



# Local Government in Austria

## Responses to Urban-Rural Challenges

edited by

Alexandra Schantl, Dalilah Pichler and Thomas Prorok

KDZ - Centre for Public Administration Research Austria





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The H2020-MSCA-RISE-2018 project aims to provide solutions for local governments that address the fundamental challenges resulting from urbanisation. To address these complex issues, 18 partners from 17 countries and six continents share their expertise and knowledge in the realms of public law, political science, and public administration. LoGov identifies, evaluates, compares, and shares innovative practices that cope with the impact of changing urban-rural relations in major local government areas (WP 1-5).

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#### INFORMATION

Eurac Research  
Viale Druso/Drususallee, 1  
39100 Bolzano/Bozen – Italy

[logov@eurac.edu](mailto:logov@eurac.edu)  
[www.logov-rise.eu](http://www.logov-rise.eu)

#### SCIENTIFIC COORDINATION

Eurac Research: Karl Kössler

#### WP 1 – Local Responsibilities and Public Services

LMU Munich: Martin Burgi

#### WP 2 – Local Financial Arrangements

Universidad Autónoma de Madrid: Francisco Velasco Caballero

#### WP 3 – Structure of Local Government

University of Fribourg: Eva Maria Belser

#### WP 4 – Intergovernmental Relations of Local Government

NALAS – Network of Associations of Local Authorities of South East Europe: Elton Stafa

#### WP 5 – People’s Participation in Local Decision-Making

Ximpulse GmbH: Erika Schläppi

#### EDITORIAL TEAM

KDZ – Centre for Public Administration Research  
Austria: Alexandra Schantl, Dalilah Pichler, Thomas Prorok  
Eurac Research: Karl Kössler, Theresia Morandell, Caterina Salvo, Annika Kress, Petra Malferttheiner

#### GRAPHIC DESIGN

Eurac Research: Alessandra Stefanut

#### COVER PHOTO

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# 1. The System of Local Government in Austria

Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

## Types of Local Governments

The Austrian Constitution defines Austria as a federal state formed by nine *Länder*. These are further divided into districts (*Bezirke*), administrative units executing tasks for both the *Länder* and the national government, where no statutory city exists. There are, however, 15 statutory cities (*Statutarstädte*) with a special statute, combining the authority and responsibilities of a municipality and a district. Municipalities (*Gemeinden*) are granted the right to self-government as independent administrative bodies in their sphere of competence by Article 116 of the Austrian Constitution. In sum, the three relevant levels of government are the central government, *Länder* and municipal level with some exceptions such as statutory cities which are assigned responsibilities from district level as well as the Capital City of Vienna, which is a municipality and a *Land* at the same time.

## Legal Status of Local Governments

The Austrian Constitution of 1920 entrenches and protects municipalities not only as local administrative units but also as institutions of self-government (Article 116(1)). However, Articles 115–20 of the Constitution also extensively predetermine the organization of municipalities, their powers and intergovernmental relations. This tight national constitutional regime reduces the complementary power of the *Länder* under Article 115(2) of the Constitution to autonomously regulate local government through their own laws (*Gemeindeordnungen*) which results in a tendency towards uniformity.

As for their responsibilities, municipalities may only act lawfully on the basis of competences that are expressly conferred upon them and circumscribed by either national or *Land* legislation. However, this legislation *must* make them responsible for ‘all matters that exclusively or preponderantly concern the local community’ and are ‘suited to performance by the community within its local boundaries’ (Article 118(2) of the Austrian Constitution). Whether national and *Land* legislators observe this rule is checked by the Constitutional Court.

The own autonomous competences of municipalities on this basis, which exist in addition to the competences delegated from the national or *Land* government, include, in particular, the following areas: traffic and transport; gas, water and electricity supply; waste collection; sewage disposal; kindergarten, parts of education; elderly care; cemeteries; and cultural and



sport facilities are all within the competences of municipal administration. For providing these public services, municipalities manage their own budget independently and can own assets of all kind and operate economic enterprises. A major share of municipal budgets comes from intragovernmental transfers, which is a complex system of re-distribution of revenues across all levels of government.

## (A)Symmetry of the Local Government System

The distribution of powers is uniform for all municipalities and therefore fails to take into account differences between bigger urban and smaller rural local governments. The Austrian Constitution adheres to the ‘principle of the abstract uniform municipality’, as enshrined already in 1920. This means that, with the exceptions of the above-mentioned statutory cities and the capital Vienna,<sup>1</sup> all municipalities enjoy, also regarding their competences, equal legal status irrespective of variations in territorial size, population or economic and administrative capacities.

Performing the same tasks as big municipalities can be challenging for Austria’s smaller municipalities. The latter are the majority, as 55 per cent of 2,096 municipalities (in 2018) have less than 2,000 inhabitants and 88 per cent have less than 5,000 residents. Thus, Article 116(a) of the Austrian Constitution lays down the possibility for inter-municipal cooperation in the form of local authority associations (*Gemeindeverband*) to manage certain areas of responsibility such as water supply or waste management (single-purpose associations). Since 2011, the founding of multi-purpose associations (*Mehrzweckverband*) between municipalities is possible in order to go beyond coordination and centralize public service provision such as regional planning, economic development or welfare services. Even though it is legally possible, such multi-purpose associations are not very common.

Another form of cooperation is the possibility of municipalities merging into an institutionalized regional authority, the ‘territorial municipality’ (*Gebietsgemeinde*), as foreseen by Article 120 of the Constitution. The territorial municipality offers the possibility of bundling and/or controlling as many tasks as possible on a regional level, while at the same time maintaining decentralized provision of services by the individual local communities. The preservation of the local identity is guaranteed by own local mayors and municipal councils. However, this form of territorial merger (as opposed to amalgamations) is considered ‘dead law’, as it has never been put into practice.<sup>2</sup>

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<sup>1</sup> Vienna has different competences because it is at the same time a municipality and one of the nine *Länder* (Arts 108-112 of the Constitution).

<sup>2</sup> Thomas Prorok and others, ‘Struktur, Steuerung und Finanzierung von kommunalen Aufgaben in Stadtregionen’ (KDZ 2013) <<https://www.kdz.eu/de/content/struktur-steuerung-und-finanzierung-von-kommunalen-aufgaben-stadtregionen>> accessed 31 January 2020.



## Political and Social Context in Austria

The two major parties, the conservative Austrian People's Party and the Social Democratic Party of Austria have historically shared the parliamentary majority, with the right-wing Austrian Freedom Party ranging on third place with a significant share of votes since the 1990s. Other smaller parties are the Green Party and the liberal NEOS party. All mentioned parties are currently represented in different levels of government with different majorities. On the local level, apart from local independent candidate lists, the majority of municipalities are still split between the People's Party and the Social Democrats. This is also reflected in the organization of municipal associations, one being the Austrian Association of Municipalities (*Gemeindebund*), which is typically associated with the conservative party and smaller rural municipalities, and the Austrian Association of Cities and Towns (*Städtebund*), being organizationally closer to the Social Democrats and representative of larger cities.<sup>3</sup> However, this differentiation should be seen in a more historical context, as many municipalities and cities are members of both associations.

As of 2018, 52 per cent of Austria's population lived in municipalities with less than 10,000 inhabitants and 48 per cent in only 86 larger towns and cities, with Vienna alone having 21 per cent of the Austrian population.

As in many countries, urban and rural areas in Austria face different social problems and demographic challenges. Regarding poverty and social exclusion, for example, residents of Austria's urban areas are more at risk than their rural counterparts because of more single parents' households and more households with no or little income.<sup>4</sup> On the other hand, rural areas are confronted with out-migration especially of young people, women and highly educated people to cities. This has significant long-term effects on economic development, as well as the provision of health care and elderly care services.<sup>5</sup>

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Legal Documents:

Austrian Federal Constitution (B-VG, *Bundes-Verfassungsgesetz*), BGBl. No 1/1930 (WV) idF BGBl. I no 194/1999 (DFB)

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<sup>3</sup> The representation through either one of these associations is constitutionally regulated in Art 115(3) of the Constitution.

<sup>4</sup> Österreichischer Städtebund, 'Österreichs Städte in Zahlen' (2017) 42.

<sup>5</sup> Bundesministerium für Land- und Forstwirtschaft, Nachhaltigkeit und Wasserwirtschaft, 'Masterplan ländlicher Raum' (BMLFUW 2017).



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# Local Responsibilities and Public Services



## 2.1. Local Responsibilities and Public Services in Austria: An Introduction

Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

Local governments in Austria perform their own autonomous functions (*eigener Wirkungsbereich*)<sup>6</sup> as well as tasks delegated by the federation and the respective *Land* (*übertragener Wirkungsbereich*). According to Article 116 of the Federal Constitution all municipalities have the same rights and duties (principle of the *Einheitsgemeinde*) except for the so-called 'statutory cities' (*Statutarstädte*), and Vienna which is both a municipality and a *Land*.<sup>7</sup>

Local authorities, both urban (ULGs) and rural (RLGs) municipalities, are responsible for a wide range of public services, including the provision of infrastructure, kindergartens, primary schools, retirement homes, etc. As stated by the Federal Constitution they are independent economic entities (Article 116(2) of the Federal Constitution<sup>8</sup>), and as such can contribute to the general economy with running their own industrial and commercial enterprises.

However, depending on the type of service, Austrian municipalities provide public services in different ways. The provision of public services ranges from self-operated municipal companies to public-private partnerships.<sup>9</sup>

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<sup>6</sup> Own responsibility tasks are local police, markets, traffic facilities, land use planning, social services, water, sanitation and waste, sports and leisure time facilities. In spite of their self-governing status, the municipalities in these respects have to obey *Länder* and federal laws and are subject to control in legal and efficiency terms. The *Länder* oversee the budgets of municipalities with reference to economy, profitability, and expediency. The standards of supervision vary considerably between the *Länder*.

<sup>7</sup> See the Introduction to the System of Local Government in Austria, report section 1.

<sup>8</sup> All municipalities are corporations and have the right to own property, run businesses, levy municipal taxes, and generally manage their own financial affairs: '*Die Gemeinde ist selbständiger Wirtschaftskörper. Sie hat das Recht, innerhalb der Schranken der allgemeinen Bundes- und Landesgesetze Vermögen aller Art zu besitzen, zu erwerben und darüber zu verfügen, wirtschaftliche Unternehmungen zu betreiben sowie im Rahmen der Finanzverfassung ihren Haushalt selbständig zu führen und Abgaben aususchreiben.*'

<sup>9</sup> The instruments of public service delivery include: Communal self-supply through enterprises owned and operated by the municipality itself. The *Stadtwerke* as an organizational part of the municipal administration formed the economic foundation of municipal autonomy. Communal enterprises as independent companies organized under private law. These 'out-sourced' communal enterprises do not only deliver public utilities' services but also increasingly operate cultural or social infrastructures. Communal ordering of services by commissioning private companies. In recent years the ordering of services has got a decisive boost and has replaced the communal enterprise as a means of providing public services in some areas.

Public procurement has become a central instrument for securing public utilities. With the Public service concession, the municipality transfers the right for full or partial provision of public services to a third party. Public Private Partnerships which are used in particular for areas of public utilities that require high infrastructure costs (e.g. hospitals, school campuses, etc.).



Particularly in the last two decades, the municipalities in Austria have increasingly become service providers for citizens rather than being mere administrative authorities. As there is no difference regarding the size or population of municipalities in the Federal Constitutional Law, fulfilling all these local responsibilities can be challenging especially for small Austrian municipalities. Thus, inter-municipal cooperation is a key feature of local government in Austria to provide the necessary economies of scale and expertise that individual municipalities are lacking.<sup>10</sup> Hence, municipal associations (*Gemeindeverbände*, Article 116(a)) play a crucial role in public service delivery managing, for example water supply or waste management.

Similar to most of the Western European countries ULGs and RLGs in Austria need to tackle different challenges in delivering public services. However, the decrease in public resources together with an increase of public tasks are the main challenges that all Austrian municipalities are facing, due to demographic changes (ageing, migration from rural areas to urban areas), climate change, societal changes (Generation Y, migration and segregation), land take and scarcity, energy transformation and digitization.

### **Impact of Demographic Changes on the Provision of Local Public Services**

Rural migration and the influx of population into urban areas puts the provision of public services as the central cornerstones of good living conditions under more and more pressure and increases the urban-rural divide. Austria's population is growing, but there are significant regional differences and many rural regions are affected by population declines. It is the cities and their surrounding regions that are driving population growth in Austria. The population forecast of the Austrian Conference on Spatial Planning (ÖROK) from 2018<sup>11</sup> assumes that the population of Austria will grow by further 710,000 people (+ 8.0 per cent) by 2040. The nine largest cities in Austria – Vienna, Graz, Linz, Salzburg, Innsbruck, Klagenfurt, Villach, Wels and St. Pölten – will account for almost two thirds of the country's forecast population growth in 2040.

In the past ten years, four out of ten Austrian municipalities have shrunk. The decline affects mainly RLGs in Upper Styria, Upper Carinthia and the northern *Waldviertel* and *Weinviertel* in Lower Austria. Most of these RLGs are located far away from economic centers and have poor transport connections.

On the one hand economically weak RLGs but also structurally weak ULGs are increasingly losing younger and well-educated people. At the same time, the proportion of elderly people is rising. The population forecast of the Austrian Conference on Spatial Planning (ÖROK) from

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<sup>10</sup> For detailed information on inter-municipal cooperation, see report section 4 on local government structure.

<sup>11</sup> Österreichische Raumordnungskonferenz ÖROK, 'Kleinräumige Bevölkerungsprognose für Österreich 2018 bis 2040 mit einer Projektion bis 2060 und Modellfortschreibung bis 2075 (ÖROK-Prognose)' (ÖROK 2019) <[https://www.oerok.gv.at/fileadmin/user\\_upload/Bilder/2.Reiter-Raum\\_u.\\_Region/2.Daten\\_und\\_Grundlagen/Bevoelkerungsprognosen/Prognose\\_2018/Bericht\\_BevPrognose\\_2018.pdf](https://www.oerok.gv.at/fileadmin/user_upload/Bilder/2.Reiter-Raum_u._Region/2.Daten_und_Grundlagen/Bevoelkerungsprognosen/Prognose_2018/Bericht_BevPrognose_2018.pdf)> accessed 7 November 2019.



2018 believes that in some rural peripheral areas by 2040 more than a third of the population could be over 65 years old. Migration not only changes social life, it also has a negative impact on vacancy and real estate prices, making it more and more difficult to provide services of general interest close to home, and worsens employment and income prospects.

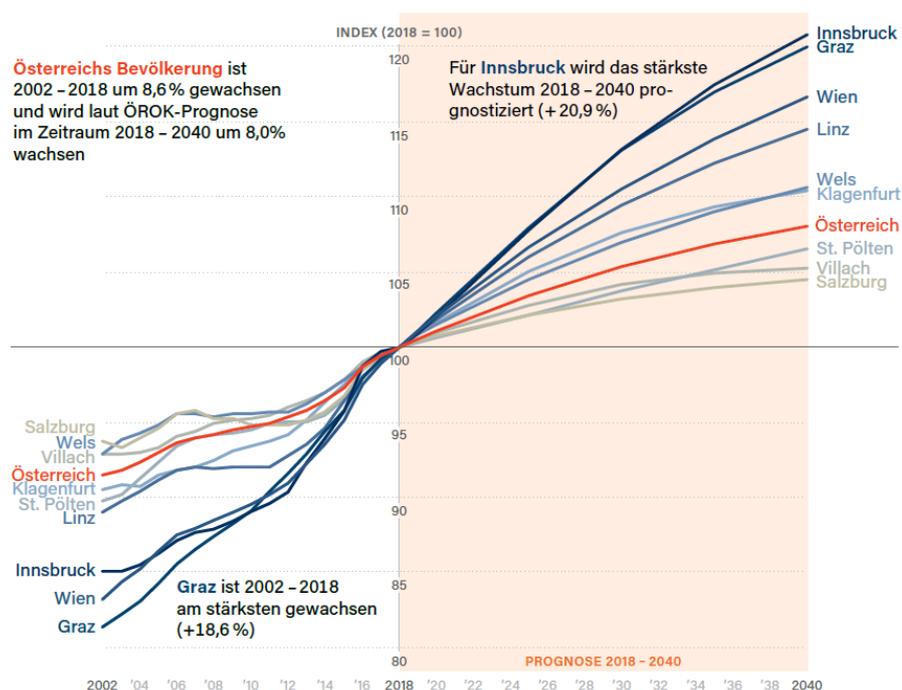


Figure 1: Statistik Austria (POPREG, ÖROK-Prognosis 2018).<sup>12</sup>

On the other hand, economically strong ULGs – especially the capital cities of the Austrian *Länder*– have benefited from immigration both from other Austrian regions and from abroad and are continuously growing (see figure above). But growth also means a shortage of housing, and public infrastructure is continuously reaching the limits of its capacity and resilience. The boost of commuters together with an unfavorable modal split and the coexistence of people with different ethnic and cultural backgrounds pose further challenges on growing ULGs in Austria.

In order to meet these challenges in both RLGs and ULGs, the promotion of cooperation between municipalities to provide public services in Austria has become a priority on the political agenda. Nonetheless, the approaches for RLGs and ULGs differ. Recognizing the importance of functional areas, ULGs are increasingly trying to develop integrated strategies and projects for territorial cooperation together with their often rural neighboring municipalities. This latest development was driven by the current Austrian spatial development

<sup>12</sup> Graph: Ramon Bauer and Tina Frank, 'Österreichs Städte in Zahlen 2020' (Österreichischer Städtebund 2020).



concept (ÖREK 2011) and the partnership ‘Cooperation Platform Urban Regions’, which was mainly supported by the Austrian Association of Cities.<sup>13</sup>

With regards to RLGs, the so-called *Master Plan ländlicher Raum* in 2017<sup>14</sup> gave a boost to rethinking municipal cooperation as a vital instrument, not only for the better delivering of public services, but also for safeguarding Austria’s rural areas. The *Masterplan ländlicher Raum* is the result of a broad participation process from autumn 2016 until summer 2017 aimed at sounding out possible solutions for strengthening the rural areas, which was initiated by the then Minister of Agriculture.

Regrettably, the *Masterplan ländlicher Raum* mainly targets RLGs, and lacks a holistic approach to spatial development. Although the *Masterplan ländlicher Raum* promotes inter-municipal cooperation as an important implementation tool for the provision of public services, it is not seen as a strategic instrument for integrated territorial development. Paying too less attention to functional areas where ULGs are essential partners for RLGs in delivering public services like public transport hinders a successful urban-rural interplay and contributes to the urban-rural divide.

With the current project of the Austrian Conference on Spatial Planning (ÖROK) on strengthening regional governance including both ULGs and RLGs a first important step towards fostering urban-rural linkages has been set.

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<sup>13</sup> See the Introduction to the Structure of Local Government in Austria, report section 4.1.

<sup>14</sup> Bundesministerium für Land- und Forstwirtschaft, Nachhaltigkeit und Wasserwirtschaft, ‘Masterplan ländlicher Raum’ (BMLFUW 2017) <<https://www.bmlrt.gv.at/service/publikationen/land/masterplan-laendlicher-raum.html>> accessed 6 November 2019.



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## 2.2. Organization of Public Transport in Austria Focusing on Functional Urban Regions (City Regions)

Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

A good example of the different challenges for urban local governments (ULGs) and rural local governments (RLGs) in delivering public services is public transit. Traffic is currently the most emitting sector in Austria with a share of 46 per cent of total CO<sub>2</sub> emissions. Since 1995 the total traffic volume in Austria has increased by 33 per cent and the availability of cars has doubled from 28 to 62 per cent. Only in Vienna automobile transportation has declined in favor of public transport and cycling.

In order to achieve the EU climate and energy targets by 2030, Austria's CO<sub>2</sub> emissions in the transport sector must be reduced by approx. 30 per cent or 7.8 million CO<sub>2</sub> equivalent in the next 10 years. This means that 25 per cent less fossil fuels should be used at Austrian petrol stations. At the same time, a shift towards environmentally friendly modes of transport (walking, cycling and public transport) has to be carried out in order to save a further 50 per cent of CO<sub>2</sub> emissions in the transport sector.

The nationwide mobility survey *Österreich unterwegs*<sup>15</sup> reveals major differences in the mobility behavior of the Austrian citizens, depending on the size of the municipality: Public transport only plays a crucial role in ULGs with more than 25,000 inhabitants. In smaller ULGs and RLGs the share of public transport is around 7 per cent, which corresponds to the share of cycling. In municipalities with low population density the private car determines the mobility behavior. In these areas automobile transportation needs to be redesigned in the direction of alternative drive systems or, in the case of shorter distances, a trend reversal towards 'active mobility' (cycling, walking) is required. To switch from private car to public transportation would mean to offer better and more public transportation. However, and from an economic point of view, the expansion of 'classic' public transportation in RLGs with low population density is hardly justifiable due to low cost recovery rates.

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<sup>15</sup> The survey was conducted in 2014 by the Federal Ministry of Transport, Innovation and Technology, <[https://www.bmvit.gv.at/themen/verkehrsplanung/statistik/oesterreich\\_unterwegs.html](https://www.bmvit.gv.at/themen/verkehrsplanung/statistik/oesterreich_unterwegs.html)> accessed 12 November 2019.



## Description of the Practice

Public transit in functional urban areas plays a crucial role due to strong commuter flow between the city region's municipalities. On the border between the core cities (*Kernstadt*) and their surrounding municipalities of the Austrian city regions, three different transport systems with a multitude of actors from different governmental levels and from the private sector are coming together:

- rail transport as important element of regional transport services;
- urban public transport (provided by both rail and bus transport);
- regional bus transport for services outside the cities and in the surrounding municipalities of the city regions.

This requires coordinated planning and provision of public transit in order to guarantee citizens tailor-made public transport. Due to insufficient legal framework conditions and ambiguities in organization and responsibilities, the cross-border public transport between core cities and their neighboring municipalities, which are often RLGs, are more single projects than common and sustainable transport solutions embedded in joint mobility strategies.<sup>16</sup> Another stumbling block is the public transport financing. Regional and local traffic is primarily financed by the federal government and the *Länder*. Urban public transport instead, is financed almost solely by the cities itself (e.g. City of Linz or Graz). In some *Länder*, the municipalities are obliged to make financial contributions for the provision of regional and local traffic (e.g. in Vorarlberg, where public transport is provided by local authority associations). Other municipalities order additional public transport services both from public and private carriers at their own expense (e.g. the Municipality of Ebenthal in the City Region of Klagenfurt). Overall, the current public financing of public transit in Austria is quite complex, which often impedes a demand-oriented public transport in Austria's city regions.

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<sup>16</sup> The competences for the provision of public traffic that crosses city limits are not clearly regulated by law.



The following two city-region-examples indicate the complexity of providing public transport in Austria:<sup>17</sup>

City Region of St. Pölten (93,663 inhabitants, Lower Austria)

In the City Region of St. Pölten there are two organizing authorities (*Aufgabenträger*) for the provision of public transport: the regional transport association VOR (*Verkehrsverbundgesellschaft*) of the *Land* and the City of St. Pölten. The City of St. Pölten is responsible for urban public transport planning and finances the urban transportation with subsidies from the *Land*. The regional transport association, instead, is in charge of tariff setting, ordering and support in planning, both in the core city and the surrounding municipalities.

City Region of Klagenfurt (157,980 inhabitants, Carinthia)

In the City Region of Klagenfurt there are also two organizing authorities (*Aufgabenträger*) for the provision of public transport: the regional transport association VKG (*Verkehrsverbundgesellschaft*) of the *Land* and the City of Klagenfurt. Unlike to St. Pölten, the City of Klagenfurt does not only plan and finance the urban public transport; it also operates public transportation (bus traffic) with its communal utility enterprise *Stadtwerke Klagenfurt AG*. The regional transport association is liable for the regional rail traffic in the city region (*S-Bahn*) as well as for providing public (bus) transport in the other city region's municipalities. As in Lower Austria the regional transport association in Carinthia is in charge of tariff setting, ordering and support in planning.

## Assessment of the Practice

The provision of public transport in both ULGs and RLGs is not just a question of affordability. The impact of financial inter-linkages and shared competencies in the Austrian public transport sector hinder efficient public transport supply at the local level. This applies in particular to functional urban regions, where urban and regional transport should be well connected. Hence, further development is needed in order to achieve better modal split solutions in favour of public transport and to improve both the supply and the quality of public transport without undermining the budgetary objectives of regional and local authorities. A common project<sup>18</sup> of

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<sup>17</sup> Karoline Mitterer and others, 'Stadtregionaler öffentlicher Verkehr. Organisation, Steuerung und Finanzierung im stadtrationalen öffentlichen Verkehr am Beispiel der Landeshauptstadt-Stadtregionen' (KDZ 2016) <<https://www.kdz.eu/de/file/20959/download>>.

<sup>18</sup> Karolina Mitterer, Nikola Hochholdingner and Andreas Valenta, 'Finanzierungsströme im ÖPNRV' (KDZ 2017) <<https://www.kdz.eu/de/file/20956/download>>; Stephanie Pasold and Christoph Schaaffkamp, 'Weiterentwicklungsansätze der Organisation, Steuerung und Finanzierung des stadtrationalen öffentlichen Personennah- und Regionalverkehrs' (KCW GmbH 2017) <[https://www.staedtebund.gv.at/fileadmin/USERDATA/themenfelder/mobilitaet/Dateien/PK\\_09\\_2017\\_1\\_Endbericht\\_Org\\_Finanzierung\\_stadtreg\\_OePNRV.pdf](https://www.staedtebund.gv.at/fileadmin/USERDATA/themenfelder/mobilitaet/Dateien/PK_09_2017_1_Endbericht_Org_Finanzierung_stadtreg_OePNRV.pdf)>.



the *Unterarbeitsgruppe stadtreionaler öffentlicher Verkehr (UAG)*<sup>19</sup> in 2017/2018 elaborated possible solutions and suggested various scenarios to address these challenges. The recommendations include in particular:

- clarification of responsibilities;
- establishment of processes and mechanisms for improved coordination and collaboration;
- financial planning security.

In this context it is worth mentioning the example of the *Nahverkehrs-Errichtungs-Gesellschaft m. b. H. (NAVEG)*, a former company of the *Land* Upper Austria and the City of Linz, which was responsible for the development, coordination and financing of local transport projects in the greater Linz area. A contractual shared responsibility and commitment of the parties involved, as in the case of NAVEG, may lead to purposeful and efficient development of municipal cross-border transport projects. However, the successful further development of the current public transport system in Austria requires both the pooling of expenditure and task responsibilities for public transport and the implementation of the measures at all federal levels.

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<sup>19</sup> The UAG consists of representatives of the capitals of the *Länder* (heads of the transport planning departments or staff members of the departments for financing public transport), the managing directors of the communal utility enterprises for municipal transport, the *Länder* Vienna, Lower Austria, Vorarlberg, Upper Austria and Styria (heads of the transport departments) and a representative of the Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology.



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## 2.3. Municipal Water and Wastewater Management in Austria

Lena Rücker, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

The public provision of water supply and wastewater disposal services as basic services of general interest has a long tradition in Austria. Predominantly provided by the public sector on local level, municipal water services are characterized by high quality, reliability and customer satisfaction. Approximately 95 per cent of the population are supplied by the public water supply and wastewater treatment network, the remaining 5 per cent are inhabitants of remote, self-sufficient settlements.<sup>20</sup> Austrian consumers have a high level of confidence in their water service providers and 90 per cent of consumers were ‘satisfied’ or ‘very satisfied’ with their local services.<sup>21</sup>

Austria’s geographic conditions, particularly the heterogeneous topographic features, have created a contrasting settlement structure with a concentration of settlements in agglomeration regions and scattered settlements in peripheral, more alpine regions.<sup>22</sup> The spatial features and the particularly low population density in some regions are a challenge for the efficient provision of network-bound public services and have contributed to a municipal water sector structure that is characterized by a high share of small to very small service providers. Small-scale water suppliers and wastewater disposal facilities operate predominantly in rural and/or peripheral regions, and cooperative provision models are common. A few large municipal companies provide water services to larger cities and urban agglomerations, usually in delegated public management.

The joint consideration and regional perspective of spatial units in Austria has been recognized as a prerequisite for ensuring efficient and economically viable, reliable and resilient water supply and disposal infrastructure. However, the prevalence of cooperative provision models

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<sup>20</sup> Michael Getzner and others, ‘Vergleich europäischer Systeme der Wasserversorgung und Abwasserentsorgung. Endbericht (Langfassung)’ in *Informationen zur Umweltpolitik 197* (Kammer für Arbeiter und Angestellte 2018) 93-94.

<sup>21</sup> Österreichische Vereinigung für das Gas- und Wasserfach (ÖVGW), ‘Die österreichische Trinkwasserwirtschaft. Branchendaten und Fakten’ (edn 3/2018, ÖVGW 2018) 35 <[http://www.trinkwassertag.at/wp-content/uploads/2018/04/%C3%96VGW\\_Branchenbild\\_Trinkwasserwirtschaft\\_2018.pdf](http://www.trinkwassertag.at/wp-content/uploads/2018/04/%C3%96VGW_Branchenbild_Trinkwasserwirtschaft_2018.pdf)>.

<sup>22</sup> Markus Gruber and others, ‘Raumordnung in Österreich und Bezüge zur Raumentwicklung und Regionalpolitik’ (no 202, ÖROK 2016) 23 <[https://publik.tuwien.ac.at/files/publik\\_271716.pdf](https://publik.tuwien.ac.at/files/publik_271716.pdf)>.



in Austria is not primarily a result of strategic planning, but often of simple necessity due to the lack of financial resources and structural weaknesses in peripheral regions.

## Description of the Practice

The domestic regulatory and legal framework of municipal water supply and disposal in Austria is formed by national legislation, particularly the Act on Water (WRG 1959, *Wasserrechtsgesetz*), the Drinking Water Ordinance (TWV 2001, *Trinkwasserverordnung*) and the Environmental Support Act (UFG 1993, *Umweltförderungsgesetz*) as well as sub-national legislation on the level of the *Länder*. Based on the principle of subsidiarity, the *Länder* hold legislative and executive competences for water supply and wastewater disposal, but the regulations are not uniform across the nine *Länder* due to the federal system (Article 10(1)(10) of the Austrian Constitution). The organization of water supply and wastewater disposal services falls within the local jurisdiction, as Austrian municipalities have the right to local self-administration and are competent in all matters that are in the exclusive or predominant interest of the local community (Article 118 of the Austrian Constitution). Based on this framework, some *Länder* explicitly allocate the responsibility for the provision of water supply and wastewater disposal services to the municipalities. However, in practice the vast majority of Austrian municipalities assume this responsibility in one way or another (either in direct, delegated public management or in associations with other municipalities), depending on the specifications of the *Länder* regarding the legal models of organization.

### Sector Structure

The operational provision of water services on the local level is, with few exceptions, carried out by public companies, predominantly in direct or delegated public management. 95 per cent of drinking water supply and 96 per cent of wastewater disposal services are provided by public companies, and respectively 5 per cent and 4 per cent by private or mixed-economy companies.<sup>23</sup> There are noticeable differences in the applied management models and legal form of enterprises between urban and rural areas. In urban areas, such as Graz, Linz or Innsbruck, public water utilities are often jointly operated in delegated public management. This management model represents a formal privatization, as the provision of water utilities is outsourced to enterprises that operate under private law (*Eigengesellschaften* as AGs or GmbHs). However, the infrastructure remains in public ownership and typically the municipalities are the largest shareholders of such companies, with only a few exceptions of minor private shareholdings. This model may reduce the financial burden of growing municipalities as it allows extra-budgetary financing and investments. An exemption is the

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<sup>23</sup> Denise Rasztovits, 'Ökonomische und räumliche Analyse der Trinkwasserversorgung und Abwasserentsorgung in den Ländern Österreich, Frankreich und Portugal' (dissertation, TU Vienna 2016) 52.



capital city, Vienna, which directly provides water supply and disposal services through an administrative division (MA 31).<sup>24</sup>

In rural areas, water supply services are provided either through municipal companies (*Regiebetriebe*) in direct public management or bundled in water cooperatives (*Wassergenossenschaften*) or water associations (*Wasserverbände*). In general, water associations (*Wasserverbände*) and water cooperatives (*Wassergenossenschaften*) can be established for the same purposes, such as e.g. waste management or water supply and wastewater disposal. In contrast to water cooperatives, water associations are established for the implementation of measures and activities that extend over an area of several municipalities and therefore, the members of associations are usually municipalities (and may also be cooperatives) (WRG 1959, Article 87). Water associations are one of the oldest examples for institutionalised inter-municipal cooperation for the provision of public services in Austria. Water cooperatives are constituted by three or more parties, which are typically property owners (WRG 1959, Article 74). This small-scale, bottom-up model is frequently used in remote and/or scattered rural settlements out of the need to compensate for the lack of financial resources of the responsible municipal authorities (especially considering the trend of population decline).<sup>25</sup> The wastewater services sector has a similar structure: many small treatment plants with low individual capacities dominate in rural-peripheral regions and mergers between municipalities in the form of wastewater associations (*Abwasserverbände*) are the most common model.<sup>26</sup>

The prevalence of cooperative models as a particular feature of the Austrian municipal water sector is reflected in the figures: There are approximately 5,500 water suppliers in Austria, of which more than 60 per cent (3,400) are water cooperatives, 35 per cent (1,900) are municipal companies and around 3 per cent (165) are associations. The figures also show the structural differences between urban and rural regions: Despite their large shares in the total water suppliers, associations only provide services to about 10 per cent and cooperatives only to 11 per cent of the population. Almost 50 per cent of the population is supplied by municipal companies.<sup>27</sup> The majority (54 per cent) of the 1,927 wastewater treatment plants have a capacity of less than 500 PE, but 66 per cent of the total installed capacity in Austria is installed 66 large treatment facilities, which are less than 4 per cent of the total treatment plants.<sup>28</sup>

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<sup>24</sup> See Getzner and others, 'Vergleich europäischer Systeme der Wasserversorgung und Abwasserentsorgung', above, 119-120.

<sup>25</sup> See Roland T Nöbauer, *Genossenschaften als Chancen für Kommunen: Potentialanalyse genossenschaftlicher Infrastrukturbetriebe* (Diplomica 2012) 12.

<sup>26</sup> See Getzner and others, 'Vergleich europäischer Systeme der Wasserversorgung und Abwasserentsorgung', above, 120.

<sup>27</sup> ÖVGW, 'Die österreichische Trinkwasserwirtschaft', above, 15-16.

<sup>28</sup> Österreichischer Wasser- und Abfallwirtschaftsverband (ÖWAV), 'Branchenbild der österreichischen Abwasserwirtschaft 2020' (ÖWAV 2020) 20

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The small-scale structure of the Austrian municipal water sector is a financial factor, as cost recovery is more difficult to achieve for smaller municipalities and enterprises operating in rural areas. On average, the relation between expenses and revenues is 96 per cent in the water supply and 106 per cent in the wastewater disposal sector, while larger municipalities tend to reach cost recovery more often than smaller municipalities. This discrepancy can be explained with the disproportionately higher capital cost for smaller municipalities.<sup>29</sup> Privatization of public services is seen with skepticism in Austria and the regulatory framework was not adapted to ease the entry for private actors. Each local government may individually decide whether to delegate water services to private sector actors or not. While this option is still rarely exercised, financial pressures for local governments have been increasing over the last decades, particularly for rural municipalities facing structural weaknesses and/or population decline. Therefore, some smaller municipalities, e.g. Ruden, Kötschach-Mauthen (both Carinthia) or Ernstshofen (Lower Austria), have chosen the model of formal and material (=full) privatization of their wastewater disposal services.<sup>30</sup>

## Assessment of the Practice

In general, the Austrian municipal water sector provides water supply and disposal services with a high level of quality, reliability, affordability and customer satisfaction. Hence, especially from the consumer's perspective, this area of public services can be considered good practice. Structural challenges and issues of the Austrian municipal water sector do not so much affect the quality provided but rather concern the long-term sustainability of the system's organization regarding existing financial disparities as well as the capacity and resilience of decentralized systems and thus the security of supply in peripheral regions. The urban-rural divide in the provision of network infrastructure is steadily increased by the trends of population decrease in peripheral regions and migration to agglomerations, both increasing the pressure on municipal budgets. They also disproportionately increase the risk of leaving rural municipalities and settlements, which cannot make use of economies of scale as a competitive advantage in the provision of municipal services, behind. Water associations and cooperatives have proven successful models to bridge gaps and counteract disparities between urban and rural regions in Austria. However, in the future, additional focus must be placed on the further regionalization and improved interplay of the highly decentralized systems, especially in order to increase their resilience and adaptability to the impacts of climate change.

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<sup>29</sup> See Getzner and others, 'Vergleich europäischer Systeme der Wasserversorgung und Abwasserentsorgung', above 140.

<sup>30</sup> Rasztovits, 'Ökonomische und räumliche Analyse der Trinkwasserversorgung und Abwasserentsorgung', above, 53.



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## 2.4. Social Housing: The Case of Vienna

Lena Rücker and Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

The provision of adequate and sufficient as well as affordable housing is widely regarded as a public responsibility in Austria, where social housing policy has a long tradition and local governments – urban as well as rural – have long played an active role within the system. In Austrian public debate and in the context of this practice entry, the term ‘social housing’ is understood as encompassing municipal housing as well as object- and subject-based public housing subsidies. The importance of the social housing sector in Austria varies across the nine *Länder* and its municipalities. The share of municipal housing units in total housing units, for example, amounts to 23 per cent in Vienna but less than 5 per cent in the other *Länder*. Subsidized housing units, mostly constructed by limited-profit housing cooperatives, are common in all *Länder*, in cities as well as small municipalities.<sup>31</sup>

The City of Vienna has become the most prominent and an international best-practice example for social housing policy with its inclusive and collaborative approach. Up until today, Vienna directly constructed 220,000 municipal housing units and subsidized another 200,000 units constructed by limit-profit cooperatives, which in total provide living space for almost half (43 per cent) of the city’s population.<sup>32</sup> For the last 100 years, the capital city has also demonstrated the disproportional challenges in the provision of affordable housing for fast-growing metropolises. While this task constitutes a financial burden for communal budgets in general, it usually (and increasingly) weighs heavier for urban municipalities due to the current socio-economic and developmental trends of urbanization and increased heterogeneity of lifestyles and interests. In contrast, especially smaller, rural municipalities often face the difficulty of providing affordable living space while at the same time fighting the trends of depopulation and shrinkage, which could soon make the established infrastructure obsolete.

Over the last decades, Vienna’s public housing sector has undergone significant changes as it faces more diverse trends and pressures. It has developed from a purely public task to a sector with many public and private actors involved. Special models of financing and provision have emerged in order to secure public financing and the safeguarding of the municipal budget.

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<sup>31</sup> Dennis Tamesberger, Johann Bacher and Harald Stöger, ‘Sozialer Wohnbau als Garant für günstigen Wohnraum’ (*A&W Blog*, 28 February 2020) <<https://awblog.at/sozialer-wohnbau-guenstiger-wohnraum/>>.

<sup>32</sup> Nikola Hochholdinger and others, ‘Public Value des sozialen Wohnbaus. Der Beitrag des sozialen Wohnbaus zum gesellschaftlichen und sozialen Zusammenhalt in Wien’ (KDZ on behalf of Wiener Wohnen Kundenservice GmbH 2019); Michael Ludwig, ‘Das Wiener Modell – der soziale Wohnungsbau in Wien’ in Bund deutscher Baumeister, Architekten und Ingenieure (eds), *Jahrbuch 2017 mit Sachverständigenverzeichnis* (BDB 2017) 1.



Because of the sectors' far-reaching significance and particularly the increasing shift towards the involvement of the private sector, the status quo of the practice in Vienna demands critical consideration. The Viennese example is directly relevant to all report sections due to the structure, many actors and instruments of the system, its financial background as well as its participatory approach to the provision of affordable and inclusive high-quality living space.

## Description of the Practice

The legal framework for social housing in Austria is characterized by high complexity and numerous provisions and intertwined instruments, whose implementation also varies strongly across the *Länder*. In general, national legislation such as the *Mietrechtsgesetz* (MRG, Tenancy Act), the *Wohnungseigentumsgesetz* (WEG, Law of Condominiums) and in particular the *Wohnungsgemeinnützigkeitsgesetz* (WGG, Limited Profit Housing Act) forms the legal basis for the practice. The execution of the WGG, which specifies the legal status and responsibilities of non-profit housing associations as well as provisions regarding the financing, allocation of and remuneration for subsidized housing units, falls within the responsibility of the *Länder* (WGG BGBl. 139/1979). Furthermore, on the legal level of the *Länder*, the nine *Wohnbauförderungsgesetze* (housing subsidy acts) contain specific guidelines for all public housing subsidies, encompassing provisions regarding qualitative requirements, eligibility and tariffs for subsidised rental objects as well as loan schemes for for-sale objects. The *Wohnbauförderung* is a powerful price-regulating political instrument in Austria and not directly tied to the WGG, but its provisions apply to the activities of limited-profit housing cooperatives. Until the 1990s, the social housing sector was primarily a communal task and housing subsidies were financed from communal housing construction taxes. Today, the *Länder* carry the financial and executive responsibility for this sector.<sup>33</sup> Differences in the regulations between urban and rural local governments within a *Land* may occur due to implementation and specific provisions of existing local instruments such as the *Flächenwidmungsplan* and *Bebauungsplan* (municipal zoning and building codes), e.g. regarding design and quality standards or the required amount of parking spaces.

Vienna has become a widely known example for social housing policy mainly due to its long tradition of the construction of public housing units, rooted in the socialist inter-war period also referred to as 'Red Vienna', during which most of the existing stock of municipal housing units was constructed. Until the 1980s, the City of Vienna itself was very active in the construction of municipal housing units, creating a stock of approximately 220,000 housing units in public ownership, which amounts to almost one fourth of the city's total housing

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<sup>33</sup> Anna Brunbauer, Markus Neuhaus, Felix Josef and Christoph Weber, 'Soziale Wohnungswirtschaft in Österreich. Gemeindebau, Gemeinnützigkeit und Wohnraumförderung' (FGW- Forschungsgesellschaft für Wohnen, Bauen und Planen 2019) 16.



stock.<sup>34</sup> Today, municipal housing units are managed and maintained in direct public management through Wiener Wohnen, an enterprise of the City of Vienna and legally part of the city administration (*Magistratsabteilung 17*).

Over the last 40 years, Vienna has increasingly outsourced the tasks of constructing and managing affordable housing units to other public and private actors. The city offers subsidies for the construction of affordable housing units to limited-profit and commercial developers and also provides direct financial assistance to tenants (*Wohnbeihilfe*), both funded through a mix of federal and state taxes. The *Wohnbeihilfe* is an instrument of the *Länder*, which Vienna administers in its dual function as city-state. Approximately 51 per cent of the annual public subsidies in the area of affordable housing in Vienna are directed towards the construction of new buildings, 38 per cent towards the refurbishment of the existing stock and 11 per cent towards subject-based subsidies directly reducing the rent for eligible tenants.<sup>35</sup> Up until today, more than 200,000 housing units were created mainly through public subsidies.<sup>36</sup>

Limited or non-profit housing cooperatives (*Gemeinnützige Bauvereinigungen* (GBV)) have long been central actors in the Viennese system of social housing. They operate as private enterprises (as cooperatives or corporations) but are subject to the *Wohnungsgemeinnützigkeitgesetz* (WGG). The WGG stipulates the limited profitability of the cooperatives and that they, in contrast to private developers, must re-invest any excess capital in affordable housing units. In turn, they are granted significant tax advantages.<sup>37</sup> GBVs play a significant role for social housing in all of Austria. In total, they constructed and maintain more than 950,000 housing units, one fourth of which are located in Vienna.

However, despite the efforts, GBV President Karl Wurm estimates that there is still an annual lack of approximately 7,000 new affordable housing units in Vienna.<sup>38</sup> Therefore, in order to satisfy the demand of a growing urban population, the city incorporates commercial, for-profit actors in the provision of affordable housing since the 1990s. These developers have increasingly been receiving subsidies for the construction of new units, but in contrast to limited-profit cooperatives, are only bound to rent limits until the received subsidies have been repaid (typically 10-15 years).<sup>39</sup> Another Viennese approach for the inclusion of private capital in the provision of affordable housing was the introduction of a new spatial classification

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<sup>34</sup> Ludwig, 'Das Wiener Modell', above, 1.

<sup>35</sup> *ibid* 6.

<sup>36</sup> Wohnservice Wien (ed), 'Wohnberatung Wien: Alle Informationen über den sozialen Wohnbau' (10th edn, 2021) <[https://wohnberatung-wien.at/fileadmin/user\\_upload/Wohnberatung\\_Wien\\_Broschuere\\_Web.pdf](https://wohnberatung-wien.at/fileadmin/user_upload/Wohnberatung_Wien_Broschuere_Web.pdf)> 11 accessed 26 July 2021

<sup>37</sup> Ludwig, 'Das Wiener Modell', above, 9.

<sup>38</sup> Martin Putschögl, 'Zu viele große, teure Wohnungen in Wien' (*Der Standard*, 6 June 2018) <<https://www.derstandard.at/story/2000081022212/zuviele-grosse-teure-wohnungen-in-wien>>.

<sup>39</sup> Karl Wurm, 'Wohnbaugenossenschaften & gemeinnütziger Wohnbau in Österreich Teil 1' (interview, '*Genoschaft*' blog WU Forschungsinstitut für Kooperationen und Genossenschaften, 6 May 2019) <<https://www.wu.ac.at/ricc/geno-schaft/aktuelle-blogbeitraege/detail/wohnbaugenossenschaften-gemeinnuetziger-wohnbau-in-oesterreich-teil-1>>.



category, ‘social housing’, which was added to the municipal building code in 2019. It sets out that all projects with more than 5,000 m<sup>2</sup> living area on plots reallocated to building land are subject to long-term rent control for two thirds of the total units.<sup>40</sup>

New housing projects that are either to be constructed on municipal land or with the support of public subsidies are initiated through public competitions, so-called *Bauträgerwettbewerbe*. These competitions aim at the creation of socially and ecologically sustainable and innovative housing units and are often oriented along one particular theme (e.g. intergenerational or cultural housing, wooden construction etc.). All limited-profit and commercial developers are eligible to submit designs, which are then evaluated by an interdisciplinary expert panel as well as municipal representatives.<sup>41</sup>

For more than two thirds of the population in Austria’s largest cities, the capitals of the *Länder*, renting is the preferred form of accommodation. Furthermore, more than half of these urban dwellers rent from either limited-profit cooperatives (23 per cent) or municipal housing (16 per cent). The share of tenants in the rest, and predominantly rural areas, of Austria is only around 26 per cent. However, while private homeownership is the most common form in more rural areas, limited-profit cooperatives are the main type of landlords in the rental segments of medium and small size municipalities.<sup>42</sup>

Vienna is a standalone example in Austria due to the extent of the city’s activities in the area of social housing. But in the past, other Austrian cities and municipalities have too been active in the construction of municipal housing units and, like the capital, shifted their focus towards the subsidization of limited-profit and commercial actors in recent years. In contrast to the capital city, which still directly manages and maintains the municipal housing stock, delegated management of the formerly municipal units through GBVs is more common in small and medium-sized cities due to their more limited administrative capacities.

In general, there is a higher demand for affordable housing units in urban areas with typically higher rent levels than in rural areas, therefore these municipalities inherently face bigger pressure to provide affordable living space. They also need to take into consideration more complex quality aspects and heterogeneous needs, thus public competitions setting out specific requirements for subsidized projects are more common in larger municipalities. Furthermore, differences between the *Länder* as well as urban and rural municipalities occur particularly due to the respective implementation of the instrument *Wohnbauförderung*. Among others, this instrument pursues environmental policy objectives such as increasing and ensuring the thermal quality and energy efficiency of existing and new buildings. But while

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<sup>40</sup> Gemeinnützige Bauvereinigungen Wien (GBV), ‘Mehr Geförderter Wohnbau durch neue Widmungskategorie’ (GBV, 7 December 2020) <<https://www.gbv-aktuell.at/wien/news/817-mehr-gefoerderter-wohnbau-durch-neue-widmungskategorie>>.

<sup>41</sup> See ‘Bauträger-wettbewerbe’ (*Wohnservice Wien*, undated) <<https://wohnservice-wien.at/wohnen/kommunaler-wohnbau/bautraegerwettbewerb>> accessed 26 July 2021.

<sup>42</sup> Gerald Kössl, ‘Mieten in den Landeshauptstädten Österreichs’ (research brief, GBV 2020) 1.



several existing strategies aim to curb Austria's high land consumption (approx. 13 ha/day of which 4.5 are building land), the current legal provisions of the *Wohnbauförderung* in most *Länder* appear to mainly increase current ecological issues. Most *Länder* heavily subsidize land-intensive single-family homes and the construction of excessive parking lots.<sup>43</sup> Due to the differences in the availability of building land and settlement patterns, this issue fuels urban sprawl and disproportionately affects rural rather than urban municipalities.

## Assessment of the Practice

Similar to Sweden and the Netherlands, and in contrast to Great Britain and Germany, Austria has a large limited-profit housing sector. In general, the Austrian approach does achieve its most explicit objective, the creation of affordable housing units. Subject and object-based subsidies are widely accessible and particularly the latter is estimated to have had significant curbing impact on the overall development of housing cost in Austria's municipalities, often making Austria an international best-practice example.<sup>44</sup>

The country's international reputation in this area is rooted primarily in the long tradition of social housing in the City of Vienna. However, from today's perspective it must be questioned whether the current Austrian (and particularly Viennese) system of the provision of affordable housing can still live up to its reputation. In the last decades, municipalities have widely withdrawn as developers while private actors now dominate the activities in this segment. Current trends indicate increased activities of commercial actors in the subsidized housing sector in the future, a development that is contrary to the former socialist ideal of Red Vienna, a city providing inclusive and high-quality living space to all its citizens. This raises the question of whether we are still talking about the same 'Viennese model of social housing' and whether the current system is able to take into account processes and dynamics within the market and the society.

All large urban areas in Austria face a shortage in affordable housing units, which is steadily increased by rising rent levels. Out of socialist tradition, Viennese municipal housing units are spread across all city districts and, due to high income thresholds, are available to large segments of the population. Both these factors have long ensured a certain socio-economic diversity of the inhabitants of municipal housing units. But in recent years, Vienna has experienced a trend of differentiation between dwellers of municipal housing and subsidized housing units. Increasingly, those municipal and subsidized housing units characterized by older building fabric and located in less central areas of the city are inhabited by lower income households. Meanwhile, middle to upper income households inhabit the more modern or centrally located municipal and subsidized housing units. This process can to some extent be

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<sup>43</sup> Alexis Mundt and others, 'Berichtsstandard Wohnbauförderung 2018' (IIBW, on behalf of Land Wien, Magistratsabteilung 50. IIBW 2018) 37.

<sup>44</sup> *ibid* 5.



explained with the common entry barriers to subsidized housing units constructed by limited-profit cooperatives: In order to rent (or buy) such an apartment (at reduced rent), tenants must make an up-front financial contribution to the construction costs (*Finanzierungsbeitrag*). In contrast, there are no financial entry barriers to municipal housing units, which are accessible to the lowest income groups and assigned through waiting lists. This trend indicates that the city's most recent activities are not sufficient to ensure inclusivity and prevent the increased displacement of low-income groups. Another factor not to be underestimated in this context is the prevalence and influence of Airbnb on local housing markets, which in Vienna also affects municipal and subsidized housing, whereby their subletting in principle is not permitted. Subletting a municipal flat is expressly forbidden accordingly to the tenancy agreements. Failure to do so may result in termination. The same applies to cooperative flats: The termination provisions of the Tenancy Act and the Limited Profit Housing Act clearly state that the landlord may terminate a tenancy agreement if the tenant lease/sublet his flat entirely. However, in both cases 'in its entirety' applies. Subletting individual rooms is not prohibited.

In general, public expenses for social housing in Vienna (in all three categories, construction, rehabilitation and subject-based subsidies) have steadily decreased over the last years.<sup>45</sup> At the same time, subsidized housing projects have become more expensive mainly due to the *Bauträgerwettbewerbe*, which aim at ensuring the quality and social and ecological sustainability of large-scale housing projects but also drive up the additional costs in construction. These costs in turn increase the required *Finanzierungsbeiträge* for modern subsidized housing units, making them less available to low-income households. Recognizing the growing challenges, the City of Vienna has decided to take back on the task of directly constructing municipal housing units in 2015 (*Gemeindewohnung Neu*). Since 2020, around 3,700 new municipal flats are being implemented,<sup>46</sup> one third of which are 'SMART' units, geared towards the demand for more compact and affordable units.<sup>47</sup> The new municipal housing units will be offered at the same rent levels as the existing municipal and subsidized units (7.5 Euro/m<sup>2</sup>) and without the precondition of own capital for *Finanzierungsbeiträge*.

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<sup>45</sup> Martin Putschögl, 'Immer weniger geförderte Wohnungen in Wien' (*Der Standard*, 8 October 2020) <<https://www.derstandard.at/story/2000120572617/immer-weniger-gefoerderte-wohnungen-in-wien>>.

<sup>46</sup> The first project with 120 'Gemeindewohnungen NEU' in Vienna's 10<sup>th</sup> district was already handed over to its residents at the beginning of November 2019.

<sup>47</sup> Wohnservice Wien (ed), 'Wohnberatung Wien', above, 15.



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# Local Financial Arrangements



## 3.1. Local Financial Arrangements in Austria: An Introduction

Robert Blöschl and Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

### General Structure and Budgeting

In Austria there are three tiers of administration: the federal level (ministries etc), the *Länder* level and the local level (municipalities, cities). There are nine *Länder* including Vienna and around 2,100 municipalities. All municipalities manage their own budget independently and can own assets of all kind and operate economic enterprises.

Regarding the municipal financial management, municipalities must prepare an annual budget at the end of the year, which shows in detail which revenues and expenditures are expected for the next year. The local council has to approve the annual budget. In any case, the provision of basic services has to be guaranteed and there are strict regulations on how and for which projects the municipality can take on debts.

### Revenues

In Austria there are four main sources of municipal revenue:

- shared tax transfers (around 40 per cent of total operational income);
- local and municipal taxes (around 20 per cent of total operational income);
- fees for municipal services incl. utilities and other educational and social services (around 20 per cent of total operational income);
- current transfers (around 10 per cent of total operational income);
- other fees and income sources (around 10 per cent of total operational income).

Capital transfers for investments are not listed but have been as high as current transfers in the past years as current transfers in absolute values.

A major share of municipal budgets comes from intragovernmental transfers, a complex system of re-distribution of revenues across all levels of government regulated in the Fiscal Equalization Act (*Finanzausgleichsgesetz, FAG*), which is negotiated every three to eight years between the three levels of administration.<sup>48</sup> This act defines the amount of shared revenues municipalities are granted. One of the main criteria of distribution is the tiered population scheme which reflects changes in population in a nonlinear way. Based on this scheme, urban municipalities with larger populations receive a larger share of the revenues. Shared revenues are mainly comprised of shares out of taxes like the value added tax (VAT), income tax and

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<sup>48</sup> See Johann Bröthaler, Anita Haindl and Karoline Mitterer, 'Funktionsweisen und finanzielle Entwicklungen im Finanzausgleichssystem' in Helfried Bauer and others (eds), *Finanzausgleich 2017: Ein Handbuch* (NWV 2017).



corporate tax. In total around 15 per cent of shared revenues are allocated to municipalities in the context of fiscal equalization.<sup>49</sup> Shared taxes amounted to EUR 6.7 billion in 2018 for the local governments (without the Capital City of Vienna).<sup>50</sup>

In addition to shared revenues, local taxes are an important factor of municipal income. The most important local tax for municipalities' budgets is the 'municipality tax'. Companies based in Austria have to pay municipality tax amounting to 3 per cent of the total sum of salaries paid within one month. Therefore, municipalities with higher employment have higher municipality tax income. In general, this applies stronger to urban local governments (ULGs) and municipalities with a strong tourism industry. Property tax is levied on individuals owning property, the amount is set by the municipalities considering a legal tax cap. As there has not been a reform since 1973, the property tax is currently under revision and likely to be reformed in the next years.<sup>51</sup> Municipality tax amounted to about EUR 2.5 billion in 2018 whereas property tax amounted to about EUR 600 million (all municipalities except Vienna).<sup>52</sup>

Besides shared revenues there is a further intragovernmental transfer system between municipalities and the federal and *Länder* level. Each *Land* determines a levy that all municipalities must transfer, e.g. in order to finance the hospitals run by the *Länder*. In return, the *Länder* and also the national government distribute transfers to support municipal investments. These transfers can be divided into current transfers and capital transfers. Current transfers are meant to finance the maintaining of public services. Capital transfers however are purposed to allow for investments in infrastructure for example. Current transfers amounted to EUR 1.6 billion in 2018 with current transfers from the federal level amounting to 20 per cent and from the *Länder* level to 60 per cent. Municipalities that are not able to break even their budgets (e.g. because of losses in municipality tax revenue or structural issues) are granted additional transfers from the *Länder* to cover the deficit. However, all further investments are subject to approval by the *Länder* level, who monitors the municipality until a sustainable and balanced budget is reached. Through this transfer system, rural local governments (RLGs) benefit stronger as levies are higher for municipalities with more income.

Fees are mainly generated through the provision of public services and utilities such as water, sewerage and waste. There are, however, local authority associations that carry out these services and have their own budget. In this case municipalities make proportionate payments to cover the costs of the associations.

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<sup>49</sup> *ibid.*

<sup>50</sup> See Österreichischer Städtebund (ed), 'Stadtdialog. Schriftenreihe des Österreichischen Städtebundes, Gemeindefinanzen 2020 – Entwicklungen 2009 – 2023' (forthcoming).

<sup>51</sup> See Peter Mühlberger and Siegfried Ott, *Die Kommunen im Finanz- und Steuerrecht* (1st edn, DBV 2016); René Geißler and Falk Ebinger, 'Austria' in René Geißler, Gerhard Hammerschmid and Christian Raffer (eds), *Local Public Finance in Europe. Country Reports* (Bertelsmann Stiftung 2019).

<sup>52</sup> See Österreichischer Städtebund, 'Stadtdialog', above.



To conclude, important expenditure-incurring tasks such as health care and social protection happen at subnational level, but a minor share is financed through municipal revenues. As a result, municipalities are financially dependent mainly on the shared tax transfers (*Ertragsanteile*) by higher levels of government due to the significant mismatch between revenue raising power and expenditure responsibilities.<sup>53</sup> While the shared tax transfers and local tax incomes are higher in ULGs, after the mandatory transfer (levies, current and capital transfers) the income of RLGs becomes more level with that of urban ones.

### Public Spending and Debt

Municipalities cover a wide arrange of tasks from the construction and maintenance of streets to kindergartens, primary schools, residential care homes for elderly people and services like water supply, sewerage and waste disposal.<sup>54</sup> Highest expenditures are carried out in the fields of services (e.g. water, sewerage, waste), welfare and education.<sup>55</sup> Expenditure has to follow the approved budget. If deviations from the budget occur (e.g. because of unforeseen projects) municipalities have to prepare a revised budget and gain the approval of the local council.

In general, municipalities are only allowed to take on long-term debt for capital spending. Current expenditures cannot be covered with long-term debt. There are rules for short-term loans which have to be paid back within the fiscal year. Furthermore, *Länder* law prohibits the use of risky financial instruments. Over the last ten years municipal debt slightly rose from EUR 11.5 billion in 2009 to 11.6 billion in 2018.<sup>56</sup>

### Recent Developments

Until 2019 Austrian municipalities followed the rules of a cameralistic system. The budgeting and accounting were done according to a cash-flow oriented system. From 2020 on an accrual system is now implemented. The income statement shows the resource flows within the municipality. The cash flow statement shows the cash inflows and outflows. The balance sheet includes balances of assets, accounts receivable, accounts payable, loans etc. With this shift to a more resource-oriented concept a holistic assessment of municipal accounting is possible.<sup>57</sup>

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<sup>53</sup> European Commission, 'Country Report Austria 2019' COM (2019) 150 final.

<sup>54</sup> See Geißler and Ebinger, 'Austria', above.

<sup>55</sup> See Österreichischer Städtebund, 'Stadtdialog', above.

<sup>56</sup> *ibid.*

<sup>57</sup> See Robert Blöschl, Clemens Hödl and Alexander Maimer, 'Mit der VRV 2015 zu mehr Generationengerechtigkeit' in Peter Biwald and others (eds), *Nachhaltig wirken. Impulse für den öffentlichen Sektor* (NWV 2019).



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## 3.2. Budget Transparency with Open Spending Austria

Bernhard Krabina and Robert Blöschl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

Transparency in municipal finances is nothing new in Austria. However, sometimes looking up spending reports must be done in person at the city hall. Especially bigger cities have therefore published spending reports and planned budgets on their website, but data is often locked up in PDF documents, and thus not machine readable, which makes it more difficult to use in analysis or for the creation of data visualizations. Rural municipalities tend not to publish spending reports at all on their websites, even though a regulation exists that requires them to do so.<sup>58</sup> Therefore, the only way for citizens of rural areas to inform themselves about municipal spending is to visit municipal offices in person where they can have a look at printouts of the spending reports.

In Austria, the municipalities have to report their budgets to the *Länder*, which deliver these reports to Statistics Austria (the federal statistics office), where they are aggregated and quality checked. An electronic dataset of all the spending data can be purchased at Statistics Austria, who agreed on making this data available to Open Spending Austria in case the individual municipality consents.

With more than 20,000 of the 27,000 datasets on the Austrian open data portal [data.gv.at](http://data.gv.at), Open Spending Austria is by far the largest data publisher. From the published data, several interactive visualizations are provided to inform and educate citizens, journalist, researchers, public officers and politicians.

### Description of the Practice

In October 2013, the Centre for Public Administration Research (KDZ) launched an open spending portal in Austria holding the spending data of all 2,100 municipalities at [www.offenerhaushalt.at](http://www.offenerhaushalt.at). Each mayor has been sent login credentials enabling him or her to view and explore their own municipality's spending data from 2001 and with a few clicks release all data and visualizations on the portal for everyone to see and use.

After seven years of operation, Austria's award winning Open Spending portal covers 56 per cent of all municipalities, representing almost 80 per cent of the population. An analysis of the

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<sup>58</sup> Austrian Stability Pact 2012, see <https://www.ris.bka.gv.at/GeltendeFassung.wxe?Abfrage=Bundesnormen&Gesetzesnummer=20008232>.



size of municipalities participating shows that the larger the municipality, the more likely they are participating: 100 per cent of the cities with 20,000 and more inhabitants are on the platform, while only 47 per cent of rural municipalities with less than 2,000 inhabitants are taking part.

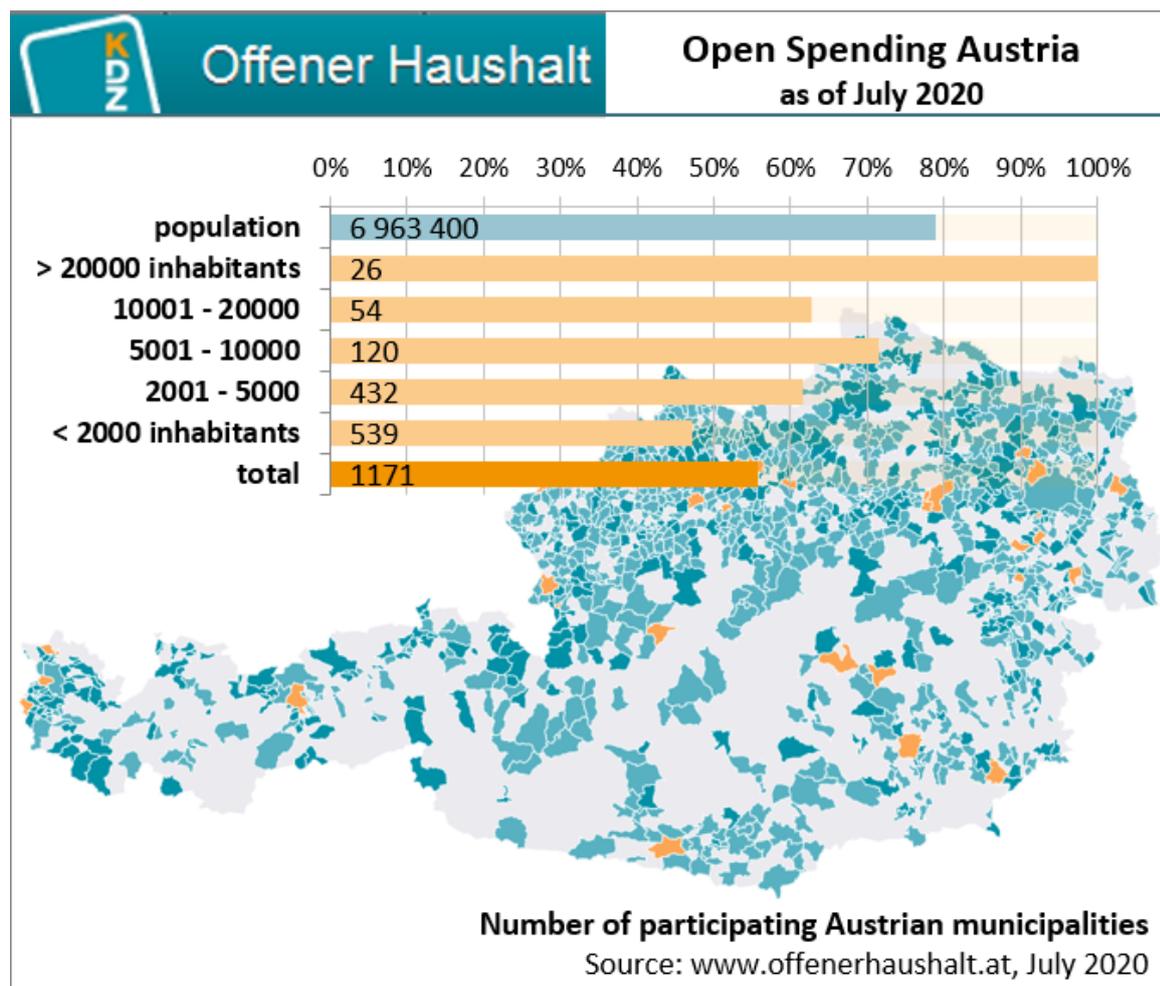


Figure 2: Number of participating Austrian municipalities according to size.

The portal not only makes spending data available online, it also provides several types of interactive data visualizations that make it easier for both local government officials and citizens to understand municipal budgets. The main features available for each municipality are:

- tree map of spending data according to political (functional) classifications (i.e., where does the money go?) including the corresponding economic classifications (i.e., what are the types of expenses?);
- line chart with detailed view of the budgets over a 19-year timeline;
- line chart of the debts and liabilities;



- donut chart of the use of EUR 1,000 of tax money;
- KDZ Quick Test: a systematic approach of the financial soundness of the municipality according to 5 sub-indicators displayed in bar charts;
- the ability to download spending data for each year in CSV format for further reuse (CC-BY license);

the ability to compare certain budget categories across municipalities (for those whose data is also published and only for logged-in users).

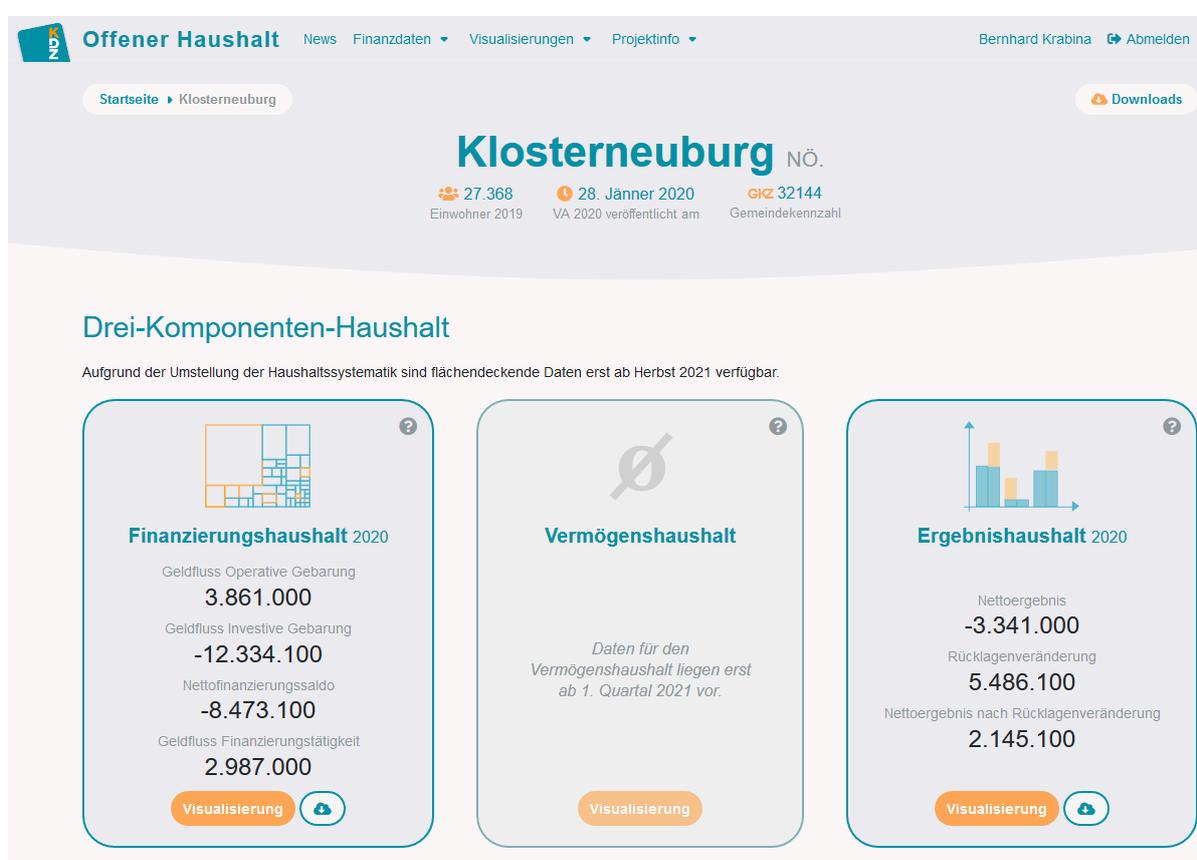


Figure 3: City of Klosterneuburg at Open Spending Austria.<sup>59</sup>

The introduction of the accrual accounting system in Austria as of 2020 made it necessary to implement a major relaunch of the platform. As data currently is only available for the planned budget of 2020, only two of the three budget components can be visualized (see figure above). The two components already available are the cash flow statement (left) and the income statement (right). For the third component (middle, the balance sheet statement), data from the actual spending 2020 will be needed that will be available as of spring 2021.

<sup>59</sup> 'Klosterneuburg' (*Offener Haushalt*, 28 January 2020)  
<<https://www.offenerhaushalt.at/gemeinde/klosterneuburg>>.



## Assessment of the Practice

The practice can be considered a big success. More than 1,100 municipalities are disclosing their spending data online including several interactive visualizations. It has been awarded several international and national awards and has continuously received media coverage. The platform measures on average 1,400 visits per month.

All 26 municipalities with more than 20,000 inhabitants are on the platform. 971 small municipalities with less than 5,000 inhabitants are using the platform. The smallest municipality only has 41 inhabitants, while the largest one (the City of Vienna) has 1,9 million.

Even though the features of the platform do not differ according to the size, the effects are different: Larger cities who already had a practice of publishing at least the PDF versions of their spending reports on their websites profit more from the benefit of the interactive visualization, while for rural areas, using the platform is most likely to be the first time that they are publishing spending data online at all. Just recently (in June 2020), three small Tyrolean municipalities left the platform due to privacy concerns. It became obvious that the smaller a municipality is, it is more likely that only one person is working in a department. Even though the names of persons are not published in the spending reports, it can be possible to research names of persons working in the municipality from their website and therefore concluded what their wage must be. There is an ongoing discussion among the Austrian Data Protection Authority and the municipal supervisory authority (of the Land Tyrol) about this question, especially because there are regulations in place which indicate that detailed spending data has to be published.

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### 3.3. Effects of the Intragovernmental Transfer System on Financial Strength

Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

#### Relevance of the Practice

The intragovernmental transfer system within the Austrian fiscal equalization mechanism provides a certain particularity in its outcome under the aspect of the urban-rural divide. From shared revenue and own taxes, urban local governments (ULGs) at first have an increased financial strength per capita compared to rural local governments (RLGs). However, the intragovernmental transfer system between the municipalities and their respective regional governments (*Länder*) shifts financial strength per capita substantially towards smaller local governments (LGs) at the expense of larger municipalities. This raises the question on how such a financial arrangement considers the different financial needs of RLGs and ULGs and shall be assessed in this entry.

#### Description of the Practice

The shared revenues are transferred to municipalities within the framework of the Fiscal Equalization Act (*Finanzausgleichsgesetz, FAG*) as a share of the federal taxes (such as value added tax, income tax, etc.). The tiered population scheme is used to compensate larger municipalities for the additional expenditure as regional or urban centers. While each municipality independent of its size finances the basic public services such as water supply, wastewater and waste management with cost-effective fees, the shared revenues can be used for other, less cost-effective public services. Regional or urban centers typically offer more public facilities for sports and leisure, child care services and cultural activities. These are also used by the residents of the surrounding municipalities within the commuter belt. Therefore, the idea of the tiered population scheme is that large cities receive a higher share of the revenue per capita than small municipalities without a corresponding function as regional center.

An essential indicator for the financial performance of a municipality is the financial strength per capita. This shows the extent to which a municipality can meet its financial needs from its own taxes (especially municipal tax and property tax) and shared revenues. The higher the financial strength per capita, the better a municipality is equipped with financial resources and can thus secure ongoing operations, but also make investments. However, the complex transfer system between municipalities and regional governments – which comes after the



national distribution of shared revenues – leads to significant shifts in the financial resources of municipalities. On the one hand, regional governments receive current transfers from each municipality based on their financial strength per capita. Therefore, the more financial resources a local government has, the more it has to pay into these ‘regional funds’. These transfers are mainly used for expenditures of hospitals or social welfare, which are services provided by the regional government. On the other hand, municipalities also receive capital transfers for investments. These typically co-finance infrastructure projects such as roads, public buildings or protective structures against natural disasters. Also current transfers from the regional governments are possible, e.g. to foster regional cooperation, co-finance child care expenses, support municipalities if they cannot reach a balanced budget or fund economically disadvantaged regions.

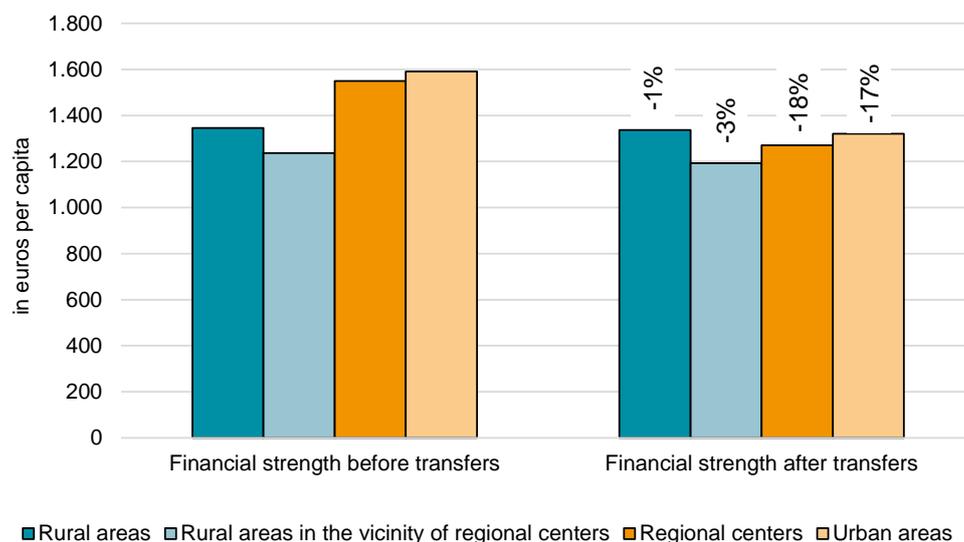


Figure 4: Financial strength in 2019 before and after transfers in euros per capita based on urban-rural typology<sup>60</sup>

Overall, the intragovernmental transfers show a strong balancing effect of financial resources. The result of this regulation is a reduction of the differences in financial strength between the municipalities and a shift of funds from financially strong to financially weak municipalities. The impact of this transfer system on the municipalities financial strength is therefore significant. The above figure depicts the disproportionate burden for regional centers and urban areas. On the left, the financial strength before transfers shows a higher financial strength for regional centers and urban areas. The right part depicts the same indicator after intragovernmental transfers. The financial strength is reduced by 18 per cent in regional centers and 17 per cent in urban areas. However, as the majority of Austrian municipalities are categorized as rural

<sup>60</sup> Own adaptation, based on Statistik Austria, ‘Gemeindefinanzdaten’ (2019).



areas (59 per cent) and rural areas in the vicinity of regional centers (26 per cent),<sup>61</sup> the impact of transfers within these categories is not visible. In total, the transfer system equalizes the financial strength in an urban-rural typology, not regarding the different services urban and rural areas provide.

The next figure additionally shows the effect of the intragovernmental transfers between municipalities and their regional government according to population size. The left part of the figure (financial strength before transfers) shows that the financial strength per capita basically increases with the size of the municipality. The fact that the smallest municipalities with up to 500 inhabitants have higher values is due to the high proportion of touristic municipalities, which can fall back on higher own tax revenues. The increase in financial strength per capita, especially from 10,000 inhabitants onwards, is due to the tiered population scheme in the context of fiscal equalization of shared revenues.

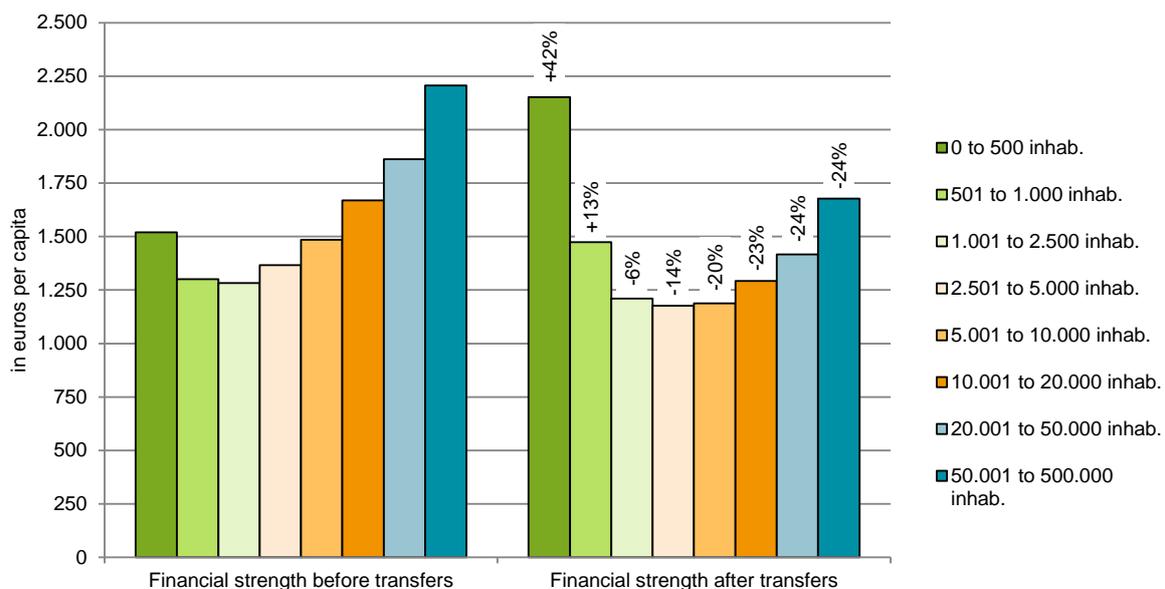


Figure 5: Financial strength in 2019 before and after transfers in euros per capita based on population size<sup>62</sup>

In 2019, the municipalities paid EUR 3.7 billion as transfers to the *Länder*, in particular current transfers for hospitals, for welfare and a so-called general duty for the *Länder*. In return, EUR 1.8 billion flowed from the *Länder* to the municipalities mainly through capital transfers and partly as current transfers. In sum, 35 per cent of the municipalities' revenue shares from the national fiscal equalization process are reduced on average after the regional transfer system.<sup>63</sup>

<sup>61</sup> Based on urban-rural typology of Statistik Austria 2016.

<sup>62</sup> Mitterer and Seisenbacher, 'Gemeindefinanzdaten 2021', above.

<sup>63</sup> Mitterer and Seisenbacher, 'Gemeindefinanzdaten 2021', above.



The right part of the above figure shows the financial strength after transfers. It can be seen that the financial resources according to population size change significantly as a result of the transfer system. There is a U-shaped form, as the financial strength of smaller municipalities with up to 1,000 inhabitants is increased. The per capita financial strength of the average municipality with up to 500 inhabitants increases by 42 per cent, that of the average municipality with up to 1,000 inhabitants by 13 per cent. In all other population classes, there is a decrease of financial strength. For municipalities with over 5,000 inhabitants, the reduction is between 20 to 24 per cent.

## Assessment of the Practice

The fiscal equalization mechanism distributes the shared revenues to all levels of government. Because of a tiered population scheme, larger municipalities receive a larger share of these revenues. The original financial resources from the fiscal equalization are significantly changed based on the intragovernmental transfer system between *Länder* and their municipalities. This practice reduces the municipal autonomy by limiting the financial leeway. Also, it reduces the financial strength of medium-sized and large cities. It is true that small municipalities in rural areas struggle with thin settlement structures or provide large infrastructures for tourism. However, medium-sized cities have to maintain the function as a regional center, providing infrastructure in different areas of public interest for the surrounding municipalities.

Linking financial resources and actual public service provision is currently not planned, even though a financial equalization scheme with a stronger orientation towards actual service provision has been in discussion for a long time. In particular, there is a call for more transparency and the reduction of complexity through a harmonized framework for all regional governments.<sup>64</sup> A linkage between municipal tasks to be fulfilled as part of (mandatory) public service delivery and finances would ultimately lead to improved management and more efficient and effective use of resources.

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<sup>64</sup> Bröthaler and others, 'Funktionsweisen und finanzielle Entwicklungen im Finanzausgleichssystem', above.



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## 3.4. The Role of EU Structural Funds for Austrian Local Governments and its Contribution to the Urban-Rural Interplay

Nikola Hochholdinger and Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

The Austrian financial equalization system provides financial resources to finance local governments tasks. Due to the specific framework conditions and challenges of urban local governments (ULGs) and rural local governments (RLGs), the question of how these funds can be distributed fairly between ULGs and RLGs seems to be a never-ending story. While RLGs want to have their structural challenges due to the rural exodus compensated by this intragovernmental transfer system, ULGs want to be reimbursed for their increased need for infrastructure development and their additional tasks due to the influx of people. However, there is a second level of redistribution in the form of an extensive subsidy system that leads to differentiated distribution effects with regard to urban and rural areas.

In this context EU funding has become more and more important over the last decades, in particular with regard to regional policy and development. For the EU-funding period 2014-2020 Austria has benefitted from the European Structural and Investment Funds (ESIF) through four national programs with 4.92 billion supplemented<sup>65</sup> by EUR 5.74 billion of national co-financing.<sup>66</sup> The biggest part of the funding has been dedicated to the European Agricultural Fund for Rural Development (EAFRD) with 72.5 per cent, around 20 per cent to the European Regional Development Fund (ERDF) and 8.2 per cent to European Social Fund (ESF). With less than one per cent of the planned funding, the European Maritime and Fisheries Fund (EMFF) is the smallest and least relevant program in Austria.

To implement both innovative inner-city and urban-regional initiatives in Austria the ESIF plays a decisive role. The scope of urban regional action according to integrated multi-level approaches in the administration (multi-level governance) in Austria would be considerably lower without start-up funding from the EU.

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<sup>65</sup> European Commission, 'Country Data for Austria' (*European Structural and Investment Funds*, last updated 2021) <<https://cohesiondata.ec.europa.eu/countries/AT#>> accessed January 2021.

<sup>66</sup> Peter Mayerhofer, Julia Bachtrögler, Klaus Nowotny, and Gerhard Streicher, 'Quantitative Wirkungen der EU-Struktur- und Kohäsionspolitik in Österreich – ein Beitrag zu 25 Jahre Österreich in der EU' (WIFO 2020) 11.



However, the current funding structures and frameworks (complex intervention logic, multiple funding authorities/agencies, lack of coherence between the various EU funds and instruments) as well as the lack of long-lasting rollover funding or follow-up investments, hinder the sustainable use of EU funds both for the integrated development of urban regions and for bridging the urban-rural gap.

## Description of the Practice

A recently published study<sup>67</sup> on quantitative effects of ESIF-funding in Austria has shown that EU funding in Austria clearly contributed to reduce spatial disparities in Austria over the last 25 years. According to the EU Rural-Urban-Typology the highest funding intensity – spending per capita – of the ESIF funds was found in peripheral rural areas (see figure below). This also indicates that RLGs ultimately benefited more from the funding than ULGs due to the different thematic and geographical orientation of the single ESIF programs.

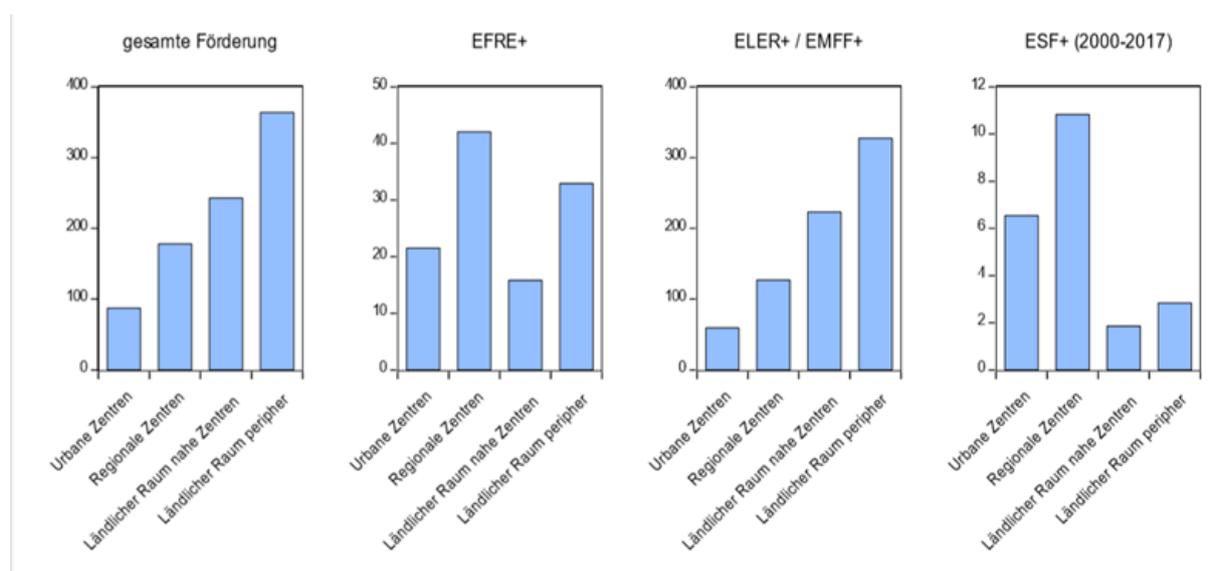


Figure 6: Funding intensity of ESIF in Austrian districts 1995-2017<sup>68</sup>

Since social, ecological and economic processes and challenges correspond less and less to administrative borders, also in Austria with the 2014-2020 funding period EU funds have been increasingly dedicated to functional areas as well as to the cooperation of ULGs with their - often rural - surrounding areas in order to strengthen territorial and social cohesion.

For urban-regional (urban-rural) measures it has been mostly resources from the European Structural and Investment Fund that come into effect; respectively from the ERDF and the

<sup>67</sup> Mayerhofer and others, 'Quantitative Wirkungen der EU-Struktur- und Kohäsionspolitik in Österreich', above.

<sup>68</sup> *ibid.*



EAFRD. Thus, the Austrian program ‘Investment in Growth and Jobs’ (Article 7 - Integrated and sustainable urban development) has supported, for instance, the Upper Austrian urban regions and urban-rural cooperation in Tyrol (CLLD)<sup>69</sup>. The cooperation between the City of Villach and its surrounding regions works with LEADER<sup>70</sup> resources from the EAFRD. Other functional spaces that go beyond the Austrian national borders, such as the cooperation in the area of the Lienz Valley with Bruneck in South Tyrol, are supported by the EU’s Interreg programs.

However, EU funding shall not and cannot replace national funding. In order to be able to continue successful EU initiatives and projects even after EU funding has phased out, the ‘EU start-up funding’ needs to be secured in the long term through national (reform) programs. This applies above all to the integrated development of functional areas. A good example of how EU funds contribute to sustainable investment both in ULGs and RLGs is the Styrian Regional Development Law that came into force in 2018. The purpose of this law is to create the best prerequisites for a targeted cooperation between all governmental authorities (*Land*/region/local governments) concerned with economic and social development. A yearly amount of EUR 12 million is available for these tasks, distributed among the seven Styrian regions and spent on their own responsibility. The law incorporates citizens’ participation as an essential issue for the regions. The main superordinate goal is to equalize regional imbalances and to govern structural spatial development. The tasks are set on two levels:

- the regional government level (*Land* Styria): Development strategy framework for the entire province, coordination of regional strategies and spatial policies, tuning of flagship projects;
- the regional level: Coordination and enforcement of inter-municipal cooperation within the region, elaboration and realization of regional development strategies, proposals for appropriate projects, permanent monitoring.

The regional tasks are performed by so-called *Regionalverbände* (regional authority associations) and their authority independent bodies, the president, the board and the assembly. In the assembly the mayors and councilors of the participating municipalities are represented. There are currently seven *Regionalverbände*. Financial resources can be used for management tasks as well as for projects to benefit the regional populations (e.g. mobility improvement, logistic concepts, social procurement etc.). Since the available regional budget can also be used as co-financing for EU projects, there is additional funding for local projects and investments. Furthermore, the potential and willingness of both ULGs and RLGs to use EU funds for their local projects increases.

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<sup>69</sup> Community Led Local Development Instrument.

<sup>70</sup> *Liaison entre actions de développement de l'économie rurale* – instrument of the EAFRD.



## Assessment of the Practice

Although EU funding plays a minor role in Austria in relation to national funding, it has successively become more important in the last decades, especially in regional policy and development. Local governments have benefited from ESIF-funding through many different projects and conjoint initiatives and EU-funded projects have been crucial catalysts and promoters for starting innovative processes and implementing new and cooperative government structures especially on the regional level both in Austria and cross-border.

However, there are differences between ULGs and RLGs in absorbing EU-Funds. While RLGs benefit from the largest ESIF program in Austria – the EARDF – the funding opportunities for ULGs are limited for two reasons: the ERDF funds in Austria, where ULGs are potential beneficiaries, still focus on economic support for SMEs and research measures, while funds for sustainable urban development measures and investments are very limited. On the other side the majority of the EAFRD funds go to small RLGs, although ULGs with up to 30,000 inhabitants would be eligible.<sup>71</sup>

With the new approach on supporting functional areas since the last funding period 2014-2020 it seems that also ULGs will benefit better from EU-funding in future and that this territorial approach could not only strengthen cooperative regional governance but also cushion the urban-rural divide.

However, to successfully and sustainably use EU funding for functional areas improvements are still needed. This demand is also in line with both the current position paper of the Austrian Association of Cities and Towns<sup>72</sup> for the funding period 2021-2027 and the findings of a recent Austrian Conference on Spatial Planning (ÖROK) study<sup>73</sup> that requests to strengthen the resource potentials of regions as actors for the attainment of programming objectives in order to improve the effectiveness of funding on local and regional level.

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<sup>71</sup> Ministry of Agriculture, Regions and Tourism, 'Austrian Programme for Rural Development 2014-2020' 73.

<sup>72</sup> Austrian Association of Cities, 'Position paper (Summary): Cities & Urban regions 2020+ Positions of the Austrian cities and urban regions regarding the design of the EU grant decisions 2021-2027' (2019).

<sup>73</sup> Österreichische Raumordnungskonferenz ÖROK, 'Die regionale Handlungsebene stärken – Status, Impulse und Perspektiven' (publication series no 208, ÖROK 2020) 12.



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# Structure of Local Government



## 4.1. The Structure of Local Government in Austria: An Introduction

Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

Like in many other European countries, the first efforts to merge municipalities in Austria started in the 1960s. While the municipal structures in the western *Länder* of Austria (Vorarlberg, Tirol, Salzburg and Upper-Austria) were already organized in larger units, Lower Austria, Burgenland, Styria and, to some extent Carinthia, were characterized by small-scale municipalities.

Thus, in Lower Austria the number of municipalities decreased from 1,652 municipalities in the year 1965 to 573 municipalities as of now. In Burgenland the amalgamation process started in 1971 by merging the 319 municipalities into 138. Due to later municipal separations, the number of today is 171. With the municipal structural reform in Carinthia in 1973 the number of municipalities was reduced from 242 to 121 municipalities. Again due to some later municipal separations Carinthia today has 132 municipalities. The most recent municipal structural reform in Austria took place from 2010 to 2015 in Styria. The number of municipalities decreased from 542 to 287. This reform also affected the Styrian districts by reducing their number from 17 to 13.

Similar to Switzerland, amalgamations in Austria are driven either by the municipalities themselves (bottom-up) or by the *Länder* (top-down). The process of the most recent structural reform in Styria was driven by the *Land*. Accompanying measures, direct involvement of the affected municipalities through participation and financial incentives were intended to ensure that the amalgamations of municipalities proposed by the *Land* were voluntary. Due to strong resistance of numerous municipalities, the structural reform needed in the end both voluntary and coercive mergers.

However, from the current 2,100 municipalities in Austria only about 70 municipalities have a population of more than 10,000 inhabitants. From the 8.8 million inhabitants in Austria one third of the population lives in the metropolitan area of Vienna.<sup>74</sup> Hence, Austria has a very fragmented and small-structured municipal landscape.

One reason for the reluctance to territorial reforms in Austria is the clear preference for inter-municipal cooperation. While there is no political program for amalgamations in Austria, the federal government, the *Länder* and the local government associations support the further development of inter-municipal cooperation.

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<sup>74</sup> KDZ, 'Stadtregion Wien' (*stadtregionen.at*, 2019) <<https://www.stadtregionen.at/wien>> accessed 11 November 2019.



Since 2011 the constitutional law to strengthen the powers of municipalities<sup>75</sup> significantly enlarges the rights of municipalities to establish inter-municipal associations, even across *Länder* borders, primarily to increase service efficiency not only in their own competences, but also in transferred competences. Its implementation was accelerated as a result of the financial crisis and existing budget restrictions aimed to reduce costs by a reorganization of local public services and a new way of managing local and regional authorities' payrolls. Moreover, *Länder* programs to encourage local authorities to modernize their services and to use innovative approaches have been also introduced. Currently all *Länder* provide incentives for inter-municipal cooperation, some of them even tie their transfer payments (in the financial equalization) to municipalities to inter-municipal cooperation. And the present program of the federal government (2020-2024)<sup>76</sup> promotes to abolish the VAT for inter-municipal cooperation to facilitate co-operations and make them more attractive.

Inter-municipal cooperation in Austria has a long tradition and is based on the principle of voluntariness. Nonetheless, the cooperativeness of municipalities is still rather weak. The often long and resource intensive initiation processes, interest conflicts or only the reluctance to give up own structures for joint projects still hinders inter-municipal cooperation.

In general, all municipal tasks or services in Austria, with the legal competence being anchored in the Federal Constitution, can be carried out inter-municipally. Limitations apply only to the legal form of cooperation: e.g. governing powers cannot be carried out by a private company (municipal housing inspectorate, municipal registry of births, marriages and deaths, municipal taxes etc.).

The main inter-municipal cooperation fields in Austria are:

- supply and disposal (e.g. water and waste);
- regional development and tourism;
- sports and leisure infrastructure (public swimming pools, sport halls, event centers etc.);
- social services (social welfare associations, retirement homes etc.);
- education (kinder garden, elementary and middle schools, residential accommodation for pupils);
- particular governing powers areas (municipal housing inspectorate, municipal registry of births, marriages and deaths etc.);
- internal administrative services like procurement, accounting etc.

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<sup>75</sup> See 60. Bundesverfassungsgesetz: Änderung des Bundes-Verfassungsgesetzes zur Stärkung der Rechte der Gemeinden [Federal Constitutional Law on the Strengthening of the Rights of Municipalities], GP XXIV GABR 1213 AB 1313 S. 112. BR: AB 8526 S. 799.).

<sup>76</sup> See 'Aus Verantwortung für Österreich. Regierungsprogramm 2020–2024' (Bundeskanzleramt Österreich 2020) 11.



In the past decade, inter-municipal cooperation in location development (business parks, business location etc.) has become more and more important, while fire-services cooperation is still very limited.

Support for inter-municipal cooperation differs from one *Land* to another *Land* in terms of both financial means and non-monetary services. Normally the establishment and management of inter-municipal cooperation are funded by the *Länder*, while cooperation itself or investments are usually not subsidized.

The form of cooperation depends on the tasks and duties. It ranges from informal and non- or little institutionalized cooperation to strong and highly institutionalized cooperation. For certain municipal tasks, the legal form of local authority association (*Gemeindeverbände*) is mandatory.<sup>77</sup> Scope and tasks are defined by the laws of the Austrian *Länder*.

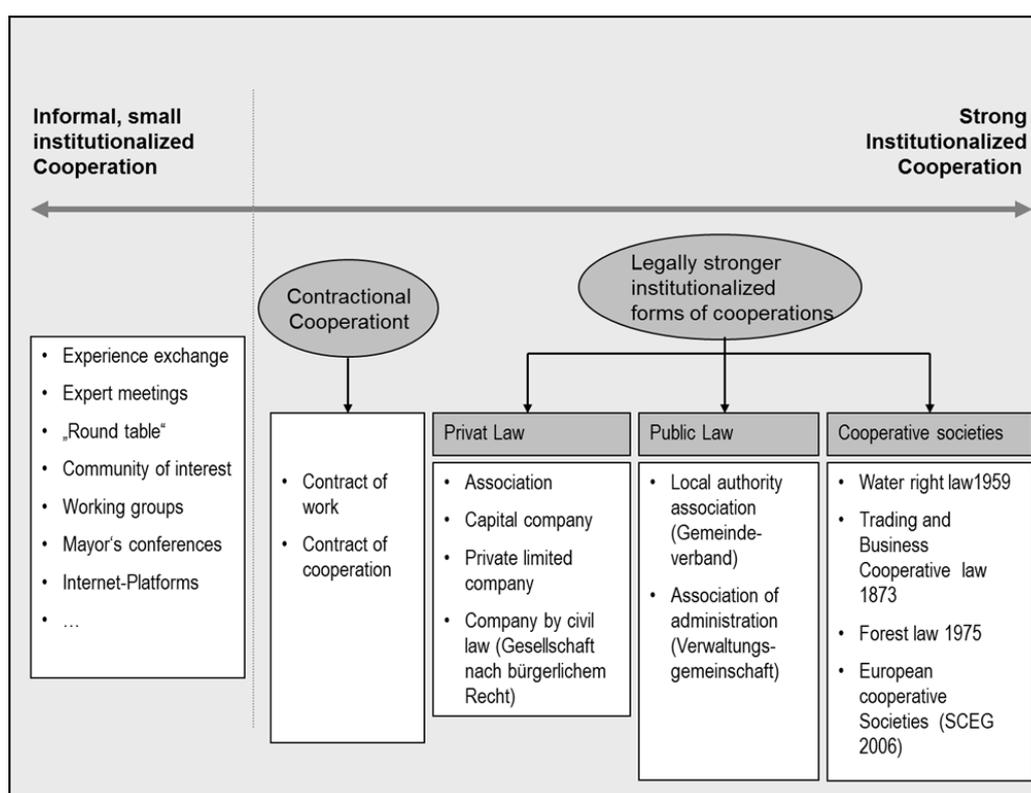


Figure 7: Forms of Cooperation in Austria.<sup>78</sup>

Inter-municipal cooperation in the framework of an association is possible for a wide range of cooperations, except for governing power services and for profit.

<sup>77</sup> Cases where cooperation may be imposed by the legislation concern, for example, waste-management associations.

<sup>78</sup> See Klaus Wirth and Markus Matschek, 'Interkommunale Zusammenarbeit. Möglichkeiten, Grenzen und aktueller Entwicklungsbedarf' (2005) 71 ÖGZ 8.



The administrative association can be seen as the typical model for inter-municipal cooperation, since only municipalities can cooperate in this legal form. Involvement of other legal partners is unlawful. It can be used for either specific services or for all municipal services. The administrative association is neither a public corporation nor a commercial company and therefore not liable for corporation tax unless the association provides private services of general interest, which then will be subject to VAT (value added tax).

The local authority association (*Gemeindeverband*) is a public corporation and is laid down in the Constitution (Article 116(a)).<sup>79</sup> They are led by elected bodies, in general by the mayor of one member municipality. There is no limitation of the purpose. Since 2011 and as already mentioned before, cross-border municipal cooperation between the Austrian *Länder*, as well as multi-purpose municipal cooperation are possible. Unlike administrative associations, the local authority takes over the services of the member municipalities as a separate body and with its own responsibilities. It is particularly suitable for tasks that require high investments or for politically sensitive areas. Setting up a municipal corporation is no more difficult than setting up a private company.

Involving private partners, the limited liability company (*GesmbH*) is the most common legal form in Austria for inter-municipal cooperation.

Cooperative societies (*Genossenschaften*) have a long tradition in Austria, but only in the field of housing, water supply, and forestry. This legal form has not yet been used for inter-municipal cooperation in Austria.

The federal level in Austria cannot interfere in local government structures since local self-government is safeguarded by the Constitution (Article 116ff). Nevertheless, with the Austrian Conference on Spatial Planning (ÖROK)<sup>80</sup>, founded in 1971 and established by the federal government, the *Länder* and the municipalities spatial development is coordinated at the national level. Thus, the ÖROK plays a crucial role in promoting and developing structural reform approaches.<sup>81</sup> In this context urban regions (*Stadtregionen*) in Austria have gained importance and relevance over the last decade through certain ÖROK initiatives: the current Austrian Spatial Development Concept (ÖREK 2011)<sup>82</sup> and the partnership 'Cooperation

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<sup>79</sup> The Federal Constitutional Law (Art 116(a)) provides that municipalities may join together – by agreement or by law – to form 'Local Authority Associations' (*Gemeindeverbände*) to deal with common specific matters within their own sphere of competences. The Local Authority Association may be voluntary as well as mandatory. In the first case the approval of the supervisory authority is necessary. This approval must be given under certain conditions specified in the Federal Constitutional Law.

<sup>80</sup> See Österreichische Raumordnungskonferenz ÖROK, 'Austrian Conference on Spatial Planning. ÖROK' (ÖROK, 2020) <<https://www.oerok.gv.at/english-summary/>> accessed 11 November 2019.

<sup>81</sup> The current ÖROK project 'Fostering Regional Governance' aims at sounding out new approaches for strengthening sustainable integrated development in functional areas.

<sup>82</sup> See Österreichische Raumordnungskonferenz ÖROK, 'Österreichisches Raumentwicklungskonzept ÖREK 2011' (ÖROK, 2020) <<https://www.oerok.gv.at/?id=224>> accessed 2 August 2019.



Platform Urban Regions'<sup>83</sup> with the recommendation 'For an Austrian Policy for Urban Regions'<sup>84</sup> and the roadmap for implementing the 'Austrian Agenda Urban Regions'<sup>85</sup> not only successfully established the topic in the public discussion but also gave a boost to the development of urban regions in Austria. A crucial role in promoting urban regions in Austria is played by the Austrian Association of Cities and Towns which not only had the lead of the before mentioned partnership 'Cooperation Platform Urban Regions' but also established the 'Annual Forum of Austrian Urban Regions'<sup>86</sup> and the platform <[www.stadtregionen.at](http://www.stadtregionen.at)> for active urban regions in Austria in terms of joint planning and implementation. Nevertheless, urban region initiatives often depend on the pioneering spirit and commitment of single stakeholders since they are commonly formalized only by inter-municipal agreements with a low degree of institutionalization.

Finding viable solutions for integrated and sustainable regional development both for urban local governments (ULGs) and rural local governments (RLGs) cooperation without introducing new levels of government has been the objective of the current ÖROK project 'Strengthening regional governance'. The project results (status quo, impulses and perspectives) are summarized in the ÖROK study 'Die regionale Handlungsebene stärken: Status, Impulse & Perspektiven'.<sup>87</sup>

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<sup>86</sup> See '6. Österreichischer Stadtregionstag 2018 in Wels' (*Österreichischer Städtebund*, 10 October 2018) <<https://www.staedtebund.gv.at/services/veranstaltungsergebnisse/veranstaltungsergebnisse-details/artikel/6-oesterreichischer-stadtregionstag-2018-in-wels/>> accessed 2 August 2019.

<sup>87</sup> Österreichische Raumordnungskonferenz (ÖROK), 'Die regionale Handlungsebene stärken – Status, Impulse und Perspektiven' (paper series no 208, ÖROK 2020) <[https://www.oerok.gv.at/fileadmin/user\\_upload/O\\_\\_ROK\\_SR\\_NR.\\_208\\_\\_2020\\_\\_Reg\\_HE\\_online-Version.pdf](https://www.oerok.gv.at/fileadmin/user_upload/O__ROK_SR_NR._208__2020__Reg_HE_online-Version.pdf)>.



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## 4.2. Inter-Municipal Development Process ‘Lienzer Talboden’ Future Space

Oskar Januschke and Jasmina Steiner, *City of Lienz*

Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

The ‘Lienzer Talboden future space’<sup>88</sup> is a good example for urban-rural cooperation between 15 communities in a challenging geographical and topographical area situated in the Austrian alpine space on the border to Italy. It is aimed at working together to shape the future development and positioning of this area, as a competitive business and residential location in Tyrol. The ‘Lienzer Talboden future space’ includes one urban local government (ULG) and 14 rural local governments (RLGs).

### Description of the Practice

#### Competitive Business and Residential Location in Tyrol as an Impetus for Development across the Region

In 2013, the 15 communities of Ainet, Amlach, Assling, Dölsach, Gaimberg, Iselsberg-Stronach, Lavant, Leisach, Lienz, Nikolsdorf, Nußdorf-Debant, Oberlienz, Schlaiten, Thurn and Tristach devised a joint strategic development process with the aim of achieving close urban-rural collaboration on infrastructure issues, settlement policy, business development and administrative cooperation. The external approach is focused on the area’s positioning as a focal point and trigger in the functional interconnected region including Upper Carinthia and the Pustertal valley in South Tyrol. The advantages and benefits of this strategic urban-rural design bring an increase in efficiency, effectiveness and agglomeration effects. The 15 communities in the ‘Lienzer Talboden’ encompass an area of 471 km<sup>2</sup>, 28,000 inhabitants, a working population of around 18,000 and a high concentration of infrastructure, leisure and educational facilities, forming a social and commercial center in this inter-regional, inter-connected area. Its proximity to the border of South Tyrol/Italy highlight the special significance and responsibility of the ‘Lienzer Talboden future space’ as a focal point of infrastructure, momentum and innovation for the development of the surrounding region.

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<sup>88</sup> See KDZ, ‘Zukunftsraum Lienzer Talboden’ (*stadtregionen.at*, 2019) <<https://www.stadtregionen.at/lienz>> accessed 7 November 2019.



## **Process – A spatial and thematically integrated approach to the development of 15 communities**

Following the launch event in 2013, a comprehensive review of the strengths and development potential at an intra-regional level was carried out as part of a multi-stage development process, moderated and supervised by the Institute for Location, Regional and Municipal Development (ISK). Another step raised the question of ‘where do we want to and how can we collaborate closely in the future as the ‘Lienzer Talboden future space’, establishing and adapting the fields of activity for future collaboration between the 15 communities based on this and defining concrete measures.

Since May 2015, the result of this has been a proposal from the committees of the ‘Planungsverband 36’ planning association for an ‘integrated location and business development concept’ for the ‘Lienzer Talboden future space’ which represents a conceptual basis for implementing measures during the ongoing LEADER period. The mayors of the ‘Planungsverband 36’ association are working together on nine fields of activity – business development and area management, tourist destination and infrastructure development, collective transport policy, specialization in the education sector, administrative cooperation, joint management of sport and leisure facilities and coordinated cross-community energy policy measures - with each accomplishment reinforcing the inter-municipal cooperation between the 15 communities.

The spatially integrated approach for the ‘Lienzer Talboden future space’ will be defined in relation to neighboring regions as open and not territorially restricted. There is the potential to implement another step towards spatial cooperation in the spirit of the European Grouping of Territorial Cooperation (EGTC)<sup>89</sup> through the urban-rural cooperation with Spittal an der Drau, Hermagor (Upper Carinthia) and Bruneck (South Tyrol/Italy) and to develop a strategic network for cross-border collaboration.

## **Regional Governance, Independent Development – From Conventional Management to Regional Conferences**

Based on the experiences of the mayors and administrative bodies that political-administrative management, trust and understanding and transparency and tolerance represent key success factors in inter-municipal collaboration which extend beyond territorial community borders, the heads of the planning association for the development of the urban-rural collaboration as elected body devised and successfully applied a multi-stage regional governance approach with closed-session meetings, workshops, educational excursions, formal association meetings, organizational consultations and decisions by the relevant communities (executive board and municipal council) through new information tools such as the ‘regional conferences’ as a discussion and consultation forum for the representatives of the 15 member communities. The development process will be formally supported by the

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<sup>89</sup> European Grouping of Territorial Cooperation (EGTC), tool for cross-border cooperation and collaboration.



'Planungsverband 36, Lienz und Umgebung' association – a municipal association established in accordance with the Tyrolean Spatial Planning Law. The whole process is financed by the 'Planungsverband 36' and the 'Lienz und Umgebung' association through membership fees of the municipalities, with EU funding through Interreg and LEADER and with financial support of the Land Tyrol. Furthermore, the City of Lienz is providing human resources (personnel) to managing the process.

According to the European Union definition, the term 'governance' can be understood as follows: '(...) rules, processes and behavior that affect the way in which powers are exercised at European level, particularly as regards openness, participation, accountability and coherence (...)'.<sup>90</sup> At the level of the planning association, this means in particular that regional experiences and conditions must be taken into account in the development of political suggestions. In order to apply this approach to the 'Planungsverband 36, Lienz und Umgebung', a regional governance structure was developed for the 'Lienzer Talboden future space' as part of the inter-municipal development process, focusing both on a bottom-up and top-down principle and which can subsequently be expanded to a multi-level governance system, enabling the 'Planungsverband 36, Lienz und Umgebung' association to position itself in strategic and organizational terms as a transnational organizational unit and therefore making the location of these 15 communities more attractive and competitive. The following overview presents the regional governance approach of the 'Lienzer Talboden future space'.

The regional governance approach of the 'Lienzer Talboden future space' involves a regional conference at the top-down principle level to which all local councilors will be invited to find out more about the project and regional developments, so that they can then reach unanimous decisions in the respective council meetings, wherever possible. The mayor conference level includes both association committee and association meetings. During these meetings, recommendations from the working groups will be discussed in regards to the following courses of action in the projects which were collectively devised during the initial phase of the inter-municipal development process and decided upon by the 'Planungsverband 36, Lienz und Umgebung'. To conclude, the development process combines and applies formal (*Gemeindeverband*) and informal (round tables, conferences etc.) cooperation forms and tools. However, it has been for the first time that an inter-municipal cooperation has become a registered trademark ('Zukunftsraum Lienzer Talboden') which facilitates both marketing and communication.

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<sup>90</sup> Commission of the European Communities, 'European Governance A White Paper' COM(2001) 428, 1.

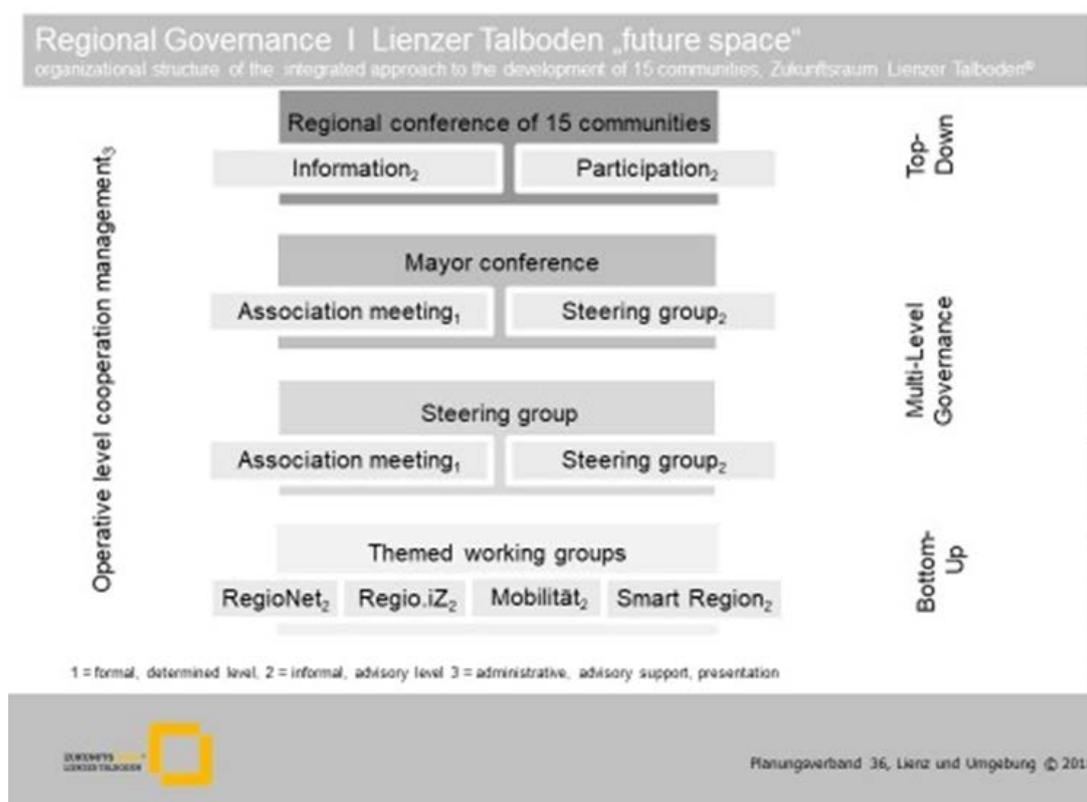


Figure 8: Regional Governance ‘Lienzer Talboden future space’<sup>91</sup>

## Assessment of the Practice

In the tradition of inter-municipal cooperation in Austria the example of ‘Lienzer Talboden future space’ on the one hand contributes to reinforcing the inter-municipal cooperation between 15 municipalities in a challenging topographical Austrian area. On the other hand, it meets the relatively new approach in Austria to further developing and strengthening functional areas<sup>92</sup>. This is also in line with the increasing importance of functional areas and Macro regions (e.g. Alpine Space) in the EU-context. With its governance approach and the wide range of cooperation fields this example furthermore relates to all other report sections of the Austrian Country Report.

<sup>91</sup> Planungsverband 36, ‘Lienz und Umgebung’ (2018).

<sup>92</sup> See Österreichische Raumordnungskonferenz ÖROK, ‘Kooperationsplattform Stadtregionen’ (ÖROK, 2020) <<https://www.oerok.gv.at/raum/themen/stadtregionen>>; — ‘Regionale Handlungsebene stärken’ (ÖROK, 2020) <<https://www.oerok.gv.at/raum/themen/weitere-themen/regionale-handlungsebene>> accessed 20 November 2019.



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<<https://www.kdz.eu/de/content/stadtregionen-ankennen>>

Website of the 'Zukunftsraum Lienzer Talboden'

<<http://www.zukunftsraumlienzertalboden.at/zukunftsraum/vision/>>



## 4.3. Administrative Association in Building Law: Region Vorderland

Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

Building law is a highly complex legislation, which the local level governments are responsible for. Each of the *Länder* have their own legislation, which is equally implemented by all municipalities within the respective *Land*. It covers building procedures and negotiations as well as regional and spatial planning. Therefore, high technical and legal expertise is needed to provide quality consulting for citizens and legal certainty for the municipal government. Rural local governments (RLGs) particularly struggle to attract employees with such expertise. Due to small organizational structures and limited number of civil servants in RLGs, responsible individuals for building law cannot solely focus their work on this field, but also typically cover other working tasks. This is where the administrative association as a model for inter-municipal cooperation has proven to be a solution for facilitating the execution of building law for RLGs, but also urban local governments (ULGs) who have a central location within such clusters.

### Description of the Practice

In 2002, the first analyses into the possibilities and advantages of inter-municipal cooperation in the field of building law and building rights administration were made and subsequently implemented three years later. The Land Vorarlberg in general pioneered in the conceptualization of this form of cooperation, based on one field of expertise, in Austria. In the region Vorderland, now the largest building law association in Vorarlberg, twelve municipalities with a total of 32,000 inhabitants are working together on a voluntary basis since 2005 in the form of an administrative association (*Verwaltungsgemeinschaft*). The goals are to achieve high quality legal services, improve customer orientation and implementing a modern organization while maintaining individual municipal autonomy. Further advantages of this joint administration are a uniform law enforcement and thus a higher degree of legal security, improved technical support for builders, strengthening the region, applying the same conditions for all builders and the inter-municipal approach to spatial planning issues.<sup>93</sup>

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<sup>93</sup> Peter Bußjäger, Florian Hornsteiner and Georg Keuschnigg, *Interkommunale Zusammenarbeit in Vorarlberg: Strukturen und Möglichkeiten – eine Praxisanalyse* (Institut für Föderalismus 2016).



The building law administrative association is responsible for all agendas of building law, water and sewer connections, house number assignment and building and apartment registration etc. The form of administrative association allows the mayor to remain the building authority of First Instance, but the head of the building law administrative association is empowered to make decisions and decrees in the name of the mayor.

Currently the association in the region Vorderland has four employees working for the twelve municipalities and process 700 building procedures annually.<sup>94</sup>

## Assessment of the Practice

The administrative association as a form of cooperation is particularly appealing to municipalities. For one the legal form is quite simple to establish as it does not form an own legal identity. The municipalities are connected to this legal agreement in the form of membership to the association. There is no transfer of competences and the independence of the municipality, its rights and obligations and the responsibilities of the mayor are therefore not affected. Thus, this is an attractive form for safeguarding the municipal autonomy. Furthermore, through the pooling of tasks which are uniform for all municipalities, in this case building law, higher professionalization, efficiency and relieving of human resources is possible.

The achievement of these benefits in the region Vorderland were confirmed by the Regional Court of Audit, who analyzed all building law administrative associations in Vorarlberg.<sup>95</sup> In the region Vorderland the size of municipalities ranges from the smallest administration with less than 500 inhabitants and a middle-sized city with almost 12,000 inhabitants. Especially the smaller municipalities are benefitting through the legal and technical experts that are now solely focusing on building law procedures. This expertise not only facilitates the administration of RLGs but also the mayors, often part-time in such small villages, as they are liable for the administrative decisions.

The cooperation turned out to be such a success and exceeded the expectations of the members of the association. At the beginning there were only nine members, which then grew to twelve. Currently, the association is exploring the possibilities if other tasks can be integrated into the administrative association and they are reaching out the City of Feldkirch, with more than 30,000 inhabitants one of the larger cities of Vorarlberg, to include them in the association. ULGs can also benefit from such associations as building law is the first step towards joint regional and spatial planning, thus taking a regional approach in long term strategic development. Ongoing project development for the region Vorderland and at least six other building law administrative associations in Vorarlberg show that municipalities of all sizes are open to developing and implementing this form of cooperation. At the moment 40

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<sup>94</sup> Verein Region Vorderland-Feldkirch, <<https://www.vorderland.com>> accessed 24 July 2020.

<sup>95</sup> Court of Audit of the Land Vorarlberg, 'Baurechtsverwaltungen in Vorarlberg' (Audit Report 2016).



per cent of municipalities in Vorarlberg and 60 per cent of very small municipalities (under 1,000 inhabitants) are cooperating in this form.<sup>96</sup> This is also supported and incentivized by the Government of Vorarlberg, who provides funding for development costs (e.g. concept creation, process support, consultancy from experts, moderation), investment costs for jointly financed construction projects, personnel and material costs for the ongoing operation of new cooperations (start-up funding) and amalgamations. The possible funding amount is 50 per cent for development costs and between 20 and 45 per cent of investment costs. In the case of start-up funding for new cooperations, a flat rate is determined for expected personnel and material expenses.

To conclude, the administrative association in building law and in other municipal areas (e.g. registry offices) has become a very common form of cooperation in many other regions across Austria and is always regulated on the *Länder* level. Region Vorderland, however, was a pioneer in this field and the development of closer forms of cooperation is ongoing.

## References to Scientific and Non-Scientific Publications

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Website of the Association Region Vorderland-Feldkirch, <<https://www.vorderland.com>>

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<sup>96</sup> *ibid.*



## 4.4. Post-Merger Evaluation: Future-Oriented Organizational Development in the City of Fehring/Styria

Klaus Wirth and Alexandra Schantl, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

The Styrian amalgamation process that was based on the Styrian Local Government Structural Reform Act (StGsrG)<sup>97</sup> reduced the Styrian number of municipalities from originally 542 in 2010 to 287 municipalities in 2015. With the slogan ‘Stronger municipalities - bigger opportunities’ this reform aimed at securing and strengthening the Styrian municipalities by increasing their efficiency and thereby making them both more resilient and sustainable. Before the Styrian local government structural reform, more than one third of all Austrian municipalities with less than 1,000 inhabitants were Styrian municipalities; after the structural reform, the figure was only 3.6 per cent. The average number of inhabitants per municipality has risen from 1,754 to 3,293 and the number of municipalities with more than 10,000 inhabitants has increased from 5 to 15 as a result of the reform.<sup>98</sup> The reform not only focused on more efficient service provision and solving capacity problems of rural local governments (RLGs), but also targeted small and medium-sized urban local governments (ULGs), in particular those with a drastic population decline. With the objective of better coordinating spatial planning and transport policy the reform furthermore has contributed to improving the urban-rural interplay. By delivering more efficient services the amalgamation practice of the City of Fehring contributes to report section 2 on local responsibilities and section 3 on local finances.

### Description of the Practice

The formerly autonomous municipalities of Fehring (2,996 inhabitants), Hatzendorf (1,751 inhabitants), Hohenbrugg-Weinberg (973 inhabitants), Johnsdorf-Brunn (808 inhabitants) and Pertlstein (810 inhabitants) were merged to the City of Fehring with a total of 7,338 inhabitants.

Although in the course of the amalgamation certain administrative units of the former municipalities have been merged, small administrative units such as the citizen service office

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<sup>97</sup> Styrian Local Government Structural Reform Act (StGsrG, *Steiermärkisches Gemeindestrukturreformgesetz*), LGBl. no 31/2014.

<sup>98</sup> For further details, see <<https://www.gemeindestrukturreform.steiermark.at>> accessed 18 November 2020.



(*Bürgerservice*) continued to exist at that time in each municipality due to the fact that maintaining a citizen service office in each municipality was a *conditio sine qua non* for the amalgamation.

Therefore, the City of Fehring carried out an administrative development process in order to be able to provide its services more efficiently and within effective structures.

In 2019, the municipal council of Fehring initiated an administrative development process that focused in particular on reflecting on and further optimizing the existing administration with its decentralized units based on administrative, economic and, above all, service-oriented considerations. The overall objective was to avoid cutbacks in the citizen service. Working groups were set up to achieve both an improved citizen service and an optimized administrative organization with fewer locations.

The municipal administration was restructured and concentrated in two locations. The dislocated administrative locations were closed and converted to a kindergarten, a municipal center and a commercial property. The employees were integrated into the organization at the two remaining locations according to their personal wishes and qualifications. To compensate the closure of the former citizen service offices, mobile services were set up for the population offering the same range of citizen services as at the main site.

## Assessment of the Practice

The practice of Fehring shows that a successful merger is a long-term process that is not completed with the amalgamation of local governments. Although the step of reorganization due to the amalgamation was challenging, the process succeeded in better and enlarged services for the citizens, not at least through the new mobile citizen service. As part of the development process, all employees furthermore agreed on a common service charter. The jointly developed service proposals are intended to secure and further improve the public service quality in Fehring.

However, such far-reaching changes are only possible if everyone works together and is committed to support the necessary (especially staff) changes. With the overall very positive experience and the involvement of management, staff representatives and politics in the process the practice of Fehring could be a role model for other amalgamated local governments.

Looking back, Carina Kreiner, head of the municipal office, noted that the reorganization of the administration in the merged Municipality of Fehring has been very helpful in enabling quick action, especially during the Covid-19 pandemic. With regard to the relation of Fehring with Feldbach, the closest urban city, or with Graz, the capital city of Styria, the stronger and more efficient government structure of Fehring has had no impact so far.



Municipal mergers are usually projected as reasonable and functional, since positive effects are said to outweigh the negative (e.g. improvement of the quality of administration and provision of municipal services). However, it is difficult to evaluate such mergers in retrospect. While the effects of a merger can be evaluated quite well at the level of a single municipality, which can then be put in relation to the overarching goals, as mentioned above, this task is more demanding at the level of an entire federal state. Municipal mergers are also difficult to compare with one another since the starting conditions and influencing factors in each municipality determine the respective merger process. In addition, evaluations always face the fundamental challenge of clearly distinguishing which effects were directly related to the respective merger or which were perhaps only 'bandwagon effects'. To name a few examples: Was the renovation/new construction of the kindergarten planned anyway or was it only made possible by the merger? Are noticeable improvements in the citizen service office a result of the merger or just the result of inter-municipal learnings from a seminar? In this regard, it is regrettable that although there are many positive individual reports from Styrian municipalities about their successful mergers or scientific case studies on individual mergers, a comprehensive and systematic evaluation of the entire amalgamation process in Styria is still pending.<sup>99</sup>

## References to Scientific and Non-Scientific Publications

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Website on the structural reform, <<https://www.gemeindestrukturreform.steiermark.at>>

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<sup>99</sup> For more information, see <https://zukunft-gemeinde.at/>.



# Intergovernmental Relations of Local Governments



## 5.1. Intergovernmental Relations of Local Governments in Austria: An Introduction

Karoline Mitterer and Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

The responsibility of providing public services in most areas, such as education, health, elderly care or transport, is shared among all three levels of government. The intertwinement of public service provision and financial flows, however, is often considered complex. For a long time, a more transparent distribution of competences between all levels of government as well as organizational and financial disentanglement of public service provision is being discussed. Nevertheless, these reforms are only being implemented reluctantly, due to given constitutional federal structures.<sup>100 101</sup>

### Coordination Between the National Government and the *Länder*

When jointly providing public services the need for coordination and coherent actions between levels of government is considerable. Traditionally, the allocation of responsibilities is specified in agreements under private law or in the framework of simple legal regulations. To meet centralistic requirements and decentral preferences, the Constitution (Article 15(a))<sup>102</sup> provides the possibility for the national government and the *Länder* governments to enter into agreements on specified policy fields, for example in health policy<sup>103</sup> or elementary education.<sup>104</sup>

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<sup>100</sup> An OECD study categorizes Austria as a state with centralized fiscal structures, which ‘tends to combine low autonomy and responsibility with a high level of co-determination and strong fiscal rules and frameworks’ for subnational governments. See Hansjörg Blöchliger and Jaroslaw Kantorowicz, ‘Fiscal Constitutions: An Empirical Assessment’ (2015) 1248 OECD Economics Department Working Papers <<https://doi.org/10.1787/5jrjctrxp8ren>> 5.

<sup>101</sup> See Helfried Bauer and Peter Biwald, ‘Governance im österreichischen Bundesstaat voranbringen’ in Helfried Bauer, Peter Biwald and Karoline Mitterer (eds), *Governance-Perspektiven in Österreichs Föderalismus. Herausforderungen und Optionen* (NWV 2019); Erich Thöni and Helfried Bauer, ‘Föderalismusreformen oder Gamsbartföderalismus in Österreich?’ in Peter Biwald and others (eds) *Nachhaltig wirken. Impulse für den öffentlichen Sektor* (NWV 2019).

<sup>102</sup> Art 15(a) agreements are guaranteed by the Constitution and were made possible in 2004 through a constitutional reform.

<sup>103</sup> Federal Ministry of Finance, ‘Zielsteuerung Gesundheit’ <<https://www.bmf.gv.at/themen/budget/finanzbeziehungen-laender-gemeinden/paktum-finanzausgleich-ab-2017.html>> accessed 21 February 2020.

<sup>104</sup> Agreement on Elementary Education for the Years 2018/19 to 2021/22, BGBl. I no 103/2018.



## Coordination Between all Three Levels of Government

Another example is the Pact on the Fiscal Equalization,<sup>105</sup> which is agreed upon between national government, *Länder* and municipalities for a time period of four to six years. In this pact the financial flows between the levels of government are settled. This affects among other tasks the rights of taxation, the distribution of revenues from the shared federal taxes and who bears specific costs. The Pact on the Fiscal Equalization has proven to be a central element for securing the financial autonomy of all government levels, due to the fact that all stakeholders have to agree to the pact. In this process the local level also has a strong role and is represented by the two local government associations (LGAs), the Austrian Association of Municipalities (*Österreichischer Gemeindebund*) for smaller rural municipalities, and the Austrian Association of Cities and Towns (*Österreichischer Städtebund*), for middle-sized to larger cities. Ideally both associations have a joint position during the negotiations with the national and *Länder*-level. However, there are topics where a balance of interests for all sizes of municipalities is not sufficiently met, which weakens the negotiation position of the local level as a whole in this process.

## Coordination Between *Länder* and Municipalities

Diverse intergovernmental relationships exist between the *Länder* and their respective municipalities. These include *Länder*-specific regulations for providing and financing public services, complex financial transfers, deployment of human resources for different services and organizational regulations. Regulation for cooperation strategies and instruments between the two levels are not common. The 2018 Regional Development Act of the *Land* of Styria<sup>106</sup> is however a recent attempt for a strategic orientation regarding regional development between the *Land*, the Styrian regions and their municipalities. Furthermore, the act stipulates tasks, instruments as well as joint distribution of resources for the development of regions.<sup>107</sup> Other examples relate to reforms enforcing more cooperation on subnational level through outsourcing of organizational units as independent legal entities, regional funds, or the establishment of funds for joint service provision and financing like hospital districts in some *Länder* or the social fund in the *Land* of Vorarlberg.<sup>108</sup>

The potential trade-off between cooperation and supervision is especially relevant for municipalities and their respective *Länder*, as the *Länder* governments are responsible for municipal supervision regarding local finances. Recent developments show that the *Länder* do not predominantly exercise control through this role, but strongly see themselves in a

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<sup>105</sup> Federal Ministry of Finance, 'Paktum zum Finanzausgleich 2017'

<<https://www.bmf.gv.at/themen/budget/finanzbeziehungen-laender-gemeinden/paktum-finanzausgleich-ab-2017.html>> accessed 21 February 2020.

<sup>106</sup> Styrian Spatial and Regional Development Act (Steiermärkisches Landes- und Regionalentwicklungsgesetz), LGBl. no 117/2017.

<sup>107</sup> Bauer and Biwald, 'Governance im österreichischen Bundesstaat voranbringen', above.

<sup>108</sup> *ibid.*



consulting position as well. *Länder* can also influence investments and infrastructure projects of the local level, as they manage cost contributions, financial transfers and grants for such ventures. This poses a discrepancy to the constitutional right to self-government of the municipalities, which is partly limited through the previously stated operational and financial intertwinement with the *Länder*. Therefore, there are calls for reducing these interdependencies.

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Bauer H and Biwald P, 'Governance im österreichischen Bundesstaat voranbringen' in Helfried Bauer, Peter Biwald and Karoline Mitterer (eds), *Governance-Perspektiven in Österreichs Föderalismus. Herausforderungen und Optionen* (NWV 2019)

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## 5.2. Management by Objectives in the Field of Compulsory Schooling

Karoline Mitterer and Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

A complex environment and increasing demands by the population increase the need for a well-coordinated service provision between all levels of government. In Austria the area of compulsory schooling is traditionally jointly provided by the national, *Länder* and local level. This area in particular shows complex operational and financial interdependencies. In the context of governance, there is a general lack of planning and coordination mechanisms as well as cross-level educational development goals and strategies.

Improved coordination and governance are essential for providing high-quality and inclusive educational services. Not only is vertical coordination necessary, but also a horizontal one between municipalities, as there are significant differences in the challenges in compulsory schooling that rural local governments (RLGs) and urban local governments (ULGs) face. Rural areas with population loss are struggling to maintain basic educational services while urban spaces must cope with additional strains to the educational system due to a high share of children from a migrant background and/or from families facing difficult social circumstances. The current resource allocation within the school locations is not modified to the different needs. Thus, improving governance by taking into consideration the urban-rural interplay is of great importance.<sup>109</sup>

### Description of the Practice

There is a diversity of tasks in the area of compulsory schooling that need to be fulfilled by all levels of government.<sup>110</sup> The competencies listed here only refer to general compulsory schooling. In Austria, at the age of 10, there is also the possibility to change to an academic secondary school (*Allgemein bildende höhere Schule*), which is the sole competence of the national government. About two thirds of the school children aged 10 and over attend the general compulsory schools that are of shared competencies.

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<sup>109</sup> Karoline Mitterer, Nikola Hochholdingner and Marion Seisenbacher, 'Leistungs- und wirkungsbezogene Pflichtschulfinanzierung' (KDZ 2019).

<sup>110</sup> Karoline Mitterer and Marion Seisenbacher, 'Fact Sheets - Pflichtschule und Tagesbetreuung' (KDZ 2019); Mitterer, Hochholdingner and Seisenbacher, 'Leistungs- und wirkungsbezogene Pflichtschulfinanzierung'.



The following list gives an overview of actors and their roles:

- legislative power generally lies with the national government. However, the *Länder* can enact their own laws on implementation, which results in differences in the organizational structures of schools between the *Länder*;
- the newly established Education Directorates (*Bildungsdirektionen*) present a joint agency of the national and *Länder* governments. They are responsible for governing, administrating and supervising schools;
- the teaching and administrative staff as well as support staff are provided and managed by the *Länder*, but largely paid by the national government via financial transfers to the *Länder*;
- staff for facility management and maintenance for schools is provided and managed by municipalities. The local level is also responsible for transport services and school physicians;
- supervised leisure activities within school hours, extracurricular activities and holiday care are to be provided and organized by the local level;

Overall, there are complex interdependencies between all actors in task fulfillment and financing, which hampers the effective governance of the educational sector. Reducing the complexity through government reforms have not led to significant improvements. The 2017 Education Reform Act has taken steps towards more clarity in this interdependent structure, such as concentrating tasks and responsibilities in newly created Education Directorates as well as the establishment of Education Regions. Both instruments have the potential to improve multi-level governance.

### Education Directorates

With the 2017 Education Reform Act the Education Directorates were created as joint authorities for the overall schooling sector, where administrative tasks of the national government (responsible for federal schools) and the *Länder* (responsible for general compulsory schooling) were merged. Up until the reform, two separate administrative entities co-existed. The tasks of these new joint authorities are to execute school legislation (such as supervision and quality control), combined human resource management for teachers employed by both levels of government, to strategically plan school locations and organization, as well as managing school psychology services.<sup>111</sup> Another important aspect is the coordination with municipalities, who are responsible for maintenance of the school infrastructure and facilities.

Since the Education Directorates are still in the implementation process, it is not yet possible to assess if new types of cooperation have actually occurred.

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<sup>111</sup> Federal Ministry of Education, Science and Research BMBWF, 'Steuerung des Schulsystems in Österreich' (white book, BMBWF 2019).



## Education Regions

The Education Regions<sup>112</sup> are a regional coordination platform and managing unit for cooperation between actors of the educational system. Austria currently has 31 Education Regions with the key element being the respective regional educational development plan. The overall goal is to supply educational and day-care services as well as to expand all-day school forms, all of which are adequate, coordinated and based on the regional needs. Some examples are:

- development of educational quality across different school locations;
- cooperation between all schools or school clusters in a region in order to identify and use structural, organizational and pedagogical synergies;
- evidence-based analysis and design for smoother transitions to higher school levels or different types of schools;
- cooperation between schools and the regional environment (educational and counseling institutions, private sector, labor market services, health and social services, associations, child and youth welfare as well as civil society initiatives) - so far, this was primarily organized by municipal governments and / or social welfare organizations;
- training support and professionalization of schools and teachers.

As the implementation of these coordination strategies are still in an early stage, an assessment of the effects cannot yet be made.

## Different Conditions in Urban and Rural Areas

The requirements in urban and rural areas are different and also affect the range of services provided. The average school size (number of classes per school) increases with the size and centrality of the municipality. This means there are smaller schools in RLGs and larger schools in ULGs. While there are four classes in an average elementary school in rural areas, there are twice as many in urban areas. The class size (students per class) is smaller in rural areas than in urban areas. Taking primary schools as an example, this means that the average class size in urban areas is larger by two students than in rural areas. This is also due to the fact there are many micro schools in RLGs with even smaller classes, which lower the average. In contrast, ULGs have a higher capacity utilization.<sup>113</sup>

Immigration mainly takes place in urban regions. Especially in cities with more than 20,000 inhabitants, there is a high proportion of pupils with non-German colloquial language. Here the proportion is 4 to 5 times higher than in the municipalities up to 5,000 inhabitants. This indicator indirectly shows a greatly increased risk of early school leaving for young people in

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<sup>112</sup> *ibid.*

<sup>113</sup> Mitterer, Hochholdinger and Seisenbacher, 'Leistungs- und wirkungsbezogene Pflichtschulfinanzierung', above.



cities if there is no appropriate language support or integrative and accompanying measures.<sup>114</sup>

## Assessment of the Practice

A key success factor for the educational system is an improved multi-level governance approach. Currently there are no appropriate mechanisms for all levels of government to better coordinate their contributions and responsibilities. An interesting proposition of the new national government is planned for elementary education (children until age 6). An advisory committee is to be installed in order to determine a common framework, for example in quality standards, trainings and transition to higher school levels. Next to representatives of all levels of government, NGOs and education experts are to be included in such a committee.<sup>115</sup> For compulsory schooling on the other hand, there is no such solution planned yet. Rather, the last educational reform in 2017 showed that the involvement of the local level was insufficient. It is still open to what extent the above-mentioned Educational Regions will lead to an improvement in multi-level governance.

A further success factor would be cross-level management by objectives. This means that the national government, *Länder* and municipalities collectively agree on outcome-orientated goals and define the appropriate measures in line with the competences of each governmental level. Currently this coordination mechanism is not in place and would be necessary to avoid competing measures and financial dependencies.<sup>116</sup>

There is an ongoing discussion in the framework of fiscal equalization for many years regarding the funding for public responsibilities such as the area of compulsory schooling. This is to ensure that municipalities in rural and urban areas facing different challenges (school and class sizes, number of pupils with migration background) are guaranteed the appropriate means to provide high-quality educational services. In the last fiscal equalization negotiations in 2017, a pilot project for the compulsory school sector was agreed upon. Ultimately, however, this failed due to the unsuccessful reconciliation of interests between the actors, especially between rural and urban areas.<sup>117</sup>

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<sup>114</sup> Bifie, 'Nationaler Bildungsbericht 2018' (Bifie and BMBWF 2018).

<sup>115</sup> 'Aus Verantwortung für Österreich. Regierungsprogramm 2020–2024' (Bundeskanzleramt Österreich 2020).

<sup>116</sup> Mitterer, Hochholdinger and Seisenbacher, 'Leistungs- und wirkungsbezogene Pflichtschulfinanzierung', above.

<sup>117</sup> Karoline Mitterer, 'Aufgabenorientierter Finanzausgleich aus der Governance-Perspektive' in Helfried Bauer, Peter Biwald and Karoline Mitterer (eds), *Governance-Perspektiven in Österreichs Föderalismus. Herausforderungen und Optionen* (NWV 2019) 110.



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## 5.3. INKOBA: Inter-Communal Settlement Projects and Business Parks in Upper Austria

Alexandra Schantl and Johannes Watzinger, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

For many individual local governments (LGs) increasing the attractiveness of local building land to companies constitutes a significant challenge. Particularly small LGs often struggle to make large sites available for companies, i.e. to provide the necessary infrastructure and also efficient marketing due to their limited financial resources.

For this reason, the *Land* Upper Austria has launched the INKOBA Initiative in 2001 to economically stimulate the locations in particularly peripheral regions of Upper Austria. Several municipalities join to form a *Gemeindeverband* (municipal association) to develop and promote business locations as partners. This form of cooperation contributes to bridging the gap between smaller and larger, rural and urban municipalities: It reduces the competitive pressure in the provision of business locations between LGs and enables especially financially weaker LGs to benefit from the combination of efforts with other LGs in the region. Due to the crucial role of the *Land* in actively promoting INKOBAS, the INKOBA model of the *Land* Upper Austria, organized in *Gemeindeverbänden*, cannot only be considered a good-practice example for inter-municipal cooperation in the securing of business locations but also for successful intergovernmental relations between the regional and local level, since the initiative is supported by clear provisions of the *Land*, such as the demand for increased cooperation and inter-governmental dialogue, as well as a comprehensive system of incentives both financially and non-financially. The latter through permanent support by the Upper Austrian business agency. Due to this practice's financial scheme (sharing of municipal tax between the LGs involved in the INKOBA) and the model of cooperation between the LGs in a *Gemeindeverband*, the practice is related to report section 3 on local finances as well as section 4 on local government structure.

### Description of the Practice

Business Upper Austria (formerly *Technologie- und Marketinggesellschaft – TMG*), the business agency of the *Land* of Upper Austria, has been promoting inter-municipal cooperation since the mid-1990s. INKOBA (*Interkommunale Betriebsansiedelung*) was established with the main goal of attracting companies to the region and thus creating jobs. An INKOBA-



*Gemeindeverband* is formed by several municipalities (according to the *OÖ Gemeindeverbandgesetz*, Upper Austria's Municipal Associations Act). One municipality then prepares a building site for its use by one or more companies as business locations. Both, the cost for the preparation and provision of adequate infrastructure as well as the taxes earned from the companies' activities (municipal tax) are shared between the involved municipalities.

Thereby, the optimal framework conditions for the companies as well as the cooperation among the municipalities are ensured in order to increasingly strengthen the business location through joint efforts. Since 2001, 30 such corporations were established through INKOBA, 28 of which are currently active and 2 are in development. 69 per cent of all local governments in Upper Austria participate in this initiative. Although the INKOBA initiative does not explicitly exclude large Upper Austrian cities INKOBAs comprises in general smaller and medium-sized municipalities in less developed regions. However, for urban agglomerations there are other initiatives of the *Land* that target these areas such as the 'Power Region Initiative' or the 'City Region Initiative'.

Business Upper Austria is an outsourced *GmbH* (Ltd.) of the *Land Oberösterreich* (Upper Austria). As majority owner,<sup>118</sup> the Land controls the company both at the level of the company bodies and at the process level. In addition, and in order to be able to ensure the range of services in the long term, Business Upper Austria is granted an annual subsidy by the Land Upper Austria to cover the annual deficit. Business Upper Austria accompanies the INKOBAs in the development process and provide further assistance and advice. The INKOBAs themselves are legal entities, mostly established according to the *Oberösterreichisches Gemeindeverbandgesetz* (Upper Austrian Municipal Associations Act) as so-called *Gemeindeverbände* (municipal associations).<sup>119</sup> Although they operate outside of the control of the municipal council, as public bodies they are subject to more transparency and oversight as well as to a higher degree of liability/bindingness regarding its decisions. Thus, it can be considered a more democratic model than e.g. a *GmbH* (Ltd.) or *Verein* (association) and may better reflect processes of intergovernmental dialogue between the local level and the *Länder*. Because the INKOBA initiative is managed by Business Upper Austria, INKOBAs also have the support of the *Land Oberösterreich*.

This is the central advantage of INKOBA compared to other business locations. Due to the joint funding as well as the support of the *Land*, the sites are in optimal condition when a company inquires. The INKOBA initiative is characterized by an efficient combination of bottom-up and

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<sup>118</sup> OÖ Landesholding GmbH (65%), Kammer für Arbeiter und Angestellte für Oberösterreich (15%), Wirtschaftskammer Oberösterreich (15%), Vereinigung der Österreichischen Industrie Landesgruppe Oberösterreich (5%).

<sup>119</sup> There are also inter-communal business locations in other *Länder* which, due to the different legal provisions across the *Länder* regarding the establishment of a *Gemeindeverband* between LGs, were founded as a *Verein* (association) or *GmbH* (Ltd., e.g. in Carinthia). Realising and managing investments inter-municipally is less complex and bureaucratic in a *Verein* or *GmbH*. Therefore, such inter-municipal cooperation models in Austria are commonly used for cross-border cooperation between LGs of different *Länder*.



top-down processes, as the *Land Oberösterreich* actively incentivizes with subsidies for setting up inter-municipal cooperation and supports the cooperation, mainly through its business agency Business Upper Austria as mentioned above.

There are no noticeable differences between INKOBAS which include more urban local governments (ULGs) or rural local governments (RLGs), because the entire region benefits from these projects. In addition to the direct effects of the additional tax revenue (municipal tax, property tax, etc.) for the municipalities, the business locations can also be expected to cause positive agglomeration effects such as influx and increased purchasing power for the entire region. However, in addition to the higher income (e.g. municipal tax, income shares, etc.), rising expenses in infrastructure costs can also be expected. INKOBAs between urban and rural LGs may offer an additional advantage for all involved LGs: Larger municipalities and medium sized cities often lack available building land within their territory, but on the other hand may bring increased know-how and marketing expertise into the cooperation, also due to more personal resources and capacities.

The district Rohrbach in *Oberösterreich* is a very good example for successful regional management. The *Donau-Ameisberg* INKOBAs business park was founded in 2003 and is developing into a real model for success. Renowned as well as newly founded companies have settled and, so far, created 150 jobs, both strengthening the region's economy and preventing emigration.

In the future, more cross-border *Gemeindeverbände* for INKOBAs projects are to be established. The INKOBAs *Inneres Salzkammergut*, joining together 7 LGs from Upper Austria and 2 LGs from Salzburg, serves as role model for further cross-border INKOBAs.

In conclusion, INKOBAs projects benefit both rural and urban LGs and cushions the urban-rural divide. The financial risk is divided and through the distribution of municipal tax revenues, the competition between local governments in the provision of high-quality business locations is reduced to the benefit of all while, on the other hand, the negotiating position of the LGs towards economic actors is strengthened. Through cooperation and joint efforts, INKOBAs contribute to a win-win situation for all involved local governments.

## Assessment of the Practice

Inter-municipal cooperation in the area of business settlements enables the equal distribution of the benefits and burdens between the municipalities, which subsequently profit from increased attractiveness and competitiveness in relation to other regions. INKOBAs is a good example for successful and practice-oriented inter-governmental dialogue, in which both the local governments as well as the *Land* play central roles and are in steady exchange, supported by the Business Upper Austria agency as intermediary.



However, there are several factors which influence the success or failure of INKOBAs and equally affect rural and urban municipalities. Establishing an INKOBA cooperation in a *Gemeindeverband* holds the advantage of a higher degree of liability but also entails a more difficult and time-consuming set-up process, which requires, among others, a resolution of the involved municipal councils. The intermediary role and support of the *Land* and the Business Upper Austria agency in the process are therefore pivotal. The *Land* provides subsidies for the establishment of inter-municipal cooperation and supervises the INKOBA associations. The supervision of the associations is incumbent upon the provisions of Article 22 of the Upper Austria Municipal Association Act (*Oberösterreichisches Gemeindeverbände-gesetz*).<sup>120</sup> For the management of assets and budget management of the association, Article 20 of the Upper Austria Municipal Association Act applies. The Business Upper Austria's support for INKOBAS on the other hand, includes setting up both the association structure and management structure, providing relevant technical know-how for chairmen and managing directors, providing up-to date information on legal issues, infrastructure facilities and financing, drawing up contracts to secure land, establishing and maintaining contact with *Länder* institutions, in particular with political advisers and specialist departments.

The lack of full legal obligation in connection with remaining competitive pressure or developmental gaps between municipalities of an INKOBA has also led to some issues in the past. It has occurred, for example, that despite their membership in an INKOBA, an involved LG independently developed and sold their own building land, directly competing with the jointly defined building site.

The potentials of the Upper Austrian INKOBA cooperation model can be summarized as follows:

- opportunities for growth through increased economic strength in the region;
- creation of additional jobs (direct/indirect);
- positive effects on the choice of residence in the region – especially for the LGs surrounding the company locations;
- shared financing of joint activities may reduce the individual costs for every LG involved, while shared revenues benefit all LGs involved;
- development of attractive business locations and coordinated regional support policies;
- professional location marketing;
- bundling of competences and relieving the pressure on the individual LGs.

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<sup>120</sup> LGBl. no 51/1988 (GP XXIII RV 102 AB 186/1988 LT 25).



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## 5.4. Austrian Conference of Spatial Planning: ÖROK

Nikola Hochholdinger, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

In Austria, the *Länder* (subnational level), are responsible for the legislation within the field of spatial planning. Nevertheless, the planning system in Austria is rather complex and strongly differentiated.<sup>121</sup> As a cross-sectional policy many different authorities on all government levels – national, regional and local – are dealing with planning tasks. Local governments in Austria are playing a crucial role in spatial planning since they are responsible for the local development planning within their own competences. Other tasks are shared competencies between two or more governmental levels. Consequently, there is an urgent and huge need for intergovernmental communication, coordination and cooperation. As there is no framework legislation on the federal level, the organization of the Austrian Conference of Spatial Planning (ÖROK), which was founded and established in 1971 by the federal government, the *Länder* and the municipalities, serves as the central intergovernmental communication and coordination platform in the area of spatial planning. Both local government associations – the Association of Cities and Towns and the Austrian Association of Municipalities – are equal and full members of the political decision-making body of the ÖROK. The ÖROK is connecting all three governance levels including the heads of the social and economic partners with a consulting vote. Hence, the conference is an instrument of cooperation and partnership across sectors and levels of government.

Furthermore, the ÖROK is focusing in its recent activities on many specific problems connected with the urban-rural disparities and interplay. First, the project ‘Strengthening Regional Governance’<sup>122</sup> was built on the results of the ÖREK<sup>123</sup>-partnership published as ÖROK-recommendations<sup>124</sup> and aimed at making further preparatory steps towards cooperative governance of functional regions and to foster urban-rural linkages. Second, the development of Austria’s urban regions is another long-term core subject of the ÖROK which was also driven by an ÖREK-partnership called ‘Cooperation Platform Urban Regions’ resulting in the

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<sup>121</sup> Markus Gruber, Arthur Kanonier, Simon Pohn-Weidinger and Arthur Schindelegger, ‘Raumordnung in Österreich und Bezüge zur Raumentwicklung und Regionalpolitik’ (publication series no 202, ÖROK 2018) 10.

<sup>122</sup> Österreichische Raumordnungskonferenz ÖROK, ‘Die regionale Handlungsebene stärken – Status, Impulse und Perspektiven’ (publication series no 208, ÖROK 2020).

<sup>123</sup> ÖREK, Austrian Spatial Development Concept.

<sup>124</sup> Österreichische Raumordnungskonferenz ÖROK, ‘ÖREK-Partnerschaft Regionale Handlungsebene stärken – Fachliche Empfehlungen und Materialienband’ (publication series no 194, ÖROK 2015).



roadmap for implementing the ‘Austrian Agenda Urban Regions’<sup>125</sup> and the recommendation ‘For an Austrian Policy for Urban Regions’.<sup>126</sup> In addition, the *Österreichische Stadtregionstag* was initiated and established as permanent exchange platform since 2013 hosted by the Austrian Association of Cities and Towns. And third, because of its thematic focus on ‘Strategies for regions with population decline’. All these activities support both urban local governments (ULGs) and rural local governments (RLGs) to cope with spatial challenges jointly and bundle municipal resources in functional areas. The practice is related to report section 2 on local responsibilities, section 3 on local finances and section 4 on local government structure as only coordinated spatial planning between all levels of government ensures sustainable regional and local development and thus contributes to good service delivery, solid public finances and effective administrative and territorial reforms.

## Description of the Practice

According to the main purpose – the multi-level and cross-sectoral coordination in the area of spatial planning and regional policy – the work of the ÖROK is threefold:<sup>127</sup>

- spatial planning and development;
- regional policy;
- national contact point for EU-structural funds programs.

One of the core tasks of the ÖROK in the field of spatial planning and development is the elaboration of a common overall and nationwide strategy based on a consensual agreement of all partners: The current Austrian Spatial Development Concept (ÖREK)<sup>128</sup> was published in 2011 and covers a planning period of ten years being a long lasting integrative, multi-level and cross-sectoral process where all partners work together in different thematic working groups. The ÖREK- Partnerships were established in order to implement the guidelines of the ÖREK. Although the Austrian Spatial Development Concept is not legally binding, it serves as the key guiding principle for all planning authorities in Austria. The elaboration of the ÖREK builds upon an intensive dialogue involving all members of the ÖROK and many other actors relevant for the spatial development and is accompanied by research work. For example, in the framework of the ÖREK 2030<sup>129</sup> process experts, planners and decision-makers discussed in the setting of

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<sup>125</sup> Österreichisches Raumentwicklungskonzept ÖREK, ‘Roadmap zur Umsetzung der “Agenda Stadtregionen in Österreich”’ (ÖREK 2017) <[https://www.stadtregionen.at/uploads/files/RoadmapAgendaStadtregionen\\_FINAL.pdf](https://www.stadtregionen.at/uploads/files/RoadmapAgendaStadtregionen_FINAL.pdf)> accessed 2 August 2019.

<sup>126</sup> Österreichische Raumordnungskonferenz ÖROK, ‘ÖROK-Empfehlung Nr. 55 Für eine Stadtregionpolitik in Österreich’ (ÖROK 2017).

<sup>127</sup> See ‘Aufgaben und Produkte’ (ÖROK, 2021) <<https://www.oerok.gv.at/oerok/aufgaben-und-produkte>>.

<sup>128</sup> Österreichische Raumordnungskonferenz ÖROK, ‘Österreichisches Raumentwicklungskonzept (ÖREK) 2011’ (ÖROK 2011) <<https://www.oerok.gv.at/raum/oesterreichisches-raumentwicklungskonzept/oerek-2011>>.

<sup>129</sup> Österreichisches Raumentwicklungskonzept 2030, <<https://www.oerok.gv.at/oerek-2030>>.



conferences the future spatial development in Austria as well as the challenges and possible solutions at local, regional and federal level. In addition, the process was accompanied by a think tank made up of international and national experts from a wide variety of space-relevant specialist areas. A special feature of the ÖREK 2030 was the participation of so-called ‘Young Experts’. Analyses and study elaboration are other important tasks of the ÖROK. With the ÖROK Publication Series, the ÖROK Recommendations and the ÖROK Atlas as part of the Regional Monitoring System, the organization of the ÖROK provides important planning materials for Austria’s spatial development policy such as for example the ÖROK Forecasts. Furthermore, the Austrian Spatial Planning Report<sup>130</sup> is published by the ÖROK in regular three-year intervals. Additionally, and with regard to the implementation of the EU structural funds in Austria, the ÖROK supports the strategical EU-programming process on national level (‘Partnership Agreement Strat.at 2020’) and hosts the Austrian management authority for the Investment for Growth and Jobs/ERDF program 2014-2020.<sup>131</sup> Within the framework of European Territorial Cooperation, the ÖROK is serving as National Contact Point for promoting the respective EU-programs and provides support both for potential applicants and grantees.

As a multi-level organization, the ÖROK integrates representatives of all of its partners within its permanent bodies.<sup>132</sup> On the political level, the ÖROK is comprised of the Austrian Chancellor, the federal ministers, the provincial governors (*Landeshauptleute*), the presidents of the Association of Cities and Towns and the Austrian Association of Municipalities, the social and economic partners.<sup>133</sup> On the administrative level there is the Commission of Deputies<sup>134</sup> which is functioning as a preparatory organ for the political conference. The Standing Sub-Committee is responsible for the ÖREK, the ÖROK studies and publications and the ÖROK-Atlas. Furthermore, the Sub-Committee Regional Economy is acting as a coordination platform for all issues concerning the regional policy of the EU and its implementation in Austria. And finally, there is a national committee for the transnational and interregional cooperation and network programs.

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<sup>130</sup> Österreichische Raumordnungskonferenz ÖROK, ‘15. Raumordnungsbericht Analysen und Berichte zur räumlichen Entwicklung Österreichs 2015-2017’ (publication series no 204, ÖROK 2018).

<sup>131</sup> See Johannes Roßbacher and Markus Seidl, ‘Austrian Conference on Spatial Planning’ (ÖROK undated) <[https://www.oerok.gv.at/fileadmin/user\\_upload/Bilder/1.OEROK/OEROK\\_Folder\\_EN.pdf](https://www.oerok.gv.at/fileadmin/user_upload/Bilder/1.OEROK/OEROK_Folder_EN.pdf)>.

<sup>132</sup> Gruber and others, ‘Raumordnung in Österreich und Bezüge zur Raumentwicklung und Regionalpolitik’, above, 66.

<sup>133</sup> The social partnership in Austria comprises four associations at the federal level: on the employers' side the Austrian Chamber of Commerce (WKÖ) and the Austrian Chamber of Agriculture (LKÖ), on the employee side the Federal Chamber of Labor (BAK) and the Austrian Trade Union Confederation (ÖGB). The social partnership has an advisory function. See ‘Sozialpartner. Was ist das?’ (*Die Sozialpartnerschaft Österreich*, 2015) <[https://www.sozialpartner.at/?page\\_id=127](https://www.sozialpartner.at/?page_id=127)>.

<sup>134</sup> The Commission of Deputies is consisting of the section leaders, the directors of the provincial government offices, the secretary generals including different committees and working groups.



## Assessment of the Practice

In Austria there is a long tradition of balancing out different interests within an intensive multi-lateral dialogue and partnership agreements (e.g. social partnership). Although the recommendations of the ÖROK are not legally binding, the work and activities of this multi-level organization have a crucial impact on the relationships and planning praxis of all authorities by improving the intergovernmental dialogue and providing various planning tools and materials. During the last decades the ÖROK has set up an effective and efficient communication and cooperation system<sup>135</sup> where all partners – the UGLs as well as the RGLs – are treated equally. With several formal bodies<sup>136</sup> and many other soft (informal) formats the ÖROK has initiated a lot of different processes and developed some good working mechanisms of cooperation, strengthening the intergovernmental relations and giving all municipalities a voice at the national level concerning the spatial development. The ÖROK has succeeded in overcoming administrative borders especially between the Austrian *Länder* and between urban and sub-urban regions. It is acting as a permanent interface picking up new topics both bottom-up and top-down and addressing especially the problems connected with the urban-rural disparities and the regional interplay. Therefore, the ÖROK is strengthening the local level by supporting the needs of the urban and rural municipalities not only within its intergovernmental dialogue and by involving them into the elaboration and implementation of the overall Austrian planning strategy. The information and communication forums offered by the ÖROK and in particular the ÖREK-partnerships are very much appreciated and highly valued by all parties for the creation of a common understanding and of concrete implementations.<sup>137</sup> This can also be seen as the resulting products of the ÖROK – the monitoring system as well as their publications and planning materials – are often used as a crucial background information for political decisions (e.g. population prognosis).

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<sup>135</sup> Gruber and others, 'Raumordnung in Österreich und Bezüge zur Raumentwicklung und Regionalpolitik', above, 12.

<sup>136</sup> e.g. Commission of Deputies, ÖREK Partnerships, working groups, etc.

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# People's Participation in Local Decision-Making



## 6.1. People's Participation in Local Decision-Making in Austria: An Introduction

Dalilah Pichler, *KDZ Centre for Public Administration Research Austria*

The concept of people's participation in a representative democracy has many different layers. It can range from an informative character, to public consultations, and can go as far as co-decision-making or co-production. In Austria, traditional instruments of direct democracy are of high relevance, as they are embedded in the Austrian Constitution, namely the referendum, the popular initiative and the public consultation. These instruments are primarily set out for the two legislative authorities on federal and *Länder* level.<sup>138</sup> However, the Constitution also enables *Länder* legislation to stipulate possibilities of direct participation and involvement on municipal level, but only in matters within the municipality's own sphere of influence and reserved for citizens who are entitled to elect the municipal council. Following this proposal, all *Länder* have in different scopes embedded possibilities of local plebiscites in their legislations, which vary between the *Länder*. The main differences are of procedural nature and of how the requirements are set for the initiation of such instruments. The referendum for example is typically intended for resolutions of the local council, however citizens do not always have the possibility to enforce it. The popular initiative can be initiated in all *Länder* and in statutory cities, however not in all municipalities, depending on the provincial legislation.<sup>139</sup>

Idealistically, the citizens of a municipality are given the right for self-governance, but the law curtails this right of direct democracy in certain topics on the local level such as questions on budget, personnel, elections, fees and taxes etc.<sup>140</sup> Public consultation is the most wide-spread and used instrument of direct democracy in Austrian municipalities.<sup>141</sup> Also transparency rules and information processes for the public in municipal governments are embedded in legislation of most of the *Länder*.

Nevertheless, the legislative instruments reach to the rungs of information and consultation in the participation ladder. There is no obligation of councils or other legislative authorities to adhere to the outcome of public consultations or popular initiatives. A change would require a

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<sup>138</sup> Alexander Balthasar, 'Die Europäische Bürgerinitiative und andere Instrumente der direkten Demokratie in Europa' in Peter Bußjäger, Alexander Balthasar and Niklas Sonntag (eds), *Direkte Demokratie im Diskurs* (New Academic Press 2014).

<sup>139</sup> Anna Gamper, 'Partizipation und Bürgerbeteiligung in Österreichs Städten' in Österreichischer Städtebund (ed), *Österreichs Städte in Zahlen* (2015).

<sup>140</sup> Werner Pleschberger, 'Kommunale direkte Demokratie in Österreich – Strukturelle und prozedurale Probleme und Reformvorschläge' in Theo Öhlinger and Klaus Poier (eds), *Direkte Demokratie und Parlamentarismus* (Böhlau Verlag 2015).

<sup>141</sup> Thomas Prorok, 'Beteiligung von BürgerInnen in Zeiten von Open Government' in Thomas Prorok and Bernhard Krabina (eds), *Offene Stadt* (NWV 2012).



constitutional revision, as representative democracy cannot be overruled by such initiatives. This does not mean that the ‘softer forms’ of participation are not present. There have been efforts in some *Länder* to install ‘citizen councils’ of randomly chosen citizens who are representative of the population to enhance deliberation of specific political topics. These ‘citizen councils’ formulate a joint statement that serves as a suggestion for further debate and political decision-makers can derive measures from the outcome of these discussions.<sup>142</sup> The inclusion of multiple stakeholders in planning and/or decision-making processes can also be found, often in the context of improving quality of life in a municipality. This is particularly reflected in the *Lokale Agenda 21* (LA 21) processes, based on the UN Agenda 21 action plan to which both national and *Länder* governments have committed to. With facilitation of their *Länder*, municipalities can implement different participative formats within the LA 21 process for creating a vision for the local community, the setting of common goals and strengthening cooperation between citizens, administration and politicians.

New and innovative forms of peoples’ participation have yet to come into practice. Major restrictions in the current system of municipal direct democracy are taboo topics for plebiscites and a high threshold for starting a participatory process, politicization and targeted use of such instruments for agenda setting, and the perception of participatory instruments for deliberation rather than decision-making.<sup>143</sup> This means that participatory mechanisms are initiated and rather driven by political parties, rather than citizen being able to actively influence public policies. Especially the referendum, where the outcome is legally binding for representatives, is rarely used although there is a general interest of the population to be more involved in direct democratic procedures.<sup>144</sup> However, the softer and less regulated forms of participation pave the way for more deliberation in the public sphere. Local governments can obtain valuable knowledge and gather ideas for certain topics, if they provide an adequate framework for the participants.

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<sup>142</sup> Manfred Hellrigl, ‘Bürgerräte in Vorarlberg’ in Peter Bußjäger, Alexander Balthasar and Niklas Sonntag (eds), *Direkte Demokratie im Diskurs* (New Academic Press 2014).

<sup>143</sup> Pleschberger, ‘Kommunale direkte Demokratie in Österreich’, above.

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## 6.2. Open Government Initiative Vienna

Bernhard Krabina, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

Open government is the comprehensive redesign of politics and administrative activities according to the principles of modern public management and public governance. Open government focuses on data transparency (stage 1), participation (stage 2), and collaboration (stage 3). Open data (stage 1) can provide a basis for political processes in participation (stage 2). In collaboration projects (stage 3), data may result that are published in the data portal, on the one hand (stage 1), but may also be the basis for further participation processes on the other (stage 2).

Open government aims to achieve the ubiquitous engagement of stakeholders (stage 4) to strengthen legitimacy and confidence and generate public value. This is achieved through transparency (stage 1), participation (stage 2), and collaboration (stage 3).

In the era of open government, the involvement of citizens beyond consultation processes is gaining traction. Open government collaboration in particular emphasizes the importance of 'co-production', which can differ in intensity from joint performance of typically public tasks down to task delegation and voluntary activities performed by citizens.

The City of Vienna is on the forefront of open government, with several activities starting in 2011 until the present day.

### Description of the Practice

The City of Vienna was the first city to start an open government initiative in the German-speaking countries. It started with the launch of an open data portal in May 2011 and the publication of the 'Open Government Implementation Model'<sup>145</sup> as a strategy document stressing the importance of data, participation and collaboration as phases on the path to a more open and transparent government. Since then, the City of Vienna has developed a track record of a new openness in their approach to the topic. For instance, the initial launch of the open government initiative was accompanied by stakeholder-workshops which were announced in social media and open to everyone interested to participate. Three workshops were held: one for politicians, one for businesses and one for citizens. The workshops were

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<sup>145</sup> Bernhard Krabina and Brigitte Lutz, 'Open Government Implementation Model' (KDZ, undated) <<https://www.kdz.eu/en/open-government-implementation-model>> accessed 2 August 2019.



held with the aim to prepare for the first open government data conference in Austria. The publication of new datasets on the open data portal <<https://open.wien.gv.at>> is done in phases that include events where datasets are presented by representatives from the city administration where interested stakeholders can ask questions and propose changes. In March 2020, the 38<sup>th</sup> phase was presented.<sup>146</sup> Moreover, the ‘Cooperation OGD Austria’ was formed, led by the City of Vienna, including further authorities and NGOs to set the basic agreements for the future of open government data in Austria.<sup>147</sup> The cooperation was awarded the UN Public Service Award in 2014 in the category ‘Improving the delivery of public services’.

In addition to the open data portal, a participation platform was launched at <<https://www.partizipation.wien.at>> where continuously users can suggest new datasets and the city administration is reacting upon these requests. The Austrian participation software ‘discuto’<sup>148</sup> is used. On this participation platform, the City of Vienna is continuously implementing participation project ranging from the discussion of a digital agenda, asking for ideas for artificial intelligence and internet of things to the discussion about district budgets.

A digital agenda for Vienna was initiated with several participatory elements (both online and offline).<sup>149</sup> The initiative ‘DigitalCity.Wien’ was further launched in 2014 by stakeholders from businesses and Vienna together with the city administration and is in close collaboration ever since.<sup>150</sup> Also, the app ‘Sag’s wien’ (‘Tell it to Vienna’) is an application where citizens can report a concern or malfunctioning to the Vienna City Administration at any time and place in the city<sup>151</sup>. As the current participation platform can be used mainly for generating new ideas or discussing and rating existing ideas, the city administration has launched a ‘challenge’ to present possible solutions for a more holistic participation platform.<sup>152</sup>

## Assessment of the Practice

The open government initiative of the City of Vienna shows a sustainable initiative that does not end by publishing data on a data portal but demonstrates how continuous participation of stakeholders can be achieved through multiple channels: in-person meeting at the OGD phase events, through idea generation on the participation platform, in conferences and workshops and through social media. This way the city administration is in continuous dialogue with

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<sup>146</sup> ‘35. Open Government Plattform Wien – Nachlese’ (*Digitales Wien*, 28 June 2019) <<https://digitales.wien.gv.at/site/35-open-government-plattform-wien/>> accessed 2 August 2019.

<sup>147</sup> For more information, see <<https://www.data.gv.at/infos/cooperation-ogd-austria/>>.

<sup>148</sup> ‘Discuto’ (*Discuto*, undated) <<https://www.discuto.io>> accessed 2 August 2019.

<sup>149</sup> For more detail, see <<http://digitaleagenda.wien>>.

<sup>150</sup> See <<https://digitalcity.wien>>.

<sup>151</sup> See <<https://smartcity.wien.gv.at/site/en/sags-wien-application/>>.

<sup>152</sup> See <<https://www.ioeb-innovationsplattform.at/challenges/detail/wien-gemeinsam-gestalten-instrumentenbox-fuer-partizipation/>>.



external stakeholders on topics of data disclosure (what, why, in what quality, etc.) The initiative transformed the way of delivering public services in Vienna, as shown by subsequent initiatives and projects. The city administration has managed not only to convince ‘sceptic’ departments over time, but has also put policies in place: in May 2019, the CIO has signed the self-declaration of the Open Data Charter, stating that they will follow the principle ‘Open by default’.<sup>153</sup> The practice shows how larger cities can lead the way also for smaller municipalities. With the publication of the Open Government Implementation Model,<sup>154</sup> a practical guide for other authorities has been provided. Vienna also leads the Cooperation OGD Austria where other cities and smaller municipalities can benefit from the early experiences of Vienna.

At a first glance it seems that only the large cities in Austria have the power to publish datasets on the Austrian open data portal.<sup>155</sup> The exception is the Municipality of Engerwitzdorf, a small municipality of about 8,000 inhabitants in the vicinity of the City of Linz which publishes more datasets than the cities of Graz, Innsbruck and Salzburg. Of course, according to the size of the municipality, larger cities do not only have more data, they also have more resources to publish them. But also smaller municipalities (like Engerwitzdorf) show that it is possible to provide OGD continuously. Platforms like Open Spending Austria<sup>156</sup> show that it is important especially for smaller municipalities to provide open data automatically – either by re-using existing data provision mechanisms (like transferring data about municipal spending to the statistics office) or by integrating OGD interfaces in municipal software solutions.

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<sup>153</sup> Letter from Ulrike Huemer, CIO of the City of Vienna (13 May 2019)  
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<sup>154</sup> Krabina and Lutz, ‘Open Government Implementation Model’, above.

<sup>155</sup> See the list at <<https://www.data.gv.at/veroeffentlichende-stellen/>>.

<sup>156</sup> For more detail, see the report section 3.2. on Budget Transparency with Open Spending Austria.



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## 6.3. People's Participation in Vorarlberg: Bürgerräte and Gemeindeentwicklungsprojekte Götzis/Langenegg

Kriemhild Büchel Kapeller, Büro für Freiwilliges Engagement und Beteiligung/Amt der Vorarlberger Landesregierung

### Relevance of the Practice

Both participation projects aim at involving both citizens in general and vulnerable groups in a more approachable democratic way. Thereby the gap (parallel worlds) between politics and administration and the reality of citizens' lives should be reduced in the long term and the citizens' personal responsibility and degree of self-organization ('less consumerism/consumer behavior towards politics and administration') should be strengthened. At the same time, new solutions (mainly social innovations) will emerge through the diversity of participants (swarm intelligence and 'thinking outside the box'). These objectives are based on the long-term experiences with participatory processes in the *Land Vorarlberg* and coincide with the impacts that the Office for Voluntary Engagement and Participation of the Land Vorarlberg wants to achieve with local and regional participatory processes. In the case of the *Bürgerräte* (citizens' councils), practice shows no urban-rural divide in application, while the '*Lebenswert leben*' or '*zämma leaba*' (living together) project by Langenegg and Götzis had to be broken down to local districts (quarters or allotments/parcels) for effective implementation.

Problematic realities connected with the urban-rural divide and interplay are targeted in particular where topics are discussed that cannot be resolved within administrative borders like climate adaptation, mobility, settlement development or the preservation of natural resources. In this context for example the *Bürgerräte* on mobility in 2018 and on dealing with land and soil in 2017 contributed to improve the urban-rural interplay.

### Description of the Practice

#### Bürgerräte in Vorarlberg

The *Bürgerrat* is a multi-stage, flexible participation procedure which is usually composed of twelve to fifteen randomly selected citizens. In order to reflect the heterogeneity of society in the citizens' council, attention is paid to an appropriate distribution of different age groups as well as gender and place of living. 'The practice of random selection enables a fact-oriented and uninfluenced formation of opinion', says Prof. Hans J Lietzmann, head of the research



center for citizen participation at the University of Wuppertal.<sup>157</sup> Due to the random selection and the absence of any special expertise or qualifications, the participants' everyday knowledge is put in the foreground. Furthermore, the special moderation technique 'Dynamic Facilitation' enables breakthroughs in solution finding.



Figure 9: Process flow of a Bürgerrat.<sup>158</sup>

In order to ensure that the discussion outcomes from the *Bürgerräte* are taken up, the results from the *Bürgerräte* are incorporated by the so-called resonance group consisting of representatives from politics and administration (see figure above) into the formal political process and reflects on them. At the *Bürgerrat* on the topic of 'Future Agriculture' for example, which took place in October 2019, the resonance group, consisting of experts from the agricultural sector together with two participants from the *Bürgerrat* met several times reviewing the results of the *Bürgerrat* and connecting links with already existing processes, projects and strategies.<sup>159</sup>

Since 2006, more than 40 local and regional *Bürgerräte* have been held in Vorarlberg and discussed a wide range of topics such as: Living and getting older in Götzis – What is important?; How can the high quality of life in the community be maintained?; What are the most pressing topics in Vorarlberg?; How does a good neighborhood succeed?; How can we

<sup>157</sup> Hans J Lietzmann, 'Bürgergutachten Flächennutzung Breitwiesen/Hammelsbrunnen. Weinheimer Bürgerräte 2012' (University of Wuppertal 2012) <<https://www.buergerbeteiligung.uni-wuppertal.de/en/buergerbeteiligung/gutachtenwerkstatt-papiere/2011-2016/buergerbeteiligung-2012-weinheim.html>> accessed 12 July 2020.

<sup>158</sup> Kriemhild Büchel-Kapeller, own illustration.

<sup>159</sup> For further information and concrete results, see <<https://www.buergerrat.net/at/vorarlberg/landesweiter-buergerrat/buergerrat-zukunft-landwirtschaft/>>.



implement energy autonomy?; How can we revitalize the city center?; What does a future-oriented education look like?

By anchoring participatory democracy in the *Landesverfassung* (Constitution of Vorarlberg) in January 2013, a pioneering act in Europe, citizen participation and thus the *Bürgerräte* were given additional importance. Citizens' councils following the model of Vorarlberg are primarily also held in Germany (*Zukunftsräte*), Switzerland and in other Austrian *Länder*.

### Participation Projects '*Lebenswert leben*' and '*zämma leaba*' (Living Together) Langenegg and Götzis

'*Lebenswert leben*' is a long-term project of citizen participation at local and regional level. The aim is to strengthen cooperation between municipalities and to demonstrate the importance of social capital for successful future development. The project started in 1997 and has now been implemented in over 15 municipalities. Both the Großes Walsertal biosphere park and the Bregenzerwälder local government (LG) of Langenegg that have undergone the '*Lebenswert leben*' or '*zämma leaba*' process are winners of the European Village Renewal Prize.

More than 50 projects have been implemented so far in both municipalities of Götzis and Langenegg. These include: Citizens' offices, voluntary transport services for elderly people, 'Hello neighbor plot parties', strengthening local supply, repair cafés, etc.<sup>160</sup>

The core team of volunteers plays a key role in the process. It is composed in a way that its members reflect a cross-section of the population (women, men, age distribution: young people to senior citizens, various occupational fields and skills). The selection of the core-team members is made in consultation with so-called 'opinion leaders' (usually mayors, municipal clerks, teachers etc., who 'know' the people in the community and their talents for welfare) and the process facilitators, who ensure a balanced distribution or composition in the core team and, if necessary, demand this. The task of the core team is to motivate a wide variety of citizens to work and network with local actors, and to thereby establish new collaborations such as between companies and schools, restaurants and clubs, associations with informal initiatives or between neighboring municipalities.

Since the participants choose topics relevant to their own concerns and self-efficacy, they are highly motivated to work out and implement solutions on their own responsibility. The variety of topics include both isolated topics (e.g. using vacancies, individual help for elderly people etc.) – usually carried out in sub-groups – and longer-term issues (e.g. affordable housing, childcare, climate change, etc.). To keep up the motivation for longer-term commitment

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<sup>160</sup>For more information on the projects, see <<https://hdg-vorarlberg.at/ehrenamt/zaemma-leaba-zgoetzis/projekte-zaemma-leaba/>; <https://www.langenegg.at/initiativen/>>.



teambuilding activities and regular reflection in the team (Where do I stand? What are my success experiences? Where are hurdles? Who could support me? What gives meaning to my commitment? etc.) are crucial. In this context an innovative solution was developed in Langenegg: there, the voluntary engagement is limited to two years. After that, a new person ‘automatically’ takes over. This time limit makes it easier to find volunteers. In Götzis, the volunteers could take some time off or ‘rest’ their project if their motivation significantly dropped. Also working on a topic in teams cushions possible motivation loss. To maintain motivation both the recognition and appreciation by the municipality (politics) and – if projects cannot be implemented – clear explanation and justification is essential. However, often it is possible to realize a project only by reorienting the objectives or at least partial steps which also contributes to keep up the commitment.

The project implementation is carried out by involving different groups active on local level such as schools, companies, associations, institutions or engaged individuals or groups. This not only results in wide impact, it also signals the openness of the process (non-partisanship) and the importance of the topic (sustainability/*Enkeltauglichkeit*). The link between the volunteers and their projects and politics is the core team. Reporting regularly on the progress of the projects in the meetings of the municipal council is one of the core team’s tasks to create linkage with the overall political process.

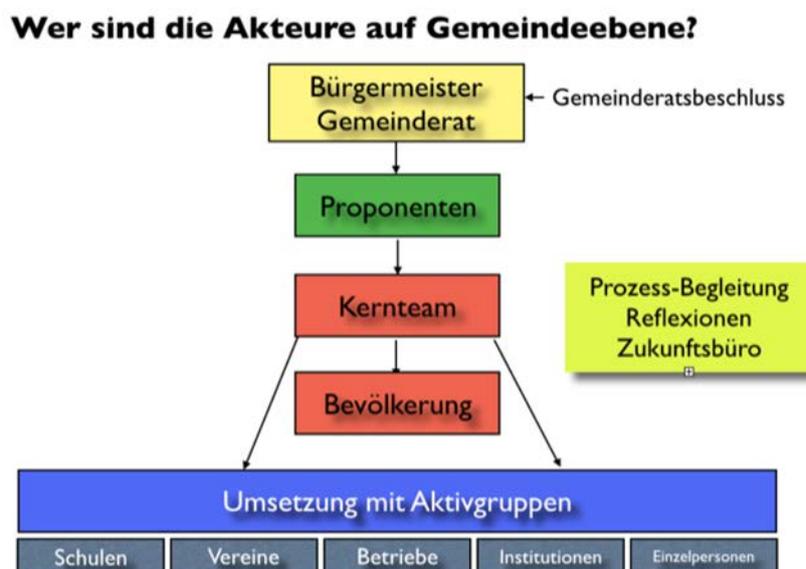


Figure 10: Actors within ‘Zamma leaba – Living together’.<sup>161</sup>

<sup>161</sup> Kriemhild Büchel-Kapeller, ‘Zamma leaba – Living together’. (Participation & Sustainable Development in Europe) <<https://www.partizipation.at/living-together.html>> accessed June 19 2020.



To get financial support for the projects, every proposal must include a cost estimation and timeline. If necessary, a request for financial support from the municipality must be submitted by the applicant. Based on the official decision of the municipal council to start the project, municipal budget will be reserved for it in advance. Depending on the topic also funding from the *Land* (e.g. for a cultural project) can be received additionally. Occasionally also sponsoring from companies supports projects.

Beside supporting the process and coaching, an in-depth evaluation is carried out after a year and a half at the latest. In doing so, the achieved impact and planned projects are 'played back' to the municipal council. At the same time, essential learning progress has been generated, both for the core team and the whole municipality.

## Assessment of the Practice

Both examples of people's participation in Vorarlberg demonstrate that citizens' participation contributes to more inclusive policies and can give a boost to social innovation, no matter if it is applied in urban local governments (ULGs) or rural local governments (RLGs). However, challenges of effective participation processes need to be taken into account to successfully meet the goals of involving citizens in local decision-making.

Strengths:

- the perspective of those affected is targeted;
- challenges are faced holistically and, simultaneously an environment for innovative solutions is created;
- both approaches increase the overall understanding and acceptance of projects and political decisions.

Further strengths relate to connection and identification: the regular meetings over a longer period of time strengthen the social capital, which in turn positively affects both the identification with the location and the innovation potential. Both projects are an expression of a new culture of collaboration since they contribute to bringing civil society engagement into the existing processes of decision-making. To manage differing interests within civil society, the 'Dynamic Facilitation' method has proven to be very effective in constructively negotiating controversial issues and points of view with each other.

Balancing the relationship between civil society, politics and administration on the one hand and integrating participatory elements in representative democracy on the other hand are the main objectives. Citizens, politics, administration are 'acting in concert' to improve the quality of life and to contribute to a sustainable future both in ULGs and RLGs. Success in both rural and urban areas depends on whether a cooperation between politics and administration and civil society is based on trust and mutual appreciation. If this is lacking voluntary engagement will not be successful. In rural areas, this basis of trust tends to exist more often due to the



small scale of the area and the fact that ‘everybody knows everybody’. However, even in rural municipalities deep divides need to be overcome. Therefore, mediation processes are needed beforehand so that people build trust and work towards a common goal.

A final strength relates to the term ‘glocal’: Municipalities and regions are affected by high financial requirements (increasing costs severely limit freely available financial resources) as well as by far-reaching societal changes: demographic change, migration and integration, economic upheavals, weakening of local supplies etc. To address the challenges of globalization and urbanization, such participation projects are about strengthening local and regional realities, i.e. resource-oriented rather than deficit-oriented. Active coexistence and a lively ‘we-feeling’ at the local and regional level create positive impact on education, health, local value creation (local supply), increase the ability to innovate and create individual benefits for everyone. This is demonstrated not only by the activities of the ‘*Lebenswert leben*’ municipalities but also by the analysis of the Vorarlberger social capital studies.

Weaknesses:

- the participants need to commit themselves for a relatively long period of time. Hence, it might be difficult to recruit participants or to keep them active in the long-term;
- the process can create a feeling of exclusiveness and thus a ‘VIP-effect’ on non-participants;
- since only a selection of citizens is involved, the data collected is not statistically significant.

Participatory processes are not useful if the municipal leaders (politicians as well as the administration) are not ready to take up recommendations and suggestions from the citizens. General concerns about the meaning and the value of citizen’s participation impede successful processes, regardless of whether they are planned to be carried out in urban or rural areas. For this reason, raising awareness in the committees (politics and administration) about the value of participation processes together with clear framework conditions for the participation process in advance is crucial. Participatory processes are moreover not useful if there is no scope for action, or if the results are already fixed in advance; or if municipal elections are due in near future. Due to the election campaigns, projects and to some extent also the people involved can get crushed in party-political wrangling. A ‘neutral’ cooperation across party lines is difficult if not impossible in election times. Also, the responsible politicians often do not want to make any decisions until after the election, so that projects are interrupted for a long time.

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## 6.4. Participatory Budget in the Vienna District of Margareten

Dalilah Pichler and Lena Rücker, *KDZ Centre for Public Administration Research Austria*

### Relevance of the Practice

Participatory budgeting is a practical tool for any governmental level to involve residents in a process of deliberation and decision-making on how public budgets should be spent. The following practice has been chosen due to its first mover role within the districts of the City of Vienna, where the concept has been extended to further districts after the pilot phase. The initiative contributed to a better understanding of the competencies of a local level by the residents, as participants aligned their suggestions to the actual competencies of the district over time. This is particularly important as residents may blame or demand solutions from local level governments in areas which are not in their legally defined competencies. Learning how to voice their ideas and engage more with their district council is a great benefit in a democratic context, as it fosters more dialogue, ownership and understanding. Furthermore, the practice presents an important enabling factor, namely the provision of an ICT infrastructure by a higher level of government. In the case of Margareten an online participatory platform provided by the City of Vienna helped facilitate digital participation and freed resources for civil servants on the district level to focus on engaging the residents, providing feedback to participants and preparing the data for the political decision-making bodies.

### Description of the Practice

With over 27,500 citizens per km<sup>2</sup>, the District of Margareten is the most densely populated area of Vienna. The district representative of Margareten Susanne Schaefer-Wiery initiated the pilot project 'Participatory Citizens' Budget' in 2017, inspired by the *Bürgerhaushalt* by the German partner district Berlin-Lichtenberg, enabling residents to have a say in the development of their district. In February 2020, the platform opened for the ideas of the *Margaretners* for the fourth time.

Over the course of the month of February, the residents of Margareten are invited to submit ideas and suggestions for the development and improvement of the district on an online platform<sup>162</sup> or by mail. The suggestions encompass for example measures for traffic calming,

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<sup>162</sup> Participation platform of the City of Vienna, <<https://www.partizipation.wien.at/>> accessed 24 March 2021.



improving the quality of public spaces, providing green spaces, establishing leisure spaces, playgrounds and more, which are within the competencies of the district.

After the users upload their ideas to the online platform, the office of the district representative of Margareten evaluates the individual suggestions, summarizes them in thematic clusters and checks them for their district jurisdiction. The topics which are not within the area of competence are forwarded to other entities (e.g. the public transport company) and the users informed. The structured proposals are then uploaded back onto the online platform, where any user of the platform can vote and comment on the ideas throughout the month of April. The rated ideas and comments are then submitted to the respective committees and commissions of the district council. The members of the commissions and committees prepare the basis for decision-making and possible resolutions by the district council.

There is no fixed budget amount allocated to the potential project ideas at the beginning of the process. Rather the yearly initiative aims to gather ideas by the residents which are then brought into the council rather independent of project size or possible costs. The further elaboration and evaluation of the presented ideas remains within the district council. The participants who had registered on the platform were updated on the process via e-mails. One reason for the non-binding character of the implementation of the ideas generated is the constitutional framework, which limits the participation of citizens to a consultative role in the formal decision-making processes within the council.<sup>163</sup>

With Margareten being the first mover, the concept of participatory budget has now also been implemented in other Viennese districts, namely in Alsergrund, Simmering and Penzing using the same internet platform provided by the City of Vienna (which is municipal and state government at the same time).

## Assessment of the Practice

Margareten's participatory budget can be considered a success in terms of interest by the district residents. While in the first process around 80 ideas were presented, later in 2020 around 150 ideas were submitted and 297 residents contributed.<sup>164</sup> Since there are no access restrictions, everybody who is interested in Margareten can join the project and express their ideas on the online platform, no matter which social group they belong to. The easy access and the possibility to present ideas anonymously as well as feedback to the contributors were considered relevant factors for the motivation of citizens. The only limitation is the necessary affinity to navigate online, therefore sending in ideas via postal service was included in the

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<sup>163</sup> For more detail, see the Introduction to People's Participation in Local Decision-Making, report section 6.1.

<sup>164</sup> — 'Partizipatives Budget in Margareten' (*City of Vienna*, undated)

<<https://www.wien.gv.at/bezirke/margareten/politik/partizipatives-budget.html>> accessed 24 March 2021.



process but in the end hardly used.<sup>165</sup> However, the downside of anonymity should also be mentioned. Residents are able to self-organize to push particular interests especially in the voting process, where a simple ‘thumbs-up’ or ‘thumbs-down’ was used to rate a proposal. The commenting was optional. As the access to the platform is open, i.e. no official identification is needed to register, the system is vulnerable to manipulation.

A key factor for the implementation was the provision of the online platform by the City of Vienna. The district was able to tap into existing resources of a larger entity and could therefore focus on the communication and content rather than technical implementation. However, even with this technical support, human resources were still very limited within the district administration, as the workforce each council is entitled to is regulated by law. The implementation of this participatory processes was possible due to the commitment of civil servants with the political backing across all parties of the district council.<sup>166</sup>

Although the initiative was titled ‘participatory budget’, the way it was executed does not align with the broader scientific term. Criteria for participatory budgeting are the discussion of the budgetary dimension, involvement of the city level, a repeating process, public deliberation and some accountability for the output. In Margareten, the main process was the gathering of ideas with a voting process.<sup>167</sup> In general, participatory budgets are still rare in Austrian municipalities, but the concept has gained importance in recent years. For example, the City of Eisenstadt has introduced participatory budgeting in 2018, and the municipal council of the City of Graz has adopted a respective resolution in February 2020.

However, participatory budgeting appears to be less attractive for municipalities in rural areas. So far, only one rural municipality has introduced such a mechanism. The small Municipality of Vorderstoder in Upper Austria was, in fact, the first Austrian municipality to initiate a participatory budget in 2012. The local government’s primary motive was not the overarching aspiration to encourage and enable participation, but simply the necessity to select the financially feasible projects within the municipality’s limited financial scope and furthermore, support the realization of the projects through voluntary work. Despite active participation, Vorderstoder’s mayor has criticized the lack of support from the *Land*, which reduced its subsidies in response to the achieved savings on the local level.<sup>168</sup>

Just like there is not one single form of political participation, there is not a single participatory budgeting method or instrument. Participation methods and instruments vary between urban and rural regions due to the different nature of their structure, especially the proximity

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<sup>165</sup> Interview with Astrid Böhme, Head of Office of the District Representative, District Währing (Vienna, 22 March 2021).

<sup>166</sup> *ibid.*

<sup>167</sup> Yves Sintomer, Carsten Herzberg and Anja Röcke, ‘Participatory Budgeting in Europe: Potentials and Challenges’ (2008) 32 *International Journal of Urban and Regional Research* 164.

<sup>168</sup> Bernadette Bayrhammer and Johanna Kainz, ‘Wenn der Bürger beim Budget mitredet’, *Die Presse* (Vienna, 27 July 2014).



between citizens and local government. A tightly knit community and increased face-to-face contact with residents in smaller municipalities might reduce the need for a specific participation tool. To some extent, the individual citizen naturally is more likely to participate in local decision-making in a small municipality, which may be one of the reasons for the lower appeal of specific participatory budgeting instruments for smaller, rural municipalities. However, proximity does not automatically mean participation. Therefore, modern and more inclusive instruments such as online public budgeting platforms could constitute a valuable expansion beyond the 'usual suspects'. As it was the case in Margareten, the provision of a participatory online platform by higher levels of government could facilitate such processes and enable local level governments with limited resources to focus on content, communication and engagement.

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## Contacts

Local Government and the Changing  
Urban-Rural Interplay  
[www.logov-rise.eu](http://www.logov-rise.eu)  
[logov@eurac.edu](mailto:logov@eurac.edu)



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