary margin should be supportive of quality and innovation within public spending in Austria, and should not be readily available or usable in ways that undermine fiscal discipline.

Box 9. Key Recommendations

1. Redesign the spring phase of the budgetary cycle to present and hold a strategic debate on the government’s fiscal policy strategy. This debate should be aligned with, but supplementary to, the EU-related Stability Programme Update presented in the same time-frame, grounded on issues such as how the economic outlook affects the available “fiscal space”; the broad principles and priorities that will inform the government’s subsequent budgetary proposal; and the establishment of the aggregate expenditure ceiling for year four of the multi-year frame of reference. The discussion should be designed to provide an opportunity for a pre-budget phase of scrutiny and engagement by the National Council, and to promote parliamentary debate and input on high level policy priorities.
2. Develop a designated national document (e.g. a “Pre-Budget Fiscal Report”) as a basis for the spring fiscal policy debate.
3. Introduce clear deadlines for approvals on reallocations between global budgets to ensure the effectiveness of the system. In case of refusal of requests, timely decisions can reinforce trust between line ministries and the ministry of finance, improve planning and avoid potential payment shortages at the end of the year.
4. Redesign the system of ministry reserves, setting clear rules to limit the accumulation of reserves. Clear guidelines should support the original objective of flexible, efficient and disciplined budget planning consistent with Austria’s fiscal policy objectives and obligations. This can be done by amount (e.g. a cap on the level relative to the overall expenditure ceiling or a restriction on the annual level of carry-overs allowed), and/or time (e.g. a principle that carried-over amounts must be used within a specified time period).
5. Dissolve technical and “unearned” reserves. This should include reserves resulting from changes to interest rates, export guarantees and expired eligibility-defined programmes, to reduce the current stock of reserves to a reasonable level. The multi-year nature of major acquisitions and projects within the medium term expenditure framework ceilings should be explicitly recognised and removed from the reserve system.
6. Maintain carry-forward flexibility of “earned” reserves. To restore trust on the part of ministries in the operation of the reserve system, and to improve planning, the carry-forward flexibility of “earned” reserves should be maintained. To facilitate this, reserves could be recognised in the baseline of expenditures and the medium term expenditure framework, and ministries could be allowed to earmark carry-forwards for projects.

7. In future, provide a clearer picture of the source of reserves in the reserves report (*Rücklagenbericht*) distinguishing between “unearned” and “earned” reserves. The current IT systems should be updated to enable the differentiation and tracking between “earned” reserves and “unearned” reserves.
8. Introduce an explicit and realistic “fiscal margin” into the medium term expenditure framework that can act as a buffer to absorb unexpected cost pressures, and allow for new policy priorities to be accommodated, where necessary, while still respecting public finance objectives and fiscal rules. The fiscal margin should be treated as a part of the expenditure baseline, rather than as a new initiative to be considered and debated each year.
9. In developing the “budgetary margin”, consider new mechanisms to identify fiscal space, including through building upon the existing focused spending review mechanism as developed by the BMF and drawing upon the existing corpus of outcome-oriented ex post programme evaluations.
10. Consider mechanisms to link the use of the fiscal margin embedded with the medium term expenditure allocations to the availability of reserves in the relevant ministry. This mechanism should be considered to ensure a balance between reserve withdrawals and the build-up of reserves (i.e. a sustainable “steady state” system), thus further incentivising line ministries to treat expenditure ceilings as effective and realistic binding limits within which resources need to be stewarded.
11. Design an additional “backstop” rule as a further safeguard to prevent large draw-downs of the accumulated reserves that could result in significant impact on the fiscal position. Such an additional rule may include early notification obligations for the drawdown of accumulated reserves to give the BMF the opportunity to assess the net fiscal impact of the proposed drawdowns. As a general principle, drawdowns may be allowed to the extent that their net fiscal impact can be accommodated within the fiscal margin for the budget year and future years of the BFRG. In the case where proposed drawdowns would collectively exceed the fiscal margin, a “decision rule” should be put in place whereby significant proposed drawdowns are curtailed to within sustainable limits.

3. Performance aspects of budgeting

3.1. Introduction

As outlined in Section 1, performance budgeting is an integral element of the Austrian federal budget reform. The Federal Constitution specifies that the federal budget system must be based upon principles of outcome orientation, transparency, efficiency and attaining a true picture of the financial situation. “Outcome orientation” includes the goal of equal treatment of men and women (this topic will be dealt with separately below).

In applying these principles, the Federal Organic Budget Law specifies that outcome orientation must be considered as “an integral element of budget management” including in medium-term and annual budget planning; monitoring / controlling of outcomes; conduct of Impact Assessments as a standard tool for assessing all policy interventions including for legislative proposals, procurement activities and new subsidies; management of agencies via performance mandates; and organisational structures for optimum budget management.

In practice, this systematic approach to performance budgeting manifests itself in the structuring of performance information in the annual budget and multi-annual strategy report; the co-ordination of performance goals with the priorities of government; the performance mandates¹⁵; and the systematic use of performance information in Impact Assessments. Each of these will be considered in turn.

3.2. Performance and the annual budget

3.2.1. Presentation of performance information in the budget documentation

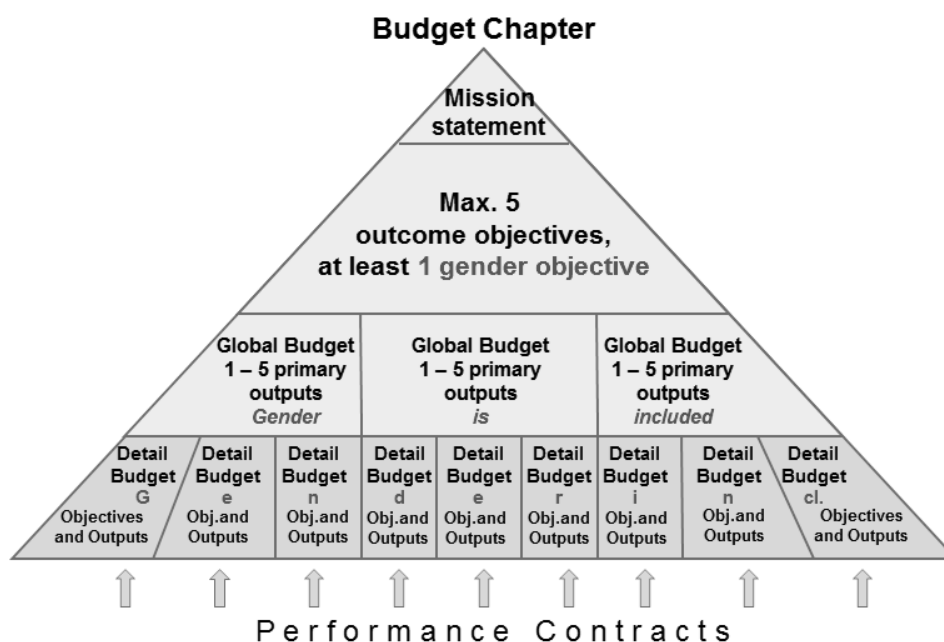
The annual budget documentation is structured so as to make clear the key, high-level performance objectives associated with budgeted funds. The structure follows a hierarchy from higher-level, outcome-based goals linked to the core mission of each ministry; to ever-more specific and output-focused information linked to the financial allocations within each area; with linkages also to the system of Impact Assessment for new programmes and laws/regulations. The performance system does not attempt to establish direct linkages between every item of spending and its associated outputs/outcomes, but aims at providing general information about key performance aims in each area. A notable feature of the Austrian performance system is how goals and objectives relating to gender equality are systematically included at every level of the ‘performance pyramid’ (see Figure 6. below).

Each of the 33 **Budget Chapters** fall under the responsibility of one federal ministry or agency. Each Budget Chapter is linked with the mission of that ministry, and must present a maximum of five “outcome objectives” (*Wirkungsziele*) that are key to delivering upon that mission. Each of these outcome objectives is accompanied with the following information:

- Why has this objective been chosen?
- How will this objective be achieved?
- How will successful accomplishment of this objective be recognised? (literally, “what does success look like?”)

Beneath this last heading, a figure shows the performance indicator chosen for this objective, along with its calculation method; data source; and the development of the indicator over a multi-year period (the previous three years, the current year, the forthcoming budget year and the subsequent years, depending on whether a medium-term or longer-term objective is being targeted).

Figure 6. The performance pyramid



Source: Adapted from *Bundesministerium für Finanzen*

Each Budget Chapter contains, on average, between one and three **global budgets** which are the financial allocations actually voted upon by the parliament, and are thus binding in nature. In each case, the linkage from the global budget back to the Chapter-specific outcome objectives is shown.

At the level below the “global budget”, the “**detailed budgets**” further specify the financial allocations and follow a similar approach to showing performance information: a limited number (no more than five) output targets (*Ziele*) are specified, with a tabular outline of the rationale, and quantitative success indicators for the budget year. The detailed budgets are not part of the core budget figures voted by parliament, but are presented in supplementary budget reports (*Teilhefte*) - one for each Chapter - as part of the package of budgetary documentation.

Below the detailed budgets, the performance dimension of organisational management is managed through “**performance mandates**” which are intended to link the budgetary performance objectives with the tasks of specific management units (using the system of “management by objectives”). These performance mandates are for internal use and are not publicly available; however the details in the performance mandates provide the basis for the objectives and activities that are presented in the *Teilhefte* (see Section 4).

3.2.2. *Ease of use of the performance information*

The OECD *Recommendation on Budgetary Governance* calls on governments to “routinely present performance information in a way which informs, and provides useful context for, the financial allocations in the budget report; noting that such information should clarify, and not obscure or impede, accountability and oversight” and goes on to recommend:

using performance information, therefore, which is i) limited to a small number of relevant indicators for each policy programme or area; (ii) clear and easily understood; (iii) allows for tracking of results against targets and for comparison with international and other benchmarks; (iv) makes clear the link with government-wide strategic objectives;

In principle, the Austrian approach conforms well to the Recommendation, requiring as it does a limitation on the amount of performance information generated, as well as a “cascading” approach that sets specific targets within the context of higher-level goals. The hierarchical performance model is carried through systematically within the budget documentation. By its nature, the budgetary information is very extensive: however a parliamentary or public reader, once they become familiar with the logic of this system, should be in a position to navigate their way through the core documents, supplementary materials and performance reports without undue difficulty.

The general nature and ease-of-use of the budgetary information is assessed in more detail in Section 4. To fully assess how effective this framework is for supporting an outcome-based approach to budgeting, it is necessary to consider in more depth how the various performance indicators are developed, how they are inter-related and how they are used.

3.2.3. *Strategic co-ordination of performance information*

The OECD Recommendation on Budgetary Governance calls on governments to “closely align budgets with the medium-term strategic priorities of government,” including through “organising and structuring the budget allocations in a way that corresponds readily with national objectives” and “nurturing a close working relationship between the Central Budget Authority (CBA) and the other institutions at the centre of government (e.g. prime minister’s office, cabinet office or planning ministry), given the inter-dependencies between the budget process and the achievement of government-wide policies”.

The Austrian system attempts to meet this objective through the close, complementary relationships and sharing of responsibilities between the Federal Chancellery, the Federal Ministry of Finance and the line ministries. The Federal Chancellery is assigned overall responsibility for co-ordination and quality-control on performance information, both for the higher-level outcome information that is associated with the “global budgets” and for the performance information in the Budget Chapters; the line ministries have authority to devise their own performance indicators, taking account of guidance from the Federal Chancellery; and the Federal Ministry of Finance incorporates the performance information into the budget documentation, while also exercising a further check that performance objectives can plausibly be attained with the financial allocations provided.

3.2.4. The Performance Role of the Federal Chancellery

Within the Federal Chancellery, work on promoting the performance orientation is led by the Federal Performance Management Office (FPMO), which is the source of guidance, standard-setting and quality-assurance on performance issues. The FPMO engages directly with line ministries on the quality and relevance of the performance information to be included in their budgetary and performance-related reports. To help line ministries in developing performance indicators, guidance has been provided both by the BMF and the Federal Chancellery. The tool for preparing the budget, and showing performance information, is provided by the BMF. All policy proposals are subject to mandatory Regulatory Impact Assessment (RIA), in which ministries must make explicit the link (if applicable) to their high level outcome objectives and the key outputs measures outlined in the budget (see Section 3.4 below for separate discussion of Regulatory Impact Assessment).

As part of its role in promoting the performance orientation of the budget, the FPMO prepares the twice-yearly Performance Reports, mandated by section 68 of the Federal Organic Budget Act 2013 which concerns the controlling of outcomes. These reports are based on inputs received from the line ministries. In May, the Report on Impact Assessments (*Bericht über die wirkungsorientierte Folgenabschätzung*) presents results of *ex post* impact assessments and programme evaluations in various areas (see section 3.4 below). In October, the Annual Federal Performance Report (*Bericht zur Wirkungsorientierung*) is presented in parallel with the budget documentation, and provides a comprehensive narrative account of the performance information in each Budget Chapter, including an account of the achievement of the previous performance objectives and an explanation of any changes or refinements to these objectives.

In the Performance Reports, particular attention has been paid to how the performance achievements are presented. This information is colour-coded, to identify quickly whether specified targets have been met, partially met or not met. As a further aid, all of this information on performance monitoring is available in digital form on an interactive website maintained by the Federal Chancellery (www.wirkungsmonitoring.gv.at). An interactive tool on the website provides an overview of the linkages between all budgetary bodies and their corresponding chapters, outcome objectives, outputs and specific projects. Additionally, the website provides a “gender map” (*Gleichstellungslandkarte*), which gives an overview of all gender related outcome objectives and their corresponding outputs, organised by thematic clusters. These online tools are a good example of innovative presentation of performance data; future developments of the tool should focus upon further improvements to the overview, user-friendliness and easy accessibility.

Taken as a whole, parliamentarians in October can expect to have available to them a comprehensive set of information showing *a*) financial allocations together with associated outcome objectives within the core budget documents, and *b*) a full account from the Federal Chancellery regarding the performance information that is used. In addition, the Parliamentary Budget Office (PBO) plays a particular role in helping parliamentarians to engage constructively with this performance information¹⁶. Within the OECD system of classification of performance budgeting systems, the Austrian approach is a good example of “performance-informed budgeting” (see Box 10).

Box 10. Classification of Performance budgeting systems

Different models and approaches to performance budgeting are observed across the OECD. Even when countries have adopted similar models, they have taken diverse approaches to implementing these and they have adapted them to national capacities, cultures and priorities. In this context, the OECD has identified three broad categories of performance budgeting systems:

1. Presentational performance budgeting, which involves the provision of performance information in parallel with the annual budget, e.g. as a transparency exercise or for the background information of policy-makers, with no necessary expectation that the information will be taken into account in deciding upon the budget allocations;
2. Performance-informed budgeting, which presents performance information in a systematic manner alongside the financial allocations, in order to facilitate policy-makers in taking account of this information, to the extent that they may deem appropriate, when deciding upon with the budget allocations;
3. Direct performance budgeting (or performance-based budgeting), where performance information is provided with the financial information, and where there is the expectation that performance, relative to previously stated objectives, will have direct consequences for the budget allocations.

More recently the OECD has identified a fourth broad category:

4. Managerial performance budgeting, in which performance information is generated and used for internal managerial purposes and for organisational/managerial accountability, with a lesser focus upon the linkages with budget allocations.

Across OECD countries more generally, performance budgeting practices tend to fall into the first and second categories, with only a few in the third category (direct performance budgeting) for select types of expenditures (e.g. funding of higher education or hospitals).

3.4.5. *Enhancing the strategic orientation of the performance information*

In principle, the high-level engagement from the Federal Chancellery should allow for an alignment of the performance indicators with the higher-level strategic priorities of government as a whole, consistent with the spirit of the OECD Recommendation. In practice, however, stakeholders report that there is no clear sense of a single, coherent “strategic programme of government” which would form an effective “anchor” for the ministry-specific outcome objectives. The Government Programme embodies the political agreement between the parties of government, but is traditionally not designed to serve as the authoritative frame of reference for Austria’s system of outcome-oriented budgeting.

The different streams for managing performance and financial information also pose a challenge to the unity and coherence of performance-oriented budgeting. Due to involvement of several stakeholders (Line ministries, Court of Audit, Chancellery) the process for the preparation of the performance information is very comprehensive. For example, due to different timelines for producing documents, the requests to line

ministries for performance information are issued by the Federal Chancellery before the Federal Ministry of Finance has issued its budget circular concerning financial allocations. Discussions on performance and financial matters are handled separately by the respective institutions. More generally, government-wide co-ordination of policy matters is handled within the Federal Chancellery by DG-IV, whose structure allows it to mirror the line ministries (analogous in some respects to the mirroring of line ministries within the BMF). The FPMO, which is located within DG-III, does not have an analogous structure, and overall policy co-ordination appears to take place at a remove from performance co-ordination; and neither process can rely upon a single Government Strategy to help keep the respective approaches in alignment.

Some measures are currently in development which should help to address these apparent shortcomings. The FPMO issues recommendations to line ministries on how to improve the quality of their outcome objectives. Ultimately the line ministries make the final call on these objectives but if they choose not to adopt the recommendations from the Federal Chancellery, they must justify their decision. On the basis of this engagement, stakeholders seem satisfied that the overall quality of outcome objectives has been steadily improving over recent years, and indeed that the level of meaningful engagement in parliamentary debate is increasing. Moreover, from 2018 these “comply or explain” letters between ministries and the FPMO will be published, bringing greater transparency and public oversight to bear upon this issue.

Also relevant in this regard is the potential benefit of adapting a more open, participative and responsive approach - on the part of the line ministries and the FPMO in particular - to selecting the outcome objectives that are of most interest to parliamentarians and public. Some stakeholders pointed out that, while there is a wealth of performance information available, some “obvious” performance-relevant data - such as background information on the total number of students in the education system, or the total number of prisoners - is not readily available.

Against this background, it would be advisable for the Government to give particular attention, in the context of preparing the Government Programme, to articulating the high-level outcome goals for which the government and public administration will be accountable, and which will sit at the apex of Austria’s outcome-oriented system of policy-making and budgeting. A strengthened, whole-of-government approach to specifying outcome indicators may also be timely in the context of meeting Austria’s reporting obligations on the UN Sustainable Development Goals (SDGs); and could in principle allow for greater streamlining and efficiencies in various reporting streams - rather than run the risk of allowing completely parallel and unrelated reporting streams to develop, which would magnify the reporting burden upon ministries and agencies. There is an extensive body of work done by various international organisations in this area - ranging from Eurostat to the OECD - to facilitate the adoption of clear, more uniform and internationally-comparable outcome benchmarks. Starting in 2017, a first step has been taken into this direction by the FPMO and the BMF, enabling line ministries to highlight connections between outcomes/outputs and SDG goals/sub-goals during the *ex post* evaluation of performance information. This information is collected by the FPMO and the BMF and can be used for various reporting needs. The same procedure applies to the RIA *ex post* evaluation tool, where line ministries can point out whether a measure had a substantial impact on any SDG goal or sub-goals.

3.3. Impact assessment of budget measures

As a second pillar of Austria's "outcome orientation" approach, the performance budgeting system is complemented with a system of mandatory impact assessments (*Wirkungsorientierte Folgenabschätzung*) which applies to all new regulatory or spending proposals.

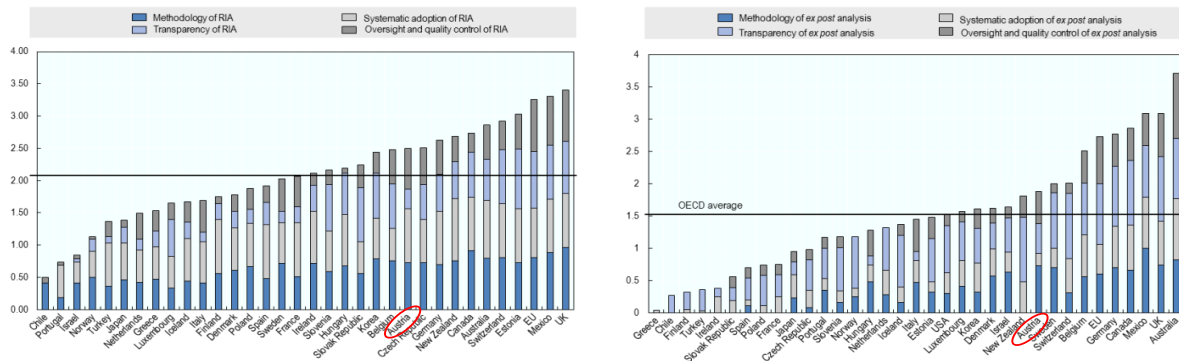
Impact assessments show expected impacts in various policy dimensions (e.g. environment, implementation costs¹⁷, bureaucratic burden, business, economic, social issues) and also include an explicit performance-orientated part, showing outcome objectives, outputs and corresponding indicators, which in turn are reflected in the performance parts of the budgetary documentation. The assessment of impacts on the equality of men and women is mandatory in all RIAs. Guidance for this assessment is provided in a separate chapter of the RIA handbook and the IT-tool. Areas to be screened for gender impacts include benefits granted by the government to citizens and businesses, education, employment, income, public revenues collected, health, and participation in decision-making (see Section 3.5 below for further details on the case of gender budgeting).

Each measure adopted in this way - whether in the expenditure or regulatory policy area - is also subject to a mandatory *ex post* evaluation after five years at the latest¹⁸ in order to feedback experience and results into the policy making process. The formal requirements that entered into force in 2013 for conducting *ex post* evaluations are quite extensive, asking *inter alia* for an assessment of the achievement of underlying policy goals, a comparison of actual and predicted impacts, and the identification and quantification of costs and benefits and unintended consequences. A summary report of these *ex post* evaluations is compiled by the Federal Chancellery and submitted to the parliament in May of each year. This Report on Impact Assessments (*Bericht über die wirkungsorientierte Folgenabschätzung*) is also published online.

Austria's system of impact assessments is advanced practice in international terms (Figure 3.2), to the extent that it applies on a mandatory basis across spending and regulatory policy areas, on both an *ex ante* and an *ex post* basis, with clear systematic links to the performance budgeting system, facilitated by an overall IT system and overseen in most cases by the "centre of government", the Federal Chancellery. This approach conforms closely with the OECD Recommendation on Budgetary Governance, which - in the context of Budgetary Governance Principle no. 8 on performance, evaluation and value-for-money - calls for

“evaluating and reviewing expenditure programmes [...] in a manner that is objective, routine and regular, to inform resource allocation and re-prioritisation both within line ministries and across government as a whole” and for the conduct of “routine and open ex ante evaluations of substantive new policy proposals to assess coherence with national priorities, clarity of objectives, and anticipated costs and benefits”.

Figure 7. Composite indicator for regulatory impact assessment and *ex post* evaluation for developing primary laws



Notes: 1. The results apply exclusively to processes for developing primary laws initiated by the executive. The vertical axis represents the total aggregate score across the four separate categories of the composite indicator. The maximum score for each category is one, and the maximum aggregate score for the composite indicator is four. This figure excludes the United States where all primary laws are initiated by Congress. In the majority of countries, most primary laws are initiated by the executive, except for Mexico and Korea, where a higher share of primary laws are initiated by parliament/congress (respectively 90.6% and 84%). <http://oe.cd/israel-disclaimer>; 2. The vertical axis (2nd figure) represents the total aggregate score across the four separate categories of the composite indicators. The maximum score for each category is one, and the maximum aggregate score for the composite indicator is four

Source: OECD (2014b), Regulatory Indicators Survey results, www.oecd.org/gov/regulatory-policy/measuring-regulatory-performance.htm.

Since April 2015, the system of impact assessment system is applied in two tiers, with thresholds applying across various impact dimensions to determine the scale and scope of the assessment (BKA, 2016). If the threshold criteria are not surpassed, a “light” version of the impact assessment may be used, with fewer requirements for data as outcome indicators or *ex post* evaluations are not obligatory. In addition, impact assessments may be applied on a “bundled” basis to a series of initiatives which form part of a common policy initiative. This “bundling” also applies to spending programmes with similar aims.

The impact assessments are conducted directly by line ministries, although both the FPMO and the Federal Ministry of Finance can comment on the assessments at draft stage and suggest changes. Ministries in turn must either comply with the recommendation and adapt the impact assessment or explain why they are not complying. Nevertheless, there is a marked difference in procedures of quality control when it comes to different impact assessments. Although using the same methodology and IT-tools, procedures and responsibilities differ widely depending on the kind of assessment (legislative, spending, a full or light impact assessment or bundle). For example for spending programs that exceed EUR 20 million, the FPMO is responsible for quality assurance of the Impact Assessment, apart from financial assessments and assessments regarding any bureaucratic burden for citizens and businesses which are assessed by the BMF. For projects below EUR 20 million, all quality assurance is done by the BMF, even for elements that are normally assessed by the FPMO. However, in the case of legislative proposals, the quality assessment is always done by the FPMO (again apart from the financial impacts and assessments of the bureaucratic burden for businesses and citizens). *This separation of responsibilities may pose challenges for maintaining the Austrian system's inherent uniformity and consistency of approach.*

3.3.1. Transparency, accessibility and use of Impact Assessments

While in its conception and execution the impact assessment system can be described as advanced, there are some issues that would help this instrument to live up to its full potential as a tool of consistently high-quality policy-making.

The introduction of “light” impact assessments is a move towards streamlining and reducing the internal administrative burden. This is important, as the growing number of impact assessments - particularly the *ex post* assessments reported in the Federal Chancellery’s May report - will challenge the parliament’s ability to assimilate key messages in the future. It may be advisable for the Federal Chancellery to adopt a proactive approach to distilling, from the extensive corpus of evaluative material, the key messages of relevance to policy-makers - including by reference to the government’s outcome goals, which (as proposed in the previous section) could be more clearly articulated as a reference for performance-oriented policy-making. This approach would allow for the performance reports to be significantly streamlined and would make their key messages more accessible to parliamentarians and the public (see Section 4). Care should also be taken that such light assessments remain subject to some level of external screening, e.g. on the basis of spot-checks, to ensure that basic quality requirements are maintained.

It is also notable that the uniform approach to impact assessment, as between spending and regulatory policy proposals, does not apply to the area of stakeholder engagement. In essence, impact assessments for primary legislation are transmitted to parliament and are open for consultation by the public and all interested stakeholders, including the FPMO. Spending proposals however are not routinely subject to public consultation: for example, the FPMO is only consulted when the proposed amount of funding surpasses the sum of EUR 20 million. After technical comments from the FPMO and the BMF, the impact assessments are officially transmitted from the line ministry to the BMF alongside the request for funding. In part, this approach reflects the distinctive character of budgetary policy-making, which in many countries has traditionally been viewed (especially by ministries of finance) as part of the internal deliberative process of government. Over recent years, however, countries around the world have begun to extend a more consultative approach to budget policy formulation also. In Austria’s case, there would appear to be scope to adopt a more transparent, participative approach, e.g. taking account of the principles outlined in the OECD’s Budget Transparency Toolkit (2017). Related to this, the degree of inter-ministerial pooling of information and expertise appears to be rather limited in the context of designing and conducting impact assessments, even on issues where the ministries would have common interests, despite a number of activities that intend to do so. Sweden provides an example of a highly collaborative approach to cross-government policy development (Box 11).

Furthermore, little attention has been given so far to the role of stakeholders in *ex post* evaluation. While this is not yet common practice in many OECD countries (OECD/Korea Development Institute, 2017), stakeholders engagement in *ex post* evaluation may help the policy makers analyse the impacts of regulatory changes and to explore alternative policy approaches.

Box 11. “Silo-busting” in Swedish policy-making: The practice of *gemensam beredning*

As in many countries, Sweden’s government operates on the basis of “collective cabinet responsibility”, a concept grounded in the constitution. In Sweden’s case, the rule is interpreted so that all ministers are collectively responsible for all acts and policies of government. Therefore decision-making and policy-formulation are conducted in a way that is in line with these shared responsibilities. The administrative practice that has been adopted to give effect to this principle is known as *gemensam beredning*, collective or joint preparation, and is applied for any policy issue which crosses more than one ministry or agency. In such a case, all relevant ministries - usually involving the Ministry of Finance - are involved collectively in discussions and decision-making, and the file is brought to cabinet for decision under the name of all relevant ministers. The strength of the Ministry of Finance is amplified by the fact that all proposals with economic, financial, budgetary or organisational consequences require an approval from the budget department, as otherwise the proposals may not be taken to the government for decision.

In practice, those officials working in areas of central relevance to policy-making - education, labour market, social insurance as well as the Ministry of Finance - will expect to be called upon regularly to comment and contribute views. Rather than view the process as inefficient or overly time-consuming, officials report that the process helps them to gain perspectives relevant to their own work area, and the approach seems to have overcome the problems of “silo culture” experienced in many other national administrations.

Source: OECD (2016), Budgeting in Sweden, OECD Journal on Budgeting, Volume 2016, Issue 2

In terms of making effective use of the impact assessments, the linkage to Outcome Objectives and Key Outputs of the Budget is facilitated through the IT tool. The FPMO has developed a website where, based on these connections, all *ex post* evaluation information both from impact assessments as well as from performance budgeting is connected and these linkages are visualized (www.wirkungsmonitoring.gv.at/).

In contrast, there is no single public website that publishes all (final) impact assessments, whether legislative/regulatory or spending-related in nature. Providing a single point of interaction for the public would help to raise awareness of the tool and would over time provide a valuable database of assessments and evaluations. The FPMO and the BMF have been starting a project to develop a web-based tool that would collect all *ex ante* impact assessments in a database and also digitise the relevant procedures.

This is a significant first step and is advanced international practice. Similar to many other OECD countries, the challenge for policy-makers in Austria is to put this extensive corpus of connected information to use in the analysis and design of policies. To reinforce the purpose of policy evaluation to seek policy effectiveness, evaluation results need be linked more directly to budgeting and planning. Accordingly the government evaluation system should be geared to identifying ineffective or low priority government programmes that could be de-prioritised or scaled back to assist either in reducing government expenditure or in creating additional budgetary space for high-priority new expenditures (see e.g. Boyle, 2014). Furthermore, political commitment to evaluation and evidence-based decision-making can be fostered through for example, organising opportunities for a dialogue between decision-makers and academics and others who can

provide an interpretation of the evidence arising from evaluation and research studies and key issues arising. Additionally, a more cohesive strategy for evidence-based decision-making may be adopted. One of the bottlenecks in using impact assessments may be also be related to challenges of developing a “performance culture” within the public administration as a whole, i.e. developing skills for seeking, generating and using performance and evaluative information as a routine tool of policy-making. During the initial years of introducing the outcome-oriented approach in Austria, the FPMO and the BMF have focused their efforts on training civil servants in the concept and practice of impact assessments.

Into the future, there will be a need for the development of in-depth analysis and evaluation as part of the general profile of skills within the public service - skills in using the full spectrum of data from performance budgeting, evaluations and spending reviews in a more integrated way to inform policy-making. This approach would also facilitate stronger inter-ministerial collaboration on cross-cutting issues.

3.4. *The case of gender budgeting*

Austria has a long tradition of attention to gender equality in the context of budgeting, with a gender mainstreaming group active in the BMF since 2002. Influenced by this tradition, Article 13(3)¹⁹ of the Federal Constitution now require all levels of government to aim at the equal status of women and men in their budgeting systems. At the federal level, this obligation is met via the outcome-orientation of the budget, as well as the impact assessments.

While outcome orientation is a general principle of budgeting in Austria, gender budgeting is implemented in a systematic manner as one distinct element of this overall approach. The outcome objectives specified for each Budget Chapter must include at least one objective related to gender equality; and in turn, each of the “global budgets” and “detailed budgets” must include at least one gender-related output target. In this way, each line ministry is obliged to consider how its activities relate to gender equality, and to design objectives and indicators to promote gender equality in the context of the budget. Moreover, as outlined in Section 3.3, gender equality is one of the dimensions of analysis that must routinely be included in Impact Assessments of new policies. Reporting on the gender-related objectives is covered in the Performance Reports prepared by the Federal Chancellery (see 3.2 and 3.3 above). Taken as a whole, therefore, the Austrian system of policy-making is designed to *a)* require all ministries to consider gender equality both in their high-level goal-setting and in more detailed specification of outputs and objectives, *b)* assess impacts on gender equality in the design of policies, using a standardised assessment template, and apply this assessment both *ex ante* and *ex post*, and *c)* account for their achievements in gender equality goals and objectives via the annual performance reports. This overall systematic approach is a leading international practice.

As regards co-ordination and concerted action in advancing Austria’s agenda of gender equality, matters are less clear-cut. Under Austria’s tradition of ministerial autonomy, the selection of gender-related objectives and indicators is a matter for each federal ministry. As outlined in Section 3.2, issues of co-ordination and quality-assurance in the setting of performance objectives and indicators are within the responsibility of the Federal Chancellery; and this responsibility includes co-ordination of gender equality in outcome-oriented policy making and budgeting. Beyond the domain of outcome-oriented policy-making, it is the task of the Federal Ministry of Health and Women’s Affairs (*Bundesministerium für Gesundheit und Frauen, BMGF*) to advance gender equality

within society as a whole, and by government as a whole, in addition to achieving its own important gender-related objectives. The BMGF thus co-ordinates government-wide implementation of gender mainstreaming - i.e. incorporating a gender equality perspective into the general policy-making and service-delivery functions of federal government - as well as promoting policy initiatives and analyses of specific relevance to equality of women and men. The BMGF is also authorised to check the information regarding the gender dimension in impact assessments.

3.4.1. Effectiveness and impact of gender budgeting

Gender budgeting in Austria is a special case of outcome-oriented policy-making and performance budgeting, and is thus subject to a similar range of strengths and potential weaknesses. To begin with, the requirement to specify gender equality objectives has in some cases catalysed a serious discussion about how public policies affect the equality agenda. For example, in the area of tax policy, specifying an objective relating to the fairer treatment of paid and unpaid work (encompassing also, therefore, unpaid work done in the home, disproportionately by women) generated a productive debate that influenced the development of tax reform.

Equally however, some perceived shortcomings of the general system of performance-oriented budgeting - especially in the area of inter-ministerial co-ordination and strategic alignment - also arise in the case of gender equality. As a case in point, the progress achieved in the tax treatment of paid and unpaid work did not automatically extend to the area of social security - which although highly relevant to the issue in question, was dealt with by another ministry. More generally, stakeholders involved in gender budgeting observe that the design of gender-related outcome objectives is left up to the line ministries, without any strong sense of an over-arching strategic agenda for how to measure progress towards, and achieve, gender equality in Austria.

While parliamentary stakeholders acknowledge the work done by some line ministries in formulating valuable gender equality objectives, it is also the case that the scrutiny of the gender-specific information is not a core area of focus within parliament at present. In some respects, the “mainstreaming” of gender objectives throughout the budget documentation makes it more difficult for parliamentarians to focus upon gender equality as a single over-arching theme of budgetary policy, when the annual budget is scrutinised and debated.

For a single overview of how ministries are achieving their gender-related objectives, it is necessary to look to the performance reports prepared by the Federal Chancellery. The October “Annual Report on Budget Orientation” not only collates the individual reports from line ministries, but also reconfigures them in order to present a single Gender Statement. This is a pragmatic and potentially very useful exercise, and is moreover complemented with sophisticated data visualisation tools which can be accessed by the general public²⁰. In practice however, the Gender Statement in its current form is subject to some limitations:

1. The statement is a factual re-presentation of the material submitted by the line ministries. It does not attempt to draw together messages about how the federal government as a whole is advancing the agenda of gender equality. The inclusion of cogent, politically salient messages of this nature would encourage a sustained parliamentary engagement on this topic.

2. In the context of elaborating its future work agenda, it would be advisable for the Subcommittee to allocate additional time in future meetings for a debate on the range of issues that arise in relation to gender budgeting; and in this context to engage critically with the Gender Statement and the other related resources.

The Federal Chancellery faces formidable challenges in co-ordinating national actions and performance reporting on gender equality, in a context of strong line ministry autonomy in these matters, and in the absence of an over-arching strategy that is politically mandated. By law the Federal Chancellery is responsible for co-ordinating gender related objectives among line ministries. However, cross-ministry discussions on gender mainstreaming take place quite independently of the discussions between ministries and the Federal Chancellery on the selection and design of gender equality objectives. Both processes should be more clearly linked, for example by integrating the ministries' delegates from the gender mainstreaming task force into the team in the ministry that drafts objectives, outputs, and indicators.

On the other hand, the BMGF produces a very useful annual Gender Index, showing data in a wide range of fields that are relevant for an assessment of gender equality. BMGF also maintains a website portal (www.imag-gmb.at) and blog on gender budgeting²¹ which helps to spread knowledge and understanding of this issue, drawing also upon international expertise.

A more detailed elaboration of how gender budgeting interacts with gender mainstreaming in Austria's case, and specific recommendations for reform, is beyond the scope of this review. However, in considering ways of enhancing the effectiveness of the gender budgeting approach in Austria, it may be helpful to consider the OECD's multi-dimensional framework for designing effective gender budgeting strategies (OECD 2016, 2017) - see Box 12 for indicative approaches on this basis.

Box 12. OECD multi-dimensional framework for gender budgeting

There are several opportunities across the budget cycle in which the gender perspective can be brought to bear. Effective gender budgeting strategies will seek to use special processes and analytical tools to promoting gender-responsive policies at each key stage. In the budget preparation phase, a gender budget baseline analysis can assess how the baseline allocation of government expenditures and revenues impacts gender equality. In addition, gender needs assessments inform resource allocation decisions and *ex ante* impact assessments can identify the effect of proposed policy initiatives on gender equality. The effective use of these tools ensures gender-informed tax and spend decisions are put forward in the budget proposal.

In the budget approval phase, a gender budget statement provides an official assessment of the budget's impact in promoting gender equality. In addition, applying a gender perspective in performance setting enables the government to track progress towards gender equality targets. Both of these underpin effective scrutiny and accountability in the parliamentary debate. As spending occurs, programme managers should ensure that they apply a gender perspective to the allocation of budgeted resources so as to help close gender gaps.

Finally, after the budget has been executed, *ex post* gender impact assessments identify the impact that individual policies and programmes have had in bringing about gender equality. A gender audit or evaluation of the budget can also assess the extent to which gender equality is effectively promoted and/or attained through the collective policies set out in the overall annual budget. Gender should also be routinely included as a distinct dimension of any spending review analysis. This includes reviewing policies for their efficiency and effectiveness in delivering gender objectives and identifying ways to improve existing gender-related policies.

Source: OECD (2017).

Box 13. Key recommendations

12. The Government Programme (or Coalition Agreement) should be designed with a view to its fundamental role as an “anchor” for outcome-orientation in policy-making and in budgeting. Particular attention should be given to articulating the high-level outcome goals for which the government and public administration will be accountable. High level priorities should in turn be reflected in the policy priorities in the new Budget Report (potentially merged with the Strategy Report), as well as the proposed fiscal policy document in spring.
13. Internationally comparable benchmark indicators should be considered first when developing the indicators for each budget chapter. This would bring Austria’s outcome objectives into fuller and more explicit alignment with the EU 2020 and UN Sustainable Development Goals, and would also support a streamlining of associated reporting requirements.
14. Adopt a more participative, inclusive approach to the setting and design of outcome objectives and indicators. Line ministries and the Federal Chancellery’s Federal Performance Management Office should seek to ensure the relevance of the objectives and indicators chosen, including on gender, to the parliamentary scrutiny process. This may be accomplished through a more targeted engagement of relevant sectoral committees on these specific topics and through a more systematic engagement with the parliamentary Sub-Committee on Execution and Performance.
15. Streamline the performance reports to make their key messages more visible and accessible to parliamentarians and the public.
16. In the medium term, develop the financial management IT system to allow tracking of the level of resources associated with the gender objectives and make this information available in the Gender Statement.
17. The Ministry which has overall responsibility for gender equality should be further engaged in the task of co-ordinating and articulating the whole-of-government approach to promoting gender equality. This joined-up approach should in turn be reflected in the gender objectives identified and prioritised by the line ministries.

18. Continue to develop a comprehensive set of gender disaggregated data to improve the body of evidence underpinning gender objectives and indicators and gender impact assessments. Over time, all data and statistics systems, including in the financial management IT system, should be designed to provide gender-disaggregated data.

4. Budgetary documents and oversight

4.1. Introduction

As an important part of its core functions, the Ministry of Finance provides a large volume of information regarding each of the budget chapters and supporting material. As mentioned in Section 2, the reform of the budget and particularly of the budget structure aimed at providing greater transparency and accountability for the National Council and the public, in order to balance the increased freedom of action available to line ministries arising from the more highly- aggregated budget structure. To maintain an effective oversight role of the National Council in the Budget Process, the reform design included detailed and regular reporting (Steger, 2010). In this spirit, key budget documentation is provided for the BFRG discussion in April²² and on the annual budget in October (the “budget brick”) including detailed performance information. Additional reports are provided at regular intervals including monthly execution reports during the course of the year. Moreover, the website of the BMF provides on-line access to all budgetary documents, and care is taken to ensure that the material made available in this way is introduced in a user-friendly manner. The level of budget transparency achieved is thus very high.

The wealth of information provided by the BMF is well in line with the OECD Recommendation on Budgetary Governance, budget principle no. 4, which requires governments to:

“Ensure that budget documents and data are open, transparent and accessible through the availability of clear, factual budget reports which should inform the key stages of policy formulation, consideration and debate, as well as implementation and review.”

By its nature, the sheer volume of information provided poses challenges for the institutions of government, both in terms of generating this material to a high standard of quality, and in terms of the assimilation and use of this information by parliamentarians. This section assesses how the presentation of budgetary information in Austria supports transparency and accountability as regards the National Council; and also the openness, transparency and inclusiveness of the budget process.

4.2. Overview of the budgetary documents and reports generated by the BMF

In principle the provision of exhaustive information should support an agenda of transparency and accountability. However, the greater the volume of information provided, the greater the need for this information to be properly structured, indexed and cross-referenced if it is to be usable. Parliamentary stakeholders have expressed appreciation for the volume and comprehensiveness of the budgetary material made available by the BMF; but some stakeholders have also expressed concern about the difficulty of using this material, and the lack of guiding overviews. From this perspective, concern is expressed that increased ‘transparency’ of budgetary material, as measured

through the number of regularity of reports, is in fact outweighed by a countervailing decrease in ‘accessibility’, understood as the ability to identify the salient points of a budgetary document and thus use it for policy scrutiny and accountability purposes. Furthermore, inconsistencies in the layout (such as headings, titles, styles, colour coding, content structure) of the different reports make it more difficult for Parliamentarians to become familiar with, and find their way through the provided information. The newly introduced cash and accrual budgeting poses further challenges in this regard (see also Section 4.4 below). The various different budget-related reports provided to the National Council are outlined in Table 6.

Table 6. Main reports presented to the National Council

| Medium-term Framework April (October) | Annual Budget October | EU Documentation (EU semester approach) | Budget Execution Report (Continuous reporting) | Outcome Orientation (Chancellery) | Others |
|--|--|---|--|--|---|
| Draft Medium-term Budgeting Framework Act (BFRG) | Draft Annual Budgeting Act including Annexes | Stability Programme (April) | Monthly budget executions reports | Report on outcome orientation (October Report) | Report on the Financial Situation of the Natural Disaster Fund and the use of resources (March 31, every 2 years) |
| Fiscal Strategy Report | Supplementary budget documents on Chapter level | Draft Budgetary Plan (October) | Report on budget execution January-April & January-September incl. Budget Controlling (April 30 and September 30) | Report on Impact Assessments (Spring Report) | Guarantee report (December) |
| Fiscal Sustainability Report (every 3 years) | Supplementary reports to the draft Annual Budgeting Act Budget report | Report on measures taken within the framework of the European Stability Mechanism (quarterly) | Report on the preliminary budget outturn of the previous fiscal year (March 31) (including annual report on the reserves) Report on the results of investment and financial controlling (April 30 and September 30) | | Report on Subsidies (December) Report of the Fiscal Advisory Council on Public Finances (May and December) |
| | Report on hived-off entities | | Financial Statements of the Federal Government (RH) (June 30) | | Report on financial debts and currency swaps (December) Report on budget allocations that exceed the appropriation level and Report on Future year commitments (quarterly) |

Source: Authors, based on material provided by BMF.

In fact, the nature and presentation of budget documentation from the BMF has already been subject to significant analysis and attention over recent years. In 2015, on the basis of an internal evaluation of the budget reform process, the BMF set out a list of detailed recommendations for all relevant annual budget and documents (BMF, 2015). Building on this assessment and some additional issues identified by the budget spokespersons in the National Council, the Parliamentary Budget Office (*Parlamentarischer Budgetdienst*, PBO) also offered a set of recommendations in their evaluation of the reform (PBO, 2015). In general, recommendations for all budget documentation included: the provision of overviews; a need for emphasising political priorities; as well as detailed explanations for developments and changes from previous years. Most of these recommendation have been progressed, to a greater or lesser degree, by the BMF (see Annex Table A A.2) - an effort that was also acknowledged by various stakeholders during this review process.

Notwithstanding these improvements, several of the identified issues are still relevant or show further room for improvement. The extensive overall number of reports demands a clear system to facilitate navigation across the various documents. An overview document (such as the Budget Report), could usefully serve as a “policy-maker’s handbook”, not only summarising the key information but functioning as an index document for all related supplementary documentation. Clearly established and visually highlighted links between the different budget documents are also advisable to allow the individual reader to quickly find the information of specific interest to them.

A uniform budgetary reporting framework, together with a consistent and clear presentation, can help to increase user-friendliness and reduce the perception of “information overload”. While the significant improvement in the alignment of the budget structure (general design, inclusion of executive summaries, consistent reporting framework for Chapters, consistency between years including description of deviations) is an important step towards uniform budgetary reporting framework, there is room to enhance consistency in the “design language” used in the BMF documents. For example, this approach could include uniform table and section headings; consistent nomenclature²³ and colour-coding (in particular for cash and accrual data); and structuring of content (Chapters vs. Budgetary bodies²⁴). Such a uniform budgetary reporting framework should usefully be applied to all relevant documentation, and carried through as appropriate in the corresponding elements of the performance reports by the Federal Chancellery.

Furthermore, a focus on the most important information would help to streamline the budget information, making the documentation more attractive to the reader. The executive summaries, which have already been introduced in most documents, should highlight the most relevant information the reader may focus on in each document, including highlights on the specification of the annual financial details as well as on the main performance information, linking them to important developments and political priorities. Links (such as references to the individual Chapters) in the summary would likewise facilitate navigation in each document. Availability of additional background information and supplementary technical data for more technical transparency may be achieved by links to further sources (such as Ministries' websites) and by application of the open data concept (see Section 4.4).

Improvements of this nature would reduce the overall burden on the reader, including through obviating the perceived need for too many additional “translation documents” such as those produced by the PBO. Parliamentarians should come to expect that budget

documents produced by the BMF are directly useful to, and usable by them for the purposes of their essential tasks of scrutiny and accountability.

Specific suggestions for the following documentation can be made:

1. The draft Medium Term Expenditure Framework MTEF (Entwurf zum Bundesfinanzrahmengesetz, BFRG)

Fiscal Strategy Report (Strategiebericht)

As background to the Draft Medium-term Budgeting Framework Act (Entwurf zum Bundesfinanzrahmengesetz, BFRG), the Fiscal Strategy Report outlines the fiscal strategy for the upcoming four fiscal years. The report explains the general budget priorities of the government and discusses budget allocation on chapter level for the next four years, including brief descriptions of current challenges, outcome objectives, expenditure priorities, as well as changes and correcting measures to the previous BFRG. Furthermore, it provides estimation of revenues, fiscal targets of the general government and comments on the plan of established posts.

While the Strategy Report gives a broad overview of the main budget priorities and basic information for the different Chapters, it is perceived to lack relevant detailed information on key developments. In particular, the Strategy report should more clearly highlight links between the presented budget priorities and higher level agendas, such as the relevant government programmes, the national reform programme to the EU, or international strategies (such as EU2020, Sustainable Development Goals (SDGs)) – see also section 3.2.5 above.

These important linkages should furthermore be reflected in the discussion on Chapter level. In general, the challenges and developments on Chapter level are not sufficiently explained. The Chapter description could usefully outline the relationship to the overall budget priorities; and expand their explanations of the changes in comparison to previous BFRG acts, including measures that will be taken to comply with the ceilings. A clear identification of the causes of non-compliance with the ceilings may also help to reinforce budget discipline. As this is directly linked to the specific BFRG ceilings these descriptions should be maintained in a potential merging with the Budget report (see below).

Arising from the move of the Strategy report to the annual budget phase (see Section 2), there is space for a national document which can serve as a basis for strategic debate on fiscal policy and budgetary priorities in spring. The SPU, which currently remains the only document considered for fiscal policy discussion in spring, provides extensive information on the fiscal position, but it is essentially an EU-related compliance document which uses the nation-wide “general government” frame of reference, and not designed as a vehicle for reflection and debate on fiscal strategy options for Austria’s federal government. It may therefore be advisable to present a standalone fiscal policy document - fully consistent with the SPU - in the spring semester to present the government’s proposed approach to federal fiscal management, including such issues as: the economic outlook and its implications for available “fiscal space”; preferred strategy for utilising the fiscal space (e.g. as between taxation and expenditure policy); and the high-level strategic priorities of government that will inform its deliberations in the build-up to the autumn budget semester. This document would also provide an opportunity to announce, or to report progress on, measures to expand the available fiscal space, as suggested in Section 2.

2. Federal Finance Act (*Entwurf zum Bundesfinanzgesetz, BFG*)

The Draft BFG, which provides the legal provisions and the draft budget for the Annual Budget is accompanied by a range of supplementary reports to provide complementary information:

Supplementary reports to the draft Annual Budgeting Act (*Beilagen*)

The presentation of the reports to the various subsections of the budget has improved significantly, moving from simple tables to providing complementary information and explanations, as well as supplementary, more technical information. The range of supplementary reports cover technical background information, such as i) Budgetary Indicators (ESA); ii) Public Debt; iii) the European Union; iv) Research and Development; v) Financial Relations between the different Levels of Government; vi) Federal Civil Service (established posts); as well as thematic overviews, such as vii) Environmental protection viii) Development cooperation; ix) Financial Contributions to International Organisations; and x) Infrastructure. The background data provided in the supplementary reports contribute to the clarification of underlying assumptions in other parts of the budget and so should be specifically cross-referenced where appropriate.

The more thematic supplementary reports and could serve as basis for discussion on potential cross-cutting issues. The short reports, available online, provide an overview of some of the main cross-cutting issues, including linkages to overarching programmes (such as the Paris climate goals 2013 for environmental protection) and references to the relevant Ministries and Chapter. Nevertheless, at present, the reports do not seem to be considered as the primarily basis for discussion on such cross-cutting issues. Considerations of relevant outcome objectives from various Budget Chapters would increase the documents' value to policy-makers. Direct references in a summary/overview document, such as the Budget report, would also facilitate navigation to the supplementary documents and provide a more integrated approach to the budget information as a whole.

Supplementary budget documents for the detail budgets (*Teilhefte*)

Although the supplementary documents are not subject to parliamentary vote on the Annual Budget, a complete and accessible presentation of the documents can provide valuable information to the National Council and the interested public. Similar to the supplementary reports, the supplementary budget documents, which are published on the BMF's website, provide additional information for parliamentarians on the allocation of resources at the level of the detail budgets, representing a budget chapter each. However, stakeholders report that the supplementary budget documents are not widely used, as the lack of overviews and summaries make the documents somewhat difficult to access. Recent improvements in document design, and future advances in this direction as suggested in this section, should mitigate these difficulties.

The presentation of performance information would benefit from further improvements to coherence and accessibility. Since 2014 the supplementary budget documents include outcome orientation objectives and the corresponding indicators (identical to the budget statement of the Federal Finance Act) in order to provide a clearer policy overview. However, many Chapters still lack the linkages between the higher level outcome objectives (*Wirkungsziele*, WZ) and output statements (*Maßnahmen*), on the one hand, and the objectives and outputs on detail budget level, on the other hand. The absence of an overview of the output statements on global budget level exacerbates the difficulty of

accessing and using the performance information. Furthermore, the fact that in some cases outcome objectives at the detail budget level (*Ziele*) repeat outcome objectives at the Chapter level (WZ) (e.g. UG1), while in other cases ministries formulate new outcome objectives for the detail budget (e.g. UG42) makes it harder still to discern these linkages. Although such variances can be due to structural differences (e.g. Chapters with only one Global and Detail budget naturally reflect the responsibilities of the Ministry on Chapter level, and can hence mirror the WZ on higher level), the replication as well as direct connection in case of independent objectives should be made clear and comprehensible (for a broader discussion on performance and outcome orientation, see Section 3.)

A sharper focus upon the main programmes could furthermore facilitate the ease of use of the supplementary budget documents. The large number of objectives and outputs on detail budget level inhibits the focus on the most relevant information. In the case where objectives and outputs on detailed budget level mark the basis for internal implementation contracts, is also not highlighted as such.²⁵ To promote the accessibility and usefulness of the information, the BMF should consider including a highlighted section on expenditure priorities of special budgetary and planning relevance at detail budget level, including financial- and performance-related divergences from plan; and significant one-off effects. Increased narrative explanations of the major changes to the previous year and visual distinctions between cash and accruals tables - which is already a worthwhile design element of the new documentation - should further increase the documents' usefulness for the parliament and public.

Budget Report

The Budget report could usefully be re-purposed as a “policy-maker’s handbook” presenting key information as well as serving as an index document for the supplementary documentation. As discussed before, information provided by the BMF is extensive and budget transparency achieved is thus very high. However, the high quantity of documentation creates a bulk of information that is difficult to digest. Through re-designing the Budget report as a single overview document, the report can highlight the key priorities, budget proposals and performance goals, and offer links to the more detailed documentation (such as supplementary budget documents and reports) and underlying data (for example, links to open data sources, as provided on Chapter level in the Outcome Orientation reports) where necessary. These links should be made easy to identify for the reader (in small highlighted boxes for instance).

Currently, the report misses the opportunity to connect the budget to overarching strategies and cross-cutting issues. The budget report includes a discussion of budgetary priorities of the government, which also reflect the medium term priorities identified in the strategy report and include important cross-cutting issues, such as economic growth, social and integration measures. Linkages to explicit government programmes and other central strategies however are not established (see discussion on Strategy report). In fact, the potential merging of the Strategy Report and the Budget Report could reinforce the “top-down” approach to budget formation in the documentation, presenting the annual budget priorities, budget proposals and performance goals within the medium-term objectives, including the relevant connections to government and international programmes.

The Budget report could also be used to deal more clearly with cross-cutting topics. Detailed information on issues such as environmental sustainability, climate change and

digitalisation is sufficiently available in the budget documentation, although it is not always brought together in a composite manner. An example of good practice is the reporting of Infrastructure and Investment: in addition to the specifics given in the single relevant chapters (UG environment, infrastructure, etc.), Infrastructure and Investment is further discussed in a specific chapter of the Budget report (Section 7 of the Budget Report 2017), in line with the cross-cutting nature of the topic. Applying this composite reporting to other important cross-cutting themes would be advisable.

The quality of explanatory information of the budget report, which has already significantly improved, should be maintained. Following the BMF efforts to improve budget documentation, the budget report shows more clearly the evolution in comparison with the previous year, providing a better overview of the developments of the budget in general and at Chapter level. However, parts of the budget report are still perceived as too general and incomplete. For example, for most chapters the explanations for year-on-year changes often fail to provide details of policy substance, dealing instead with plain descriptions. Changes that go further back than the previous year are not assessed. To provide a comprehensive summary, explanations on underlying assumptions should be extended, including the discussion of uncertainty regarding to predicted revenues and expenditures (as for example provided for the variable expenditure ceilings in the Strategy report). For examples, for some Chapters, such as UG 20 Labour, underlying data is presented and taken into account; other Chapters on the other hand establish no or only loose links. Where underlying developments are assumed, corresponding data should be made traceable, with links to the supplementary reports and to statistical websites for the interested reader.

3. Execution and controlling reporting

As part of the additional reporting effort to offset the transparency loss induced by the reform of the budget structure, the BMF provides detailed information on budget execution on a regular basis.

The increased requirements for execution and controlling reports generated additional workload on the part of both line ministries and the BMF itself. To address this, modern automation processes could be used to increase the cost benefit ratio over time. Knowledge-sharing across ministries should be supported to give the opportunity for mutual learning and adoption of best practices. This would also help to align the - currently very different - IT processes while promoting dissemination of innovative approaches within each ministry. For example, the introduction of the Controlling system “AUTORZL” of the Ministry of Interior²⁶ for example has facilitated the creation of controlling reports and has now been adopted by the Ministry of Science, Research and Economy and the Ministry of Health (with further Ministries expressing their interest). Other innovative approaches are being developed. However, a potential automation of the processes should not reduce or weaken the explanatory and interpretative parts of the reports.

Monthly reports on budget execution (Budgetvollzug)

Following common OECD practice, the BMF produces short monthly execution reports which contain information on budget execution (on cash and accrual basis) based on budget execution data provided by the budget management system regarding the previous month and cumulated data for the ongoing fiscal year, among other key figures. In contrast to the purely quantitative presentation until 2016, the reports now include

introductory remarks that give an overview on the most important developments and additional explanations.

Nevertheless, while the cash reports should be provided on a monthly basis to comply with international standards, adjustments of timing of accrual reports could improve the quality and informative value of the execution reporting. A change to quarterly reports on accrual basis would align the publication of the reports with accounting periods and hence provide more exact and reliable information to the parliament. Quarterly reports would furthermore give room to further emphasise and analyse of budgetary developments, with a particular focus on *a*) the evolution of budget implementation relative to the anticipated/profiled levels for that stage of the year, and *b*) any significant discrepancies with the cash reports. The quarterly reports may also replace the half year report on budget execution (January-April & January-September, see below), as long as the quarterly reports provide for a comprehensive presentation of all relevant developments at budget Chapter level (cash and accrual basis).

Report on budget execution January-April & January-September (Gebarungsvollzug - Entwicklung des Bundeshaushaltes Jänner-April und Jänner-September, Bericht des Bundesministers für Finanzen)

The Minister of Finance reports twice each year (reporting for the periods to 30 April and 30 September) to the Federal Government, the line ministries and the National Council on the execution of the budget of the current fiscal year. The report gives an overview and describes budgetary developments (on cash and accrual basis) at budget chapter level as well as differences between the cash flow and the operating statement. A brief summary in the beginning gives a comprehensive overview of the main changes. Given the problematic timing for accrual information, a move to quarterly reports (see above), covering the same information, can be considered.

Report on the preliminary budget outturn of the previous fiscal year
(*Vorläufiger Gebarungserfolg*)

The Minister of Finance reports annually (by 31 March) the budget outturn of the previous fiscal year to the National Council. The report contains preliminary information on cash and accrual basis (the audited figures on the budget outturn are published by 30 June in the financial statements). It shows the outturn of the previous fiscal year in comparison to the budget statement. Significant deviations from the budget statement are explained at budget chapter level. The report includes to a large extent similar information as the December execution report (reported to Parliament in January), which should simplify its preparation.

Since 2015, the report also integrates the report on changes to reserves (*Rücklagenbericht*) which provides high transparency of reserve accumulation and use. However, while the report provides detailed information about withdrawals and allocation by Ministries, it reveals no information on the sources of the reserve accumulation. Such information, however, would be needed to distinguish between different categories of reserve, e.g. “unearned” and “earned”, which are proposed to be treated in different ways for accumulation purposes (see Section 2.3.4). While this information is not readily available at present, the integrated IT system for federal budget accounting should be further developed to allow the tracking of all reserves by resources.

4. Outcome orientation reports

Regular performance reports were introduced to allow for thorough evaluation of the outcome objectives. Since the introduction of performance budgeting in 2013, two reports for performance evaluation are presented to the Budget committee, on 30 April and 30 September. Both reports are based on inputs received from the line ministries and have a special focus on the goal of *de facto* equality of women and men which is implemented by *ex ante/ex post* gender impact assessments and the gender equality objectives in the Annual Budget. The cross-departmental performance evaluation information is co-ordinated by the performance management office (FPMO) (*Wirkungscontrollingstelle*) within the Chancellery, which also supports the line ministries in developing and realising the outcome objectives and outputs.

Report on Impact Assessment (*Bericht zur Wirkungsfolgenabschätzung*)

The growing number of impact assessments will challenge the parliament's oversight capacities in the future. The spring report on impact assessments summarises the previous year's results of *ex post* impact assessments and programme evaluations of laws, regulations and bigger projects in various areas that are conducted after latest 5 years (see Section 3.4 for further details on the system of impact assessments). With the introduction of "RIA light" in 2015, the BMF already undertook an important first step to limit the overwhelming wealth of information. However, with an expected growing number of *ex post* evaluations in the next years, more has to be done to allow the parliamentary reader to focus on the main initiatives and projects.

Currently, all assessed projects are presented identically despite significant differences of political and budgetary importance. Highlighting the most relevant projects - in terms of financial and/or social impact - for example by visual coding or organisation and linking them directly with the corresponding outcome objectives would assist accessibility and allow prioritisation. Alternatively, it could be considered to include these key assessments in the report on outcome orientation (see below), while making assessments that show less impact available on the interactive website maintained by the Federal Chancellery (www.wirkungsmonitoring.gv.at). If selected carefully, this could help to further streamline the amount of information provided by the Impact Assessments and to connect them closer to the results of the outcome orientation - making them more relevant for the parliamentarians and the public.

Report on Outcome Orientation (*Bericht zur Wirkungsorientierung*)

The report in autumn, which is presented in parallel with the budget documentation to the Budget committee, provides a comprehensive set of information, showing to which extent the objectives and activities in the Annual Budget (performance informed budgeting) have been achieved/implemented in the previous fiscal year. Colour-coding facilitates the quickly identification of whether specified targets have been met. The report furthermore provides a comprehensive narrative account of the performance information in each Budget Chapter, including an account of the achievement of the previous performance objectives and an explanation of any changes or refinements to these objectives.

For enhanced transparency all performance and monitoring information is available in digital form on an interactive website maintained by the Federal Chancellery (www.wirkungsmonitoring.gv.at). The website provides an overview of the linkages between all budgetary bodies and their corresponding chapters, outcome objectives, outputs and specific projects. Additionally, a "gender map" (*Gleichstellungslandkarte*)

gives an overview of all gender related outcome objectives and their corresponding outputs, organised by thematic clusters. To maintain easy access and user-friendliness of the provided data, data presentation may be further developed for example by simplification.

Despite these improvements to the presentation of the report, the nature of the performance information provided has been the subject of some concerns within the parliament. In September 2017, an internal report of the Subcommittee to the Budget Committee highlighted various issues regarding the outcome orientation. The criticism reflects previously stressed shortcomings, such as the low ambitions of the objectives set; the poor quality of indicators; and poor linkages between the achievements of outputs and overall goals. The report highlights that these shortcomings occur around objectives and indicators related to gender equality, which is insufficiently recognised as a crosscutting theme. In response to these challenges, the Subcommittee's report (BA, 2017) supports a PBO recommendation to decrease the number of outcome objectives in exchange for a more focused and relevant discussion (see Section 3.2 for a detailed discussion on performance information).

4.3. Promoting transparency and accountability

4.3.1. The Parliament, its Committees, and the PBO

Austria's new budget system has changed the culture of parliamentary budget debate, particularly within the Budget Committee, encouraging a more outcome-focused discussion. Debate on performance information is further enriched by the Budget Committee's creation of a Subcommittee on Budgetary Performance and Execution which hears evidence from civil servants, although to date this subcommittee has met only irregularly.²⁷ The change to more outcome based questions by parliamentarians challenges the line ministries to provide qualitative and meaningful information regarding their objectives. The ability of the National Council to monitor implementation throughout the year has also been enhanced by new reporting requirements throughout the year.

There are some ongoing challenges, however. Corrections of the budgetary numbers, in particular around updates due to accrual adjustments, have at times challenged parliamentarians' confidence in interpreting the data presented and moved the budgetary debate into one on data quality. Some work remains to be done to continue to enhance presentation of the accrual information and build confidence in the budgetary numbers (see Section 4.5). Striking the right balance between providing "too much" and "not enough" information for the parliamentary scrutiny process is a challenge faced across OECD countries. As noted earlier, despite improvements, some of the budget documentation is still not regarded by parliamentarians as accessible or usable enough, and there is a perception of "information overload" in some areas. Parliamentarians have, for example, expressed frustration around the quality and *number* of performance objectives and indicators.

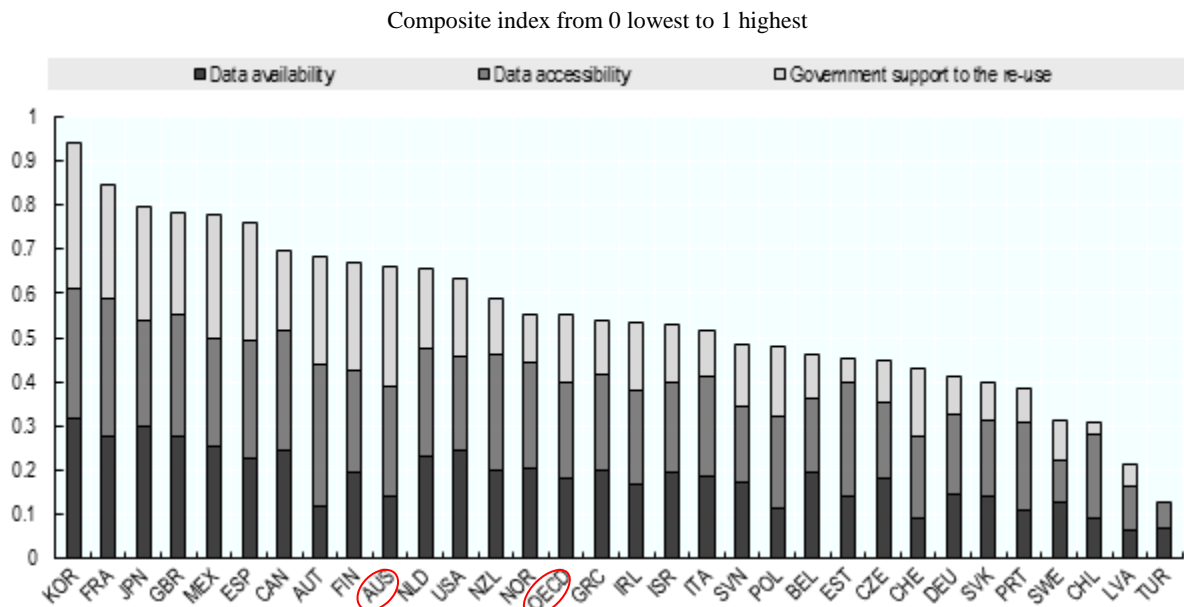
As noted earlier, the Subcommittee on Budgetary Performance and Execution provides an additional forum to tackle the preponderance of performance information. Given the scale of budget and performance-related information already available, and the increasing volume which will be available in the near future - notably the performance-related reports and evaluations co-ordinated by the Federal Chancellery - there is scope to give sectoral committees an even greater role in discussion of performance information

(quality and relevance of proposed objectives and achievements, review of key evaluations) for the ministry or agency that they cover. Such an approach should allow for the Budget Committee and the Subcommittee on Budgetary Performance and Execution to further benefit from each sectoral committee's specialised knowledge, while freeing them to focus more on their core mandate.

The establishment of a Parliamentary Budget Office (*Budgetdienst*, PBO), which directly supports the Budget Committee, has taken place in parallel with the broader agenda of budgetary reform, and is in line with advanced practice in OECD countries.²⁸ While an assessment of the role and impact of the PBO is beyond the scope of this review, there appears to be a general recognition by stakeholders both inside and outside parliament that the PBO has substantially improved the ability of the parliament and the Budget Committee to engage with the new budget process and documents - notably in the area of performance budgeting, which is a distinctive feature of Austria's budget reform (see Section 3).

4.3.2. Open government and open data

Significant steps have been taken to communicate budget information transparently. As one of the 12 core objectives of Austria's "Digital Roadmap" Austria already committed to "promote open data, open government and open source [...] to shape the path towards a digital future and position Austria amongst the innovative leaders in digitalisation"²⁹. Open government data (OGD) can be a powerful lever for social and economic development. It can also be used to strengthen public governance by improving the design of public services with a citizen-driven approach, by enhancing public sector efficiency and by spurring public sector integrity and accountability (OECD, 2017a). In comparison to other OECD countries, Austria ranks among the top ten countries on the OECD Open-Useful-Reusable Government Data Index (Figure 8). Austria is the leading country in data accessibility (free and accessible format) and among the top performers regarding government support for data re-use. As previously mentioned in Sections 3 and 4, financial information and reports published by the BMF are freely available on the BMF webpage, and performance information is presented in an interactive format.

Figure 8. Open-Useful-Reusable Government Data Index (OURdata), 2017

Source: OECD (2017b), Survey on Open Government Data; Data for Hungary, Iceland and Luxembourg are not available. Denmark does not have a Central/federal data portal and therefore are not displayed in the Index. Detailed methodology and underlying data available online in the annex online. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

However, relative to other OECD countries Austria is lagging behind in terms of data availability. In contrast to most other OECD countries, there are no formal requirements at federal level whereby government data should be "open by default" unless a legitimate justification is provided (OECD, 2017a). Austria may hence consider applying a sound legal and regulatory framework for all aspects of the data value chain, such as having the necessary formal requirements to promote data availability (Box 4.1). For budgeting information, the provision of freely available government data would reduce the pressure to provide supplementary and more technical data in the budget reports, as long as the relevant links are provided. The initiative "Co-operation Open Data Government Austria" (*Cooperation OGD Österreich*) is a very promising step in this direction.

Additionally, oversight mechanisms would contribute to monitor the further development of Open Government Data initiatives and their compliance with national legislation and regulations. This may entail assessments (e.g. through the form of a report) for the whole federal government to evaluate whether all relevant legislation and regulations on open government data are currently in place with regard to security, privacy, confidentiality and intellectual property (OECD, forthcoming a).

Box 14. Legal and regulatory frameworks in OECD countries to promote data availability

Several OECD countries are taking steps to provide greater legal support to open data by discussing open data-specific laws.

In Korea, the availability of a specific law on open data provides a clear distinction of the roles inside public institutions (institutional chief data officers and data managers) and sets a legal foundation for technical support bodies. In Korea, the open data law mandates the Korean government to develop a Basic Plan for the Promotion of the Provision and Promotion of Public Data every three years (Master Open Data Plan). While the Korean Master Open Data Plan is linked to the Korean Action Plan for the OGP, the former sets a strategy for open data at the national level in order to achieve Korea's objectives at the international and national level.

In April 2016, a bipartisan bill was introduced to the Congress of the United States. The United States Open, Public, Electronic and Necessary (OPEN) Government Data Act (to be enacted) aims to set open data as a standard practice by public institutions in the United States by making public sector information open-by-default, and to set a legal framework for policy continuity to open data in the country (US Congress, 2016; Kilmer, 2016).

In Belgium, the Council of Ministers introduced a bill to adapt the Belgian legislation to the 2013 European Union Directive on the reuse of public sector information (EU, 2013), which seeks to spread open data across EU countries. The bill is part of the efforts of the Belgian government to pave the way for open data in the country. These efforts also include a formal strategy for open data with a vision for 2020.

Source: OECD (2016a), Open Government Data Review of Mexico: Data Reuse for Public Sector Impact and Innovation, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264259270-en>

Open data, however, is only one key element in the toolbox used when moving towards the concept of an “open government”, or as the OECD defines it “a citizen-centred culture of governance that utilises innovative and sustainable tools, policies and practices to promote government transparency, responsiveness and accountability to foster stakeholders’ participation in support of democracy and inclusive growth”. To ensure a wider acceptance, increased accountability and a more realistic debate on budgetary choices, budget principle no. 5 of the OECD’s Recommendation on Budgetary Governances calls upon governments to “*provide for an inclusive, participative and realistic debate on budgetary choices*” by:

- offering opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both *ex ante* and *ex post* as appropriate;
- facilitating the engagement of parliaments, citizens and civil society organisations in a realistic debate about key priorities, trade-offs, opportunity costs and value for money;
- providing clarity about the relative costs and benefits of the wide range of public expenditure programmes and tax expenditures;

- ensuring that all major decisions in these areas are handled within the context of the budget process

Moving from budget transparency to a more inclusive and participative budgeting process can increase policy responsiveness and citizen trust, and also has the potential to enhance efficiency and impact. In Austria, during the annual budget debate, experts, such as academics and chambers, are invited by parliamentary parties to present their view on the MTEF/the budget in spring and autumn (see Section 2). However, there is a perception among some stakeholders that these “expert hearings” are somewhat formulaic, as the experts are nominated by the political parties, have a very limited time to speak, and do not provide written evidence in advance. Moreover, there is only limited engagement from civil society in general. The two main civil players that are involved in the budgetary process remain the Austrian Chamber of Labour and the Chamber of Commerce. Although they produce several useful and insightful commentaries, in particular on the Budget report, supplementary budget documents and the strategy reports, their consultation is mostly informal, and no possibility for official input is given before the draft budget is finalised.

For a more inclusive and participative approach, in line with budget principle no. 5, international models of pre-budget consultation and debate should be considered, allowing the budgetary formation phase within parliament and government to benefit from a range of views on budgetary priorities before the draft budget is prepared. Box 15 provides international examples which Austria may use to reflect on how to further develop the open, consultative character of the budget process.

Box 15. Consultative and participatory budgeting practices in OECD countries

Canada

In Canada both the government of the day and the House of Commons Standing Committee on Finance (FINA) now hold pre-budget consultations as part of the budget formulation phase.

Typically, the Minister of Finance seeks prior advice from parliamentary committees during the budget preparation phase (June - September). In October, following the release of the Budget Consultation Papers covering the economic and fiscal outlook and prospective fiscal and expenditure targets, the Minister of Finance begins consultations with the Standing Committee on Finance (FINA) among other stakeholders. The views of the general public are collected in pre-budget consultations, with topics announced in a press release. In the past these consultations tended to be conducted as closed-door sessions with representatives of stakeholder groups. Under Canada’s new government (2015) the Minister of Finance’s pre-budget consultations have been revamped to be more open and to take more advantage of digital and social media platforms. While there are still some closed-door sessions, there are also a range of public events in various locations across Canada where participants have the opportunity to offer their opinions directly to the Minister of Finance. Canadians can participate in Google Hangout or Facebook Live events, take short online surveys on a dedicated consultation webpage (close-ended questions that allow quantification of results), provide submissions by email, and reach out through other social media platforms such as Twitter. Their feedback is collected in a summary report published online (see for example Finance Canada 2017 Pre-Budget Consultations Summary Report: www.fin.gc.ca/pub/psc-cpb/2017-eng.asp#s2).

The Finance Committee's pre-budget consultations also provide an important feedback avenue for the annual budget. Since the mid-1990s, the committee is "specifically empowered to hold "pre-budget" consultations, pursuant to the Standing Orders." Consultations are launched in autumn with a press release inviting Canadians to voice their opinions about the upcoming budget, including on specific themes, although the committee tends to focus on aggregate spending, tax policy, deficits and surpluses, and not on detailed departmental allocations. The committee takes written and oral submissions and holds public hearings in the capital and in different locations throughout Canada. The results are submitted in a pre-budget report with recommendations in early December. This report is also usually debated in parliament. While the committee's recommendations are not binding, they provide an opportunity for parliament and the public to communicate budgetary priorities to the government.

Ireland's National Economic Dialogue

In 2015, Ireland introduced a number of improvements to its annual budgetary cycle, including the institution of a new National Economic Dialogue (NED). The NED is a pre-budget consultative forum, convened by the government, bringing together the various civil society interests, social partners and parliamentary stakeholders to discuss priorities for the October budget. The forum is held in June, after the government has determined (from its spring budget semester) the level of "fiscal space" available in the coming year, and before line ministries have submitted budget proposals. The NED is moderated by an independent chairperson and all of its sessions are held in public. At the conclusion of the Dialogue, the chairperson submits a report on key messages for consideration by the government and line ministries during the pre-budget deliberations. In the October budget, the minister for finance/public expenditure includes a report on the extent to which the "key messages" from the NED have been addressed in the budget.

Korea

Six mechanisms are used that span the entire budget cycle in Korea. During the budget formulation stage, 1) formalised open discussions for the public are held 2) representatives from the Ministry of Finance hold meetings with local government officials and citizens 3) a "fiscal policy advisory council" reviews and finalises the budget, and 4) an assembly expert hearing is conducted. During the implementation stage, 5) a "budget waste reporting centre" can be used by citizens to report any suspected misuse or waste of public funding. In the auditing stage, 6) citizens have the opportunity to make suggestions to the board of audit and inspection on which public entity operations or expenditures to audit.

Source : OECD (2017a) Budget Transparency Toolkit.

The introduction of RIA has introduced an enhanced consultation process for new legislation (see Section 3). Nevertheless, while the impact assessment system can be described as advanced practice in international terms, Austria's policy-making processes would benefit from enhancements to their consultative and transparent character. The OECD Better Life Index for example takes into account the "formal process for public engagement in developing laws and regulations [as] one way to measure the extent to which people can become involved in government decisions on key issues that affect their lives". In Austria, the level of stakeholder engagement in developing regulations is 1.3 (on a scale between 0 and 4), which is significant lower than the OECD average of 2.4, with Austria ranking 33rd out of 38 countries in the index³⁰ (OECD, Better Life Index

2016³¹). This can be partly ascribed to a lack of an all-encompassing requirement for consultation. For example, as outlined in Section 3.3.1, while impact assessments for primary legislation are open for consultation by the public and all interested stakeholders, spending proposals, primary laws initiated by parliament and *ex post* assessments are not routinely subject to public consultation. Taking account of the good practices and principles outlined in the OECD's Budget Transparency Toolkit (2017), there would appear to be scope to adopt a more transparent, participative approach. A useful first step would be to enhance the visibility of the impact assessment process to the wider public, for example by providing a single public website that publishes all (final) impact assessments, including legislative, regulatory or spending-related. Providing transparency on this broader set of proposals would help to raise awareness of the tool and would over time provide a valuable starting point for more routine and uniform interaction with the public during the course of policy-making.

4.4. The cash and accrual basis of public financial reporting and budgeting

Among the budgetary principles set out in Section 2 of the Federal Organic Budget Act 2013 and Art. 51(8) in the Federal Constitution, is the requirement to obtain a “true and fair view” of the financial condition of the Federal Government. In practice, the “true and fair view” is implemented by adopting a dual approach to financial reporting and budgeting, involving both traditional cash budgeting and accounting and accrual budgeting and accounting in parallel. This important pillar of budgetary reform aims to provide policy-makers with fuller, objective and undistorted information regarding the financial context and implications of policy options. Accrual accounting is also a prerequisite for accurate cost accounting, which can yield useful insights on relative efficiencies across different administrative areas (see Box 16).

Box 16. Accrual budgeting and reporting in OECD countries

While “cash accounting” focuses upon transactions which move cash into and out of the public treasury, “accruals accounting” is based upon economic events, i.e. transactions that involve an exchange of value (including obligations or commitments), irrespective of when cash changes hands. Cash accounting has the benefit of simplicity, which is valuable in public financial management because many users of public financial documents - including parliamentarians, officials and the general public - would not be expected to have training in professional accounting techniques. However, cash accounting on its own can be manipulated more easily than accruals accounting, e.g. by deferring payments into another period to hide the costs associated with a decision, or bringing receipts forward in order to make the public finances look healthier than they really are. Accrual accounting also entails the maintenance of a balance sheet, showing the value of assets and liabilities and thus the entity’s “net worth”; as well as a cash flow statement reflecting the liquidity of the entity’s financial position.

Because of these advantages, accrual accounting has long been the norm among private companies, in the public sector, and especially in the central government sector, cash accounting has been more traditionally applied. However in recent decades, there has been a steady movement towards the adoption of accruals approaches in various aspects of government budgeting and reporting. By 2016, 82% of OECD countries prepared their financial reports on the accrual basis, while 32% also prepared accrual budgets (incorporating either accrual, or cash, or both accrual and cash appropriations and related

budget execution reports)¹ Where an accrual basis is used, the type of approach can vary widely, as countries opt to implement some or other parts of the generally recognised international standards (such as International Public Sector Accounting Standards (IPSAS) or the Government Finance Statistics Manual (GFSM)) in their nationally-defined accounting framework.

A number of factors have driven the trend towards accrual accounting, including a) the development and refinement of the international standards mentioned above, b) the increasing professionalisation of public financial management and c) greater capabilities of financial management information systems (FMISs). However, the trend is also driven by a fuller appreciation of the benefits that can be obtained from using accrual as well as cash accounting. Among the key benefits are the following:

- **Quality and transparency:** Accounts prepared on a standard accrual basis include comprehensive information, which allows for the analysis of key features of public financial performance. Moreover, through correct matching of revenues and expenses, the full financial implications of policy initiatives are clearly visible from the outset.
- **Reliability and integrity:** Accrual accounts are less vulnerable to distortion through the manipulation of cash payments, and thus give a more reliable picture of the underlying financial position. Users of the financial reports - both domestically and internationally - can thus focus upon policy content and more readily appraise the true financial position.
- **Efficiency and productivity in government:** Accrual accounting is a prerequisite for effective cost accounting, encompassing the full level of resources consumed in delivering programmes, maintaining assets and servicing liabilities. This in turn underpins an agenda of administrative efficiency and productivity in the use and impacts of public funds.
- **Consolidated approach to public financial management:** The accrual basis, uniformly applied, allows for (and indeed requires) a consolidated approach to managing and/or reporting on the financial position of the public sector as a whole, or broad elements of the public sector, as distinct from the “budgetary central government” sector alone (ministries and agencies).
- **Quality in business processes:** In general terms, the disciplines of accrual accounting are associated with enhanced professionalism in business processes such as internal control; identification, monitoring and costing of liabilities, including contingent liabilities; and fiscal risk management as a whole.
- **Accountability:** a standardised, consistent approach to accruals reporting and budgeting forms a sound basis for planning, implementation, reporting and accountability across the budget cycle; and thus for supporting the functions of key institutional stakeholders such as parliament and the supreme audit institution.

Note: ¹ Australia, Austria, Canada, Chile, Denmark, UK, Iceland, Mexico, New Zealand, Switzerland.

Sources: OECD/IFAC (2017), *Accrual Practices and Reform Experiences in OECD Countries*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264270572-en>; IMF (2016), *Implementing Accrual Accounting in the Public Sector*. Washington, DC: International Monetary Fund, 2016.

As in the case of many OECD countries that have moved over recent years to introduce accrual-type reforms, the particular form of accrual methodology adopted in Austria is based upon the International Public Sector Accounting Standards (IPSAS). The Austrian system does not aim at full compliance with these standards: many of the IPSAS standards have been fully adopted, but others have been adapted for national purposes, based on a number of considerations including proportionality and relevance. The development of the nationally-adapted standards was led by the BMF in close consultation with the Court of Audit. A significant point of divergence from IPSAS is the treatment of public pension liabilities, which are not incorporated into the balance sheet, instead being recognised in a note to this statement.

The essence of the parallel system in Austria is the preparation of an operating statement alongside the traditional cash flow statement; as well as the preparation of the end-of-year balance sheet based upon a rigorously maintained asset register, with assets depreciated on an economic basis by reference to a standard schedule for different categories of asset. The dual preparation of cash and accruals reports is facilitated by a specially-designed financial management information system (HIS³²). Based on the transaction data recorded in the SAP accounting system HIS allows data to be automatically re-presented into the appropriate formats (standardised tables) as well as combined based on user's needs (manual query)³³. Importantly, the Austrian system presents the cash and accruals information on a prospective basis (as part of the annual budget), in real-time (for in-year monitoring) and on a retrospective basis (end-year financial reporting), which in principle allows for a joined-up approach to planning, reporting and accountability over the course of the budget cycle. This approach conforms well with the OECD Recommendation on Budgetary Governance, budget principle number 6, which provides that governments should “present a comprehensive, accurate and reliable account of the public finances”, including through:

accounting in a manner that shows the full financial costs and benefits of budget decisions, including the impact upon financial assets and liabilities; noting that (i) accruals budgeting and reporting, which correspond broadly with private sector accounting norms, routinely show these costs and benefits; (ii) where traditional cash budgeting is used, supplementary information is needed; (iii) where accruals methodology is used, the cash statement should also be used to monitor and manage the funding of government operations from year to year.

The parallel presentation of both cash and accruals information in budget reports is advanced practice internationally, and has the potential to improve the quality and reliability of data available for decision-making and accountability. Both approaches have complementary strengths: in international terms, good practice is for the cash basis to serve as the primary reference for establishing fixed spending limits, while the accrual basis provides a definitive reference for forecasting and financial reporting.

In practice, however, the cash and accruals information are not yet employed to their full potential. Stakeholders report that the cash-based reports form the basis for day-to-day management and for discussion between the BMF and the line ministries. The operating statement is still little-used and is regarded by some (especially in line ministries) as an ancillary or background document rather than a core focus of planning or accountability. There appear to be a number of reasons for the relative lack of use of the operating statement:

- The new accruals reports are still relatively recent and are unfamiliar to many existing civil servants, who have been trained in the use of the cash statement over many years;
- Related to this point, there are still “teething problems” within ministries in booking accounts systematically on an accrual basis during the year, with the result that errors and inconsistencies need to be resolved after end-year. As a result, the accuracy and reliability of the accrual reports are a disproportionate focus of audit and parliamentary attention, rather than the content and policy messages contained within the reports;
- Among the key users of the accruals information are the National Statistical Office, which draws upon these data in preparation of its bi-annual notifications to the European Commission on the public finances (the so-called “Maastricht returns”), and the Court of Audit. However among other practitioners, including ministry officials and parliamentarians, the added value and policy relevance of the accrual information is still not fully understood.
- In this latter regard, it is notable that the BFRG, which is an integral element of budgetary management, does not currently present accrual information on a multi-year basis. This would seem to represent a *lacuna* in an otherwise consistent approach, and tends to reinforce a general perception that the cash ceilings are the “real” benchmarks for budgetary planning. Other countries that take an advanced approach to accrual reporting and budgeting - notably New Zealand and the United Kingdom - underline the importance of a consistent and thoroughgoing approach in “normalising” the adoption and use of this methodology (see e.g. OECD (2017c)).

These issues need to be addressed in order to strengthen confidence in the usefulness and cost-effectiveness of the accrual dimension of budgeting and reporting. Indeed, additional detail in public financial documents, if it is seen as superfluous, risks distracting users and obscuring important policy-relevant signals. In such a circumstance, it would be understandable for users to call for a streamlining through reducing the accruals information.

In order to counter these shortcomings and sustain support for Austria’s advanced approach, a number of measures would appear to be advisable:

- The BMF together with the Court of Audit should clearly document and re-state the intended uses and benefits of cash and accruals accounting for policy-making and accountability in the Austrian system, and should incorporate this messaging into training, capacity-building, education and awareness initiatives both within government and with other stakeholders in parliament and with the public.
- Accruals information should be included in the BFRG to correspond with the cash-based information. By extending the “true and fair view” to this budget-related report, this approach would more consistently apply the “aims and principles” of budgetary management set out in section 2 of the Federal Organic Budget Law.
- To aid clarity and accessibility, the cash- and accrual-based tables in the budget reports should be more clearly distinguishable from one another, e.g. through colour-coding, formatting and applying other elements of the improved “design language” outlined earlier in this Section. In addition, each table - both cash and

accruals-based - should include a short interpretative note to guide non-technically-expert readers. This interpretative note should routinely include a factual explanatory comment regarding any significant discrepancies (or apparent discrepancies) between the two reports.

- Irrespective of the general principle of dual reporting in both cash and accrual terms, care should be taken that the frequency of accrual reports is consistent with maintaining their accuracy and integrity. Accordingly, as proposed earlier in this Section, there is scope for streamlining the monthly accrual-based budget execution reports to a quarterly basis.

Box 17. Key Recommendations

19. Create a clear system to facilitate navigation across the various budgetary documents. The Budget Report could be re-designed as a single overview document that serves as a “policy-maker’s handbook”, not only summarising the key information but functioning as an index document for all related supplementary documentation. Clearly established and visually highlighted links between the different budget documents are also advisable to allow the individual reader to quickly find the information of specific interest to them.
20. Continue to develop a distinct and consistent “design language” to facilitate navigation across the various budgetary documents. This should include uniform table and section headings; consistent nomenclature and colour-coding (in particular for cash and accrual data); and structuring of content. Such a uniform budgetary reporting framework should also be carried through, as appropriate, to the corresponding elements within the performance reports by the Federal Chancellery.
21. Highlight key information in budgetary documents. This may include highlights on the specification of the annual financial details, and on critical performance information linked to the identified political priorities. In particular in the context of the increasing number of impact assessments published, selected highlights should allow parliamentarians to easily identify evaluations of programmes with the greatest financial and/or societal impact.
22. Support continued development of best IT practices for standardised reporting. Innovative automation processes could be used to increase the cost-benefit ratio over time for reporting. Knowledge-sharing of IT tools across Ministries should be supported to identify best practices
23. Continue to provide monthly execution reports with official, reliable cash information. Accrual information and analysis should be provided in quarterly reports including a narrative report explaining deviations from in-year profiled expenditures and revenues.
24. Enhance the explanatory information in the supplementary budget documents. The supplementary budget documents should provide the narrative for the more technical Chapters, including explanations for significant changes in allocations and performance goals, and highlighting links to the higher level objectives and measures.
25. Expand the provision of open data. In line with current government commitments

Austria's "Digital Roadmap" and the "*Cooperation OGD Österreich*" initiative, an "open by default" policy should be considered allowing users to compare, combine and follow the connections among different data sets, including international comparisons. Data-visualisation tools provide added value for individual users and should be further developed and improved.

26. To promote budget transparency and inclusiveness, consider international models of pre-budget debate and consultation, allowing the budgetary formation phase within parliament and government to benefit also from a range of views on budgetary priorities before the draft budget is prepared (see also Recommendations 1 and 2); as well as enhancing the visibility of the impact assessment process to the wider public, for example by publishing a more comprehensive set of (final) impact assessments - legislative, regulatory and spending-related - through a single public website. A "citizen's budget" could also be produced with a view to fostering public understanding and engagement.
27. Include accruals information in the medium term expenditure framework to correspond with the cash-based information. Extending the "true and fair view" to this budget-related report would more consistently apply the "aims and principles" of budgetary management set out in section 2 of the Federal Organic Budget Law and Art. 51(8) Federal Constitution.
28. Ensure clarity and accessibility of accrual data. The cash- and accrual-based tables in the budget reports should be more clearly distinguishable from one another, e.g. through colour-coding, formatting and applying other elements of the improved "design language" for budgetary documents. In addition, each table - both cash and accruals-based - should include a short interpretative note to guide non-technically-expert readers. This interpretative note should routinely include a factual explanatory comment regarding any significant discrepancies (or apparent discrepancies) between the two reports.

Notes

¹ OECD (2015), *Recommendation of the Council on Budgetary Governance*. Note that this OECD Budget Review is focused on a sub-set of the overall budget principles related to performance budgeting and budgetary management, and accordingly does not examine in depth issues relating to fiscal rules, fiscal risk / long-term sustainability, capital budgeting or independent fiscal institutions.

² Before the reforms, money could only be reallocated by amending the budget law.

³ Budget- und wirtschaftspolitische Zielsetzungen

⁴ ‘Administrative units’ in this context refers to budget management at the operational level (so-called ‘budget managing bodies’), such as police departments or tax offices. The idea was that these units, when they achieved savings, should also get access to the reserves.

⁵ Due to the timing of federal elections in autumn 2017, the annual schedule of budgetary preparations is delayed.

⁶ <http://www.finanzen.at/nachrichten/aktien/Budget-Fiskalrat-mit-Bedingungen-fuer-Reform-1001837261>

⁷ 237 first-level detail budget, 150 second-level detail budget (Federal Ministry of Finance, *Budget Report 2017*).

⁸ Einvernehmensherstellung, see § 58 Abs. 2 BHG 2013

⁹ <https://www.parlament.gv.at/PERK/GL/BUDGET/>, accessed 5.10.2017

¹⁰ Previously the financial statements were presented by the end of September

¹¹ OECD (2014), *Budgeting Practices and Procedures in OECD Countries*

¹² § 55 and § 56 BHG 2013

¹³ Annual Budgeting Act (BFG) 2017, Article VIII

¹⁴ An overview of relevant parameters defining the variable expenditure ceilings by Chapter are briefly listed and explained in the Fiscal Strategy Report.

¹⁵ *Ressourcen-, Ziel- und Leistungspläne*

¹⁶ PBO support for performance budgeting notably includes *a)* overview “maps” of performance information, *b)* explanation of key performance budgeting concepts such as outputs and outcomes, and *c)* analysis of consistency of outcome targets in different areas. The PBO also assists with gender related analysis.

¹⁷ Implementation costs regarding federal, state or local authorities and social insurance providers as opposed to costs of compliance for businesses

¹⁸ Upon completion.

¹⁹ Additionally, the principles of budgeting at federal level which include gender equality are stated in Article 51(8)

²⁰ www.wirkungsmonitoring.gv.at/.

²¹ <http://blog.imag-gendermainstreaming.at>

²² For 2017 and 2018, the documentation on the BFRG, including the Fiscal Strategy Report (*Strategiebericht*) and the Fiscal Sustainability Report (*Langfristige Budgetprognose*) which is prepared every 3 years was decided to be moved to October. However, due to the government reshuffle, this will not come into effect yet. The next BFRG is expected for spring 2018.

²³ E.g. compare description of budgetary priorities on annual and multi-annual basis (“*Wirtschafts- und budgetpolitische Ziele*“; “*Budget- und wirtschaftspolitische Zielsetzungen*“; “*Budgetpolitische Schwerpunkte*“).

²⁴ E.g. Compare documents issued by BMF and BKA

²⁵ In general, the performance mandates within a ministry (i.e. *Ressourcen-, Ziel- und Leistungsplan*) are internal documents and management tools that are not made public.

²⁶ Conversation with officials, November 2017.

²⁷ Several parliamentary and other stakeholders noted that oversight of performance would be enhanced if there were more regular meetings of the Subcommittee on Budgetary Performance and Execution throughout the year (as is the case, for example, for the Standing Subcommittee on European Affairs).

²⁸ Since 2007, OECD countries report a larger budgetary role for the legislature in successive surveys on budget practices and procedures. Among the most marked trend is the establishment of legislative budget offices or scrutiny units (OECD Budget Practices and Procedures Database).

²⁹ www.digitalroadmap.gv.at/, accessed July 2017

³⁰ The index measures elements such as consultation methods, openness, transparency and feedback mechanisms

³¹ www.oecdbetterlifeindex.org/topics/civic-engagement/

³² *Haushaltsinformationssystem* (HIS)

³³ The full budget execution reports are not yet prepared automatically, i.e. the layout and the explanatory notes need to be prepared manually.

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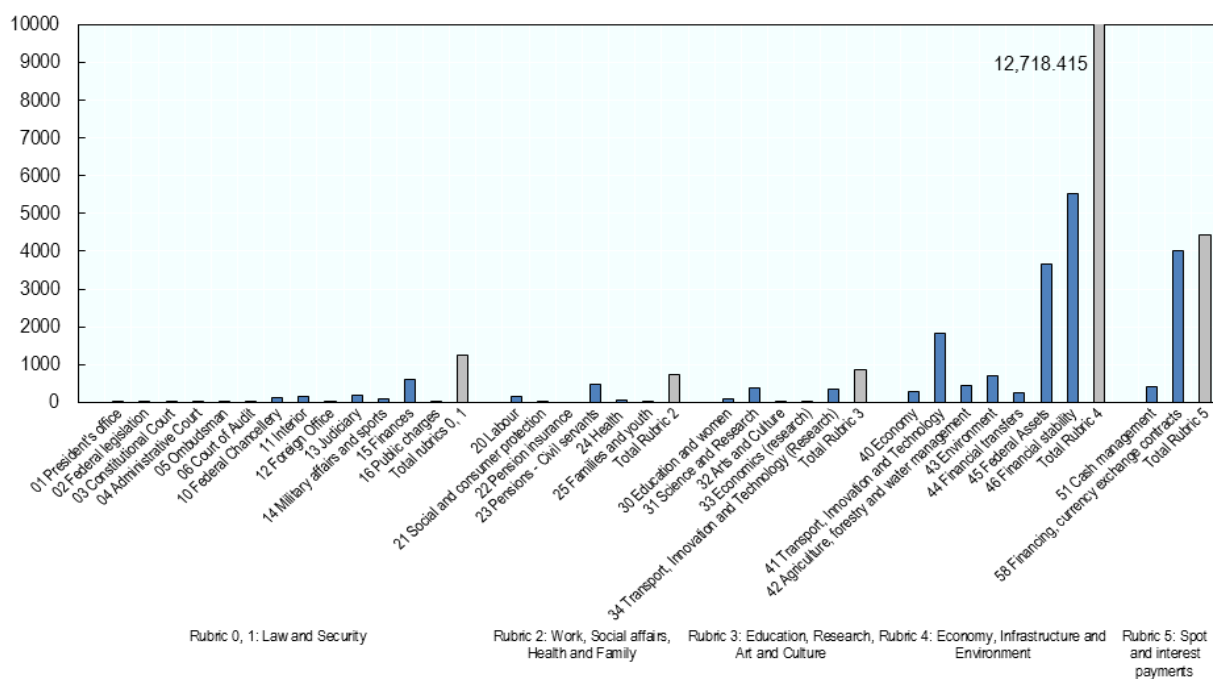
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Annex 1 Tables and Figures

Annex Figure 1. Overview of accumulated reserves by Chapters, end of year 2017



Source: BMF.

Annex Table 1. Internal recommendations and Achievements

| Challenges: | Recommendation (2014/2015) by BMF and PBO: | How are the challenges addressed: | |
|--|---|---|--|
| Missing overviews and tables | Include overview tables and summaries. | Many of the main budget documents (budget report, Supplementary budget reports, Strategy report, execution reports) include a brief summary of the main messages. | |
| Budget report | <p>Underlying assumptions on taxes, labour market development, loans and currency exchange contracts are missing.</p> <p>No risk assessments of the estimated expenditure and income generated is presented.</p> <p>Developments on Chapter level are not explained.</p> <p>No overview of cross-cutting issues (such as Climate, Development Cooperation, business promotion)</p> | <p>- Cyclically sensitive expenditure and incomes (variable budget appropriations assumptions) should be supported by the underlying planning and consequences of changes of the economic framework conditions.</p> <p>- This should include an evaluation of budgetary risks, as well as the methodology for tax revenue estimates and interests.</p> <p>- Expand explanations on Chapter and Budget level.</p> <p>Clearly address the budgetary consequences of cross-cutting strategies and objectives as well as the budgetary measures for the implementation of government programmes.</p> <p>Cross-cutting issues may be presented separately.</p> | <p>Provision of underlying assumption in individual Chapters, such as in UG 20 (Labour).</p> <p>Increased emphasis on the evolution since the previous BVA, and differences between cash and accrual accounts. Nevertheless, narrative is often more descriptive than explanatory.</p> <p>Budgetary priorities include a range of cross cutting issues. However, links to the relevant Chapters are only occasionally developed and key cross-cutting issues, such as climate change and gender equality are missing.</p> |
| Supplementary Chapter budget documents to the draft Annual Budgeting Act | <p>No overview of the developments on Chapter level.</p> <p>Not tailored for clearly identifiable audience</p> <p>Budget priorities defined in the strategy report are not explicitly addressed.</p> <p>Expenditure priorities are only discussed on detail budget level. Explanations vary largely across departments and are mostly of qualitative nature.</p> <p>Main budgetary challenges are not discussed</p> <p>Discrepancies to previous years are not available nor discussed.</p> <p>Little informative value of financial information and resource allocations</p> <p>Most important information (such as recipients of transfers) are only available in the budgeted accounts (available online).</p> <p>Confusing presentation of cash and accruals</p> <p>Too comprehensive</p> | <p>The supplementary documentation should give a clear overview of the main priorities, changes to previous year(s) and future developments (See old reading aid).</p> <p>Emphasising political priorities as well as developments and changes with regards to previous years</p> <p>Cash and accrual numbers need to be optically differentiated.</p> <p>Published full reports only online</p> | <p>The new design (2017 onwards) outlines an executive summary for each document (of maximum three pages) which includes a narrative of:</p> <p>Key tasks</p> <p>Personnel information at a glance</p> <p>Projects and plans</p> <p>Key figures in a macroeconomic presentation incl. narrative explanations and analyses</p> <p>- highlighted section on expenditure priorities of special budgetary and planning relevance, abnormalities, major differences, one- time effects on detail budget level</p> <p>- increased reader friendly explanations of the budget, taking into account the major changes to the previous year and differences between cash and accruals (targeted at Parliament and public)</p> <p>Differentiated presentation (grey and white)</p> <p>Published online</p> |

| | Challenges: | Recommendation (2014/2015) by BMF and PBO: | How are the challenges addressed: |
|--|---|--|--|
| Supplementary reports to the draft ABA | | Combining the administrative reform budget supplement and better regulation budget supplement. | |
| Outcome orientation report | Too many and too detailed outcome objectives have to be defined by the ministries. This often leads to unambitious or redundant objectives. | Allow flexibility for line ministries to focus on a smaller number of objectives in order to increase the quality and relevance of the measures. Content visualisation via a web-based database | Introduction of the digital form on a user-friendly interactive website maintained by the Federal Chancellery (www.wirkungsmonitoring.gv.at) |
| Regulatory Impact Assessment | Limited informative value, inflexible bureaucratic instrument, high work load | Evaluation should focus on the financial or politically most important legislative proposals and other projects. Reduce the requirements and time for minor planned measure: - Introduction of RIA light (see Chapter 3.4). - Only perform internal evaluation if the financial impact exceeds EUR 20 million or a direct substantive connection exists with the performance information in the annual budget. - Use available resources analysing underlying problems and assessing the impacts of proposed solution | The introduction of "RIA light" reduced the overwhelming number of evaluations and helped to focus on the main initiatives and projects. However, the remaining projects are presented identically, while of different importance (see PBO, 2016). |
| Strategy report | No overview of cross-cutting issues (such as Climate, Development Cooperation, business promotion) No references to government programmes, departmental strategies and their budgetary consequences. | Clearly address the budgetary consequences of cross-cutting strategies and objectives as well as the budgetary measures for the implementation of government programmes. Cross-cutting issues may be presented separately. The cross-sectional topic areas could be prepared by the ministries with main responsibility for an area. The budget report and strategy report could be combined based on the changes in the budget timeline | Budgetary priorities include a range of cross cutting issues. However, links to the relevant Chapters are only occasionally developed and key cross-cutting issues, such as climate change and gender equality are missing. |
| Report on the preliminary budget outturn | | Elimination due to duplication with the preliminary financial statements | Integration of annual report on receivables (quarterly report eliminated) and report on changes to reserves |

| | Challenges: | Recommendation (2014/2015) by BMF and PBO: | How are the challenges addressed: |
|---|---|---|---|
| Monthly execution reports | Little explanatory power (mainly numeric reports). Developments and changes in particular are not at all or not sufficiently explained. | Provide management summary of main messages. Support numerical values with supplementary explanations, including clarification of developments and changes with regards to previous year(s). Align the reporting dates for reduced workload and more explanatory power (see also PBO (2017)) | Management summary in the beginning of each report. |
| Report of hived-off entities | | Combining the report on hived-off entities and the report on the results of investment and financial controlling, independently of the budget with a reporting date of 31 December, submitted to the National Council by 30 April to ensure that all data would be available at a sufficient level of quality. Simplification of entry of personnel expenses for hived-off entities so that the Austrian Development Agency (ADA), Austrian Federal Computing Centre (BRZ) and Public Employment Service Austria (AMS) can make entries as a personnel office. | |
| Report on budget controlling | No preview of future budget developments | Include a prognosis for the expected annual results, discuss expected derivations from the estimated budget, including risks, and quantify corrective actions Improve IT support Adjust controlling timeline to increase the information value of the figures in the cash flow statement | Relaunch of the PBCT |
| Results of investment and financial controlling | The report has been improved significantly, including reporting on single corporate entities in which the Federal Government has a direct and majority equity as well as legal entities under public law subject to oversight by the Federal Government | Reconsider adjustment of reporting dates (see combining with the report on hived-off entities). | |
| Report on budget allocation overruns and future commitments | Budget allocation overruns play a minor role in the 1st quarter | Eliminate the report for the 1st quarter | |

Source: Authors, based on (a) BFM(2014) Evaluation of the Austrian Budget Reform in accordance with the Austrian federal government work programme for the period 2013-2018, Bundesministerium für Finanzen (BMF), February 2014 (b) PBO(2015), Bericht des Budgetdienstes zur Evaluierung der Haushaltsreform, 18. Februar 2015; (c) PBO(2016), [Bericht des Budgetdienstes über die Folgenabschätzung 2016](#); (d) PBO(2017), [Anfragebeantwortung des Budgetdienstes zu den Berichten über Ausgliederungen und Beteiligungen des Bundes.](#)

Table A.1. Key budget documents

| German name | English name |
|---|--|
| Budgetcontrolling Bericht | Results of the Budget Controlling |
| Ausgliederungsbericht (Gesellschaften, an denen der Bund direkt und mehrheitlich beteiligt ist, sowie über Rechtsträger gemäß § 67 Abs. 1 Z 2 Bundeshaushaltsgesetz 2013 (einschließlich der Universitäten) | Report on hived-off entities (corporate entities in which the Federal Government has a direct and majority equity interest as well as legal entities under public law subject to oversight by the Federal Government pursuant to Sec. 67 (1) (2) Federal Organic Budget Act 2013 (including universities). |
| Bericht über die öffentlichen Finanzen (früher: Finanzschuldenbericht) | Report of the Fiscal Advisory Council on Public Finances |
| Bericht über die Übernahme von Bundshaftungen | Guarantee report |
| Bericht über Maßnahmen gemäß ESM-Informationsordnung | Report on measures taken within the framework of the European Stability Mechanism |
| Budgetbeilagen | Supplementary reports to the draft Annual Budgeting Act |
| <i>Budgetbeilage Beiträge an Internationale Organisationen</i> | <i>Supplementary report to the budget on Financial contributions to international organisations</i> |
| <i>Budgetbeilage Budgetsichten</i> | <i>Budget Summaries(Supplementary report to the budget)</i> |
| <i>Budgetbeilage Entwicklungszusammenarbeit</i> | <i>Supplementary report to the budget on Development Cooperation</i> |
| <i>Budgetbeilage Forschung und Entwicklung</i> | <i>Supplementary report to the budget on Research and Development</i> |
| <i>Budgetbeilage Infrastruktur</i> | <i>Supplementary report to the budget on Infrastructure</i> |
| <i>Budgetbeilage Öffentliche Schulden</i> | <i>Supplementary report to the budget on Public debt</i> |
| <i>Budgetbeilage Personal des Bundes</i> | <i>Federal Civil Service (established posts) (Supplementary report to the budget)</i> |
| <i>Budgetbeilage Umweltschutz</i> | <i>Supplementary report to the budget on Environmental protection</i> |
| <i>Budgetbeilage Zahlungsströme zwischen den Gebietskörperschaften</i> | <i>Financial relations between the different levels of government (Supplementary report to the budget)</i> |
| <i>Eckwerte gemäß Volkswirtschaftlicher Gesamtrechnung</i> | <i>Budgetary indicators (ESA) (Supplementary report to the budget)</i> |
| <i>EU-Beilage</i> | <i>European Union (Supplementary report to the budget)</i> |
| Budgetbericht | Budget report |
| Bundesrechnungsabschluss | Financial Statements of the Federal Government |
| Detailbudget | Detail budget |
| Ergebnisse des Beteiligungs- und Finanzcontrollings | Report on the results of investment and financial controlling |
| Finanzschulden und Währungstauschverträge | Report on financial debts and currency swaps |
| Forderungen: Stundung, Ratenbewilligung, Aussetzung und Einstellung der Einziehung | Report on receivables: deferrals, agreed instalments, suspension and discontinuation of collection of receivables |
| Förderungsbericht | Report on subsidies |
| Gebarungsvollzug (Entwicklung des Bundeshaushaltes Jänner-April und Jänner-September, Bericht des Bundesministers für Finanzen) | Report on budget execution January-April & January-September |
| Katastrophenfondsgesetz - Bericht des Bundesministers für Finanzen | Report on the financial situation of the Natural Disaster Fund and the use of resources |
| Langfristige Budgetprognose | Fiscal Sustainability Report |
| Monatserfolg | Monthly budget executions reports |
| Rücklagenbericht § 47 (2) Z 2 | Report on changes to reserves |
| Strategiebericht | Fiscal Strategy Report |
| Teilhefte | Supplementary budget documents to the draft Annual Budgeting Act |
| Vorbelastungen – und Mittelverwendungsüberschreitungen | Report on budget allocations that exceed the appropriation level ("budget overruns") and future year commitments |
| Vorläufiger Gebarungserfolg | Report on the preliminary budget outcome of the previous fiscal year |
| WFA-Finanzielle Auswirkungen-Verordnung | RIA Financial Impacts Regulation |
| Wirkungscontrolling-Bericht (unter besonderer Berücksichtigung der tatsächlichen Gleichstellung von Frauen und Männern). | Report on outcome orientation (with a particular focus on de-facto equality of women and men) |

From:
OECD Journal on Budgeting

Access the journal at:
<https://doi.org/10.1787/16812336>

Please cite this article as:

Downes, Ronnie, Lisa von Trapp and Juliane Jansen (2018), "Budgeting in Austria", *OECD Journal on Budgeting*, Vol. 18/1.

DOI: <https://doi.org/10.1787/budget-18-5j8l804wg0kf>

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