

AUSTRIA

FEDERAL COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 83 879 km²**Population:** 8.809 million inhabitants (2017), an increase of 0.6% per year (2010-2015)**Density:** 105 inhabitants / km²**Urban population:** 58.1 % of national population**Urban population growth:** 1.2% (2017 vs 2016)**Capital city:** Vienna (21.6% of national population)

ECONOMIC DATA

GDP: 461.6 billion (current PPP international dollars), i.e. 52 398 dollars per inhabitant (2017)**Real GDP growth:** 3.0 % (2017 vs 2016)**Unemployment rate:** 5.5 % (2017)**Foreign direct investment, net inflows (FDI):** 15 608 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 23.5 % of GDP (2017)**HDI:** 0.908 (very high), rank 20 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Republic of Austria is a federal state and parliamentary democracy, composed of nine autonomous federal provinces (*Bundesländer* also referred to as *Länder*). The Head of the Federation is the Federal President, elected to universal suffrage for a six-year mandate. At the federal level, there is a bicameral system composed of two chambers, the National Council (*Nationalrat* - lower house), composed of 183 members, and the Federal Council (*Bundesrat* - upper house, also referred to as the Chamber of Provinces), composed of 61 members (as of 2018). Members of the National Council are elected every five years by universal suffrage through a proportional system. In contrast to the National Council, Members of the *Bundesrat* are not directly elected, but they are delegates elected by the Provincial Parliaments of the nine Federal Provinces for mandates corresponding to the legislative period of the *Diet*. Depending on their population, the number of representatives for each province varies from 3 to 12.

The Austrian Constitution, enacted in 1920 and amended in 1929, and the Federal Constitutional Law (1948) guarantee the autonomy of the nine autonomous states (Art. 2) and the principle of subsidiarity and local self-government of municipalities (Art. 116). The *Länder* legislate the municipalities law, which is framed by national framework legislation (Art. 115). The revision of federal principles enshrined in the constitution must be approved by referendum in addition to a two-thirds majority in Parliament. According to the jurisdiction of the federal Constitutional Court, the federal principle has three substantive elements: 1) the distribution of legislative and administrative competencies; 2) the participation of the *Länder* in federal legislation and administration (called "indirect federal administration"), where policy is implemented by the state governor; the constitutional autonomy of the *Länder*. The Senate represents the interests of the *Länder* at the federal level, but as its members are selected by political parties and do not form *Länder* caucuses, in practice it does not play a significant role in the Austrian Federal System.

Each of the nine provinces has its own provincial parliament (*Landtage*), whose members are elected according to the same electoral principles as the National Council, i.e. by direct universal suffrage for five years. The *Landtage* is responsible for electing a provincial government, headed by a Governor (*Landeshauptmann*), elected by the *Land* Parliament according to either a proportional or a majority system. As such, *Länder* have their own provincial electoral authorities and electoral legislation, as well as their own constitution.

At the local level, municipalities are governed by municipal councils, with members elected by direct universal suffrage for 5 to 6 year terms, depending on the *Länder*. They appoint the members of the local administrative board, the municipality's executive body, except for the mayor, who is - in some *Länder* - elected by direct universal suffrage. In the case of Vienna, the city council also serves as the *Landtag*, the city senate as the provincial government, and the mayor as the Governor.

Austrian federalism is often defined by the principles of co-operative federalism, which is characterised by a high level of harmonisation within the various government levels of the federation. This translates into harmonised public services, tax bases and loose budget constraints for local-level jurisdictions. Austrian federalism has, however, a few shortcomings, including strong vertical fiscal imbalances, overlaps in responsibilities across levels of government and complexity. The 2003 Austrian Constitutional Convention was supposed to carry out a wide reform of the federation but it closed in 2005 without any significant agreement being reached. In 2013, Austria launched a wide administrative reform concerning all levels of government, which was intended to identify margins of efficiency and appropriate measures to reach savings on spending for administration and public subsidies. More recently, the federal, states and local governments have agreed to prepare a federal government reform by the end of 2018, based on the work of the Austrian Convention, in particular addressing the issues of fiscal autonomy.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	2 098 municipalities (<i>Gemeinden</i>)		9 states (<i>Bundesländer</i>) including Vienna	
	Average municipal size: 4 200 inhabitants			
	2 098		9	2 107

OVERALL DESCRIPTION. The Austrian federal system of subnational governments comprises two tiers: states (*Länder*) and municipalities (*Gemeinden*).

REGIONAL LEVEL. The federal entities consist of nine states. The average population of the states is around 975 000 inhabitants but it ranges from around 292 000 inhabitants in Burgenland to 1 868 000 in Vienna (21% of the national population in 2017) while the area varies from 415 km² in Vienna to 19 180 km² in Lower Austria. Except Vienna, the number of municipalities varies from 96 in Vorarlberg to 573 in Lower Austria. The gap in per capita GDP between the richest and poorest region has decreased in Austria over the last sixteen years. In Burgenland, GDP per capita increased by more than 20% over the period 2000-16, while it stagnated in Salzburg, the richest region. Interregional disparities are relatively low, below the OECD average. Among the countries with the lowest regional disparities in GDP per capita, Austria ranks in the top 25%. For administrative purposes, Austrian states are divided into 80 districts (*Bezirke*), deconcentrated entities with primarily administrative functions.

Co-operation between *Länder* are facilitated by the Land Governors Conferences (*Landeshauptleutekonferenzen*), which are supported by a permanent liaison office of the *Länder* set up in 1951 (*Verbindungsstelle der Bundesländer*). They also gather during informal preparatory meetings at technical level (*Landesamtsdirektorenkonferenz*).

MUNICIPAL LEVEL AND INTER-MUNICIPAL CO-OPERATION. The municipal level, governed by state legislation, comprises 2 098 entities, including 15 statutory cities (*Statutarstädte*), 201 urban municipalities, 770 market towns and villages. The statutory cities have a special statute, grouping the power and responsibilities of a municipality and an administrative district.

Austrian municipalities are among the smallest within the OECD, with an average municipal size of 4 166 inhabitants (to be compared to 9 700 inhabitants in the OECD; 5 900 in the EU28), and 55% of municipalities have fewer than 2 000 inhabitants. Overall, only 11% of municipalities have more than 5 000 inhabitants. In several *Länder*, the number of municipalities has decreased through mergers since the 1970s, and most recently in Styria in 2014 (from 539 to 287 municipalities) and in Upper Austria in 2015 (from 444 to 442). Besides mergers, inter-municipal co-operation is promoted by most *Länder*. Inter-municipal co-operation arrangements are designed and implemented by individual states but the Constitution states that municipalities may join forces by agreement or by law to form municipal associations (*Gemeindeverbände*). A 2011 federal constitutional amendment further reinforced the ability of municipalities to engage in inter-municipal associations. The 2017 fiscal equalisation act also stipulates inter-municipality co-operation. There were 766 municipal associations in 766, including 49% in the education sector (school community associations), 25 % for administrative purpose (citizenship and registry offices), 9% in the cultural sector (Music school associations) and the rest in the social assistance and local transport sectors, among others. Beyond inter-municipal co-operation, there is a strong tradition and practice of horizontal co-operation and co-ordination in Austria, in particular through the Austrian Municipalities Association and the Austrian Association of Cities and Towns.

Vienna, the capital-city, has a special statute as both a municipality and a federal state. As the functional area of the city goes beyond its administrative borders and covers parts of the *Länder* of Lower Austria, and in order to ensure communication and co-ordination among the various institutions in the absence of an inter-municipal planning body, an association was founded in 2006 between the City and Land of Vienna and the Land of Lower Austria, the *Stadt Umland Management* (SUM). The SUM budget is co-financed by the provinces involved and a European cross-border programme (Creating the Future).

Austria does not have a national urban policy, but the Austrian Spatial Development Concept (OREK 2011), covers urban areas, and includes the development of an Austrian agglomeration policy. OREK 2011 emphasises coherence between multiple levels of government and participation by non-governmental stakeholders. It is intended to inform and foster co-operation among the federal government, *Länder*, cities, municipalities and stakeholder representatives.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Austrian federalism and division of competences is symmetrical, as the nine *Länder* have equal rights concerning their legislative competencies and their constitutional autonomy, except Vienna. Article 15 of the Constitution assigns large exclusive competencies to the federal government (public security, taxes, civil and penal law, industrial affairs, education, healthcare), and many amendments have led to the transfer of additional powers to the federal level since 1920.

Länder have devolved own competences over which they have legislation and administration powers (primarily in spatial planning, environmental protection, agriculture, public order and supervision of municipal affairs). In addition, they also have the constitutionally guaranteed right to exercise their competences and pass bylaw legislation in many areas regulated under federal laws. In this sense, health care services are provided on both federal and regional levels, and *Länder* are responsible for health administration, the running of hospitals and half their financing. In the education sector also, the Federal Ministry of Education has legislative authority for school education, and federal schools comprise academic secondary schools and full-time upper-secondary vocational schools, whereas primary, general lower-secondary and part-time vocational schools are run by the *Länder*. Moreover, Art. 12 B-VG of the Constitution enables *Länder* to finance any projects within the realm of the federation or state without being restricted to their exclusive competencies.

On the other hand, local governments are responsible for the delivery of local services and infrastructure, through own and delegated competences from the federal or Land government. As a result, municipal responsibilities may vary from one *Land* to another. They hold significant responsibilities regarding strategic spatial planning and land-use plans within their jurisdictions. Besides services provided by inter-municipal bodies, many municipalities deliver services in sectors such as water supply, wastewater treatment and garbage removal through an important network of approximately 1 800 local public companies all over Austria.

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MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	STATE LEVEL	MUNICIPAL LEVEL
1. General public services	Supervision of municipal affairs; Building regulations	Local administration
2. Public order and safety	Police and emergency services	Public order, safety
3. Economic affairs / transports	Transport, energy distribution; Traffic regulation; Agriculture	Roads, local and urban transport; Local energy supply
4. Environmental protection	Environmental protection	Sewerage and household refuse
5. Housing and community amenities	Spatial regional planning; Urban development	Town planning; Local housing, water supply and management
6. Health	Health administration; Hospitals (shared with the federal level)	Primary healthcare (medical centres); Preventive healthcare
7. Recreation, culture & religion	Sports and Leisure	Culture, local sport facilities
8. Education	Primary, general lower-secondary and part-time vocational schools	
9. Social protection	Social assistance, family policy (youth protection and welfare)	Basic social welfare

SUBNATIONAL, STATE AND LOCAL GOVERNMENT FINANCE

Scope of fiscal data: at the regional level, 8 *Länder* i.e. not including Vienna which has a dual status of both a state and a municipality. For Public Accounts Statistics and National Accounts, Vienna is classified as local government unit. The state government sector also includes 324 other state government organisations (as of 2017) such as public hospitals, state health funds, or state real estate companies. At the local level: municipalities including Vienna and around about 2 200 other local units such as municipal associations, local infrastructure and real estate entities on the local government level; economic promotion agencies; 35 social welfare associations and about a dozen municipal hospitals (e.g. in Vienna).

SNA 2008

Availability of fiscal data:
HighQuality/reliability of fiscal data :
High

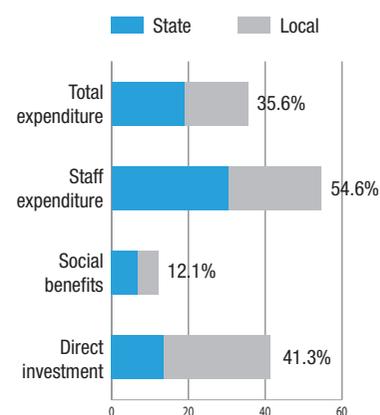
GENERAL INTRODUCTION. The Federal Constitutional Law and Fiscal Constitutional Law (1948) is the main act governing fiscal decentralisation in Austria. Relations between all levels of government are further set up by the Austrian Stability Pact (*Österreichischer Stabilitätspakt*) and the Fiscal Equalisation Law (*Finanzausgleichsgesetz - FAG*). The FAG details the rules of tax sharing, intergovernmental transfers and cost bearing between levels of government.

For a federal country, the degree of autonomy of SNGs in Austria is relatively low on the revenue side, whereas they have a relatively high discretion over spending, resulting in strong fiscal imbalances. Due to their reliance of intergovernmental transfers, incentives for *Länder* and municipalities to maintain and develop their own tax base and enhance their own resources are rather weak. The last 2017 FAG, which regulates financial agreements across the three levels of government until 2021, has done little to address the issue.

In 2016, a new fiscal sharing arrangement was adopted for the period 2017-2021, which provides for additional funds for state and local governments amounting to EUR 300 million yearly, in addition to a grant of EUR 125 million for expenses related to migration and integration. However, the weakness of provinces' autonomous tax management and mixed funding remain unresolved issues. A comprehensive reform was announced in the new government programme published in December 2017 for the period 2017-2022. In this framework, the various levels of government have ratified several initiatives that could improve the efficiency and quality of public spending, such as regular spending reviews, more task-oriented financing, benchmark systems at the subnational level, as well as the commitment to agree on a general reform of subnational competencies by the end of 2018. In addition, several working groups have been set up to prepare proposals for increasing tax autonomy at the subnational level, including through property taxes.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.			% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT EXPENDITURE			% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)	
	SNG	State	Local	SNG	State	Local	SNG	State	Local	State	Local
Total expenditure	9 110	4 836	4 273	18.0%	9.6%	8.5%	100%	100%	100%		
Inc. current expenditure	8 021	4 284	3 738	15.9%	8.5%	7.4%	88.1%	88.6%	87.5%		
Staff expenditure	2 965	1 649	1 315	5.9%	3.3%	2.6%	32.5%	34.1%	30.8%		
Intermediate consumption	1 725	748	976	3.4%	1.5%	1.9%	18.9%	15.5%	22.8%		
Social expenditure	1 401	791	610	2.8%	1.6%	1.2%	15.4%	16.4%	14.3%		
Subsidies and current transfers	1 718	959	759	3.4%	1.9%	1.5%	18.9%	19.8%	17.8%		
Financial charges	80	65	15	0.2%	0.1%	0.0%	0.9%	1.3%	0.3%		
Others	133	72	62	0.3%	0.1%	0.1%	1.5%	1.5%	1.4%		
Incl. capital expenditure	1 088	553	536	2.2%	1.1%	1.1%	11.9%	11.4%	12.5%		
Capital transfers	461	346	115	0.9%	0.7%	0.2%	5.1%	7.2%	2.7%		
Direct investment (or GFCF)	627	207	420	1.2%	0.4%	0.8%	6.9%	4.3%	9.8%		

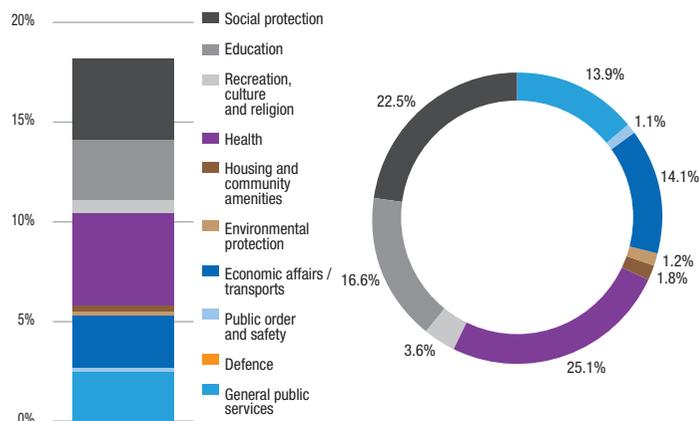


EXPENDITURE. SNG spending in Austria is below the average of the nine OECD federal countries (19.2% of GDP and 50.0% of public expenditure in 2016) and ranks last among OECD federal countries in terms of share in total public spending. States and municipalities have a similar weight in SNG expenditure (53% for the states and 47% for the municipalities), and their respective shares in public spending, (16.7% and 18.9%), have remained stable since 2000. States and municipalities altogether represent more than half of total public spending on staff expenditures and goods and services, and approximately 79.8% regarding subsidies and current transfers.

DIRECT INVESTMENT. Public investment, which accounted for 3.0% of GDP in 2016, in line with the OECD average, is a shared responsibility across all levels of governments in Austria. Austrian SNGs role in public investment is well below the average of OECD federal countries (62.3% of public investment on average in 2016). The recent implementation of the last revision of the SNA in 2008 has led to significant changes in fiscal data in Austria, and regarding public investment in particular, through the inclusion of research and development and weapons systems in the calculation of the gross fixed capital formation. Therefore, there was a sharp decrease of the share of SNG investment in public investment prior and after the implementation of the reform, from 55.5% in 2013 to 41.3% in 2016. 4.3% of states budget was dedicated to investment in 2016, compared to 9.8% for municipalities, and SNG investment represented 1.2% of the GDP, compared to 1.8% on average in the OECD for federal countries. In 2016, 35.4% of SNG investments in Austria was dedicated to economic affairs (maintenance of infrastructures in transport, industry, agriculture), followed by healthcare, a main category of investment spending because Austrian states are responsible for hospital expenditure, including their operations and financing. It is followed by education and general public services. Future investment priorities set at the central government level include new technologies, smart production and the digital transition (a “Digital Roadmap” was introduced in 2017 at federal and *Länder* levels).

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG (OR OTHER CLASSIFICATION OR ESTIMATION)

2016	% GDP			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT			SNG EXPENDITURE AS A % GDP	% OF TOTAL SNG EXPENDITURE
	SNG	State	Local	SNG	State	Local		
Total expenditure	18.2%	9.7%	8.5%	100%	100%	100%		
1. General public services	2.5%	1.2%	1.4%	13.9%	12.1%	16.0%		
2. Defence	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
3. Security and public order	0.2%	0.1%	0.2%	1.1%	0.5%	1.8%		
4. Economic affairs / transports	2.6%	1.6%	1.0%	14.1%	16.5%	11.5%		
5. Environmental protection	0.2%	0.1%	0.2%	1.2%	0.5%	2.0%		
6. Housing and community amenities	0.3%	0.2%	0.2%	1.8%	1.7%	1.9%		
7. Health	4.6%	2.7%	1.9%	25.1%	27.8%	22.1%		
8. Recreation, culture and religion	0.7%	0.2%	0.5%	3.6%	1.8%	5.6%		
9. Education	3.0%	1.6%	1.4%	16.6%	16.4%	16.9%		
10. Social protection	4.1%	2.2%	1.9%	22.5%	22.6%	22.4%		

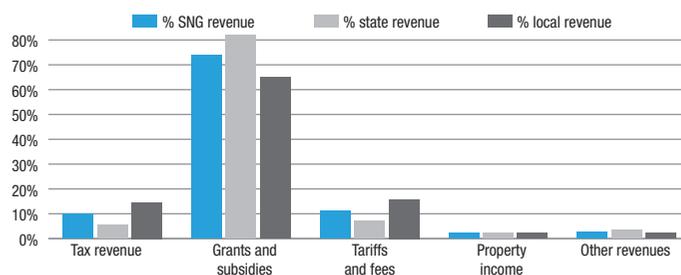


As of 2016, health and social protection altogether represented almost half of SNG total expenditures. In both categories, SNG spending is shared between municipal and provincial governments, the latter being responsible for respectively 58.9% and 53.3% of SNG spending. The third spending category for both levels of SNG is education, followed by general public services and economic affairs/transport. Austrian SNGs are responsible for the large majority of total public spending on housing and community amenities (90.3%), amounting to 0.3% of GDP.

The largest spending categories for *Länder* and local government are the same, i.e. health, social protection and education, as local governments exercise most shared responsibilities delegated by the regional level. Municipalities are responsible for the majority of expenditure in the fields of environmental protection (76.5% of SNG expenditure in 2016, against 23.5% for *Länder*), recreation, culture and religion (72.8%) and public order and safety. On the other hand, 62% of SNG spending on economic affairs and transport came from provincial governments.

SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	% GDP			% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)			% SUBNATIONAL, STATE AND LOCAL GOVERNMENT REVENUE		
	SNG	State	Local	SNG	State	Local	% SNG revenue	% state revenue	% local revenue
Total revenue	17.6%	9.2%	8.4%	35.9%	18.8%	17.1%			
Tax revenue	1.7%	0.5%	1.2%	6.3%	1.9%	4.5%			
Grants and subsidies	13.0%	7.5%	5.5%						
Tariffs and fees	2.0%	0.7%	1.3%						
Property income	0.4%	0.2%	0.2%						
Other revenues	0.5%	0.3%	0.2%						



GENERAL DESCRIPTION. Austria's subnational fiscal framework is characterised by significant vertical fiscal imbalances, with regional and local spending powers that are higher than their revenue-raising responsibilities, in particular regarding autonomous taxes. In 2016, SNG revenue in Austria was below the OECD average for federal countries both as a share of GDP (18.6%) and of public revenue (53.1%). Moreover, tax revenues represented around 10% of SNG

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revenues, well below the OECD average for federal countries of 47.5% in 2016. On the other hand, grants and subsidies make up 81.8% of states' revenues, against 65.1% of municipal revenue. Other sources of revenue for SNGs include tariffs and fees, and to a lesser extent property income and income from public companies. It is important to note that before the 2008 reform of the SNA (implemented in 2014), revenues coming from the sharing of national taxes (PIT, CIT, VAT, etc.) were considered as tax revenue while, since the reform, there are considered as grants from the federal government.

TAX REVENUE. 2016, tax revenue represented a small share of SNG revenue, amounting to 14.6% of local revenue and 5.6% of *Länder* revenues. As a share of GDP and public tax revenue, SNG tax revenue in Austria is well below the OECD average for federal countries (8.8% of GDP and 42.4% of public tax revenue).

Approximately 95% of all tax revenue is levied by federal revenue offices as tax administration is carried out mostly at the federal level. Municipalities levy slightly more than 4% and *Länder* less than 1% of the total tax revenue. Municipalities can only regulate local taxes if they are entitled to those taxes by either the federal or state law.

States receive a negligible amount of tax income but include the contribution to chamber of commerce by employees (classified as part of the PIT and which accounted for half of their tax revenue in 2016), the tourist tax and the fishing and hunting licenses. In 2018, the tax autonomy to raise the housing subsidy contribution (*Wohnbauförderungs-beitrag*, currently 1% of payroll) was transferred from the central government to the *Länder*.

Tax revenues are slightly more significant for municipalities, which can collect the municipal business tax (*Kommunalsteuer*) and the property tax (*Grundsteuer*). The *Kommunalsteuer* makes up the bulk of municipal tax revenue (68% in 2016). It is a general payroll tax of 3% on total salaries and wages paid each month by permanent establishments based in Austria. The payroll tax base and rate are both fixed uniformly across all local jurisdictions by the federal government. The property tax is levied on both land and buildings. The tax base is defined at the federal level, but municipalities have some discretion regarding the rate of the real property tax within limits set by regional regulations. The property tax represented around 16% of municipal tax revenue in 2016 (i.e. 2.3% of their total revenue). It amounted to only 0.2% of GDP, a level which is significantly below the OECD average (1.1% of GDP in 2016). With the implementation of the new programme for 2017, there are several proposals for increasing tax autonomy at the subnational level, including through property taxes.

GRANTS AND SUBSIDIES. Austria has a strong fiscal equalisation system based on tax-sharing, which in practice has a levelling effect across regions. The Fiscal Equalisation Law (FAG), periodically negotiated between the federal Minister of Finance and representatives of the *Länder* and the local governments, defines the revenue sharing system between the three levels of government. According to the FAG, around 85% of total tax revenues are "joint taxes", including revenues from personal income tax (PIT), corporate income tax (CIT), and VAT, which are shared among all three governmental levels. In addition, 12.8% of the municipalities' share in shared tax revenues is allocated via the *Länder* and dedicated to most needy municipalities and to capital investments in infrastructure projects.

According to the Federal Ministry of Finance, the total revenue collected in 2016 at the federal level was shared as follows: 56% for the federal government, 22% for the *Länder* (excluding Vienna), 9% for the city of Vienna and 9% for the municipalities. Furthermore, since 2018 and in line with the fiscal reform announced in 2017, the share of tax revenue allocated to municipalities will now be partly distributed according to the child care and schooling services they supply. Of the total transfers from the federal government to provincial and municipal level, 97.5% were current grants, and 2.5% capital grants.

Besides tax-sharing schemes, the FAG also distinguishes between grants to cover special needs or purposes of other governments, non-earmarked block grants, special need transfers and earmarked grants. General grants are aimed at equalising the average revenue of *Länder* and municipalities resulting from tax sharing (horizontal equalisation). They mostly cover expenditure in public administration and public services. Other transfers from the federal government include earmarked grants on education, culture and transportation. Other transfers exist for housing development, environmental purposes and infrastructure as well as transfers from the Federal Natural Disasters fund. This Fund covers expenditures for protection against natural disasters and supports *Länder* for reconstructing infrastructure of *Länder* and municipalities. For the period 2014-17, the federal government has considerably increased earmarked subsidies to *Länder* for financing child day-care.

OTHER REVENUES. Revenues derived from user charges and fees from local public companies are an important source of revenue for *Länder* and most particularly municipal governments (they represented 16% of municipal revenues in 2016). Municipalities receive user fees levied on water, sewerage and waste, entertainment. In addition to asset sales and property income, other revenue represent a significant source of revenue compared to the OECD average for federal countries, due to Austria's important network of 1 800 local public companies. The recognition and valuation of assets of Austrian SNGs will improve with the implementation of the new accounting regulation, planned to enter in force by 2019 for states and municipalities with populations of greater than 10 000 inhabitants, and by 2020 for all the municipalities.

SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.			% GDP			% GENERAL GOVERNMENT DEBT			% SNG DEBT			% SNG FINANCIAL DEBT		
	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local	SNG	State	Local
Total outstanding debt	5 472	3 355	2 117	12.8%	7.9%	5.0%	12.6%	7.7%	4.9%	100%	100%	100%	100%	100%	100%
Financial debt*	4 534	2 769	1 765	10.6%	6.5%	4.1%	11.0%	6.7%	4.3%	82.9%	82.5%	83.4%	100%	100%	100%

* Currency and deposits, loans and bonds

FISCAL RULES. The Austrian Stability Pact, first established in 1999, regulates the national budgetary co-ordination between the federal government, states and municipalities, and sets deficit and surplus targets for the federal, regional and local governments, in order to involve all levels of government in the consolidation of public finances. The last Pact, adopted in 2013 (Public Law Gazette I No. 30/2013), requires that, from 2017, the central government, the state governments and the municipalities have to achieve structurally balanced budgets as a basic principle. The Pact contains a series of rules: on a structurally balanced general government budget ("debt brake"), with the structurally balanced budget defined as a structural general government deficit not of less than -0.45% of GDP; ceiling on annual expenditure growth (expenditure brake); rule on public debt reduction as defined in ESA terms (adjustment of the debt ratio); rule defining ceilings for public guarantees granted by the central government, the states and the municipalities and rules to strengthen budgetary co-ordination and medium-term budgetary planning of all governments, mutual exchange of information and transparency. Compliance with the fiscal rules is ensured by adequate sanctions. In addition, all *Länder* governments autonomously implemented a ban on speculation of public entities, and are implementing budget reform projects. The Austrian Fiscal Advisory Council (*Fiskalrat*) was created in 2013 as an independent fiscal institution to promote sustainable public finances, fiscal discipline and compliance with EU fiscal requirements, including at subnational level. The medium-term budgetary plans of the three layers of government are co-ordinated under the Fiscal Equalisation Law.

DEBT. States and municipalities are free to borrow in the form of loans and bonds, but municipalities rarely issue bonds. Austrian municipalities borrow mostly from public banks and state-owned enterprises. Borrowing and bond financing from the municipalities are in fact regulated by each *Land*. *Länder* usually have a control committee that approves municipal loans based on a set of prudential rules, which differ from one *Land* to another. As a general rule, municipalities can only borrow to finance investment projects ("Golden Rule"). In 2016, Austrian SNG debt represented around 13% of GDP and 13% of total public debt, two ratios which are well below the OECD average (24.5% of GDP and 20.7% of public debt), especially the OECD average for federal countries (31.3% of GDP and 27.1% of public debt). States accounted for 61% of total SNG debt and local governments for 39%. Financial debt ("Maastricht debt") accounted for 83% of total outstanding debt, while "other accounts payable" amounted to the remaining part (17%). Within the financial debt, loans represented 80% of SNG debt and bonds 22%. Loans accounted however for 95% of local government debt while they accounted only for 68% of state debt. According to Austria's Federal Budgetary Law, the Federal Ministry of Finance is allowed to borrow and issue bonds on behalf of *Länder* through the Austrian Federal Financing Agency. The amount of debt issued by the federal government for the financing of the states cannot exceed 20% of total general government expenditure in a given year.



Lead responsible: OECD
Last update: 02/ 2019

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Socio-economic indicators: OECD // Eurostat // World Bank // UNDP // UN DESA // ILO // Statistics Austria.

Fiscal data: OECD National Accounts Statistics // OECD Revenue Statistics // OECD (2018) Subnational Government in OECD countries: key data (brochure and database) // Eurostat // Austrian Federal Ministry of Finance.

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