



## ARTICLE

## Performance framework in Austria: Opportunities and challenges

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**Abstract** As of 2013 the Austrian federal government will be managed according to the principle of outcome-orientation. This reform element is integrated in a holistic financial management framework, comprising a legally binding medium expenditure framework with a relaxed budget system giving high carry-forward and shifting possibilities (as of 2009), accrual budgeting and accounting, a modified form of programme budgeting and the creation of the Federal Performance Office in the Federal Chancellery and a Budget Office in Parliament (e.g. Seiwald, Meyer, Hammerschmid, Egger-Peitler, & Höllner, 2013; Seiwald/Geppl 2012; Steger, 2007). The relaxed budget rules, since 2009 in effect, have created an accountability gap, which will be closed by the Performance Framework.

The performance framework consists of a performance budgeting model with the obligatory definition of objectives and performance indicators for each line ministry, a performance management system with obligatory performance mandates for state bodies and organisations with budgetary responsibility as well as a performance reporting system, for both Parliament and within the government and ministries. The performance measurement systems will have been established and reorganised in order to fulfil the demands of the new performance management regime. The Performance Management Office, established in 2010, supports and advises ministries in this process, provides quality assurance to objectives and indicators and prepares the performance reports to Parliament.

Our paper will describe the key elements of the Austrian performance framework. It explains the implementation strategy and highlights opportunities, tensions as well as challenges from a practical point of view.

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## 1. Introduction

The modernisation of the Austrian budgeting system has been started by introducing a so-called

*Flexibilisierungsklausel* for selected state bodies in 2000 as well as by changing over to top-down budgeting in the mid-1990s. The first stage of the budgeting law reform provided the ministries with greater freedoms regarding resource re-allocation and carry-forward possibilities. The strictly input-oriented budgeting regime was abandoned with a view to increasing the scope of the ministries for discretionary spending. However, accountability structures

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were not tightened during the first reform stage. A similar situation was observed in Sweden when the budgeting rules were amended. Rubin and Kelly (2007: 575) describe this situation: “[...] it was a golden age for public administration in Sweden because the input controls had been relaxed but the output and outcome controls were not effective”.

This situation changed in the second stage of the budgeting law reform. With effect from 1 January 2013, the Federal Constitution will make outcome-orientation a key principle of budgeting and will provide a comprehensive framework for the governance and management structures of the Austrian federal administration.

The Federal Budgeting Act 2013 therefore contains rules governing the performance information in the Federal Annual Budget Bill (*Bundesvoranschlag*), performance controlling and reporting to the National Council (first chamber of the Austrian Parliament) as well as the internal implementation in the ministries, in particular the duty of preparing and updating “performance mandates”. The legal budgetary framework is a fundamental basis, though not a sufficient condition for a comprehensive cultural change. The head of the Budget Department of the Ministry of Finance, Gerhard Steger, described this challenge already in 2007: “To create legal options is one thing but to use them is another thing. Therefore it will be decisive whether the sweeping reforms of the federal budgeting law will really be taken advantage of in practice. The question arises whether the cultural change, which is a prerequisite for implementing the reform, will take place in the administration as well as in politics. In my opinion, this will depend to a very large extent on the fact whether politicians and administration will be prepared to perform the functions they should really fulfil, i.e. that policymakers define the objectives and hold the administration accountable for achieving them (Steger, 2007)”.

Strong emphasis is therefore placed in this article on highlighting concrete implementation pathways which will promote cultural change.

The Austrian federal administration has already gained some experience in dealing with performance information. The application of approaches based on outcomes, outputs, objectives and indicators has been practised (to some extent but not comprehensively) in the past, particularly in the framework of the pilot project *Flexibilisierungsklausel* (e.g. Promberger, Greil, and Simon, 2005; Seiwald, Meyer, Hammerschmid, Egger-Peitler, & Höllner, 2013), the introduction of cost accounting in the ministries as well as numerous projects on performance indicators of the federal ministries and subordinate bodies (e.g. in the police and security forces, the tax and customs administration or the penitentiary services) (Zendron, 2008).

The new budgetary regime therefore offers an opportunity to establish an integrated management system in administration (strategy, human resource management, gender mainstreaming, process optimisation). The following chapters present the key tools of the new approach, the main challenges of implementation and future developments as well as the opportunities arising. The approach is described on the basis of the performance management cycle presented in Chapter 1 (performance budgeting in Chapter 2, performance management in Chapter 3, performance measurement in Chapter 4, performance reporting in

Chapter 5). The paper ends by giving a brief outlook on the implementation strategy and future developments.

### 1.1. The performance management cycle

In the planning stage as the starting point of the performance management cycle, programmatic priorities are defined as objectives and performance indicators are integrated into the budget process (*performance budgeting*). In a next step, the implementation of objectives is managed at the operational level (*performance management*). Monitoring mechanisms guarantee in regular intervals to measure to what extent the objectives have been achieved (*performance measurement*). Based on the data obtained, optimisation potentials as well as recommendations for implementing and adjusting objectives will be developed. *Performance reporting* to the decision-makers (e.g. Parliament, government, top management level) is a fundamental prerequisite for ensuring that the findings made will be taken into account in future planning.

An analysis of current management processes in the federal administration shows that numerous tools are already existing and being used in the ministries for each of the four aforementioned cycle stages but that they have been coordinated only inadequately. As a tool of accountability, reporting is, for example, comparatively well developed.<sup>1</sup> As far as performance measurement is concerned, a wealth (or even excess) of indicators, statistics and studies is available in many policy areas.<sup>2</sup> Moreover, there is room for improvement, especially with regard to the use of outcome-related information in decision-making processes and performance management – a decisive factor in determining the success of outcome-oriented administration. The challenge of the future is to transform existing management systems and to establish a performance management cycle in practice.

The 2013 Federal Budgeting Act and the implementing ordinances on outcome-orientation (Ordinance on Outcome-Oriented Budget Information, Ordinance on Performance Controlling, Ordinance on the Principles of Impact Assessment of Regulations and Projects) as well as the Guidelines on the Coordinated Preparation of Outcome-Oriented Budget Information establish for the first time a uniform and compulsory framework, on whose basis the ministries and supreme state organs<sup>3</sup> present their planned outcomes and outputs in the budget documents, internally manage the operational implementation of objectives, evaluate results and report on the achievement of objectives to Parliament.

<sup>1</sup> Reports on different issues are prepared by numerous ministries, e.g. the Security Report (jointly prepared by the Ministry of the Interior and the Ministry of Justice), the Green Report of the Ministry of Agriculture, Forestry, Environment and Water Management or the Health Report of the Ministry of Health.

<sup>2</sup> Indicators are presented in OECD studies (e.g. Governance at a Glance), by the Austrian Statistical Office (statistics on the labour market, education, population, social affairs, etc.) or ministry-specific statistics (e.g. crime statistics, transport and traffic data).

<sup>3</sup> Based on the current definition, “supreme state organs” are the Office of the Federal President, the Parliamentary Administration, the Constitutional Court, the Administrative Court, the Austrian Ombudsman Board and the Court of Audit.

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