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Budgeting under and beyond the stimulus: Lessons learned

Gerhard Steger, MoF Austria

„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)**

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**

- **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



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- **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



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- **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**

- **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



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- **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**