



REPUBLIK ÖSTERREICH
Parlament

The emerging Role of Parliamentary Budget Offices in Fiscal Governance

The Austrian Example

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AGENDA

- Independent Fiscal Institutions
- Establishing the Austrian PBO
- Specific functions in a specific context
- PBO-Input in Parliamentary Debate



INDEPENDENT FISCAL INSTITUTIONS



DEFINITION OF INDEPENDENT FISCAL INSTITUTIONS

Independent fiscal institutions (commonly referred to as independent parliamentary budget offices or fiscal councils) are

- publicly funded, independent bodies
- under the statutory authority of the executive or the legislature
- which provide non-partisan oversight and analysis
- of, and in some cases advice on, fiscal policy and performance.

Critical to this definition is that IFIs have a forward-looking ex-ante diagnostic task.



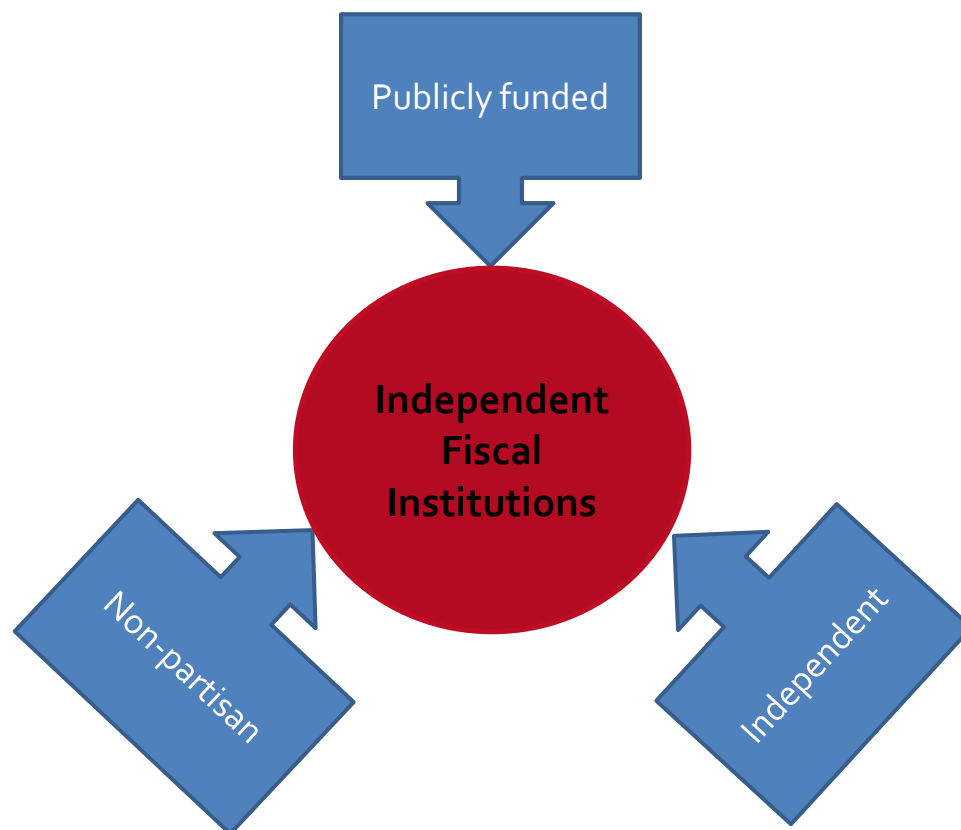
FUNDAMENTAL TASKS

- Provide oversight of fiscal performance
- Support the legislature in budget analysis
- Monitor or assess compliance with fiscal rules/targets
- Prepare or assess macroeconomic and fiscal forecasts
- Perform budget and fiscal analyses and/or provide public advice on budget and fiscal issues
- Ex-post or ex-ante evaluation of fiscal policy
- Assess long-term fiscal sustainability
- Prepare policy costings or provide independent oversight of policy costings
- Costing of election platforms (programs)



BASIC MODELS AND PRINCIPLES

- Parliamentary Budget Offices
- Fiscal Councils
- Independent units within SAIs



BASIC MODELS

- Parliamentary Budget Office Model
 - Focus on assisting parliamentary oversight
 - Supporting the main budget committee
 - Reducing information asymmetries to government
 - Often costing role
- Fiscal Council Model
 - Under executive authority or with dual lines of accountability
 - Either small largely academic councils or councils with members proposed by different stakeholder or interest groups
 - Different degrees of institutional independence
- Other Models
 - Connected to the Supreme Audit Institution
 - European Fiscal Board first supranational IFI



OECD PRINCIPLES

On 13 February 2014, the OECD Council adopted the ***Recommendation of the Council on Principles for Independent Fiscal Institutions***. The 22 Principles covering:

- Local ownership
- Independence and non-partisanship
- Mandate
- Resources
- Relationship with the legislature
- Access to information
- Transparency
- Communications
- External evaluation



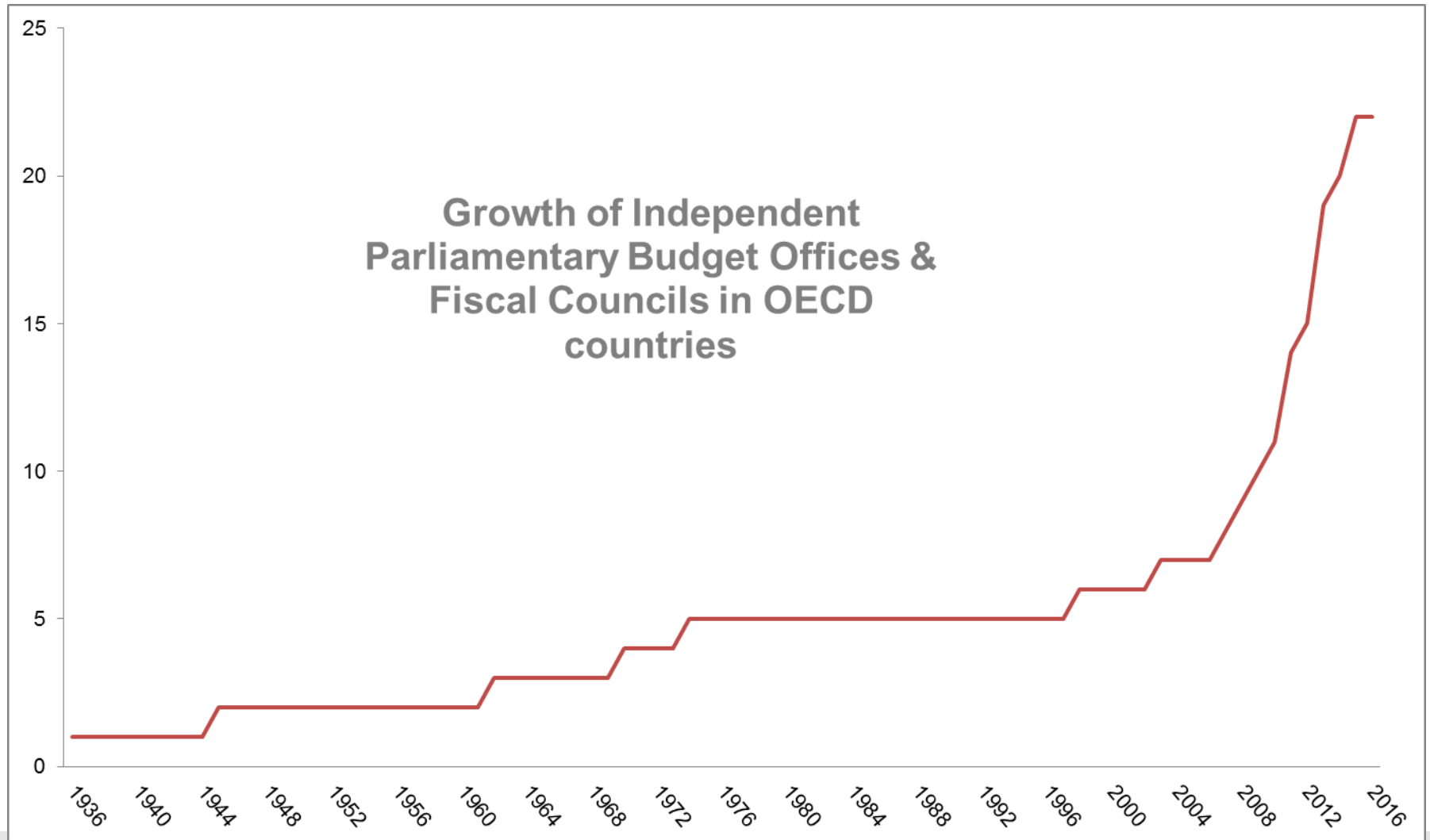
NEW ELEMENT OF FISCAL GOVERNANCE

Independent fiscal institutions

- promote greater fiscal transparency and accountability
- raise the quality public debate on fiscal policy
- are a mechanism to help address bias towards spending and deficits
- enhance credibility of national budgeting
- enhance fiscal discipline (especially in complement with credible fiscal rules),
- add to longer-term fiscal sustainability and handling of fiscal risks
- are viewed as important partners for finance ministries and legislative budget committees in promoting credible fiscal policies

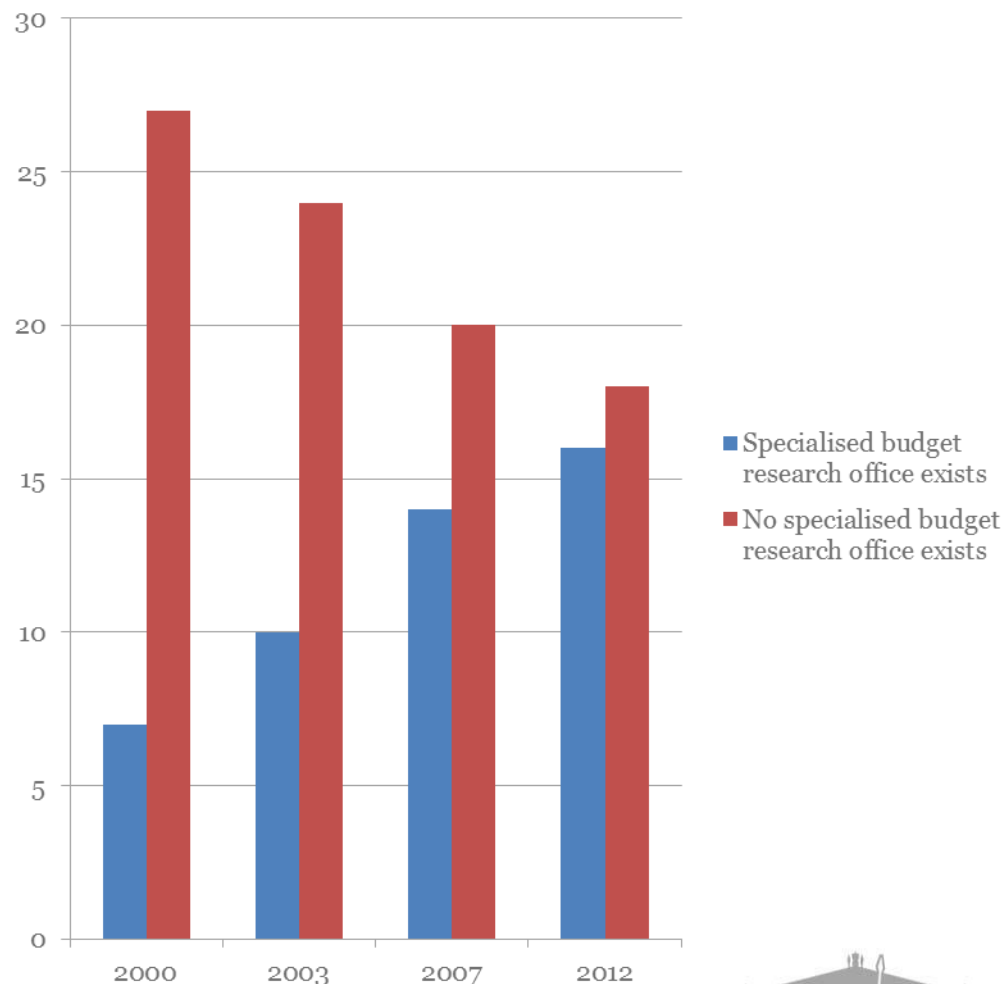


INDEPENDENT FISCAL INSTITUTIONS IN OECD COUNTRIES



BUDGET SCRUTINY SUPPORT OF PARLIAMENTS IN OECD MEMBER COUNTRIES

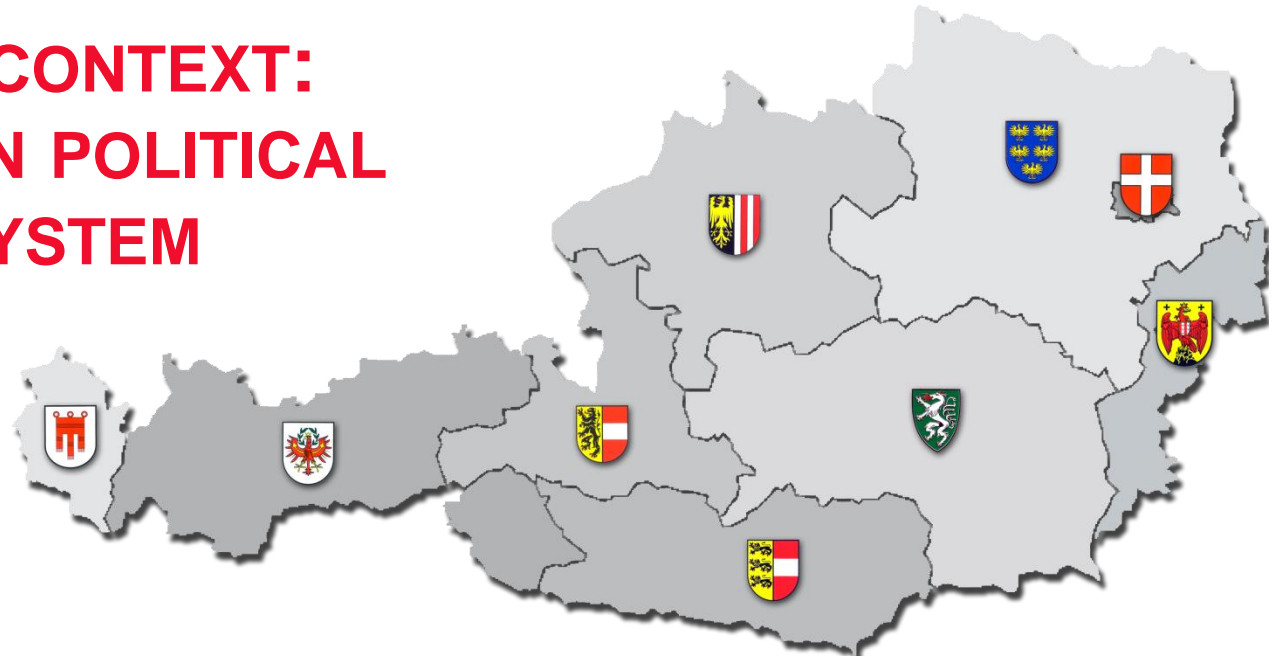
- Committee staff / library and research services (traditional)
- Specialised in-house units (e.g. UK, Israel, Poland)
- Independent parliamentary budget offices (e.g. US, Korea, Italy)



ESTABLISHING THE AUSTRIAN PBO



SETTING THE CONTEXT: THE AUSTRIAN POLITICAL AND FISCAL SYSTEM



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



SETTING THE CONTEXT: THE AUSTRIAN PARLIAMENT



- Austria is a **parliamentary democracy**, the electoral system is based on proportional representation
- Parliament is **bi-cameral with one dominating chamber** – the National Council (Nationalrat, 183 members) and the Federal Council (Bundesrat, 61 members)
- The National Council has **exclusive competence** in budgetary matters
- In the National Council five parliamentary groups are represented
- Since 1945 the Austrian political system was dominated by majority governments and usually by grand coalitions of the two major parties
- Actually coalition between the Austrian People's Party and the Austrian Freedom Party (centre-right coalition)



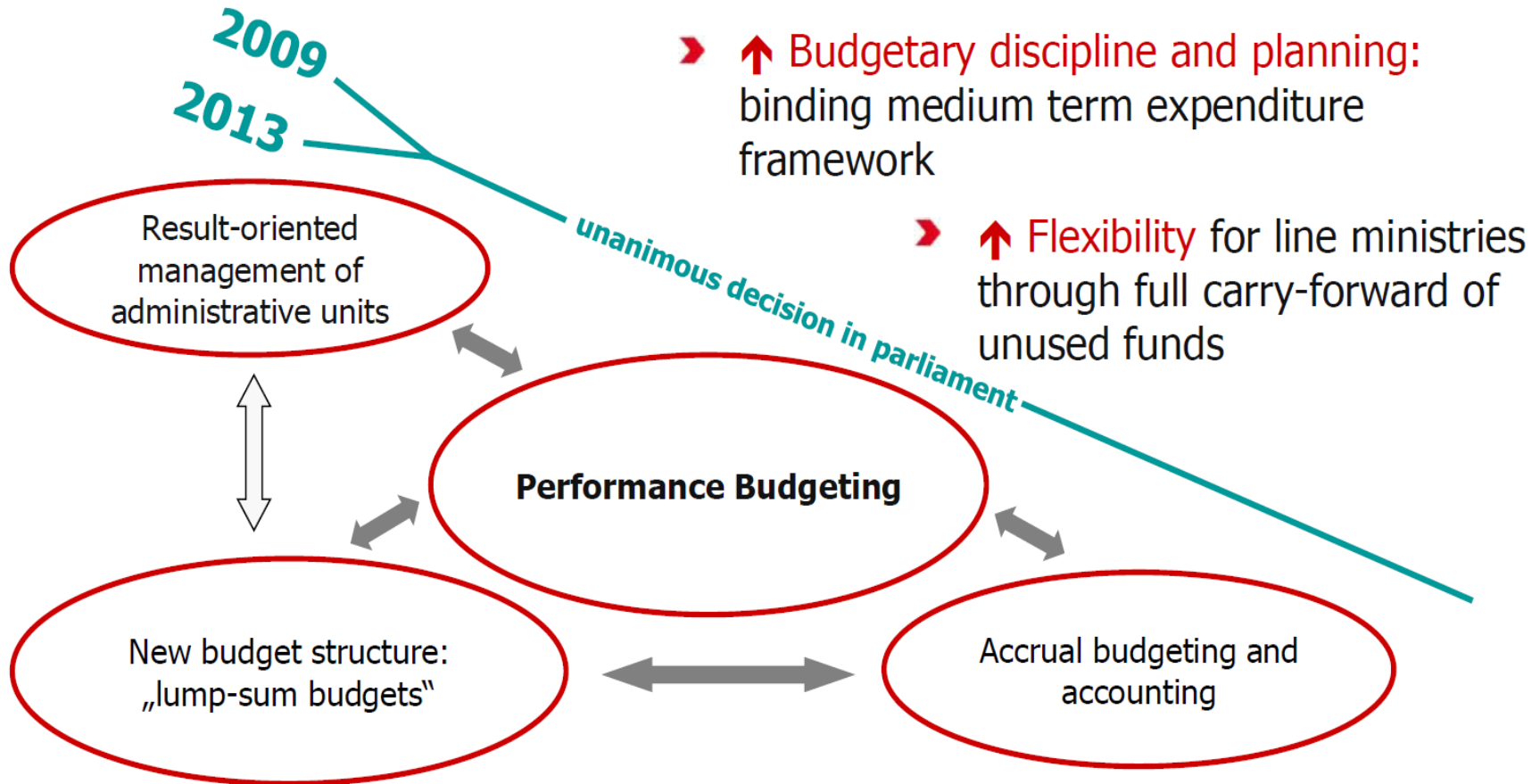
BUDGET REFORM AS A CATALYTIC ELEMENT FOR A PARLIAMENTARY BUDGET OFFICE

Political background and intentions:

- Fiscal knowledge and technical expertise was highly concentrated on the government level
- Major information asymmetries between Government and Parliament (especially for parliamentary minority and opposition groups)
- Longstanding efforts to provide Parliament with immediate and government-independent budgetary expertise and to strengthen its position in relation to government
- Establishment of the Austrian PBO was closely linked to a fundamental reform of the organic budget law, changing important elements of the Austrian budget system



PRINCIPLES OF THE NEW FEDERAL ORGANIC BUDGET ACT



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

Source: BMF



NEW ELEMENTS IN THE AUSTRIAN FISCAL FRAMEWORK

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



CHALLENGES FOR PARLIAMENT

- Comprehensive change of budgetary structure and parliamentary possibilities of steering and controlling the budgetary process
- Accrual and performance budgeting provides Parliament with additional budget oversight possibilities but makes the budget process more complex and requires additional and new technical knowledge
- Budget becomes an integrated planning document for financial information and impact information: Not only decisions on resources (Who gets what?) but steering resources and results (Who gets what for which results?)
- Parliament has the possibility to discuss and question the **strategic approaches**, political and outcome objectives in the Committee debate
- Requires also cultural changes on the political level (setting priorities, transparent decision-making, etc.)

→ Need to realign budget procedures and budget control in Parliament



ESTABLISHMENT OF THE NEW PARLIAMENTARY BUDGET OFFICE

- New budget law confers former Parliament's rights in budgetary matters to a higher level of aggregation (70 global budgets instead of more than 1,100 individual budget lines)
- Two important additional elements of 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



ESTABLISHMENT OF THE NEW PARLIAMENTARY BUDGET OFFICE

- **Initiative** from the **budget speakers** of the parliamentary groups and discussion on different models, staffing and mandate
- **Political agreement** of all parliamentary groups on the basic elements of the new PBO
- Unanimous decision of the **Budget Committee** asking the President of the Parliament for the establishment of a Parliamentary Budget Office
- The PBO should for the time being be implemented without specific legal basis
- The Budget Committee expected that necessary budgetary information will be provided by the Government on the basis of existing administrative support legislation
- In the case of practical difficulties a specific regulation for the access to information will be considered



BASIC DOCUMENTS

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



ORGANIZATION

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

RESOURCES

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



LEADING PRINCIPLES OF THE PBO

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

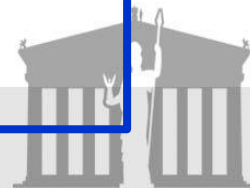
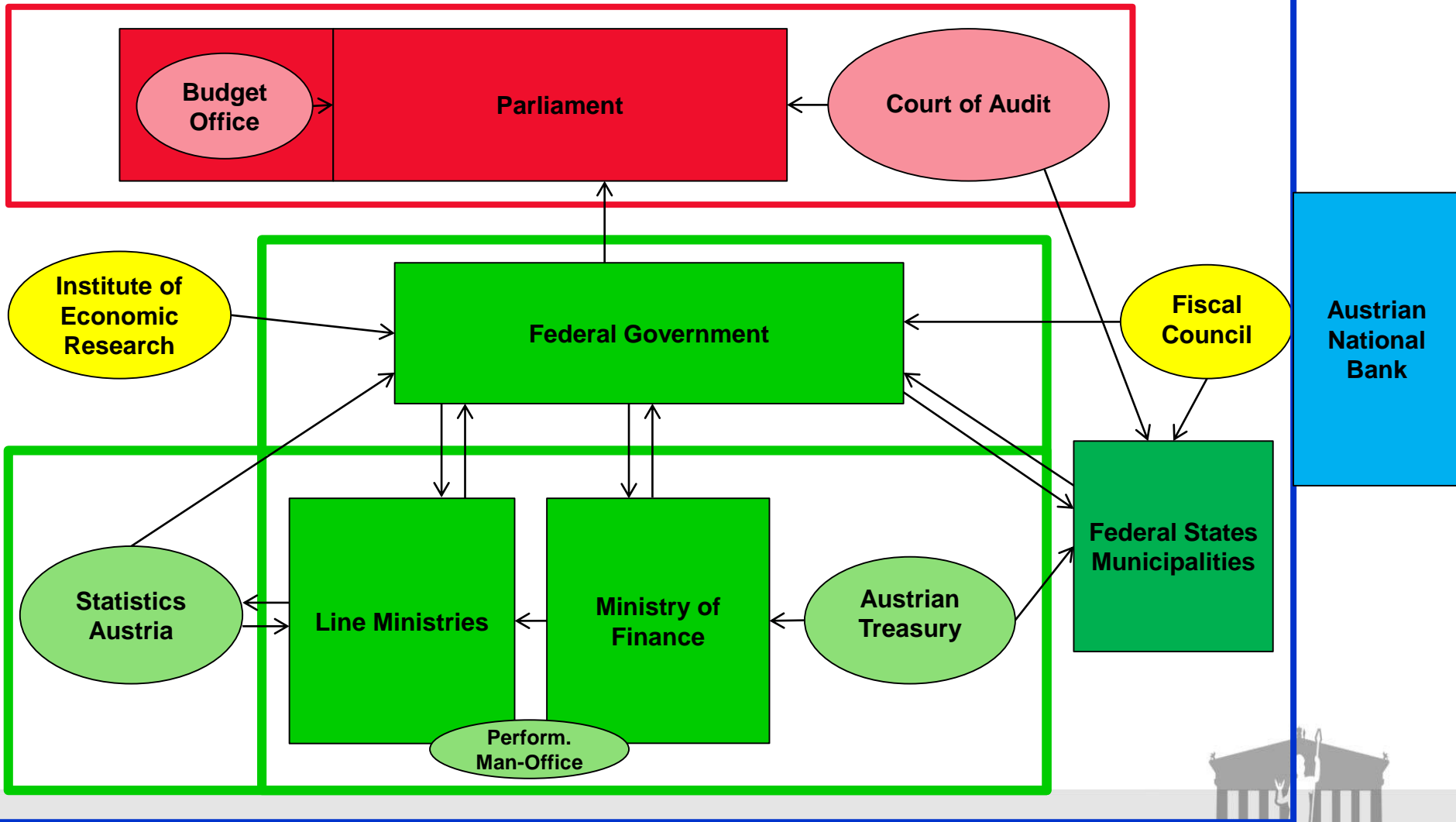


SPECIFIC FUNCTIONS IN A SPECIFIC CONTEXT



MAIN ACTORS OF FISCAL GOVERNANCE

European Union (Council and Commission)



FRAMEWORK FOR DEFINING THE FUNCTIONS

- PBO is an instrument of Parliament and linked to parliamentary work
- Procedures for budget preparation are still heavily focused on the Ministry of Finance and the Government
- Budget Committee plays an important role in exercising parliamentary (budget) control and in holding Government accountable in general
- PBO does not provide individual services for parliamentary groups or members but supports the whole Budget Committee and the National Council
- Functions of the PBO have been defined in respect of changes by the new organic budget law and the new challenges for Parliament
- PBO was a new kid on the block in a well established institutional environment with traditional functions in respect of the budget process



MANDATE

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



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 and the Annual Federal Finance Act
- Draft documents in connection with the requirements of the European Semester and the European System of Budget Control
- Austrian Stability Pact and Fiscal Equalization Law
- Reports on budget execution (monthly) and budget controlling reports (with forecast for the fiscal year)
- Reports on investment controlling (public enterprises)
- Reports on performance and outcome controlling
- Subsidy reports, Reports on borrowing, assumption of liabilities, financial debt and currency swap agreements



CATALOGUE OF PRODUCTS & SERVICES (II)

Analysis upon request:

- Responses to budget related questions of the Budget Committee or its members
 - Statements or short studies
 - Response in order of arrival of the request and depending on personnel capacity

Analysis out of own initiative:

- Analysis on certain budget relevant topics
- Comments on impact assessments, in particular of financial consequences of new legislation



CATALOGUE OF PRODUCTS & SERVICES (III)

Recommendations on the improvement of budget reports and documents and on development of organic budget laws:

- Participate in the evaluation and further development of the Federal Organic Budget Act
- Provide suggestions to the Budget Committee on how to further improve budget documents and reports
- Consultation services on performance and gender budgeting
- Consultation regarding impact assessment of new legislation as requested by committees



CATALOGUE OF PRODUCTS & SERVICES (IV)

Building networks for information and knowledge transfer:

- Information exchange with relevant stakeholders (Ministries, Austrian Court of Audit, Statistics Austria)
- Participation in the Fiscal Advisory Council (analyses public finances and presents recommendations on the fiscal policy; the PBO and the Austrian National Bank participate in an advisory function)
- Establishment of networks with scientific institutions (e.g. Austrian Institute for Economic Research, Institute of Advanced Studies)
- Collaborate with international partners (Worldbank, OECD Parliamentary Budget Officials Network, EU Institutions, IMF, Universities)
- Knowledge and information transfer (e.g. presentations, expert hearings, publications) within and outside Parliament
- Publication of all results on Parliament's website

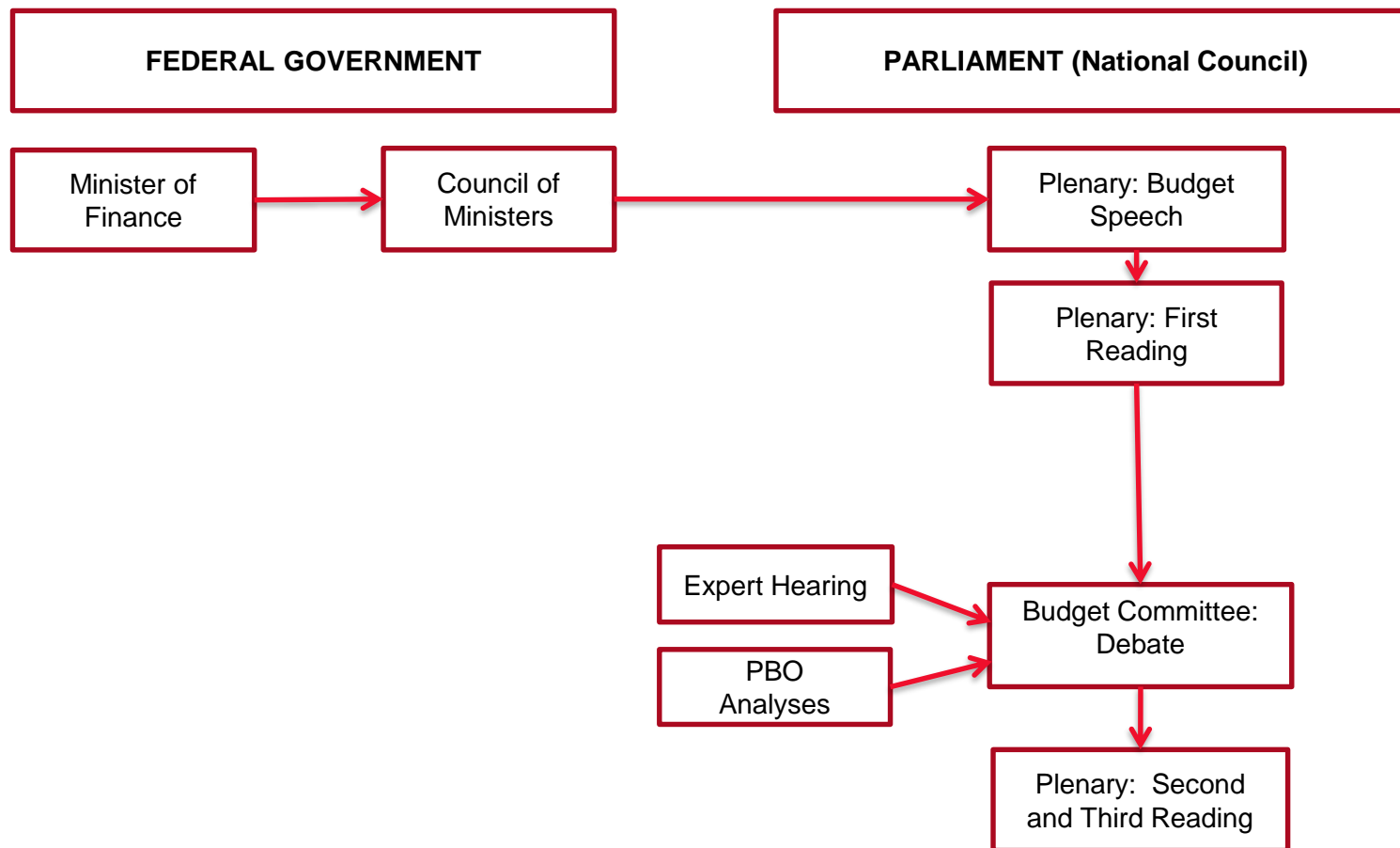
[Link Budgetdienst](#)



PBO-INPUT IN PARLIAMENTARY DEBATE



CONSIDERATION AND APPROVAL OF THE BUDGET – AN OVERVIEW



THE BUDGET COMMITTEE

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



COMMITTEE PROCEEDINGS IN THE BUDGET DEBATE

- The Budget Committee 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 course of the next – approx. 5 – sitting days, the committee holds **individual debates on each budget chapter** (not public)



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



REGULAR MEETINGS OF THE BUDGET COMMITTEE

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



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)

Consulting services for the Budget Committee especially regarding performance budgeting and gender issues

- Create maps giving an overview on performance information (objectives, measures and indicators) to improve transparency
- Providing general information on key issues and questions in respect of performance budgeting (e.g. output vs outcome)
- Analyses on outcome orientation (e.g. stronger harmonisation of targets between different line ministries)
- Analyses on gender budgeting and gender equality (e.g. missing gender-disaggregated data or ambitious targets, lack of coordination between ministries)
- Input for further development – e.g. transparent budget with regard to diversity (considering people with migration background, generations, disabled people)



MEETING THE CHALLENGES

- PBO is more and more recognized as a relevant factor in the budget process and budget debate
- MPs and their supporting staff but also Ministry of Finance and Line Ministries intensively use products of the PBO for their preparation of Committee and Plenary sessions
- Study request of members of the Budget Committee gain growing importance
- Analyses of the PBO are perceived as objective and of high quality also within Government Units concerned and Media using the information on the website of Parliament
- Solid working relations with governmental units have been developed leading to a knowledge transfer in both directions
- Access to budgetary information works basically well but still on an informal basis and could be further clarified
- PBO serves parliamentary work but does not actively address public



THANK YOU FOR YOUR ATTENTION

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