

**BUDGET**

**REFORM**

**Putting tax money to effective use for citizens.**



**The Austrian Federal Budget Reform**

***The Budget Reform as a Transition  
to a New Budget World***



**BMF**

**FEDERAL MINISTRY  
OF FINANCE**

## Introduction

The Budget Reform of the Austrian federal government establishes a framework by which tax funds can be used more effectively and efficiently. In addition, the Budget Reform promotes transparency regarding the goals to be achieved by the federal administration with its budget funds as well as the activities promoting these goals. The implementation of the Federal Budget Reform is taking place in two stages – the first stage has been implemented as of 1 January 2009; the second stage of the reform will enter into force on 1 January 2013.

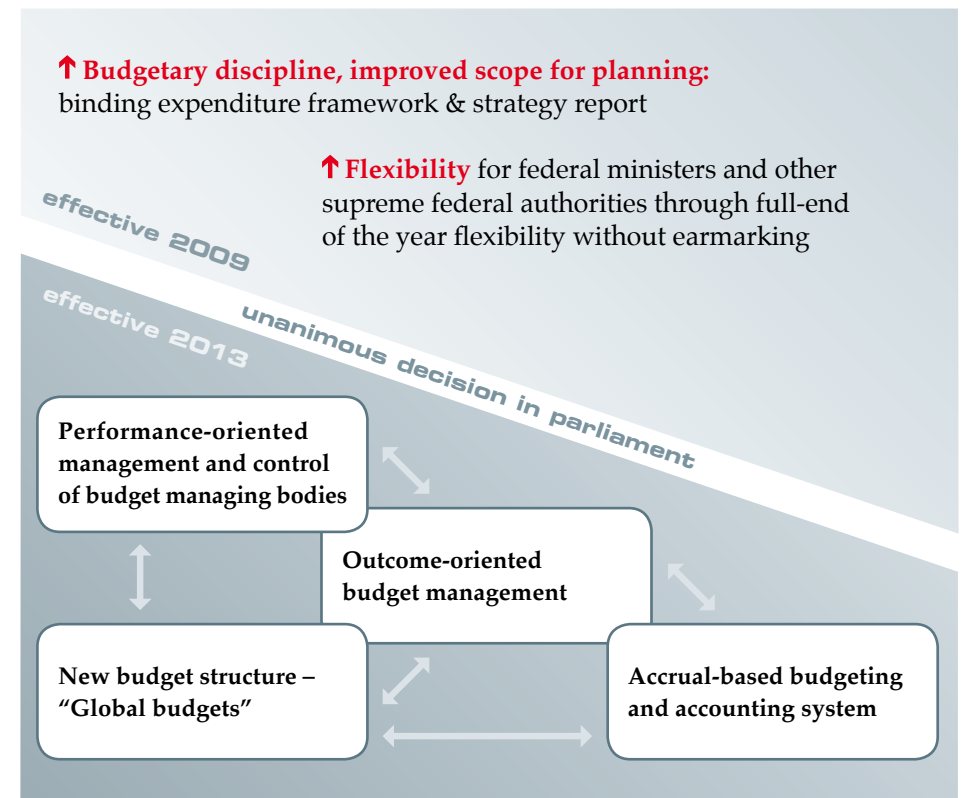


Diagram: Overview of the key points of the 1<sup>st</sup> and 2<sup>nd</sup> stages of the Austrian Budget Reform

## The 1<sup>st</sup> stage of the Budget Reform (1 January 2009 to 31 December 2012)

Key points of the 1<sup>st</sup> stage are:

### ► Federal medium-term expenditure framework

The new Federal Medium-Term Expenditure Framework Act (BFRG) establishes medium-term budget planning for the first time. The Federal Medium-Term Expenditure Framework Act stipulates binding statutory expenditure ceilings for four years in the future and for five “headings”. These correspond to the most important remits of the federal government.

Heading	n+1	n+2	n+3	n+4
1 Law and security				
2 Labour, social affairs, health and family				
3 Education, research, art and culture				
4 Economy, infrastructure and environment				
5 Cash and interest				

Chart: Presentation of the headings in the Federal Medium-Term Expenditure Framework Act

The ministers receive the budgets for their ministries from these headings. There are likewise binding expenditure ceilings applicable to them, and there is also an upper limit on the number of personnel that may be employed by each department. These upper limits are set on an annual basis for the next four years in each case. This supports the sustainable development of the federal budget. Moreover, these expenditure limits are designed to have a counter-cyclical and thus stabilizing effect on the economy: While about three quarters of the expenditures are limited in nominal terms, about one quarter of them varies along defined parameters. This mainly concerns expenditures directly correlating with the business cycle (e.g. unemployment benefits).

### ► Strategy report

The Federal Medium-Term Expenditure Framework Act is accompanied by a strategy report. The strategy report provides the public with additional infor-

mation on the Federal Medium-Term Expenditure Framework Act and explains its main budgetary and economic policy objectives. Furthermore, it gives an overview of the development of revenues of the federal government and reviews the economic situation and its expected development.

### ► Incentives for efficient use of funds

A further innovation of Budget Reform: the federal ministers may use non-appropriated financial resources in subsequent years as well. This combats “December fever” (complete spending of budget funds at the end of a year) and creates a major incentive for the frugal use of tax funds.

## The 2<sup>nd</sup> stage of the Budget Reform New budget law as from 2013

The new principles of budget management effective 1 January 2013:

Efficiency

True and fair view

Outcome orientation  
including gender  
budgeting

Transparency

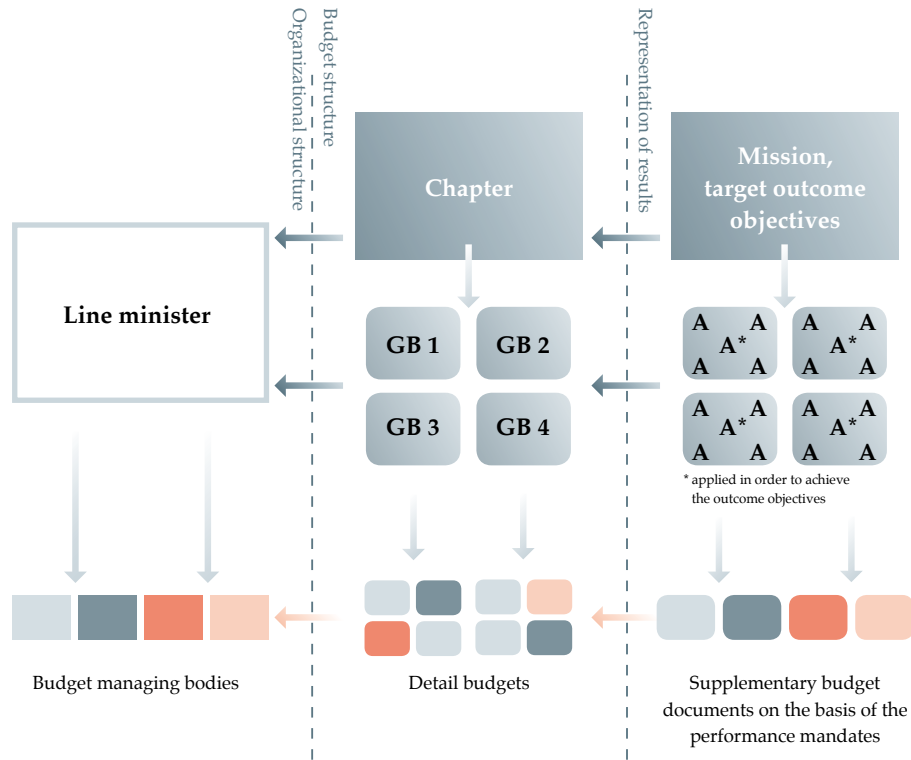


Diagram: Management architecture of the reform (GB = Global budget, A = activity)

The major elements of the 2<sup>nd</sup> stage of the Budget Reform are:

➤ **New budget structure**

The new budget structure created by the Budget Reform has decisive advantages relative to the old system.

Through the introduction of “global budgets” the budget structure will become clearer and the manner in which it is handled will become more flexible.

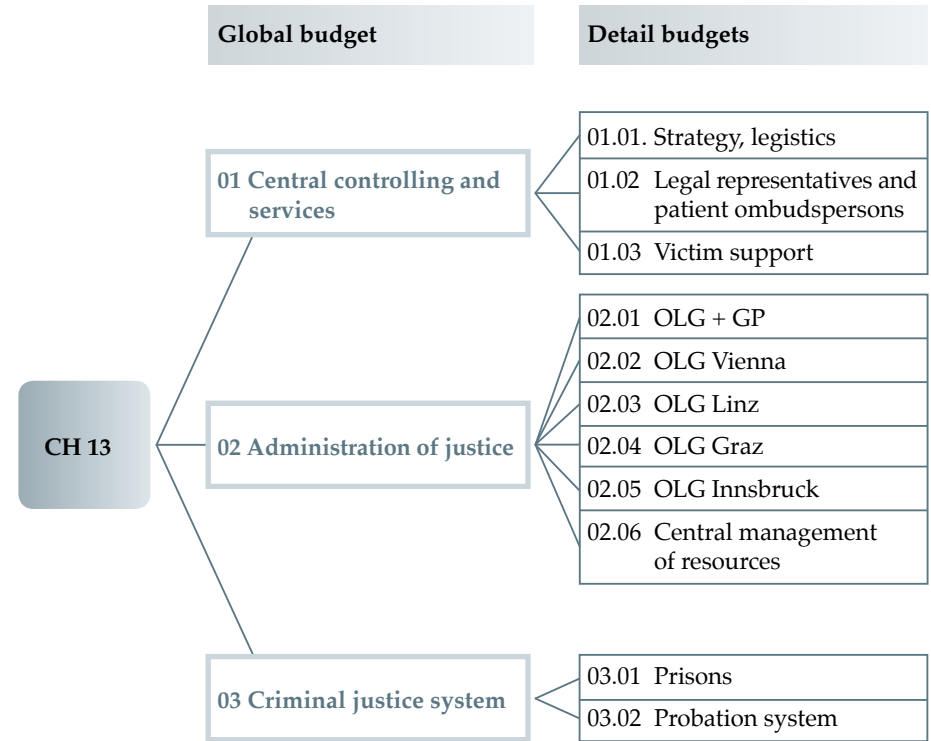


Diagram: Example of budget structure for the Federal Ministry of Justice (Chapter 13)

(CH = Chapter, OGH = Supreme Court of Justice, OLG = Higher Regional Court of Appeal, GP = Procurator General)

### ► Outcome-oriented budget management

In the context of the Budget Reform, budget management will be reoriented, focusing on specific objectives and outcomes to be achieved. One of these objectives is gender equality between women and men (gender budgeting). In this way, the public will be informed what the outcome objective targets of the individual ministries are and what activities they are implementing to achieve them. In future, the parliament will stipulate the main priorities of the ministries and budget managing bodies in the form of objectives and activities. In this way, the administration can be managed in an outcome-oriented manner – it is granted greater latitude in its use of resources, but at the same time it is responsible for achieving the objectives.

### ► Organization of budget management and controlling of budget managing bodies

Another innovation in the organization of budget management are the “budget managing bodies”. The heads of these bodies are now able to implement their activities with significantly greater flexibility and on their own responsibility, which means that the federal government is able to better and more efficiently achieve its mission. At this level, as well, it is now possible for savings to be used in subsequent years. This creates an incentive for the efficient use of budget resources. A performance mandate is set up for each budget managing body (e.g. ministries, prisons, revenue offices, Higher Regional Courts of Appeal) which specifies, for the next four years, what goals are to be achieved with these financial and personnel resources.

Chart: Federal Finance Act, Annex I, Chapter xx

Mission				
Chapter xx Budget based on a cash flow statement	Ceiling BFRG*	BVA** n+1	BVA n	Success n-1
Receipts				
Expenditures – fixed				
Expenditures – variable				
Total expenditures				
Net borrowing requirement				
Chapter xx Budget based on the operating statement		BVA n+1	BVA n	Success n-1
Revenues				
Expenses				
Net profit/loss				

#### Outcome objective 1:

Reason for this outcome objective:

How is this outcome objective being pursued:

What constitutes success:

- Maximum of 5 outcome objectives per chapter
- Where possible, at least 1 outcome objective per chapter derived directly from the goal of gender equality
- Objective: Compact outline of financial resources and outcome information

Chart: Budget statement per chapter – numerical section and indications concerning outcome orientation

Note: The statutory binding effect at the level of the chapter lies exclusively in the (fixed and variable) expenditures from the budget based on a cash flow statement.

(\*BFRG = Federal Medium-Term Expenditure Framework Act, \*\*BVA = Budget statement)

## Chart: Federal Finance Act, Annex I, Global Budget (GB) xx

Global budget xx.01. ... Budget based on the operating statement	BVA* n+1	BVA n	Success n-1
Revenues from operational administrative activity and transfers Finance revenues			
Total revenues			
Personnel expenses (activity expenses) General administrative expenses Transfer expenses Finance expenses			
<b>Total expenses</b>			
Net profit/loss			

Global budget xx.01. ... Budget based on a cash flow statement	BVA n+1	BVA n	Success n-1
Receipts from operational administrative activity and transfers Receipts from investment operations Receipts from the repayment of loans and advance expenditures granted			
Total receipts			
Expenditures based on operational administrative activity Expenditures based on transfers Expenditures based on investment operations Expenditures based on the granting of loans and advance expenditures granted			
<b>Total expenditures</b>			
Net borrowing (federal financing)			

## Activities (maximum of five, including equality activities)

Contribution to outcome objective	How are the outcome objectives being pursued? Activities:	What constitutes success? Milestones/performance figures for n+1	What constitutes success? Milestones/performance figures for n

## Recommendations from the Court of Audit

## Comments of the line minister on the recommendations of the Court of Audit

Chart: \*Budget statement per global budget – numerical section and indications concerning outcome orientation

## ► New accounting system

In the context of the Budget Reform, the Federal Organic Budget Act 2013 (BHG 2013) is creating a fundamentally new, transparent form of accounting for the federal government, which is structured on the basis of double-entry bookkeeping (accrual accounting). The new accounting system takes account of the special needs of the federal government and is based on the International Public Sector Accounting Standards (IPSAS). The following information will be available to the administration, the parliament and the public as from 2013:

- Opening balance sheet: As of the reference date 1 January 2013, the entirety of the federal government's assets, as well as its liabilities and debts will be recorded and valued.
- New budget presentation: The new budgets will be presented from two aspects. The operating statement records the consumption of resources at the respective point in time and constitutes the basis for the Maastricht deficit. The cash flow statement depicts the payment flows on the basis of which new indebtedness is calculated.
- New annual report: The federal government will publish the developments with respect to its assets and debts each year in a form that is customary in the private sector economy. By way of comparison of the planned budget with the actual operating statement and cash flow statement, the departments will show how they are deploying and using the budgets.

## Federal budget

**Accrual budget**  
(corresponds to an income statement)  
=  
Budget based on the operating statement  
+  
Operating statement

**Cash budget**  
(corresponds to a cash flow statement)  
=  
Budget based on a cash flow statement  
+  
Cash flow statement

**Statement of financial position** (corresponds to a balance sheet)  
=  
Statement of financial position  
(there is no budget based on the statement of financial position)

Diagram: Elements of the new accounting system

The Budget Reform will achieve:

- More targeted control by the political authorities;
- Greater opportunity for the administration to show what its contribution is;
- Greater transparency for interested citizens as to what the government does with their tax funds.

Through the Budget Reform, Austria is taking an important step towards becoming a model of budget management.

You will find further information at the website of the Austrian Federal Ministry of Finance (<http://english.bmf.gv.at/>) under "Budget" and "The Austrian Federal Budget Reform"

### **Editorial information**

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