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AUSTRIA

FISCAL TRANSPARENCY EVALUATION

June 2018

This Fiscal Transparency Evaluation on Austria was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in February 2017.

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IMF Publishes Fiscal Transparency Evaluation for Austria

The International Monetary Fund (IMF) has today published a Fiscal Transparency Evaluation report for Austria. The report assesses Austria's fiscal transparency practices against the standards set out in the IMF's Fiscal Transparency Code and was carried out in February 2017 by the IMF's Fiscal Affairs Department. The Government of Austria requested the evaluation.

Austria has built strong fiscal institutions over the past decade, notably through the budget reforms introduced in 2009 and 2013, which have significantly improved fiscal transparency. Reflecting these efforts, the report found that many elements of sound fiscal transparency practices are in place in Austria. Assessed against the standards of the Fiscal Transparency Code, the report found that Austria meets the good or advanced level practice on 24 of the 36 principles, and the basic standard on a further 5 principles.

The report recognizes several key strengths of fiscal transparency practices in Austria. For example, fiscal reports, covering a substantial part of public activities, are published in a frequent and timely manner and include reconciliations between alternative measures of fiscal aggregates. Budgets and forecasts have a clearer medium-term and performance-oriented focus, and are guided by clear fiscal policy objectives, the compliance with which is subject to independent scrutiny. In addition, there is regular, high-quality reporting on the long-term sustainability of public finances, and on many of the risks that public finances are exposed to (including explicit guarantees, the financial sector, and public corporations), accompanied by sound frameworks for their management.

At the same time, the evaluation highlights several areas where Austria's fiscal transparency practices could be further improved. In particular: fiscal reports and statistics do not provide a complete picture of public sector activity; the current legal framework prevents the Austrian Court of Audit from expressing a completely independent audit opinion on the government's financial statements; the current presentation of the medium-term budgetary framework is not conducive to a strategic fiscal policy debate in the Spring; the credibility of budget documentation is affected by the lack of reconciliation of differences between successive vintages of fiscal forecasts and by the excessive size of budgetary carry-forwards;

and there is a need to address the absence of a comprehensive summary report of specific fiscal risks. However, efforts are underway to address these and other shortcomings.

Key recommendations of this report to strengthen fiscal transparency further, include:

- Expanding the institutional coverage of the key fiscal reports to incorporate all public corporations, and enhancing the accuracy and coverage of balance sheet information;
- Establishing a clear and transparent delineation between the preparation and presentation of consolidated financial statements and the auditing function;
- Adapting the current medium-term budgetary framework to include estimates of the main aggregates broken down by economic category;
- Establishing a carryforward mechanism that prevents the accumulation of unspent budget appropriations indefinitely and without limit, and, as a consequence, ensures parliamentary scrutiny over the significant budget reallocations;
- Providing a more detailed explanation on the main factors underpinning the macroeconomic forecasts and reconcile changes between successive medium-term fiscal forecasts;
- Publishing a summary fiscal risks report that details all material risks to public finances, their magnitudes, and strategies for their management.

The Austrian authorities welcomed the report's findings and its publication. The implementation of reforms planned by the authorities (some of which are already underway), and recommended in this report, will result in further improvements in fiscal transparency in Austria in the coming years.

Further information about the IMF's Fiscal Transparency Code and Austrian Fiscal Transparency Evaluation can be found at: http://www.imf.org/external/np/fad/trans/.

FISCAL AFFAIRS DEPARTMENT

Austria

Fiscal Transparency Evaluation

Miguel Alves, Amanda Sayegh, Carolina Renteria, Johann Bjorgvinsson, Eivind Tandberg, and Timothy Irwin

November 2017

INTERNATIONAL MONETARY FUND

F I S C A L   A F F A I R S   D E P A R T M E N T

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GLOSSARY

ACA	Austrian Court of Audit
ABL	Annual Budget Law
BMF	Austrian Ministry of Finance
EBU	Extra-budgetary Units
EC	European Commission
EDP	Excessive Deficit Procedure
ESA	European System of National and Regional Accounts
ESA TP	ESA Transmission Program
ESS	European Statistical System
FPMO	Federal Performance Management Office
GFSM	Government Finance Statistics Manual
IPSAS	International Public Sector Accounting Standards
MTEF	Medium-term Expenditure Framework
MTBF	Medium-term Budget Framework
OeNB	National Bank of Austria
OBL	Organic Budget Law
PPP	Public-Private Partnership
SA	Statistics Austria
SGP	Stability and Growth Pact
SP	Stability Program
SDDS	Special Data Dissemination Standards
SSF	Social Security Funds
WIFO	Austrian Institute of Economic Research

LEVEL OF PRACTICE	RATING			
	Not Met	Basic	Good	Advanced

LEVEL OF IMPORTANCE	RATING		
	High	Medium	Low

PREFACE

In response to a request from the Minister of Finance, Mr. Hans Jörg Schelling, a technical assistance mission of the Fiscal Affairs Department (FAD) visited Vienna during February 15–28, 2017 to carry out a Fiscal Transparency Evaluation. The mission comprised Miguel Alves (head), Amanda Sayegh (FAD), Johann Bjorgvinsson, Tim Irwin, and Eivind Tandberg (IMF experts). Carolina Renteria (FAD, Division Chief) joined the mission in the second week.

The mission met the Minister of Finance, Mr. Hans Jörg Schelling; Ms. Helga Berger, General Director, Budget and Public Finances, and her staff, including Ms. Friederike Schwarzendorfer, Mr. Anton Matzinger, Mr. Eduard Fleischman, Ms. Silvia Janik, Ms. Monika Geppl, Mr. Patrick Kainz, Ms. Sandra Kaiser, Ms. Dajana El Hamami, Mr. Philipp Lust, Mr. Walter Gangl, Mr. Andreas Fraydenegg, Mr. Philipp Päcklar, Mr. Tobias Orischnig, Mr. Jakob Prammer, and Mr. Stefan Fittner; Mr. Harald Waiglein, General Director, Economic Policy and Financial Markets, and his staff, including Mr. Alfred Katterl, Mr. Alfred Lejsek, Mr. Kurt Mlekusch, Mr. Bernd Schicklgruber, Ms. Silvia Maca, Mr. Paul Schieder, Mr. Johann Kinast, Ms. Nadine Wiedermann-Ondrej, and Mr. Andreas Csanyi; as well as other staff of other directorates of the Ministry.

The mission also met Ms. Margit Kraker, President, Austrian Court of Audit; Mr. Franz Nauschnigg, Austrian National Bank; Mr. Florian Binder, Ministry of Transport, Innovation, and Technology; Mr. Gottfried Haber, Vice President of the Austrian Advisory Fiscal Council; Mr. Thomas Steiner, Managing Director, Austrian Treasury; Mr. Heinrich Resmann, ÖBIB-Austrian State and Industrial Holding Limited; Ms. Agnes Pesau, Ms. Andrea Paukowitsch, and Mr. Karl Schwarz of SA; Mr. Michael Klien, Austrian Institute of Economic Research; Mr. Clemens Mungenast, Budget-Director, State of Styria; Mr. Dietmar Griebler, Director of the Finance Administration Group, City of Vienna; and several members of the Parliamentary Budget Committee as well as Mr. Helmut Berger of the Parliamentary Budget Office.

This evaluation is based on information available at the time it was completed in February 2017. The GDP figures underlying the data are from the IMF Word Economic Outlook, October 2016 vintage, the most recent vintage at the time the mission was conducted. The findings and recommendations represent the views and advice of the IMF mission team and do not necessarily reflect those of the Austrian government. Unless otherwise specified, the data included in the text, figures, and tables in the report are estimates made by the IMF mission team and not official estimates of the Austrian government. The mission would like to thank the Austrian authorities and other participants for their excellent collaboration in the conduct of this evaluation and for the frank and open exchanges of views on all matters discussed. It would especially like to thank Ms. Monika Geppl for skillfully coordinating the mission’s work.

EXECUTIVE SUMMARY

Austria has built strong fiscal institutions over the past decade, which have significantly improved fiscal transparency. Today, Austria has a fiscal reporting framework that produces comprehensive, high-quality information on the financial performance and position of different levels of government, based on the most recent accounting and statistical standards. Budgets and forecasts have a clearer medium-term and performance-oriented focus, and are guided by clear fiscal policy objectives. Considerable information is available on many of the risks that public finances are exposed to, accompanied by sound frameworks for their management. Two main factors contributed to the build-up of these institutions: the budget reform initiated in 2009 and the compliance with the EU's enhanced requirements for fiscal reporting, fiscal policy coordination, and fiscal risk disclosure, in the aftermath of the global financial crisis.

As a result, many of the elements of fiscal transparency are in place. Table 0.1 provides a summary assessment of performance against the principles of the IMF's Fiscal Transparency Code, ranked according to their relative importance for fiscal management. It shows that Austria meets the standard of good or advanced practice on 24 of the 36 principles, and the basic standard on a further 5 principles. Some of Austria's key strengths are:

- Fiscal reports consolidate the general government sector in line with ESA 2010, and cover a substantial part of public activities (roughly 87 percent of total public expenditures and revenue). They are prepared frequently, in a timely manner, and include reconciliations between alternative measures of fiscal aggregates;
- The medium-term budget framework, backed by a comprehensive legal framework, promotes predictability and fiscal discipline, and provides clear guidance for budget preparation. Fiscal targets related to the EU's Stability and Growth Pact are clearly defined and transparent, and there is independent scrutiny of fiscal developments and performance against the fiscal rules;
- There is regular, high-quality reporting on the long-term sustainability of public finances, and considerable information available on fiscal risks arising from explicit guarantees, the financial sector, and public corporations.

At the same time, this evaluation highlights a number of areas where Austria's fiscal transparency practices could be improved:

- Public corporations, whose expenditure accounted for around 8 percent of GDP in 2015, are not consolidated with the controlling government entities;
- General government units have unreported liabilities in the form of civil service pension entitlements of around 60 percent of GDP and unreported assets, primarily land of

subnational governments of around 11 percent of GDP;[1]

- The Austrian Court of Audit (ACA) is responsible for the audit of the consolidated financial statements of the federal government and, at the same time, is obliged by law to correct any flaws in the financial statements found during the audit process. These corrections alter the financial statements and hamper ACA's ability to express a completely independent audit opinion on the government's accounts;
- All extra-budgetary and social security entities are excluded from the budget presentation (reflecting the Austrian constitutional framework), although their activities are equivalent to about half of the on-budget operations of the central government;
- The credibility of budget documentation is hampered by the lack of reconciliation of differences between successive vintages of fiscal forecasts and by the excessive size of budgetary carry-forwards ("budget reserves," which had accumulated to 28 percent of the annual budget at end-2016);
- Information on fiscal risks is reported in many different documents and, as a result, no report provides a comprehensive picture of the government's aggregate fiscal risk exposure;
- The quantity of information presented in budget reports and accounts is vast, but it is not always easy for the public to find the most relevant facts and key messages in those documents; and
- With the possible exception of gender oriented budgeting, budget reforms have so far been introduced at the federal level only, with subnational governments still using older, less-effective accounting and budgetary frameworks, but reforms are now being extended to subnational governments.

This report provides eleven recommendations to further enhance fiscal transparency in Austria. Specifically, it recommends that the Government:

1.1. Expand the institutional coverage of fiscal reports to incorporate all public corporations and thus provide an overview of the fiscal performance and position of the entire public sector;

1.2. Show the full market value of subnational government's holdings of land and other nonproduced assets on the general government balance sheet and recognize a liability and associated expense for the pension entitlements of civil servants;

1.3. Establish a clear and transparent delineation between the preparation and presentation of consolidated financial statements and the auditing function;

2.1. Disclose budget information for the full central government, including extra-budgetary entities, and social security funds, in a format that is comparable to core budget figures;

[1] Numbers based on IMF estimates (see Table 0.2 and Annex 2).

2.2. Prepare the medium-term budget framework according to an economic classification in addition to the current administrative classification;

2.3. Further develop outcome-oriented objectives with clear political relevance, and link performance objectives to resource envelopes to promote efficiency and effectiveness;

2.4. Prepare a "citizens budget" to help the public understand the budget's main implications for different groups of citizens and give them a more formal role in the budget process;

2.5. Establish a carryforward mechanism that prevents the accumulation of unspent budget appropriations indefinitely and without limit, and, as a consequence, the reallocation of significant portions of the budget without parliamentary scrutiny;

2.6. Provide a more detailed explanation on the main factors underpinning the macroeconomic forecasts and reconcile changes between successive medium-term fiscal forecasts;

3.1. Publish a summary fiscal risks report that details all material risks to public finances, their magnitudes, and strategies for their management; and

3.2. Improve the monitoring, control, and disclosure of fiscal risks arising from subnational governments.

The evaluation also estimates Austria's public sector accounts. Table 0.2 presents a preliminary and partial estimate of Austria's public sector for 2015, which shows that: consolidated public sector expenditures were 59 percent of GDP; public sector assets and liabilities were around 166 and 212 percent of GDP; and public sector net worth was –47 percent of GDP. The latter figure compares positively to that of some European countries, for which similar estimates are available.

The remainder of this report provides a more detailed evaluation of Austria's fiscal transparency practices against the standards of the Code. It is organized as follows:

- Chapter I evaluates the coverage, timeliness, quality and integrity of fiscal reporting;
- Chapter II evaluates the comprehensiveness, orderliness, policy orientation, and credibility of fiscal forecasting and budgeting; and
- Chapter III evaluates arrangements for disclosure and management of fiscal risks.
- Annex I presents a brief indicative analysis of contributions of the budget reform to improvements in the fiscal transparency dimensions covered by the Code.

Table 0.1. Austria: Summary Assessment Against the Fiscal Transparency Code

LEVEL OF IMPORTANCE	LEVEL OF PRACTICE		
	1. Fiscal Reporting	**2. Fiscal Forecasting and Budgeting**	**3. Fiscal Risk Analysis and Management**
HIGH	1.1.1 Coverage of Institutions	2.1.1 Budget Unity	3.1.2 Specific Fiscal Risks
	1.1.2 Coverage of Stocks	2.4.2 Supplementary Budget	3.1.3 Long-Term Fiscal Sustainability
	1.4.2 External Audit		3.2.5 Financial Sector
MEDIUM	1.1.4 Coverage of Tax Expenditures	2.1.3 Medium-Term Budget Framework	3.1.1 Macroeconomic Risks
	1.2.1 Frequency of In-Year Reporting	2.1.4 Investment Projects	3.2.2 Asset-and-Liability Management
	1.3.1 Classification	2.2.2 Timeliness of Budget Documents	3.2.3 Guarantees
	1.4.3 Comparability of Fiscal Data	2.3.3 Public Participation	3.3.1 Subnational Governments
		2.4.3 Forecast Reconciliation	3.3.2 Public Corporations
		2.3.2 Performance Information	
LOW	1.1.3 Coverage of Flows	2.1.2 Macroeconomic Forecasts	3.2.1 Budgetary Contingencies
	1.2.2 Timeliness of Annual Financial Statements	2.2.1 Fiscal Legislation	3.2.4 Public-Private Partnerships
	1.3.2 Internal Consistency	2.3.1 Fiscal Policy Objectives	3.2.6 Natural Resources
	1.3.3 Historical Revisions	2.4.1 Independent Evaluation	3.2.7 Environmental Risks
	1.4.1 Statistical Integrity		

Table 0.2. Austria: Public Sector Financial Overview, 2015

(Percent of GDP)

	General Government						Public corporations				Public Sector
	Central government	State governments	Local governments	Social security funds	Consoli-dation Gen. Govt.	**Consoli-dated Gen. Govt.**	Nonfinancial	Financial	Central bank	Consoli-dation Public Sector	
Transactions:											
Revenue	**33.4**	**9.3**	**8.6**	**17.4**	**-18.2**	**50.6**	**7.7**	**0.9**	**0.2**	**-1.2**	**58.1**
Expenditure	**35.3**	**9.3**	**8.7**	**17.3**	**-18.2**	**52.4**	**6.5**	**1.2**	**0.1**	**-1.2**	**59.1**
Expense	33.7	8.9	7.8	17.3	-18.2	49.5	5.9	0.8	0.1	-1.2	55.1
Investment in NFA	1.6	0.4	0.9	0.1	0.0	2.9	0.6	0.4	0.0	0.0	3.9
Net operating balance	**-0.3**	**0.4**	**0.8**	**0.1**	**0.0**	**1.1**	**1.8**	**0.1**	**0.0**	**0.0**	**3.0**
Net lending/borrowing	**-1.9**	**0.0**	**0.0**	**0.1**	**0.0**	**-1.8**	**1.2**	**-0.4**	**0.0**	**0.0**	**-0.9**
Stocks:											
Assets	**84.5**	**23.7**	**14.5**	**5.0**	**-4.8**	**122.9**	**17.0**	**2.2**	**31.5**	**-8.1**	**165.6**
Nonfinancial	52.4	10.8	8.0	0.2	0.0	71.3	15.1	1.8	2.4	0.0	90.6
Financial	32.1	13.0	6.5	4.8	-4.8	51.6	1.9	0.5	29.1	-8.1	75.0
Liabilities	**149.6**	**12.6**	**9.3**	**3.1**	**-4.8**	**169.7**	**17.0**	**2.2**	**31.5**	**-8.1**	**212.3**
Liabilities, other than equity and pensions	93.3	8.2	5.3	3.1	-4.8	105.1	10.4	1.9	30.4	-0.1	147.7
Civil servants' pension entitlements	53.9	4.1	2.1	0.0	0.0	60.0	0.0	0.0	0.0	0.0	60.0
Equity	2.4	0.3	2.0	0.0	0.0	4.7	6.6	0.3	1.1	-8.0	4.7
Net worth	**-65.1**	**11.2**	**5.2**	**2.0**	**0.0**	**-46.8**	**0.0**	**0.0**	**0.0**	**0.0**	**-46.8**
Net financial worth	**-117.5**	**0.4**	**-2.8**	**1.8**	**0.0**	**-118.1**	**-15.1**	**-1.8**	**-2.4**	**0.0**	**-137.4**

Source: IMF staff estimates, based on publicly available data (Annex 2 provides more details on data sources and methods used).

I. FISCAL REPORTING

1. **Fiscal reports should provide a comprehensive, timely, reliable, comparable, and accessible summary of the government's financial performance and position.** This chapter assesses the quality of Austrian fiscal reporting practices against the standards set by the IMF's Fiscal Transparency Code. In doing so, it separately considers the following dimensions of fiscal disclosure:

- coverage of public sector institutions, stocks, and flows;
- frequency and timeliness of reporting;
- quality, accessibility, and comparability of fiscal reports; and
- reliability and integrity of reported fiscal data.

2. **Austria has in recent years substantially improved the coverage and quality of its fiscal reports.** Following the launch of a significant budget reform process in 2009, and particularly after the implementation of accrual accounting in 2013, the Federal Government's in–year and year-end fiscal reports significantly expanded the coverage of flows, assets and liabilities. Although the coverage of institutions in these reports is not complete, the government finance statistics (GFS) compiled by (SA) present data for the general government and all its subsectors, in accordance with the European System of Accounts (ESA) 2010.[2] Austria's fiscal reports now: (i) cover the consolidated general government; (ii) include a balance sheet which includes all financial and most nonfinancial assets and liabilities; (iii) record transactions on an accrual basis and capture other economic flows and estimates of the cost of tax expenditures; and (iv) are compiled and disseminated by both the federal Ministry of Finance (BMF) and SA. The reports are prepared monthly, quarterly, and annually, in a timely manner. The main summary fiscal reports, presented in Table 1.1. comprise:

- **monthly budget execution report**, published by the BMF within a month of the end of the period includes the federal government's revenue, expenditure and financial data on accrual and cash basis for the current fiscal year;
- **semi-annual budget execution report**, published by the BMF, which gives an overview and description of the budgetary developments as regard the budget chapters and the differences between the cash and the operating statement (cash/accrual) of the federal government;
- **semi-annual budget control report**, published by the BMF, which presents the deviations from the planned budget at chapter level and gives an overlook for the current year-end;

[2] Austria is subject to the data requirements of the Stability and Growth Pact, in particular, those defined under the Excessive Deficit Procedure (EDP). These requirements determine the establishment of fiscal policy objectives covering the general government and defined with reference to the European System of Accounts (first ESA95, and currently ESA 2010) and its Manual on Government Deficit and Debt (MGDD).

- **semi-annual report on investment and financial control**, published by BMF, includes the main revenue, expenditure and balance sheet indicators on legal entities which are not part of the core budget of the federal government. These entities are extra-budgetary units (EBU, 81 units) like universities and museums, and public corporations (19 units);
- **quarterly and annual fiscal statistics**, compiled by the SA to comply with the data requirements of the "ESA Transmission Programme"[3] (ESA TP) and the EDP; the data are reported on an accrual basis, for the general government and its subsectors;
- **annual preliminary budget outturn**, published by the BMF, includes the first full year accrual based outturn for revenue, expenditure, and financing indicators of the federal government;
- **annual financial statements**, published by the Austrian Court of Audit (ACA), which provide accrual-based data for the consolidated federal government, in accordance with most International Public Sector Accounting Standards (IPSAS) standards, including a comprehensive balance sheet, an operating statement, and a cash flow statement; and
- **annual reports on outcome orientation**, published by the Federal Performance Management Office (FPMO) in the Federal Chancellery, which contain the previous year's results of the ex post evaluations of laws, regulations and large projects and the extent to which the objectives and activities in the annual budget have been achieved or implemented in the previous fiscal year.

3. The quantity of information presented in budget reports and accounts is extensive, but it is not always easy for a non-specialist to find what is most important. Efforts have been made to summarize information (for example, in the short version of the federal financial statements) and to make the information easier to understand (such as the introduction in 2016 of analytical narratives in monthly reports in addition to the tables or the innovative color-coding of accrual and cash numbers). But further work could be done to simplify the reports, for example by presenting more of the details only in an online database.

[3] This document presents the requirements for national accounts data delivery within the framework of the implementation of ESA 2010. Its implementation started in September 2014.

Table 1.1. Austria: List of Fiscal Reports

REPORT	Agency	COVERAGE			ACCOUNTING		PUBLICATION	
		Flows	Stocks	Instit.	Basis	Class.	Freq.	Lag
IN-YEAR REPORTS								
Monthly Budget Executions Report	BMF	R, E, Fin	…	CG	Acc/Cash	Nat	Monthly	30d
Budget Execution Report	BMF	R, E, Fin	…	CG	Acc/Cash	Nat	6 months	30d
Budget Controlling	BMF	R, E	…	CG	Acc/Cash	Nat	6 months	30d
Results of Investment and Financial Controlling	BMF	E, Fin	A, L	CG	Accrual	Nat	6 months	30d
Budget Allocations exceeding appropriation levels	BMF	E	…	CG	Acc/Cash	Nat	Quarterly	3m
Quarterly Nonfinancial Accounts of General government	SA	R, E	…	GG	Accrual	ESA	Quarterly	3m
Quarterly Financial Accounts of General government	SA	Fin	FA, L	GG	Accrual	ESA	Quarterly	3m
Quarterly Maastricht Debt for General government	SA	Debt	…	GG	Accrual	ESA	Quarterly	3m
Report on the European Stability Mechanism	BMF	R, E, Fin	A, L	GG	Accrual	Nat	Quarterly	30d
Quarterly Sector Accounts	SA	R, E, Fin	FA, L	GG	Accrual	ESA	Quarterly	3m
ANNUAL REPORTS								
Financial Statement of Federal Government	ACA	R, E, Fin	A, L	CG	Accrual	Nat	Annual	6m
EDP Notification	SA	Balance	Debt	GG	Accrual	ESA, EDP	2x/year	3m
Main Aggregates of General Government	SA	R, E,	…	GG	Accrual	ESA	2x/year	3m
The Tax and Customs Administration	BMF	R	…	CG	Cash	Nat	Annual	6m
Fact and Figures of Tax and Customs Administration	BMF	R	…	CG	Cash	Nat	Annual	6m
Reports on Outcome orientation	FPMO	R, E, Fin	…	CG	Acc/Cash	Nat	2x/year	5m
Preliminary Budget Outturn of the Previous year	BMF	R, E, Fin	A, L	CG	Accrual	Nat	Annual	3m
Report on Receivables	BMF	Fin	A, L	CG	Accrual	Nat	Annual	3m
Report on Changes to Reserves	BMF	Fin	A, L	CG	Accrual	Nat	Annual	3m
Subsidies and Tax Expenditures	BMF	R, E	…	CG	Acc/Cash	Nat	Annual	12m
Report on Hived-off Entities and Shareholdings of federal government	BMF	R, E, Fin	A, L	PC of CG	Accrual	Nat	Annual	10m*
Financial Debt and Currency Swaps	BMF	R, E, Fin	A, L	CG	Accrual	Nat	Annual	30d
Guarantee Report	BMF	Fin	A, L	CG	Accrual	Nat	Annual	30d
Annual Report	OeNB	R, E, Fin	A, L	ONB	Accrual	Nat	Annual	4m
General Government Expenditure by Function	SA	E	…	GG	Accrual	ESA, COFOG	Annual	10m
Detailed Tax and Social Contribution Receipts	SA	Taxes, S. Contr.	…	GG	Modified Cash	ESA	Annual	10m
National Tax List Questionnaire	SA	Taxes, S. Contr.	…	GG	Modified Cash	ESA, Nat	Annual	10m

Note: R: Revenue; E: Expenditure; Fin: Financing; A: Assets; L: Liabilities; CG: central government; GG: general government; PC: public corporations; Nat: national classification.

* The information published in this report contains actual fiscal data for the years t-5 through t-1 (to which the 10-month lag refers) and estimated/planned values for years t and t+1 (t referring to budget year).

1.1. Coverage of Fiscal Reports

1.1.1. Coverage of Institutions (Good)

4. **In 2015, Austria's public sector included 7,771 separate entities with various legal forms.** As shown in Table 1.2, there are 4,938 government units and 2,883 commercially-orientated public corporations. The public sector units can be broken-down into the following subsectors:

- **Central government**, which comprises 257 units, including the legislative, and executive bodies of the federal government; also included are 81 hived-off units with autonomous budgets, but engaged in non-market activities, the most notable examples being museums and universities;
- **State government**, which comprises 319 units in the administration of the States (*Länder*), other than Vienna,[4] including Regional Government Authorities, District Authorities, construction and agricultural authorities, road maintenance departments and, in some cases, the nursing care sector; also included are the primary and lower secondary schools, as well as vocational schools for apprentices and for the agriculture and forestry sector;
- **Local government**, which comprises 2,101 core units, including the City-State of Vienna, and 1,281 EBUs in the municipal sector (Gemeinde) operating in the following areas of activities: local (partly) energy supply, local transport, hospitals, local sports facilities, local housing, and basic social welfare;
- **Social security funds (SSF)**, which comprises 60 units, including social security institutions, pension and health funds, and hospitals controlled by social security institutions;
- **Public nonfinancial corporations**, which comprises 2,793 commercially-oriented corporations controlled by government units; of which 239 were controlled by central government (the largest ones being ASFINAG, Austro Control GmbH, and Osterreichische Bundesforste AG), 402 by the state government and 2,147 by the local governments; and
- **Public financial corporations**, which comprises 40 financial units controlled by government units; of which 10 were controlled by central government (including the National Bank of Austria, OeNB, and VERBUND AG Holding), 22 by state government, and 6 and 2 units by local governments and social security, respectively.

[4] Per its Constitution, Austria is composed of nine autonomous States (Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tirol, Vorarlberg, and the City-State of Vienna). In its reporting of government finance statistics, SA classifies the City-State of Vienna in the local governments subsector, an approach that is adopted in this report.

Table 1.2. Austria: General Government and Government Controlled Units According to ESA

Controlling level	Government units	Nonfinancial corporations	Financial corporations	**Total**
Central government	257	239	10	**506**
State Government	319	402	22	**743**
Local government	4,302	2,147	6	**6,455**
Social security funds	60	5	2	**67**
Total	**4,938**	**2,793**	**40**	**7,771**

Source: SA

Note: Number of municipalities refers to situation as of January 1, 2016.

5. **Austria's public sector accounted for around €201 billion (59 percent of GDP) in expenditure in 2015.** Table 1.3 summarizes the distribution of public resources across the different subsectors of the public sector in 2015 and shows that:

- **General government** accounts for €178 billion (52.4 percent of GDP) of expenditures, of which 40 percent flows through the central government, 27 percent is spent through subnational governments, and 33 percent through SSFs;
- **Public corporations** account for a further €27 billion (7.9 percent of GDP) of which 82 percent is spent by nonfinancial corporations, and 18 by financial corporations.

Table 1.3. Austria: Public Sector Revenue and Expenditure, 2015

(Percent of GDP, unless otherwise stated)

	Revenue	Expenditure	Balance	Intra-PS expenditure	Net expenditure	Net expenditure (Percent)
Public Sector	58.1	59.1	-0.9	0.0	59.1	100.0
General government	50.6	52.4	-1.8	0.9	51.5	87.1
Central government	33.4	35.3	-1.9	15.6	19.7	33.3
State governments	9.3	9.3	0.0	1.1	8.3	14.0
Local governments	8.6	8.7	0.0	0.9	7.8	13.2
Social Security Funds	17.4	17.3	0.1	1.6	15.7	26.6
Nonfinancial public corporations	0.2	0.1	0.0	0.1	0.0	0.0
Central Bank	7.7	6.5	1.2	0.1	6.3	10.7
Other financial public corporations	0.9	1.2	-0.4	0.0	1.2	2.1

Source: IMF staff estimates.

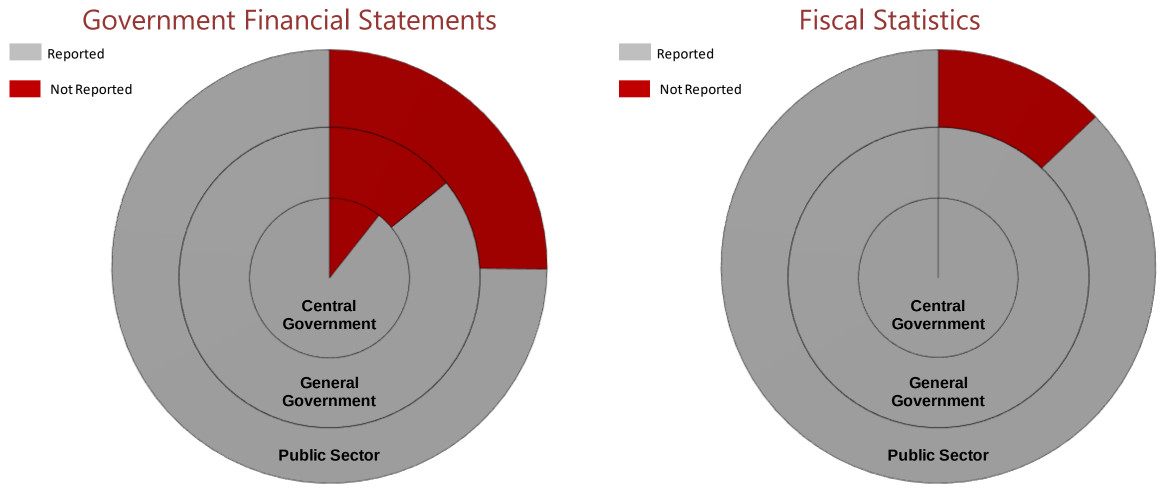
Note: Numbers for "Revenue" and "Expenditure" don't add up due to consolidation of inter-sectoral transactions.

6. **Financial information on the largest public corporations is available, but it is not consolidated with that of the general government in any fiscal report.** The BMF publishes financial information for the largest public corporations controlled by the central government in a specific report.[5] The value of these entities is reflected in the federal government's financial

[5] Report on Hived-off Entities and Shareholdings of federal government (*Ausgliederungen und Beteiligungen des Bundes)*. This report also includes financial information of about 81 EBUs (including universities, museums and various other government agencies and institutions) that are part of central government, according to statistical rules, but are not consolidated in the financial statements of federal government.

statements as an equity investment, rather than being fully consolidated, as required under IPSAS. Currently, there is no aggregated report on the financial activities of public corporations controlled by state and local governments. Fiscal statistics are produced only for the general government, with no consolidation of public corporations, including those for which information is available.[6] Figure 1.1 shows the coverage of the various sectors in the fiscal reports.

Figure 1.1. Coverage of Public Sector Institutions in Fiscal Reports



Source: IMF staff estimates.
Notes: For the purpose of these charts, Central Government includes the SSF subsector; "Not Reported" refers to expenditures of units not consolidated in summary fiscal reports. The partial coverage in government financial statements at the central and general levels of government, reflects the fact that financial statements of executive bodies do not consolidate EBUs.

7. Expanding the institutional coverage of fiscal reports to include public corporations results in a significantly higher value for liabilities, but a lower deficit (Table 0.2).[7] As Table 0.2 illustrates, the liabilities of the public sector were about 212 percent of GDP in 2015, 43 percent of GDP higher than those of the general government. More than half of this increase derives from the large deposit liabilities of financial public corporations, including the Central Bank. In 2015, the deficit of the public sector was 0.9 percent of GDP, lower than the 1.8 percent of GDP for the general government, reflecting the surplus generated by nonfinancial public corporations in 2015.

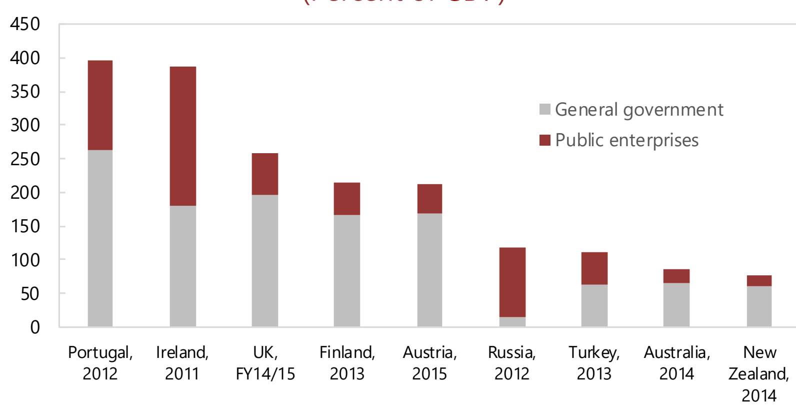
[6] SA publishes financial information on the nonfinancial corporate sector (S.11) and the Financial corporate sector (S.12), but no distinction is made between public and private.

[7] In addition to the general government sector, the aggregates in Table 0.2 incorporate the main indicators of the OeNB and an estimate of the public corporation sector based on the 25 largest corporations of the central government. It also incorporates an estimate of the main indicators of the public corporations of the state and local governments based on the business structural data from the SA database.

1.1.2. Coverage of Stocks (Good)

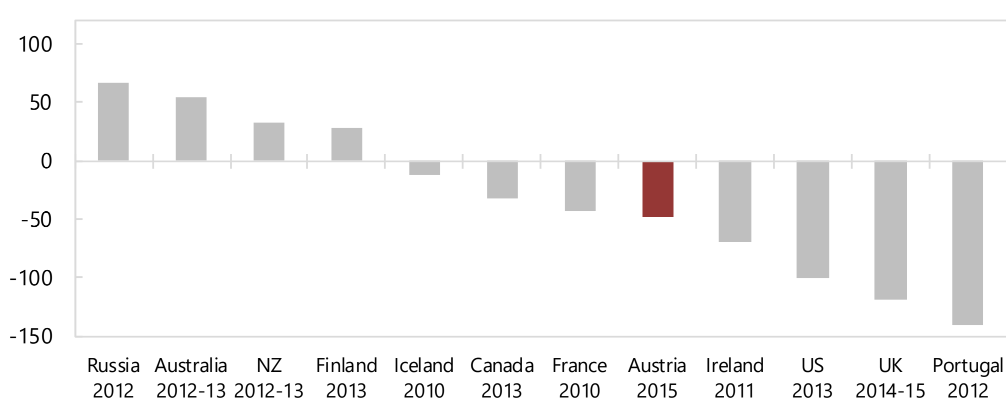
8. **Austria's public sector net worth compares positively to that of some European countries, for which similar estimates are available.** As shown in Table 0.2 and Figure 1.4, consolidated public sector nonfinancial assets are estimated to be at least €308 billion (91 percent of GDP), financial assets at €255 billion (75 percent of GDP), and its liabilities are estimated to be around €722 billion (212 percent of GDP), resulting in an overall net worth and net financial worth of -47 and -137 percent of GDP, respectively. Figures 1.2 and 1.3 compare Austria's public sector balance sheet data with other countries for which comparable estimates are available. They show that Austria's public sector net worth is higher than that of Ireland, UK, and Portugal (–69, –118, and –140 percent of GDP, respectively), all countries with higher level of debt securities (mostly resulting from the response to the 2008 global financial crisis, including financial sector recapitalization) and civil servant's pension liabilities than Austria. It is lower, however, than that of Finland (+29 percent of GDP), primarily due to the substantially lower value of financial assets.

Figure 1.2. Public Sector Gross Liabilities in Selected Countries
(Percent of GDP)



Source: IMF staff estimates.

Figure 1.3. Public Sector Net Worth in Selected Countries
(Percent of GDP)



Source: IMF staff estimates.

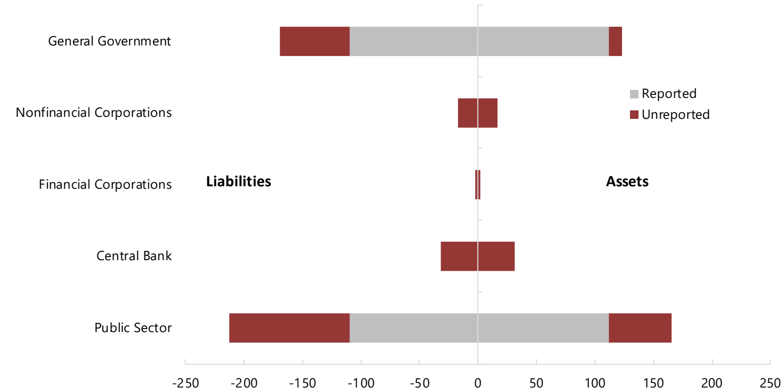
9. **The balance sheets published in the main fiscal reports do not fully cover the stock positions of the public sector.** While the balance sheet disclosed in the financial statements of the Federal Government contains details of most categories of assets and liabilities (the only material exclusion being the civil servant's pension entitlements), its narrow institutional coverage reduces its usefulness in assessing public sector net worth. SA publishes a balance sheet covering the full general government, but it only covers financial assets and liabilities, excluding the above-mentioned pension entitlements. In a separate report, SA also publishes estimates for the stock of fixed assets of general government. The differences (illustrated in Figure 1.4) between the public sector stock positions estimated by the mission (see Table 0.2 and Annex 2) and those reported in these main fiscal reports reflect the following main gaps:

- Subnational governments combined have unreported **land and other nonproduced assets** estimated at around €38.5 billion (11.3 percent of GDP), due to asset recognition shortcomings in the accounting standards currently used by most subnational government units;[8]
- General government units have unreported liabilities in the form of **civil service pension entitlements**[9] accrued to date estimated at around €204 billion (60 percent of GDP), due to the non-adoption of the Employment Benefits IPSAS; for the federal government, this is partly compensated by the disclosure, in an annex to the financial statements, of information on the long-term projections for pension payments and social contributions of such schemes.

[8] The estimate of the state and local governments' land is based on various sources, such as the valuation of the federal government assessment of its land published in the Annual Report (Opening Statement of Financial Position for the Austrian Federal Government) and information from BMLFUW. The recognition and valuation of assets of subnational governments will improve as the new accounting regulation is implemented (planned to enter into force by 2019 for all states and municipalities with population exceeding 10,000 and by 2020 for the remaining municipalities), extending accrual accounting standards to other levels of government.

[9] International statistical and accounting standards require a liability to be recognized on the government's balance sheet in relation to employment-related defined-benefit pension schemes. In the case of Austria general government units, this includes the unfunded schemes (whose pensions are paid out of the general budget resources, rather than from accumulated reserves) covering armed forces, police, judges, and other senior officials.

Figure 1.4. Coverage of Public Sector Balance Sheet in Fiscal Reports, 2015
(Percent of GDP)



Source: IMF staff estimates.

1.1.3. Coverage of Flows (Advanced)

10. The financial statements of the Federal Government cover all cash flows, accrued, revenues, expenditures, and financing and other economic flows. This was primarily the result of the adoption of most IPSAS in 2013, which facilitated the integration of stocks and flows.[10] Fiscal flows are recorded on an accrual basis as well as on cash basis, and the government publishes a reconciliation between its direct cash flows during the year and its opening and closing balances. A reconciliation of the deficit with changes in debt is also presented. These reconciliations help, inter alia, to provide an assurance that flow data are complete. Other economic flows resulting from holding gains or changes in the volume of assets and liabilities are included in fiscal reports.

11. The coverage of flows in fiscal reports is affected by source data limitations. Accounting statements of general government units range from accrual based budget execution reports for the federal government to cash based budget reports for the state and local governments. Further, the flows associated with the accrual of civil servant pension liabilities are not accounted for in accrual financial statements of those entities that produce them. IMF staff estimates of public sector transactions for 2015 (Table 0.2), show that accounting for missing flows would increase the public sector deficit by 0.8 percent of GDP, primarily due to the recognition of the annual increase in civil servant's pension entitlements, due to both "service" and "financing" costs.[11]

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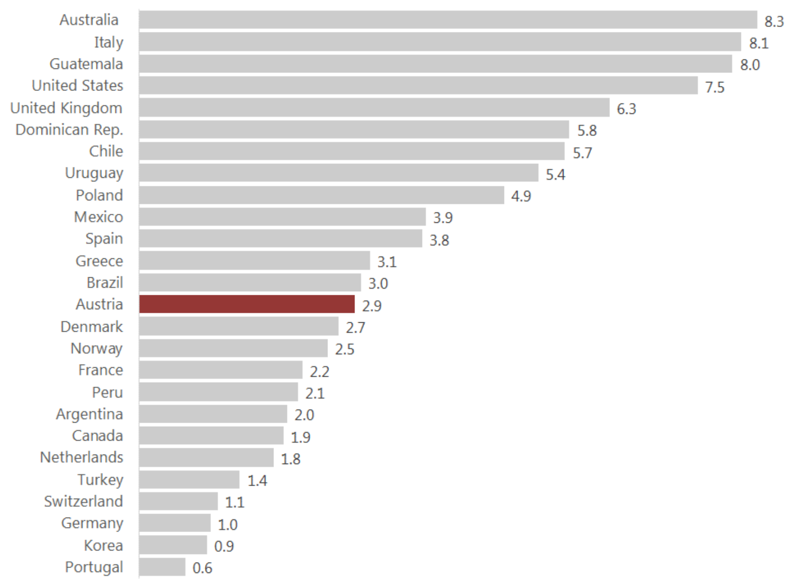
[10] As discussed in earlier sections of the report, Austria's Federal Government has not yet adopted the IPSAS related to consolidation of controlled entities (IPSAS 6), revenue from taxes and transfers (IPSAS 23), employee benefits (IPSAS 25), and financial instruments (IPSAS 15, 29, and 30).

[11] As described in the GFSM 2014 (see the manual's Appendix 2 for details), "service" costs correspond to the increase in pension entitlements associated with the wages and salaries earned in the period, whereas "financing" costs correspond to increases due to the fact that the benefits are one period closer to settlement (i.e., akin to property expense, paid on any other liability).

1.1.4. Coverage of Tax Expenditures (Good)

12. Tax expenditures are described each year in a report on subsidies. These reports are required by Section 47(3) of the Organic Budget Law (OBL) of 2013, but were also prepared before the recent budgetary reforms. The most recent report, for 2015, lists some 70 different tax expenditures and states their nature, purpose, and legal basis, and for about two-thirds of expenditures estimates the fiscal cost. The report shows that the sum of the estimated costs of the tax expenditures in 2015 was €14.8 billion (4.4 percent of GDP).[12] As the report notes, this estimate is necessarily rough, not only because many tax expenditures are not quantified (many schemes cannot be quantified due to lack of data) but also because the sum does not take account of any interactions between tax expenditures. International comparisons are similarly imperfect, but the available evidence suggests Austria's use of tax expenditures is about average (Figure 1.5).

Figure 1.5. Revenue Loss from Tax Expenditures in Selected Countries
(Percent of GDP)



Source: IMF Staff estimates (IMF Fiscal Monitor, April 2011, for other countries.; UK Fiscal Transparency Evaluation 2016 for UK).
Note: Estimates are for 2010, except for Guatemala (2009) and UK (FY 14/15).

13. The classification of tax expenditures by policy area is not very informative. The description of the expenditures is organized by tax law, but a summary table assigns each expenditure to one of three broad categories of beneficiary, with 60 percent of the quantified costs assigned to businesses, 37 percent to households and nonprofits, and 3 percent to farming and forestry. The tax expenditures are not grouped with other corresponding direct expenditure chapters, and they are not forecast in the budget year or the medium term. The total amount of

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[12] See *Förderungsbericht*. In the 2015 report, tax expenditures (*indirekte Förderungen*) are summarized in pages 17–22 and detailed in pages 204–247. The summary table on pages 20–22 lists 61 expenditures, some of which appear to group expenditures separately counted in the body of the report.

tax expenditures is not subject to any limits or policies, but new tax expenditures undergo regulatory impact analyses and their total amount is indirectly limited by the European debt and deficit rules.

1.2. Frequency and Timeliness of Fiscal Reporting

1.2.1. Frequency of In-Year Fiscal Reporting (Advanced)

14. In-year fiscal reports are frequent and timely. Budget execution reports are produced monthly by the BMF, and are published on the Ministry's website by the end of the following month. In addition, monthly fiscal statistics for general government, are published by SA, within one month. The BMF also produces quarterly and semi-annual reports, which provide more detailed revenue and expenditure information by budget institutions and programs, and on financing and debt. The semi-budget execution reports focus primarily on budget chapters, their revenue and expenditure, inflows and outflows but detailed data for the federal government, classified by categories (or economic types), are also included. On the other hand, the monthly budget execution report has more detailed information on the revenue and expenditure by economic types and the financing of the federal government.

1.2.2. Timeliness of Annual Financial Statements (Advanced)

15. Audited annual financial statement of federal government are published within six months of the end of the financial year. The federal financial statements are produced and disseminated by the Austrian Court of Audit (ACA), in accordance with IPSAS-based Austrian Public Accounting Standards, and include administrative, economic, and program classifications. They also include an integrated operating statement, cash-flow statement, and statement of financial position (the balance sheet). The financial statements provide additional information on legal entities administrated by the federal government and on the federal debt. The timeframe for submission of the annual financial statements was brought forward from September to June following the budget reforms to allow the financial statements to inform the preparation of the next budget.

1.3. Quality of Fiscal Reports

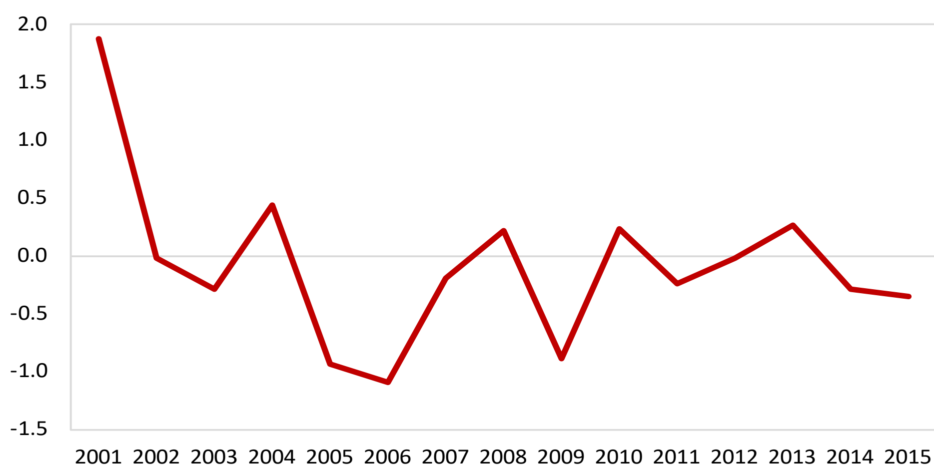
1.3.1. Classification (Advanced)

16. Fiscal reports include an administrative, economic, functional and program classifications, consistent with international standards. Fiscal reports show detailed information on revenue, expenditure, financing, and the balance sheet in line with international standards. Data are published by economic classification in line with the IPSAS and ESA, by program, and by function according to the United Nations' classification of the functions of government (COFOG). The IPSAS-based public chart of accounts is sufficiently detailed to allow its bridging to the economic classifications of international statistical standards, such as ESA 2010 or GFSM 2014. Revenues are classified according to their type (taxes, social contributions, grants, and other revenue, and with a further breakdown of these). Expenditure is classified based on administrative, economic, program and functional classifications. Different classifications are, however, given different prominence in different reports, as appropriate. Reports published by BMF focus primarily on the program and administrative classifications (despite also showing information on economic classification), while the statistical reports present the expenditure by economic category and function in line with international requirements.

1.3.2. Internal Consistency (Good)

17. Fiscal reports include at least two of the reconciliations required by the Fiscal Transparency Code. The reconciliations between the fiscal balance and financing is shown in the monthly, quarterly, and annual reports on fiscal statistics and fiscal indicators as required by the IPSAS and ESA standards. Figure 1.6 show that the discrepancies between those two measures have traditionally been contained. Similarly, the reconciliation between financing and the change in debt stock, is reported bi-annually, in the EDP notifications (compiled and issued by SA), which disclose a detailed reconciliation between the net borrowing indicator and the change in gross debt (Maastricht definition) of general government and its subsectors. The latest EDP Notification (Table 1.4) shows that although the differences between the two aggregates can be large, the authorities are able to explain most of it. The reconciliation between debt issued and debt holdings is a challenge due to lack of security-by-security information. The use of an integrated securities database for compiling of data on the debt securities portfolio could ensure a full reconciliation between debt issuances and debt holdings. Such reporting is not yet made or published by the Austrian authorities.

Figure 1.6. Discrepancy Between Below- and Above-the-Line Net Borrowing of General Government (Percent of Revenue)



Source: SA (ESA TP Table 25 and Table 27).

Note: Net borrowing measured from "above-the-line" refers to the difference between Revenue and Expenditure; the indicator's measurement from "below-the-line" refers to the difference between the net investment in financial assets and the net incurrence of liabilities. There is an accounting identity between these two measurements, but since they use different data sources, discrepancies often arise.

Table 1.4. Austria: Reconciliation Between Financing and Change in the Debt Stock
(General Government, Percent of GDP)

	2012	2013	2014	2015
Deficit (ESA 2010)	2.2	1.4	2.7	1.0
Change in Maastricht Debt	1.7	0.7	5.0	3.5
Difference	***-0.6***	***-0.7***	***2.3***	***2.4***
Total explained	**-0.4**	**-0.6**	**2.4**	**2.3**
Use (-) / accumulation (+) of cash	-0.6	0.2	-0.3	1.0
Net investment in other financial assets	-0.1	-0.8	-0.4	-1.1
Incurrence of liabilities in non-Maastricht instruments	0.5	0.1	-1.3	-0.2
Exchange rate effects	0.0	-0.1	0.0	0.2
Discounts and primes	-0.2	-0.1	0.0	-0.3
Reclassification of units	0.0	0.0	4.2	2.7
Other volume changes in liabilities	0.0	0.0	0.0	0.0
Unexplained residual	**-0.2**	**-0.1**	**-0.1**	**0.2**

Source: SA, October 2016 EDP Notification.

1.3.3. Historical Revisions (Good)

18. Revisions to fiscal statistics are transparently disclosed with an explanation for each major revision. SA has an open revision policy for the fiscal statistics, that is, the historical series of fiscal data can be revised for all time periods. All major data revisions by SA are accompanied by an explanatory press release. The revision policy of SA is closely geared to the deadlines and requirements set by the EU for the transmission of data and aggregates. Major revisions are carried out only when new concepts and methods are to be implemented or when comprehensive new data sources are available.[13] SA ensures that whenever sources and methods are changed, the statistical databases are updated retroactively (back casting) and the available time series are historically consistent. As such, bridging tables explaining differences between old and new time series are not produced. While back casting makes such tables less relevant to users, it also prevents the quantification of the impact of specific changes, when multiple updates occur at the same time.

1.4. Integrity of Fiscal Reports

1.4.1. Statistical Integrity (Advanced)

19. Most fiscal statistics are compiled solely by SA, which is a professional independent body. In the beginning of 2000, the former statistical agency was separated from Government Services by a new Federal Statistics Act, and SA was established an independent and non-profit-

[13] The most recent major revision took place in 2014, when all national accounts were compiled according to ESA 2010 for the first time. The revision comprised the years from 1995 to 2013.

making federal institution under public law.[14] SA is bound by both the Austrian and the European Statistical System (ESS) Codes of Practice, and is frequently subject to reviews by Eurostat, regarding its role as compiler of official fiscal statistics. The collaboration between government agencies in the compilation of official statistics is led by SA and its members are all bound by the Austrian and ESS Codes of Practice.

20. Fiscal statistics are disseminated according to international dissemination standards. Austria was among the first subscribers to the Special Data Dissemination Standards (SDDS). Currently, it meets all the SDDS requirements and reports comprehensive and consistent fiscal data to international organizations. Recently, Austria also adhered to the more stringent criteria of SDDS Plus.

1.4.2. External Audit (Not Met)

21. There is no completely independent audit opinion on the consolidated annual government financial reports. The individual financial statements of the line ministries are prepared by the ministries in line with the adopted IPSAS. These statements are consolidated by the BMF into a financial statement for the federal government, which is submitted to the ACA for audit, analysis, correction, and publication. In the process, ACA is obliged by law to correct the final accounts of the line ministries as result of the audit, which means there is no sharp distinction between the accounting responsibilities of the various authorities and the auditing procedures of the ACA. It also prevents a proper validation of the reliability of the true and fair view of the financial accounts, which should be made clear in an audit opinion with or without qualifications by the ACA. In other words, there is no legal basis for the ACA to provide a fully independent assurance as to the reliability of the true and fair view of the government's financial reports and to give a fair representation of the reports. Independence of the external auditor from the audited entity is a fundamental principle to ensure the integrity of fiscal accounts. Strengthening that independence would increase the credibility of financial reporting and the relevance of discussions between the executive and the legislature.

1.4.3. Comparability of Fiscal Data (Good)

22. The monthly budget execution reports and financial statements present data in the same format as budget documents.[15] The federal budget contains both accrual data for revenues and expenses (*Ergebnisvoranschlag*) as well as cash data for receipts and payments (*Finanzierungsvoranschlag*). The documents explain the differences between the two datasets

[14] Federal Act on Federal Statistics (Federal Statistics Act 2000) no. 163/1999, as amended by BGBL. I, no. 136/2001, by BGBl. I, no. 71/2003, by BGBl. I, no. 92/2007, by BGBl. I, no. 125/2009, BGBl. I, no. 111/2010 and by BGBl. I, no. 40/2014.

[15] See Table 2.1 for a detailed list of budget documents provided to the Parliament.

and the connections between these. The outturn data are presented in the same format, allowing analysis of the execution of the budget in both bases of recording.

23. Fiscal policy documents focus on compliance with Austria's fiscal obligations under the EU Stability and Growth Pact (SGP), which are based on fiscal statistics. The key indicators are the general government "Maastricht" deficit and debt measures, defined with reference to ESA 2010. These indicators are compiled by SA, on a quarterly and annual basis. Although the government budget includes accrual figures, SA still computes the accrual-based Maastricht deficit on the basis of cash data for central and local governments, with a number of corrections and adjustments.

24. Reconciliations with fiscal statistics are only done at an aggregated level, which makes it difficult to see the linkages between the national budget and fiscal policies. The budget documents provide a summary reconciliation between the cash fiscal balance, according to Austrian public accounting standards and the "Maastricht" balance, which includes several adjustments to reflect accrual values. The reconciliation is summarized in Table 1.5. There is no detailed, transparent reconciliation of gross flows for revenues, expenditures and financing at the budgeting stage. As illustrated in Table 0.2 the revenues and expenditures related to the central government, which will be reflected in the budget outturn data, are considerably less than the general government figures captured in the financial statistics. A detailed reconciliation of gross figures would significantly enhance the transparency of the budget process.

Table 1.5. Austria: Reconciliation of Cash and Accrual Budget Data

	2015	2016	2017	2018	2019	2020
(million euro)						
Receipts	72,728	72,330	73,474	75,566	78,072	80,893
Payments	74,589	78,107	78,203	78,814	80,409	83,038
Cash Fiscal Balance	-1,861	-5,778	-4,728	-3,248	-2,337	-2,145
"Maastricht" adjustments	-2,427	-397	-1,196	-669	-915	-290
"Maastricht" fiscal balance	-4,288	-6,175	-5,924	-3,917	-3,252	-2,435
(percent of GDP)						
"Maastricht" fiscal balance	-1.3	-1.8	-1.6	-1.1	-0.8	-0.6
Sub-national government	0.2	0.1	0.1	0.1	0.1	0.1
General government balance	-1.2	-1.6	-1.5	-0.9	-0.7	-0.4
Structural adjustments	1.2	0.7	0.5	0.3	0.2	0.1
Structural balance	0.0	-0.9	-1.0	-0.5	-0.5	-0.4

Source: Fiscal Strategy Report (*Strategiebericht)* 2017-20, Table 7.

25. The difference in aggregate expenditure across reports is large. For 2015, there was an 11.6 percent of GDP difference in reported government expenditure between the annual financial statement and fiscal statistics:

- The annual financial statements report total expenditure for the central budgetary sector of €74.6 billion on a cash basis (21.9 percent of GDP) and €78.3 billion (23.0 percent of GDP) on an accrual basis; and

- The fiscal statistics report total expenditure for the central government of €117.5 billion (34.6 percent of GDP).

The difference can be largely explained by the inclusion in the fiscal statistics of €8.6 billion (2.5 percent of GDP) in expenditure by EBUs and transfers of €32 billion (9.4 percent of GDP) to subnational governments, which are not included in the annual financial statements.[16]

1.5. Recommendations

26. Table 1.6 summarizes the assessment of Austria’s fiscal reporting practices. Austria's fiscal reports meets good or advanced practice in most areas. In particular, they consolidate the general government sector in line with international standards, and cover a substantial part of public activities. They are prepared frequently, in a timely manner, and include reconciliations between alternative measures of fiscal aggregates. However, there remains scope to enhance the reports’ coverage, quality, and integrity. Recommendations on these areas are discussed in more detail below.

27. Issue: Austria's fiscal reports do not consolidate 2,833 public corporations, whose net expenditure accounts for 7.6 percent of GDP.

28. Recommendation 1.1: Expand the institutional coverage of fiscal reports to incorporate all public corporations and provide an overview of the fiscal performance and position of the entire public sector. This would provide a more comprehensive picture of the extent of government-directed activity in the economy. A comprehensive approach to this issue would require:

- Enhancements to the public sector statistics produced by SA in accordance with international statistical standards, including the compilation of a full sequence of accounts (including a balance sheet, a statement of operations, and a statement of other economic flows) for Public Nonfinancial Corporations, the Central Bank, other Public Financial Corporations, and the Consolidated Public Sector; and
- Consolidation of public corporations in the financial statements of controlling government units (adoption of IPSAS reporting entity approach).

29. Issue: Austria’s general government balance sheet excludes important categories of assets and liabilities, such as government pension liabilities and the land owned by subnational government, estimated by IMF staff at 60 percent and 11.3 percent of GDP, respectively.

30. Recommendation 1.2: Expand the coverage of general government (a) balance sheets to reflect the full market value of subnational governments’ holdings of land and other non-

[16] The transfers of €32 billion to subnational governments are not included in total expenditure, but they are disclosed in the annual financial statements (budget chapter 16, taxes).

produced assets, as well as pension entitlements of civil servants; and (b) flow statements to capture the associated expenses. This would provide a more comprehensive picture of the government overall net worth and the costs associated with transactions in nonfinancial assets and the accrual of pensions obligations. Several avenues would be available to comply with this:

- Full adoption of Employee Benefits IPSAS, in financial statements of Federal Government and in the new accounting regulation for states and municipalities;
- Incorporation of pension entitlements (and associated flows) in fiscal statistics disseminated beyond the ESA 2010 TP (IMF GFS Yearbook, IMF/WB Public Sector Debt Statistics Database, OECD General Government Statistics); and
- Disclosure of Pension supplementary table (Table 29 of ESA 2010 TP).

31. **Issue:** There is no completely independent audit opinion on the consolidated annual government financial reports.

32. **Recommendation 1.3:** Establish a clear delineation between the preparation and presentation of consolidated financial statements and the auditing function, by:

- Assigning responsibility for preparation and presentation of consolidated financial statements fully to BMF (recognizing that this may require an amendment to the Constitution, which may be difficult to achieve in the short-term, a second-best solution could be to establish a function within ACA for preparing the federal annual financial statements that would be clearly delineated and separated from the function of auditing them);
- ACA fully adopting the latest auditing standards (like International Standards of Supreme Audit Institutions or, where applicable, International Standards on Auditing), for auditing the annual financial statements of line ministries and consolidated annual federal financial statement ("true and fair view" auditing approach; informed opinion, with qualifications, requiring disclosure of follow-up activities by compilers).

Table 1.6 Austria: Summary Assessment of Fiscal Reporting

Principle			Assessment	Importance	Recs
1. Coverage	1	**Coverage of Institutions**	**Good:** Fiscal reports consolidate all general government entities and report on each subsector according to international standards.	**High:** Public corporations with net expenditures of 7.6 percent of GDP and assets of 51 percent of GDP are outside fiscal statistics.	1.1
	2	**Coverage of Stocks**	**Good:** Fiscal reports cover assets and liabilities but do not include pension liabilities.	**High:** At end of 2015, unreported pension entitlements of civil servants were around 60 percent of GDP.	1.2
	3	**Coverage of Flows**	**Advanced:** The Federal Government Financial Statements and Eurostat data transmissions cover cash flows, accrued revenue and expenditures, financing, and other economic flows	**Low:** The coverage of flows reported in each statement is in line with the relevant standards.	
	4	**Coverage of Tax Expenditures**	**Good:** The annual *Förderungsbericht* estimates revenue losses by tax law and policy area. But there are no limits.	**Medium**: There are 70 some tax expenditures costing roughly 4–5 percent of GDP.	
2. Frequency and Timeliness	1	**Frequency of In-Year Reporting**	**Advanced:** Budget execution reports are published on a monthly and quarterly basis within a month.	**Medium:** Monthly reports of the budgetary central government cover only 45 percent of CG expenditure.	
	2	**Timeliness of Annual Financial Statements**	**Advanced:** Audited annual financial statements are published within 6 months of the end of the financial year.	**Low:** Financial statements are submitted in time to inform the preparation of next year's budget.	
3. Quality	1	**Classification**	**Advanced:** Fiscal reports include administrative, economic and program classifications consistent with international standards, where applicable.	**Medium:** Lack of harmonized classifications across levels of government makes consolidation a tedious process.	
	2	**Internal Consistency**	**Good:** Fiscal reports include reconciliations between the fiscal balance and financing and between financing and the change in the debt stock	**Low:** The discrepancy between the fiscal balance and financing of general government averaged 0.5 percent of revenue over the period 2001–15	
	3	**Historical Revisions**	**Good:** Revisions to historical statistics are reported with an explanation for each major revision.	**Low:** Changes in methodology or classification are applied to the entire time series, effectively making bridge tables less relevant.	
4. Integrity	1	**Statistical Integrity**	**Advanced:** SA is professionally independent and observes international standards	**Low:** Fiscal statistics are subject to the governance and code of practice of the Austrian Statistical Act and Eurostat.	
	2	**External Audit**	**Not met:** The ACA is the institution responsible for preparing and presenting the consolidated financial statements of the federal government, so it can't perform a completely independent audit of those statements	**High:** Independence of the external auditor from the audited entity is a fundamental principle to ensure the integrity of fiscal accounts.	1.3
	3	**Comparability of Fiscal Data**	**Good:** Budget and outturn are comparable, but no detailed reconciliation with fiscal statistics.	**Medium:** CG expenditure in fiscal statistics and annual financial statements differ by 12 percent of GDP.	

II. FISCAL FORECASTING AND BUDGETING

33. Fiscal forecasts and budgets should provide a clear statement of the government's budgetary objectives and policy intentions, and comprehensive, timely, and credible projections of the evolution of the public finances. This chapter provides an assessment of Austria's fiscal forecasting and budgeting practices against the standards set by the four dimensions of the IMF's fiscal transparency code:

- The comprehensiveness of the budget documents;
- The orderliness and timeliness of the budget process;
- The policy orientation of budget documentation; and
- The credibility of the fiscal forecasts and budget proposals.

34. The budget reforms implemented over the past decade have resulted in a number of improvements in fiscal forecasting and budget. Budget legislation is comprehensive, albeit complex, fiscal targets related to the SGP are very transparent, and there is active, independent scrutiny of them.

35. Budget documents provide extensive information regarding the budget estimates, but the discussion of economic and fiscal policies is quite limited. Most of this discussion is in the documents Austria provides to the EU under the SGP, which Parliament only receives for information. The two summary budget documents in April and October focus on the budget estimates, and it is necessary to look at several different documents to get a comprehensive picture of the government's fiscal policies and objectives. Table 2.1 gives an overview of the key documents related to fiscal forecasting and budgeting.

Table 2.1. Austria: Fiscal Forecasting and Budget Documents

Document	Content	Timing
Fiscal Strategy Report *(Strategiebericht)*	Macroeconomic and fiscal policies underpinning the MTEF.	April
MTEF law *(Bundesfinanzrahmengesetz)*	MTEF ceilings for the next four years.	April
Stability Programme and National Reform Program	Documents provided to the EU under the SGP, sent to Parliament for information.	April
Budget Report *(Budgetbericht)*	Macroeconomic and fiscal policies underpinning the annual budget.	October
Annual budget law *(Bundesfinanzgesetz)*	Proposed budget appropriations.	October
Annexes to the annual budget law *(Teilhefte)*	Objectives, main policies and resource allocation for each of the 33 budget chapters.	October
Supplementary reports to annual budget law *(Budgetbeilagen)*	Statistical indicators, public debt, European Union, R&D, financial relations between different levels of government, civil service positions, environment, development cooperation, financial contributions to international organizations, infrastructure.	October
Report on Hived-off Entities and Shareholdings of Federal Government *(Ausgliederungen und Beteiligungen des Bundes)*	Report on main public corporations and EBUs belonging to the central government.	October
Draft Budgetary Plan	Document provided to the EU under the SGP, sent to Parliament for information.	October
Budget execution reports	Several different reports with varying timeframes	Monthly - Annual
Report on budget overruns and future year commitments	Use of the authorities granted by Parliament to incur additional expenditures and commitments.	Quarterly
Budget performance reports	Outcomes, outputs and other results of budget entities' activities last year.	May October
Financial statements	Annual accounts with supplementary reports on guarantees, debt etc.	June
Report of the Fiscal Advisory Council (Fiscal Rules Compliance Report and Annual Report)	Information about compliance with the EU's fiscal rule framework – Maastricht deficit, structural Maastricht deficit, spending rule, debt rule).	May December

2.1. Comprehensiveness of Budget Documentation

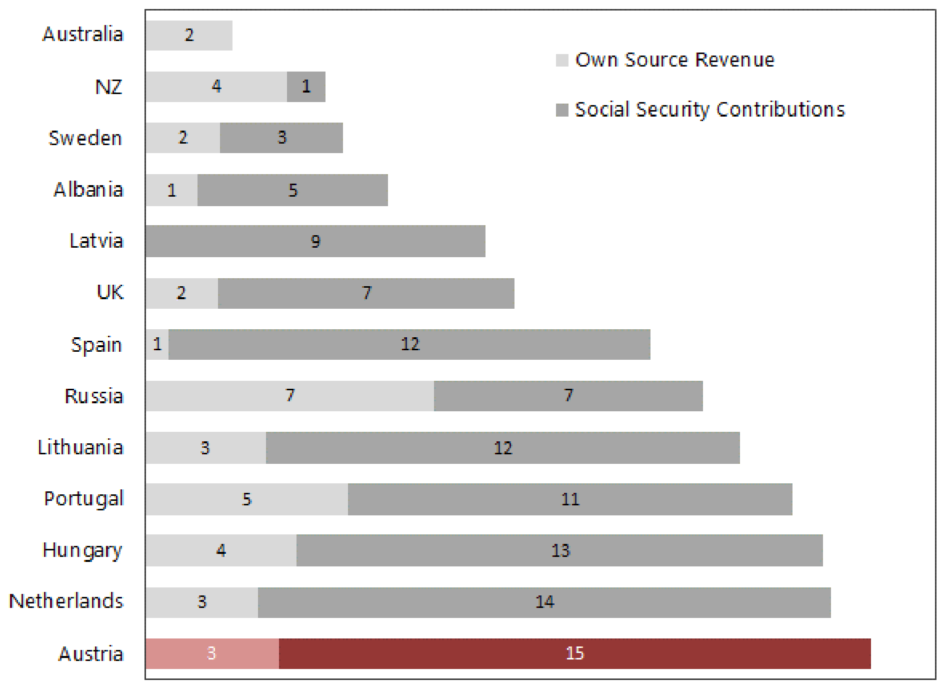
2.1.1. Budget Unity (Basic)

36. Budget documents provide a quite comprehensive picture of the federal government's operations, comprising both accrual and cash appropriations. The total budget is divided into five main headings (*Rubrik*), which for 2017 are subdivided into 33 budget chapters (*Untergliederung*) and 66 programs (*Globalbudget*). The programs are broken down into sub-programs (*Detailbudget*). The accrual appropriations are binding at the program level, whereas cash appropriations establish legally binding limits for the total budget, the budget chapters, as well as, the programs. Own revenues of budget institutions are included in the budget on a gross basis and disclosed under each detailed budget.

37. However, they provide no information on the operations of EBUs and SSFs.[17] EBUs are not included in the budget presentation. Their share of the central government operations is small (around 7 percent of central government expenditure), but their own source revenue is relatively limited. There is also no disclosure of the sizeable revenue and expenditure of SSFs (representing around 18 percent of GDP in 2015; see Figure 2.1) in the budget documents. As a result, the Parliament appropriates any transfers from the federal budget to these institutions without a full picture of their gross revenue and expenditure.

Figure 2.1. Own Source Revenue

(Percent of GDP)



Source: IMF staff estimates.
Note: "Own Source Revenue" corresponds to all revenue other than taxes, grants from international organizations and other general government units, and interest. Presenting these data in budget documentation on a gross basis allows a clear disclosure of the full extent of government activities and ensures that decision-makers have a complete picture of the scale and extent of each activity.

38. Budget documents include statistical data that provide a complete picture of the general government, but this is not linked to the actual budget presentation. The government submits separate documents to parliament regarding the SSFs, and there is regular

[17] This reflects primarily the Austrian constitutional framework, which prescribes a clear and strict separation between the budgetary central government, social security funds, and other self-administrating bodies. The same legal constraints apply in relation to the separation between central, state, and local government units.

reporting on major EBUs and public corporations[18] but the format of these data is not comparable to the basic budget figures. Therefore, they are not consolidated to provide a complete picture of the different sub-sectors. The only exception are the statistical tables, which, as discussed in Section 1.4.3, are presented in the budget without a detailed reconciliation to its main aggregates.[19]

2.1.2. Macroeconomic Forecasts (Good)

39. Austria publishes four-year forecasts for the main macroeconomic variables and discloses the underlying assumptions. The macroeconomic forecasts underpinning the medium-term fiscal forecasts and annual budget are prepared independently by the Austrian Institute of Economic Research (WIFO) in March and updated in September for the budget. The medium-term forecasts are summarized in the Stability Programme (SP) and April Fiscal Strategy Report, both being submitted in April. The forecast tables include outcomes for the previous year, estimates for the current year, and forecast for the budget and three following years for the key macroeconomic aggregates including real and nominal GDP, their underlying expenditure components, inflation and employment. The SP also discloses the key assumptions underpinning the forecasts such as interest rates, exchange rate, oil price, and global GDP growth.

40. The budget documents contain very little discussion explaining the major forces driving the economic outlook. The WIFO's Medium-term Forecasts for the Austrian Economy, published bi-annually, include a discussion of the global economic environment and key sectoral outlooks for the domestic economy. However, there is very little explanation in the budget documentation on the drivers behind the forecasts and their components. Elaborating on the main factors impacting the economic outlook, how these are expected to evolve over time, and, in particular, the interaction between these and the fiscal forecasts, would enhance transparency.

41. Austria's macroeconomic forecasts have been relatively accurate and unbiased. Real GDP forecast errors are amongst the lowest in Europe, even after accounting for the relative stability of the economy. The average absolute forecast error for the current year, over the period 2000–15 was 0.9 percentage points, considerably lower than the average of 1.6 percent for European countries (Figure 2.2). Austria's current year real GDP forecasts have been relatively accurate and exhibited little bias, while forecasts for the budget and future years have been slightly optimistic on average (Figure 2.3).[20] This bias, although low compared to peers, has been more evident in the period since the global financial crisis. As shown in Figure 2.4, nominal GDP forecasts—which are most relevant for budget revenues—have had a tendency to overestimate

[18] See Table 2.1 on budgetary documents.

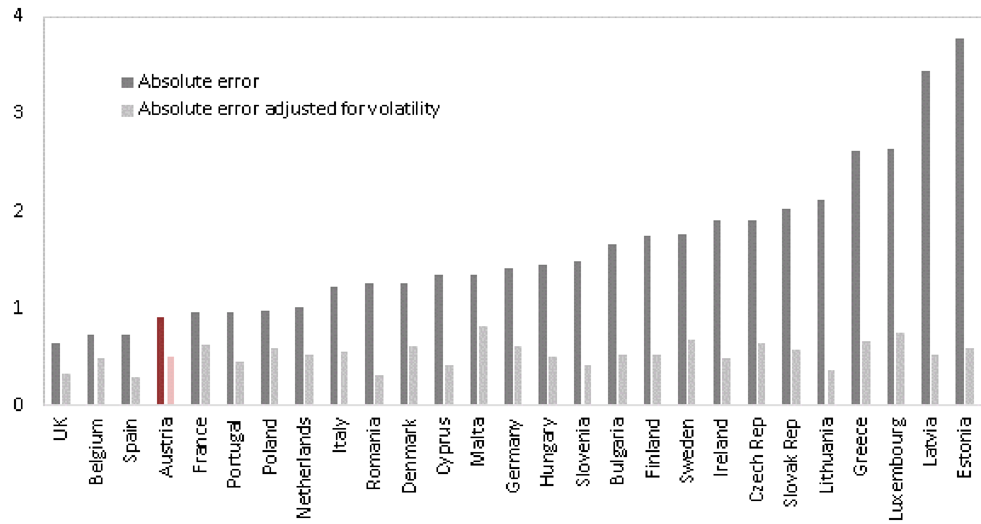
[19] See Chapter I of this report for estimates of the size of EBUs and SSFs in the consolidated general government sector.

[20] For Austria, average real GDP forecast errors are -0.1 percent in the current year, -0.6 percent for the one year ahead forecast, and -0.8 percent for the two-year ahead forecast. The negative sign denotes that budget forecasts were higher than GDP outcomes.

GDP in the period since 2010. This is in contrast to the period prior to the crisis, where forecasts tended to underestimate GDP outcomes.

Figure 2.2. Forecast Accuracy: Absolute Average Real GDP Forecast Error (2000–15)

(Percent)

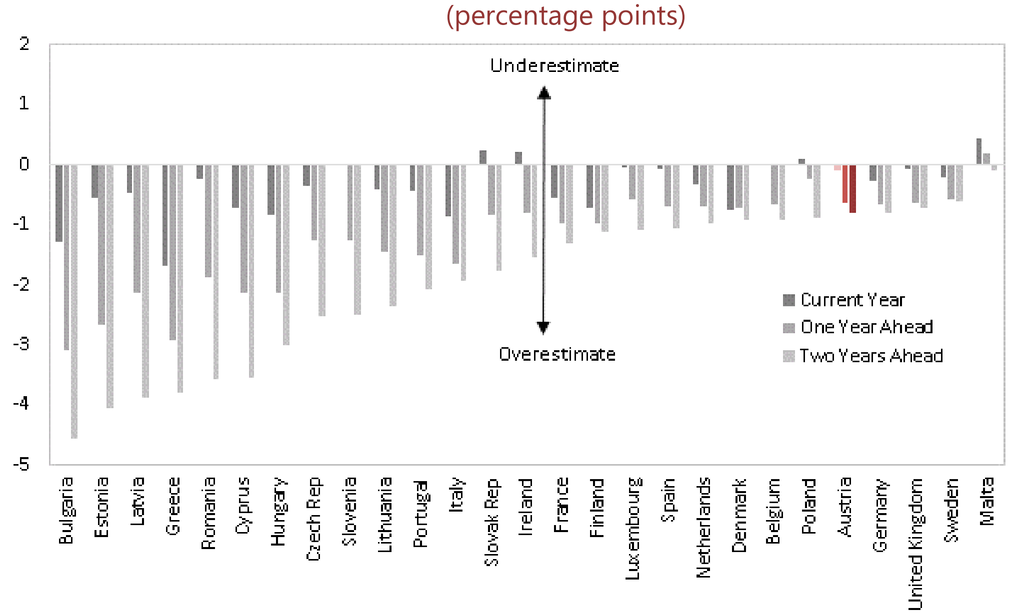


Source: IMF staff estimates.

Note: Volatility adjustment is average absolute forecast error divided by standard deviation of growth over the period.

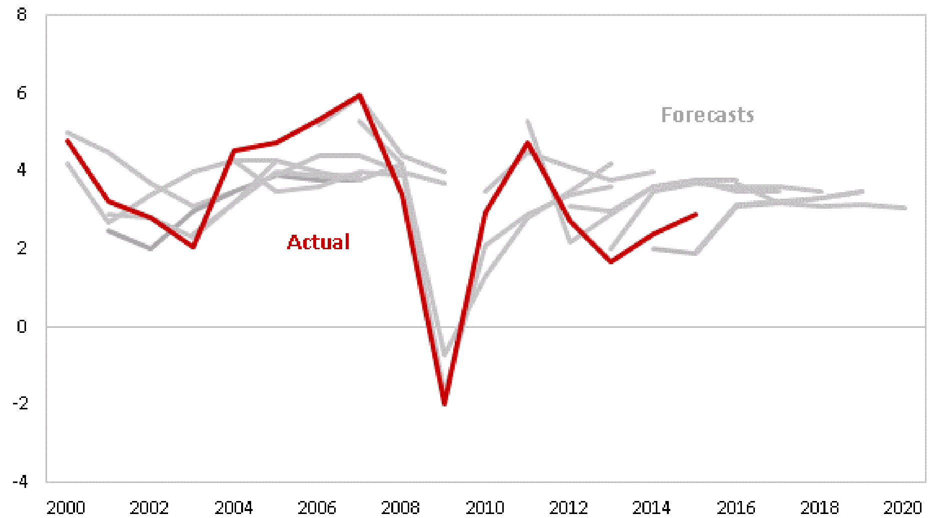
Figure 2.3. Average Medium-term Forecast Error: Real GDP (2000–15)

(percentage points)



Source: April Stability Programme updates; IMF staff estimates.

Figure 2.4. Nominal GDP Forecast History
(percent)



Source: April Stability Programme updates; IMF staff estimates.

2.1.3. Medium-Term Budget Framework (Basic)

42. The medium-term expenditure framework (MTEF) is well established in Austria. The mechanism was introduced in 2009 as a key element in the first phase of the budget reforms. The MTEF is submitted to parliament in April in the year prior to the budget year, and adopted as a law. The law establishes legally binding four-year ceilings for the five main budget headings. The MTEF also defines budget ceilings for the 33 chapters. These are legally binding for the budget year and the subsequent year, and indicative for the two following years. The draft law is submitted to Parliament together with the Fiscal Strategy Report, which outlines the economic and political considerations underlying the MTEF estimates.

43. The MTEF figures comprise fixed and variable ceilings. The fixed ceilings cover about three quarters of the expenditure and are constant, nominal figures. The variable ceilings cover spending where the actual expenditure is driven by entitlements or demographic factors, and where the federation is obliged to make payments even if budget allocations are exhausted. They constitute about 28 percent of total expenditures. This includes unemployment benefits, transfers to pension and health insurance schemes, and some expenditures related to financial market stability. Significant changes in variable spending estimate could lead to volatility in the overall MTEF ceilings, but these have proven to be surprisingly stable, with changes in estimates for different variable spending largely cancelling each other out. Table 2.2 presents the aggregate MTEF limits for the 2017–20 budgets.

Table 2.2. Austria: MTEF Ceilings 2017–20
(million euros)

Category	Type	2017	2018	2019	2020
Law and security	Fixed	9,579	9,151	9,167	9441
	Variable	75	75	75	75
	Sum	9,654	9,236	9,252	9,526
Labor, social services, health and family	Fixed	21, 804	22,245	22,733	23,255
	Variable	17,906	19,608	20,591	21,594
	Sum	39,710	41,854	43,324	44,849
Education, research, art, and culture	Fixed	13,984	13,849	13,953	14,182
Economy, infrastructure, and environment	Fixed	7,381	7,345	7,281	7,363
	Variable	2,155	2,191	2,228	2,268
	Sum	9,537	9,547	9,519	9,641
Financial management and interest	Fixed	4,745	4,328	4,360	4,841
Total	Fixed	57,493	56,918	57,494	59,082
	Variable	20,137	21,874	22,894	23,937
	Total	77,630	78,814	80,409	83,038

Source: MTEF Law (*Bundesfinanzrahmengesetz)* 2017-20.

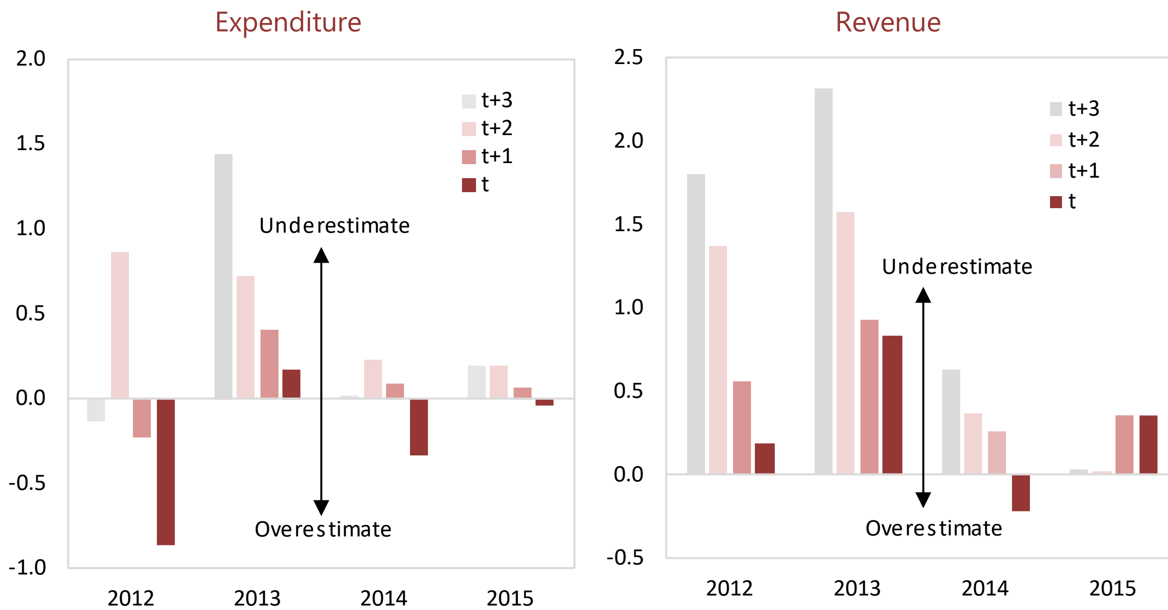
44. **The Fiscal Strategy Report does not present medium-term estimates based on the economic classification.** It does contain aggregate information regarding projected budget revenues and financing, but this is not included in the MTEF law. Revenue projections are divided by major tax types and revenues related to the different budget programs. Financing is presented as the difference between projected budget revenues and MTEF expenditure limits, without any further specification. The Fiscal Strategy Report also includes an aggregate reconciliation between the fiscal balance resulting from the MTEF and the Maastricht deficit, but no reconciliation between gross revenue and expenditure figures under the two definitions.

45. **One special feature of the Austrian MTEF is that the ceiling for a particular year is retained as a legally binding limit even after the budget for this year has been approved.** Budget execution is related to both the approved ceiling and to the MTEF ceiling for the budget year, and budget amendments that increase total spending require a simultaneous amendment of the legally binding MTEF ceiling. Some stakeholders see such changes in the MTEF ceiling as an indication that it is not fulfilling its purpose to constrain aggregate spending, but this is misleading. Common international practice is that the MTEF is a mechanism to guide budget planning and preparation, not budget execution. Once the budget for a specific year is approved, it is the budget appropriation that ensures fiscal discipline and the binding MTEF ceiling for the budget year becomes redundant. It would be more important to focus on possible out-year implications of amendments to the annual budget, and whether these violate the MTEF ceilings.

46. **Medium-term expenditure and revenue forecasts for central budgetary units have been relatively accurate, but have shown a small upward bias across successive plans (Figure 2.5).** Expenditure forecasts tend to overestimate expenditure in the current year and are

generally unbiased in the budget year. But, forecasts exhibit a tendency to underestimate expenditures in the out-years. This reflects the fact that medium-term revenue forecasts have generally underestimated revenue outturns and have demonstrated a tendency toward upward revision across successive plans. Both revenue and expenditure forecasts for the general government sector submitted as part of the Stability Programme have become more accurate during 2010–15, compared to earlier years, although forecast errors have tended to be higher than those for the central government budgetary sector.

Figure 2.5. Medium-term Forecast Errors (2012–15)
(percent of GDP)



Source: MTEF Law (*Bundesfinanzrahmengesetz*) and Fiscal Strategy Report; IMF staff estimates.
Note: A negative figure denotes that forecasts exceeded the actual outcome, while a positive figure denotes that actual outcomes exceeded forecasts. Period t refers to current year forecasts, while t+1 refers to the one-year ahead forecasts, t+2 are two-year ahead forecasts, and t+3 are three-year ahead forecasts year. For example, for 2015, the t+1 forecast error is the difference between the forecast for 2015 made in 2014 and actual outcomes, while the t+2 forecast error refers to the difference between the forecast for 2015 made in 2013 and the actual outcome as a share of GDP for 2015.

2.1.4. Investment Projects (Good)

47. Investment projects are competitively tendered and multi-annual commitments are disclosed, but cost-benefit analyses are not usually published. Rules for awarding investment projects are set out in the procurement law and follow European norms for open and competitive tendering. Impact assessments are published for large projects, but do not generally include cost-benefit analyses that estimate the euro value of the projects' economic benefits. Long-term spending commitments (*Verpflichtungen*), summarized in Table 2.3, are disclosed in the financial statements.[21] The disclosure of commitments is required by Sections 43(3) of the

[21] See the *Bundesrechnungsabschluss für das Jahr 2015, Zahlenteil, §4.1* (*Verpflichtungen*), pp. 136–39.

OBL 2013 and by IPSAS, but there was also some reporting of commitments before the budgetary reforms.

Table 2.3. Expenditure Commitments by Budget Heading and Time Period
(Federal Government, in billions of euros)

Heading	2016-20	2021-25	2025-	Total
Law and security	1.7	0.0	0.1	**1.8**
Labor, social services, health, and family	1.5	0.0	0.0	**1.5**
Education, research, art, and culture	14.6	0.2	0.0	**14.8**
Economy, infrastructure, and environment	15.9	6.0	41.3	**63.2**
Financial management and interest	28.3	14.3	20.2	**62.7**
Total	**62.0**	**20.5**	**61.6**	**144.1**

Source: Bundesrechnungsabschluss, 2015, Zahlenteil §4.1, pp. 138–39.

48. Multiannual commitments are large. The federal government's direct investment is quite small, partly because much investment is now done by EBUs and public corporations. Sometimes, the investment is backed by guarantees (see Section 3.2.3), as in the case of the investments in federal highways by ASFINAG of about €1 billion in 2016.[22] In other cases, the investment is backed by payment commitments made by the federal government. Total commitments excluding those under the heading of financial management and interest amount to €81.3 billion euros (23.4 percent of 2016 GDP). Some of the largest commitments arise from the government's contractual obligations to the state-owned railway company, ÖBB, which are included under the heading "Economy, Infrastructure, and Environment" in the table. Although the commitments are to a public entity, the arrangement resembles a PPP.[23] Because the government's accounts neither treat the commitments as debts nor consolidate ÖBB, they arguably understate the government's assets and liabilities. Most of the ÖBB group is, however, included in statistics on the finances of general government, so the ESA 2010 statistics are less affected.

2.2. Orderliness

2.2.1. Fiscal Legislation (Advanced)

49. Fiscal legislation is comprehensive and provides detailed guidance on most aspects of fiscal management. Key legislative acts comprise the constitution (in particular, Article 51), the OBL and the annual budget law (ABL).[24] Whereas the different provisions generally are precise, in line with Austrian legal traditions, the legal framework is quite complex. For instance,

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[22] See http://www.asfinag.at/about-us/company/reports. ASFINAG stands for *Autobahnen- und Schnellstraßen-Finanzierungs-Aktiengesellschaft* (Highways and Expressways Financing Company).

[23] In the introduction of accrual accounting, the government considered whether the contracts with ÖBB fell under the scope of IPSAS 32, on "Service Concession Arrangements." It concluded that they did not, because the assets in question do not revert to the government at the end of the contract.

[24] Federal Organic Budget Act 2013 and *Bundesfinansgezetz* 2017.

the BMF's authority to amend the budget appropriations during execution is regulated through general rules in the OBL and more specific provisions in the ABL, and it is necessary to combine these to get a clear understanding of the extent of the BMF's amendment powers.

50. There is no detailed budget calendar in any single legal document, but several legal provisions govern the key steps of the budget process. The Fiscal Strategy Report and the draft MTEF documents are required to be submitted to parliament in April each year. The many different budget reports submitted to parliament each year are largely based on specific legal requirements. The OBL contains detailed provisions regarding the content of the budget proposal. The OBL was amended in 2015 (defining the content of preliminary budget outturn reports) and in 2016 (adjusting definition of variable spending). Austria's reporting to the EU regarding the SGP is regulated in EU legislation.[25]

51. The Constitution authorizes the BMF to amend the approved budget in special circumstances, with further specification of this authority in the annual budget laws. Section 51 (b) of the Constitution specifies that the BMF can authorize additional expenditure on the basis of a legal obligation, as a result of existing financial debt or another commitment already in existence, or as the result of directly connected additional expenditures and revenues. Articles II to IX of the annual budget law for 2017 provide for a number of situations and budget items where the BMF is authorized to exceed or to amend the approved budget. Article X gives the BMF authority to take on liabilities under certain circumstances. The BMF submits a quarterly report to Parliament regarding authorized budget overruns and liabilities beyond the budget year.

52. According to Parliamentary operating procedures, any proposed budget amendments that decrease the fiscal balance must indicate how to finance this. This criterion is not very restrictive on the budget deliberations in Parliament, as increased borrowing is an accepted financing option. Still, the Parliamentary deliberations rarely lead to significant changes in the budget. Austrian governments usually have a majority of the votes in the parliament, and budget amendments are often a result of an ex ante agreement among the parties in the ruling coalition.

2.2.2. Timeliness of Budget Documents (Good)

53. The constitutional deadline for budget submission has been met four of the last five years. The Constitution stipulates that the draft budget be submitted to Parliament at least 10 weeks prior to the next fiscal year. Parliament approved the budget more than one month before the new fiscal year four of the last five years. Table 2.4 provides an overview of budget submission and approval dates, over the past five years.

[25] EU regulation 1175/2011.

Table 2.4. Austria: Budget Submission and Approval Dates

Budget	Submission to Parliament	Approval by Parliament
2013 budget	October 16, 2012	November 16, 2012
2014 provisional budget	December 17, 2013	January 29, 2014
2014 final budget	April 29, 2014	May 23, 2014
2015 budget	April 29, 2014	May 23, 2014
2016 budget	October 14, 2015	November 26, 2015
2017 budget	October 12, 2016	November 24, 2016

Source: BMF

54. The established timetable provides limited time for budget discussion and deliberations. Following the budget submission, the Parliament is allowed about six weeks for budget deliberations. This process is very intense, with multiple sessions in the Parliament. But, it falls short of the advanced level of practice of the FTC regarding this principle, and many parliamentarians, as well as the Parliamentary Budget Office, indicated that it would be beneficial to increase the time for budget discussions. On the other hand, the same stakeholders felt that the Parliament generally has sufficient time to discuss the Fiscal Strategy Report and the draft MTEF in April.

55. Under the current timetable, Parliament receives Austria's submissions to the EU under the SGP at the same time as these are submitted to the European Commission. The Stability Programme and National Reform Program are submitted in April, and the Draft Budgetary Plan in October. Parliament generally receives these together with the budget documents. If the budget calendar was adjusted to allow more time for budget discussions in Parliament, they would also be able to debate the SGP documents before these are submitted to the EU. Improved coverage of macroeconomic and fiscal policies in the budget documents would facilitate a more strategic debate in the parliament.

2.3. Policy Orientation

2.3.1. Fiscal Policy Objectives (Advanced)

56. Fiscal policy objectives are clearly defined in documents related to the EU SGP. These documents comprise the Stability Programme and the National Reform Program, which are submitted in April each year, and the Draft Budgetary Plan, submitted in October each year. The SGP documents are consistent with the national budget documents, including the Fiscal Strategy Report, MTEF, Budget Report and Annual Budget Law. Austria has an internal stability pact (*Österreichischer Stabilitätspakt*), which is an agreement between the federation, the states and the municipalities, authorized by the assemblies at the different levels of government. This agreement translates the national targets under the SGP to specific targets for each level of government. Table 2.5 summarizes the key targets embodied in the SGP and the internal stability pact.

Table 2.5. Fiscal Targets in Austria

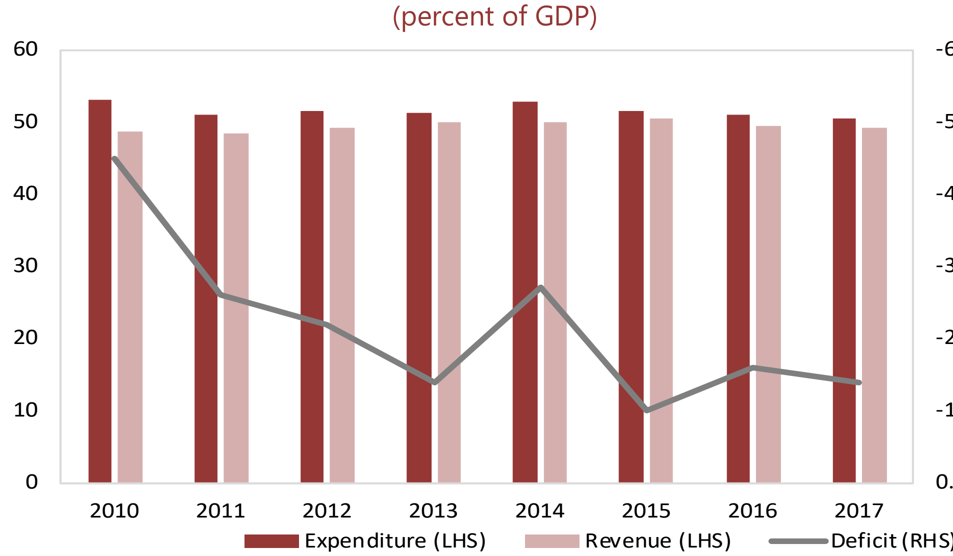
Indicator	Target
Maastricht Deficit	3 percent of GDP limit
Structural balance	-0.45 percent of GDP
Debt	60 percent of GDP limit or, if limit exceeded, reduction by 1/20 each year
Expenditure	Net growth below medium-term output potential
Internal stability pact*	(Allocates the SGP structural balance target to different levels of government)
- Federation	-0.35 percent of GDP, from 2017 onward
- States and Municipalities	-0.1 percent of GDP in 2019, from 2017 onward

* Austria Internal Stability Pact 2012, Article 4.

57. The fiscal policy targets are based on the Maastricht criteria and Eurostat definition of general government, but the linkage between those targets and the federal budget is not always transparent. The budget documents focus on a narrow definition of the federal government, excluding EBUs and SSFs. There is generally little explicit discussion of fiscal policies and fiscal targets in the budget documents. This is usually limited to short summaries and references to the SGP documents, as well as the internal pact.

58. Fiscal targets are actively monitored during the year, and Austria has a good track record in complying with these targets. Progress in achieving the fiscal targets are reported to parliament quarterly in a special report on "Measures taken within the European Stability Mechanism." The Fiscal Advisory Council also plays an active role in monitoring compliance with the fiscal targets (see Section 2.4.1 below) and submits its own report on this topic. Before 2016 fiscal policies largely focused on maintaining the Maastricht deficit below 3 Percent of GDP. Figure 2.6 gives an overview of fiscal outcomes for 2010-2017.

Figure 2.6. Fiscal Outcomes, 2010–17
(percent of GDP)



Source: Eurostat, April Stability Programme Update, 2016.
Note: Data for 2016 and 2017 are forecasts.

2.3.2. Performance Information (Good)

59. Performance-oriented budgeting is a key feature of the Austrian budget reform, and there is a strong performance focus in budget documents. For each of the 33 chapters, there is a mission statement and up to five objectives (one of which is mandatorily gender-related; see Box 2.1), which should have a clear outcome focus. For the 66 global budgets, there are objectives with an output or activity focus. At the next level, there are detailed budgets, with input (including staff numbers), activity, and output indicators. The budget documents explain how progress against the objectives under each program, sub-program and detailed budget will be measured, including which performance indicators will be used.

60. The Federal Performance Management Office (FPMO) in the Federal Chancellery monitors and regularly discloses performance information. The Federal Chancellery is responsible for the conceptual framework and the methodologies for performance management, provides training to government organizations and quality assurance of performance data and evaluations. The FPMO collects data from each line ministry, and compiles an annual report on the performance of the different budget activities. They also oversee a system of impact assessment (that line ministries are required to prepare when presenting new laws and policy initiatives), and prepare a report summarizing internal evaluations of performance management. The performance orientation in the budget is further reinforced by the budget managers' increased autonomy over budget implementation.

61. Some objectives and performance indicators in the budget documents are well-defined and relevant, but in some sectors, poor outcome indicators or input and activity indicators still predominate. The budget reform's move from detailed line item budgets with about 1,200 budget lines to 66 programs contributed to strengthening the focus on results and reduce the input orientation. However, the FPMO considers that some objectives and indicators do not have the clarity and quality they would like to see. There is scope to make objectives and indicators more politically relevant, reflect political and organizational priorities, and support the implementation of solutions to well identified problems and challenges. The Budget Committee in the Austria Parliament has established a sub-committee (*Budgetvollzug*), which has facilitated discussions on performance management, but it has not been very active (there were only a few meetings since its establishment in November 2015).

62. Objectives are financed by the budget allocation available under the budget ceilings, but there is no indication of which resources are allocated to each of the different objectives and targets. For instance, while most global budgets have gender-related objectives, there is no information about the resource effort linked to achieving these objectives. A clearer linkage between the objectives and the budget resources could enhance the usefulness of the performance information and the effectiveness and transparency of the budget.

Box 2.1. Gender-Oriented Budgeting

The introduction in 2008 of gender equality principles in the Austrian Constitution, coupled with the implementation of performance based budget, has resulted in an increasingly gender oriented budget. A reporting system, overseeing by the Federal Performance Management Office (FPMO) in the Federal Chancellery, has been developed to monitor the implementation of gender oriented budget.

- As of 2013, each Ministry and Supreme Institution that manages a budget chapter is required to have one **gender oriented outcome objective**. They are defined from gender analysis that identify challenges and problems; objectives are operationalized with identification of specific activities, outputs, outcomes, targets, and indicators.
- Ministries must prepare an internal **report** on their performance data, including gender objectives, and deliver it to the Federal Chancellery (by May 31). The FPMO standardizes and verifies the information and reports, and proposes modifications to assure quality of the information and analysis.
- Based on the individual reports, the FPMO provides quality assurance, visualizes the data for the report to parliament, and prepares the comprehensive performance evaluation report for all line ministries, which includes a **special chapter on gender related performance information** (by Oct 31). The report is reviewed by the Parliamentary Budget Office, who advises Parliamentarians and supports the discussion on gender results to exert political accountability.
- Every new legislation, administrative resolution, major investment or procurement contract requires an **impact assessment** that includes a mandatory assessment of the effect on gender equality; they are disclosed for consultation and parliamentary discussions. An **Annual Report on Impact Assessment** (containing ex post evaluations of previous year's impact assessments of all line ministries) is compiled by the FPMO and subsequently submitted to the Parliament in May.
- Objectives and activities included in detailed budgets are included in **Performance Contracts** to foster gender equality results oriented management of administrative units. In addition, to provide a clear baseline, all statistics by SA are available on a gender-disaggregated basis.

Parliament decides on the annual budget's appropriations as well as performance information and objectives. During budget discussions, the Parliament discusses and reviews gender oriented objectives; reports from the Chancellery and gender impact assessments. There is also a special parliamentary committee overseeing gender equality, focusing its attention on legislative changes, equal treatment in policy areas and reports on the fight against discriminations of women and men.

Interesting developments in reporting and visualization of gender equality and gender performance information are occurring. There is a dedicated website for information on performance budgeting progress and results; a database of gender related budget information; a gender and diversity atlas that identifies regional distribution of gender related indicators and budget gender equality objectives are being presented in compelling visual graphs.

Overall, increased transparency, awareness, accountability, outcome orientation and richer discussion on gender equality and gender budgeting has been achieved. There is, however, room for improvement:
(i) clearer linkage between gender objectives and budget resources to enhance the effectiveness of performance information and allow quantification of the resources applied to gender equality;
(ii) standardization of the quality and ambition of objectives, indicators, and impact evaluations;
(iii) strengthening coordination between ministries and agencies; and (iv) further capacity building for streamlining the production, collection, management and sharing of sex-disaggregated and gender gap data.

2.3.3. Public participation (Not Met)

63. **The BMF publishes a two-page budget summary, but this provides no specification of implications of the budget for a typical citizen.** The summary provides the aggregate budget figures, as well as a pie chart showing the allocation of resources to the different budget headings and chapters. A more comprehensive summary on aggregate budget figures and key spending areas is also published when the draft budget is submitted to Parliament. There is no attempt to explain the implication of the budget for the citizens, and there is no description of changes in taxes, benefits, etc. that could help bring out these implications.

64. **Citizens have no formal voice in the budget process in Austria.** Unlike for other draft legislation, there are no mechanisms for public hearing of budget legislation. Parliamentarians can invite individual experts to provide inputs to the parliamentary debate on the MTEF. However, neither the BMF, nor the parliament invites external groups or citizens to provide their proposals and comments to the budget for the coming years.

65. **A "citizens budget" could be an important step towards enhanced budget transparency.** This would help the public to understand the implications of the budget for different groups, and promote an informed public debate of budgetary matters. Measures to provide citizens with a more formal role in the budget process could also be explored.

2.4. Credibility

2.4.1. Independent Evaluation (Advanced)

66. **The Austrian Fiscal Advisory Council ("*Fiskalrat*") provides proactive, independent assessment of fiscal policies.** It assesses the official fiscal outlooks in the Stability Programme and the Draft Budgetary Plan, and provides independent fiscal forecasts and evaluation of compliance with fiscal rules. It also provides independent potential output calculations and provides recommendations on fiscal estimates and policies. Figure 2.7 provides an example of the Fiscal Policy Council's assessment of fiscal target projections.

Figure 2.7. The Fiscal Policy Council's Assessment of Compliance with EU Fiscal Rules

	European Commission	Fiscal Advisory Council estimate			Federal Ministry of Finance estimate		
General government budget, total	**2015**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Maastricht deficit of no more than 3% of GDP	✓	✓	✓	✓	✓	✓	✓
Medium-term objective (incl. margin of tolerance)[1]	✓	✓	⊗	⊗	✓	⊗	⊗
Structural adjustment of deficit ratio[2) 3)]	✓	✓	⊗	⊗	✓	⊗	⊗
Government expenditure growth[4)]	⊗	⊗	✓	⊗	⊗	✓	⊗
Reduction of debt ratio	✓	✓	✓	✓	✓	✓	✓
Austrian general government fiscal indicators (% of GDP)							
Fiscal balance (Maastricht definition)	-1.2	-1.2	-2.0	-1.9	-1.2	-1.6	-1.5
Structural budget balance	0.0	0.0	-1.5	-1.6	0.0	-0.9	-1.0
Total expenditure (real, adjusted, change in %)	.	-0.6	1.6	1.4	-0.6	1.5	1.4
Debt (year-end figures)	86.2	86.2	84.3	82.8	86.2	84.3	82.6

Note: ✓ ... fiscal rule has been met, ⊗ ... fiscal rule has not been met, ⊗ ... fiscal rule has not been met and significant deviation[5)]

1) If Austria reaches the medium-term objective (MTO),noncompliance with structural adjustments of the deficit ratio or the expenditure rule will not trigger procedural steps.

2) Reduction of the structural deficit subject to macroeconomic conditions, the level of the debt ratio and the remaining need for adjustment to reach the MTO.

3) According to the Federal Ministry of Finance estimate, the deviation of the deficit ratio will only be slightly above the significance threshold in 2017.

4) Average medium-term potential growth rate less a certain percentage (convergence margin) as long as the MTO has not been reached.

5) A deviation is deemed significant if the structural deficit deviates by at least 0.5% of GDP from the structural adjustment path or the MTO within one year or cumulated over two years. A deviation from the debt rule during the transition period is deemed significant if the structural adjustment deviates from the required minimum linear structural adjustment (MLSA) by more than 0.25% of GDP.

Source: Federal Ministry of Finance (stability program of April 2016), WIFO (March 2016 outlook), European Commission (May 2016 outlook) and Fiscal Advisory Council's own calculations.

Source: Fiskalrat, Summary of the fiscal rules compliance report for 2015 to 2020 (May 2016).

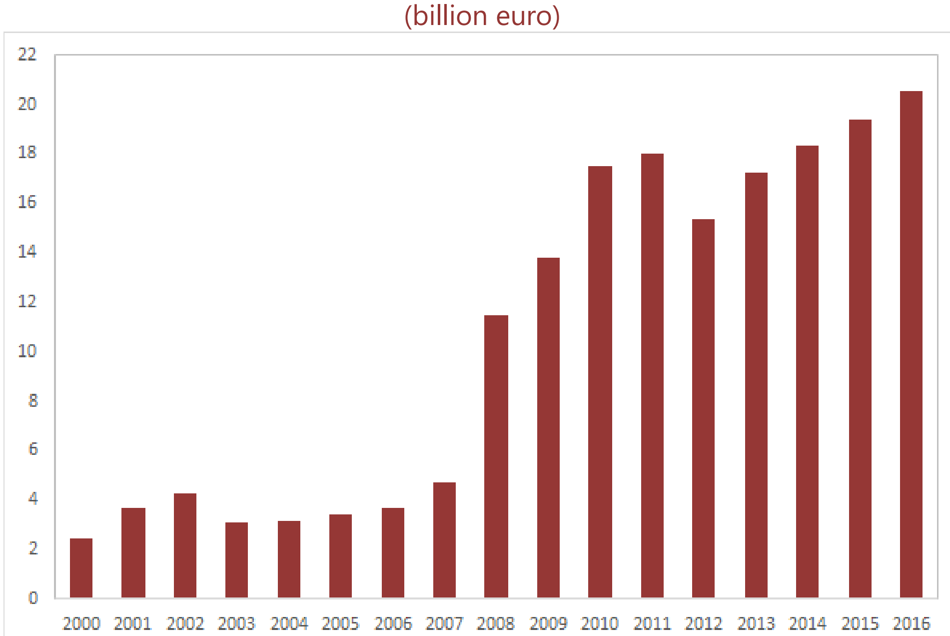
67. The WIFO prepares an independent set of macroeconomic projections that are used for the budget. The BMF has no input to or influence on the WIFO projections, and bases its fiscal policies on these projections without any adjustments or changes.

2.4.2. Supplementary budget (Good)

68. The OBL and the ABL gives the BMF and the line ministries broad authority to carry out budget adjustments, which may increase aggregate expenditure. The BMF may approve spending beyond the appropriated amount (both for overall expenditure and line ministries' expenditure) in certain circumstances defined in the OBL. This can be related to increased revenues or to changes in variable budget allocations, or can be regular budget additions, in case of unexpected expenditures. Per Article 53 of the OBL, line ministries may reallocate funds within their programs (*globalbudget*) under their own authority, with notification to the BMF. Reallocation between different programs under the same chapter, or between different chapters, requires BMF approval.

69. Budget overruns are usually offset against notional "budget reserves" for each line ministry. These reserves are formed by the accumulation of unspent appropriations or increased receipts in previous budget years and are a form of unconstrained and unlimited carry-forward provisions, in the sense that they don't require Parliament approval. The reserve mechanism has been in place for several years, but the accumulated annual carry-forward increased significantly after 2007. One of the factors contributing to this growing trend were the new rules for reserve mechanisms, introduced in 2009 to garner support for the overall budget reform process, which allowed the build-up of reserves and its use in later years (even for purposes different from the original ones).[26] The accumulated reserves at end-2016 are about € 21 billion, or 28 percent of the annual budget (Figure 2.8 illustrates how these built up over time). The BMF decides whether the line ministries should be allowed to access these "reserves" under the boundaries of restricted budget execution (*Restriktiver Budgetvollzug*), as defined in the OBL, ABL, and the EU Stability Programme. This results in those authorizations being generally limited to situations where under-spending in other areas means that expenditures can be increased without breaching aggregate fiscal targets.

Figure 2.8. Accumulation of Budgetary Reserves
(billion euro)



Source: Austrian Authorities

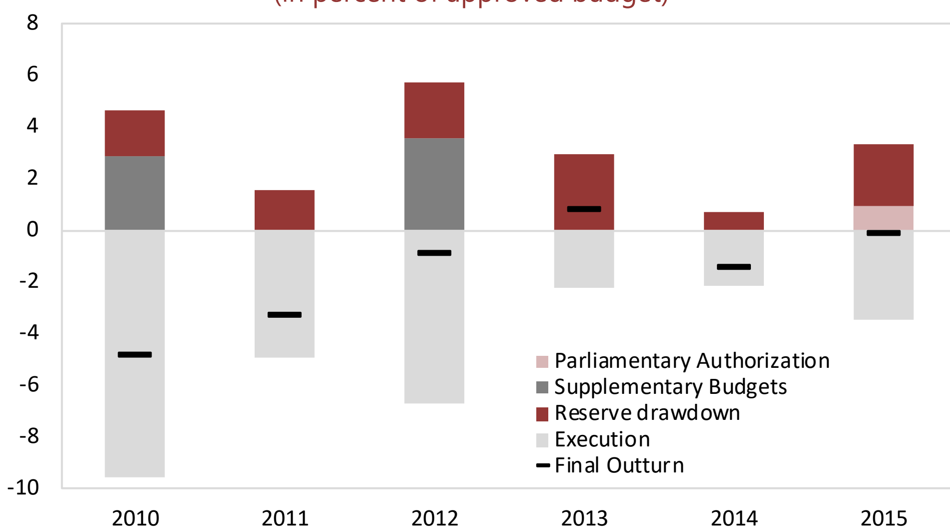
70. The Parliament authorizes discretionary spending in several areas through the ABL. Articles II to IX of the annual budget law for 2017 provides for several situations and budget

[26] See "Budget reform in Austria: From traditional to modern budgeting"; Steger, G.; Presupuesto y Gasto Publico 69/2012: 147-162; Instituto de Estudios Fiscales, for a discussion of the political economy aspects of the budget reforms in Austria.

items where the BMF is authorized to exceed or to amend the approved budget. Many of these authorizations provide limits or criteria for when and how the BMF's authority can be used.

71. These different mechanisms provide considerable autonomy and flexibility for the BMF to amend the budget, and supplementary budgets approved by the Parliament have become increasingly rare. Figure 2.9 provides an overview of budget amendments and budget outturns during the period 2010–15. The figure shows that the aggregate final outturn of the budgets were well below authorized spending (therefore not requiring a supplementary budget) during the whole period, and below the initial budget in all years, but 2013. In-year authorization of additional spending was based on supplementary budgets submitted to Parliament (in 2010 and 2012), BMF approval of spending pre-authorized in the annual budget law, or BMF approval of drawdown of reserves.

Figure 2.9. Components of Deviation in Outcome from Approved Budget
(in percent of approved budget)



Source: Austrian Authorities

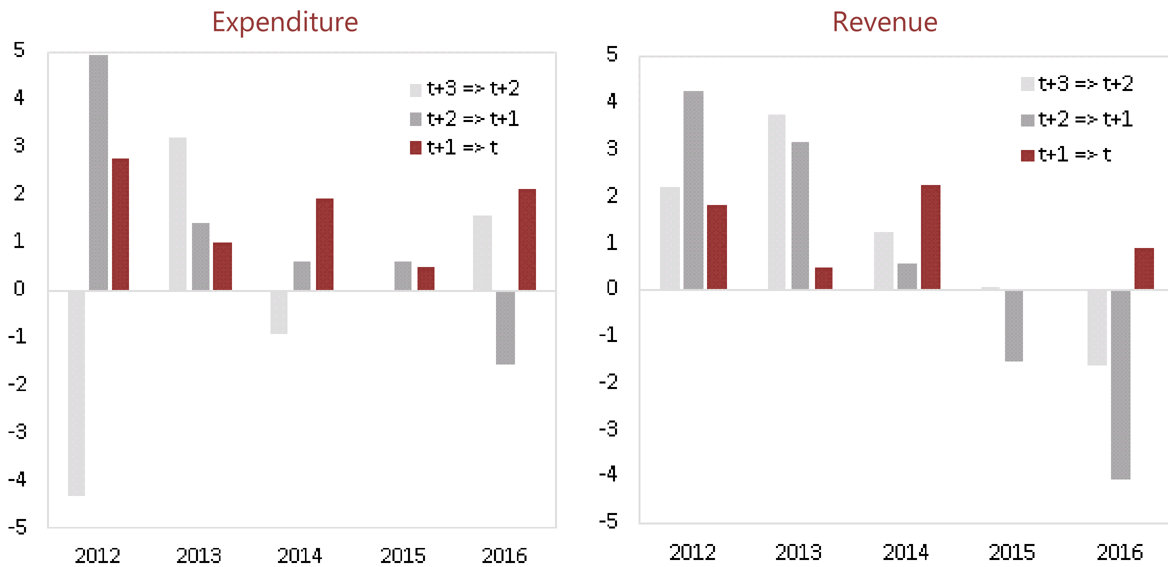
72. The government's broad authority to reallocate funds between different purposes without parliamentary approval undermines the transparency of budget execution. The table shows that supplementary budgets that are specifically approved by Parliament were only used twice in the last five years. The implication is that such approval is primarily needed when it is necessary to increase the aggregate expenditures in the budget with a sizable amount, or when the amendments in question require broad political backing. Most amendments, even when they entail significant reallocation of funds between different purposes through the reserve mechanism, are done without Parliamentary involvement.

2.4.3. Forecast Reconciliation (Not Met)

73. The budget documentation does not reconcile differences between successive medium-term forecasts for revenues and expenditure. The Fiscal Strategy Report includes explanations for changes to budget-year expenditure allocations, compared to previous ceilings for each of the budget chapters. However, it doesn't contain an explanation of differences between successive medium-term revenue and spending projections, differentiating between those resulting from changes to government policies and those resulting from changes in economic forecasts or other factors.

74. Austria's medium-term revenue and expenditure forecasts are subject to moderate variations. Figure 2.10 shows how forecasts for expenditures and revenues for a given year evolve across successive updates of the medium-term fiscal projections.[27] Over the past five years, revisions to the second and third year ahead expenditure forecast between successive medium-term plans have averaged 1.8 and 2 percent. Similarly, for revenue, the revision to the second and third year ahead forecasts averaged 2.7 and 1.8 percent. Including explanations for these revisions would enhance the credibility of medium-term fiscal forecasts.

Figure 2.10. Evolution of Medium-term Forecasts for Central Government Expenditure and Revenue (percent of GDP)



Source: April Stability Programme Update; IMF staff estimates.
Note: Excludes revenues and expenditures of EBUs. Period t refers to the current year.

2.5. Recommendations

75. Table 2.6 summarizes the assessment of Austria's practices against the Fiscal Transparency Code. It shows that Austria meets the standard of good or advanced practice in most areas. Budget legislation is comprehensive, but complex. Fiscal targets related to the Stability and Growth Pact (SGP) are very transparent, and there is active, independent scrutiny of

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[27] These revisions refer, for example, to the difference between the expenditure forecasts for 2016 made in the 2013 and 2014 Budgets (that is, the change from t+3 to t+2) and to the 2016 forecast made in the 2014 and 2015 budgets (that is, the change from t+2 to t+1).

them. However, the budget timetable does not allow time for parliament to discuss SGP-related reports (Stability Program in April and Draft Budgetary Plan in October) prior to its submission, the budget has a strong performance orientation but there is no evidence that this performance information has impact on decisions, and the government can carry out substantial reallocation between sectors and programs without Parliamentary approval. For two principles (public participation and forecast reconciliation) the basic transparency requirements are not met, and for budget unity and medium-term budget framework the current practices just meet the standard of basic practice. Recommendations in these areas are summarized below.

76. **Issue:** EBUs and SSFs are not included in the budget presentation, and there is no supplementary general government or public sector perspectives in the budget documents.

77. **Recommendation 2.1:** The budget documents should provide comprehensive disclosure of the full central government. This should include details on the budgets of the different groups of EBUs in a format that is comparable to the basic budget figures. There should also be supplementary tables that consolidate the central government, general government, and broad public sector.

78. **Issue:** The MTBF contains expenditure estimates by chapter, but not by economic category.

79. **Recommendation 2.2:** Adapt the current MTBF to include estimates by economic category and use the information in this breakdown to expand analysis and enhance the quality of the spending estimates.

80. **Issue:** Many objectives and indicators are not seen as politically relevant, and objectives are not linked to specific budget allocations.

81. **Recommendation 2.3:** Further develop outcome-oriented objectives with clear political relevance, for instance based on the Government program after the next elections. Link performance objectives to resource envelopes to promote efficiency and effectiveness.

82. **Issue:** The budget provides no specification of implications for a typical citizen and citizens have no formal voice in the budget process.

83. **Recommendation 2.4:** Prepare a "citizens budget" to help the public understand the main features as well as the implications of the budget for different groups. Provide citizens with a more formal role in the budget process, by inviting inputs from citizens during budget preparation and inviting citizens to comment on the draft budget in the parliamentary budget committee.

84. **Issue:** The budget carryforward mechanisms leads to accumulation of large budgetary reserves, undermining budget predictability and transparency.

85. **Recommendation 2.5:** Establish a carryforward mechanism that clearly constrains the possibility to carry forward unspent budget appropriations, for instance by limiting this to a share of the appropriations, a certain duration or specific purposes, while allowing the ministries to add this carryforward to their budget appropriations without case-by-case approval. Reestablish the practice that substantive changes in budget compositions during the fiscal year requires a supplementary budget to Parliament.

86. **Issue:** Changes in medium-term fiscal projections are not explained.

87. **Recommendation 2.6:** Provide more detailed explanation on the main factors underpinning the macroeconomic forecasts and their linkages with the fiscal forecasts in the Fiscal Strategy Report and include a reconciliation of changes to key fiscal aggregates between successive fiscal forecasts.

Table 2.6. Austria: Summary Assessment of Fiscal Forecasting and Budgeting

Principle			Assessment	Importance	Recs
1. Comprehensiveness	1	**Budget Unity**	**Basic:** Budget documents cover all central government ministries and agencies.	**High:** Own source revenues of around 36 percent of expenditure are not disclosed in budget documents.	2.1
	2	**Macroeconomic Forecasts**	**Good:** Four-year macroeconomic forecasts are presented in the Fiscal Strategy Report, and their underlying assumptions are disclosed.	**Low:** GDP forecasts have tended to overestimate outcomes, but average forecast errors (-0.6 for budget year) are low by international standards.	2.6
	3	**Medium-term Budget Framework**	**Basic:** Budget documents include four-year forecasts for revenue, by tax category; expenditure is presented by ministry and program.	**Medium:** Lack of economic category data undermines quality of estimates and MTBF credibility.	2.2
	4	**Investment Projects**	**Good:** Projects are awarded in open and competitive tenders; multiannual commitments are reported; but published cost-benefit analyses are not available.	**Medium:** Investment-related commitments amount to about 23.4 percent of GDP**.**	
2. Orderliness	1	**Fiscal Legislation**	**Advanced:** Legal framework defines budget timetable, budget proposal content and legislative amendment powers.	**Low:** Comprehensive legal framework in place, substantially unchanged since 2013.	
	2	**Timeliness of Budget Documents**	**Good:** Budget is submitted at least 10 weeks before FY and approved by year-end. 2014 exception was due to election calendar.	**Medium:** Timing does not allow for debate on SGP documents and the Fiscal Strategy Report prior to SGP's submission to the European Commission.	
3. Policy Orientation	1	**Fiscal Policy Objectives**	**Advanced:** Fiscal targets for general government linked to SGP are in place and monitored.	**Low:** Complex and intersecting targets and limited fiscal policy discussion in budget documents, but fiscal targets have generally been met.	
	2	**Performance Information**	**Good:** Budget documents provide output or activity objectives in all areas, outcome objectives in some.	**Medium:** Performance information is not linked to budget and has little impact on decisions so far.	2.3
	3	**Public Participation**	**Not met:** Government publishes accessible summary but without implications for typical citizen. No formal role for citizens.	**Medium:** Lack of public involvement undermines budget transparency and authority.	2.4
4. Credibility	1	**Independent Evaluation**	**Advanced:** Fiscal Advisory Council established in 2013 provides running assessment of fiscal policies.	**Low:** Fiscal Advisory Council is effective and its role is still evolving.	
	2	**Supplementary Budget**	**Good:** Supplementary budget is required prior to substantial changes to total budgeted expenditure.	**High:** Current carry-forward (reserve) mechanism amounts to 28 percent of budget and undermines transparency.	2.5
	3	**Forecast Reconciliation**	**Not Met:** No reconciliation of the differences between successive vintages of fiscal forecasts is provided.	**Medium:** Deviations between successive MT spending and revenue plans are generally modest, but have been as large as 2.8 percent of GDP (across the 4-year plan).	2.6

III. FISCAL RISKS

88. **Governments should disclose, analyze, and manage risks to the public finances and ensure effective coordination of fiscal decision-making across the public sector.** This chapter assesses the quality of the analysis, management, and reporting practices of fiscal risks against the standards set by three dimensions of the IMF's Fiscal Transparency Code:

- General arrangements for the disclosure and analysis of fiscal risks;
- The reporting and management of risks arising from specific sources, such as government guarantees, public-private partnerships, and the financial sector; and
- Coordination of fiscal decision-making between central government, subnational governments, and public corporations.

Table 3.1. Austria: Reports Related to Fiscal Risks

Report	Related Risks and Issues	Author
Stability Programme	Macroeconomic risks, guarantees	Ministry of Finance
Guarantee Report (*Bundeshaftungen*)	Guarantees	Ministry of Finance
Six Pack Data on Contingent Liabilities	Off-balance-sheet PPPs, guarantees, public corporations	SA
Fiscal Sustainability Report, 2016 (*Langfristige Budgetprognose*)	Long-term risks	WIFO, Ministry of Finance
Financial Stability Report	Financial sector	National Bank of Austria
Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes*)	Public Corporations	Ministry of Finance
Consolidated Financial Statements (*Bundesrechnungsabschluss*)	Assets and Liabilities, Guarantees, Public Corporations	Court of Audit
Financial Accounts of the Government Sector	Assets and Liabilities	SA
SKKM Strategy 2020	National Crisis and Disaster Protection Management	Ministry of Internal Affairs
Annual Debt Management Review	Debt	Austrian Treasury

89. **Austria's reporting on the main risks to public finances is generally good, but information is spread across many different reports.** Table 3.1 lists the various government reports that provide information on fiscal risks. Austria publishes quantitative macro-fiscal risk analysis, discloses considerable information on explicit government guarantees, and regularly reports on the finances of public corporations. Austria also publishes a high-quality and

comprehensive long-term sustainability report, a relatively recent initiative introduced as part of the government's budget reforms. However, information on fiscal risks is reported across a large number of different documents, and as a result, no report provides a comprehensive picture of the government's aggregate fiscal risk exposure. There is also scope to enhance reporting in some areas, including the reporting of risks relating to government assets and liabilities and subnational governments.

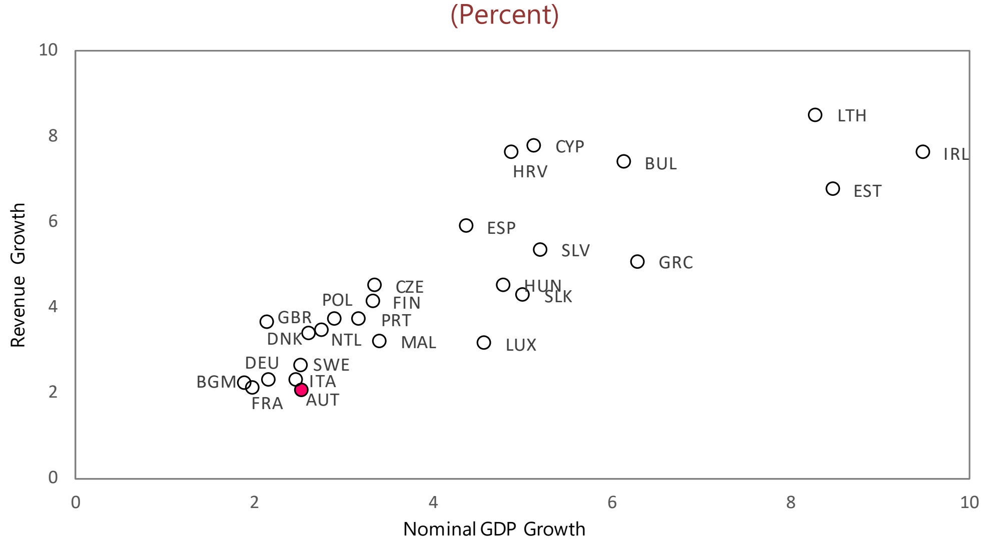
3.1. Disclosure and Analysis

3.1.1. Macroeconomic risks (Basic)

90. The government discloses the impact of alternative economic growth forecasts on public finances. The SP shows two alternative paths for real GDP growth and their impact on the deficit and debt over the medium-term forecast period. The scenarios are deterministic, with real GDP growth assumed to be 0.5 percentage points higher or lower than the baseline forecast in each of the forecast years. The SP does not contain an accompanying discussion of how the alternative growth paths impact the main components of the fiscal forecasts, nor does it discuss the different sources of macro-fiscal shocks that might cause GDP growth to deviate from forecasts. No sensitivity analysis is included in the Fiscal Strategy Report which is the main document used to prepare the annual and medium-term budget.

91. Austria has experienced a relatively low level of economic volatility. Austria's large and diversified economy is relatively stable and, largely as a result, the government's revenue has been more stable than in most other countries. Nominal GDP and revenue volatility over the period 2000–15 were amongst the lowest in Europe (Figure 3.1). Still, even modest deviations in economic growth and budget revenues can have material implications for the public finances.

Figure 3.1. Volatility of GDP and Government Revenue in European Countries
(Percent)



Source: IMF World Economic Outlook database, April 2016.
Note: Volatility is measured as the standard deviation of the annual growth rate.

3.1.2. Specific fiscal risks (Not Met)

92. **Although Austria discloses information on many of its fiscal risks in various reports, no statement summarizes the range of risks that public finances are exposed to.** The government publishes comprehensive and regular information on its guarantees exposure in several documents, and an annual report on the finances of public corporations. SA also publishes annual data on government guarantees, off-balance sheet public-private partnerships (PPPs), and liabilities of public corporations. But, no report offers a comprehensive summary of specific fiscal risk, their magnitude, and possible implications for public finances.

93. **Specific fiscal risks in Austria are sizeable, totaling around 56 percent of GDP.**[28] The government has large fiscal exposures related to government guarantees, public corporations, and the financial sector. Almost all of these exposures are disclosed in different government and statistical reports. The main specific fiscal risks are summarized in Table 3.2 and discussed in more detail in the principles below. In addition, Austria faces uncertain and sizeable long-term fiscal pressures from the ageing of its population, which are outlined in a detailed Fiscal Sustainability Report.

Table 3.2. Austria: Selected Specific Fiscal Risks – Gross Exposure

Specific Fiscal Risk	Magnitude (percent of GDP)	Reporting
Non-financial Public Sector		
Government Guarantees[(a)]	22.9	Guarantee reports, SA
Public-private Partnerships	0.1	SA
Liabilities of Non-Financial Public Corporations	14.5	SA
Of which: Explicitly guaranteed by government	*3.6*	
Callable capital in international financial institutions[(b)]	2.3	Ministry of Finance
Financial Sector		
ESM callable capital	4.9	Ministry of Finance
Financial Public Corporations[(c)]	18.5	SA
Of which: Explicitly guaranteed by government	*3.4*	
Contingent Events		
Natural disasters[(d)]	0.1	Natural Disaster Fund Report
Long-term Risks[(e)]		
NPV of pension spending change (2015-50)	13.7	Fiscal Sustainability Report
NPV of health spending change (2015-50)	62.8	Fiscal Sustainability Report

Source: Ministry of Finance; SA; IMF Fiscal Monitor.
Notes: (a) Guarantee exposure excludes guarantees that have been incorporated into the governments balance sheet; (b) Includes callable capital to the European Investment Bank, International Bank for Reconstruction and Development, European Bank for Reconstruction and Development, Asian, African and Inter-American Development Banks (commitments made to the IMF under the New Arrangements to Borrow facility of around 0.7 percent of GDP are not included in the above); (c) Excludes central bank; (d) Estimate is derived on past average economic damages and exceeds funding spent on damages from the Natural Disaster Fund (e) estimates are sourced from the IMF Fiscal Monitor.

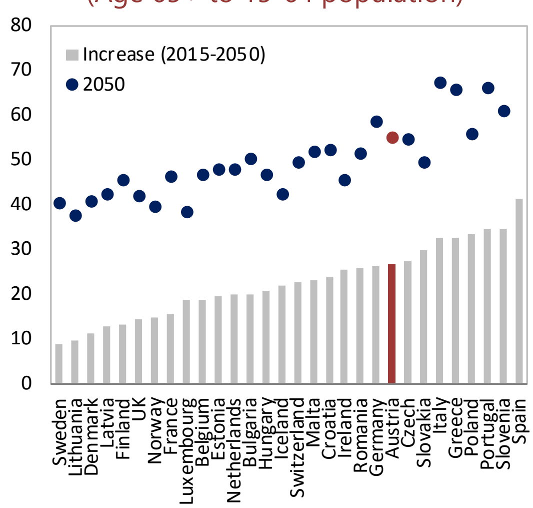
[28] The figure can be calculated from the data in Table 3.2, but the numbers are not additive (part of the liabilities of public corporations is explicitly guaranteed by the government and therefore already captured in the total for government guarantees). The calculation is (in percent of GDP): Guarantees (22.9) + PPPs (0.1) + non-guaranteed liabilities NFPCs (10.9) + non-guaranteed liabilities of FPCs (15.1) + callable capital in IFIs (2.3) and ESM (4.9).

3.1.3. Long-term sustainability of public finances (Advanced)

94. The government publishes long-term projections of the main fiscal aggregates under different assumptions. As part of the government's budget reforms, the Organic Budget Act 2013 (Art. 15), introduced a requirement for the government to submit a fiscal sustainability report to the National Council every three years, presenting fiscal projections for at least the next 30 years. The second fiscal sustainability report was published in 2016 and presented detailed long-term fiscal projections for age-related and non-age related spending categories as well as projections for the general government deficit and debt over a 35-year period. The report includes projections for social security contributions and payments. The report is based on independent projections prepared by WIFO. The report also details the impact of alternative demographic, macroeconomic, and health cost scenarios on the fiscal projections.

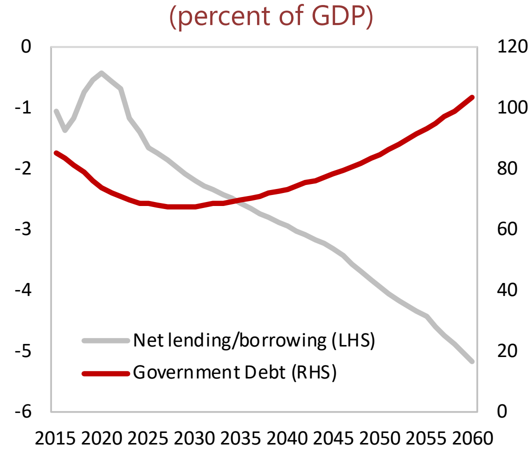
95. Austria's ageing population creates large and uncertain fiscal costs. Austria's old-age dependency ratio is projected to almost double from around 28 percent today, to around 55 percent by 2050. This implies that Austria would move from having about four working-age people for every person aged over 65 years to about two working-age persons. The increase in the ratio is towards the higher end of that expected among European countries (Figure 3.2), and will contribute to strong fiscal pressures. Higher healthcare, long-term care, and pension costs are expected to increase public spending by around 3 percent of GDP over the period to 2060 (Figure 3.3). The European Commission's Fiscal Sustainability Report 2015 judged that Austria was one of 14 European countries facing "medium stability risks" in the long-term, primarily due to increased age-related fiscal costs, and that long-term sustainability of public finances would require fiscal consolidation of 2.7 percent of GDP.[29]

Figure 3.2. Old Age Dependency Ratios
(Age 65+ to 15-64 population)



Source: United Nations.

Figure 3.3. Long-term Fiscal Pressures
(percent of GDP)



Source: IMF Staff Report for the 2016 Article IV Consultation, January 2017.
Note: Figures differ from authorities' estimates and assume non-age related spending is constant as a share of GDP.

[29] European Commission *Fiscal Sustainability Report 2015,* Institutional Paper 018, January 2016.

3.2. Fiscal Risk Management

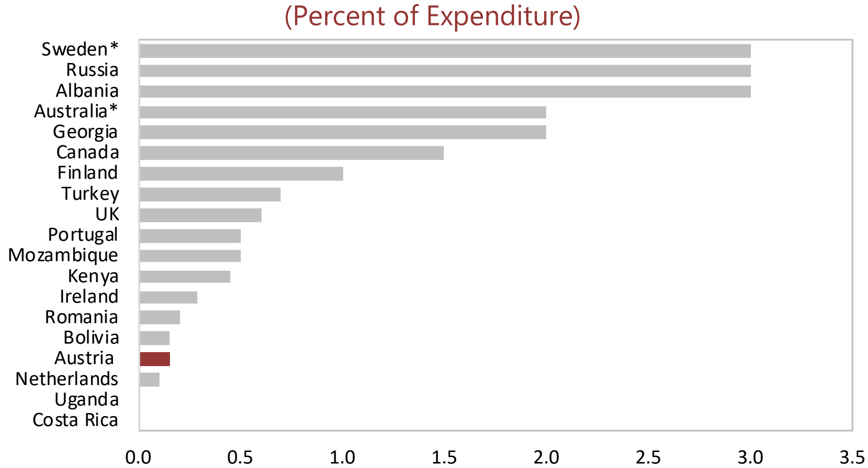
3.2.1. Budgetary contingencies (Good)

96. The budget includes contingency allocations to deal with unexpected expenditures. Since 2009, a general budget margin of €10 million has been included in the annual budget for each of the five main budget headings (*Rubrik*), but has rarely been utilized. There are no restrictions on the types of spending that may be funded from the reserves within each of main budget headings, but there are some controls in place that define the circumstances under which they can be utilized. The Organic Budget Act 2013 (Article 54(8)), requires that budget reserves be exhausted (see Principle 2.4.2), before calling on the contingency margin. In addition, margins can only be accessed for unforeseen events (Annual Budget Act 2017, Article VIII). The budget also contains a contingency of around €75 million (0.9 percent of federal expenditure) for natural disasters, which is part of a broader Natural Disaster Fund. The Natural Disaster Fund Act defines the compensation arrangements for the Fund (see Principle 3.2.7). A report on the use of the Natural Disaster Fund is submitted to the National Council once every two years.

97. The overall contingency buffer is small and funding for unexpected events has generally been met from other sources. Figure 3.4 shows that Austria's contingency buffers are low in comparison to other countries for which data are readily available. The requirement that reserves must be first exhausted, has also meant that no department has yet called on the contingency margin. This has not yet been a problem, partly due to flexibility elsewhere in the budget. The reserve system and underspending elsewhere in the budget have been sufficient to meet unexpected costs. Further, the Annual Budgeting Act often contains authorizations for spending in addition to the regular appropriations. For example, an allowance was included in the 2015 budget, authorizing additional spending for refugee related expenses, should it be required, up to a maximum limit. As a result of these provisions, the variation between budget year expenditure forecasts and outcomes has been small.

Figure 3.4. Size of Contingency Reserves in Selected Countries

(Percent of Expenditure)



Source: IMF Fiscal Transparency Evaluations and other IMF staff estimates.

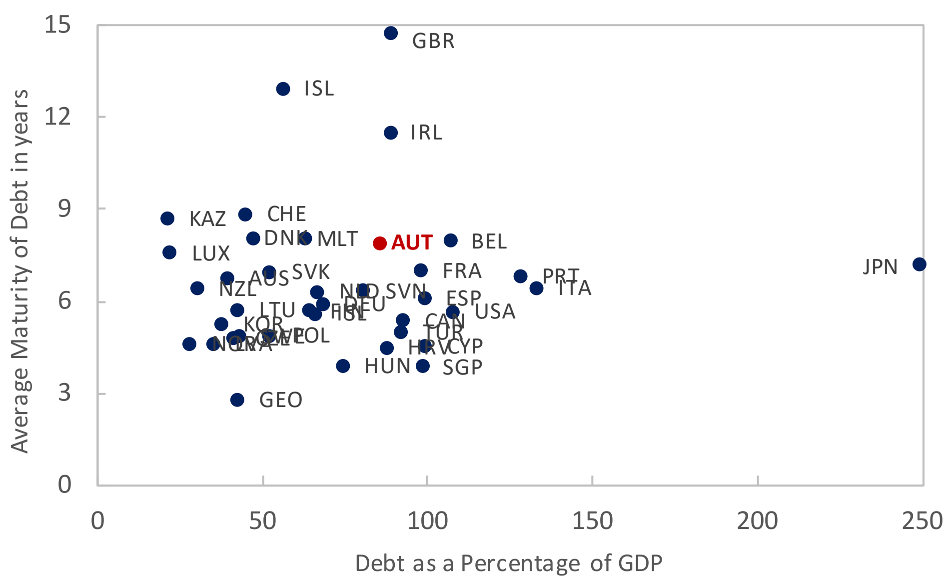
Note: * Reserve at end of forward-estimates period.

3.2.2. Management of assets and liabilities (Basic)

98. Risks arising from central government debt liabilities are disclosed, monitored, and managed. All government borrowing is authorized by law. The costs and risks related to gross debt are analyzed and managed by the Austrian Treasury, in accordance with an unpublished debt management and risk management strategy. The government reports annually to the National Council on the creation, extension or conversion of financial debts. The Annual Debt Management Review and Treasury website show the maturity profile of the debt portfolio, a key indicator for risk analysis. In addition, regular investor presentations, published on the Treasury website, show the geographical and sector distribution of holders of public debt. However, there is very little discussion of the risks surrounding the debt portfolio (such as, interest rate and refinancing risks) in public documents.

99. The government's liabilities are sizeable, and primarily comprise debt securities. At the end of 2015, general government liabilities were worth around 110 percent of GDP. Debt securities accounted for 80.5 percent of GDP and government loans accounted for 14.6 percent of GDP. Although debt is sizeable, foreign exchange, interest rate, and refinancing risks are relatively low. Around 98 percent of debt is euro-denominated and the remaining foreign currency exposure is hedged through currency swaps. About 95 percent of debt is issued at fixed rates, and short-term debt represents about 10 percent of the total portfolio, which has an average term to maturity of around eight years (Figure 3.5). While non-resident holdings of government debt are high, at around 75 percent,[30] the majority is held within the eurozone.

Figure 3.5. Level and Average Maturity of Debt in Advanced Economies, 2015



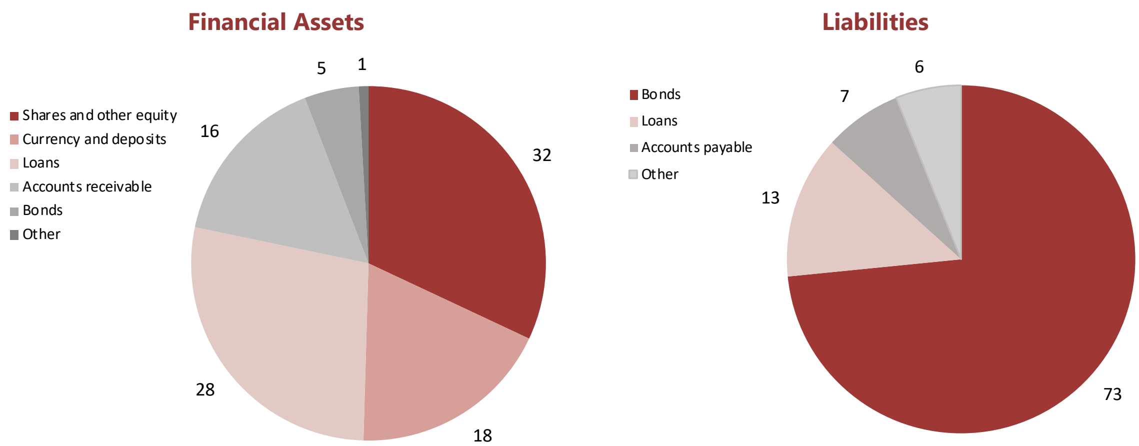
Source: IMF, Fiscal Monitor, October 2016, Table A23.

[30] European Commission, *Debt Sustainability Monitor 2016,* Institutional Paper 047, January 2017.

100. There is little discussion in public documents of the risks surrounding the government's financial assets, despite sizeable holdings. At the end of 2015, the financial assets of the general government were 52 percent of GDP and mainly comprised cash and deposits (9.5 percent of GDP), loans (14.4 percent of GDP), and equity, including in public corporations (16.5 percent of GDP). While information on these assets are disclosed in public documents, there is little discussion of the risks surrounding them.

- **Loans.** These are primarily the loans issued by banks owned by central and state governments, EFSF loans, and state housing loans. Neither the central nor state governments report on the risks surrounding these assets, although SA reports that non-performing loans were 1.5 percent of GDP at end-2015.
- **Central government on-lending.** The federal financing agency conducts borrowing that is on-lent by the central government to subnational governments. Although this on-lending is consolidated in the general government balance sheet, this arrangement creates risks for the central government, which is obligated to finance the borrowings in the event subnational governments are unable to meet their obligations. These loans, which total around 3½ percent of GDP, are disclosed in the consolidated financial statements, but are not reported on the central government balance sheet. The performance of, and risks surrounding, these assets, are not discussed.
- **Equity in public corporations.** While information on the finances of public corporations is disclosed, public reports do not discuss the potential risks to the government's capital or other potential implications for government finances. The liabilities of loss-making public corporations were 1.3 percent of GDP in 2015 (see Principle 3.3.2).

Figure 3.6. Financial Assets and Liabilities of General Government, 2015
(percent)



Source: Eurostat; SA.

3.2.3. Guarantees (Good)

101. Austria publishes frequent and detailed information on government guarantees. The federal government reports annually to the Budget Committee of Parliament on guarantee issuance and total guarantee exposure. Information on federal government guarantee schemes, their beneficiaries, and their execution is also published in the consolidated financial accounts.[31] The BMF also publishes quarterly guarantee data on its website, including the annual reports to the Parliament on export guarantees. Information on the stock of government guarantees, by level of government, is also available on an annual basis, from SA. The data include breakdowns of guarantees according to whether the beneficiaries are in the private or public sector and in the financial or nonfinancial sector. Information on the probability of guarantees being called is not published.

102. The issuance of guarantees is controlled by law and subject to limits. Section 82 of the Organic Budget Act stipulates that only the Minister of Finance may assume a guarantee liability on behalf of the federal government, and that issuance must be authorized by either the Annual Budgeting Act or separate legislation and subject to a maximum exposure limit. In addition, the Federal Maximum Guarantee Limitation Act, first introduced in 2012, sets an aggregate limit for federal government guarantee schemes at €197 billion (about 55 percent of GDP) for the period 2015–18.[32] Under the Austrian Stability Pact, state governments are also obligated to impose limits on their guarantee exposure. Austria is in the process of harmonizing central and state government guarantee limits so that they apply to the gross exposure and are capped at 175 percent of tax revenues.

103. The budget includes an allocation for expected guarantee calls, and the federal government provisions for probable calls on its balance sheet. The federal government includes an allocation in the budget for guarantees, if it is probable they will be called. In 2015, the cost of meeting guarantee calls was €128 million (0.04 percent of GDP). A provision is also included on the federal government balance sheet (around €2.9 billion or 0.9 percent of GDP in 2015) for guarantees with a 50 percent or higher probability of being called. In addition, the

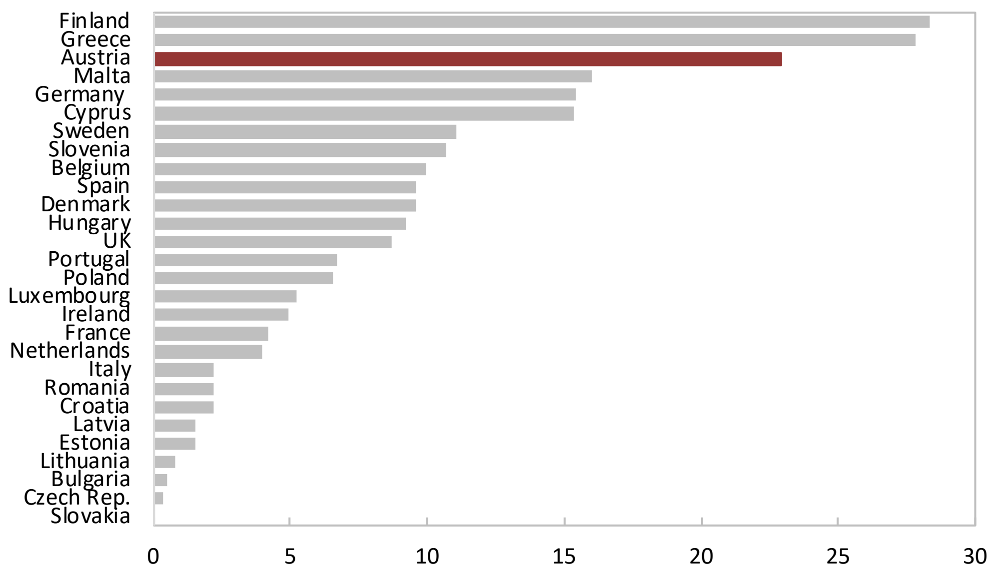
[31] The beneficiaries of export guarantees are reported separately by the government's export credit agency (OEKB) for projects that exceed €10 million and environmentally important projects. The Agency also provides detailed annual reports on the stock of export guarantees and their performance.

[32] This limit is set on the legal definition of guarantees, which covers loan and other guarantees (such as insurance guarantees provided to museums and guarantees granted under the Nuclear Liability Act). This differs from the maximum exposure to federal government finances, which is reported under statistical standards. As at end-2015 the gross value of federal government guarantees under the legal definition was €94.6 billion (27.8 percent of GDP), whereas guarantees recorded under statistical definitions were €43.3 billion (12.7 percent of GDP).

federal government imposes risk-based guarantee fees on most, but not all, guarantees to cover the cost of expected losses.[33]

104. Government guarantees have been declining in recent years, but total exposure remains large. In 2012, guarantees issued by the general government to other sectors amounted to 38.4 percent of GDP (ESA 2010 definition). Since then, they have fallen to 22.9 percent of GDP, but remain the third largest among EU countries (Figure 3.7).[34] A little more than half of these have been issued by the central government, with the remainder issued by state and local governments (Figure 3.8). Guarantees to nonfinancial private entities represent 11.6 percent of GDP and were given largely for export promotion. Guarantees to public and private financial entities represent 7.6 percent of GDP, while guarantees to non-financial public corporations—largely to the road and rail infrastructure companies—represent about 3.6 percent of GDP (Figure 3.9).

Figure 3.7. Government Guarantees in Europe, 2015
(Percent of GDP)

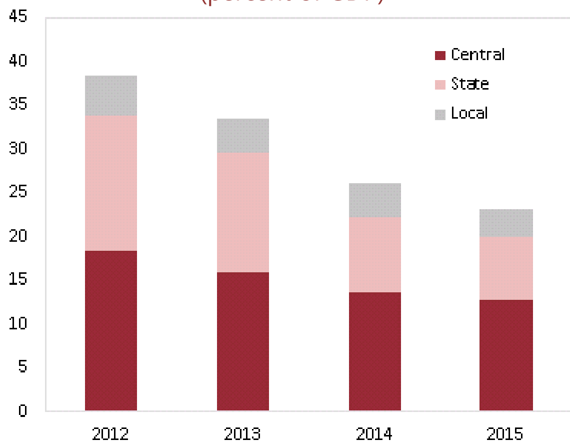


Source: Eurostat Government Finance Statistics, Contingent Liabilities and Potential Liabilities.
Note: Data for Austria is net of guarantees included on the general government balance sheet.

[33] The exceptions are guarantees provided to museums and guarantees related to the Coinage Act 1988, for which no fee is charged, and guarantees on loans to certain businesses to promote economic development, which attract a subsidized fee.

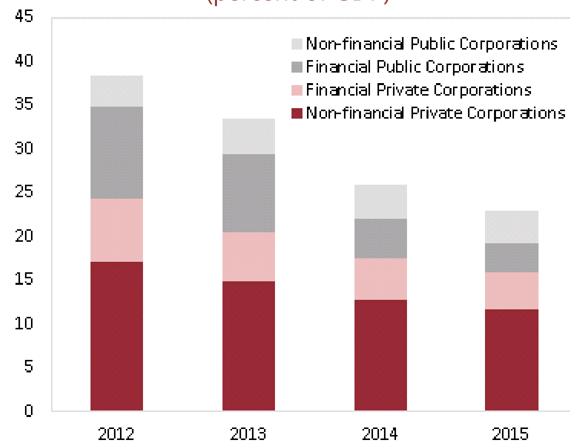
[34] Certain guarantees have already been recorded as federal government liabilities according to statistical definitions (including EFSF guarantees which are recorded as loans, guarantees to units within the general government sector including some guarantees provided to Austrian Federal Railway Company (OBB) and financial entities), and so are not recorded as contingent liabilities.

Figure 3.8 Guarantees by Level of Government
(percent of GDP)



Source: SA.

Figure 3.9 Guarantees by Sector
(percent of GDP)

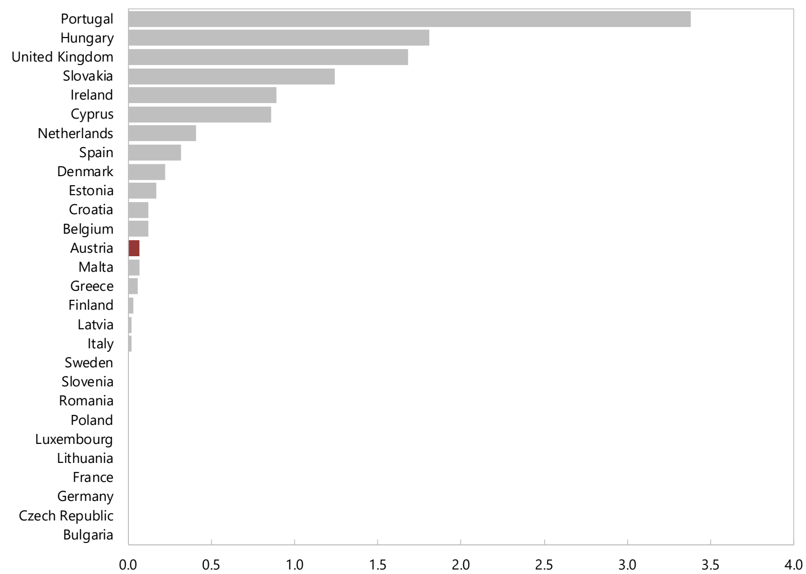


Source: SA.

3.2.4. Public-Private Partnerships (Not Met)

105. Austria has a few small off-balance-sheet public-private partnerships (PPPs), but no report discusses their fiscal implications. In these projects, private companies finance investments, while a government agency either commits itself to buying the related service over the life of a contract or, in user-funded projects, grants the company the right to collect user fees and often bears some of the project's risks. When these projects are not treated as creating assets and liabilities on the government's balance sheet, the government's effective debt may be underestimated. This appears to be only a minor problem in Austria. The total value of general government's reported off-balance-sheet PPP obligations is about 0.1 percent of GDP, about average in the European Union and much less than in some countries (Figure 3.10). The figure for Austria excludes central government's PPPs, and all the data exclude PPPs undertaken by public corporations, such as ASFINAG, but even taking account of these projects, PPPs appear not to create large risks in Austria. More important are the PPP-like arrangements discussed in Section 2.1.4 in which the government's contractual partner is a public corporation like ÖBB.

Figure 3.10. Off-Balance-Sheet PPP Liabilities of General Government in the EU, 2015
(Percent of GDP)



Source: Eurostat, Government Finance Statistics gov_cl_ppp, last updated January 30, 2017.
Note: data for Austria exclude central government.

3.2.5. Financial sector (Good)

106. As the recent crisis showed, the financial sector creates large fiscal risks. In 2008 and 2009, the government took over failing banks, injected capital into others, and guaranteed all bank deposits (Box 3.1).[35] The direct fiscal effects of the crisis have also continued: the losses of nationalized banks during the period 2011–15 averaged 0.8 percent of GDP a year.[36] Since the crisis, many efforts have been made to reduce the risks created by the sector, at both the domestic and European level, and the IMF Staff Report for the most recent Article IV consultation notes that the "country's banking system is sound."[37] Table 3.3 presents a set of indicators of financial soundness for Austria and selected other European countries. Nonetheless, the size and leverage of the sector means that fiscal risks remain important. At the end of 2015, the (non-equity) liabilities of the sector amounted to about 300 percent of GDP, not especially high for Europe (Figure 3.11) and lower than in 2008 (Figure 3.12), but still large relative to the size of the economy and most of the other risks discussed in this section.

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[35] IMF, *Austria: Financial Sector Stability Assessment*, September 2013, p. 11.

[36] Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes*), October 2016, p. 26. The losses of nationalized banks are taken to be the net loss of entities under the budget chapter "*Finanzmarktstabilität*".

[37] IMF, *Austria: Staff Report for the 2016 Article IV Consultation*, January 13, 2017, p. 14.

Box 3.1. Austria's Bank Bailouts

The global financial crisis hit Austria relatively hard, mainly because of problems in the Eastern European markets in which Austria banks were heavily involved. In late 2008, the government responded by granting an unlimited guarantee of bank deposits, establishing a wholesale guarantee facility of €75 billion, and providing for bank recapitalization and individual guarantees of initially up to €15 billion.

The unlimited deposited guarantee expired at the end of 2009. The wholesale guarantee facility was closed in 2010 and the last guarantee given under this facility expired in 2014. Users of the facility included Erste, Hypo Alpe Adria, KA Finanz, Kommunalkredit, Raiffeisenzentralbank, and Österreichische Volksbanken.

Under the Financial Market Stability Act, which authorized the investments and guarantees of €15 billion (later increased to €23.5 billion), the government nationalized Kommunalkredit Austria, KA Finanz, and Hypo Alpe Adria and took ownership of 43 percent of Österreichische Volksbanken. Other banks that received capital injections included Erste, BAWAG PSK, and Raiffeisenbank International.

Table 3.3. Financial Soundness Indicators for Selected European Countries, 2015

	Capital		Asset Quality	Liquidity		Profitability
	Regulatory Tier 1 Capital to Risk-Weighted Assets	Capital to Assets	Non-performing Loans to Total Gross Loans	Customer Deposits to Total (Non-interbank) Loans	Liquid Assets to Total Assets (Liquid Asset Ratio)	Return on Assets
Austria	**13.16**	**7.45**	**3.39**	**85.30**	**24.84**	**0.46**
Belgium	15.97	6.78	3.79	109.27	32.19	0.67
Bulgaria	20.46	12.02	14.61	127.70	31.11	1.08
Denmark	17.63	7.79	3.78	30.98	13.06	0.54
Finland	21.72	5.60		52.90		0.37
France	13.81	5.79	3.98			0.40
Germany	15.72	5.94		85.01	42.80	0.40
Ireland	22.11	13.97	14.93			0.98
Italy	12.30	6.19	18.06	75.18	16.59	0.26
Lithuania	24.28	12.98	5.80	85.62		1.16
Luxembourg	20.96	7.01		129.38		0.77
Netherlands	16.19	5.56	2.71		22.76	0.58
Poland	14.64	9.37	4.34	89.24	20.15	0.81
Portugal	12.77	8.44	12.00	88.48	20.24	0.23
Slovak Republic	16.52	11.12	4.87	110.98	34.20	1.29
Spain	12.86	7.44	6.16	89.28		0.48
Sweden	21.17		1.17		9.76	0.76
United Kingdom	15.69	6.84	1.01	114.22	19.51	0.28
Average	*17.11*	*8.25*	*6.71*	*90.97*	*23.93*	*0.64*

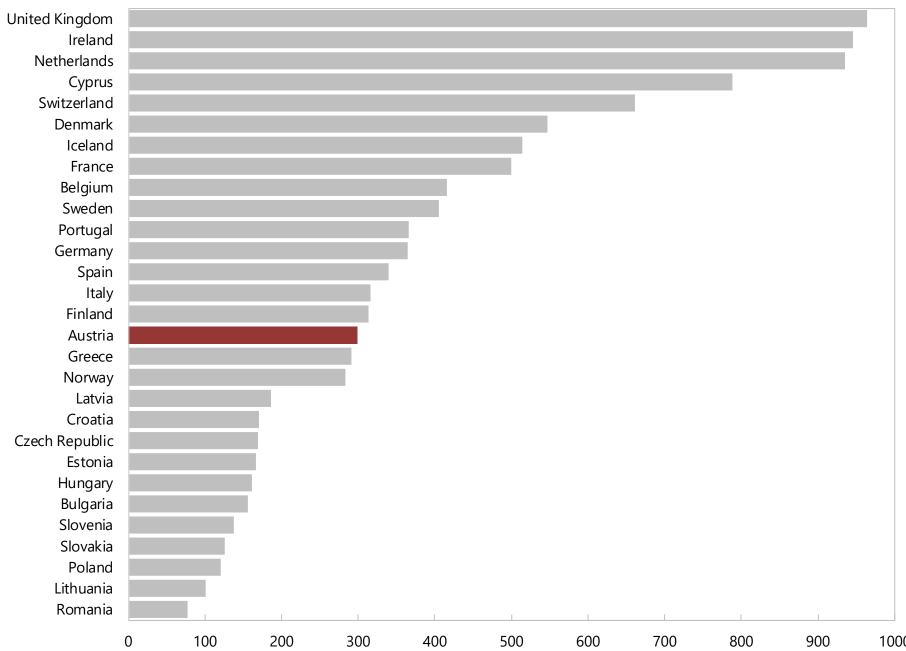
Source: IMF, Financial Soundness Indicators.

107. Explicit support is disclosed and the central bank reports on financial stability. The remaining government guarantees related to the rescue of banks during the crisis are disclosed in the annual and quarterly reports discussed above (Section 3.2.3), and the bad banks are included in statistics on the finances of general government. The earlier interventions are described on the Ministry of Finance's website.[38] The deposit-insurance scheme is privately

[38] See, for example, https://english.bmf.gv.at/financial-sector/austrian-financial-market-stability-package.html.

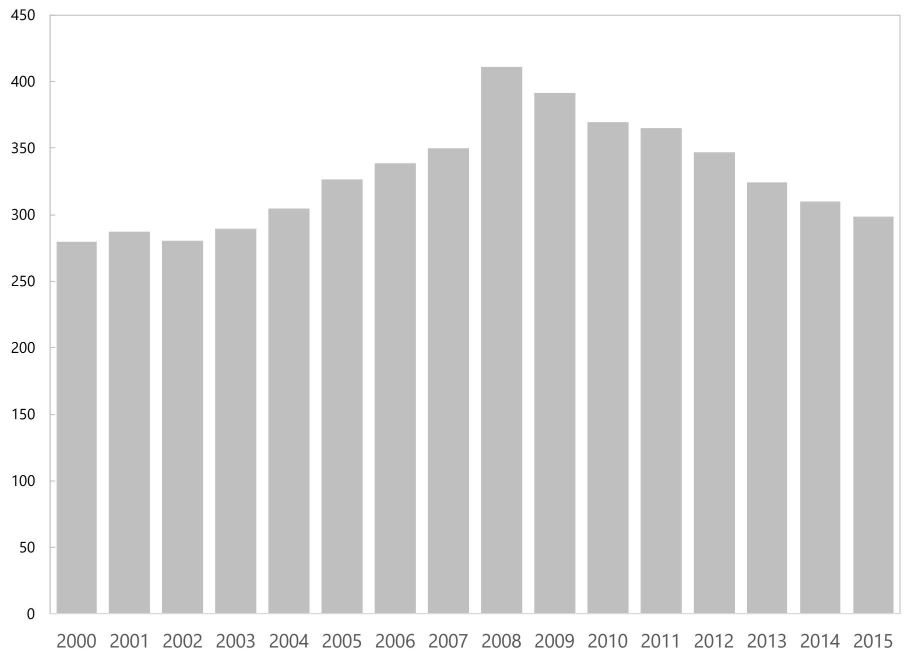
owned and creates no explicit contingent liability for the government, though in a crisis, the government might choose, subject to European bail-in rules, to lend to the scheme. The Austrian central bank publishes a biannual report on the stability of the financial sector. The European Central Bank, which supervises the largest Austrian banks, also discusses some risks related to the Austrian financial sector as part of its biannual review of financial stability in the Euro Area. Comprehensive stress tests are not reported each year.

Figure 3.11. Liabilities of the Financial Sector, European Union, 2015
(Percent of GDP)



Source: Eurostat, Financial Balance Sheets, nasa_10_f_bs, last updated February 18, 2017.
Note: Data are nonconsolidated.

Figure 3.12. Austria: Liabilities of the Financial Sector, 2000–15
(Percent of GDP)



Source: Eurostat, Financial Balance Sheets, nasa_10_f_bs, last updated February 18, 2017.
Note: Data are nonconsolidated.

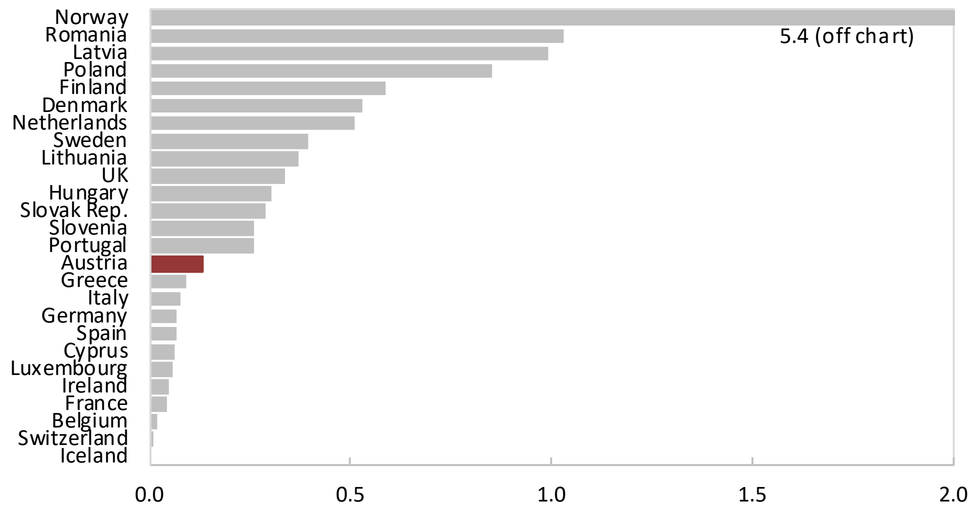
3.2.6. Natural resources (Not Met)

108. The government publishes information on the volume of natural resource assets, which are relatively small, but does not estimate their value. The values of parks, farms, forests, and water bodies owned by the federal government are reported on its balance sheet and were valued at €24.5 billion (7.2 percent of GDP) at end-2015 (comparable estimates for state and local governments are not available). The value of mineral reserves is not disclosed, although the Federal Geological Institute publishes information on the volume of proven reserves, which are relatively small.[39] The World Bank has estimated Austria's subsoil assets are worth about 1.2 percent of GDP.[40] Exhaustible mineral resources typically cause problems for fiscal management, because the revenue governments receive from them are temporary and can be highly uncertain. However, the Austrian government's exposure to this risk is very small, with federal government mineral royalties comprising less than 0.2 percent of its revenues in 2015. The World Bank estimates of economy-wide natural resource rents shows Austria at the lower end of comparator countries (Figure 3.13).

[39] Estimated reserves for oil and liquefied natural gas were 6.8 million tons and reserves for natural gas were 10.1 billion cubic meters.

[40] World Bank Wealth of Nations database. Figure is for 2005 estimated values as a share of 2015 GDP.

Figure 3.13. Value of Natural Resource Rents, 2015
(percent of GDP)



Source: World Bank Development Indicators Database.

3.2.7. Environmental risks (Basic)

109. Austria is vulnerable to floods, storms, avalanches, and other environmental risks. Between 1993 and 2012, Austria was hit by 19 serious natural disasters which caused annual average damages of 0.1 percent of GDP (Figure 3.14). The most significant damages have resulted from major floods, with floods in 2002 causing economic damages of around €3.2 billion (1.4 percent of 2002 GDP) and floods in 2013 resulting in damages of €0.9 billion (0.3 percent of 2013 GDP).[41] Natural disasters create fiscal costs for the federal and state governments, which share the costs of repairing damaged public assets and compensating individuals (on average, for about 30 percent of their losses).

110. The government assesses and reports on the risks created by natural disasters, but does not quantify potential implications for public finances. Nationwide assessments for flood and avalanche risks have been conducted and hazard and risk maps have been developed for flood and avalanche risk areas, as required by the Water Act and Forest Act. In addition, the government has comprehensively assessed the risks posed by climate change, including quantifying the potential economic costs associated with future natural disaster events. The implications for public finances are discussed, but not quantified, in the 2016 Fiscal Sustainability Report. The federal government reports on compensation for damages paid from the Natural Disaster Fund every two years. Expanding its reporting to include quantification of the potential risks to public finances from natural disasters would be sufficient for Austria to meet advanced practices under the Code.

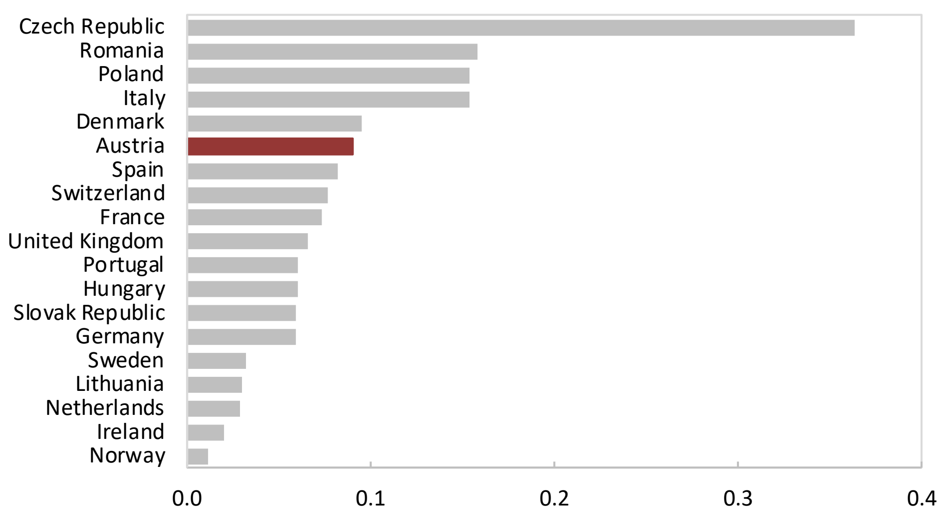
[41] International Commission for the Protection of the Danube River report on *Floods in June 2013 in the Danube River Basin.*

111. Austria has implemented sophisticated risk mitigation practices to mitigate the potential fiscal impact of natural disasters. The government has developed and published a Crisis and Catastrophe Management Strategy to coordinate the management of natural disaster risks and events across the different levels of government. Each of the states has also enacted legislation and established administrative structures to manage natural disasters. The federal government has published a comprehensive National Flood Risk Management Plan, which identifies flood risk areas based on different event probabilities (for example, areas that would be affected by once in 100-year floods etc.), and details the mitigating actions to be taken, such as construction of dams and defining building restrictions.

112. These strategies are supported by budget funding to assist in meeting damages and mitigation costs. Around 1.1 percent of income tax revenues are earmarked for the Federal Natural Disaster Fund, which in 2015 was about €425 million (0.13 percent of GDP). Around three-quarters of the Fund is allocated for disaster prevention and preparedness and one-quarter is set aside to meet fiscal costs associated with natural disasters, including repair of damaged public assets and compensation for private losses. Ex ante funding arrangements are in place, defining the federal and state contributions to meeting these costs.[42] In the event of an extreme natural disaster that exhausts available budgetary contingencies, the size of the Natural Disaster Fund can be doubled without parliamentary approval.

Figure 3.14. Average Annual Damages from Natural Disasters (1993–2012)

(Percent of GDP)



Source: World Bank Development Report, 2014

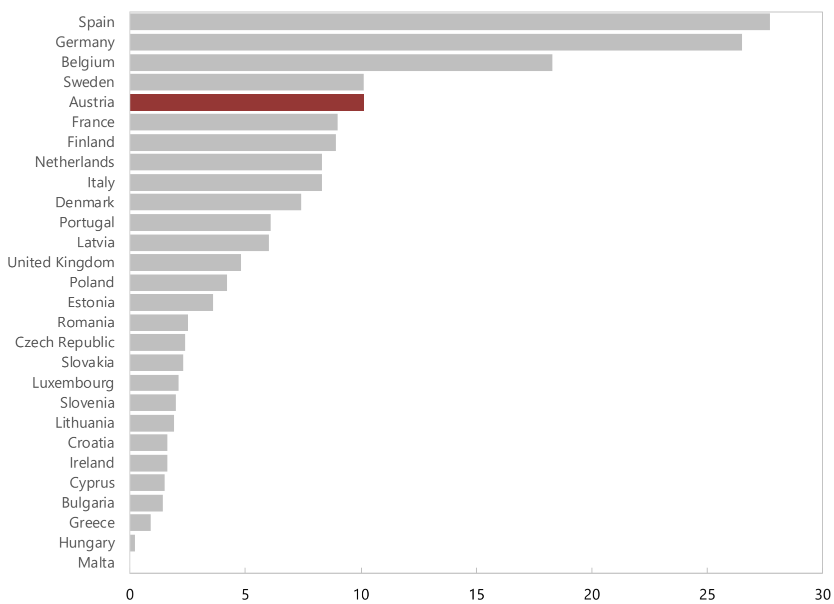
[42] Under current funding arrangements, the federal and state government split the costs of repair for public assets equally, while compensating the private sector for damages split 60/40 with the federal government bearing the larger share.

3.3. Fiscal Coordination

3.3.1. Subnational Governments (Not Met)

113. Austria's subnational governments are fiscally important. They are responsible for healthcare and primary and secondary education, and account for about 31 percent of public spending.[43] Total subnational government debt in 2015 was 10.1 percent of GDP, higher than in most European countries (Figure 3.15). If Vienna is treated as a state, 7.9 percentage points of this debt is owed by states (*Länder*) and the rest by municipalities and municipal associations (*Gemeinden* and *Gemeindeverbänden*). Subnational governments have additional accounts payable of 3 percent of GDP[44] and civil servant pension liabilities of an unknown but possibly large amount. They own banks and other public corporations with liabilities of about 21 percent of GDP, which is also high by European standards (Figure 3.16). Lower Austria and Upper Austria have the largest total liabilities; per capita, Carinthia has the largest government debt (Figure 3.17).

Figure 3.15. Subnational Government Debt, 2015
(Percent of GDP)



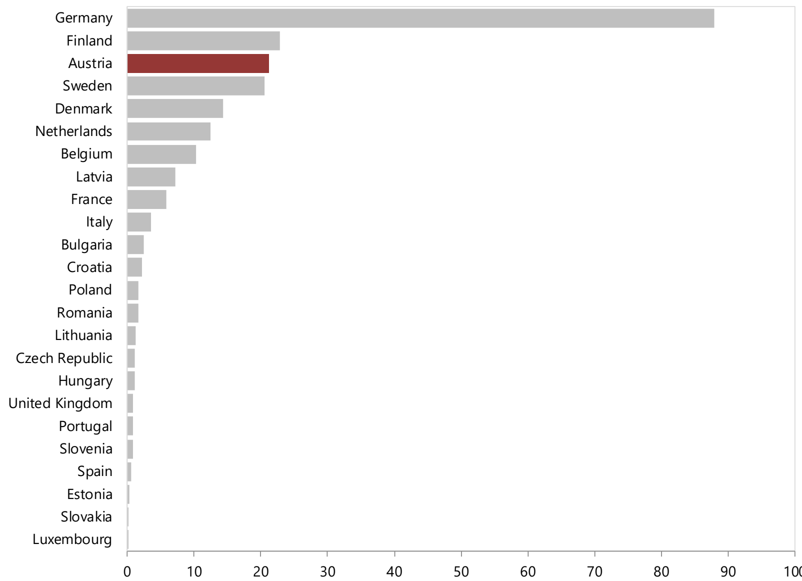
Source: Eurostat, Government Finance Statistics ("gov_10dd_edpt1"), last updated Oct 25, 2016.

[43] IMF, *Austria: Staff Report for the 2016 Article IV Consultation*, January 13, 2017, Box 2.

[44] SA, Financial Assets and Liabilities of General Government and Subsectors, September 30, 2016.

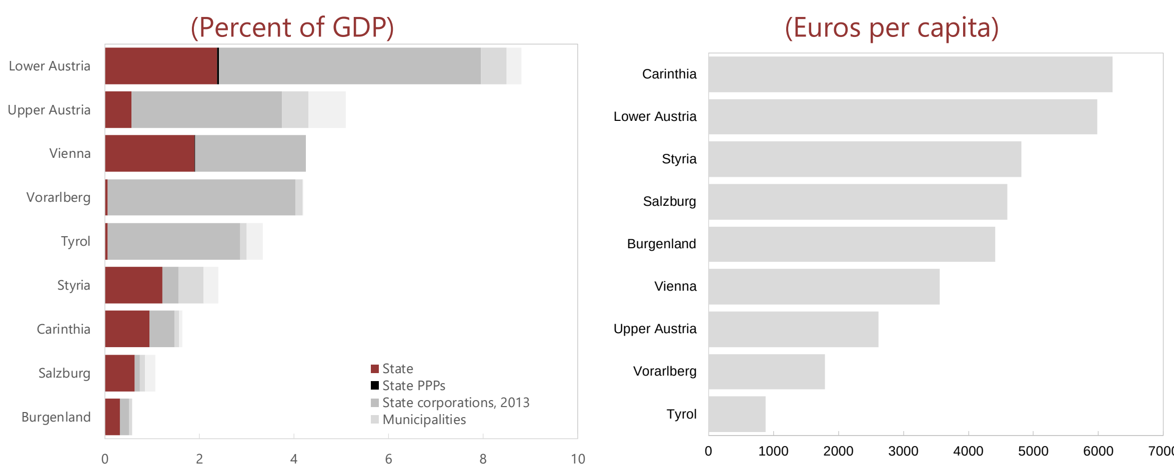
Figure 3.16. Subnational Corporations' Liabilities, 2014

(Percent of GDP)



Source: Eurostat, Government Finance Statistics ("gov_cl_liab"), last updated January 30, 2017.
Note: The data are unconsolidated. Values for Cyprus, Greece, Ireland, and Malta are missing.

Figure 3.17. Subnational Government Debt, by State, 2015



Sources: SA, population data and report on compliance with Internal Stability Pact, September 30, 2016.

114. The partial socialization of risks taken by subnationals creates problems. In some respects, subnational governments have little fiscal autonomy. They get most of their revenue from taxes collected by the federal government, and much of their spending is mandated by national legislation.[45] Yet they can take financial risks, *inter alia* through their ownership of public banks—as was highlighted by the failure of Hypo Alpe-Adria, whose liabilities were guaranteed by the state of Carinthia. And these risks are partly born by the federal government, as the failure

[45] IMF, *Austria: Staff Report for the 2016 Article IV Consultation*, January 13, 2017, Box 2.

of Hypo Alpe-Adria underscored. States also have the right to borrow from the central government without paying any risk premium (with the recent exception of Carinthia).

115. Subnational governments' debts and deficits are limited by an internal stability pact. This negotiated settlement essentially translates the complex system of fiscal rules at the European level into obligations for the federation, each state, and each state's municipal sector relating to debt, actual and structural deficits, and expenditure growth. From 2017, guarantees issued by states and municipalities will also be limited to 175 and 75 percent of their revenue, with Vienna treated as a state. These rules should reduce but will not eliminate the risks created by subnationals.[46]

116. The disclosure of subnational finances is improving but not sufficient. SA publishes data on the finances of the state and municipal sectors, and some annual data on the finances of individual states and municipalities.[47] The forthcoming report on compliance with the internal stability in 2015 will include more data. States and municipalities are also required to publish data on their own finances, which are detailed in some respects but generally exclude full balance sheets and have a narrow scope of consolidation. These problems should be reduced once new rules for subnational accounting come into force in 2019, though the accounts may still exclude civil servant pension liabilities and not consolidate all controlled entities.[48] For the moment, published summary data are insufficient for the monitoring of risks. They are also not very timely: SA's report on government finances for 2015 (*Gebarungsübersichten*) was published only in December 2016 and, as noted earlier, the report on compliance with the internal stability pact in 2015 is not yet published (it has been sent to the committee reviewing compliance with the internal stability pact, and will be published once a final decision is taken, in April 2017).

3.3.2 Public corporations (Good)

117. Government-owned businesses create important fiscal risks. The liabilities of the businesses that are outside general government ("public corporations") sum to about 60 percent of GDP.[49] If the central bank is excluded, they fall to 33 percent of GDP, roughly average in the EU (Figure 3.18). Some large businesses are considered part of general government, including the "bad banks", ÖBB Infrastruktur, and Bundesimmobilien (Figure 3.19). Many of the entities,

[46] *Paktum über den Finanzausgleich ab dem Jahr 2017*, p. 16.

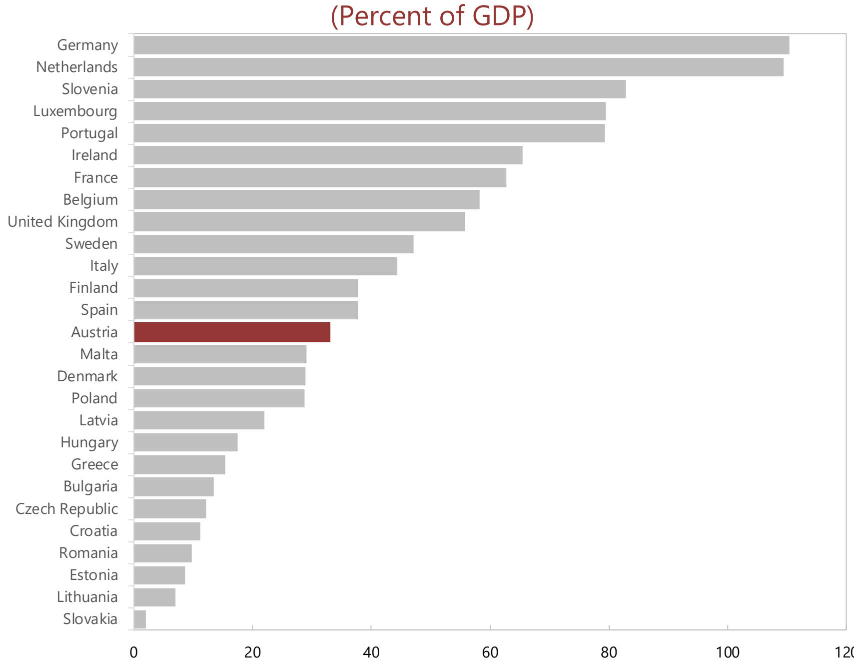
[47] SA, *Gebarungsübersichten*, 2015.

[48] See the October 2015 regulation on subnational budgets and accounts, Voranschlags- und Rechnungsabschlussverordnung, including in particular Section 31. Some States (e.g. Styria State Government) started to implement budget reforms on a voluntarily basis before this new accounting regulation was issued and they already have more effective accounting and budgetary frameworks in place.

[49] This rough estimate is composed by the unconsolidated liabilities of public corporations excluding the central bank reported by SA to Eurostat for the year 2014 and the 2015 liabilities (*Verbindlichkeiten* and *Rückstellungen*) of the central bank disclosed in the Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes)*, October 2016 on pages 17 and 19.

including ÖBB and ASFINAG, are highly leveraged, increasing the risks they create and their dependence on government support. As a group, the state-owned entities in Figure 3.19 (excluding the central bank) have liabilities equal to 83 percent of their assets. The large losses of nationalized banks (see Section 3.2.5) meant that federally owned businesses lost an average of 0.4 percent of GDP a year in the period 2011–15. Apart from the banks, the businesses are generally profitable; as a group, they made an average profit of 0.4 percent of GDP a year, during the same period.[50] Although businesses like Telekom Austria have been privatized, new businesses have been created as the government has moved borrowing and spending out of the general government as defined by EU rules.[51]

Figure 3.18. Liabilities of Public Corporations other than Central Banks in EU, 2014
(Percent of GDP)



Source: Eurostat, Government Finance Statistics gov_cl_liab, last updated Jan 30, 2017.
Note: The data are unconsolidated.

118. The finances of state-owned business are discussed in an annual report. The report, which is required by Section 42(5) of the OBL 2013, summarizes the finances of a large range of state-owned entities (both EBUs and public corporations), including universities, the central bank, the bad banks, and several nonfinancial businesses, including the ÖBB, ASFINAG, and

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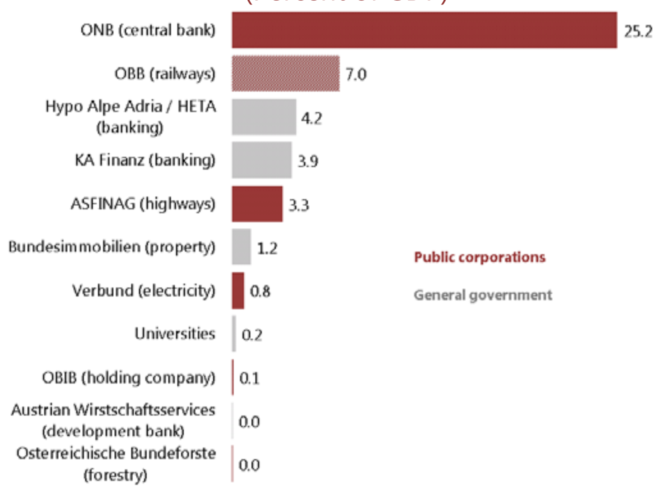
[50] Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes)*, October 2016, p. 26.

[51] Doris Prammer, "Public Sector Outsourcing: Creative Accounting or a Sustainable Improvement?—A Case Study for Austria," *Monetary Policy and the Economy: Quarterly Review of Economic Policy,* Q1, 2009, pp. 118–113, Austrian National Bank.

Bundesimmobilien.[52] As well as reporting the finances of some 100 entities individually, it shows the (unconsolidated) sum of the entities' total assets, liabilities, revenue, spending, profits, and other indicators. The data are grouped by budget chapter (UG) and for each item the contribution of the top-ten entities is also shown (these data underlie Figure 3.18). Whether the entities are part of general government, which is regularly reviewed by SA and Eurostat, is also stated. The report does not discuss quasi-fiscal activities (operations carried out by public corporations to further a public policy objective that worsens their financial position relative to a strictly commercial profit-maximizing level).[53]

Figure 3.19. Debts of Public Corporations, 2015
(Percent of GDP)



Source: Ministry of Finance, Report on Hived-off Entities and Shareholdings of federal government. (*Ausgliederungen und Beteiligungen des Bundes)*, Oct 2016, including page 19.
Notes: Includes liabilities described as *Verbindlichkeiten*, but not provisions (*Rückstellungen*). Most of the ÖBB group's debt is included in the debt of general government (specifically, the debt of ÖBB Infrastruktur AG and ÖBB Personenverkehr AG); the numbers shown are for ÖBB Holding).

3.4. Recommendations

119. Table 3.4 summarizes the assessment of Austria's practices in the area of fiscal risks. Austria meets at least the standard of basic practice in 8 of the Code's 12 dimensions. In particular, Austria produces high-quality long-term fiscal sustainability analysis and discloses considerable information on government guarantees and has a sound framework for their management. But, information on fiscal risks is scattered across several documents, and no report provides a comprehensive picture of the government's aggregate fiscal risk exposure.

[52] The most recent Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes)*, October 2016.

[53] Examples of such activities would include charging lower prices to specific population groups (students, elderly, etc.) or providing network services in rural or remote areas at the same price as in more populated and accessible cities.

There is also scope to improve oversight and control of fiscal risks created by subnational governments. Recommendations on these areas are discussed in more detail below:

120. Issue: Austria's public finances are exposed to sizeable fiscal risks from a variety of sources. Although a considerable amount of information is available of many of these risks, there is no summary report that provides a comprehensive picture of the range of fiscal risks that the public finances are exposed to.

121. Recommendation 3.1. Improve fiscal risk analysis and disclosure by publishing a comprehensive statement on fiscal risks, comprising:

- A discussion of the main macroeconomic risks relevant to the fiscal aggregates and alternative macroeconomic and fiscal scenarios that incorporate a range of plausible shocks to key macroeconomic variables;
- Analysis of the risks surrounding the government's debt portfolio and main financial assets, including government loans, and the government's strategy for managing them; and
- All explicit contingent liabilities (including guarantees and the rights and obligations under PPPs), estimates of their magnitude and, where possible, likelihood of realization; discussion and quantification of natural disaster risks based on historical experiences; and the explicit and implicit contingent liabilities from public corporations and sub-national governments.

122. Issue: Subnational governments create risks for the Federation, but overall monitoring of their risk taking is limited.

123. Recommendation 3.2: Improve the monitoring and control of fiscal risks created by subnational governments, beyond the mechanisms currently in place, by:

- Adding to the cost of the central government's on-lending to states a state-specific risk premium, which could be derived from the state's stand-alone or baseline credit rating, when available.
- Having the states publish the quarterly financial data that they submit to SA, so that the Ministry of Finance and others have access to quarterly data on the finances of individual states.
- Publishing more annual data on the finances of the states (including large municipalities), such as comparisons of debt and revenue and estimates of each state's summary balance sheet.
- Ensuring that the Ministry of Finance reviews the finances of each state at least annually with a view to detecting early warning signs of possible future financial problems even when they do not show up in a breach of the rules in the internal stability pact.

Table 3.4. Austria: Summary Assessment of Fiscal Risks Analysis and Management

Principle			Assessment	Importance	Rec
1.Risk Disclosure & Analysis	1	**Macroeconomic Risks**	**Basic:** The sensitivity of debt and deficit to alternative GDP paths is presented as part of the Stability Programme.	**Medium:** Macro-volatility is low compared to other countries, but still creates significant revenue risks.	**3.1a**
	2	**Specific Fiscal Risks**	**Not Met:** No report summarizes specific fiscal risks, though relevant information is disclosed in various reports and statistics.	**High:** Specific fiscal risks sum to around 57 percent of GDP.	**3.1**
	3	**Long-Term Fiscal Sustainability**	**Advanced:** A fiscal sustainability report is published every three years detailing at least 30-year projections of the debt and deficit under a range of scenarios.	**High:** Age-related spending expected to increase by around 3 percent of GDP between now and 2060.	
2.Risk Management	1	**Budgetary Contingencies**	**Good**: The budget includes a small general contingency and a contingency for natural disasters with clear access criteria, but no in-year reporting on their use.	**Low:** The general contingency is small and rarely utilized, but budget overruns are rare, with final spending around 0.2% lower than budget, on average, over the past four years.	
	2	**Asset-and-Liability Management**	**Basic:** Borrowing is authorized by law and managed in accordance with a debt management and risk strategy. There is limited disclosure of risks surrounding financial assets.	**Medium:** Gross debt of 80 percent of GDP, around midpoint of comparators, and government financial assets of 50 percent of GDP.	**3.1b**
	3	**Guarantees**	**Good:** There is regular reporting on the stock of public guarantees and limits on their issuance, but no reporting on the probability of guarantees being called.	**Medium**: The stock of public guarantees stood at 23 percent of GDP at end-2015, but guarantee calls are relatively low (0.04 percent of GDP).	
	4	**Public-Private Partnerships**	**Not met**: No report discloses the government's PPP-related rights and obligations.	**Low:** Off-balance-sheet PPP liabilities amount to only 0.1 percent of GDP	**3.1c**
	5	**Financial Sector Exposure**	**Good:** Explicit guarantees, capital injections, and other explicit support to the financial sector are disclosed annually, while the central bank regularly reports on financial stability.	**High:** The liabilities of the financial sector are about 300 percent of GDP.	
	6	**Natural Resources**	**Not met:** The government does not publish estimates of the value and volume of exhaustible natural resource assets.	**Low:** Federal government mineral royalties comprise only 0.2 percent of total revenues.	
	7	**Environmental Risks**	**Basic**: The main environmental risks are discussed in qualitative terms but fiscal risks from natural disasters are not quantified on a systemic basis.	**Low**: Annual costs of natural disasters have averaged 0.1 percent of GDP, but have been as high as 1.4 percent of GDP for extreme events.	
3.Fiscal Coordination	1	**Subnational Governments**	**Not met:** Information on financial performance of subnational governments is published, but balance sheet information is limited.	**Medium:** Subnational governments have debt of 10 percent of GDP and subnational corporations have liabilities of 19 percent of GDP, both relatively high in the European context	**3.2**
	2	**Public Corporations**	**Good**: The finances of state-owned enterprises are disclosed annually, but quasi-fiscal activities are not discussed.	**Medium:** The liabilities of public corporations excluding the central bank amount to about 33 percent of GDP; leverage of the 10 largest is 83 percent.	

Annex I. Indicative Evaluation of Budget Reforms in Light of the Fiscal Transparency Code

This annex uses the Fiscal Transparency Code to evaluate Austria's budget reforms. The evaluation in the body of this report uses the IMF's Fiscal Transparency Code to assess Austria's practices as they are now, not how they have changed over time. It also considers practices that were not affected by the reforms. Nevertheless, it is possible to pick out certain principles of the Code that are particularly relevant to the budget reforms and to assess changes in the federal government's budgets and accounts in the light of those principles.

The evaluation finds that the reforms improved performance according to the Code. In some cases, reforms have not changed the federal government's performance according to the Code, even though a finer-grained analysis shows that they improved transparency in some respects. In one case—the creation of very large reserves by budget chapter whose final use is determined by the line ministries and controlled by the Ministry of Finance, not Parliament—they have reduced Austria's rating according to the Code. But of the principles of the Code that are considered below, the federal government's performance improved, and in some cases markedly.

Some limitations and other features of the analysis are worth highlighting:

- It is based on the mission's understanding of the federal government's pre-reform practices, which is less complete than its understanding of current practices.
- It is not an assessment of the costs and benefits of the reforms, but rather an indicative assessment of their effects on performance against the Fiscal Transparency Code.
- Unlike the main evaluation, it focuses on the federal government's practices, not those of all public bodies in Austria. Accordingly, it considers only the federal government's budget documents and accounts and, for example, ignores reports produced by SA. As a result, the post-reform rating in this annex is sometimes lower than the rating in the main evaluation.

The budget reforms, introduced in 2009 and 2013, had four main elements.

- **Medium-term expenditure ceilings.** In place of essentially annual budgeting, the reforms introduced medium-term expenditure limits for budgetary spending. The limits apply to the three years beyond the budget year, with a new out-year added each year. They are legally binding at the level of 5 budget headings (*Rubrik*) for the four-year period and for the first two years at the level of 33 budget chapters (*Untergliederungen, UG*).
- **Budgetary decentralization.** The number of annual appropriations was reduced from more than 1000 line items to 66 (the *Globalbudgets*) making it easier for the executive to modify the budget during the year without parliamentary approval. Ministries were also allowed to carry forward unspent appropriations from one year to the next in the form of "reserves" (*Rücklagen*). The spending of reserves must be approved by the Ministry of Finance, however,

and ministries' ability to spend them has been limited. Thus, one of the features of the reform that may have most appealed to line ministries has turned out to be something of an illusion.

- **Accrual accounting and budgeting.** The old budgets were on a modified-cash (*Kameralistik)* basis, and the annual accounts contained only a very rudimentary balance sheet. The new system includes both pure-cash and accrual estimates of revenue and spending and a more comprehensive balance sheet.
- **Performance information.** The new budgets are accompanied by extensive information about the goals of spending. Budget chapters come with a mission statement and up to five outcome objectives, each of them associated with numerical indicators. Each global budget has accompanying output or activity objectives. Gender budgeting was an important element of this change, with each Ministry being required, for example, to state a gender-related outcome.

Several principles of the Code are relevant to these reforms. Table A.1 assesses the budget reforms against these principles.

Table A1. Indicative Assessment of Budget Reforms against the Principles of the Code

	Principle	Pre-reform (2008) performance	Current (2016) performance	Comment
1.1.1	Coverage of institutions	**Not met:** Accounts do not consolidate all entities in central government	**Not met:** Accounts do not consolidate all entities in central government	The new accounts have improved information on EBUs, but do not consolidate them.
1.1.2	Coverage of stocks	**Basic:** The accounts show cash and debt, but the reporting of other assets and liabilities is poor	**Good:** The accounts report all categories of assets and liabilities—the civil-service pension liability being a major exception	Expanded coverage attained.
1.1.3	Coverage of flows	**Basic:** The accounts show cash revenue, spending, and financing, but not accrual flows	**Advanced:** The accounts show both cash and accrual flows, including other economic flows	A major objective of the reform achieved.
1.2.1	Frequency of in-year reports	**Advanced:** Monthly budget-execution reports are published with a lag of a month	**Advanced:** Monthly budget-execution reports are published with a lag of a month	The quality of the information improved.
1.2.2	Timeliness of annual reports	**Good:** Accounts are published nine months after the end of the year	**Advanced:** Accounts are published six months after the end of the year	Reduction in publishing time attained and content was expanded to include more analysis of budget outcomes.
2.1.3	Medium-term budget framework	**Not met:** No formal medium-term budget framework	**Basic:** Budget documents include four-year forecasts of revenue, financing; and expenditure by program but not by economic category;	The formal MTBF is a new feature of the budget system, but missing expenditure by economic category is a weak point.
2.2.1	Fiscal legislation	**Advanced**: Legal framework defines budget timetable, budget proposal content and legislative amendment powers.	**Advanced**: Legal framework defines budget timetable, budget proposal content and legislative amendment powers.	Legal requirement for spring Fiscal Strategy Report and MTBF further enhances transparency.
2.3.2	Performance information	**Not met:** No systematic performance information in budget documents	**Good:** Budget documents provide output or activity objectives in all areas, outcome objectives in some	A major objective of the reform, still under implementation.
2.4.1	Independent evaluation	**Not met:** No independent fiscal council and no comparisons with projections of independent forecast	**Advanced:** The Fiscal Advisory Council, established in 2013, provides a running assessment of fiscal policies	The Parliamentary Budget Office is also an important contributor to independent views on fiscal policies.
2.4.2	Supplementary budget	**Advanced**: Supplementary budget required prior to substantial changes in total budgeted expenditure and in compositions.	**Good**: Supplementary budget is required prior to substantial changes to total budgeted expenditure.	Unlimited carry-forward ("reserves") allows Ministries and BMF to approve substantial changes in budget composition without explicit parliamentary approval.
3.1.3	Long-term sustainability analysis	**Not met:** No long-term fiscal projections published by government	**Advanced:** Fiscal Sustainability Report published every 3 years detailing at least 30-year projections of fiscal aggregates under a range of scenarios	Budget reforms introduced a requirement in the Organic Budget Act that the government publish 30-year fiscal sustainability reports.
3.2.1	Budgetary contingencies	**Basic:** Budget included a contingency allocation, but this was not transparent.	**Good:** Budget includes a small contingency margin with legislated criteria for accessing them.	Budget reforms introduced stricter requirements for accessing contingencies and made them transparent.
3.2.3	Guarantees	**Good:** There is regular reporting on guarantees and limits on their issuance, but no reporting on the probability of guarantees being called.	**Good:** There is regular reporting on guarantees and limits on their issuance, but no reporting on the probability of guarantees being called	Additional information on guarantees was included in the consolidated financial statements, including provision for future guarantee calls.

Annex II. Technical Note on Table 0.2

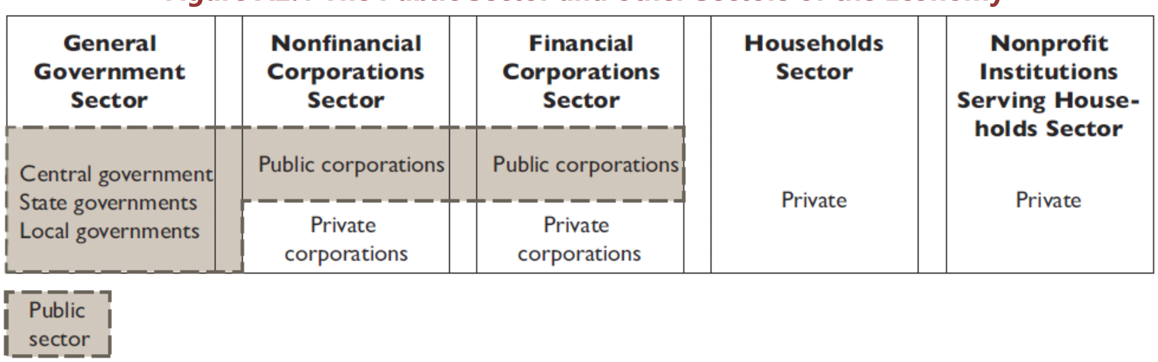
Methodological Framework

Table 0.2 presents estimates compiled in accordance with the GFSM 2014, and adopts the accrual basis of recording for transactions and market valuation for stocks to the extent possible.

These estimates attempt to present a broad overview of Austria's public sector finances, by complementing data published in the various fiscal reports with IMF staff estimates for the most material data gaps, in reference to the GFSM 2014 framework. Given the limitations in data sources and time available for their compilation, this exercise must be considered as an approximate picture of the public sector finances.

In terms of institutional coverage, the "public sector consists of all resident institutional units controlled directly, or indirectly, by resident government units—that is, all units of the general government sector and resident public corporations" (GFSM 2014, paragraph 2.63; this definition is consistent with ESA 2010). Public corporations include units engaged in both nonfinancial and financial activities. The latter include the Central Bank. Figure A2.1 below shows the relationship between the general government sector, the public sector, and the other main sectors of the domestic economy.

Figure A2.1 The Public Sector and other Sectors of the Economy



In Table 0.2 and throughout the report, social security funds are considered and treated as a separate, stand-alone subsector of general government. This is consistent with the presentation that is followed by Austria in reporting of government finance statistics to Eurostat under the ESA TP and EDP.

In the GFSM presentation, transactions that increase net worth are recorded as *revenue*, while transactions that decrease net worth are recorded as *expense*. The *net operating balance*, which provides a measure of the sustainability of the policies of each group of units, corresponds to the difference between revenue and expense, and, as such, excludes transactions in nonfinancial assets.

The *net investment in nonfinancial assets* (acquisitions less disposals less consumption of fixed capital) does not change the net worth of the public sector, but affects the financial resources available to it, so it must be deducted from the net operating balance, when calculating the *net lending/borrowing* (also referred to as fiscal balance). This represents the amount that the public sector has available to lend or must borrow to finance its nonfinancial operations. Total expenditure can be derived as the sum of expense and net investment in nonfinancial assets.

Sources and Methods

General government

The primary data source for general government (GG) transactions were the Eurostat GFS – Summary Tables – Data 1995-2015 – 2/2016. The main adjustment to these data was the addition to general government expenditure of the accrual of pension entitlements of civil servants. This was estimated by IMF staff, using data available in long-term projections of pension payments and social contribution receipts, published by BMF in an annex to the financial statements.

Data on the GG´s stock positions for fixed assets, financial assets, and liabilities were retrieved from the same Eurostat publication. The value of land and other nonproduced assets owned by the Federal Government was retrieved from its financial statements. The value of the same type of assets for state and local governments was estimated by IMF staff—based on size of land information from BMLFUW and a conservative assumption for its price—and added to the nonfinancial asset stock. The stock of civil servant's pension entitlements accrued-to-date was estimated as the net present value of future flows of such schemes, published by BMF as discussed above.

Table A2.1 below describes how the official GFS reported by Statistics Austria to Eurostat were adjusted in this report to provide an approximation of GFSM 2014-compliant data (Table 0.2).

Table A2.1 Derivation of Table 0.2 Aggregates

	General Government					
	CG	SG	LG	SSF	Consol. GG	GG
Transactions:						
Revenue	**33.4**	**9.3**	**8.6**	**17.4**	**-18.2**	**50.6**
Expenditure	**35.3**	**9.3**	**8.7**	**17.3**	**-18.2**	**52.4**
Expense =	33.7	8.9	7.8	17.3	-18.2	49.5
+ Expense per official statistics	*33.0*	*8.9*	*7.8*	*17.3*	*-18.2*	*48.7*
+ IMF estimate for accrual of civil servants' pension entitlements	*0.7*	*0.1*	*0.0*	*0.0*	*0.0*	*0.8*
Investment in NFA	1.6	0.4	0.9	0.1	0.0	2.9
Net operating balance	**-0.3**	**0.4**	**0.8**	**0.1**	**0.0**	**1.1**
Net lending/borrowing	**-1.9**	**0.0**	**0.0**	**0.1**	**0.0**	**-1.8**
Stocks:						
Assets	**84.5**	**23.7**	**14.5**	**5.0**	**-4.8**	**122.9**
Nonfinancial =	52.4	10.8	8.0	0.2	0.0	71.3
+ Nonfinancial assets per official statistics (only fixed assets)						*60.0*
+ IMF estimate for nonproduced assets						*11.3*
Financial	32.1	13.0	6.5	4.8	-4.8	51.6
Liabilities	**149.6**	**12.6**	**9.3**	**3.1**	**-4.8**	**169.7**
Liabilities, other than equity =	147.2	12.3	7.3	3.1	-4.8	165.1
+ Liabilities, other than equity per official statistics	*93.3*	*8.2*	*5.3*	*3.1*	*-4.8*	*105.1*
+ IMF estimate for civil servants' pension entitlements	*53.9*	*4.1*	*2.1*	*0.0*	*0.0*	*60.0*
Equity	2.4	0.3	2.0	0.0	0.0	4.7
Net worth	**-65.1**	**11.2**	**5.2**	**2.0**	**0.0**	**-46.8**
Net financial worth	**-117.5**	**0.4**	**-2.8**	**1.8**	**0.0**	**-118.1**

Public corporations

The main data source for estimates of the finances of public corporations of the federal level was the BMF´s Report on Hived-off Entities and Shareholdings of Federal Government (*Ausgliederungen und Beteiligungen des Bundes)*, which discloses aggregate financial statements of 100 public entities, 19 of which are public corporations according to ESA 2010 (see list in Table A2.2 below; the other 81 units are EBU of central government, according to ESA 2010). The aggregate financial statements of 18 of those units (the exception was the Central Bank; see below) were incorporated and supplemented by an estimation of the remaining corporations controlled by the Federal Government, through extrapolation.[54] The central bank data were retrieved from OeNB's financial statements. Two additional corporations were added in the

[54] The extrapolation was based on the number of missing units, under the assumption that they all had financial data equal to the average of the smaller units available in the BMF's report (the ones marked with an asterisk in Table A2.2).

estimate, due to its large size: ÖBB Rail Cargo (the subsidiary of ÖBB that operates on a market basis, according to ESA 2010) in the nonfinancial corporations and Post 204 Beteiligungs GmbH in the financial corporations. The data for these two units were retrieved from their financial statements (in the case of ÖBB Rail Cargo, from the Segment Reporting section of ÖBB's consolidated financial statements.

Table A2.2 Public Corporations (according to ESA 2010) Included in the BMF's Report on Hived-off Entities and Shareholdings of Federal Government

Nonfinancial corporations	1.	Wiener Zeitung GmbH*
	2.	Bundessporteinrichtungen GmbH*
	3.	Osterreichische Mensen Betriebsgesellschaft mbH*
	4.	Schloß Schonbrunn Kultur- u. Betriebsges.m.b.H.*
	5.	Schonbrunner-Tiergarten GmbH
	6.	Austro Control GmbH
	7.	Autobahnen- und Schnellstrafsen-Finanzierungs-AG (ASFINAG Konzern)
	8.	Graz-Koflacher Bahn und Busbetrieb GmbH
	9.	Lokalbahn Lambach-Vorchdorf-Eggenberg AG
	10.	Landwirtschaftliche Bundesversuchswirtschaften GmbH*
	11.	Osterreichische Bundesforste AG
	12.	Spanische Hofreitschule-Bundesgestiit Piber Ges. off. Rechts*
	13.	Felbertauernstraße AG*
	14.	Großglockner Hochalpenstraßen AG*
	15.	Internationales Amtssitz- und Konferenzzentrum Wien AG*
	16.	Villacher Alpenstraßen-Fremdenverkehrsgesellschaft m.b.H*
Financial corporations	17.	VERBUND AG (Holding)
	18.	Oesterreichische Nationalbank
	19.	Bundespensionskasse AG

* small size units (according to total assets)

The transactions of corporations owned by state and local governments were estimated based on the industrial data compiled and published by Statistics Austria. Most of the activities of subnational public corporations concern water collection, treatment, and supply; sewerage; waste collection, treatment, and disposal; construction of roads (partially); and electricity power generation/distribution (partially). The estimates were based on data not only on the financial activities of these industries, but also on staffing. Estimates for the balance sheets of these units were extrapolated from the stock of central government corporations, using SA data on participation of government in the capital of corporations by controlling subsector, as the extrapolating factor.

Elimination of intra-public sector transactions and stock positions

Material reciprocal transactions and stock positions between the general government and the public sector were eliminated to the extent allowed by available data sources. The main eliminations on transactions referred to subsidies and dividends (available in SA annual fiscal statistics). On the stock side, the main element was the government holding of public corporation's equity (estimated by the mission as total assets minus non-equity liabilities).

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