

A decorative graphic on the left side of the slide consists of three circles in dark teal, light teal, and grey, arranged horizontally. To their right is a vertical black line that extends from the top of the circles down to the top of the main title text.

The Government Debt Committee in Austria

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Agenda

1. Mandate and Composition of the Government Debt Committee
2. The Government Debt Committee in the 1990's
3. The Government Debt Committee as budget advisory committee
4. Concluding remarks

1. Mandate and Composition of the Government Debt Committee

- **History:** founded in 1970, mandate was extended in 2002 from debt financing to fiscal policy, from federal to all levels of government
- **Objectives:**
 - Ensure consistency of fiscal policy (FP) with sustainable public finances
 - Ensure adequacy of FP vis-à-vis cyclical conditions
 - Provide independent assessment of compliance with national fiscal rules and SGP
 - Assess the quality of public finances
 - Enhance transparency

1. Mandate and Composition of the Government Debt Committee

○ **Tasks/Mandate:**

- Independent analysis of FP developments
- Normative statements on FP
- Recommendations on FP
- Reporting obligations to the Ministry of Finance
- Minister of Finance has to forward the report and recommendations to the federal government and the National Council
- No macro forecast

○ **No direct role in the budgetary process**

○ **Public relations** (press conferences twice a year)

1. Mandate and Composition of the Government Debt Committee

12 members with voting rights

- 6 members appointed by the **federal government**
- 3 members appointed by the **Austrian Federal Economic Chamber**
- 3 members appointed by the **Chamber of Labour**

3 members without voting rights:

- 1 member appointed by the Austrian Association of Municipalities
- 1 member appointed by the Austrian Association of Austrian Cities and Towns
- 1 member appointed by the Austrian Provincial Governors

Members must be experts on finance and budget issues

1 Advisory member of the OeNB

1. Mandate and Composition of the Government Debt Committee

- **President** nominated by the federal government, **2 Vice Presidents** nominated by chambers
- **Terms of office** of 4 years
- Nomination of **deputies** for each member
- Membership is **honorary post** (expenses are reimbursed)
- **Meetings** at least once a quarter
- Resolutions are passed with **simple majority**
- Allowed to form **subcommittees** and to take advice from **experts**



2. The Government Debt Committee in the 1990's

1970-1990:

- budget deficits taken as given
- recommendations confined to aspects of how to finance the deficit

1990-2002:

- increasing internationalization of the Austrian economy
 - application for membership in EU
- mandate was felt to be too narrow



2. The Government Debt Committee in the 1990's

- the level of public debt exceeded 60 % in 1992, with a rising tendency
- growing part of public revenue spent on interest payments → pressure on other spending categories
- participation in the European Monetary Union: compliance with Maastricht criteria (deficit, debt-to-GDP ratio)
- establish appropriate regime for implementation



2. The Government Debt Committee in the 1990's

main issues of debt financing

- with own currency: structure of public debt with respect to currencies, creditors, duration and maturity
- bonds in foreign currencies: lower interest rate, yet Committee mostly pleaded for cautious use of this instrument
- 1999 European Monetary Union: sharp decline of share of public debt in foreign currency, sharp increase of share of Austrian bonds held by foreign investors
 - increased dependency on international capital markets



3. Government Debt Committee as budget advisory committee

2002 extension of mandate

- Government Debt Committee → fiscal policy advisory committee
- analysis of public sector as a whole
- in the context budgetary surveillance process of the EU
- includes budgets and debt of provincial and local governments on an aggregate level



3. Government Debt Committee as budget advisory committee

main areas of recommendations:

- fiscal policy in the context of short term macroeconomic developments
- structural developments in the public sector: revenue side and expenditure side (federal, provinces and municipalities)
- issues and problems of coordination among households of the different levels of government
- aspects of debt financing.



3. Government Debt Committee as budget advisory committee

general principles

- balanced budget over the business cycle as basic concept
- medium term strategy to dampen expenditure growth - expenditure growth below growth of GDP
- compensatory fiscal policy in recession periods
- Committee has supported the reform of the constitutional framework for the budget making



3. Government Debt Committee as budget advisory committee

- 2008/2009: Committee advocated to permit the full effects of automatic stabilizers and discretionary impulses through tax reduction and investment projects
- post-recession: consequent gradual reduction of the deficit by strictly keeping to the targets set by the government's Strategy Program



3. Government Debt Committee as budget advisory committee

structural aspects of the budget

- recommendations not for concrete measures
- focus primarily on the expenditure side (structural reforms of pension systems, public health services, education, processes of public administration, public sector employment), often based on special studies of the bureau
- priority to expenditure categories which have investment character (in a broader sense, e.g. including education)



3. Government Debt Committee as budget advisory committee

- structural reforms of state expenditure in most fields requires co-operation between the different levels of government
- disentangle overlapping responsibilities of different government levels
- establish single responsibilities for decisions about expenditures and the use of tax revenues to finance them
- reduce intergovernmental transfer payments



3. Government Debt Committee as budget advisory committee

- fiscal coordination between central, provincial and local governments is insufficient
- 2010/11 no consensus with the provinces about their contribution to deficit reduction → proposals for better coordination in existing institutions
- debt financing of the federal budget: term structure and risk management
- improvement of risk management of local governments



3. Government Debt Committee as budget advisory committee

- 1 report (July) and 2 recommendations each year
 - unanimous approval of recommendations (with few exceptions)
 - does not imply that committee members more or less share the same opinion on matters of fiscal policy
 - willingness of Committee's members to seek consensus or compromise on critical issues on the basis of jointly accepted general principles
- Government Debt Committee reflects Austria's political culture



4. Concluding remarks

- transformation from advisory body concerned with the effects of debt financing to council for advice in matters of fiscal policy
- Committee's recommendations have gained increasing attention from decision makers, the media and in public opinion
- Committee is not a participant in current debates on matters of fiscal and economic policy



4. Concluding remarks

- annual report as important source of information and empirical knowledge about public debt
 - objectivization of political debates
- annual report is addressed to the minister of finance and Parliament, discussed in substance by the Parliament's budget committee



4. Concluding remarks

- Committee's influence on economic policy through its role in the public discussion and in the formation of public opinion about **general principles and orientations of fiscal policy**



Thank you for your attention!

Useful Links (publications, data ...)

- www.staatsschuldenausschuss.at
- www.oenb.at
- www.oebfa.co.at

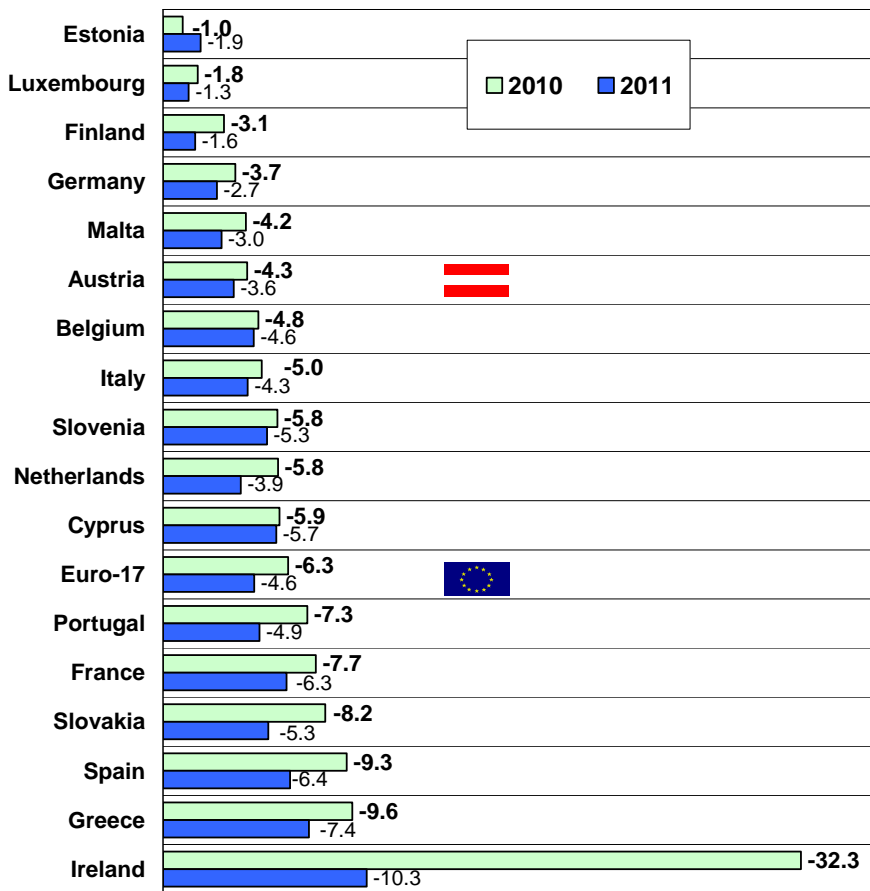


5. Some empirical details

Budget Balance of General Government*)

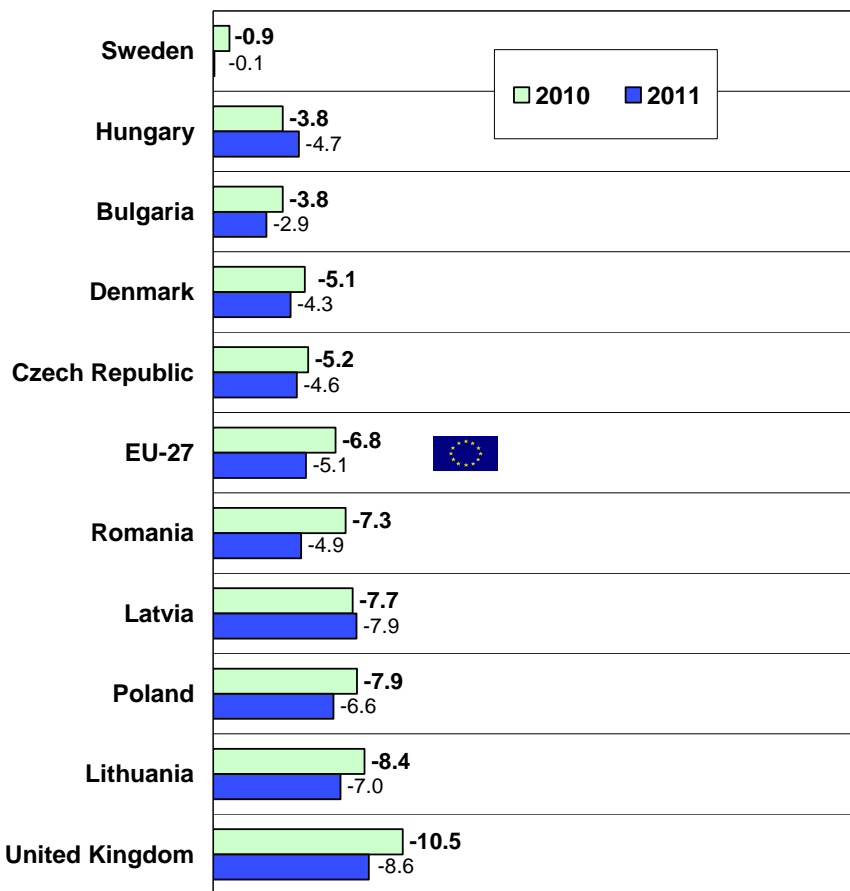
Euro area

% of GDP



Non-euro area

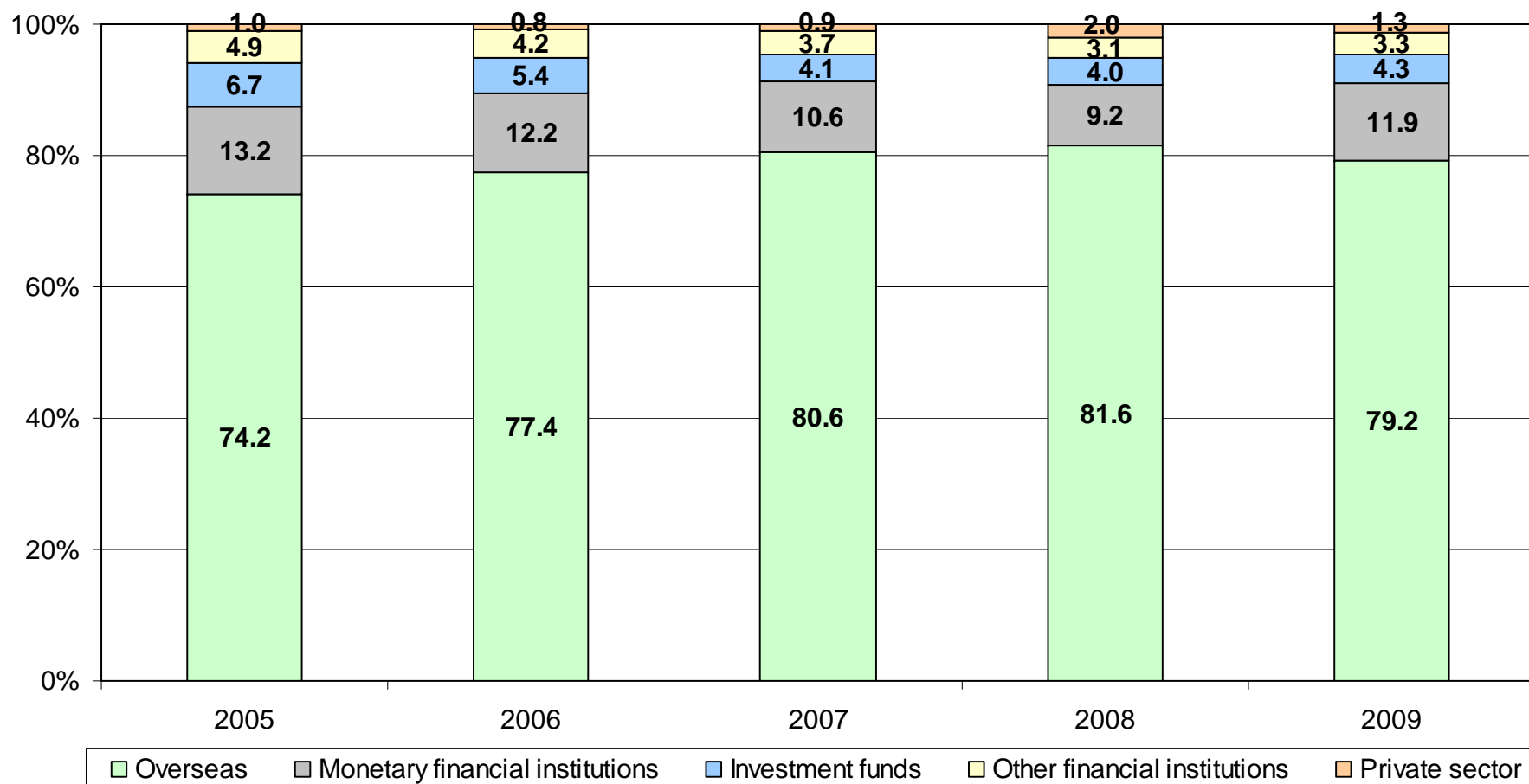
% of GDP



*) According to EDP (including swap transactions).

Source: Autumn 2010 Forecast, European Commission (November 2010), Euro-17 and EU-27: own calculation.

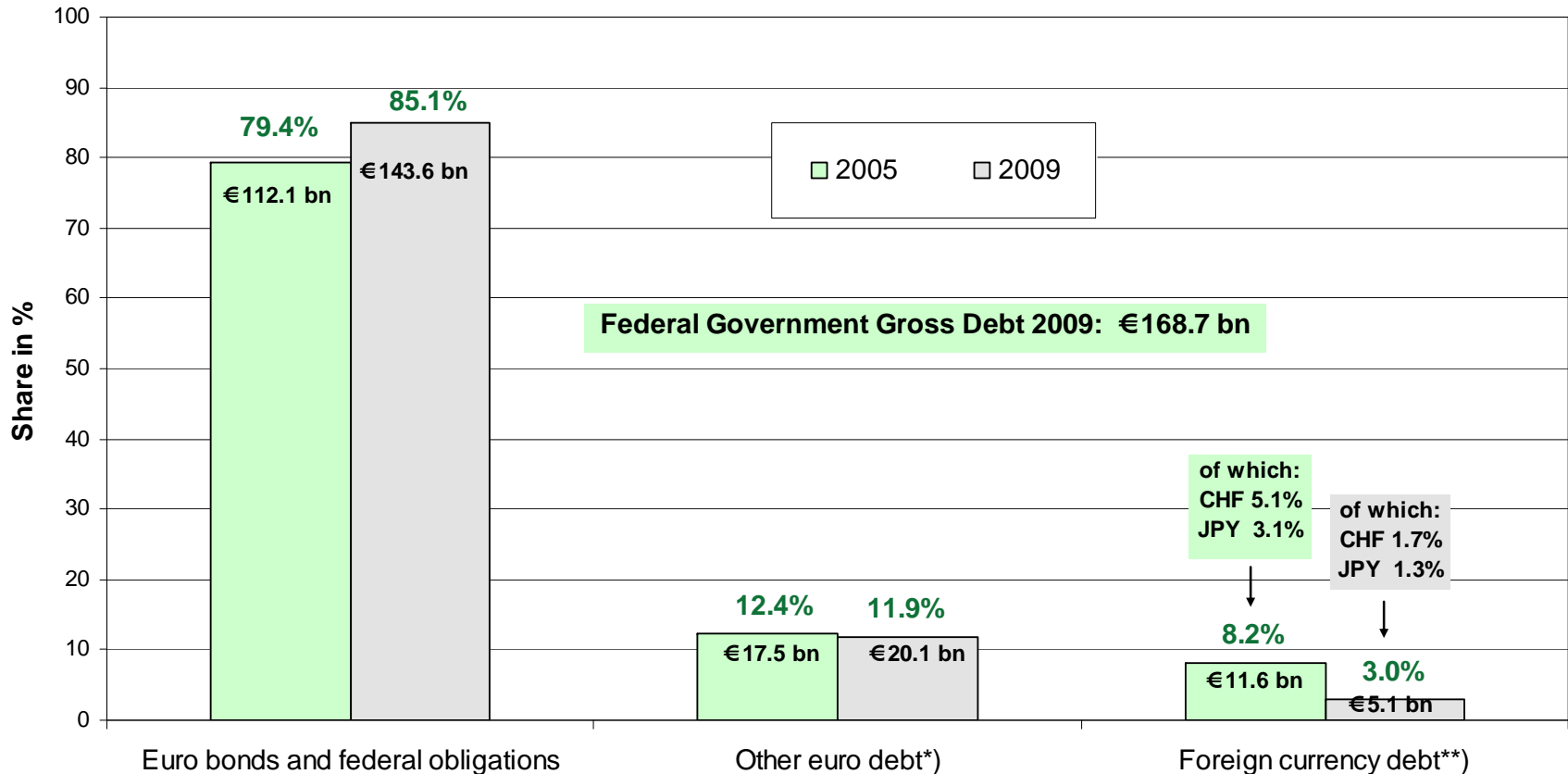
Composition of Creditors of Public Debt (ESA 95)



*) Insurance corporations, pension funds, Oesterreichische Nationalbank.

Source: Oesterreichische Nationalbank.

Structure of Federal Debt in Austria



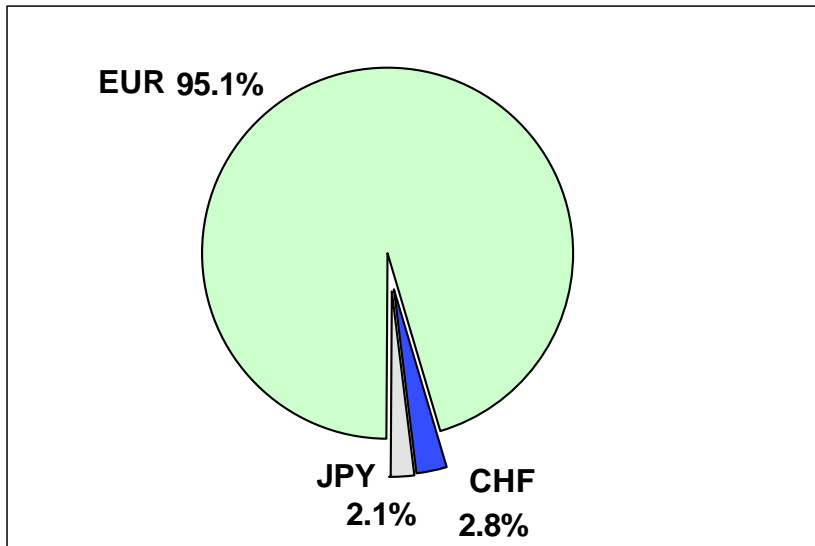
^{*)} Treasury bills, insurance company and bank loans, other loans.

^{**)} Non-euro currencies.

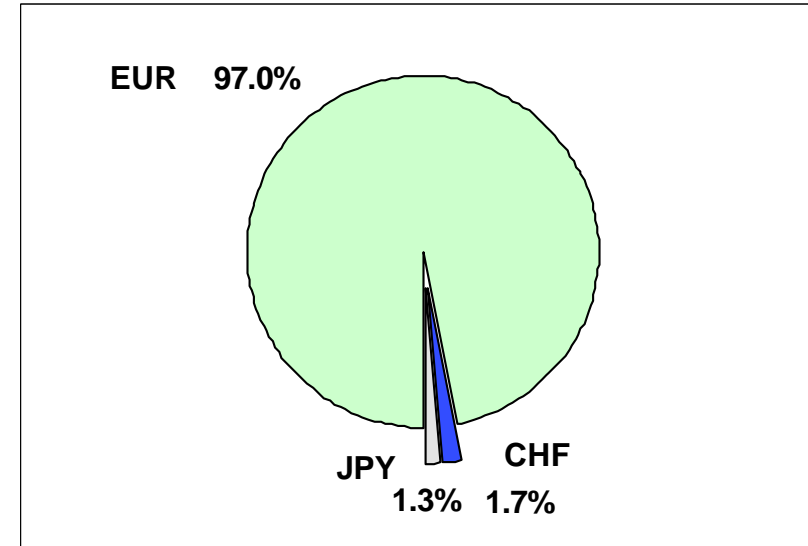
Source: Austrian Ministry of Finance and own calculation.

Euro and Foreign-Currency Debt of Federal Government*)

2008



2009



*) Including swap transactions.



Further reduction of shares of foreign-currency debt in 2010

Further Facts concerning Federal Government Debt 2009

- 94.9% fixed, 0.4% "jump-fixed " and 4.7% variable interest
- Average nominal interest rate:
 - euro debt: 4.2%
 - foreign-currency debt: 2.6% (CHF, JPY)