

Austrian Stability Programme

for the period 2009 to 2013

Federal Ministry of Finance

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Contents

1. Introduction.....	6
2. The Austrian economy.....	7
2.1. Economic developments in 2008 and 2009.....	7
2.2. Economic developments in 2010 and 2011.....	10
2.3. Economic developments in 2012 and 2013.....	11
3. Economic policy up to 2013.....	13
3.1. Budgetary and economic policy objectives.....	13
3.2. Economic and labour market stabilisation measures.....	17
3.3. Financial market measures.....	19
3.4. Business cycle and government balance.....	21
3.5. Development of the general government deficit and debt quota.....	21
4. Sensitivity analysis of the baseline scenario with respect to exogenous shocks.....	24
5. Quality of public finances.....	25
5.1. Budget law reform.....	25
5.2. Administrative reform.....	26
5.3. Better Regulation.....	27
5.4. Structural changes in public spending.....	28
6. Sustainability of public finances.....	30
7. Institutional factors and the stability programme within the fiscal framework.....	33
7.1. Medium term budget planning.....	33
7.2. Excessive deficit procedure.....	33

List of figures

Figure 1: Openness of the Austrian economy	7
Figure 2: Contribution to growth	7
Figure 3: Real GDP growth (Austria, Germany and Euro area)	8
Figure 4: HICP (Austria and Euro area)	8
Figure 5: Employment (employed persons – total).....	9
Figure 6: Unemployment rate according to Eurostat (Austria and Euro area)	9
Figure 7: Long-term interest rates	10
Figure 8: Performance of the financial markets.....	10

List of tables

Table 1: Macroeconomic prospects	11
Table 2: Price developments	12
Table 3: Sectoral balances	12
Table 4: Labour market developments	12
Table 5: General government budgetary prospects 2008 until 2013	16
Table 6: Cyclical developments and general government balance until 2013	21
Table 7: General government debt developments 2008 until 2013.....	22
Table 8: Divergence from the previous update (April 2009)	23
Table 9: Economic growth and public finances in 3 scenarios	24
Table 10: General government expenditures by function.....	29
Table 11: Long-term sustainability of public finances.....	31

1. Introduction

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 2009 to 2013. The programme's structure reflects the agreements reached by the ECOFIN Council on 11 October 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 Federal Government pays attention to the joint budgetary responsibility of all regional authorities within the terms of the Austrian stability pact. The Federal Government has set as its highest priority measures to overcome the crisis, leading to a sustained recovery and preventing the recurrence of a crisis of this extent. Growth and employment effects should be taken into account no less than distributional effects. **Therefore the Austrian government continues to follow the successful budgetary and financial three-pillar strategy:**

- **A balanced budget over the business cycle**
- **Investments in the fields of R&D, infrastructure, education and tertiary education for more growth and employment as well as protection of the social system as a location and productive factor**
- **Structural reforms in the field of public administration**

The figures for public households presented in this stability programme are based on a growth forecast until the year 2013, which follows the medium term outlook for growth by the Austrian Institute of Economic Research (WIFO) and by the Federal Ministry of Finance.

In accordance with the recommendation of the ECOFIN Council under Article 126(7) of the Treaty on the Functioning of the European Union (TFEU) the Austrian government will take all the required measures to put an end to the present excessive deficit situation by 2013.

2. The Austrian economy

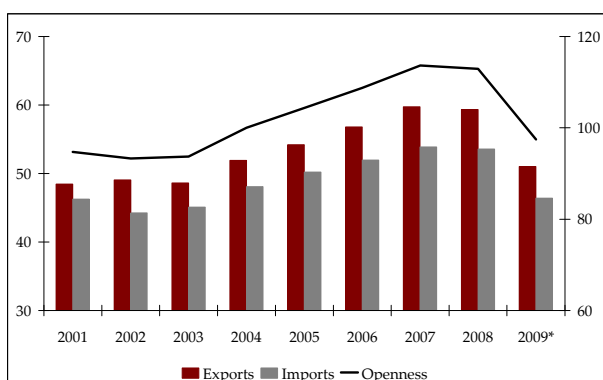
The underlying baseline scenario of the stability programme is based on ESA-data until 2008 provided by Statistics Austria as well as on forecasts and estimates by the Austrian Institute of Economic Research (WIFO) and the Ministry of Finance. The medium term risks of the forecast stem primarily from the international economic environment and labour market developments. Therefore, the Federal Government will focus its economic policy measurements on stimulating growth and employment and continue to maintain the goal of a balanced budget over the business cycle.

2.1. Economic developments in 2008 and 2009

Austria as a small open economy was not able to isolate itself from the global economic and financial market crises and was hit by the recession in the second half of the year 2008. Only in the middle of the year 2009 the government measures stopped the downward trend and stimulated a recovery. Therefore, in the third quarter 2009, after four quarters of continuing economic slow down, real economic growth increased again (seasonally and working-day adjusted) compared with the previous quarter by 0.5%

While in 2007 the Austrian economy expanded at 3.5% there was a first slow down in 2008, when growth decelerated to 2%. According to estimates of the Austrian Economic Research Institute in December 2009, the Austrian economic growth contracted by -3.4% last year, a figure that is nevertheless above the average in the Euro Zone.

Figure 1: Openness of the Austrian economy



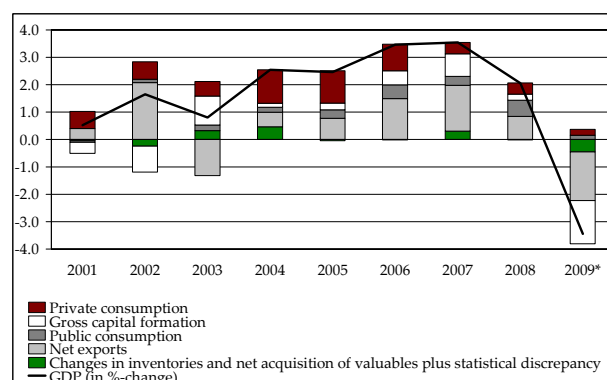
RHS: Openness of the Austrian economy (exports and imports in % of GDP)

LHS: Exports and imports (in % of GDP)

* Forecast

Source: STAT, WIFO

Figure 2: Contribution to growth



LHS: Contribution to growth in %

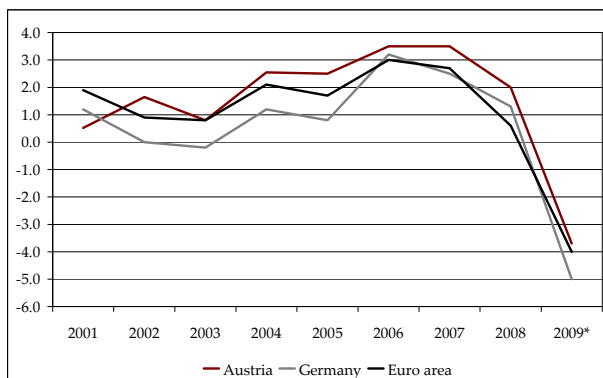
* Forecast

Source: STAT, WIFO

Exports and industrial production were hurt exceptionally hard by the global down turn. Also capital formation slowed down because of the decline in capacity utilisation in connection with falling order bookings and sluggish bank lending. The economy was, nevertheless, stabilized by private consumption that was quite robust due to an increase of real disposable income, based on low inflation, high wage agreements for 2009 and the tax reform. Furthermore the fiscal and monetary stimulus and stabilisation programmes coordinated by the European Union dampened the economic slow down.

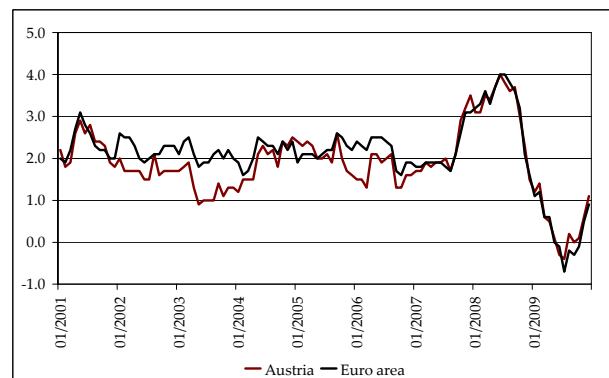
While in 2008 the inflation rate (HICP) at 3.2% showed the highest increase for more than 15 years, in 2009 inflation at 0.4% was well below the inflation target of the European Central Bank of close but slightly below 2%. This development was due to the significant decline of the prices of raw materials in the course of the economic slump.

Figure 3: Real GDP growth (Austria, Germany and Euro area)



LHS: Rate of change in %
 * Forecast
 Source: EUROSTAT

Figure 4: HICP (Austria and Euro area)



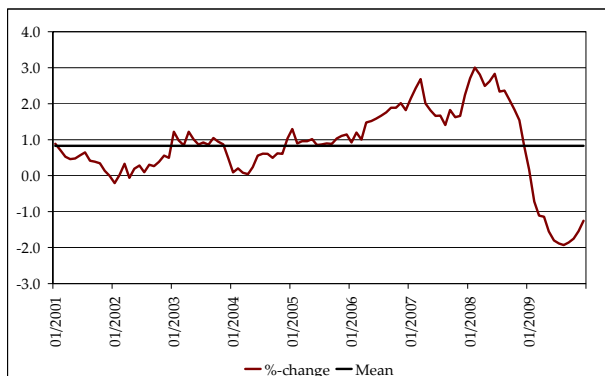
LHS: Monthly values, rate of change in %
 Source: Reuters EcoWin

Until the middle of the fourth quarter of 2008 the labour market performed well and the crisis was hardly felt. After the number of registered unemployed persons having declined for 32 consecutive months to the lowest level since 2001, unemployment started to rise again in November 2008. Since then, unemployment has sharply increased but in December 2009 the rate of growth diminished to below 10% for the first time in 2009.

The significant decline in employment in the course of the crisis caused an increase in open unemployment, which was dampened by the government's labour market packages I and II. Nevertheless, compared with December 2008 312,771 persons were unemployed (+25,624, +8.9%) in December 2009. Overall, 3,316,488 persons were employed (-42,166, -1.3%), and 68,852 persons (+22,886 +49.8%) were in training. According to EUROSTAT the Austrian

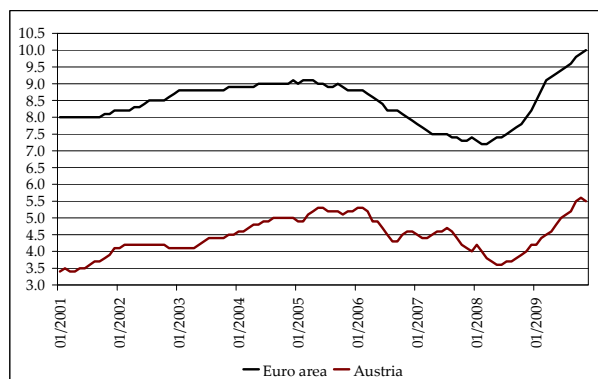
unemployment rate was 5.5% (EU27: 9.5%, EA16: 10%) in November 2009 and - according to the national calculation method - 8.6% in December 2009.

Figure 5: Employment (employed persons – total)



LHS: Monthly values, rate of change in %
Source: WIFO

Figure 6: Unemployment rate according to Eurostat (Austria and Euro area)



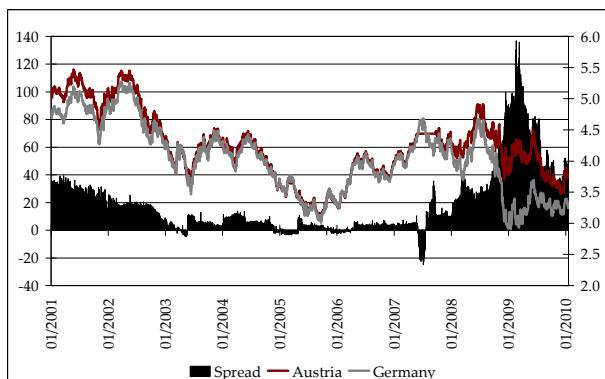
LHS: Monthly values in %
Source: Reuters EcoWin

Since March 2009 international financial markets have shown significant upward tendencies triggered by an expansive monetary policy and positive expectations for the year 2010.

During the financial crisis global equity markets slumped. In that respect a flight into secure government bonds was observed contributing to lower long-term interest rates with positive effects for the financing costs of the Republic of Austria. Meanwhile, the interest spread of Austria versus Germany increased significantly during the year 2008 up to spring 2009. This was partly due to the fact that in times of high uncertainty a flight into the most liquid bonds (especially German government bonds) can be observed. In spring 2009 a further increase of the spread occurred as the financial markets increasingly became sensitive to the risks of Austrian enterprises in Eastern Europe. Since that time, the spreads have declined significantly but are still above the long-term average. Despite the higher spread, the long-term interest rate on Austrian government bonds decreased considerably and is currently quoted at the level of the year 2006.

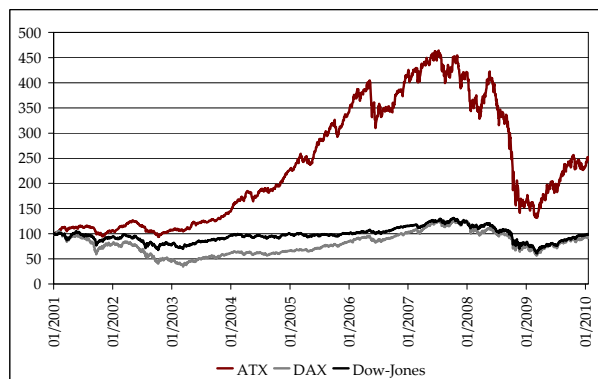
After reaching an all-time-high in July 2007, the Austrian stock exchange (ATX-Index) showed strong equity price declines. The ATX-index decreased by 61% in 2008, the volume of sales of domestic equities declined by around 20%. Since March 2009 a strong rebound on the Austrian stock exchange (in parallel with other exchanges) was observed as economic expectations for 2010 improved significantly. In the year 2009 the ATX increased by 43%.

Figure 7: Long-term interest rates



RHS: Long-term interest rates in %
 LHS: Spread in basis points
 Source: Reuters EcoWin

Figure 8: Performance of the financial markets



LHS: Index, 01/01/2001 = 100
 Source: Reuters EcoWin

2.2. Economic developments in 2010 and 2011

After the economic slump last year, a moderate recovery in Austria is expected for 2010/11. The current stability programme is based on that assumption. The estimated real GDP growth rate of each 1.5% arises from the global economic recovery (due to comprehensive global stimulus measures) and the succeeding growth of exports. Especially the exports to Germany, the most important trading partner of Austria, will support the recovery, and the Austrian manufacturing sector would be the main beneficiary. With respect to the particularly low capacity utilisation rates in 2010 a rebound of investment cannot be expected any time soon. Only for 2011 an increase in gross fixed capital formation can be expected. On the other hand public construction stimulus programmes will take full effect in 2010 and private consumption will, due to the tax reform 2009, also contribute to the recovery.

As the moderate economic recovery is not strong enough for a turnaround on the labour market a decline of unemployment cannot be expected already in 2010. As a consequence the unemployment rate (Eurostat definition) will increase to 5.7% in 2011, after 5% in 2009.

The inflation rate (HICP), however, should not increase above the 2%-threshold, even though the forecast assumes price increases of oil and other energy sources. The inflation rate for 2010/11 should amount to 1.3% (for 2010) and 1.5% (for 2011), respectively.

2.3. Economic developments in 2012 and 2013

According to the latest forecasts, real economic growth should reach 2% per year on average in 2012/2013. The export sector will improve further after 2010/2011 and investment activity will also rebound significantly. Private consumption will account for additional positive growth contributions. Public consumption will, however, not account for a significant positive growth contribution anymore due to the necessary budgetary consolidation measures from 2011 onwards. The annual inflation rate will increase continuously and will come close to the ECB reference value at the end of the forecast period. The unemployment rate (Eurostat definition) will not rise further compared to 2011, but it will not fall either and could amount to 5.7% in 2013 as well.

The described path for economic growth in this programme is compatible with the planned budgetary consolidation. The current high savings ratio of the private sector should give enough room for manoeuvre for the consolidation of the public accounts.

Table 1: Macroeconomic prospects

		2008	2008	2009	2010	2011	2012	2013
	ESA Code	in bn. €	Rate of change in %					
1. Real GDP	B1*g	266.3	2.0	-3.4	1.5	1.5	1.9	2.0
2. Nominal GDP	B1*g	281.9	4.1	-1.7	2.1	2.9	3.4	3.6
Components of real GDP								
3. Private consumption expenditure	P.3	138.3	0.8	0.4	0.7	0.9	1.2	1.3
4. Government consumption expenditure	P.3	48.7	3.2	0.8	1.0	0.1	0.0	0.0
5. Gross fixed capital formation	P.51	56.7	1.0	-7.6	-1.0	2.0	2.5	3.1
6. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		0.9	0.7	1.1	1.1	1.1	1.2
7. Exports of goods and services	P.6	156.4	0.8	-13.4	4.0	5.0	6.6	6.5
8. Imports of goods and services	P.7	137.1	-0.7	-10.9	2.8	4.3	5.9	6.2
Contribution to real GDP growth								
9. Final domestic demand			1.2	-1.2	0.4	0.9	1.2	1.3
10. Changes in inventories and net acquisition of valuables ¹⁾	P.52 + P.53		0.0	-0.5	0.3	0.0	0.0	0.1
11. External balance of goods and services	B.11		0.8	-1.8	0.8	0.6	0.7	0.5

1) incl. statistical discrepancy

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

Table 2: Price developments

	2008	2009	2010	2011	2012	2013
	Rate of change in %					
1. GDP deflator	2.0	1.8	0.7	1.4	1.5	1.5
2. Private consumption deflator	2.6	0.5	1.3	1.5	1.8	1.9
3. HICP	3.2	0.4	1.3	1.5	1.8	1.9
4. Public consumption deflator	3.0	3.0	1.0	1.5	1.8	1.9
5. Investment deflator	3.0	1.4	0.9	1.5	1.8	1.9
6. Export price deflator (goods and services)	2.6	-2.4	1.1	0.6	1.6	1.6
7. Import price deflator (goods and services)	4.3	-4.4	2.1	0.7	2.2	2.2

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

Table 3: Sectoral balances

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	3.2	2.3	2.4	2.7	2.8	2.9
2. Net lending/borrowing of the private sector	B.9	3.6	5.8	7.1	6.7	6.1	5.6
3. Net lending/borrowing of general government	EDP B.9	-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
4. Statistical discrepancy		0.1	0.0	0.0	0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

Table 4: Labour market developments

	2008	2008	2009	2010	2011	2012	2013	
	ESA Code	Level	Rate of change in %					
1. Employment, persons		3,717,928.1	2.4	-0.9	-0.2	0.3	0.5	0.7
2. Employment, hours worked (in mill.)		7,306.1	0.7	-2.4	-0.1	0.1	0.6	0.4
3. Unemployment rate (%)		162,287.5	3.8	5.0	5.4	5.7	5.7	5.7
4. Labour productivity, persons		71,625.0	-0.3	-2.5	1.6	1.2	1.4	1.3
5. Labour productivity, hours worked		36.4	1.3	-1.0	1.6	1.4	1.3	1.6
6. Compensation of employees (in bn. €)	D.1	138.5	5.3	1.8	1.1	2.4	2.5	3.2
7. Compensation per employee		37,252.6	2.9	2.7	1.3	2.1	1.9	2.5

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

3. Economic policy up to 2013

In the past few years, comprehensive reforms have been undertaken in the fields of economic, budgetary and social policy. The reforms have contributed to improving the attractiveness of Austria as a business location, to increasing the employment rate, and to strengthening international competitiveness. In 2008, Austria ranked high in international comparisons of fundamentals, being among the top European countries in the areas of economic growth, unemployment, etc. The Federal Government has set as its highest priority measures to overcome the crisis, leading to a sustained recovery and preventing the recurrence of a crisis of this extent. Growth and employment effects should be taken into account no less than distributional effects. On this account, the Federal Government will continue the successful Austrian “Three-Pillar-Strategy”:

- A balanced budget over the business cycle
- Investment in the fields of R&D, infrastructure, education and tertiary education for more growth and employment as well as protection of the social system as a location and productive factor
- Structural reforms in the field of public administration

3.1. Budgetary and economic policy objectives

In light of the weak economic environment in 2009, the Federal Government aims at securing economic growth and employment. The good budgetary starting position of the year 2008 allowed for large-volume economic and employment stimulus packages as well as a tax reform, leading to a financial relief for all wage and personal income tax payers and families. These measures have aimed at stimulating purchasing power and aggregate demand, especially in the years 2009 and 2010, and continue to contribute to the European Economic Recovery Plan (European Council, 12 December 2008). The measures were complemented by a strategy coordinated at European Union level for re-establishing the functioning of domestic capital markets.

In the medium-term, major targets aim at securing the business location and full employment (especially avoiding any kind of youth unemployment) as well as the return to a balanced budget.

It is an explicit aim of the Federal Government to advance and improve the international competitiveness in terms of business and employment location, in line with the European partnership for economic growth and employment (Lisbon Strategy).

Austria's growth potential is supported by the following measures:

- the already implemented economic stimulus packages including the tax reform
- the employment stimulus packages (short-time work)
- the measures to regulate and monitor financial markets
- the reduction of barriers to competition, for instance concerning the access to liberal professions,
- the improvement of the regulatory framework to foster a functioning competition,
- an effective support to the Austrian export economy through the optimal use and enhancement of the existing toolkit, in particular within the framework of a new export push, as well as
- the support of Austrian companies in their internationalisation efforts, in particular concerning their expansion through market development and investment in markets with high growth potentials.

Furthermore, the Federal Government is committed to the EU Integrated Guidelines. In light of the current situation in the labour market, it is all the more imperative to focus on targeted measures of active employment and labour market policies so as to keep people in employment facilitate the creation of jobs, and further push labour market integration. The cornerstones of the Austrian labour market policy continue to be: activation, target-group-oriented promotion, integration of the young, low-skilled and disabled persons as well as detached persons, migrants and receivers of social welfare benefits into the labour market and finally the improvement of the efficiency, effectiveness and Austrian-wide mobility when it comes to placing job-seekers.

At the same time, the government aims at strengthening public finances, both in terms of medium-term orientation and quality. In this context a stronger emphasis is put on future-oriented budgetary tasks. More funds for education, science, research and innovation provide the basis for future welfare and improve the starting position of the youth when it comes to entering work life.

The Federal Government is committed to sound and stable public finances as a basis for a functioning state. Thus, it is a common goal to achieve a balanced budget over the business cycle. Like in other EU Member States, to reach this goal ambitious consolidation measures are necessary starting 2011.

The medium-term risks to economic growth lie above all in the uncertainties surrounding the further evolution of the international economic development and labour market. Therefore, the Federal Government will deploy targeted measures to support growth and employment, while continuing to pursue the principle of stable budgetary policy aiming at a balanced budget over the business cycle.

Table 5: General government budgetary prospects 2008 until 2013

		2008	2008	2009	2010	2011	2012	2013
	ESA Code	in bn. €	% of GDP					
	EDP B.9		Net lending by sub-sector					
1. General government	S.13	-1.3	-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
2. Central government	S.1311	-1.6	-0.6	-3.0	-4.1	-3.7	-3.2	-2.7
3. State government (excl. Vienna)	S.1312	0.3	0.1	-0.3	-0.3	-0.2	-0.1	0.0
4. Local government (incl. Vienna)	S.1313	0.2	0.1	-0.2	-0.2	-0.1	0.0	0.0
5. Social security funds	S.1314	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
General government								
6. Total revenue	TR	136.5	48.4	48.0	46.9	46.8	46.9	46.9
7. Total expenditure	TE	137.9	48.9	51.5	51.6	50.9	50.2	49.7
8. Net lending/borrowing	EDP B.9	-1.3	-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
9. Interest expenditure	EDP D.41	7.3	2.6	2.7	2.8	2.9	2.9	2.9
10. Primary balance		6.1	2.2	-0.7	-1.8	-1.2	-0.4	0.2
11. One-off and other temporary measures			0.0	0.0	0.0	0.0	0.0	0.0
Selected components of revenue								
12. Total taxes		79.5	28.2	27.0	26.1	26.3	26.6	26.9
12a. Taxes on production and imports	D.2	39.9	14.2	14.6	14.5	14.6	14.5	14.5
12b. Current taxes on income, wealth etc.	D.5	39.5	14.0	12.4	11.6	11.8	12.0	12.3
12c. Capital taxes	D.91	0.1	0.0	0.0	0.0	0.0	0.0	0.0
13. Social contributions	D.61	44.9	15.9	16.4	16.3	16.2	16.1	16.0
14. Property income	D.4	3.3	1.2	1.3	1.2	1.2	1.1	1.1
15. Other		8.8	3.1	3.2	3.2	3.1	3.1	3.0
16. Total revenue	TR	136.5	48.4	48.0	46.9	46.8	46.9	46.9
p.m.: Tax burden		121.1	43.0	42.2	41.3	41.4	41.5	41.8
Selected components of expenditure								
17. Compensation of employees + intermediate consumption	D.1 + P.2	38.7	13.7	14.2	14.1	13.8	13.5	13.2
17a. Compensation of employees	D.1	25.9	9.2	9.7	9.7	9.5	9.2	9.0
17b. Intermediate consumption	P.2	12.9	4.6	4.4	4.4	4.3	4.3	4.2
18. Social payments		66.6	23.6	25.2	25.5	25.4	25.2	25.2
18a. Social transfers in kind	D.6311, D.63121, D.63131	15.6	5.5	5.8	5.8	5.7	5.7	5.7
18b. Social transfers other than in kind	D.62	51.0	18.1	19.5	19.7	19.6	19.5	19.5
19. Interest expenditure	EDP D.41	7.3	2.6	2.7	2.8	2.9	2.9	2.9
20. Subsidies	D.3	9.8	3.5	3.5	3.5	3.4	3.2	3.1
21. Gross fixed capital formation	P.51	3.1	1.1	1.1	1.1	1.1	1.1	1.1
22. Other		12.3	4.4	4.7	4.6	4.4	4.4	4.3
23. Total expenditure	TE	137.9	48.9	51.5	51.6	50.9	50.2	49.7
p.m.: Government consumption (nominal)	P.3	52.6	18.6	19.7	19.7	19.4	19.1	18.8

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

3.2. Economic and labour market stabilisation measures

Two economic stimulus packages adopted at the end of 2008 as well as a tax reform which retroactively entered into force on the 1st of January 2009 have significantly contributed to the stabilisation and stimulation of the Austrian economy. In line with the European Economic Recovery Plan (EERP) the Austrian approach is focussing on a policy mix including a tax relief as well as a sustainability-oriented increase in expenditures regarding investments in infrastructural projects, energy efficiency and R&D.

In detail, the first economic stimulus package adopted in October 2008 consists of additional investments in rail, road and broadband projects; a support to enterprises (especially SME) via a participation fund, extended guarantee frames and additional funds offering more favourable loan conditions; an increase in disposable incomes of households as well as promotions regarding internationalisation efforts of domestic enterprises. In December 2008, the overall strategy for mitigating the crisis effects and stimulating growth was supplemented by a second economic stimulus package including investments in public estate agency (BIG) projects and thermal renovation; support to enterprises in terms of a possible advanced tax depreciation of physical capital; an increase of public expenditures for R&D; a compulsory and free of charge kindergarten year as well as regional programs for employment promotion.

The tariff reduction implemented with the tax reform significantly increases disposable incomes, especially for families. Enterprises additionally benefit via an extension of the tax allowance for reinvested profits and are supported in their investment activities.

Counter-steering the negative impact of the economic downturn, the reformed short-time working scheme included in the first labour market package adopted in March 2009 curbs rising unemployment and lowers further losses in employment. Furthermore, associated training programmes ensure that valuable human capital is maintained and expanded. As a reaction to the - lagged - further deterioration of the labour market a second employment market package was adopted in July 2009. Those mostly affected by the crisis are further supported with an extension of the duration of short-time work from 18 to 24 months and an increase of according benefits. Labour foundations for the young, now legally based, contribute essentially to reduce unemployment of under-25 year olds. Making use of elderly-employee part-time work is temporarily facilitated and a reform of the educational leave scheme implies additional incentives to upgrade personal qualifications. Enterprises and employees are

supported via an extended solidarity bonus scheme, if in exchange for working time reductions unemployed or apprentices from non-company-based training are hired.

Detailed information concerning stimulus and stabilisation measures has already been provided in the context of the Austrian Stability Programme for the period 2008 to 2013 and the 2009 Implementation Report of the National Reform Programme for Growth and Jobs.

Evaluations and studies elaborated by the WIFO show that the national and external stimulus measures are associated with a growth contribution to real GDP of 2.1 percentage points in 2009 and 2010 cumulatively and secure the employment of 41,500 persons. About half of that impact results from the stimulus packages and the tax reform adopted by the Federal Government, equalling a growth contribution of about 1% and a positive employment effect of 20,000 jobs. The remaining impulse is attributed to the measures of the federal states and spill over effects of Austria's major trading partners. Moreover, according to estimates elaborated by the Federal Ministry for Labour, Social Affairs and Consumer Protection, the measures in the context of the two labour market packages and the labour market policy account for an additional positive employment effect of 52,400 jobs, about 30,000 jobs thereof resulting from the short-time working scheme. The Federal Government's effort considerably decelerated the increase in unemployment.

3.3. Financial market measures

Based on decisions on the stabilization of financial markets at the European level, Austria has adopted a comprehensive and sustainable package of measures to protect the savings deposits and to strengthen the banks and insurance companies. The package entered into force on 27 October 2008 and was modified in August 2009.

The central aspects of the Austrian package of measures encompass:

1. Stimulation of the interbank-market

The objective of the Interbankmarktstärkungsgesetz (Interbank Market Support Act – IBSG) is to reinvigorate the interbank market and thereby to strengthen the banks' confidence in the interbank market. To this end, the banks established a clearing bank, for which the Federal Government can accept liabilities and which acquires funds on the interbank market and accordingly forwards them to other banks. Furthermore, federal guarantees can also be provided for bond issues of credit institutions. For all these measures an amount of 65 bn € is available.

2. Equity-strengthening measures for individual banks

Whilst the objective of the Interbankmarktstärkungsgesetz (Interbank Market Support Act – IBSG) is to restore the functioning of the interbank market, the measures of the Finanzmarktstabilitätsgesetz (Financial Market Stability Act - FinStaG) puts focus on the individual institutes. The Act enables the Federal Minister of Finance in accordance with the Federal Chancellery to take recapitalization measures on credit institutions and insurance companies. This could be by means of state guarantees for potential credit loss or by means of provision of capital, especially participation capital. A further form of recapitalization is the purchase of bank/insurance companies' shares by the Federal Government. For these measures an amount of 15 bn € is available.

3. Restoring confidence in financial markets

As a third pillar of the package, natural persons' deposits were guaranteed in full in order to strengthen confidence. This unlimited guarantee existed until 31 December 2009 and is limited to an amount of EUR 100,000 from 1 January 2010 onwards. Furthermore bank deposits of SMEs

will be guaranteed up to 50,000 €, the coinsurance of 10% on guaranteed deposits of legal persons remained unchanged until the phasing out of the relevant provisions under EU law. Coverage of deposits, exceeding the amount of 50,000 Euro, will be guaranteed directly by the state. For this measure 10 bn € are available in the package; so far the Austrian deposit guarantee scheme has not been called upon.

4. Strengthening supervision

Finally, the Financial Market Authority has the right to prohibit “naked short selling” (the selling of securities without owning them) and to sanction violations accordingly.

5. Act Strengthening Enterprise Liquidity

Under the Unternehmensliquiditätsstärkungsgesetz (Act Strengthening Enterprise Liquidity - ULSG), which entered into force on 25 August 2009, the Federal Government assumes liabilities for loans to enterprises in order to facilitate their access to funding. The guarantees are available for companies with more than 250 employees, an annual turnover of more than 50 m € and a sound economic base before the crisis, which means before 1 July 2008. For these measures an amount of 10 bn € is available.

6. Credit supply

The banks which make use of the package of measures are obliged to enhance credit supply, especially by providing loans to SMEs and mortgage loans to households. The aim here is to prevent a credit crunch and to ensure lending to the real economy.

Resource utilization

The package of measures was well received by the financial markets. On 31 December 2009, the effective state guarantees for bond issues by commercial banks amounted up to 20.4 bn €. In addition, the Federal Government has subscribed for participation capital of five Austrian banking groups amounting to about 5.4 bn €. Furthermore, the Federal Government has assumed liabilities for obligations to banks (1.5 bn €) and provided capital injections amounting to 310 m €. On 31 December 2009, the overall transaction volume of the clearing bank amounted to 1.2 bn €. In line with the ULSG guarantees amounting to almost 500 m € were granted.

Budgetary aspects

Due to a lack of an annual profit for 2008, no dividend was paid to the Federal Government in 2009 for the subscribed participation capital. On the other hand, annual dividend payments amounting to 280 bn € are being expected for the next five years. In 2009, revenues from guarantee fees amounted to 217 m €, for 2010 revenues are being expected to amount to 277 m €.

3.4. Business cycle and government balance

Public finances are burdened over the programme-period by the sharp decline in growth 2009 as well as the substantial stabilisation and stimulus measures.

Table 6: Cyclical developments and general government balance until 2013

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013
1. Real GDP growth (%)		2.0	-3.4	1.5	1.5	1.9	2.0
2. Net lending of general government	EDP B.9	-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
3. Interest expenditure	EDP D.41	2.6	2.7	2.8	2.9	2.9	2.9
4. One-off and other temporary measures		0.0	0.0	0.0	0.0	0.0	0.0
5. Potential GDP growth (%)		1.7	1.2	1.4	1.6	2.0	2.1
<i>Contributions:</i>							
- Labour		0.0	-0.3	-0.1	0.1	0.5	0.5
- Capital		0.7	0.5	0.5	0.5	0.4	0.4
- Total factor productivity		1.0	1.0	1.0	1.1	1.1	1.1
6. Output gap		2.8	-1.8	-1.7	-1.9	-2.0	-2.0
7. Cyclical budgetary component		1.3	-0.9	-0.8	-0.9	-0.9	-1.0
8. Cyclically-adjusted balance		-1.8	-2.6	-3.9	-3.1	-2.4	-1.7
9. Cyclically-adjusted primary balance		0.8	0.1	-1.0	-0.3	0.5	1.1
10. Structural balance		-1.8	-2.6	-3.9	-3.1	-2.4	-1.7

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, COM, Federal Ministry of Finance

3.5. Development of the general government deficit and debt quota

According to preliminary estimates of the Federal Ministry of Finance, the general government balance amounts to about -9.6 bn € or about -3.5% of GDP in 2009, which corresponds to the projected figures. Due to the weakening of the economic environment as compared to the assumptions made at the time of the budget preparation, gross revenues from taxes, being particularly sensitive to the business cycle, have fallen short of the projected values by about 0.5 bn €, or about 0.5% of GDP. Most notably, the corporate tax has fallen short by almost 1 bn € or about 20% of the projected amounts. Similarly, the wage tax (-0.1 bn €), the VAT (-0.3 bn €)

and the mineral oil tax (-0.1 bn €) each turned out less than planned. This loss in revenues was compensated by lower expenditures. The budget was executed very strictly: personnel and operating expenditures turned out to be lower than planned. In the same way, interest expenditure was lower than anticipated, because Austria's financing conditions have improved significantly as compared to the assumptions made at the time of the budget preparation.

The debt ratio will likely be significantly lower than expected. Instead of 68.5%, it will amount to 66.5% of GDP. The main reason for these lower figures resides in the fact that the instruments introduced to tackle the banking crisis in 2009 eventually required the use of only € 4.8 bn € instead of the 10.3 bn € budgeted.

As planned, the general government deficit will amount to 4.7% in 2010. The increase over 2009 is driven by the tax reform 2009 as well as by the lag in the evolution of the labour market and of taxes on incomes and profits (automatic stabilisers). Parts of the tax reform – e.g. tax relief for families with children, the tariff reduction for the self-employed and the accelerated depreciation – will only become effective in the course of 2010.

Table 7: General government debt developments 2008 until 2013

% of GDP	ESA Code	2008	2009	2010	2011	2012	2013
1. Gross debt		62.6	66.5	70.2	72.6	73.8	74.3
2. Change in gross debt ratio		5.3	6.2	5.5	3.5	1.6	0.7
Contributions to changes in gross debt							
3. Primary balances		2.2	-0.7	-1.8	-1.2	-0.4	0.2
4. Interest expenditure	EDP D.41	2.6	2.7	2.8	2.9	2.9	2.9
5. Stock-flow Adjustment		5.1	-0.6	0.4	0.4	0.2	0.3
p.m.: Implicit interest rate on debt		4.2	4.1	4.0	3.9	3.9	3.9

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

In the forthcoming years, the general government deficit would remain at this level, if no consolidation measures are taken. In light of this development, the budget consolidation and, with it, the recovery of a room for manoeuvre for fiscal policy will be given high priority in the budget policy starting 2011. The Federal Government aims at reducing the general government deficit to 2.7% of GDP by 2013. The planned consolidation will be undertaken primarily on the expenditure side without, however, putting aside economic and social policy tasks. Growth and employment effects should be taken into account no less than distributional effects.

All public households are called upon to contribute their share to the medium-term budget consolidation. All expenditure categories have to be included. This programme intends to deploy above all structural and sustainable reforms.

Table 8: Divergence from the previous update (April 2009)

	ESA Code	2008	2009	2010	2011	2012	2013
Real GDP growth (%)							
SP April 2009		1.8	-2.2	0.5	1.5	2.0	2.3
SP January 2010		2.0	-3.4	1.5	1.5	1.9	2.0
<i>Difference</i> ¹⁾		0.2	-1.2	1.0	0.0	-0.1	-0.3
General government net lending (% of GDP)							
	EDP B.9						
SP April 2009		-0.4	-3.5	-4.7	-4.7	-4.7	-3.9
SP January 2010		-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
<i>Difference</i> ¹⁾		0.0	0.0	0.0	0.7	1.4	1.2
General government gross debt (% of GDP)							
SP April 2009		62.5	68.5	73.0	75.7	77.7	78.5
SP January 2010		62.6	66.5	70.2	72.6	73.8	74.3
<i>Difference</i> ²⁾		0.1	-2.0	-2.8	-3.1	-3.9	-4.2

1) A positive sign denotes an improvement.

2) A positive sign denotes a deterioration.

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

4. Sensitivity analysis of the baseline scenario with respect to exogenous shocks

In comparison to the main underlying scenario (baseline scenario) the effects of two alternative scenarios for the budgetary balance and the debt ratio are analysed in the following paragraphs. The first scenario builds on the assumption of faster stabilization and stronger economic recovery in Austria. In particular, annual real growth rates are assumed to be +0.5 percentage points higher than in the baseline scenario. Under these circumstances a budget deficit below the 3% Maastricht reference value would be reached by 2012, hence, one year in advance compared to what is required by the ECOFIN Council. Moreover, the debt ratio would increase considerably less over the programme period and would start to decline already in 2013.

Table 9: Economic growth and public finances in 3 scenarios

	2008	2009	2010	2011	2012	2013
Baseline scenario						
GDP, nominal in bn. €	281.9	277.2	283.1	291.2	301.1	311.8
GDP, real, rate of change in %	2.0	-3.4	1.5	1.5	1.9	2.0
Net lending/borrowing in % of GDP	-0.4	-3.5	-4.7	-4.0	-3.3	-2.7
Gross debt in % of GDP	62.6	66.5	70.2	72.6	73.8	74.3
Scenario 1						
GDP, nominal in bn. €	281.9	277.2	284.5	294.1	305.6	318.0
GDP, real, rate of change in %	2.0	-3.4	2.0	2.0	2.4	2.5
Net lending/borrowing in % of GDP	-0.4	-3.5	-4.4	-3.6	-2.6	-1.8
Gross debt in % of GDP	62.6	66.5	69.6	71.3	71.4	70.7
Scenario 2						
GDP, nominal in bn. €	281.9	277.2	281.7	288.4	296.7	305.7
GDP, real, rate of change in %	2.0	-3.4	1.0	1.0	1.4	1.5
Net lending/borrowing in % of GDP	-0.4	-3.5	-4.9	-4.5	-4.0	-3.6
Gross debt in % of GDP	62.6	66.5	70.8	74.0	76.2	77.9

Positions may not sum up due to rounding errors.

Source: STAT, WIFO, Federal Ministry of Finance

Contrary to that, economic growth in the second scenario is assumed to be weaker than in the baseline scenario during the coming years. In particular, annual real growth rates are assumed to be -0.5 percentage points below the baseline scenario. For the deficit, this would imply an increase to -4.9% in 2010, and the stated aim to reach the Maastricht reference value of 3% by 2013 could not be achieved. Apart from that, the debt ratio would rise to close to 78% by 2013.

5. Quality of public finances

5.1. Budget law reform

As already mentioned in the stability programme for 2008-2013, the federal budget law reform was adopted by constitutional law in 2007 and comprises two stages.

The first stage is being implemented since 2009 and has the following objectives:

- The multi-annual government budget plan: In the context of the Federal Budgetary Framework Law (“Bundesfinanzrahmengesetz”), Parliament decides upon binding expenditure ceilings for the following four years; an accompanying strategy report of the federal government contains political declarations of intent and explanations. By means of rolling yearly updates, the budgetary framework is complemented with the figures of the year adding to the planning horizon.

The expenditure ceilings of the current Federal Budgetary Framework Law 2009-2013 are fixed by approx. 75% and variable by approx. 25%. The variable part mainly comprises expenditures that depend on the evolution of the business cycle or on tax revenues, which are determined by separately specified parameters. As a result, the funds increase or decrease adequately, contributing to a counter-cyclical budgetary policy and, hence, to a stabilisation of the economy.

- Funds that have not been spent by the end of the year, do not expire, but are rather added to a non-earmarked reserve fund and can be spent by the respective department at a later point in time. Ultimately, the tax payers’ money can be spent more efficiently, since not necessary expenditures at the end of the year in order to exploit the whole annual budget (“December fever”) do not materialize anymore.

The second stage, which will come into effect as of 2013, aims at the following goals:

- Performance budgeting: In all its details, the budget is going to become an integrated document of control, listing resources as well as effects that are induced by them. This also includes Gender Budgeting as an integrated part of performance budgeting.

- Fundamental progress concerning the development of the federal state's accounting system, which will be guided by business-based aspects (accrual budgeting and accounting), without, however, neglecting the special features of public administration.
- Effective incentives and sanctioning mechanisms support compliance with the budget regulations. The integrated multi-annual planning of resources, targets and performance at department level supports the concept of resource- and performance budgeting.
- A mandatory and regular long-run budget forecast (covering at least 30 years) is going to be introduced, which should help to improve the budgetary planning process substantially.

The necessary legal basis was provided by the Austrian Parliament in December 2009 through the unanimous passage of the Federal Budget Law 2013. As from 2010 onwards, extensive preparations are being made in order to accommodate the comprehensive cultural change going along with the reform and concerning the whole federal administration. Subsequent to the transition- and preparation period during the first stage of the reform from 2009 to 2012, in the second stage from 2013 onwards, the federal state will obtain a modern budget law, designed in line with best international practices.

5.2. Administrative reform

A lean, dynamic and effective public administration is a major goal of the Austrian Federal Government. From a budgetary point of view, the following goals are to be aimed for: Fostering outcome-oriented processes, providing high quality services in a cost efficient manner and supporting fiscal consolidation.

Therefore, the Federal Government set into charge a special working group, including representatives of the federal states. This group should develop proposals for a reform of the public administration on the basis of work undertaken by the court of audit and the board for national debt surveillance. Eleven work packages are being discussed. They cope with: pensions, education, science and research, efficient subsidizing, service orientation, deregulation, efficiency in public administration, reforming tasks and structures, revenue allocation between the Federation and the federal states, budget law, healthcare, environmental issues, infrastructure, public enterprises and funds.

Within the subjects, education and efficiency in public administration policy issues have already been identified. The recommendations for the education sector are being discussed in Parliament and together with the federal states.

Concerning efficiency of public administration, recommendations for eGovernment and optimizing support processes have led to 32 projects that cope with shared services and eGovernment. Moreover several measures initiated by the ministries have been taken.

Also, the topics pensions and efficiency of subsidizing have already been analysed. The Austrian National Bank and the Federal Railways were asked to deliver proposals. Those federal states that have not yet implemented pension reforms in line with that of the federal administration are asked to do so.

5.3. Better Regulation

In spring 2006, the Federal Government started an initiative so as to reduce the administrative burden for companies by 25%. Thereby, Austrian business should gain one billion € per year. This goal shall be attained in two steps: the obligations based on federal law will be adjusted by 2010, those based on European legislation by 2012. In the current times of economic uncertainty, this measure should free capital of firms for productivity enhancing activities. It should ease the administrative burden and make it less time-consuming to handle. It should also ease the procedures for undertaking investment and thereby foster employment.

The initiative is currently being implemented: In March 2008, the Federal Government adopted its first measures; another update was undertaken when planning the federal budget for 2009. A special brochure attached to the official documents accompanying the federal budget, called "Reduction of Administrative Burden for Companies" was published. It reports on the progress of the initiative. The initiative is currently in an important phase: The first goal of a spending reduction of 560 m Euros should be reached in 2010. Until now, actions for 75% of this goal are planned and 35% fulfilled.

One core measure is the stepwise creation of a central internet-accessible contact point for businesses until 2013. This One-Stop-Shop should substantially facilitate the compliance with information obligations for firms. Higher quality in the provision of information will ensure that firms properly get to know legal alterations, intentions and technical details. The initiative

was successfully extended to the federal states. In a first stage, three federal states, namely Upper Austria, Styria and Tyrol, undertook pilot projects in order to measure the administrative burden based upon legislation of the federal states. A process to find actions to tackle this will start in 2010.

In April 2009, the Federal Government initiated a programme to facilitate administrative procedures for citizens. It is based on a research on the 100 most time-consuming information obligations for citizens using the standard cost model. Further actions were taken concerning the administration of birth, marriage and death. Simplifications based on the findings of this programme will be planned and implemented in 2010. This will happen in cooperation with citizens, advocacy groups, authorities and the ministries. The goal is to ease the administrative burden for citizens and to improve the quality of the services.

Not only the stock of existing laws is scrutinized on possibilities for simplifications, it also happens in the process of introducing new laws and decrees (for laws concerning enterprises since 2007, in general legislation since 2009). The Ministry of Finance is tasked to control the correct calculation and to support other ministries during the implementation. To facilitate this and to create transparent outcomes, computer software that calculates costs of administration and provides standardized texts for legal documents has been provided by the Ministry of Finance in 2009.

5.4. Structural changes in public spending

In 2008 public expenditure as percentage of GDP were 2.1 percentage points lower compared to 2002. Compared to 1996 they were reduced even by 7 percentage points. The largest shares of public expenditure are still spent on "social security" (20% of GDP) and "health care" (7.7%). Whereas public expenditure for health care as percentage of GDP increased compared to 2002, expenditures for general public services were significantly reduced, amongst others due to administrative reforms, the abolition of dual responsibilities, use of new information technology as well as reduction of staff.

Table 10: General government expenditures by function

% of GDP	COFOG Code	1996	2002	2008
1. General public services	1	8.6	7.6	6.5
2. Defence	2	1.0	0.9	1.0
3. Public order and safety	3	1.6	1.5	1.5
4. Economic affairs	4	5.4	4.7	4.9
5. Environmental protection	5	1.2	0.5	0.4
6. Housing and community amenities	6	1.6	0.8	0.6
7. Health	7	7.7	7.0	7.7
8. Recreation, culture and religion	8	1.0	1.0	1.0
9. Education	9	6.1	5.9	5.3
10. Social protection	10	21.8	21.2	20.0
11. Total expenditure	TE	55.9	51.0	48.9

Positions may not sum up due to rounding errors.

Source: STAT

6. Sustainability of public finances

Public finances face various challenges. At present, the budget is particularly burdened by the prevailing financial and economic crisis. On the one hand, automatic stabilisation leads to shrinking tax revenues. But also the expenditure side experiences a major push upwards, as extensive discretionary expenditures aiming at stimulating the economy and stabilizing the financial market were put in place, as well as expenditures to dampen the negative effects – stemming from the crisis – on social welfare. The public expenditure side must at the same time handle existing liabilities due to past public borrowing and the fiscal burden related to a population ageing.

According to the baseline scenario of the recent EU long-term projections from 2009¹ public age-related expenditures – mainly for pensions, health- and long-term care – are expected to rise, due to demographic changes, from today up to 2060 by approximately 3 percentage points of GDP, from 25.8% of GDP in 2008 to 29% of GDP in 2060.

The macroeconomic assumptions for this baseline scenario were established in spring 2008. The effects stemming from the financial and economic crisis on the economy, employment as well as on public finances – which unfolded in its entire magnitude at the end of 2008 – could, thus, at that time not be considered. For this reason the European Commission computed three additional crisis scenarios. The “Lost Decade” scenario assumes a lower potential GDP growth rate up to 2020 in comparison with the baseline scenario. According to this growth path, age-related expenditures would be one additional percentage point of GDP higher in 2060 compared to the projections following the baseline scenario.

Both, the worse budgetary starting position as a consequence of the crisis and the ageing driven increase in pension-, health- and long-term-care expenditures by approximately 3-4 percentage points of GDP until 2060 lead to a widening fiscal sustainability gap in Austria. This is being illustrated in detail in the Sustainability Report 2009² of the European Commission. The Austrian Federal Government is well aware of the need to consolidate the budget. Thus, the government will press ahead with the consolidation of public finances from 2011 on.

¹ For further information see: „2009 Ageing Report: Economic and budgetary projections for the EU-27” by the European Commission and the Economic Policy Committee (AWG) in European Economy 2/2009.

² For further information see: „Sustainability Report - 2009” by the European Commission, Directorate-General for Economic and Financial Affairs.

Table 11: Long-term sustainability of public finances

% of GDP	2008	2020	2030	2040	2050	2060
Age-related expenditures	25.8	26.2	27.7	28.6	29.3	29.0
Total pension expenditures ¹⁾	12.7	13.0	13.8	13.9	14.0	13.6
<i>of which: Social security pension</i>	9.2	9.9	11.0	12.0	12.6	12.3
<i>of which: Public servants</i>	3.5	3.1	2.8	1.9	1.4	1.3
Health care ²⁾	6.5	7.0	7.4	7.8	8.1	8.0
Long-term care ²⁾	1.2	1.4	1.6	1.9	2.2	2.4
Education ²⁾	4.2	3.9	3.9	3.9	4.0	4.1
Unemployment benefit ²⁾	0.8	0.6	0.6	0.6	0.6	0.6
Revenue from pensions contributions ³⁾	8.9	9.0	9.0	9.1	9.1	9.1
Assumptions						
Real GDP (potential growth in %)	2.2	1.9	1.5	1.5	1.5	1.5
Labour productivity (rate of change in %)	1.6	1.7	1.7	1.7	1.7	1.7
Employment rate males (aged 15-64) ²⁾	78.4	77.6	78.1	79.1	78.7	78.8
Employment rate females (aged 15-64) ²⁾	65.0	67.7	68.1	69.9	69.6	69.6
Employment rate total (aged 15-64) ²⁾	71.7	72.7	73.1	74.6	74.2	74.3
Unemployment rate	4.4	4.3	4.3	4.3	4.3	4.3
Population aged 65+ as a percentage of the working-age population	25.4	29.2	38.1	46.0	48.3	50.6

1) Based on data from the Federal Ministry of Finance; Federal Ministry of Labour, Social Affairs and Consumer Protection and STAT
excl. additional social assistance benefits and pension expenditures for administration, rehabilitation, etc.

2) Based on EPC/COM forecasts

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

Positions may not sum up due to rounding errors.

Source: COM; EPC; Federal Ministry of Finance; Federal Ministry of Labour, Social Affairs and Consumer Protection; STAT

Invalidity legislation is supposed to be newly arranged, thus, focusing increasingly on “prevention and occupational health care provision”. In order to retain, respectively to regain the employability of mentally and/or physically disabled people, job-related and medical rehabilitation is envisaged to be enforced as well as easier accessible. These are some of the measures which shall help to increase the effective retirement age.

Regarding the health care sector, the Federal Government and the public health funds agreed upon a cost reduction volume of 1.725 bn € in the years 2010 up to the end of 2013. The social health care insurance is requested to report half-yearly on the status of implementation as well as the achievement of objectives. This shall be done by way of an evaluation process. In case of a negative deviation from the binding cost path the reasons for the deviation need to be explained. If the deviation still exists on 15 September, additional expenditure side related measures must be proposed in order to realize the agreed objectives. Furthermore, public health funds must, while compiling the first evaluation report, also make supplemental proposals for cost cutting measures which go beyond the predetermined cost reduction volume of 1.725 bn €.

Such measures could be related to the following issues: creating synergies in the back office of health insurance funds, transition to a modern and more flexible public services law as well as measures in the area of information and communication technologies.

7. Institutional factors and the stability programme within the fiscal framework

7.1. Medium term budget planning

With regard to medium-term budget planning, three instruments are in place in Austria.

The federal constitution and the federal budget law prescribe a multi-annual and compulsory federal budget planning by means of a Federal Budgetary Framework Law (“Bundesfinanzrahmengesetz”) and an accompanying strategy report.

With a view to stability-oriented budget policy, federal states and municipalities have committed to contribute to sound public finances. This forms part of the national budgetary coordination process, which encompasses all administrative units and is based on a special federal constitutional law regulating the national stability pact.

In the context of the Stability and Growth Pact of the European Union, a stability programme is presented annually. Under the terms of the national stability pact, it is endorsed by the Federal Government, giving due consideration to the national budgetary coordination process. The stability programme is submitted to the Council of the European Union, the European Commission, the Austrian Parliament, social partners and financial equalisation partners. The Finance Minister’s report on the Austrian Stability Programme for the period 2008-2013 was submitted to Parliament on 21 April 2009 and examined by the budget committee in a public hearing on 2 July 2009.

In line with the Federal Budgetary Framework law, the federal budget law of 2013 will provide for budgetary planning over a 30-year period from 2014 onwards at the latest.

7.2. Excessive deficit procedure

On 2 December 2009, the ECOFIN Council concluded that according to Article 126(6) TFEU an excessive deficit exists in Austria. On the basis of a recommendation under Article 126(7) and due to sound initial budgetary conditions, Austria is nevertheless invited to implement the budget for 2010 as planned.

Fiscal consolidation should start in 2011 at the latest in order to reduce the deficit to below 3% of GDP by 2013. This requires an annual consolidation effort of ¾ percentage points of GDP in the years 2011 to 2013.

Council recommendation to Austria:

- “(1) Recognising that the Austrian budgetary position in 2009 resulted from measures amounting to 1½% of GDP, which were an appropriate response to the European Economic Recovery Plan, and the free play of automatic stabilisers, the Austrian authorities should implement the fiscal measures in 2010 as envisaged and, starting consolidation in 2011, to put an end to the present excessive deficit situation by 2013.
- (2) The Austrian authorities should bring the general government deficit below 3% of GDP in a credible and sustainable manner by taking action in a medium-term framework. Specifically, to this end, the Austrian authorities should:
- a) ensure an average annual fiscal effort of ¾% of GDP over the period 2011-2013, which should also contribute to bringing the government gross debt ratio back on a declining path that approaches the reference value at a satisfactory pace by restoring an adequate level of the primary surplus;
 - b) specify the measures that are necessary to achieve the correction of the excessive deficit by 2013 cyclical conditions permitting and accelerate the reduction of the deficit if economic or budgetary conditions turn out better than currently expected.
- (3) In addition, the Austrian authorities should seize opportunities beyond the fiscal effort, including from better economic conditions, to accelerate the reduction of the gross debt ratio back towards the reference value.
- (4) The Council establishes the deadline of 2 June 2010 for the Austrian government to take effective action to implement the fiscal measures in 2010 as planned and to outline the consolidation strategy in some detail that will be necessary to progress towards the correction of the excessive deficit. The assessment of effective action will take into account economic developments compared to the economic outlook in the Commission services' autumn 2009 forecast.

The Austrian authorities should report on progress made in the implementation of these recommendations in a separate chapter in the updates of the stability programmes which will be prepared between 2010 and 2013.

Furthermore, the Council invites the Austrian authorities to implement reforms with a view to raising potential GDP growth. This includes reforms conducive to enhancing the quality of public finances, in particular by improving its budgetary framework to strengthen fiscal discipline at all levels of

government through enhanced transparency and accountability notably by aligning legislative, administrative and financing responsibilities between the different levels of government as well as reforms improving incentives for older workers to continue working by implementing a comprehensive strategy including enhanced job-related training, adaptation of working conditions, and tightening the conditions for early retirement.”

The Austrian Federal Government takes note of the Council’s recommendations and provides, as a first step, new budgetary targets until the year 2013 in the present Stability Programme. In the course of the preparation of the new Federal Budgetary Framework Law the necessary steps will be taken to be able to deliver the proof of effective action by 2 June 2010 at the latest.

Source/Links

- Austrian Parliament

Link: <http://www.parlament.gv.at/PD/HP/show.psp>

- Federal Ministry of Finance (BMF)

Link: <https://www.bmf.gv.at/>

- Federal Chancellery (BKA)

Link: <http://www.bundeskanzleramt.at/>

- Federal Ministry of Labour, Social Affairs and Consumer Protection (BMAŠK)

Link: <http://www.bmask.gv.at/>

- Federal Ministry of Economy, Family and Youth (BMAWFJ)

Link: <http://www.bmwfj.gv.at/Seiten/default.aspx>

- Austrian Institute of Economic Research (WIFO)

Link: <http://www.wifo.at/>

- Statistics Austria (STAT)

Link: <http://www.statistik.at/>

- Public Employment Service Austria (AMS)

Link: <http://www.ams.at/>

- Austrian Federal Financing Agency (ÖBFA)

Link: <http://www.oebfa.co.at/>

- Eurostat (ESTAT)

Link: <http://epp.eurostat.ec.europa.eu/>

- European Commission (COM)

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- Reuters EcoWin (EcoWin)

Link: <http://www.ecowin.com/>

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