BMF
FEDERAL MINISTRY
OF FINANCE

Austrian Stability Programme

for the period 2007 to 2010

Federal Ministry of Finance

Vienna, November 2007

Contents

1. Introduction and summary

In accordance with Regulation (EC) No 1466/97, amended by Regulation 1055/2005, Member States are required to submit a stability programme (members of EMU) or a convergence programme (non-members). Austria herewith submits its stability programme for the period 2007 to 2010. The programme's structure reflects the agreements reached by the ECOFIN Council on October 11th, 2005 (Code of Conduct).

The Austrian government is committed to pursuing a sustainable budgetary and financial policy with a balanced budget over the business cycle, ensuring the possibility to react to cyclical fluctuations in an appropriate manner. The central government pays attention to the joint budgetary responsibility of all regional authorities within the terms of the Austrian stability pact. Achieving a balanced budget over the business cycle requires discipline both on the expenditure and the revenue sides. Leeway for future tax relief must be earned by prior budgetary discipline. Tax reductions shall not be at the expense of important investments with a positive impact on growth and employment, the Austrian business and research location, social security and other important public tasks.

With regard to its economic policy stance the Austrian government follows a three-pillar strategy:

- A balanced budget by 2010
- Promotion of investments in the field of R&D, infrastructure, education and universities as well as social protection for more growth and employment.
- Implementation of structural reforms in the fields of public administration, competition policy and labour market in order to achieve savings which can be returned to the Austrian population in the form of a future tax reform.

The figures for public households presented in this stability programme are based on the agreed measures, particularly with regard to the Federal Budgets 2007 and 2008, the new Fiscal Equalization Pact, as well as on a growth forecast until the year 2010. The forecast is based on the medium term outlook for growth by the Austrian Institute of Economic Research (WIFO) as well as the Institute for Advanced Studies (IHS).

This document can be retrieved from the website of the Austrian Federal Ministry of Finance at: (http://www.bmf.gv.at).

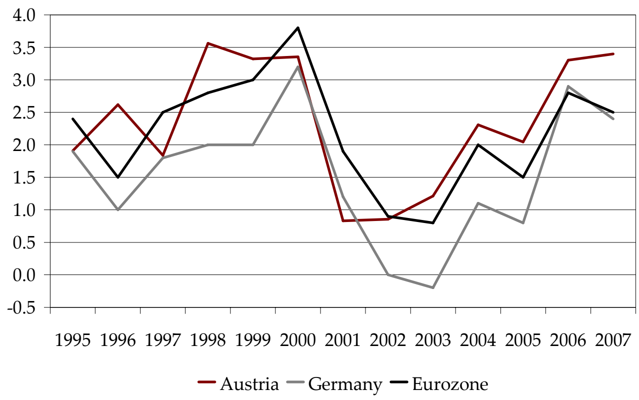
2. The Austrian economy

2.1. Economic developments in 2007

In 2006 the Austrian economy recorded the strongest growth since 2000. Real GDP growth this year will even exceed last year's remarkable figures. Nominal GDP growth will increase from 5.1% in 2006 to 5.8% in 2007. This acceleration is particularly due to a strong first half of 2007. The most important drivers of growth are still manufacturing, merchandise exports and investment. Some momentum also stems from brisk construction activity.

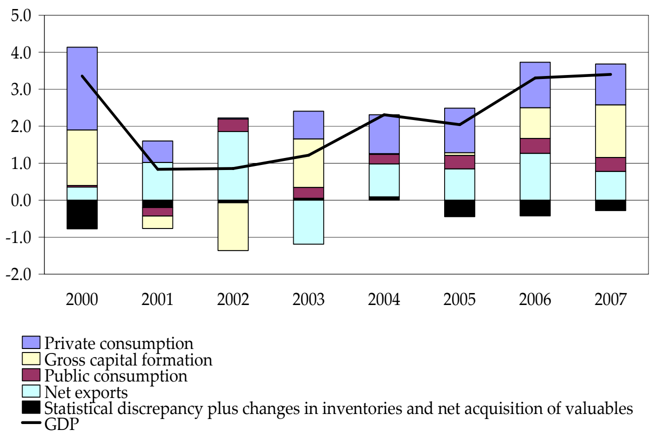
As in recent years, Austria has managed to grow above the Eurozone average. According to the Austrian Institute of Economic Research (WIFO), the difference in the rate of real GDP growth is 0.7% in 2007. Austria's growth performance is not only better than that in the Eurozone, but has in recent years also exceeded the growth rate of Germany, its most important trading partner (see Figure 1).

Figure 1: Real GDP growth
Austria, Germany and Eurozone since 1995



Source: Statistics Austria, WIFO, European Commission

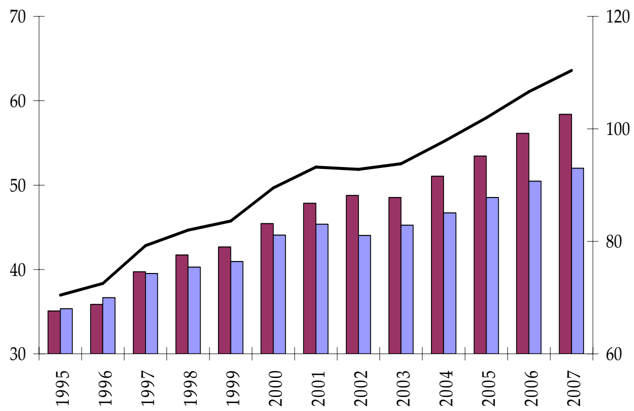
Figure 2: Contributions to growth
in % of GDP, since 2000



Source: Statistics Austria, WIFO

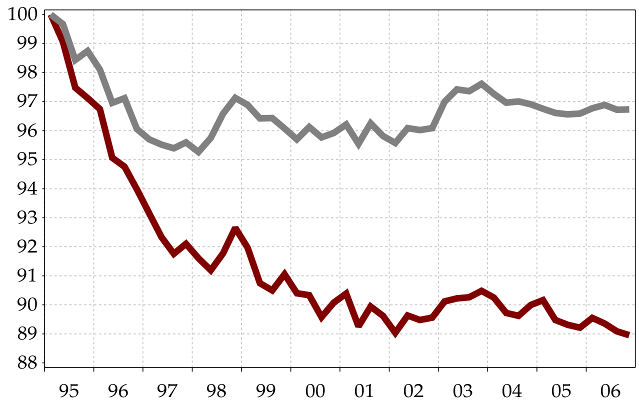
Whereas growth in 2004 and 2005 was primarily driven by consumption of private households and net export in 2006 it became more broadly based– relying particularly on stronger investment activity (see Figure 2). While in 2006 net exports played a significant part in boosting economic activity, which is indicative for the increasing openness of the Austrian economy (Figure 3), gross capital formation replaced net exports as the most important contributor to economic growth in 2007.

Figure 3: Openness
RHS: Openness of the Austrian Economy (Exports und Imports in % of GDP)
LHS: Exports and Imports in % of GDP



Source: Statistics Austria, WIFO

Figure 4: Effective exchange rate
real and nominal, 1995 until 2006
(1st quarter 1995 = 100)



Source: Ecowin

As a result of numerous reforms of economic, fiscal and social policy in recent years, Austria has increased its attractiveness as a business location along with its external competitiveness. Since 1995, the year of accession to the EU, Austria's exchange rate in real effective terms has depreciated by more than 10% vis-à-vis the other member states, which was of major importance for an outstanding export performance in recent years. This real depreciation can be attributed to restrained wage policy resulting in a moderate development of unit labour costs (see Figure 4). Merchandise exports in 2007 will amount to 114.7 billion € in nominal terms, representing an increase of 10.6%, underlining the current account surplus of 3.2% of GDP (8.2 billion €) in 2006. According to Statistics Austria, the current account surplus will rise to about 10 billion € by the end of 2007.

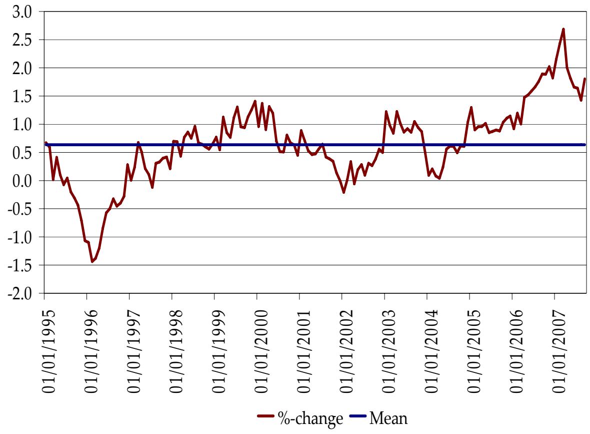
The strong growth performance continues to stimulate the labour market. The number of registered unemployed persons has declined for 20 months, while employment increases steadily (see Figure 5). In October 2007, a total number of 3,374,050 non-self-employed persons were counted, which represents an increase of 1.6% year-on-year or 53,783 in absolute numbers. Women are benefiting slightly more than men from the dynamics on the labour market.

According to the ILO-classification used by EUROSTAT, the unemployment rate in October stood at 4.2% (see Figure 6). This is very close to the target of 4%, defined as full employment by the Austrian federal government. With an unemployment rate of 4.2% in September, Austria ranked fifth within the EU, behind the Netherlands (3.1%), Denmark (3.2%), Cyprus (3.7%) and Lithuania (4.1%). The annual average in 2006 (revised numbers) had been 4.7%.

The more problematic segments of the labour market were also positively affected. In 2006 youth unemployment (aged 24 or less) decreased by -3,473 to 38,095, unemployment among older workers (above 50) shrank by -3.5% to 44.899, and the number of available apprenticeship positions increased by nearly 25% to 3,611. The average time of being unemployed has declined continuously, in October to 91 days.

Figure 5: Employment

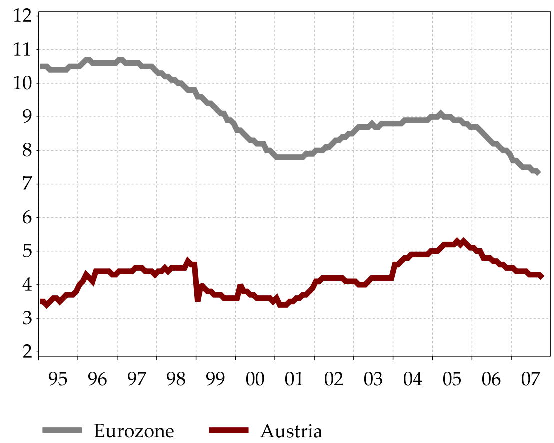
Employment growth, 1995:1 until 2007:10 in %



Source: WIFO, Federal Ministry of Economics and Labour, non-self employed according to the *"Hauptverband"*, incl. conscripts and recipients of childcare benefits

Figure 6: Unemployment rate

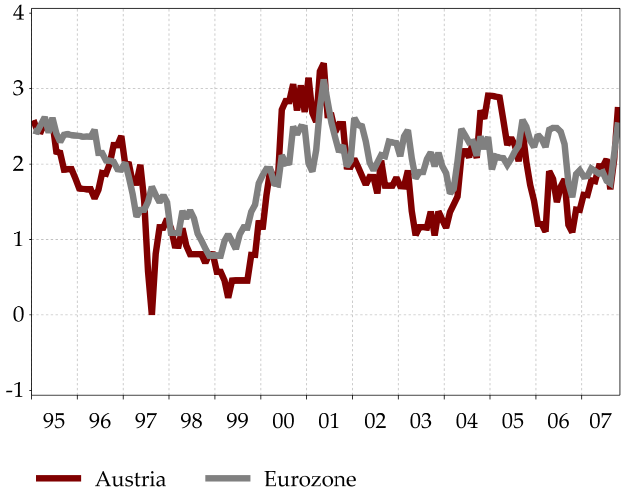
Austria and the Eurozone, 1995:1 until 2007:10, EUROSTAT/ILO-Definition in %



Source: Ecowin; not comparable with the previous data due to a census adjustment in Austria in 2004

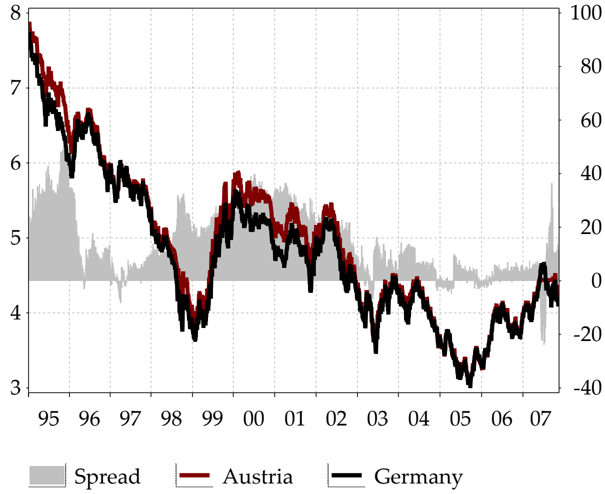
Despite this dynamic upswing, acceleration in prices has been modest in 2006 and 2007. Noticeable upward movements in prices can be seen in energy, foodstuffs and housing, whereas restrained wage increases and a moderate development of unit labour costs had a stabilising influence on prices. Thus, price stability has been preserved at an inflation rate of 1.9% (HICP) in 2007 (see Figure 7).

Figure 7: Consumer prices
Austria and Eurozone 1995:1 – 2007:10,
monthly values, year on year change in %



Source: Ecowin

Table 8: Long term interest rates
in %, Austria and Germany since 1995
and spread in basis points (right chart)

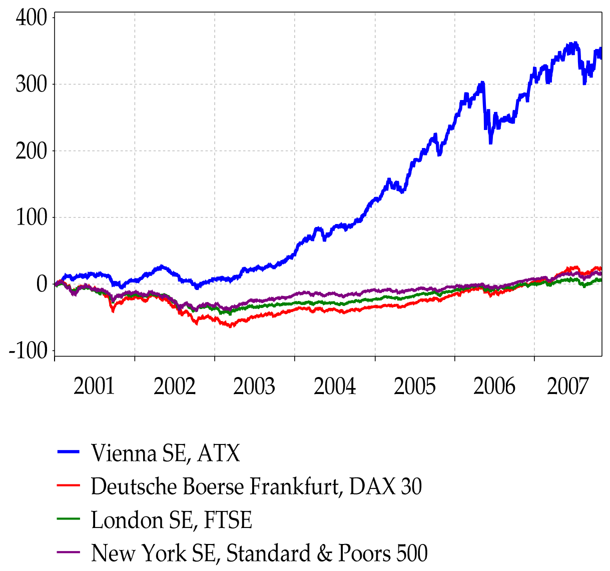


Source: Ecowin

Long term interest rates remain relatively low in nominal terms. Since the beginning of 2007 an upward trend was recorded, interrupted by the turmoil in financial markets in summer 2007. Considerable losses in stock markets have led to a shift of investment from shares to bonds. The spread on long term interest for Austrian government bonds above German government bonds slightly increased in recent months, due to a steadily and significantly improving German government balance. The role of German bonds as a "safe haven" might be an additional explanation (see Figure 8).

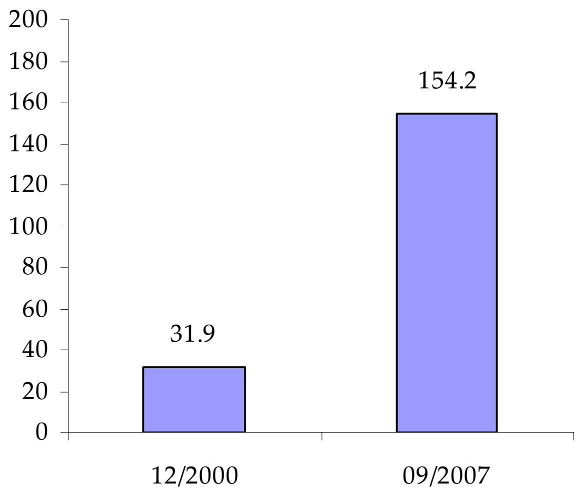
The Vienna stock market (ATX-index) showed an excellent performance going beyond the 5,000-points mark and reaching a new record high (between 2000 and 2002 the ATX stood at about 1,000 points). International price corrections during summer 2007 slowed this upward movement of the Austrian stock market temporarily (see Figure 9). Average trading volume as well as market capitalisation of the Vienna stock exchange have increased further in 2007 (see Figure 10). The Vienna stock exchange created the "mid-market" as a new segment designed for small and medium-sized enterprises with low (stock market) funding requirements. Furthermore, the Vienna stock exchange extended its international activities in the context of its internationalisation strategy (among others: cooperation with other stock exchanges, developing indices and sale of data).

Table 9: Performance of the financial markets
Performance of equity indices since 2001 in %



Source: Ecowin

Table 10: Market capitalisation
in billion €



Source: Vienna SE

2.2. Economic developments from 2008 to 2010

After growing more than 3% for the last two years, growth is expected to reach a still considerable 2.4% in 2008. The main reasons for this reduction are the slowdown of economic activity in the US due to the mortgage crisis and its negative effects on demand, as well as high oil prices and the persistent strengthening of the Euro vis-à-vis the Dollar. These developments will affect all sectors, from manufacturing to exports. Regarding domestic factors, performance in the first quarter of 2008 will be below that in the first quarter of 2007, since then exceptionally good weather conditions prevailed. On the positive side, private consumption could benefit from recent slightly above expectations wage increases. The slowdown in growth will reduce the positive trend in employment and the decline in unemployment. At 2.4%, Austrian growth will nevertheless be above its long term average.

For 2009 and 2010 we expect a real GDP growth of 2.5%. This expansion shall be driven by exports and gross capital formation. Private consumption will play a more dynamic role than in the previous years, but will still lag behind overall GDP performance. A multitude of measures already implemented or envisaged by the Austrian government will contribute to the fall of the unemployment rate to 4% by 2010.

The underlying baseline scenario of the stability program is based on ESA-data until 2006 provided by Statistics Austria and on projections and estimates by the Austrian ministry of finance, WIFO and IHS (see tables 1a., 1b., 1c. and 1d.).

Table 1a. Macroeconomic prospects

	ESA Code	2006 in bn. €	2006	2007	2008	2009	2010
			Rate of change in %				
1. Real GDP	B1*g	253.4	3.3	3.4	2.4	2.5	2.5
2. Nominal GDP	B1*g	257.9	5.1	5.8	4.4	4.0	4.0
			Components of real GDP				
3. Private consumption expenditure	P.3	140.7	2.1	1.9	2.1	2.3	2.2
4. Government consumption expenditure	P.3	45.5	2.1	2.0	2.3	1.5	1.7
5. Gross fixed capital formation	P.51	51.8	3.8	6.3	3.7	3.6	3.5
6. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	0.7	0.3	0.3	0.2	0.2	0.2
7. Exports of goods and services	P.6	140.9	7.5	8.3	6.0	6.0	5.6
8. Imports of goods and services	P.7	125.8	5.6	7.7	6.5	5.7	5.4
			Contribution to real GDP growth				
9. Final domestic demand			2.0	2.6	2.3	2.0	2.0
10. Changes in inventories and net acquisition of valuables	P.52 + P.53		-0.4	-0.3	-0.2	-0.5	-0.4
11. External balance of goods and services	B.11		1.3	0.8	0.1	0.5	0.5

Positions may not sum up due to rounding errors.

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

Table 1b. Price developments

	2006	2007	2008	2009	2010
	Rate of change in %				
1. GDP deflator	1.8	2.4	2.0	1.5	1.5
2. Private consumption deflator	2.2	2.3	2.6	2.0	2.2
3. HICP	1.5	1.9	2.0	2.0	2.0
4. Public consumption deflator	2.2	2.3	2.6	2.0	2.2
5. Investment deflator	2.4	2.4	2.1	1.6	1.4
6. Export price deflator (goods and services)	2.7	1.6	1.1	1.3	1.5
7. Import price deflator (goods and services)	3.4	1.2	1.3	2.1	2.0

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

Table 1c. Labour market developments

	ESA Code	2006 Level	2006	2007	2008	2009	2010
			Rate of change in %				
1. Employment, persons		3,556,332	1.6	1.9	1.1	0.9	0.9
2. Employment, hours worked		6,993.4	2.8	2.9	1.9	2.0	2.0
3. Unemployment rate (%)		195,600	4.7	4.3	4.2	4.1	3.9
4. Labour productivity, persons		71,262.2	1.7	1.5	1.3	1.5	1.5
5. Labour productivity, hours worked		36.2	0.5	0.5	0.5	0.5	0.5
6. Compensation of employees	D.1	125.1	4.3	4.6	4.1	3.7	3.7
7. Compensation per employee		35,172.5	2.6	2.7	3.0	2.7	2.7

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

Table 1d. Sectoral balances

% of GDP	ESA Code	2006	2007	2008	2009	2010
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	3.2	3.5	3.7	3.7	3.7
2. Net lending/borrowing of the private sector	B.9	4.6	4.2	4.3	3.9	3.4
3. Net lending/borrowing of general government	EDP B.9	-1.4	-0.7	-0.6	-0.2	0.4
4. Statistical discrepancy		0.0	0.0	0.0	0.0	-0.1

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

3. Economic policy until 2010

3.1. Economic and budget policy strategy until 2010

In recent years Austria has enacted a series of legislation on economic, budgetary and social policies. These reforms raised the attractiveness as a business location noticeably, employment rose above the Lisbon target of 70 %; international competitiveness, strengthened competition and knowledge foundation of the economy as well as stability and sustainability of public finances are thus assured. Therefore Austria is in a good position in international benchmarking with respect to economic fundamentals such as GDP growth, inflation, labour market, public finances and the current account in 2007. The successful "Three-Pillar-Strategy" of Austria will be continued by the federal administration in the coming years:

- Balanced budget by 2010 and stable, sustainable public finances
- Expenditures focusing on "investments for the future" to further improve growth and employment at a sustainable level
- Continuing structural and budgetary reforms, to foster the growth potential and simultaneously relaxing tensions on public expenditures. This should enable the implementation of a tax reform in 2010

3.2. Main focus of the economic and budget policy from 2007 to 2010

The implementation of seven focal points in the framework of the Three-Pillar-Strategy was already illustrated in the Austrian Stability Program 2006 to 2010 of March 27, 2007 (http://www.bmf.gv.at/Wirtschaftspolitik/Wirtschaftspolitiki506/Fiskalpolitiksterre529/_start.htm), the medium-term budget plan 2007-2010 (http://www.bmf.gv.at/Budget/Budgetprogramm_2007-2010.pdf) and the second Implementation Report 2007 of the Austrian Reform Program for growth and jobs of October 2007 (http://www.lissabon-strategie.at/Lissabon/Berichte/umsetzungsbericht.htm).

The following description concentrates especially on table 2a; the new revenue sharing agreement is described in detail in chapter 7.

Table 2a. Additional budgetary effects compared to 2006

in mill. €, change compared to 2006	**2007**	**2008**	**2009**	**2010**
Central government				
1. Growth programme	517	822	1,112	1,342
of which				
1a. Growth and employment (in particular R&D)	50	100	250	400
1b. Education	50	145	180	200
1c. Social protection	185	260	340	400
1d. Infrastructure (central budget)	60	120	120	120
1e. Universities	172	197	222	222
2. Military aircraft[1)]	548	591	215	65
3. Childcare allowance (new), pre-drawing effect		305	95	35
4. Energy and climate fund	50	150	150	150
5. Tax measures	68	-180	-180	-180
of which				
5a. SME-package	190	190	190	190
5b. Increase of the petroleum tax	-140	-440	-440	-440
5c. Deficiency in receipts due to reduction of motor vehicle tax	18	70	70	70
6. Savings	-681	-1,443	-1,693	-2,153
of which				
6a. Administration (incl. reduction of discretionary expenditures)	-260	-580	-670	-760
6b. Ending of the investment bonus	-238	-238	-238	-238
6c. Effects of the pension reform	-113	-225	-315	-405
6d. Reduction of the unemployment rate	-70	-400	-470	-750
Central government total	502	245	-301	-741
State and local governments				
1. Savings, administrative reform	-50	-150	-250	-350
Social security funds				
1. Savings and increase in efficiency	-50	-50	-100	-160
2. Increase of contributions		-120	-150	-150
Measures total	402	-75	-801	-1401
of which: military aircraft	548	591	215	65

Source: Federal Ministry of Finance

1) Maastricht-expenditures (procurement costs incl. other costs)

1. Austria as a major location for R&D, innovation and science

The Austrian Government is aiming for an R&D share of 3% of GDP by the year 2010 –with 1/3 of public and 2/3 private funding. Additional public resources amounting to a total 800 million

€ are available until 2010; in the budgets for 2007 and 2008 additional amounts of 40 and 80 million € respectively are reserved. Funding by the National Foundation and those of preceding research initiatives amounting to 295 million € as well as ongoing (tax) benefits continue to be available.

Good cyclical conditions and an excellent research infrastructure assure a smooth dispersion of new technologies into the economy. In this, the now independent universities play a major role. They receive a total sum of 591 million € out of the federal budget during the period 2007 to 2009, which is split into 172 million for 2007, further 45 million for 2008 and half a billion for refurbishment.

2. Education

Besides the investments in research and knowledge and the improvement of the tertiary education sector, the Austrian Government initiated important measures and reforms in the education system. Among them especially the gradual decrease of the maximum number of pupils per class by the next school year, the upgrading of life-long learning in the framework of EU-sponsorships, and a better integration in the field of pre-school. For these measures further 45 million € for 2007 and 145 million € for 2008 are budgeted. In total, it is planned to appropriate an additional 575 million € by 2010 for the educational sector.

3. Social Security

Modernizing social security systems focuses on the reintegration into society and labour markets and better antipoverty programs. Simultaneously the system must provide further incentives for more employment and enable structural adjustment in the economy. Financial resources for social security and antipoverty programs are thus increased by 1.2 billion € until 2010, of which 185 million € are budgeted for 2007 and 260 million € for 2008. The new revenue sharing agreement provides for the financing of the sectors health, elderly care and minimum income, including the following steps:

- The needs-based minimum income, amounting to 726 €/pre-tax per month (14x) for 2007, covers the regional harmonization of social aid, the increase of minimum security elements of the unemployment assurance as well as a raise of the minimum pensions (by raising the compensation pay set by January 1 2007). The Austrian labour market service coaches working age recipients and furthermore supports them towards speedy reintegration into the labour market.

- Social partners monitor the step by step implementation of a 1000 € minimum wage for those branches, where it is not in use yet.

- Compatibility of work and family is enhanced by adapting flexible child aid mechanisms. From 2008 on, parents can choose between three models (15+3 months, 20+4 months or 30+6 months). Simultaneously the outside earnings limit is raised from 14,600 € to 16,200 € a year – plus an extra phasing-in regulation, in case of exceeding this extra earnings limit – and families with more children get additional support.

- Social security for freelancers and self employed persons will be increased (by introducing an unemployment assurance and embedding them into the employee provision scheme, "Mitarbeitervorsorge"). Furthermore in the framework of the social partners proposals, labour law will be newly codified and a modern (unitary) employee concept promoted.

- The new revenue sharing agreement ensures the new 24-hour-care package, which aims at transforming many irregular employment schemes into regular ones and better social coverage .

- The health fund contributions are increased by 0.15 percentage points, at the same time the health funds are required to adopt further cost-reducing measures.

4. Higher investment into infrastructure

Public investment into infrastructure was significantly increased over the past years. Within the 6 year plan for the present legislative period there are 11 billion € available for investments into railroads and road construction (6.4 billion € for railway and 4.6 billion € for roads). At the same time, planning processes for state-wide projects in the rail-, road and electricity grid networks will be tightened and become more efficient. Other important factors within the public infrastructure are flood control, the extension of river transport as well as broadband technology.

5. Business location and middle class allowances

In the past years the conditions for industry and the strongly expanding service sector have improved considerably due to an investment attracting tax system for companies and simplified administrative procedures (for instance "one-stop-shops", eGovernment). Implementation of structural reforms will continue.

- Maximum weakly opening hours will be extended from 66 to 72 hours by 2008 – Sunday rest is maintained.

- The SME Allowance Law 2006 including a tax reduction of 190 million € benefits SMEs and came into effect in 2007. The Midcap Financing Corporation, an important tool to foster growth of SMEs, will be made to conform with European law in the next year.

- Administrative costs for companies due to federal information obligations shall be reduced by 25% until 2010. Since 1. September 2007, when setting legal measures all administrative costs due to federal information obligations are calculated using the standard cost model.

- A capital market initiative by the federal government is pursued with the aim to fully use the existing potential on both demand as well as supply side. At the moment, strengthening the second and third pillars of the old age pension system is under discussion. The framework conditions for private equity and venture capital should be improved with the purpose to provide risk capital, which is necessary for seed and start up financing. By reforming the capital market supervision in 2008 the effectiveness and efficiency of the supervisory system shall be increased with the aim to strengthen Austria as a financial centre.

6. Sustainable Growth: Climate protection, energy supply and ecological technology

In the field of climate policies Austria applies a broad instrument mix which includes all sectors and is based on flexible Kyoto mechanisms:

- The Climate and Energy Fund was endowed with up to 200 million € until the year 2008 in order to support innovation in the energy and environmental technologies and to foster international market penetration.
- Taxes on petrol (MöSt) were raised by 3 cents for gasoline and 5 cents for diesel by 1, July 2007. Simultaneously commuter support was increased by 10% and a negative income tax for commuters with low income was introduced.
- The "Normverbrauchsabgabe" (NoVA), a tax on the price of cars depending on their fuel usage will have a stronger incentive effect by 1, March 2008 towards buying more environment friendly cars.
- According to this draft law heating oil with a sulphur concentration lower then 10 mg/kg should be taxed by 98 €/1,000 l and by 128 €/1,000 l above. Thereby further incentives are set to using renewable sources of energy.
- Residential building allowances are focused on climate protection in the framework of the revenue sharing agreement.
- Additional expenditures for environmental allowances and for JI/CDM programs (2007 increase by 10 million €, 2008 further 10 million €)

Labour market initiatives are strongly focused on the "Flexicurity" concept. The following focal points are in place:

- In July 2007 daily and weakly maximum hours worked were raised to 12 and 60 hours respectively and regular hours worked were extended to 10 hours a day.

- In 2008 professionals from the new member states working in a branch suffering from a lack of specialists in Austria will receive work permits.

- Annually, 930 million € are provided for activating labour market measures over the next years, of which about two thirds are used for qualification measures to the benefit of problem groups in the labour market.

- The apprenticeship system is going to be reformed in order to facilitate the access of apprentices to the secondary and tertiary education systems. The "Blum Bonus", in effect since 2005, supporting the employment of apprentices, will be prolonged until 2008 and the number of public sector apprentices will be increased to 10,000 and dismissal protection is weakened.

- Employee profit sharing schemes (applied by 6% of the companies) shall be promoted.

- The new "Abgabenabsicherungsgesetz" makes fraud abatement more effective and thereby supports general taxation; hence a distortion of competition on account of honest tax payers can be avoided.

- The rules of which job offers must reasonably be accepted by the unemployed ("Zumutbarkeitsbestimmungen") are getting stricter by January 2008.

The federal government aims to cut public expenditure by a restrictive personnel policy and restraint in discretionary expenditure. The number of public employees shall decrease continuously by not replacing retiring public servants. Public sector posts are reduced by 833 in 2007 and 631 in 2008, hence 1,464 fewer jobs in both years. A possible public sector wage increase for 2008 has not been budgeted yet, just like in previous years. Expenditures for special side payments should grow slower. The planned cut of personnel resources necessitates more efficient use of capacity and more flexibility in order to shift personnel to priority sectors. Therefore the federal government plans to create a central coordination unit which should take over personnel management for the whole public administration. Administrative reforms are supplemented by innovative projects (such as eGovernment).

Former policies result in expenditure saving effects that might even gain strength during the programme period. Reforms of the pension system and the labour market should enable considerable savings in public expenditures. By 2007 some of the budgetary burdens of former growth and location initiatives will have run out.

The budgets for the period 2007-2009 include the purchase of military jets, therefore expenditure in these years is above the trend (see table 2b).

Table 2b. General government budgetary prospects 2006 until 2010

		2006	2006	2007	2008	2009	2010
	ESA Code	in bn. €	% of GDP				
	EDP B.9		Net lending by sub-sector				
1. General government	S.13	-3.5	-1.4	-0.7	-0.6	-0.2	0.4
2. Central government	S.1311	-3.7	-1.4	-1.1	-1.0	-0.7	-0.1
3. State government (excl. Vienna)	S.1312	-0.3	-0.1	0.2	0.2	0.2	0.2
4. Local government (incl. Vienna)	S.1313	0.6	0.2	0.2	0.3	0.3	0.3
5. Social security funds	S.1314	0.0	0.0	0.0	0.0	0.0	0.0
General government							
6. Total revenue	TR	123.3	47.8	47.4	47.5	47.3	47.4
7. Total expenditure	TE	127.2	49.3	48.3	48.1	47.7	47.2
8. Net lending/borrowing	EDP B.9	-3.5	-1.4	-0.7	-0.6	-0.2	0.4
9. Interest expenditure	EDP D.41	7.4	2.9	2.7	2.6	2.5	2.5
10. Primary balance		3.8	1.5	2.0	2.1	2.3	2.8
11. One-off and other temporary measures			0.0	0.2	0.2	0.1	0.0
Selected components of revenue							
12. Total taxes		69.9	27.1	26.9	26.9	26.9	26.9
12a. Taxes on production and imports	D.2	36.0	14.0	13.7	13.6	13.6	13.5
12b. Current taxes on income, wealth etc.	D.5	33.8	13.1	13.1	13.2	13.3	13.3
12c. Capital taxes	D.91	0.1	0.1	0.1	0.0	0.0	0.0
13. Social contributions	D.61	41.2	16.0	15.8	15.9	15.8	15.8
14. Property income	D.4	3.6	1.4	1.4	1.3	1.3	1.3
15. Other		8.8	3.4	3.4	3.4	3.4	3.5
16. Total revenue	TR	123.3	47.8	47.4	47.5	47.3	47.4
p.m.: Tax burden		108.2	41.9	41.6	41.8	41.7	41.7
Selected components of expenditure							
17. Compensation of employees + intermediate consumption	D.1 + P.2	35.5	13.8	13.7	13.7	13.4	13.3
17a. Compensation of employees	D.1	23.9	9.3	9.1	9.1	9.0	8.9
17b. Intermediate consumption	P.2	11.6	4.5	4.6	4.7	4.4	4.3
18. Social payments		60.2	23.4	23.0	23.0	22.9	22.8
18a. Social transfers in kind	D.6311, D.63121, D.63131	13.1	5.1	5.0	5.0	5.0	5.0
18b. Social transfers other than in kind	D.62	47.2	18.3	18.0	18.0	17.9	17.9
19. Interest expenditure	EDP D.41	7.4	2.9	2.7	2.6	2.5	2.5
20. Subsidies	D.3	7.9	3.1	2.9	2.9	2.9	2.9
21. Gross fixed capital formation	P.51	2.5	1.0	1.1	1.1	1.1	1.0
22. Other		13.7	5.3	4.9	4.9	4.9	4.7
23. Total expenditure	TE	127.2	49.3	48.3	48.1	47.7	47.2
p.m.: Government consumption (nominal)	P.3	46.5	18.0	17.8	17.9	17.8	17.8

Positions may not sum up due to rounding errors.

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

3.3. Evolution of general government debt

The state-wide debt share has fallen continuously, from 66% of GDP in 2001 to 61.7% in 2006.

This improvement is partly due to good business cycle conditions of the past two years and partly results from the dynamics of public expenditure. Thus national gross debt will fall below the Maastricht criterion of 60% of GDP in 2007, which is one year earlier than expected in the former stability programs and the first time since 1993. A further fall to 55.4% is expected to take place by 2010 (see table 3).

Table 3. General government debt developments 2006 until 2010

% of GDP	ESA Code	2006	2007	2008	2009	2010
1. Gross debt		61.7	59.9	58.4	57.0	55.4
2. Change in gross debt ratio		-2.7	-2.9	-2.4	-2.5	-2.8
Contributions to changes in gross debt						
3. Primary balances		1.5	2.0	2.1	2.3	2.8
4. Interest expenditure	EDP D.41	2.9	2.7	2.6	2.5	2.5
5. Stock-flow Adjustment		0.0	0.8	0.5	0.6	1.0
p.m.: Implicit interest rate on debt		4.6	4.5	4.5	4.5	4.4

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

3.4. Business cycle and budget from 2006 to 2010

The Austrian economy will grow close to its potential in upcoming three years. According to the government agreement the public households should be approximately balanced by 2009 and yield a surplus of 0.4% in 2010. Furthermore Austria aims to achieve its MTO, a structural balanced budget, in 2010. Thus the budget deficit after cyclical adjustment will decrease by about 1.1%. The difference between cyclical adjusted and structural budget deficits in 2007, 2008 and 2009 is due to the purchase of military jets, which is counted as one time measure in this program (see table 4).

Table 4. Cyclical developments 2006 until 2010

% of GDP	ESA Code	2006	2007	2008	2009	2010
1. Real GDP growth (%)		3.3	3.4	2.4	2.5	2.5
2. Net lending of general government	EDP B.9	-1.4	-0.7	-0.6	-0.2	0.4
3. Interest expenditure	EDPD.41	2.9	2.7	2.6	2.5	2.5
4. One-off and other temporary measures		0.0	0.2	0.2	0.1	0.0
5. Potential GDP growth (%)		2.2	2.4	2.4	2.4	2.2
Contributions:						
- Labour		0.4	0.5	0.3	0.3	0.1
- Capital		0.7	0.8	0.8	0.8	0.8
- Total factor productivity		1.1	1.1	1.2	1.2	1.3
6. Output gap		-0.4	0.6	0.6	0.8	1.0
7. Cyclical budgetary component		-0.2	0.3	0.3	0.3	0.4
8. Cyclically-adjusted balance		-1.2	-1.0	-0.8	-0.5	-0.1
9. Cyclically-adjusted primary balance		1.6	1.7	1.8	2.0	2.4
10. Structural balance[1)]		-1.2	-0.8	-0.6	-0.5	0.0

1) without measures according to point 4

Positions may not sum up due to rounding errors.

Source: Statistics Austria, WIFO, IHS, EC, Federal Ministry of Finance

4. Comparison with the previous update and sensitivity analysis

4.1. Comparison with the previous update

The general government deficit for 2006 unexpectedly was higher than expected in the update of March 2007 and amounted to -1.4 % of GDP. This deterioration was caused by the local governments and primarily consists of one-off-measures (transactions with respect to Bank Burgenland, restructuring of hospitals in Lower Austria, higher than expected spending due to flooding incidents in Vorarlberg and Tyrol, allowances to hospitals in Styria). Despite these developments the budget deficit in 2006 was lower by around 300 million € (to -3.52 billion €) in comparison with the year 2005.

In 2007 the budgetary deficit should be lower by 0.2 percentage points with respect to the last update, as a result of significantly higher economic growth and a strong increase in employment. According to the government agreement, in 2009 a nearly balanced budget and in 2010 a budgetary surplus of 0.4 % is envisaged.

Table 5a shows the goal of the government to reach a debt ratio of under 60% of GDP in 2007, i.e. one year earlier than envisaged in the update of March 2007.

Table 5a. Divergence from previous update (March 2007)

	ESA Code	2006	2007	2008	2009	2010
Real GDP growth (%)						
SP March 2007		3.1	2.7	2.3	2.5	2.6
SP November 2007		3.3	3.4	2.4	2.5	2.5
Difference 1)		0.2	0.7	0.1	0.0	-0.1
General government net lending (% of GDP)	EDP B.9					
SP March 2007		-1.1	-0.9	-0.7	-0.2	0.4
SP November 2007		-1.4	-0.7	-0.6	-0.2	0.4
Difference 1)		-0.3	0.2	0.1	0.0	0.0
General government gross debt (% of GDP)						
SP March 2007		62.2	61.2	59.9	58.5	56.8
SP November 2007		61.7	59.9	58.4	57.0	55.4
Difference 2)		-0.5	-1.3	-1.5	-1.5	-1.4

1) A positive sign denotes an improvement.

2) A positive sign denotes a deterioration.

Source: Statistics Austria, WIFO, IHS, Federal Ministry of Finance

4.2. Sensitivity of baseline scenario to exogenous shocks

With respect with the main underlying scenario (baseline scenario) the effects of two alternative scenarios for budgetary balance and debt ratio are analysed in the following paragraphs (see Table 5b).

The recent financial market turbulences due to the US housing market downturn constitutes the starting point of both alternative scenarios.

In the first scenario a successful management of the financial market turbulences and avoidance of a sustained loss of confidence by financial market participants is assumed. Under these circumstances the effects on the real economy of the US and Europe would be rather marginal. In this scenario a higher growth rate of 0.5 percentage points in real terms is assumed each year, beginning in 2008 (in comparison with the baseline scenario). As a consequence a budgetary surplus of around 0.3 % of GDP would be reached in 2009, i.e. one year earlier than planned.

In the second scenario negative effects of the crisis on private consumption and a strong slowdown in the US are assumed to lead to negative consequences for European growth and the Austrian export growth. In comparison with the baseline scenario a slower growth of 0.5 percentage points per year is assumed from 2008 on. As a consequence the balanced-budget-goal for 2010 will not be achieved. The debt ratio will (even under this scenario) however remain below the threshold of 60% of GDP.

Table 5b. Economic growth and public finances in 3 scenarios

	2007	2008	2009	2010
Baseline scenario				
GDP, nominal in bn. €	272.7	284.7	296.1	307.9
GDP, real, rate of change in %	3.4	2.4	2.5	2.5
Net lending/borrowing in % of GDP	-0.7	-0.6	-0.2	0.4
Gross debt in % of GDP	59.9	58.4	57.0	55.4
Scenario 1				
GDP, nominal in bn. €	272.7	286.1	299.0	312.4
GDP, real, rate of change in %	3.4	2.9	3.0	3.0
Net lending/borrowing in % of GDP	-0.7	-0.3	0.2	1.0
Gross debt in % of GDP	59.9	57.9	55.8	53.3
Scenario 2				
GDP, nominal in bn. €	272.7	283.3	293.2	303.4
GDP, real, rate of change in %	3.4	1.9	2.0	2.0
Net lending/borrowing in % of GDP	-0.7	-0.8	-0.6	-0.3
Gross debt in % of GDP	59.9	58.9	58.2	57.5

Positions may not sum up due to rounding errors.

Source: WIFO, IHS, Federal Ministry of Finance

5. Quality of public finances

5.1. Fiscal equalization (2008 until 2013)

The government agreement of the Federal Government includes commitments concerning state and local levels. To coordinate the responsibilities and financing schemes between the different government levels the talks on fiscal revenue sharing agreement were already held on October 10th 2007. The new scheme is structured into two periods of three years each, it will be implemented starting January 1, 2008 and will end with December 31, 2013.

On the state levels the sustainability of the health sector was a key issue, from the federal government's perspective structural reforms in the fiscal revenue sharing scheme and other matters were most important.

Corner stones of the agreement:

- The fiscal revenue sharing scheme is to be implemented for a period of six years (which enables an improved planning horizon), for some issues sub-periods of three years will be installed.
- The transformation of all relevant transfers from the federal government to the states and regional communities into generalized revenue shares without earmarking simplifies the legal background of the fiscal revenue sharing scheme, makes it more

transparent and allows the streamlining of spending obligations with financing responsibilities.

- The political agreement of the administration reform contains the following issues:
  - further staff reductions,
  - the pension reforms of the central government shall be mirrored by state and local governments,
  - cost-neutral abolition of the separate financing obligations for public sector employees with respect to family support schemes. This eliminates major problems of competence allocation for the financial and public administration,
  - the creation of a single, unified tax procedural code for Austria, which aims to solve the past fragmentation into 10 different sets of law.
- The 24- hour home care and minimum income schemes are being co-financed by states and local communities (evaluation will be possible after three or one year).
- The states will be spending at least 20 million € on child care provision and language training for immigrants.
- In the Revenue Sharing Act, revenue items of the states and communities which were so far attributed to the federal government will be abolished stepwise. In the first three years this will increase states' and communities' revenues by 209 million € per year, in the next three years by 418 million € each year.
- On the community level a share of 156 million € of the additional revenue will be used for the benefit of the smallest communities (up to 10,000 inhabitants). Those smallest communities will profit an additional 100 million € per year.
- The general government will reserve an additional 100 million € per year for the financing of hospitals. Starting in 2008 the federal government's contribution will be indexed by a factor linked to shares of revenues.
- For state teachers another 12 million € will be provided by the federal government, for structural problems another 12 million €. In the second phase this additional sum will be increased to 13 million €.
- The federal government and the states have agreed to earmark housing subsidies more to meet the climate goals (2009 according to Art. 15a B-VG).
- Voluntary cooperation on regional levels (synergies) is encouraged by financial means.
- The estimates of population numbers, which form the basis for the fiscal revenue shares, will be changed to an eGovernment system, using the central population register aligned with other registers for accuracy, in 2009.

The coordination of budget results of the federal government, the states and the local communities will again be implemented through an Austrian stability pact. The calculation basis is ESA, the required budget balances are adjusted to those in the coalition agreement. (Table 2a)

Working groups will prepare further reforms of the fiscal revenue sharing scheme as well as the structure and financing of health and long term care. First results can be expected in 2011.

5.2. Health reform from 2005 until 2010

Due to the expected demographic changes and the enormous developments in the area of medical techniques a health reform was already agreed upon in 2005. So far the Austrian Structural Health Plan providing a forward looking framework for the planning of supply of health services was implemented and a federal health agency and 9 health funds were installed on the state level. In a joint effort these instruments are expected to enable an improvement in planning and governance, and to coordinate the financing of the whole health sector.

In June 2007 the Social Partners agreed on expenditure cuts amounting to 150 million €. These will be achieved by lower spending on medication, as well as reductions in administrative costs, doctors' compensation, and rehabilitation. Also, the agreed upon increase of health insurance contributions by 0.15 PP will become effective on January 1st 2008.

Currently there are plans to improve the Austrian Structural Health Plan as well as to launch joint pilot projects for integrated planning, implementation and financing of the supply of specialists' services in the area of hospital outpatient treatment and medical practitioners.

5.3. Better Regulation

The quality and legal anchoring of public administration are important factors for an economy's ability to compete internationally. In the framework of an ambitious reform project of public administration the Austrian government has set itself the goal to lower administrative costs for businesses due to the federal government's legal information requirements by 25% until 2010. The initiative "Lowering administration costs for businesses" is designed to substantially relieve businesses in Austria, create potential for innovations and to increase growth and employment in line with the renewed Lisbon Strategy.

In cooperation with all ministries and under the lead of the ministry of finance all currently active legal parameters, which include around 5,700 information obligations for businesses, are analysed on the basis of interviews with entrepreneurs, expert panels and approximations. The administrative costs per information requirement will be calculated by using the Dutch standard cost calculation model. This step will be completed in the fall of 2007 with the decision on specific goals for each administrative department.

The next step will include the planning and implementation of specific measures on this basis to reach the reduction goals. Different methods for simplification may be chosen: Legal guidelines can be merged, wordings can be harmonized or information requirements may be reduced in frequency. Further on, the information process can be simplified, for example via IT solutions.

Improved cooperation between public institutions can eliminate double reporting and better information can reduce search costs, the completing of forms can be speeded up.

Ex-ante approximation of administration costs in draft laws

Since September 1st 2007 there is the obligation to calculate the costs of each draft law and its resulting administrative costs for businesses beforehand. (Public administrative costs had to be calculated already.) This ensures that this information will be considered when the decision for a specific law or directive is being made. The objective is to avoid administrative costs for businesses as much as possible. If a certain cost level is exceeded alternatives must be tested.

The Standard-cost method as an instrument of administration reform

The standard-cost model is internationally tested and is an instrument to measure administrative costs, which businesses meet due to legal information requirements. Information obligations are data which are collected and prepared by businesses due to legal obligations.

In the coming months further application possibilities for the standard-cost model, for example the measurement of administrative costs for citizens, will be tested.

5.4 Structural changes in public spending

Table 6 illustrates the priorities in budgetary spending in the areas of social expenditures, education/R&D and health. Social spending is the largest position of total government spending. The increases starting with 2007 are mostly due to efforts to lower poverty. While spending for education/R&D and health increased, the costs for the public administration as a % of GDP were reduced most significantly as compared to 2001 (due to efforts such as administrative reforms, reduction in public workers, implementation of modern information technologies, elimination of inefficiencies, etc.).

Table 6. General government expenditures by function

% of GDP	COFOG Code	1996	2001	2006
1. General public services	1	9.4	8.3	7.0
2. Defence	2	1.0	0.9	0.9
3. Public order and safety	3	1.5	1.4	1.4
4. Economic affairs	4	4.7	5.1	4.8
5. Environmental protection	5	1.4	0.4	0.4
6. Housing and community amenities	6	1.1	1.0	0.6
7. Health	7	7.5	6.2	6.9
8. Recreation, culture and religion	8	1.1	1.1	1.0
9. Education	9	6.1	5.8	5.9
10. Social protection	10	21.7	20.7	20.4
11. Total expenditure	TE	55.4	50.8	49.3

Positions may not sum up due to rounding errors.

Source: Statistics Austria, Federal Ministry of Finance

6. Sustainability of public finances

Recent and upcoming demographic changes cause a doubling of the share of 65+ year-olds in the working-age population, from 25% now to over 50% in 2050. Austria is faced with this fact like most industrialized countries. Ageing populations generate economic and budgetary challenges. Therefore, safeguarding sustainable public finances is a central matter of concern in the Austrian economic and budgetary policy. It is unavoidable, especially with regard to future generations, to consolidate in particular those budget items which probably will pose the highest risk to the sustainability of public finances.

Austria's long-run strategy to secure the sustainability of public finances follows the three-pronged strategy at EU-level and involves following objectives:

1. Reduction of the debt-to-GDP ratio and a roughly balanced budget by 2009

The national debt ratio continued to fall during the past years from 66.0% of GDP in 2001 to 61.7% of GDP in 2006. In 2007 the national debt ratio is to decline to below the reference value of the Maastricht treaty of 60% of GDP. By reaching a structural balanced budget by 2010 also the debt-to-GDP ratio will be reduced. In 2010 the national debt ratio will amount to 55.4% of GDP. Thereby, the room for budgetary manoeuvre will increase noticeably in the medium-term.

2. Sustainable financial safeguarding of pension-, health- and long-term care systems

Pension, health and long-term care systems shall be orientated towards sustainability, while at the same time ensuring high performance levels and fairness among the generations. The low budget deficits and the pension and health care reforms of recent years make an essential contribution to the sustainability of Austrian finances. Following the most recent long-run projections (on basis of EC and EPC projections), overall public pension expenditures will rise from 13.9% of GDP in 2006 to a peak level of 15% of GDP in 2032, after which they will fall to 13.1% of GDP in the year 2050. A considerable dampening effect on pension expenditures comes form the parametric pension reforms of recent years. Those reform measures aim at raising the effective retirement age and at a clear improvement of minimum pension provision. These measures will secure an adequate income level in the future through the formula "65-45-80"[1] together with the extension of the second and third pillars (firm-related benefits and private pension plans).

3. Increase in employment rates and a rise in the growth of productivity

As a result of the ageing population the rate of potential growth will decline in the long-run by about 1 percentage point by 2050, in comparison to about 2¼% (real) today according to EU projections. Through structural and budgetary reforms and particularly through a strengthened

---

[1] Pension entitlements are subject to individual lifetime earnings, reaping the maximum benefits of 80% of average earnings in the case of 45 insurance years at the statutory retirement age of 65 years.

knowledge base and innovative ability of the economy the medium- to long-term growth potential shall increase. First successes are already visible: the Austrian employment rate amounted in total to more than 70% in 2006, and to 63.5% for women in the same year. Both rates already fulfil the Lisbon employment goals. Also, the employment rate of older workers rose considerably to 35.5% in 2006 (by 4 percentage points compared to 2005). Nevertheless, Austrian economic policy aims at further increasing the employment rate and employability of older workers.

Age-related public expenditures will hardly increase by 2050. Consequently Austria belongs to those EU Member States with the lowest risk to the sustainability of public finances, as acknowledged by the EC.

Table 7. Long-term sustainability of public finances[1)]

% of GDP	2006	2010	2020	2030	2050
Age-related expenditures	25.7	24.7	25.3	27.2	26.2
Total pension expenditures[2)]	13.9	13.4	13.8	15.0	13.1
of which: Social security pension	10.3	10.1	10.7	12.2	11.9
Health care[3)]	5.3	5.4	5.9	6.3	6.8
Long-term care[3)]	0.6	0.6	0.8	1.0	1.5
Other age-related expenditures[4)]	5.9	5.3	4.8	4.9	4.8
Revenue from pensions contributions[5)]	8.8	9.0	9.0	9.0	8.7
Assumptions					
Real GDP (potential growth in %)	2.2	2.2	1.6	1.0	1.2
Labour productivity (rate of change in %)	1.8	2.1	1.8	1.7	1.7
Employment rate males (aged 15-64)[3)]	76.9	79.2	80.3	80.2	80.8
Employment rate females (aged 15-64)[3)]	63.5	67.8	70.6	71.1	71.8
Employment rate total (aged 15-64)[3)]	70.2	73.5	75.4	75.7	76.4
Unemployment rate	4.7	3.9	3.9	3.9	3.9
Population aged 65+ as a percentage of the working-age population	25.2	26.2	30.9	41.9	52.5

Source: EK, EPC, Federal Ministry of Finance, Federal Ministry of Social and Consumer Protection

1) Based on EPC and EC forecasts

2) Excl. additional social assistance benefits and pension expenditures for administration, rehabilitation, etc.

3) Based on EPC forecasts

4) Incl. unemployment assistance and expenditures for education, according to EPC forecasts

5) Social security and public servants, according to EPC forecasts

7. The stability programme within the institutional framework

On January 11, 2007 a new government was inaugurated. Similarly to the years 2000 and 2006, the year 2007 started with a provisional budget proposal that was basically a prolongation of the 2006 budget. The budget negotiations for 2007 started at the end of January with the submission of global budget proposals for the various ministries by the ministry of finance. After a series of expert meetings the budget process was finalized by a round of negotiations with the responsible ministers.

Due to this top down approach and by using global budget proposals the ministry of finance can manage the overall budget of the central government without any micromanagement.

On March 29, 2007 the parliamentary debate of the joint budget for the years 2007 and 2008 started with an address by the minister of finance. A double budget was again tabled, in order to improve the budget planning and discipline. The budget was approved by an act of parliament on May 3, 2007.

7.1. Medium term budget plan

Concerning medium term budgeting three closely interrelated coordination instruments are at the disposal of the ministry of finance: the federal government budget program, the stability program and the national stability pact.

The budget program has to be presented by a new government within the first six months after its inauguration. It should reflect the main budgetary strategies during the legislative period. The latest update of the budget program is available on the homepage of the ministry of finance. (https://www.bmf.gv.at/budget/_start.htm)

The second pillar of budgeting is the stability programme. An actual version of the stability program has to be submitted each year to the European Council, the European Commission as well as to the national parliament, the national social partners and to the participants of the revenue sharing negotiations.

The current stability programme for the period of 2006 to 2010 was discussed in the national parliament on June 19, 2007, shortly after the Commission's, but before the European Council's responses.

In the light of a stability oriented budget policy states and communes have committed to contribute to a stable general government budget. This commitments find their legal basis in the national stability pact. Due to the new revenue sharing agreement (see chapter 5.1), federal government, states and communes agreed on a new stability pact that will build on regulations of the stability pacts of 2001 and 2005.

7.2. Budget law reform

International experience has shown that a rules-based budgeting process can considerably improve budget discipline and supervision. Consequently, the reform of the federal budget law has the following objectives:

- From 2009 onwards a multi-annual government budget plan, fixed for four years in advance and updated on a rolling basis with fixed expenditure ceilings, will be implemented. The expenditure ceilings will have to be agreed by parliament, and only parliament will be able to change it. In this way policy will be able to react flexibly to changing priorities, while simultaneously - due to the parliamentary procedures – a sufficient degree on expenditure discipline will be achieved. Flexible budget components will allow the automatic stabilisers to work and thereby react to cyclical conditions. Nevertheless, the final decision on the federal budget will also in the future be the sole responsibility of the national parliament.

- The multi-annual budgeting supports a sustainable budget policy and offers a stable framework for all participants. The budgetary framework law (Bundesfinanzrahmengesetz) will be accompanied by a strategy paper containing all the necessary figures and explanations necessary to comprehend the multi-annual budget plan. These two documents will be pivotal to the government's medium term budget strategy.

- From 2009 onwards a new incentive structure will be introduced. Budget appropriations which will not have been disbursed by the end of the year will not be retransferred to the ministry of finance, but will remain within the respective ministry's disposal. These additional resources will be available for next year's priority setting and thus increase the flexibility and the room for manoeuvre of the respective ministry. This measure will also contribute to a more efficient use of taxpayer's money.

The described measures are the elements of the first stage of the reform program that is now finalized and under parliamentary scrutiny.

The second stage of the reform, that is already elaborated in its main features, is even more ambitious than the first and needs therefore more time for legislative preparation and will not become law before 2013. The second stage has the following objectives:

- A ´performance budget´ will offer cost transparency for the broad public by depicting the relation between the amount of financial and personnel resources that have been used for a special field of administration and its outcome. The transparency offered by the ´performance budget´ should also support the acceptability of further administrative reforms.

- More than ever the budget proposal will become the key document of the government that will have to be approved by the parliament with regard to the objectives as well as the financial means used for their implementation. By extending the analysis of the parliament to the impact of the budget proposal the second stage of the reform will also strengthen the position of the parliament within the legislation procedure.

- A central aspect of the new budget procedure will be gender mainstreaming. Every level of government will be obliged to improve gender equality via its budget execution.

- The second stage of the budget reform will also enhance the accounting system of the administration. The precise description of the financial situation of the government, rooted in the constitution, will be accompanied by a change from the traditional way of accounting (cameralistics) to a modern accounting system, that will be focus on efficiency without neglecting the special features of public administration.

The reform of the central government budgeting procedure has been influenced by international experience as well as by national know how with new budgeting rules. With the implementation of the second stage of the budget reform Austria will obtain a modern budget law informed by best international practice.