

Opening Remarks

Introduction:

Helmut Berger

- Since mid-2012 Head of the newly established Austrian Parliamentary Budget Office
- Advisory member to the Austrian Fiscal Council
- Representative in the OECD Parliamentary Budget Officials Network
- Previously Director at the Austrian Court of Audit and responsible for Administrative Reform, Organic Budget Law and Internal Control

Parliamentary Budget Office

- Established 2012 in the course of a fundamental budget law reform to
 - provide government-independent and objective analysis
 - support Parliament, in particular the Budget Committee in budgetary matters
 - reduce the Information asymmetry between government and parliament
- Key tasks are
 - provide written expertise, analysis and short studies on budgetary matters presented by the government according to Organic Budget Law
 - elaborate studies and information upon request of members of the Budget Committee
 - support other parliamentary committees regarding impact assessment of new legislation
 - consult the Parliament on performance budgeting and the effective equality of women and men (gender budgeting)
- Staffing: in total 8 employees (6 academic experts, 2 assistants)
- Transparency: all results published on parliament's homepage

Budget Law Reform 2009/2013

- Medium-Term Expenditure Framework (MTEF): Legally binding for four years
- Accrual accounting and budgeting on the federal level
- New budget structure with global and detail budgets
- Performance budgeting and result-oriented management of administrative units
- Long-term projections covering a period of 30 years
- New rules for reserves with the possibility to carry forward any unused funds
- Fiscal rules: Federal and sub-national debt brake rule

Impact on Parliamentary Budget procedures and oversight

- Additional power to the Government due to a higher level of aggregation of the parliamentary budget decision (70 global budgets instead of 1.300 budget lines)
- Number of comprehensive reports to the Budget Committee on budget execution, evaluation of performance information in the budget and impact assessment of new legislation in the course of the fiscal year
 - current budget execution (e.g. budget controlling, monthly budget execution)
 - public debts, contingent liabilities, subsidies, public enterprises
 - ESM and EFSF support to programme countries
 - Reports on outcomes and evaluation of former impact assessment
 - European Semester documents (e.g. Stability Programme, National Reform Programme)
- Establishment of the Parliamentary Budget Office
- Role of Parliament in the budget cycle is very much focused on government control and budgetary oversight, budget decisions largely up to the government
- Budget Committee is involved in the budget cycle throughout the whole financial year

Particular elements of the parliamentary budget cycle and the budget debate

- Budget deliberations start with an expert hearing (including head of the PBO) in the Budget Committee
- Only the Budget Committee deals with the budget, but parliamentary groups may nominate substitute for their permanent committee members with specific expertise
- PBO provides overall budget analysis and analyses of all 35 budget chapters and offers parliamentary groups information sessions on the upcoming budget
- Performance information (especially on gender budgeting) was used intensively in the budget debate although results have not met all expectations
- Debates in the Budget Committee always take place in the presence of the Minister of Finance
- A Subcommittee of the Budget Committee with around 10 members was established to discuss the achievements of performance targets also with line ministries

Sources of information

- Main source are reports from the Ministry of Finance and other governmental institutions (e.g. Federal Performance Management Office)
- PBO prepares analyses for all documents on the agenda of the Budget Committee
- Studies of the PBO upon request of Committee Members are gaining increasing importance in the parliamentary debate



PARLIAMENTARY BUDGET OVERSIGHT IN AUSTRIA

The Role of the Parliamentary
Budget Office

Vienna, 21th January 2021

Helmut Berger
Head of Parliamentary Budget Office



Agenda

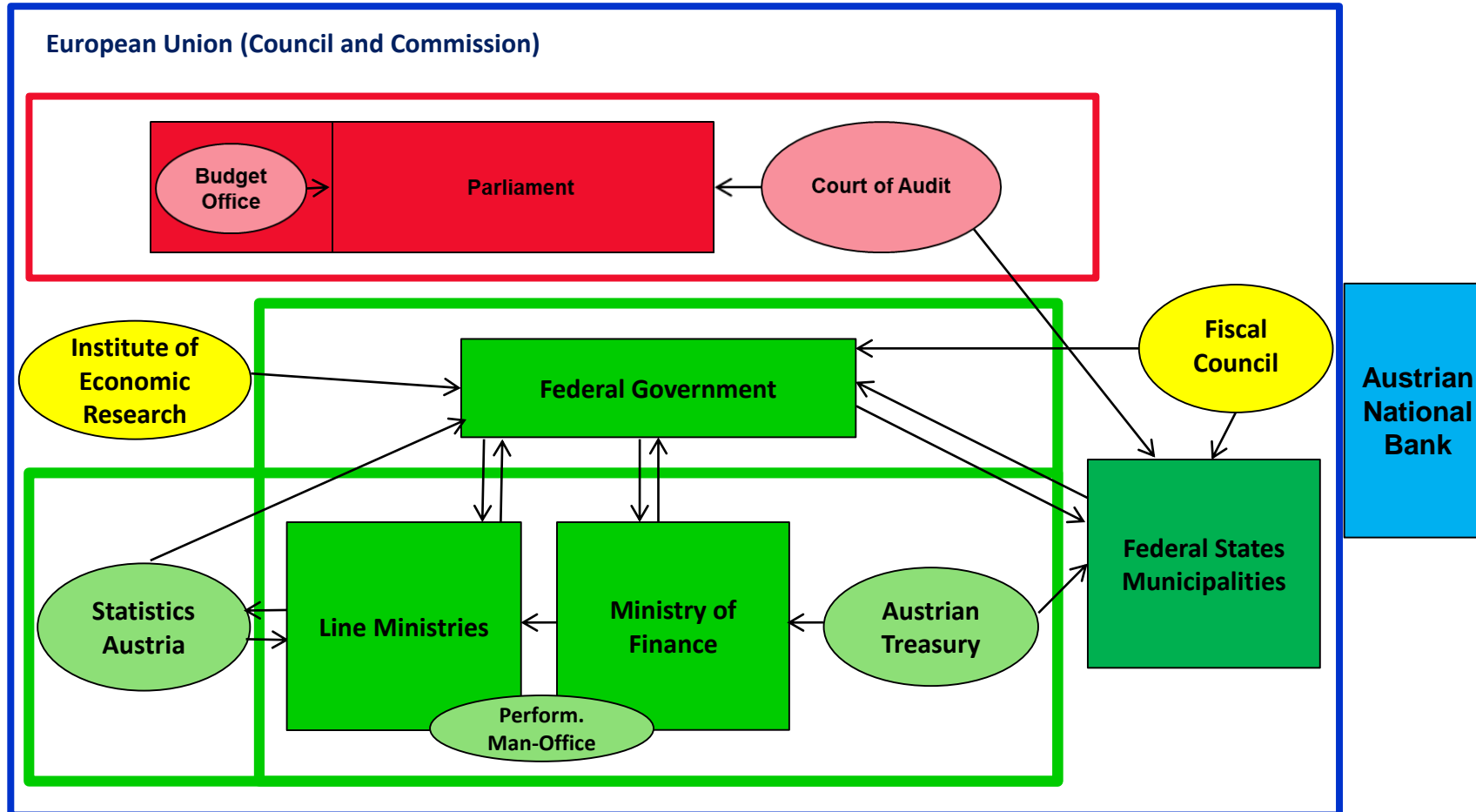
- The Role of Parliament in the Austrian Budget Process
- The Austrian Parliamentary Budget Office
- Enhancement of Fiscal Governance
- Input of Parliament and the Parliamentary Budget Office



The Role of Parliament in the Austrian Budget Process



Main Actors of Fiscal Governance





Setting the context: The Austrian Parliament



- The Austrian Federal Constitution establishes a **semi-presidential parliamentary system**
- Parliament is **bi-cameral with one dominating chamber** – the National Council (Nationalrat: 183 members) and the Federal Council (61 members)
- The electoral system is based **on proportional representation**
- **Majority governments** and very **strong party discipline** in parliament are – so far – the rule in Austrian politics
- The National Council has **exclusive competence** in budget matters.

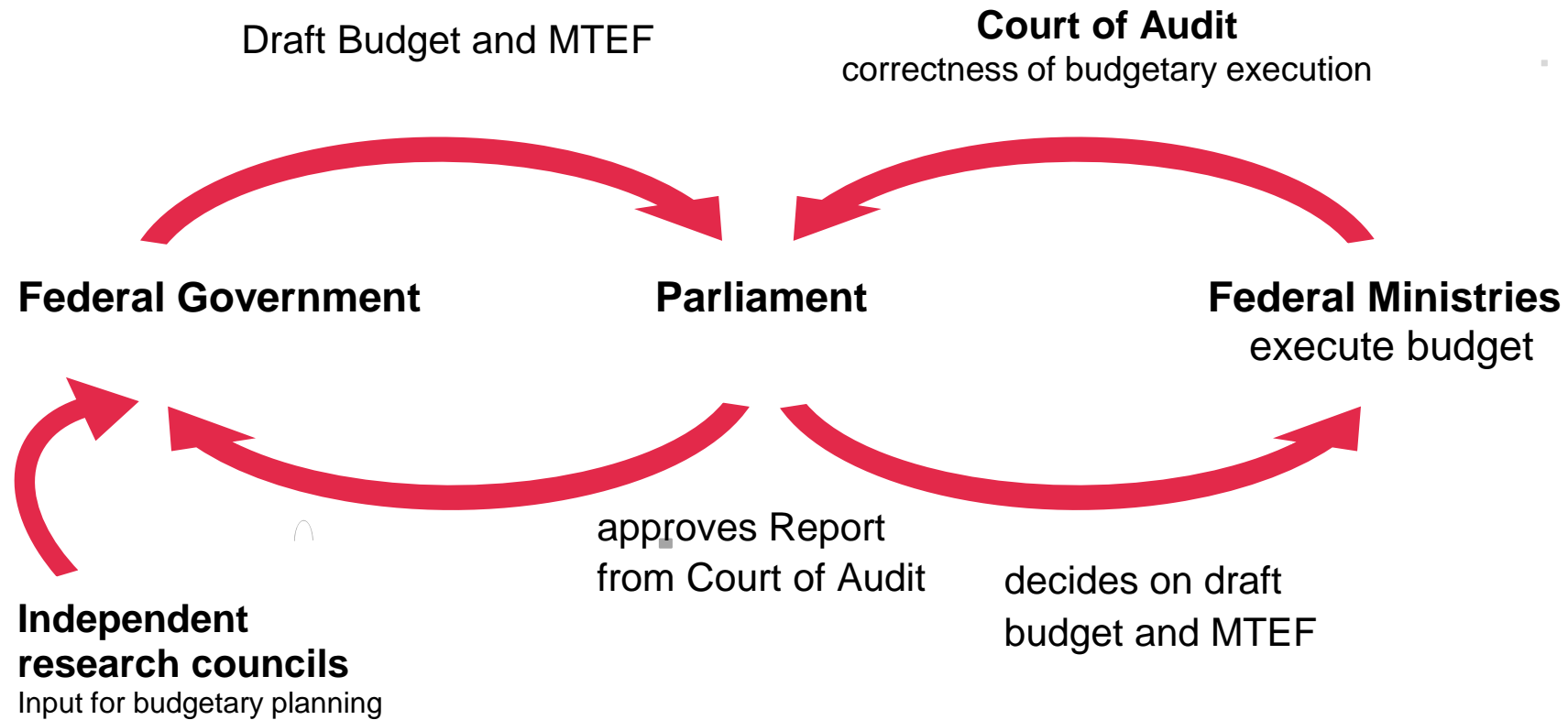


Budget Authority of National Council

- Minister of Finance **prepares** the budget bills and government presents the drafts to the National Council
- National Council **discusses** draft Federal Medium-Term Expenditure Framework (MTEF) Act and Federal Finance Act in three readings
- National Council can **amend** (theoretically without any limits) financial and also the performance information in the draft of the government and has to **approve** the budget acts and MTEF acts
- National Council may also empower MoF in the Federal Finance Act to overrun the approved budget allocations under certain circumstances and up to certain amounts
- National Council and especially the Budget Committee receive a number of **reports**, supporting the budgetary steering and control function of the National Council
- National Council approves Financial statements by law



Parliament and the Budgetary Cycle





Parliament and the Budgetary Process

Federal Medium-Term Expenditure Framework

- (binding expenditure ceilings for four years at the level of the five main budgetary headings) together with the strategy report
- Stability Program
- Postponement from spring to autumn

Annual Budget

- Federal Finance Law together with budget statement und personnel plan
- Draft ten weeks before beginning of fiscal year at the latest
- Draft Budgetary Plan

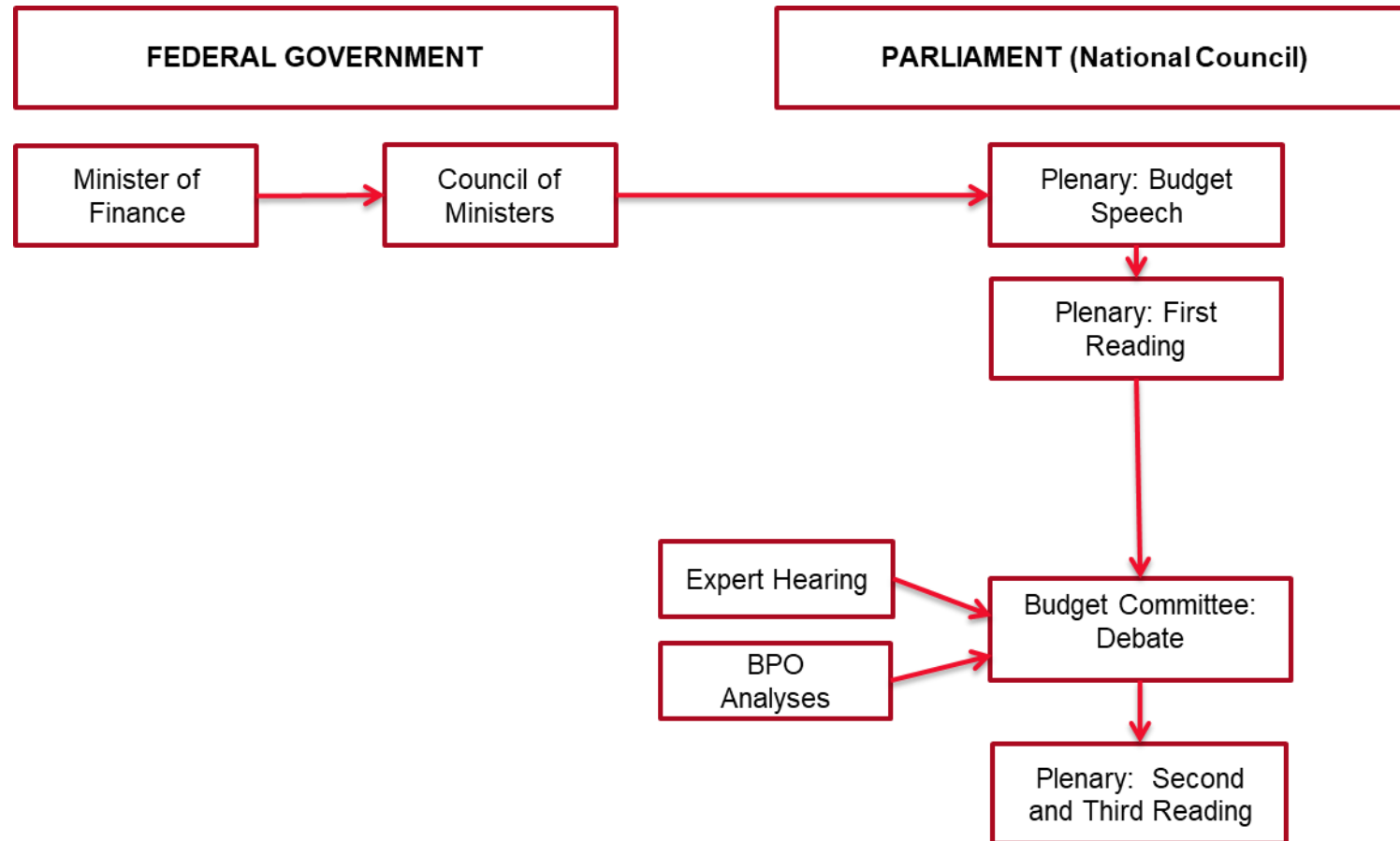
Within the financial year

- Reports on subsidies, on reserves, on receivables, on obligations, etc. (budget controlling)
- Reports concerning evaluation of performance budgeting





Consideration and approval of the budget – an overview





Committee Proceedings – Scrutiny and Amendments

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



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



Regular meetings of the budget committee

- Topics on the agenda of regular meetings, for example
 - Reports on current budget execution (e.g. budget controlling, monthly budget execution)
 - Reports on public debts, contingent liabilities, subsidies, public enterprises
 - Reports on ESM and EFSF support to programme countries
 - Reports on outcomes and evaluation of former impact assessment
 - New legislation assigned to the budget committee
 - Draft documents in connection with the European Semester (e.g. Austrian Stability Programme, National Reform Programme)
- Budget Committee debates the Annual Financial Statements and the Audit Report of the Court of Audit
- Budget Office prepares short analysis on documents which are on the agenda of regular meetings
- Head of the Budget Office always participates in the meetings and may be consulted in his role as an expert



The Austrian Parliamentary Budget Office



Establishment of the new Parliamentary Budget Office

- Longstanding efforts to provide Parliament with immediate and government-independent budgetary expertise and to strengthen its position in relation to government
- New budget law confers former Parliament's rights in budgetary matters to a higher level of aggregation (73 global budgets instead of more than 1.100 individual budget lines) and requires additional technical knowledge
- Strengthening of the parliamentary budgetary control:
 - Additional reporting requirements for the Minister of Finance
 - Establishment of the new independent Parliamentary Budget Office as a pilot project to
 - ➡ provide government-independent and objective analysis
 - ➡ support Parliament, in particular the Budget Committee in budgetary matters
 - ➡ reduce the Information asymmetry between government and parliament



Basic Documents

- **Political agreement** between all the political parties represented in the Austrian national assembly
- **Statement of the Budget Committee** of the Austrian Parliament, 10th November 2011 (1510 d.B. XXIV. GP)

Establishment without specific legal basis, based on the following principles:

PBO shall

- Work independently and ensure high-quality expertise
- Submit analysis to all political parties
- Ensure transparency and publish all results on parliament's homepage:

<https://www.parlament.gv.at/PAKT/BUDG>

Staffing: in total 8 employees (6 academic experts, 2 assistants);

Staff exchange (Court of Audit, Central Bank, Institute of Economic Research, Statistics Austria, Universities) to overcome peaks



Mandate

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

Key tasks:

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

Catalogue of Products and Services:

- Agreed between the Head of the Parliamentary Budget Office and the budget spokespersons of the political groups



Catalogue of Products & Services (I)

Ongoing analysis:

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

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

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

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



Catalogue of Products & Services (II)

Analysis upon request:

- Responses to budget related questions of the Budget Committee or its members (e.g. involvement of national parliaments in the preparation of stability program; actual budget risks; fiscal impact of pension resolutions between 2017 and 2019; transparency of budgeting and reporting of COVID-19 measures adopted in 2020)

Analysis out of own initiative:

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



Preparation of Parliamentary budget debate

Budget Office prepares a number of documents in advance of the Parliamentary budget debate:

- Information on how to read the budget documents efficiently
- Information on performance budgeting
- Information on main differences between cash and accrual statements
- Analyses to actual budget execution and actual budget reports (e.g. reserves, subsidies, liabilities)

Documents and Tools for the Parliamentary budget debate:

- Overall budget analysis
- Analyses of the 35 budget chapters
- Visualisation of the budget draft and actual budget execution:
<https://www.parlament.gv.at/Budgetvisualisierung>

Head of the Budget Office always participates in the meetings and may be consulted in his role as an expert



Enhancement of Fiscal Governance



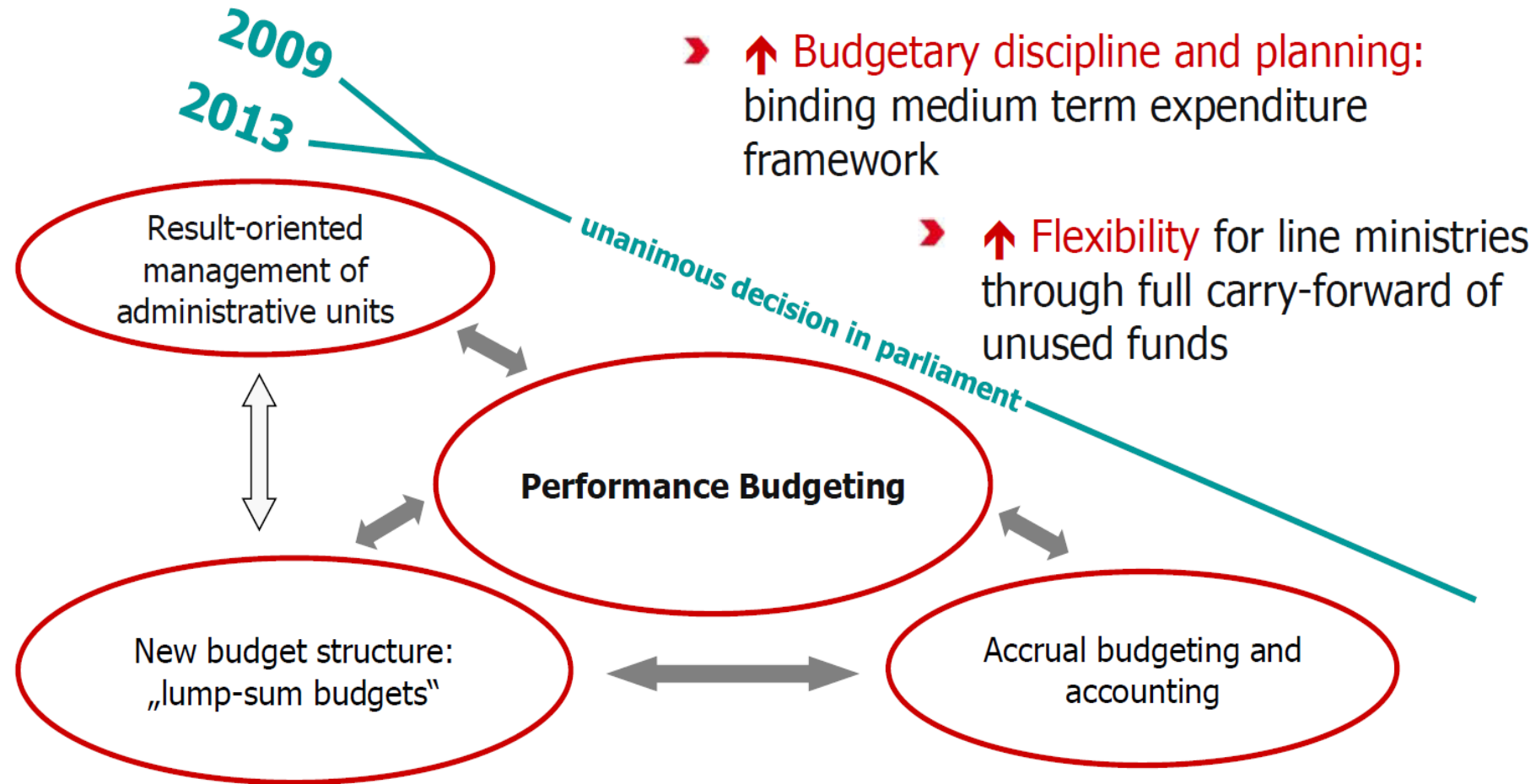
Budget Law Reform: Expectations

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

➔ **Effective steering system for federal administration and political decision making**



PILLARS OF THE FEDERAL ORGANIC BUDGET ACT



new budget principles: outcome-orientation; efficiency; transparency; true and fair view



Major Changes and New Elements in the Austrian Fiscal Framework

- **Medium-Term Expenditure Framework (MTEF):** Legally binding for four years (since 2009)
- **New rules for reserves** and introduction of the possibility to carry forward any unused funds at the end of the fiscal year as an unearmarked reserve (since 2009)
- **Accrual accounting** and **budgeting** on the federal level (since 2013)
- **Performance budgeting** and **result-oriented management** of administrative units (since 2013)
- **Long-term projections** covering a period of 30 years (since 2013)
- **Fiscal rules:** Federal and sub-national debt brake rule (since May 2012)



Challenges for Parliament

- Federal budget reform envisages a central role for parliament. However, budget process is a highly complex mechanism
- How to use new information effectively for debating, steering and controlling the budgetary process
- Need for more stringent parliamentary control of budget execution as new budget rules give administration additional powers
- The new European fiscal governance framework (European Semester) influences procedures and limits national budgetary scopes
- Promote transparency and accountability
- Watch performance despite large information asymmetries
- Reward ambition, insist on efficient use of resources
- Communicate to the Public

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



New Budget Structure

- New budget law confers former Parliament's rights in budgetary matters to a **higher level of aggregation** (70 global budgets instead of more than 1.000 individual budget lines)
- The new budget structure with **global budgets** and the **operating statement** provides additional insights for Members of Parliament
- Higher aggregated budget allocations have an impact on the parliamentary debate as it shall be more focused on the strategic approach instead of the former detailed questions on minor budget allocations to specific budget lines
- Segregation of the discussion on the more strategic aspects of the Medium-Term Expenditure Framework (spring) and the yearly budget allocations (autumn)
- Amendments are now only possible at a significantly higher level and require highly developed technical skills
- Detailed information on budget allocations still needed for the political debate

➔ **Discussions on the adequate format of debate and documents**



Accrual Budgeting and Accounting

- Additional and new information on the use and consumption of public resources
- Changes require experience and training in the accrual system
- Major differences only in few budget chapters (e.g. interests for public debt) because larger investments are outsourced and pension liabilities shown as an off-balance item
- Cash perspective still dominant in the appropriation of budgets
- Government information may include different perspectives
- Differences between the cash and the accrual perspective are questioned by some members of parliament especially in the monthly reports on the execution of the budget
- Debate on the financial statements must be further developed and intensified

➔ **Practical use of additional information needs to be enhanced**



Parliamentary Debate on Accruals

- Differences between the cash and the accrual perspective are questioned by some members of parliament especially in the monthly reports on the execution of the budget
- Cash or Accrual: which deficit is more relevant?
- Quality of accrual statements was questioned
- Court of Auditors' findings:
 - Insufficient recording of pending liabilities
 - Accruals and deferral partly still show significant accounting errors
- Development of Statement of Financial Position (Balance Sheet)
 - Since opening statement ever increasing negative NET ASSETS
 - Recording of transfers for railway investment



Performance Budgeting

- With the new budget structure in addition to financial data Members of Parliament were provided with **performance information** on the mid-term outcome objectives envisaged by the Federal Ministries
 - Parliament has the possibility to **discuss and question the strategic approaches** and political objectives in the Committee debate
 - Parliament decides on outcomes and outputs as part of annual budget bill
 - Government presents a benchmark to measure performance
 - Entails cultural change on the political level (setting priorities, transparent decision-making, etc.)
 - Performance budgeting and outcome orientation were acknowledged as a **major step** forward but the current state was **partly criticized**
- ➔ **A process has to be launched which should ultimately lead to a continuous qualitative improvement of performance information**



Example: Chapter "Labor"

	Outcome
Outcome objective	Higher promotion of integration of young people into the labor market and reduction of unemployment rate of young people
Why this outcome objective?	Young people shall quickly gain experiences in the job market, use their experiences and gain new professional qualifications. Young people need chances and perspectives, a freely chosen, stable and future-proof career choice is of prime importance.
What is being done to achieve this outcome?	Apprenticeship guarantees: provision of sufficient places in apprentice training centres for young people who were unsuccessful in finding an apprenticeship
What would success look like? Indicators	<ul style="list-style-type: none">• Number of young people unsuccessful in searching for an apprenticeship: status 2016: 6,369; target level: 2020: $\leq 5,950$; [definition: total number of young people registered with AMS, who have not found an apprenticeship, source: AMS,]• Number of apprenticeship openings: status 2016: 3,717; target level 2020: $\geq 4,300$ [definition: yearly average of apprenticeship openings]• Youth unemployment rate: status 2016: 8.9%, target level 2020: $\leq 6.8\%$; [definition: youth unemployment rate, 15-24 year olds, AMS]



Performance Budgeting

Change in relevant questions and the political discussion:

- Political assessment of objectives, measures and indicators
- Are the most urgent medium-term political priorities of the government or a ministry addressed
- Are the outcome objectives and indicated measures the most relevant within the policy field or the budget chapter addressed
- Are the target values ambitious and realistic (e.g. compared to actual values)
- What are external effects and risks in respect of a specific outcome objective
- Could objectives or measures lead to unintended and negative effects in other policy fields
- Are superior regulations, commitments, strategies or requirements (EU 2020-strategy, SDGs, intrastate agreements, government agreement) considered



Performance Budgeting

Lessons learnt:

- Performance information in budget shall be political relevant and timely to attract sufficient attention
- Level of ambition of targets is crucial for the political discussion and must be obvious or sufficiently explained
- Presented measures should be politically and budgetary relevant
- Presented measures should show a link at important topics between budget allocations and performance information
- Targets were partly too vague, and not ambitious enough
- Goals and indicators should be adjusted and closer linked to a new government program to assess performance in the implementation
- Outcome objectives should show a medium-term perspective



Performance Budgeting

Lessons learnt:

- Extensive performance information on all budget levels impedes oversight and makes it difficult to identify political priorities
 - Performance information should be limited to a small number of relevant indicators, to track government performance against targets
 - Use potential for improvement to achieve active involvement of Parliament in objective setting
 - International comparison should be enhanced
- ➔ **Establishment of a Sub-Committee of the Budget Committee for performance information**
- ➔ **Discussion in the Budget Committee to streamline and to focus the instruments for performance budgeting**
- ➔ **Partly re-sharpening of performance information in the budget for 2016**



Outcome-oriented impact assessment

- Since the 1st of January 2013 public administration has to provide an impact assessment (IA) for every new draft law, regulation or major project with budgetary consequences.
- New regime comprises definition of objectives, outputs and indicators and a two-step procedure to identify and assess substantial impacts in various policy areas (so called “impact dimensions”); financial impacts have to be always assessed
- Impact Assessment has to be part of consultation materials and legal materials provided to Parliament. Ministry staff is provided with an IT-Tool to carry out assessments and to present results.
- An internal evaluation has to take place within five years, to be included in a Report on Internal Evaluation of Impact Assessment to Parliament.
- As of April 2015 Government introduced the possibility of a simplified Impact Assessment



Impact Assessment - Challenges

- The new Impact Assessment regime in Austria is still rather young and there is a broad variety in the quality of assessments
- Regulatory Impact Assessment and Performance Budgeting System require Ministry staff to formulate meaningful objectives and indicators and measure outputs and impacts
- Lack of experience among Ministry staff, but support and quality assurance by Federal Performance Management Office (FPMO)
- Traditionally strong Ministry of Finance focus on financial impacts on public budgets
- PBO scrutiny concentrated on Impact Assessments of new legislation debated in Budget/Finance Committee, but increasing assessments of Impact Assessment in other policy areas
- Little impact on policy design, limited interest for evaluation reports
- MPs should use results of impact assessment for their speeches in parliament



Input of Parliament and the Parliamentary Budget Office



Assuring Accountability

- More budgetary flexibility for government and administration requires additional parliamentary control on the execution of the budget
 - Reporting requirements to parliament were extended
 - Format and significance of reports was questioned by the Parliamentary Budget Office and the Budget Committee
 - Obvious accounting mistakes in the transition period were questioned
 - Performance information and reporting was partly criticized
 - Debate on the Financial Statements should gain more importance and space
- ➔ **So far only limited experience with consequences of the changes in respect of additional questions and the discharge of accounts**
- ➔ **Implementation of the new system needs time and learning curves in the Administration and in Parliament**



Fiscal Governance - Recent Topics

- Comprehensive external Evaluation of Budget Law Reform in 2017 (IMF, OECD, Austrian academic institute) and actual discussion in the **Parliamentary Advisory Council on Budget Law Reform**
 - Some aspects of the organic budget law reform require adjustments (e.g. System of budgetary reserves (carry-over of unused funds), Cost-benefit ratio of some reports)
- Improvement of budgetary procedures in Parliament and harmonization with EU requirements
- Evaluation and further development of the organic budget law, in particular of carry-over regime in Extending accrual based budgeting and accounting system on federal level towards sub-national governments (state governments and communities)
- Federal Intergovernmental Fiscal Relations Act – (Finanzausgleichsgesetz - FAG): debate on limited tax autonomy of Länder, system of tax sharing, simplification of intragovernmental transfers, reduction of exceptional cost bearing agreements



Input by the PBO (I)

Raising awareness of all stakeholders and consulting services for the Budget Committee especially regarding

- Analyses of macroeconomic developments and fiscal sustainability (e.g. implementation risks for the expenditure framework)
- Analyses of changes in the expenditure and income structure
- Analyses of changes in the taxation structure
- Analyses of distributional effects of a major tax reform by using microsimulation tools
- Propose improvements of the budgetary document's setup
- Recommend enhancement and improvement of reports presented by Government (e.g. subsidy report)
- Input on Parliaments' user perspective for the evaluation of budget law reform



Input by the PBO (II)

Examples for study requests of members of the Budget Committee:

- Budget expenditure caused by refugee migration
- International comparison of public subsidies and asset transfers
- Payments from the budget to the Austrian Federal Railways
- Fiscal effects of inflation on income tax revenues
- Distributional effects of the family tax bonus versus flat family allowance
- Impact assessment of the government on the organizational reform of the social security administration
- Functioning of automatic stabilizers in the Austrian fiscal system
- Status and challenges of Gender Budgeting in Austria
- Distributional effects of a carbon tax
- Long term budget expenditure caused by actual amendments of pension legislation



Thank you for your attention

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