Budgeting under and beyond the stimulus: Lessons learned

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Austrian stimulus packages 2008/09

„One off“ measures:

- financial sector: 90 bn € of which:
  up to 75 bn guarantees, up to 15 bn equity capital strengthening, only partially used
- enforcement of investment in infrastructure
- tax: accelerated depreciation for certain investments
- labor market: subsidies
  (e.g. for reduced work week)
Austrian stimulus packages 2008/09

Other measures:

- 2009 tax reform: ~ 3 bn € per year
- guarantees and loans for enterprises (some of them “one off”)
- additional budget expenditure for r&d
- social package: e.g. family subsidies, lower VAT for pharmaceuticals
Austrian stimulus packages

- overall volume for 2009 + 2010 (cumulative figures): 4.2% of GDP (= 12 bn €), of which
  - more disposable income for private households: ~ 6 bn €
  - less financial costs for enterprises: ~ 2 bn €
  - expansion of investment into infrastructure: ~ 1.4 bn €
  - public consumption and subsidies: ~ 0.4 bn €
  - regional stimulus packages: ~ 2.1 bn €

- positive effects on Austrian GDP for 2010: ~ 1.3 bn €
- additional positive effects: spill overs created by foreign stimulus packages; cumulative effect for 2009 + 2010: 0.8% of GDP)
- negative net effects on general deficit for 2010: ~ 1% of GDP
Respond to the call for fast disbursements.

- if a door is opened, install a gate-keeper (decide on the overall volume, but decide on the specific cases later and specify restrictive conditions)
- prefer guarantees or loans to grants (decide on a substantial fee for guarantees/payment of interest)
- if grants: provide a lump sum and force to set priorities
- prefer one-off measures to permanent ones
Deal with contingent liabilities

- Austria has very recently introduced legally binding expenditure ceilings (2009)
- ~ 80% of expenditure is defined in fixed, nominal amounts
- ~ 20% of expenditure is defined as variable along transparent parameters
- if guarantees turn into expenditure: treated as variable
- list of variable expenditure had to be amended (expenditure from guarantees)
Deal with future expenditure in the context of MTEF . . . .

- expenditure and phasing out were integrated in MTEF
- on the basis of realistic figures
- therefore the respective planned deficits for the next fiscal years were raised
Distinction between discretionary and not discretionary expenditure

- discretionary expenditure: treated as fixed amounts (except expenditure from guarantees) – fixed expenditure ceilings apply
- non-discretionary expenditures (i.e. unemployment insurance): treated as variable expenditure: fixed expenditure ceilings do not apply; Austria let the automatic stabilizers work
Changes in the Budget Office . . . . .

- design of MTEF proved to be adequate (combination of fixed and much smaller – variable expenditure ceilings)
- MTEF passed the stress test of the financial crisis
- minor adaptations (expenditure from guarantees treated as variable)
- further changes not seen as necessary
Long term consequences of the crisis . . . . .

- consolidation efforts will become top priority as soon as the economic upswing is there (good timing of an „exit strategy“)
- high pressure to raise effectiveness of administration and public spending
- crisis as a whip to scrutinize public expenditure
- Budget Offices will have a lot to work