

### Historical Context

The accounting and bookkeeping functions in the Austrian Federal Government developed in a diverse and distributed way. During the 1960s, the Federal Government system for bookkeeping and controlling consisted of approximately 85 bookkeeping offices covering 150 spending units across the 12 ministries and other federal government organizations. This proliferation of bookkeeping offices was the result of the law that entitled all spending units throughout the Federal Government to have their own bookkeeping office. The overall federal budgeting and accounting data was entered and accessed through each of these individual units. There was no technical nor institutional capability to access budgeting and accounting data across the spending units from a single access point. As a result, anyone who wanted bookkeeping information from more than one unit would have to contact each bookkeeping office separately, wait one to two days to get the information, then combine the results separately. By the mid-1990s, the existing system was reaching the end of its lifecycle and the Ministry of Finance was faced with the decision to develop a new system internally or purchase a ready-made solution from the market.

The Ministry of Finance determined that the information technologies available in the 1990s were much better and faster than the outdated systems currently in use. The newer technologies offered modern capabilities to improve the entering, maintenance, and sharing of accounting and budgeting data between the federal ministries and the Ministry of Finance. However, the Ministry of Finance officials knew that the other ministries were taking advantage of these newer IT capabilities to construct their own separate, diverse, and often very expensive IT solutions. Moreover, these solutions typically lacked links with the existing accounting and budgeting system. Even if links and an interface existed, there were no IT system standards or standardized accounting and bookkeeping work processes in place. Without these, the links across the systems would not enable gains in efficiency and effectiveness of federal budgeting and accounting. The resulting financial information silos within the government agencies severely limited the ability of the Ministry of Finance to integrate information. To do so required very expensive and time consuming processes of manually extracting and re-inputting the necessary data. In an effort to avoid this incredibly inefficient “double work”, improved integration became the central goal of any new initiative.

### Institutional Context

Constitutionally, the Ministry of Finance has authority over all financing aspects of the government. The bookkeepers throughout the federal government ministries and other spending units are all essentially employees of the Ministry of Finance. The Ministry of Finance has the authority to define the roles and responsibilities of these individuals. Moreover, by law, the Ministry of Finance, together with the federal audit office, is responsible for the uniform organization of all of the government accounting units and the governmentwide accounting IT system. The Ministry of Finance does not have authority over the organization and operational functions of the other ministries. Therefore, the Ministry of Finance has no control over IT spending and the types of solutions chosen. So, while the Ministry of Finance has the legal authority to require that all the other ministries provide the same quantity and quality of data to the Ministry of Finance for accounting and budgeting purposes and use a specific IT solution for the reporting function, it cannot dictate the internal processes or workflow of collecting, maintaining, and providing the data. According to Christian Ihle, “From the Ministry of Finance, I could mandate the software and the rules for the accounting system, but not for the internal workflows and processes. They could run the process in a very difficult and complex way. They could leave the electronic process in their organizational process as they have in the past.”

### Political Context

The political context of the Ministry of Finance's efforts to update the existing federal accounting and budgeting system and to improve overall these processes for the government was complex. Given the historic and institutional context described above, the Ministry of Finance was faced with ministries and other spending units that did not want to give up their existing solutions and/or proposed IT investments for a Ministry of Finance chosen one based on a single technology and standardized workflow. Without the authority to mandate that the other ministries modify their internal processes, the Ministry of Finance had to depend on the voluntary willingness of the other ministries to cooperate, and this willingness was not generally forthcoming.

The reform of the federal accounting and budgeting system was part of a much larger governmentwide reform effort. Because of this reform effort, As part of this effort, the Ministry of Finance was able to secure the needed high level political support to move forward with the necessary legislative changes, obtain the needed funding,

and secure the necessary level of cooperation from the individual ministries. The political climate was influenced by several recent milestones for the Austrian government. These three milestones contributed to focusing the energy of the Austrian government on reform.

Austria's decision to join the European Union on January 1, 1995, had a significant influence on the political and economic context – placing considerable pressure on the government to initiate several budget consolidation programs and structural adjustments.(1) Government reform in Austria reached a new level after a political change in government in 2000. The new government put a strong emphasis on a comprehensive reform of administration and on budgetary consolidation to meet the EU's criteria for participating in the single monetary policy.(2) The 'administrative reform law' that passed Parliament in November of 2001 outlined a broad range of reform projects to include personnel reductions, an improved cost accounting system, and budgetary improvements. In 2003, due to deteriorating economic conditions, the Austrian government officially dropped its goal of maintaining a zero budget deficit, but considered austerity and savings a high priority – and still does to this day.(3) Through its Administrative Innovation Program (VIP), the government targeted a total reduction of public spending by €1.3 billion by 2006. In addition, the government targeted reduction of the Federal Administration by an equivalent of 10,000 full time employees between 2003 and 2006.(4) In March, 2004, the Austrian E-Government Act set the requirement that all public bodies be capable of full electronic transactional service delivery by 2008.(5) These three events raised the Ministry of Finance's plans for a new accounting and budgeting system to a high priority. The system would support the goals of both internal government reform and delivery of improved services to citizens through its e-government strategy.

In the same period, another policy trend further supported the Ministry of Finance's efforts to implement the new federal accounting and budgeting system: consolidating government organizations into single corporate entities. In the 1990s, 24 government organizations were transformed into corporations with their own legal identity. The underlying administrative principle of reorganization or "corporatization" is that the government should not do anything that can be done as well or better by the private sector or by independent organizations operating on free-market principles at arm's length from central government.(6) A major motivating force for this corporatization was dissatisfaction throughout the government with limited flexibility in financial and administrative routines, personnel actions, and wage policies. This dissatisfaction often focused on the two organizations that played a critical role in implementing the new budgeting and accounting system, the Federal Computing Center and the Federal Bookkeeping Agency.(7)

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(1) Gerhard Hammerschmid and Renate Meyer, New Public Management in Austria: Local Variation on a Global Theme? **Public Administration** Vol. 83, No. 3, 2005 (709-733).

(2) For more on the euro and European Union monetary fiscal and monetary policies visit <http://europa.eu.int/euro/>.

(3) Gerhard Hammerschmid and Renate Meyer, New Public Management in Austria: Local Variation on a Global Theme? **Public Administration** Vol. 83, No. 3, 2005 (709-733).

(4) For more information on the VIP visit the Austrian government Web site: <http://www.austria.gv.at/2004/4/23/pubserv.pdf>.

(5) eGovernment Fact sheet – Austria – History, Interoperable Delivery of European eGovernment Services to public Administrations, Businesses and Citizens. European Union Web site: [www.europa.eu.int/idabc/en](http://www.europa.eu.int/idabc/en)

(6) **Issues and Developments in Public Management: Austria – 2000**, OECD, 2001.

(7) **Issues and Developments in Public Management: Austria – 2000**, OECD, 2001.