

The establishment of a Parliamentary Budget Office in the Austrian National Council

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So far, the Austrian Parliament does neither have a Budget Office nor does it feature any special secretariat or assistance of the Budget Committee. From 2013 onwards Austria will follow performance based budgeting on federal level and thus it is necessary to re-align budget procedures and control in parliament. Therefore, the political parties in the main chamber of parliament, the Nationalrat or National Council, have agreed to establish a parliamentary budget office.

In my short presentation I will give an overview of the new budget rules in Austria and the ongoing transformation process (1). This model has been presented not only as a reform of budget rules but also as a major reform of politics. In this way, it holds a lot of challenges for parliament and might – in the end – lead to a reassessment of parliamentarism in Austria. I will try to outline these challenges by referring to the current role of parliament in Austria (2) and the state of preparations for a budget office in parliament. Further on, I will present the specific conditions a budget office will face here (3).

1 Budget reform in Austria

Up to the mid-1990s, budget formulation in Austria was very traditional, cash-based, highly legalistic and input-oriented. The lack of a binding, medium-term perspective for budgeting caused increasing planning problems both for the Ministry of Finance and the line ministries. The focus of budgeting was primarily on inputs and neglected performance results. From a legal point of view this budget system held a lot of possibilities for parliament to influence the budget at a highly detailed level. But in reality parliament could neither influence much nor get a lot of information on budget execution.

Budget reform started in the mid-1990ies with the introduction of top-down budgeting and a number of pilot projects to experiment with budget flexibility and performance information from 2000 onwards. This led to a broad reform initiative that gathered support for a process that would take more than 10 years to develop and implement. The reform process was led by the Ministry of Finance and integrated representatives of all

other ministries, all political parties represented in parliament, the Court of Audit and a number of expert institutions. A general political consensus was achieved and kept the reform out of the political day-to-day quarrels. This was supported by a prevailing view that budget reform is primarily a “technical issue” and thus the driving force for reform lay in the hand of high-ranking civil servants. Note that at the same time a major process to reform the Austrian federal system and intragovernmental fiscal relations failed.

The Austrian budget reform is a comprehensive package as it shall not only improve budgetary steering, but also lead to an effective steering system for the whole federal administration and for political decision making. Such far-reaching changes could not be managed in one step. Consequently, two major stages were envisaged: the first was implemented in 2009 and the second will come into force in 2013. The latter is the most ambitious part of the reform. Amendments of the Federal Constitution and the specific statutes stood at the beginning. More detailed regulations by way of ordinances of the Minister of Finance followed.

As said before, the new system follows a comprehensive approach. It is concerned with resources and performance and combines both perspectives. In this sense, it moves towards an integrating steering document for resources and results. The budget is thus envisaged as central planning document of the Federal Government.

So, the main elements of reform are new budgeting principles in the Federal Constitution, namely, outcome orientation, efficiency, transparency and true and fair view. Then, there will be a medium-term expenditure framework that contains legally binding expenditure ceilings for 4 years in advance on a rolling basis. Below the level of budget chapters there will be a few “global budgets” that will characterise the budget structure of each ministry. They will replace the more than 1000 detailed appropriations that have so far dominated the budgets. Thus, the number of legally binding entities will be reduced to less than 100 global budgets. Detailed budgets will become the domain of each federal ministry, and figures at this level will be indicative instead of legally binding.

2 The role of the Austrian parliament in the political system

As you can see from these few remarks on the budget reform, there is a lot of emphasis on political reform as well as a – seemingly – significant increase of administrative autonomy. It will also entail – though I cannot expound this now – a major change of administrative steering and accountability. Thus, this reform will have major implications for the role of parliament.

Before I will go into details, I will make just a few remarks on the constitutional, political and parliamentary context: Austria is a federal state but at the same time it features strong centralistic traits – at least on a legal level. That entails that the federation dominates legislation and finance, i.e. the federal units do practically not raise taxes. Also, budget procedures are the domain of the first chamber of parliament, the National Council. The second chamber, which represents the federal units, has no rights in these procedures.

Austria is a parliamentary democracy that has been dominated by majority governments and grand coalitions of two major parties since 1945. Together with the specific type of Austrian consociationalism this led to a situation in which parliament has had little importance in the political process for a long time. But with the transformation and erosion of this system things are changing.

This puts the seemingly strong rights in a budget process dominated by a high number of legally binding appropriations into a different perspective. Until now, budget procedures in parliament have been dominated by rather broad and at the same time rather detailed discussions – a ritual that has been criticised by many from the administration and politics alike.

3 A reform of politics? A reform of parliamentarism?

Now: what is the reform of politics that will come with new budget rules? And what is parliament's role?

Budget reform empowers the federal government: it assigns a leading role to the Ministry of Finance as main actor and it gives the Federal Chancellery a new role in monitor-

ing the outcomes and outputs, which will be defined by the line ministries. The ministries will get more flexibility both in budget preparation and execution. Parliament will only vote on the medium-term expenditure framework and on global budgets. The Court of Audit, one of the most-trusted institutions in Austria and an important political actor, will evaluate ex post whether and to what extent the outcome and output goals have been fulfilled.

In turn, parliament will get detailed and regular performance information. And parliament will now not only decide on numbers but on outcome and outputs which will be systematically integrated in the budget bill. Compared with the current situation this will – at least from a legal point of view – decrease parliament’s powers. But it may – given the role and function of parliament as outlined before – be a chance for a revival of parliamentarism. The decisive factor is that the Federal Government will have to lay much more information open to parliament and to the general public than before. And it will have to formulate concrete aims and outcomes, justify them and have performance watched and evaluated by parliament and the Court of Audit.

This might change the role and function of parliament in three ways:

(1) According to the Federal Constitution parliament can still be seen not only as the principal – with regard to principal-agent theory – but also as a principal that issues highly detailed instructions to the government and the administration. In practice, this role has been lost long ago. But with the budget reform a reassessment of the relationship between parliament, the Federal Government and the administration is necessary – at least at a political level.

(2) Parliament will have to emphasise its “watchdog-role” and adapt the way in which budget procedures are held, budget execution is monitored and the Federal Government is held accountable.

(3) So far, parliament has been dominated by two major parties in government and their grip on information from the administration. Thus, there is no strong tradition of scrutiny, evaluation and detailed debates. There is also no strong administrative support. The Parliamentary Administration has for a long time seen its role as a rather formal one : a kind of notary for the legislature, an organiser of parliamentary proceedings and

a service institution for all matters related to infrastructure. So far, there is only a small research service.

The federal administration has launched training and support programs to facilitate the budget transformation process some years ago. Although parliamentarians have been involved in the reform process since it began they have not taken similar initiatives. But they have agreed on establishing a budget office that shall take up its work in 2012. Detailed preparations have only started now, and there is little time left and no qualified personnel available in the parliamentary administration at the moment.

The main focus of this proposed budget office will be the support of the budget committee. Its main task will most certainly lie in supporting the new monitoring function of parliament and thus in analysing the regular and detailed reports submitted by the Ministry of Finance. This role will have to be developed and aligned with regard to – and contrary to – that of the other “watchdogs” in the process, the Ministry of Finance, the Federal Chancellery and the Court of Audit, that shall ensure that performance budgeting is taken seriously. Also, the budget office shall support all parliamentary committees with regard to impact assessment.

It stills remains open on which legal and organisational basis the proposed budget office will operate. Members of the budget committee demand at least 6 expert staff and want to ensure high-quality and independent-minded work.

Further reading:

Blöndal, J.R. and D. Bergvall (2007), “Budgeting in Austria”, *OECD Journal on Budgeting*, Volume 7, No. 3

Steger, G. (2010), Austria’s Budget Reform: How to Create Consensus for a Decisive Change of Fical Rules, *OECD Journal on Budgeting*, Vol. 10, No. 1

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