BMF
FEDERAL MINISTRY
OF FINANCE

Austrian
Draft Budgetary Plan 2014

Federal Ministry of Finance

Vienna, 15 October 2013

Contents

1. INTRODUCTION 1
2. ECONOMIC SITUATION IN AUSTRIA 2
2.1. Modest growth in 2013 2
2.2. Financial sector developments 3
2.3. Moderate acceleration of activity in 2014 5
3. ECONOMIC AND BUDGETARY POLICY STRATEGY 6
3.1. Federal budget 2013 7
3.2. Budget 2014 9
3.3. Measures 9
3.4. Institutional safeguarding of the consolidation 11
3.5. Excessive Deficit Procedure (EDP) 12
3.6. Distributional effects 12
4. ANNEX 14

Tables

Table 1: Basic assumptions 14

Table 2: Macroeconomic prospects 14

Table 3: Price developments 15

Table 4: Labour market developments 15

Table 5: Sectoral balances 15

Table 6: Budgetary targets 16

Table 7: General government debt developments 16

Table 8: Contingent liabilities 17

Table 9: Budgetary prospects (no-policy change scenario) 17

Table 10: Budgetary prospects 18

Table 11: Amounts to be excluded from the expenditure benchmark 18

Table 12: Quarterly budgetary execution in accordance with ESA standards (in mn €) 19

Table 13: Divergence from latest SP (April 2013) 19

Table 14: Discretionary measures taken by Central government (in million €) 20

Table 15: Discretionary measures taken by Central government (in % of GDP) 21

Table 16: Country specific recommendations (CSR) 22

Table 17: Targets set by the Union's strategy for growth and jobs 28

Figures

Figure 1: Real GDP growth 2

Figure 2: Contribution to growth 2

Figure 3: Long-term interest rates 3

Figure 4: Financial market performance 3

1. Introduction

In accordance with Article 4(2) of Regulation (EU) 473/2013, “draft budgetary plans” have to be annually prepared by 15 October. These documents should contain the Central Government`s draft budget for the forthcoming year as well as the main parameters of the draft budgets for all the other subsectors of the general government. They have to be made public and, according to Article 6 of the Regulation, submitted to the EC and the Eurogroup.

The format and content of the present document are in line with the requirements of the Code of Conduct as endorsed by the ECOFIN Council on July 9th, 2013 as well as the Commission Delegated Regulation (EU) 877/2013 of June 27th, 2013.

Due to parliamentary elections on September 29th, 2013 and the subsequent formation of a new government, the “draft budgetary plan 2014” is endorsed by the current government subject to the condition that the incoming government will present a new and adapted draft budgetary plan (including drafts for a Federal Budget Law and a Federal Budget Framework Law 2015-2018) presumably in spring 2014.

The present document is based on the Federal Budget Framework Law 2014-2017 and the parameters of the Austrian Stability Pact. The Federal Government’s strategy for the period 2013 to 2017 was launched under the headline “Sound public finances by pursuing reforms. Economic growth by implementing proactive measures.” and is based on three targets:

- Achieving a balanced budget by 2016, ensuring long-term sustainability and reducing the debt ratio to 60% of GDP
- Strengthening investments in the areas of education, universities, R&D and infrastructure to support growth and employment
- Proceeding structural reforms in the field of pensions, health policy, public administration, subsidies and labour markets

National accounts data from Statistics Austria (STAT) until 2012, the economic forecast by the Austrian Institute of Economic Research (WIFO) of October 4th, 2013 as well as own calculations and assessments by the Federal Ministry of Finance (BMF) provide the data framework for the present programme.

Supported by final budgetary outcomes 2012, the budget implementation 2013 and subject to continuing the Federal Budget Framework Law 2014-2017 in the years 2013 and 2014, Austria is going to reach its national budgetary targets and will respect the provisions of the strengthened EU fiscal surveillance (“Sixpack”, “Twopack”) as well as the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG).

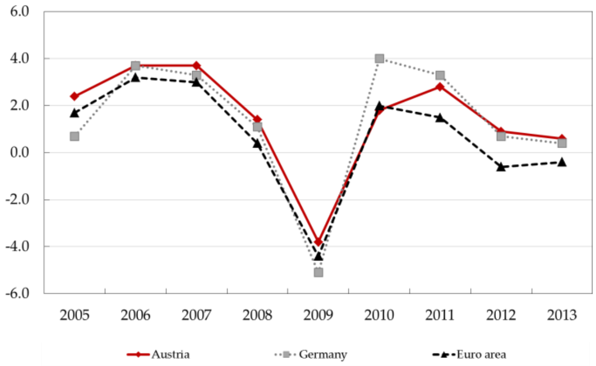
2. Economic situation in Austria

2.1. Modest growth in 2013

Since start of the crisis the Austrian economy has achieved a relatively robust growth performance: after a marked contraction of 3.8 per cent in 2009, real gross domestic product has rebound and, in 2012, settled 1.5 percentage points higher than it had been before the onset of the crisis in 2008. The Austrian economy seems to have passed the trough of the business cycle in 2Q2013; even though a pronounced acceleration is expected in 4Q2013, the growth rate for the entire year is expected to be modest and amount to 0.4 per cent. Consumer demand does not contribute to growth this year; the contraction of private spending on durable consumer goods is considerable and investments in equipment have been falling as well this year. Net exports, in contrast, have been evolving more dynamically and are driven both by an acceleration of economic activity in the main trading partner countries as well as by weaker imports due to low domestic demand.

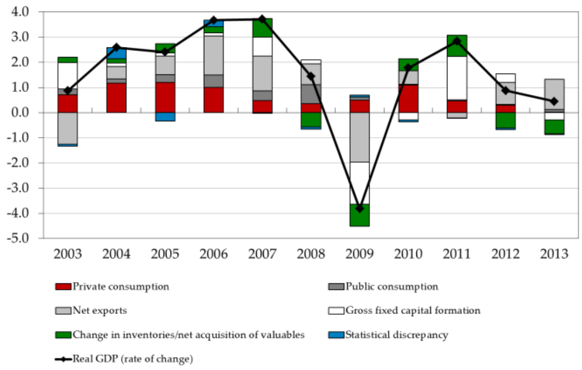
The Austrian economy has been growing faster than that of the euro area for a longer period.

Figure 1: Real GDP growth



Left axis: Rate of change over previous year in %
Source: EUROSTAT

Figure 2: Contribution to growth



Left axis: Contribution to real GDP growth in percentage points
Sources: STAT, WIFO

Moderate growth and a continued inflow of labour, inter alia also from Eastern European EU Member States, will lead to an increase in the unemployment rate (as defined by Eurostat) to 5.1 per cent, compared to 4.3 per cent one year earlier. This will correspond to approximately 287,600 registered unemployed persons. The employment rate (as defined by Eurostat) will change only marginally from 72.5 per cent (2012) to 72.3 per cent (2013), whereas the number of registered unemployed persons will rise by +27,000 – which will be less than the increase in the number of employed persons (+30,000). The Austrian unemployment rate has been among the Top 1 to 3 in the European Union for years.

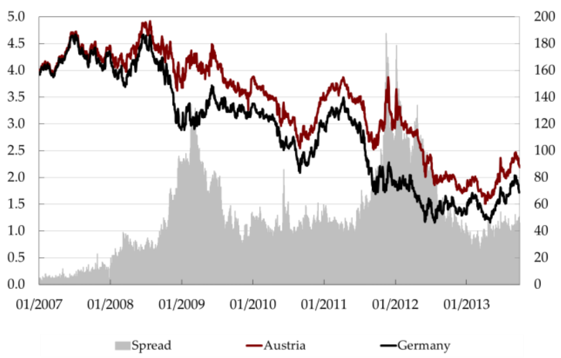
A combination of falling fuel prices, a slowing increase in food prices and tepid demand will lead to an inflation rate (CPI) of 2.0 per cent rate in 2013 down from 2.4 per cent the year before.

2.2. Financial sector developments

Since May/June 2013 higher long-term interest rates were observed in numerous countries based on communication about a possible tapering of the securities purchase programme in the US and on signs of an improved economic outlook in the US and the euro area.

The long-term Austrian interest rate spread to Germany showed a stable development since spring 2013.

Figure 3: Long-term interest rates



Right axis: Spread in basis points
Left axis: Long-term interest rates in %
Source: Macrobond (as of 30 September 2013)

Figure 4: Financial market performance

Left axis: Index
Source: Macrobond (as of 30 September 2013)

Banking sector

The first half of 2013 was dominated by a low interest rate environment and an economic downturn, having a negative effect on risk provisioning requirements especially in CESEE (Central, East and South-eastern Europe).

The unconsolidated operating profit for Austrian banks amounted to 3 bn € in the first half of 2013 , down some 20% compared with last year's figure which, however, included extraordinary income effects (e.g. repurchases of tier 2 instruments). The cost-income ratio continues to deteriorate. The development has been driven by declining revenues and rising expenses. Excluding commission income and other operating income the annual growth rate of all income components was negative. For the year 2013 in total, banks are expecting an unconsolidated result of approximately 2.5 bn € as of June 2013 compared to 3.2 bn € in 2012. This would correspond to an unconsolidated return on assets (ROA) of around 0.26% and to a return on equity of approximately 3.26%.

The quality of loans in Austria remains widely unchanged at an impairment ratio for consumer loans of 3.4% at the end of June. By contrast, the consolidated impairment ratio amounted to 4.7% recently, and non-performing loans show a similar development.

The domestic lending volume of Austrian banks increased by 0.1% to 328.5 bn € at the end of 2012. The growth performance was weak but nevertheless significantly above the Eurozone average. Particularly corporate loans are above the average (Mai 2013: AT +1.0% yoy vs. EA -3.1% yoy) whereas the respective figures of financing of private households remain at the same level (just over 0). Foreign currency loans decreased to 13.2% of all consumer credits.

As at the end of March 2013, Austrian banks had a consolidated total equity ratio of 14.7%, a core capital ratio of 11.4% and a Core-Tier 1 ratio of 11.1%. Compared to 2012 all of these figures improved.

An exit from public support measures for the banking sector will be implemented, inter alia, within the framework of the Interbank Market Support Act (IBSG). As of the end of September 2013 government guaranteed bonds issued by financial institutions were reduced to 3.2 bn €.

By the end of September 2013 according to the Financial Market Stability Act (FinStaG) 13.4 bn € were made publicly available for capital and liquidity support, whereof 2.8 bn € have been dedicated to participation capital subscribed to by four systemically important banks and 3 bn € to a guarantee program for short term securities issues for *KA Finanz*, respectively. The process of privatization of *Kommunalkredit Austria* started at the beginning of 2012 and had to be abandoned due to a lack of adequate offers concerning economic and state aid legislation considerations in May 2013. An orderly run-down plan requiring the discontinuation of new credit business and the wind down of the asset portfolio over the long run was set according to the relevant state aid requirements. The orderly run-down plan was confirmed by the European Commission on July 19^{th}, 2013.

In 2013, support measures were implemented for *Hypo Alpe Adria, KA Finanz* and *Österreichische Volksbanken AG (ÖVAG*). For *Hypo-Alpe-Adria* 700 million € were used for a capital increase. The Austrian government granted a shareholder contribution to *KA Finanz* at the amount of 200 million €. The Austrian government assumed liabilities for (Greek) credits and bonds held by *KA Finanz* in 2011. The respective guarantee was partially called leading to a governmental payment of 8 million €. In the course of the partial nationalization of *ÖVAG* an asset guarantee of 100 million. € was pre-arranged and fixed in March 2013. At the end of 2009 a special transaction was set up for capitalization of *KA Finanz* comprising a claims waiver to *Kommunalkredit* offset by a debtor warrant and a government guaranteed put option. The guaranteed put option was called on December 30th, 2013 by *Kommunalkredit Austria*. The Federal Government settled the outstanding claim of 1.2 bn € on July 8th, 2013.

A special mention deserves the full repayment of government participation capital by *Erste Bank Group AG* at the beginning of August 2013. Also *BAWAG PSK* started to repay participation capital.

In the first half of 2013 the Federal Government received 150 million € in dividends for the subscribed participation capital and 100 million € in fees for public guarantees. In 2014 dividends and fees are expected to decrease due to repayments of participation capital. At the publicly owned institutions (*Kommunalkredit Austria, KA Finanz, Hypo Alpe Adria and ÖVAG*) sustainable restructuring or changes in business model are taking place in compliance with EU state aid rules. In addition, a wind down strategy for parts of *Hypo Alpe Adria* that cannot be sold and are unprofitable is being developed.

2.3. Moderate acceleration of activity in 2014

In line with developments in other euro zone countries, business confidence indicators have been improving in Austria since summer 2013 as well and point to an acceleration of economic growth in the next year. This acceleration should start in 4Q2013 and will continue throughout 2014. As can be said by now, the pick-up will not reach full power due to persistent structural problems in the euro area. Pent-up demand stemming from equipment investments, exports and private consumption will be the growth drivers for 2014. Nevertheless, economic growth will not be sufficient to reduce unemployment because a further increase in labour supply due to continued inflow of foreign workers is expected. In the view of moderately rising unit labour costs, inflation should trend down further.

3. Economic and budgetary policy strategy

A sustainable budget consolidation and a medium-term downward path of government debt are the central tasks of the Austrian budgetary policy at the moment. Despite the weak economic activity and additional budgetary expenses for the recapitalisation of state-owned banks the Austrian government has retained a growth-friendly consolidation process. Austria already fulfils the 3%-Maastricht-deficit-criterion since 2011, two years earlier than called for by the EU excessive deficit procedure of the year 2009. In 2012, the scheduled medium-term consolidation path was overachieved. In 2013, Austria will meet its budgetary goals as well. The general government budget deficit will presumably decline to the planned value of -2.3% of GDP despite significant additional financing needs for the Hypo-Alpe-Adria bank. The structural deficit 2013 is estimated to decline to around -1.5% of GDP, considerably lower than the planned structural deficit of -1.8% of GDP.

The Federal Government, currently acting on an interim basis, has already defined the budgetary programme for the coming years until 2017 by adopting the Federal Fiscal Framework 2014-2017 (enacted by Parliament in May 2013) and the Austrian Stability Programme 2012-2017. The strategy of the government for the years 2013-2017 can be summarized under the heading "Stable budget through reforms. Growth through active measures" and has three main goals:

- A balanced budget until 2016, achieving of long-term sustainability and reduction of the debt ratio to 60% of GDP
- Stimulate investment in education, universities, R&D and infrastructure for growth and employment
- Continuation of the structural reforms in the following sectors: pension system, health system, public administration, subsidies and labour market

On 29 May, 2013, the European Commission has recommended in accordance with Article 3(1)b of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, Federal Law Gazette III Nr. 17/2013, that Austria should already achieve its medium-term budgetary objective by 2015 (COM(2013)370 final). The ECOFIN Council has adopted this recommendation on July 9, 2013 after earlier endorsement by the EU-Heads of State and Government on June 27/28, 2013. It is envisaged to make this target an input for the upcoming budgetary planning and the negotiations with the financial equalisation partners.

3.1. Federal budget 2013

According to 2013 preliminary budget figures, the Austrian general government is expected to meet the budget deficit target set for 2013 (-2.3% Maastricht deficit). This holds even after accounting for weaker than expected economic conditions and additional budgetary provisions for *Hype-Alpe-Adria* banking-group. The Maastricht deficit at federal government level is projected to turn out slightly higher than planned at -2.1% of GDP (revised up from -1.9%). State and local governments, however, will slightly overachieve their deficit targets reaching -0.3% of GDP (instead of -0.4%). Social security funds are expected to again display a small surplus (+0.1% of GDP), surpassing earlier estimates of a balanced budget.

Similarly, the structural budget at general government level is anticipated to overachieve targets in 2013. As of today, the structural deficit for 2013 is estimated at -1.5% of GDP, 0.3% better than originally projected.

In July 2013, nominal GDP was revised downwards, causing general government debt per GDP to range at a moderately higher level of 74.6% (instead of 73.6%) at the end of 2013.

Tax revenues will increase significantly in 2013. For instance, income tax revenues were 5.4% higher at the end of August 2013, on a year-to-year basis. Employment remains at a high level and continues to grow: aggregate wages are rising firmly. Average wages are increasing noticeably, generating additional revenues through progressive income taxation. By and large, tax revenues on other incomes and earnings develop dynamically as well. E.g. corporate income tax revenues rose by 9.2% in the first 8 months of 2013, on a year-to-year basis. A bilateral tax agreement between the Austrian government and Swiss federal authorities provided another 688 million € of revenues. In total, income and property tax revenues increased by 8.8% in the first 8 months, on a year-to-year basis. Sales and excise tax revenues developed more moderately in recent months.

Unemployment insurance contributions are estimated to considerably outperform budget plans. Contributions to the family burdens equalisation fund developed positively as well, exceeding expectations. Similarly, social contributions again expanded strongly this year, owed to higher levels in employment and income. Health insurance funds will therefore once again produce a surplus.

At the federal government level extra revenues will be generated through an auctioning of mobile telecommunication licences. The 2013 federal budget accounted 250 million € for this; ultimately, revenues will reach at least double the amount. Additional revenues are being realised through an early repayment of federal participation capital by *ERSTE-Bank Group AG* (1.2 bn €, rather than 0.6 bn €).

In implementing the 2013 budgetary plan, emphasis was put on restricting expenditures. Expenditures for personnel and administrative purposes are in line with planning. In 2013 public service personnel salaries stagnated. Planning for 2013 foresees a reduction of 1,296 permanent public service positions. Pensions were raised moderately. In 2013, nominal pensions were raised by 1.8% - well below the inflation rate of 2.8%. Rising unemployment resulted in higher expenditures of the unemployment fund in 2013.

Interest expenditure on public debt fell considerably in recent years. Austrian authorities retained very beneficial financing terms throughout this period. With financial market frictions easing, such special conditions are expected to abate. In 2013, interest expenditure on public debt is projected to meet budget targets.

Presumably, additional budgetary provisions will be required for *Hype-Alpe-Adria* banking-group. Precise estimates of the total amount needed cannot be made yet. Unforeseen expenditures were necessary as a result of the May and June 2013 flood disaster and draught damages in the summer period. Substantial damage was incurred by households, farmers and firms, as well as federal, state and local infrastructure. As a consequence, significant financial efforts are underway to remove damages and rebuild infrastructure. Federal, state and local governments agreed to provide the required financial means. Such grants are projected to total 315 million € in 2013, and 160 million € in 2014.

Public health funds are estimated to realise a surplus of at least 0.1 bn €. Taking the sector according to national income accounts, the social insurance funds realised an even more pronounced surplus. Debt of public health funds has been nearly fully redeemed.

Overall, it is expected that the budget deficit target of -2.3% for the general government will be reached. In line with Maastricht specifications, public sector debt-to-GDP will rise from 74% in 2012 to 74.6%. The debt ratio is significantly driven upwards by measures to fight against the European sovereign debt crisis. These accounted for a total of 8.2 bn € or 2.3% of GDP in 2013.

3.2. Budget 2014

When adopting the Federal Budget Framework Law for 2014-2017 in May 2013, Parliament determined the federal fiscal strategy for the upcoming years and set a legal expenditure cap for 2014 for each expenditure category (*Untergliederungen*). This planning is in line with the Stability Programme tabled in spring 2013. For the year 2014, most recent economic forecasts by WIFO confirm the dynamics assumed in May 2013. The current caretaker government is committed to achieving the fiscal goals set. In 2014, the general government deficit will be reduced to -1.5% of GDP and the structural deficit to -1.3% of GDP. This will lead to a decline of public debt to 74% of GDP.

The envisaged budgetary path continues to mirror the successful fiscal strategy of consolidation and fostering growth at the same time. As this strategy has turned out to be way forward in the current economic environment, it is paramount to build on these successes and to continue on the path of fiscal consolidation.

3.3. Measures

The legal measures necessary to achieving the goals enshrined in the current Federal Budget Framework Law (and thereby those from the Stability Programme of April 2013) were already taken when adopting the Stability Package 2012 and further legal provisions.

These reforms, for instance in the area of public administration, pensions, health sector, will be pursued further in 2014:

- **Public Administration**: the hiring stop remains in place in 2014 and the staffing plan will be further reduced. Following a nominal wage freeze in 2013 there will only be moderate wage increases in 2014.
- The reform process in the administrative bodies will be continued and organizational structures will be tightened. This includes for instance the creation of a Federal Agency responsible for foreigners and asylum which will start its operational activities as of 1.1.2014. The new authority will improve procedures by bundling of work streams. In the area of school administration regional school inspectors and their organizational body will cease to exist. The new transparency database – online for the federal level since mid-2013 – covering all public support (state aid and transfers) will be extended to state and municipal level to better guide and steer public support activities. Smaller district courts will be merged. In the context of an elderly care reform measures will be taken to stabilize cost increases in order to ensure financing of care services.
- **Pensions** were increased only moderately in 2013 by 1.8% (CPI: 2.8%) and will also be increased only moderately in 2014 by 0.8%-points below the annual inflation rate.

Continuing in 2014 requirements for early old-age pension (so-called "*Hacklerpension*") will be further tightened: for example periods of schooling and university education will no longer be accountable for retirement claims. Also, men will be able to claim an early old-age pension due to long-term contributions as from 62 years only, women as from 57 years of age.

- The invalidity pension scheme was reformed by abolishing it for cohorts born in or after 1964. It will be replaced by a comprehensive rehabilitation scheme covering both health status and employability of persons affected. The aim is to keep people in employment in a better state of health for a longer period of time instead of supplying them with passive transfers. The invalidity pension scheme shall only apply in cases of permanent invalidity.
- A health reform package was adopted by Parliament end of April 2013. By 2016 the annual increase in health care expenditure will be aligned to the average nominal GDP growth rate.
- Taxes agreements have been reached with Switzerland and Liechtenstein. The agreement with Switzerland should bring about 1 bn. € in one-off revenues in 2013. In 2014, the agreement with Liechtenstein is planned to result in one-off revenues of 500 million € which has not yet been recorded in the budgetary planning.
- The introduction of a **Financial Transaction Tax** might well be delayed and thus probably not yield the planned revenues, which were estimated to be 500 million € in the budgetary framework. Potential revenue shortfalls will be compensated by not-yet budgeted inflows from the tax agreement with Liechtenstein. The Austrian Federal Government will continue to forcefully intervene in all fora that the FTT will be implemented in 2014.
- The restructuring plan for the *Hypo-Alpe-Adria* will be implemented as agreed with the European Commission whereas the relevant budgetary provisions will only be agreed by a newly inaugurated government.
- In 2014, the offensive measures will be maintained for future oriented fields of action, such as the so-called additional "university-billion" that will be realized for research and development during 2013-2015. Additional funds are also planned for an extension of all-day care in schools and new secondary school (*Neue Mittelschule*), research, thermal renovation of housing as well as the care fund. Use of those funds will be optimized (for instance through the leverage of third-party funds in R&D). These are important steps to strengthen growth and employment in Austria.

Details are documented in the tables 16 and 17 in the Annex as well as in the Austrian Stability Programmes of April 2012 and 2013, respectively.

3.4. Institutional safeguarding of the consolidation

The legal debt brake is a very important cornerstone of safeguarding of the consolidation. The debt brake specifies that after a transition period, central, state and local government budgets have to be structurally balanced by 2017. In this context, the Federal Government is also politically responsible for possible budget deficits of the social security funds. The debt brake prohibits the financing of expenditure increases or tax cuts through assuming new debt. The rule thus aims at a fundamental improvement of the budgets. The legal provisions are fulfilled when the federal government balance (including social security funds) does not fall below -0.35% in structural terms by 2017. The limit must not be exceeded afterwards. The debt brake, while complying with EU-law and the TSCG, limits the maximum net borrowing, taking into account a cyclical component and ignoring one-off transactions. For the state and local governments the budget is structural balanced, if the structural account balance is not exceeding -0.1% of GDP. This was enshrined in the Austrian Stability Pact and guarantees a sustainable state financing. For the general government the structural balance must not exceed -0.45% of GDP.

In the long-run, the compliance with the debt brake ensures a sustainable reduction of public debt of all layers of government. The law prevents chronic structural deficits and establishes an anti-cyclical budget policy which is aligned with the cycle. During recessions, the debt brake allows for short-term deficits but requires their immediate reduction or even the achievement of surpluses in boom phases.

The hitherto Austrian Government Debt Committee („*Staatsschuldenausschuss*") has been legally tasked with the surveillance of Austrian compliance with the EU fiscal rules, as prescribed in Regulation (EU) 473/2013 of the European Parliament and the Council from May 21, 2013. Under the new name Fiscal Council („*Fiskalrat*") it is going to watch the budget developments and targets according to European standards, give recommendations and, if necessary, propose adjustment paths. The Fiscal Council enjoys independence and will start working on November 1, 2013. The Federation, the social partnership institutions, the Financial Equalisation Partners, the Austrian Central Bank and the Budget Office of Parliament are entitled to nominate qualified persons for the council. The Fiscal Council will play a central role for the strengthening of budgetary discipline in the Federal, state and local governments.

3.5. Excessive Deficit Procedure (EDP)

On 2 December 2009, the ECOFIN Council in accordance with Article 126(6) of the Treaty on the Functioning of the European Union (TFEU) decided that an excessive deficit exists in Austria and adopted recommendations under Article 126(7) TFEU to correct it. More specifically, Austria was asked to bring the general government deficit below the reference value of 3% of GDP by 2013, starting consolidation in 2011.

In October 2010, a comprehensive package of measures paved the way for the implementation of the recommendations ("Loipersdorf-package"). The Federal Government approved measures totalling € 13.6 bn for the period 2011 to 2014. The consolidation path provided for a gradual reduction of the deficit from 4.6% of GDP in 2010 to 3.9% of GDP in 2011 down to 2.9% of GDP in 2013 (for details, see Stability Programme Update 2010-2014).

Austria took advantage of the better than expected economic conditions in order to accelerate the consolidation process and managed to bring its deficit below the reference value of 3% of GDP already in 2011, two years earlier than recommended. Despite the supporting measures for the banking sector it has remained well below the reference value since then.

3.6. Distributional effects

Article 6(3) of Regulation 473/2013 requires member states, where possible, to give indications on the expected distributional impact of the main expenditure and revenue measures. Qualitative and quantitative estimation of such effects should be provided in an appropriate form - the form being subject to the type of measure and the analytical framework applied by the member state. In this respect the Code of Conduct from 9 July 2013 acknowledges that the quantification of such distributional effects is a challenging task and therefore cannot be fully standardised. Consequently, the Code of Conduct does not prescribe standardised procedures but indicates fields of application for existing indicators (e.g. Gini-coefficient, S80/S20-indicators, etc.).

A federal directive on the social impact assessment ("WFA-Soziales-Verordnung", Federal Law Gazette II, No. 496/2012) regulates the estimation of social effects of regulatory and other measures in the framework of the Federal Budget Law 2013. However, the budgetary measures outlined in tables 14 and 15 were enacted before the taking effect of this regulation. Hence, quantitative estimations on distributional effects cannot be provided for these measures.

From 2014, the Federal Ministry of Finance and the Federal Ministry of Labour, Social Affairs and Consumer Protection - in cooperation with independent research organisations - will be able to provide quantified estimations in addition to a qualitative assessment of certain measures in respect to their income distributional effects, inter-generational distributional effects, etc.

Qualitative assessment of the distributional effects of measures pertinent to the 2013 country-specific recommendations (CSR) (see also table 16)

The Austrian National Reform Programme outlines certain initiatives in employment, education and social policy (CSR No. 3 to 5), which are primarily aimed at improving participation and employment opportunities and conditions for individuals at lower-income levels. The initiatives are designed to achieve the EU-2020 goal to reduce poverty. Indirectly, a more equal income distribution will be reached through raising lower-income segments.

4. Annex

Table 1: Basic assumptions

	2012	2013	2014
Short-term interest rate (annual average)	0.6	0.2	0.2
Long-term interest rate (annual average)	2.4	2.2	2.3
USD/€ exchange rate (annual average)	1.3	1.3	1.3
Nominal effective exchange rate	-1.5	1.3	0.2
World excluding EU, GDP growth	4.1	4.0	4.4
EU GDP growth	-0.4	-0.1	1.2
Growth of relevant foreign markets	1.6	2.3	5.5
World import volumes, excluding EU			
Oil prices (Brent, USD/barrel)	111.6	108.0	105.0

Positions may not sum up due to rounding errors.

Source: WIFO

Table 2: Macroeconomic prospects

		2012	2012	2013	2014
	ESA Code	**in bn €**			**rate of change**
1. Real GDP	B1*g	271.5	0.9	0.4	1.7
2. Potential GDP			1.1	1.1	1.2
3. Nominal GDP	B1*g	307.0	2.6	2.6	3.7
					Components of real GDP
4. Private final consumption expenditure	P.3	145.6	0.5	0.0	0.9
5. Government final consumption expenditure	P.3	49.8	0.2	0.5	1.0
6. Gross fixed capital formation	P.51	56.5	1.6	-1.4	3.0
7. Changes in inventories and net acquisition of valuables (in % of GDP)	P.52 + P.53		1.2	0.7	0.9
8. Exports of goods and services	P.6	156.5	1.2	2.7	5.2
9. Imports of goods and services	P.7	139.3	-0.3	0.7	5.1
					Contributions to real GDP growth
10. Final domestic demand			0.7	-0.2	1.3
11. Changes in inventories1)	P.52 + P.53		-0.7	-0.6	0.1
12. External balance of goods and services	B.11		0.9	1.2	0.3

1) incl. net acquisition of valuables and statistical discrepancy

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Note: The Austrian Institute of Economic Research (WIFO) runs its forecast by taking into account already expected/planned government measures. This forecast (4. October 2013) does not include a quantified assessment of the impact on growth.

Table 3: Price developments

	2012	2013	2014
			rate of change
1. GDP deflator	1.7	2.1	2.0
2. Private consumption deflator	2.6	2.1	1.9
3. HICP	2.6	2.1	1.9
4. Public consumption deflator	2.6	1.2	1.6
5. Investment deflator	2.0	1.5	1.8
6. Export price deflator (goods and services)	1.2	0.3	1.3
7. Import price deflator (goods and services)	2.3	-0.4	1.1

Positions may not sum up due to rounding errors.

Sources: EUROSTAT, STAT, WIFO

Table 4: Labour market developments

		2012	2012	2013	2014
	ESA Code	Level			rate of change
1. Employment, persons		3,810,080	1.4	0.8	0.8
2. Employment, hours worked (in m)		7,080	-0.3	-1.7	-0.1
3. Unemployment rate, EUROSTAT definition			4.3	5.1	5.2
4. Labour productivity, persons		71,270.1	-0.5	-0.3	0.9
5. Labour productivity, hours worked		38.4	1.2	2.1	1.8
6. Compensation of employees (in m €)	D.1	154,253.8	4.1	3.0	3.1
7. Compensation per employee		40,485.7	2.7	2.2	2.3

Positions may not sum up due to rounding errors.

Sources: EUROSTAT, STAT, WIFO

Table 5: Sectoral balances

		2012	2013	2014
	ESA Code			in % of GDP
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	1.6	3.1	3.4
2. Net lending/borrowing of the private sector	B.9	4.2	5.4	4.9
3. Net lending/borrowing of the general government	B.9	-2.5	-2.3	-1.5
4. Statistical discrepancy		0.0	0.0	0.0

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 6: Budgetary targets

		2012	2013	2014
	ESA Code	in % of GDP		
		Net lending/net borrowing by sub-sector		
1. General government	S.13	-2.5	-2.3	-1.5
2. Central government	S.1311	-2.6	-2.1	-1.3
3. State governments (excl. Vienna)	S.1312	-0.1	-0.2	-0.2
4. Local governments (incl. Vienna)	S.1313	0.0	-0.1	-0.1
5. Social security funds	S.1314	0.2	0.1	0.1
6. Interest expenditure	D.41	2.6	2.6	2.6
7. Primary balance		0.1	0.3	1.1
8. One-off and other temporary measures[1)]		-0.8	-0.3	0.1
9. Real GDP growth		0.9	0.4	1.7
10. Potential GDP growth		1.1	1.1	1.2
11. Output gap		-0.3	-0.9	-0.4
12. Cyclical budgetary component		-0.1	-0.4	-0.2
13. Cyclically-adjusted balance		-2.4	-1.9	-1.3
14. Cyclically-adjusted primary balance		0.2	0.7	1.3
15. Structural balance		-1.6	-1.5	-1.3

1) A positive sign means deficit-decreasing one-off measure.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 7: General government debt developments

		2012	2013	2014
	ESA Code	in % of GDP		
1. Gross debt		74.0	74.6	74.0
2. Change in gross debt ratio		1.7	0.8	-0.9
		Contributions to changes in gross debt		
3. Primary balance		0.1	0.3	1.1
4. Interest expenditure	D.41	2.6	2.6	2.6
5. Stock-flow adjustment		0.5	0.2	0.5
p.m.: Implicit interest rate on debt		3.5	3.5	3.5

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 8: Contingent liabilities

	2012	2013	2014
			in % of GDP
Public guarantees	47.4	41.6	37.6
of which: Central government[1)]	23.0	21.8	19.6
of which: linked to the financial sector	3.7	2.7	1.0
of which: State and Local governments	24.3	19.8	18.0
of which: linked to the financial sector	16.7	12.4	11.3

1) Guarantees for exports without double count of funding guarantees and without capital guarantees which are included in the debt quota.

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 9: Budgetary prospects (no-policy change scenario)

		2012	2013	2014
	ESA Code			**in % of GDP**
				General government
1. Total revenue	TR	49.0	49.0	48.9
1.1. Taxes on production and imports	D.2	14.6	14.6	14.4
1.2. Current taxes on income, wealth etc.	D.5	13.3	13.3	13.4
1.3. Capital taxes	D.91	0.0	0.0	0.0
1.4. Social contributions	D.61	16.6	16.6	16.6
1.5. Property income	D.4	1.2	1.2	1.1
1.6. Other		3.4	3.4	3.3
p.m.: Tax burden				
2. Total expenditure	TE	51.9	52.5	52.1
2.1. Compensation of employees	D.1	9.5	9.5	9.4
2.2. Intermediate consumption	P.2	4.4	4.4	4.4
2.3. Social payments	D.62+D.632	25.0	25.6	25.7
of which: Unemployment benefits		1.2	1.3	1.3
2.4. Interest expenditure	D.41	2.6	2.7	2.7
2.5. Subsidies	D.3	3.6	3.7	3.8
2.6. Gross fixed capital formation	P.51	1.0	1.0	1.0
2.7. Capital transfers	D.9	3.1	3.1	2.5
2.8. Other		2.7	2.5	2.7

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 10: Budgetary prospects

	ESA Code	2012	2013	2014
		in % of GDP		
		General government		
1. Total revenue	TR	49.2	49.6	49.5
1.1. Taxes on production and imports	D.2	14.6	14.7	14.6
1.2. Current taxes on income, wealth etc.	D.5	13.4	13.7	13.8
1.3. Capital taxes	D.91	0.0	0.0	0.0
1.4. Social contributions	D.61	16.6	16.7	16.7
1.5. Property income	D.4	1.2	1.2	1.1
1.6. Other		3.4	3.4	3.3
p.m.: Tax burden		43.1	43.6	43.5
2. Total expenditure	TE	51.7	51.9	51.0
2.1. Compensation of employees	D.1	9.5	9.4	9.2
2.2. Intermediate consumption	P.2	4.3	4.3	4.3
2.3. Social payments	D.62+D.632	25.0	25.3	25.2
of which: Unemployment benefits		1.2	1.3	1.3
2.4. Interest expenditure	D.41	2.6	2.6	2.6
2.5. Subsidies	D.3	3.5	3.7	3.7
2.6. Gross fixed capital formation	P.51	1.0	1.0	1.0
2.7. Capital transfers	D.9	3.1	3.1	2.4
2.8. Other		2.7	2.5	2.7

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 11: Amounts to be excluded from the expenditure benchmark

	ESA Code	2012	2012	2013	2014
		in bn €	in % of GDP		
1. Expenditure on EU programmes fully matched by EU funds revenue		1.5	0.5	0.4	0.4
2. Unemployment benefit expenditure at unchanged policies		4.4	1.4	1.6	1.6
3. Effect of discretionary revenue measures		0.4	0.1	0.1	0.1
4. Revenue increases mandated by law		0.5	0.1	0.6	0.6

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Table 12: Quarterly budgetary execution in accordance with ESA standards (in mn €)

		2013 Q1	Q2
	ESA Code	General government	
1. Net lending/net borrowing	S.13	-4,210	-70
2. Total revenue	TR	34,745	38,704
3. Total expenditure	TE	38,956	38,775

Positions may not sum up due to rounding errors.

Source: STAT

Table 13: Divergence from latest SP (April 2013)

		2012	2013	2014
	ESA Code		in % of GDP	
General government net lending/net borrowing	B.9			
SP April 2013		-2.5	-2.3	-1.5
DBP October 2013		-2.5	-2.3	-1.5
Difference		*-0.1*	*0.0*	*0.0*
Structural balance	B.9			
SP April 2013		-1.4	-1.8	-1.3
DBP October 2013		-1.6	-1.5	-1.3
Difference		*-0.2*	*0.3*	*0.0*

Positions may not sum up due to rounding errors.

Sources: BMF, STAT, WIFO

Note: This difference can refer to both deviations stemming from changes in the macroeconomic scenario and those stemming from the effect of policy measures.

Table 14: Discretionary measures taken by Central government (in million €)

List of measures	Adoption status		Budgetary impact	
			2013	2014
				in mn €
SAVINGS		Total	1870	2864
Pension and unemployment insurance system		*Sum*	*919*	*1483*
Harmonisation of pension systems (abolition of parallel calculation)	implemented			19
Tightening of eligibility criteria for corridor pension	implemented		77	144
Increasing the age-limit relevant for occupational protection	implemented		32	65
Increasing pension insurance contributions of farmers and self-employed	implemented		95	107
Abolishment of privileged contributions related to night-shift labour	implemented		24	25
Increasing the maximum pension benefit basis	implemented		52	54
Moderate adjustments of pensions in the years 2013 and 2014	implemented		400	720
Fee for companies in the case of employee dismissals	implemented		29	51
Invalidity pension (system change)	implemented			-14
Supporting faster labour market re-integration	implemented		50	71
Measures to implement the "Bad Ischler Dialog"	implemented		-17	11
Extending the contribution period of unemployment insurance (until statutory retirement age)	implemented		14	39
Increasing the maximum unemployment benefit basis	implemented		13	13
Old-age part-time regulation (elimination of block time arrangements)	implemented		13	42
Unemployment insurance (other measures)	implemented		23	23
Structural effect due to later retirement	implemented		100	100
Other	implemented		15	15
Public companies/subsidies		*Sum*	*438*	*573*
Austrian Federal Railways (construction projects will be re-dimensioned)	implemented		159	259
Austrian Federal Railways (reduction in retirement grants)	implemented		70	105
Research premium (stricter controls)	implemented		40	40
Cuts in discretionary spending	implemented		169	169
Administration and public services law		*Sum*	*391*	*536*
Hiring freeze (Central government)	implemented		94	112
Pay freeze in 2013 and only moderate pay increase in 2014	implemented		206	253
Public employment law (other savings)	implemented		19	42
Other savings on administration (e.g. IT, army hospitals, regional courts)	implemented		72	129
Interest expenditure (due to lower net lending)	implemented		*122*	*272*
TAX MEASURES		Total	1863	2218
Tax on income from real estate and property sales	implemented		310	400
Group taxation	implemented		50	75
VAT - closure of tax loopholes	implemented		250	300
Solidarity surcharge on high incomes	implemented		110	110
Mineral oil tax	implemented		70	80
Withholding tax on capital gains in Switzerland	implemented		1000	50
Withholding tax on capital gains in Liechtenstein	implemented			500
Financial transaction tax	planned			500
Cut in premium on housing savings scheme and private pension provisions	implemented		70	100
Special surcharge on stability levy	implemented		128	128
Advanced income tax on private pension insurance	implemented		-75	-75
Commuting allowance	implemented		-140	-160
Other tax measures	implemented		90	210

Estimations based on expert judgment, external tax statistics as well as tax declarations.

Positions may not sum up due to rounding errors.

Source: BMF

Table 15: Discretionary measures taken by Central government (in % of GDP)

List of measures	Adoption status		Budgetary impact	
			2013	2014
			in % of GDP	
SAVINGS		**Total**	**0.594**	**0.877**
Pension and unemployment insurance system		***Sum***	**0.292**	**0.454**
Harmonisation of pension systems (abolition of parallel calculation)	implemented			0.006
Tightening of eligibility criteria for corridor pension	implemented		0.025	0.044
Increasing the age-limit relevant for occupational protection	implemented		0.010	0.020
Increasing pension insurance contributions of farmers and self-employed	implemented		0.030	0.033
Abolishment of privileged contributions related to night-shift labour	implemented		0.008	0.008
Increasing the maximum pension benefit basis	implemented		0.016	0.017
Moderate adjustments of pensions in the years 2013 and 2014	implemented		0.127	0.220
Fee for companies in the case of employee dismissals	implemented		0.009	0.015
Invalidity pension (system change)	implemented			-0.004
Supporting faster labour market re-integration	implemented		0.016	0.022
Measures to implement the "Bad Ischler Dialog"	implemented		-0.005	0.003
Extending the contribution period of unemployment insurance (until statutory retirement age)	implemented		0.004	0.012
Increasing the maximum unemployment benefit basis	implemented		0.004	0.004
Old-age part-time regulation (elimination of block time arrangements)	implemented		0.004	0.013
Unemployment insurance (other measures)	implemented		0.007	0.007
Structural effect due to later retirement	implemented		0.032	0.031
Other	implemented		0.005	0.004
Public companies/subsidies		***Sum***	**0.139**	**0.176**
Austrian Federal Railways (construction projects will be re-dimensioned)	implemented		0.050	0.079
Austrian Federal Railways (reduction in retirement grants)	implemented		0.022	0.032
Research premium (stricter controls)	implemented		0.013	0.012
Cuts in discretionary spending	implemented		0.054	0.052
Administration and public services law		***Sum***	**0.124**	**0.164**
Hiring freeze (Central government)	implemented		0.030	0.034
Pay freeze in 2013 and only moderate pay increase in 2014	implemented		0.065	0.077
Public employment law (other savings)	implemented		0.006	0.013
Other savings on administration (e.g. IT, army hospitals, regional courts)	implemented		0.023	0.040
Interest expenditure (due to lower net lending)	implemented		**0.039**	**0.083**
TAX MEASURES		**Total**	**0.592**	**0.679**
Tax on income from real estate and property sales	implemented		0.098	0.122
Group taxation	implemented		0.016	0.023
VAT - closure of tax loopholes	implemented		0.079	0.092
Solidarity surcharge on high incomes	implemented		0.035	0.034
Mineral oil tax	implemented		0.022	0.024
Withholding tax on capital gains in Switzerland	implemented		0.318	0.015
Withholding tax on capital gains in Liechtenstein	implemented			0.153
Financial transaction tax	planned			0.153
Cut in premium on housing savings scheme and private pension provisions	implemented		0.022	0.031
Special surcharge on stability levy	implemented		0.041	0.039
Advanced income tax on private pension insurance	implemented		-0.024	-0.023
Commuting allowance	implemented		-0.044	-0.049
Other tax measures	implemented		0.029	0.064

Estimations based on expert judgment, external tax statistics as well as tax declarations.

Positions may not sum up due to rounding errors.

Sources BMF, WIFO

Note: The underlying estimation method quantifies only first round effects. Predominantly a linear quantity and price structure is used (e.g. persons concerned multiplied by the individual effect (on average) of the measure, whereby changes in behaviour (elasticities) will be included by expert estimates.

Table 16: Country specific recommendations (CSR)

CSR number	List of measures*	Description of direct impact
1		
Implementation of 2013 budget as envisaged	Publication of monthly reports of government revenue and expenditure, January to July 2013	Budgetary control
Attainment of MTO by 2015	Adoption of Federal Budget Framework Act 2014-2017	Budget framework for the years 2014 to 2017 (cf. Federal Law Gazette I No. 88/2013)
Fiscal relations between layers of government	Act on the Administrative Reform Act of School Authorities 2013	Reduction of number of hierarchical layers in educational administration, thus increasing the efficiency of administrative activities. At present, school authorities exist at the district, provincial and federal level. This organisational structure based on regional politics originated in the year 1962 and is now outdated. The objective of streamlining the administration to two levels or layers will contribute to increasing the efficiency of administrative activities (cf. Federal Law Gazette I No. 164/2013).
2		
Harmonisation of pensionable age	-	-
Early retirement	Single assessment/appraisal body	Creation of a single assessment/appraisal body and of standards for the assessment of persons with health conditions or disabilities (cf. Federal Law Gazette I No. 3/2013).
	Pension account	From 1st January 2014: Transparent information on pension claims, incentive to remain employed longer (cf. Federal Law Gazette I No. 35/2012)
Employability of older workers	Changeover of disability pension system for workers under the age of 50	In order to attain the objective of re-integrating workers into the labour force, the range of services offered by the Austrian Public Employment Service (*Arbeitsmarktservice*, or AMS) and the social insurance institutions is to be redefined with regard to the under-50 age group. In cooperation with the social insurance institutions, the AMS will provide comprehensive rehabilitation services for persons who are fit for work or rehabilita-

		tion and will support those persons in the process of re-entering the labour market (cf. Federal Law Gazette I No. 3/2013).
3		
Labour market participation among women	Improvements and simplifications for parents with infants through amendments to the Child-Care Allowance Act	(1) Raising of limit on additional earnings in the case of income-based child-care allowances. This gives parents an opportunity for low-income employment during the period in which they receive benefits (cf. Federal Law Gazette I No. 117/2013); (2) Restriction of entitlement period to calendar months in which the child-care allowance is received on all days of the month. This eliminates potential overruns of limits on additional earnings, which lead to a waiver of child-care allowances (cf. Federal Law Gazette I No. 117/2013); (3) Expansion of full-day school forms; extension of relevant agreement between federal and provincial governments to the end of the 2018/2019 school year (Parliament Decision of 5th July 2013; see also CSR 5 below).
Gender pay and pension gaps	Equal Treatment Act	Extension of obligation to indicate minimum remuneration in job advertisements, including penal provisions, to all employers of employees in industries for which there is no collective agreement, act or other rules laid down in a collective agreement to define minimum wages (cf. Federal Law Gazette I No. 107/2013). Contribution to reduction of gender-based pay and pension gaps due to higher transparency.
Labour market potential of people with a migrant background	Education Policy Package 2013	(1) The introduction of part-time work for educational purposes is intended to enable continuing education in combination with a part-time employment relationship. These measures are designed to support persons with low-level qualifications in particular, as the lost income would be mitigated by part-time remuneration as well as a lump-sum grant for education and training. Objective: By 2018, an additional 3,000 people per year should engage in continuing professional education (cf. Federal Law Gazette I No.67/2013);

		(2) Introduction of educational grants for the purpose of gaining skilled worker qualifications: Workers or unemployed persons with low or medium-level qualifications can receive a grant for a maximum of three years of specialised professional education and training in shortage occupations. Objective: By 2018, an additional 2,000 people per year should engage in professional education for skilled workers (cf. Federal Law Gazette I No. 67/2013).
Reduction of tax and social security burden on low-income earners	-	-
4		
Implementation of health care reforms	Health Care Reform Act 2013	Sustainable provision of high-quality, effective and efficient health care. Establishment of a partnership-based system for monitoring health-care objectives with a view to aligning the growth in public health-care spending with expected average nominal GDP growth by the year 2016. By 2020, public health-care spending should be stabilised at approximately 7% of GDP. Within the framework of this measure, a monitoring system will be established in order to enable an annual evaluation of target agreements between the federal and state governments ("Article 15a agreements") (cf. Federal Law Gazette I No. 81/2013).
Financially sustainable model for the provision of long-term care	Better compatibility of careers and family care obligations	(1) Labour-law protection of workers who take a leave of absence or switch to part-time employment for the purpose of caring for relatives (care leave; Amendment to the Act Amending Employment Contract Law; cf. Federal Law Gazette I No. 138/2013); (2) Legal entitlement to benefits for care leave (cf. Federal Law Gazette I No. 138/2013).
	Reduction of number of decision-makers in the enforcement of the Federal Act on Care Leave Benefits (BPGG)	Competences in the handling of matters related to care-leave benefits are to be reduced further so that there are only a total of 5 decision-making bodies. Already in the reform of the Care Leave Benefits Act of 2012, the

		number of decision-making bodies was reduced from more than 280 bodies at the provincial government level and 23 at the federal level to a total of 7 decision-making bodies (cf. Federal Law Gazette I No. 138/2013).
	Improvement of needs-based provision for people requiring care and for their relatives	In order to ensure appropriate levels of care beyond the year 2014, the care provision fund will be endowed with total additional funds of 650 million € for the years 2015 and 2016. Thanks to increased flexibility in the use of funds, it is now no longer necessary to consume parts of subsidies earmarked for specific purposes in their entirety during the accounting period; instead, up to 40% of any unused funds can be carried forward to the following year. Individual needs will be accounted for more effectively through increased support for case and care management. Innovative projects and quality assurance measures can also be funded. Through the introduction of common standards for the level of provision of mobile, stationary and partly stationary services, the services offered will be harmonised throughout Austria (cf. Federal Law Gazette I No. 173/2013).
5		
Improvement of educational outcomes among disadvantaged young people	Package of measures to prevent truancy	Establishment of a uniformly structured procedure followed by schools, school boards and youth welfare agencies in cases of truancy in order to identify the causes of truancy in each individual case and to take the appropriate and coordinated measures in each specific situation (cf. Federal Law Gazette I No. 77/2013).
	Expansion of full-day school forms	The demand for full-day school places exceeds the current supply. A needs-based, high-quality expansion of these offers is urgently needed. Thanks to the prolongation of the relevant Article 15a agreement between the Austrian federal government and state governments, additional funds will be made available until the end of the 2018/2019 school year. This measure is a key contribution to targeted support for children from social strata which are less inclined toward education and contributes to the compatibility of family and work (Parliament Decision of July 5th

		2013).
	Skilled worker training initiative	Young adults with prior professional qualifications who are supported by the AMS through various measures (implacement foundations, intensive education and training programmes for skilled workers) and are preparing for the apprenticeship completion examination in a "second-chance" education/training programme are not eligible to attend vocational schools. The inclusion of these measures (commissioned by the AMS) in the scheme for apprentice training centres is designed to support people who wish to "catch up" and earn educational qualifications at later stages. At the same time, this measure contributes to meeting the businesses' needs for skilled workers (cf. Federal Law Gazette I No. 74/2013).
Improvement of early education	Continuation of requirement to attend institutional child-care facilities free of charge (extension of federal contributions for the nursery school years 2013/2014 and 2014/2015) under the relevant Article 15a agreement between the federal and state governments	Improvement of children's educational opportunities regardless of their socioeconomic background through pre-school education. In September 2009, the Article 15a agreement between the federal government and provincial governments on the introduction of free half-day nursery school attendance for 5-year-olds went into effect. Co-funding by the federal government was granted for limited term until the end of the nursery school year 2012/2013 and will be extended until the end of the nursery school year 2014/2015 (Parliament Decision of June 13th, 2013).
Mitigation of negative consequences of early differentiation of potential/achievement	-	-
Further improvement of strategic planning in higher education	Implementation of capacity-based university funding based on enrolment	The changeover of the university funding system to a capacity-based system based on enrolment is being implemented in various phases. The new funding model is to be implemented in its entirety from the 2019 to 2021 performance-agreement period onward. For the 2013 to 2015 performance-agreement period, the previous provisions on university funding in the Austrian Universities Act (UG) will remain in force without limitations. In this stage, the actual form of the new funding model is to

		be developed by 31st March 2014 (cf. Federal Law Gazette I No. 52/2013).
Reduction of drop-out rate in higher education	Improvement of conditions for studies in higher education / future capacity arrangements	(1) Human resources to be expanded where necessary. (2) In especially popular fields of study, the universities are entitled to introduce access regulations in the form of admission or selection procedures (cf. Federal Law Gazette I No. 52/2013).
	University introduction and orientation phase	Admission to the university lapses when a student fails, in the final repeated attempt, to complete the examination required during the introduction and orientation phase (cf. Federal Law Gazette I No. 52/2013).
6		
Strengthening of powers and resources of the Federal Competition Authority	-	-
Removal of excessive barriers for service providers	-	-
Promotion of competition in rail transport	-	-
7		
Strict oversight of nationalised and partly nationalised banks, acceleration of restructuring	*Hypo Alpe Adria*	The plan to wind down *Hypo Alpe Adria* was approved by the European Commission on 3rd September 2013.
General financial market stability	Bank Intervention and Restructuring Act	Preventive crisis planning for banks and the supervisory authority, enabling of early intervention by the supervisory authority, no use of public-sector funds to stabilise banks (apart from existing programmes; cf. Federal Law Gazette I No. 160/2013).

* Decision or entry into effect after 16th April (submission of STAPRO 2012-2017) and 29th April 2013 (submission of NRP 2013).

Sources: Federal Chancellery, Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK), Federal Ministry of Finance.

Table 17: Targets set by the Union's strategy for growth and jobs

National headline targets for 2020	List of measures*	Description of direct impact on targets
National target for 2020: Employment [77-78%]		
According to the accompanying evaluation by the Institute for Economic Research (WIFO; as of September 2013), Austria is on course to meet the target.	Skilled worker training initiative	Creation of a basis for expedient school support for the completion of apprenticeship examinations as a contribution to the qualification of skilled workers. Thanks to the inclusion of existing AMS measures in the apprentice training centre programme, participants in (intensive) training programmes commissioned by the AMS are able to attend vocational schools as regular pupils. This ensures that they receive a well-grounded theoretical vocational education and facilitates the successful completion of the apprenticeship completion examination (cf. Federal Law Gazette I No. 74/2013).
	Educational Policy Package 2013 (introduction of part-time work for educational purposes, introduction of educational grants for the purpose of gaining skilled worker qualifications, and reform of benefits for continuing education)	Economic development and ensuring long-term economic growth require a well-qualified labour force. The option of part-time work for educational purposes contributes to enhancing the compatibility of work and continuing education. The educational grant for skilled worker qualifications is designed to create the economic basis for a professional reorientation toward fields which are in especially high demand for people with low to medium-level qualifications (similar to the maintenance grant for university studies). In the case of continuing education grants and leaves of absence for educational purposes, the accuracy of the benefits is to be increased (cf. Federal Law Gazette I No. 67/2013). See also "National poverty target" below.

National target for 2020: R&D [3.76%]		
According to the accompanying evaluation by the Institute for Economic Research (WIFO; as of September 2013), Austria is on course to meet the target with regard to R&D expenditure.		
Target: Reduction of greenhouse gas emissions [-16%]		
	Amendment to the Climate Protection Act	Definition of sector-based maximum levels of greenhouse gas emissions (outside of EU emissions trading) for the period from 2013 to 2020. Specific maximum emissions levels are to be set for the waste management, energy and industry sectors (non-emissions trading) as well as the fluorinated gas, building/facility management, agriculture and transport sectors. Like a "debt ceiling" or regulations prohibiting speculative government investments, this definition of maximum emissions levels constitutes an internal standard, that is, it is binding on the administration and as a whole enables fulfilment of Austria's climate protection targets by 2020 (cf. Federal Law Gazette I No. 94/2013).
Renewable energies target [34%]		
According to the accompanying evaluation by the Institute for Economic Research (WIFO; as of September 2013), Austria is on course to meet the target.		
National energy efficiency target […]		

-	-	-
National target for the school drop-out rate [9,5%]**		
	Expansion of full-day school forms (Article 15a agreement) (National Council Decision of 5th July 2013)	This measure is designed to improve the situation with regard to the provision of daytime child care (in quantitative and qualitative terms) at general compulsory schools. It will also enhance the compatibility of family and work among the parents/guardians involved. However, a needs-based, high-quality expansion is associated with considerable costs to the relevant bodies that provide funding for schools. The extension of the Article 15a agreement until the end of the 2018/2019 school year should put school funding bodies in a position to continue such a high-quality expansion. By the 2016/2017 school year, an additional 29,000 places for full-day supervision in schools are to be created, thus making for a total of 174,000 places. Based on the „Joanneum multipliers" for the years 2013 to 2017, this measure is expected to have stimulating effects on overall economic demand as well as employment.
	Introduction of a five-stage plan for the prevention of truancy	A five-stage plan will support the process of identifying the background and causes underlying school truancy, and support measures will be offered to promote regular school attendance. In cases where the measures offered and agreed upon fail to produce the desired result, the administrative penalty is to be raised from EUR 220.00 to EUR 440.00 (cf. Federal Law Gazette I No. 77/2013).
National higher education target [38%]		
According to the accompanying		

evaluation by the Institute for Economic Research (WIFO; as of September 2013), Austria is on course to meet the target.		
	Federal Framework Act on the Introduction of a New Teacher Training Programme	Introduction of a new teacher training programme, establishment of a quality assurance council for teacher education and definition of quality assurance criteria, minimum prerequisites for possible admissions/selection procedures to be applied to training programmes for teachers at schools and for professional activities at elementary institutions of education (Federal Law Gazette I No. 124/2013); contribution to earning the qualifications necessary for university-level studies.
	Act on Financial Support for School Pupils	Higher age limit up to which financial support for school pupils can be requested, reduction of obstacles to granting of financial support (Federal Law Gazette I No. 154/2013); contribution to earning the qualifications necessary for university-level studies.
National poverty target [-235,000]		
According to the accompanying evaluation by the Institute for Economic Research (WIFO; as of September 2013), Austria is on course to meet the target.	Continuation of free and compulsory half-day early education in institutional child care facilities (Parliament Decision of 13th June 2013; Article 15a agreement)	Improvement of children's educational opportunities regardless of their socioeconomic background through pre-school education. This measure ensures that all 5-year-old children – regardless of their parents' educational background, income situation and other social factors – are able to attend the last year of nursery school before starting primary school. In addition, the elimination of parent contributions in the final year of nursery school reduces the financial burden on parents. The quantitative effects will be evaluated annually on the basis of statistics on child-care facilities collected by Statistics

		Austria and special analyses of child-care facility statistics.
	Package of measures to expand social protection for one-person businesses (self-employed persons) and small business owners	Improvement of compatibility of family and self-employment in one-person businesses by exempting the self-employed from social security contributions when business activities are interrupted in the eight weeks before and after giving birth to a child; definition of partial coverage under pension insurance. In addition, temporary assistance is to be provided in the form of a contribution subsidy for (very) small business owners under the Act on Social Security for Persons Engaged in Trade and Commerce (GSVG; cf. Social Security Amendment Act (*SVÄG 2013*), Federal Law Gazette I No. 67/2013).
	Changeover of disability pension system	The changeover of the disability pension system will be implemented with attention to the need to maintain social protection for people with health conditions or disabilities and to facilitate their re-entry into the labour market. This will serve to increase the incomes, contribution periods, and later the pensions of the persons concerned. On average, the disability pensions paid to eligible persons are very low. Accordingly, the reform will bring about a reduction in the number of low pensions. See also Table 16, CSR 2.
	Part-time work for educational purposes and grants for the purpose of gaining skilled worker qualifications	The possibility of part-time work for educational purposes and grants for the purpose of gaining skilled worker qualifications create incentives for workers with low qualifications and low-income workers because the lump-sum benefits paid out for part-time work for educational purposes reduces the impact on their incomes and the grant for skilled worker qualifications is designed for medium-level qualifications. Investments in human capital yield high returns for individ-

		uals and the society at large, and the risk of unemployment decreases given higher levels of formal education. For this reason, it can be assumed that the incomes of people who take advantage of these offers will rise in the medium term and their risk of unemployment will be reduced. See also “National employment target“ above (measures agreed upon in the Education Policy Package 2013).
	Free, compulsory use of child-care facilities	The free, compulsory use of child-care facilities will enhance educational opportunities, especially in households which are socially disadvantages and/or not inclined toward education. The improved educational (and thus employment) opportu-nities will make a contribution to enhancing employability and thus also to higher labour market participation in the long term. See also Table 16, CSR 5.

* Decision taken or entry into effect after 29th April 2013 (submission of NRP 2013); **Target already reached.

Sources: Federal Chancellery, Federal Ministry of Labour, Social Affairs and Consumer Protection (BMASK), Federal Ministry of Finance.

Sources/Links

Public Employment Service Austria (AMS)

http://www.ams.at/

Federal Chancellery (BKA)

http://www.bundeskanzleramt.at/

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

http://www.bmask.gv.at/

Federal Ministry of Finance (BMF)

https://www.bmf.gv.at/

Federal Ministry of Health (BMG)

http://www.bmgf.gv.at/

European Commission, Directorate General of Economic and Financial Affairs

http://ec.europa.eu/economy_finance/index_de.htm

EU Economic Governance

http://ec.europa.eu/economy_finance/economic_governance/index_en.htm

Stability and Growth Pact

http://ec.europa.eu/economy_finance/economic_governance/sgp/index_en.htm

Excessive Deficit Procedure

http://ec.europa.eu/economy_finance/economic_governance/sgp/deficit/index_en.htm

Eurostat

http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/

Fiscal Council

http://www.staatsschuldenausschuss.at/

Institute for Advanced Studies (IHS)

http://www.ihs.ac.at/vienna/

Macrobond

http://www.macrobondfinancial.com/

Austrian Federal Financing Agency (OeBFA)

http://www.oebfa.co.at/

Austrian National Bank (OeNB)

http://www.oenb.at/

Austrian Institute of Economic Research (WIFO)

http://www.wifo.at/

Austrian Parliament

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

Austrian Court of Auditors (RH)

http://www.rechnungshof.gv.at/

Statistics Austria (STAT)

http://www.statistik.at/