

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **HIGH INCOME: OECD** Local currency - **Euro (EUR)**

POPULATION AND GEOGRAPHY

AREA: **82 409** km²

POPULATION: **8.544** million inhabitants (2014), an increase of 0.5% per year (2010-14)

DENSITY: **104** inhabitants/km²

URBAN POPULATION: **65.9%** of national population

CAPITAL CITY: **Vienna** (20.4% of national population)

Sources: Eurostat, OECD, World Bank, UNDP, ILO

ECONOMIC DATA

GDP: **407.5** billion (current PPP international dollars) i.e. 47 695 dollars per inhabitant (2014)

REAL GDP GROWTH: **0.4%** (2014 vs 2013)

UNEMPLOYMENT RATE: **5.6%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **8 202** (BoP, current USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **22%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.885** (very high), **rank 23**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
2 100	-	9	2 109
2 100 MUNICIPALITIES (GEMEINDEN) AVERAGE MUNICIPAL SIZE: 4 090 INHABITANTS		9 STATES INCLUDING VIENNA (BUNDESLÄNDER)	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Austria has two tiers of SNGs: states and municipalities. The municipal level, governed by state legislation, comprises statutory cities (*Statutarstädte*), towns, markets and villages. Moreover, for administrative purposes, Austrian states are also divided into 80 districts (*Bezirke*). The 15 statutory cities have a special statute, regrouping the power and responsibilities of a municipality and a district. Several *Länder* reduced the number of municipalities in the 1960s and 1970's (Lower Austria, Carinthia and Burgenland). The last important municipal reform was launched in implemented by the Land of Styria in January 2015.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. The 1920 Constitution and the Federal Constitutional Law define the Austrian federal system, recognising both the autonomy of states and the municipalities' right to self-government. According to Article 15, large exclusive competencies are assigned to the federal government, the residual ones being assigned to the *Länder*: spatial planning, environment, agriculture, police and emergency service, municipal affairs, etc. *Länder* also have the the constitutionally guaranteed right to execute some federal laws e.g. in the areas of primary and secondary education, healthcare (hospitals), social welfare, housing and urban and regional development. Local governments are responsible for local services and infrastructure, having their own responsibilities but also delegated responsibilities from the federal or *Land* government. Unlike other OECD federations, Austria's states have comparatively little autonomy. The 2003 Austrian Constitutional Convention was supposed to carry out a wide reform of the federation, including reducing vertical fiscal imbalances, redistributing subnational responsibilities and simplifying the federal system. However, the Convention closed in 2005 without any significant agreement being reached.

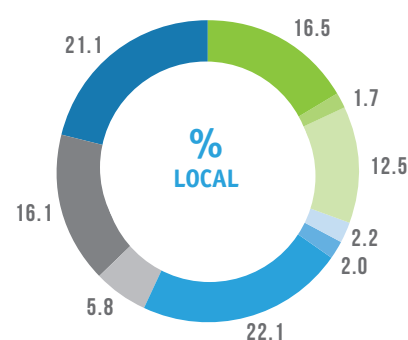
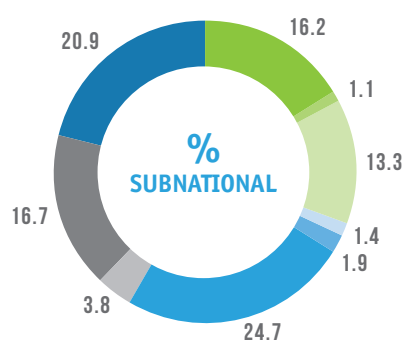
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP		% GENERAL GOVERNMENT (same expenditure category)		% SUBNATIONAL GOVERNMENT	
	SUBNATIONAL DATA		LOCAL DATA ONLY			
TOTAL EXPENDITURE (2013)	17.6%	8.5%	34.6%	16.7%	100%	100%
CURRENT EXPENDITURE	15.7%	7.4%	-	-	89.3%	87.4%
STAFF EXPENDITURE	5.9%	2.6%	55.1%	24.9%	33.2%	31.0%
INVESTMENT	1.3%	0.8%	55.5%	34.4%	7.4%	9.5%

SNG spending is below the OECD average of the 9 federal countries (19% of GDP and 49% of public expenditure in 2013) and is even in the last position of OECD federal countries in terms of share in total public spending. States and municipalities however represent a large share of public staff expenditure. Both have a similar weight in SNG expenditure (52% for the states and 48% for the municipalities). SNGs role in public investment is also slightly less significant than in other OECD federal countries where it represented 1.8% of GDP, 60% of public investment and 9.6% of SNG expenditure in 2013. Local government spending responsibilities are limited (estimated at around 15% of total SNG spending).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



The two largest areas of SNG spending are health and social protection, which represented almost half of SNG expenditure in 2013. These two sectors are followed by education and general public services. The largest spending categories for Länder and local government are the same i.e. health, social protection and education.

REVENUE BY TYPE

% GDP

% GENERAL GOVERNMENT (same revenue category)

% SUBNATIONAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

TOTAL REVENUE (2013)	17.4%	8.5%	35.1%	17.1%	100%	100%
TAX REVENUE	1.8%	1.3%	6.3%	4.5%	10.1%	14.9%
GRANTS AND SUBSIDIES	12.6%	5.5%	-	-	72.6%	64.6%
OTHER REVENUES	3.0%	1.7%	-	-	17.3%	20.6%

The constitutional background of the intergovernmental fiscal relations is given by the 1948 Fiscal Constitutional Law providing for the Fiscal Equalization Law (*Finanzausgleichsgesetz* or FAG) adopted for a given period. The FAG details the rules of tax sharing, intergovernmental transfers and cost bearing between levels of government. The Austrian system is characterised by significant vertical fiscal imbalances, SNGs depending largely on federal transfers, even after the 2008 FAG which transformed 40% of the intergovernmental grants into higher shares of tax revenue.

TAX REVENUE. SNGs receive nearly all their tax revenue from shared taxes, for which the rules are determined by the FAG. Shared taxes include in particular VAT receipts, wage tax, corporate tax and the petrol tax. In 2013, the federal government received around 67% of joint taxes, the *Länder* 21% and the municipalities 12%. The amount allocated to individual SNGs is determined according to tax and demographic criteria. SNG share of own taxes is among the lowest in the OECD. They are negligible for the *Länder* but higher for municipalities which can collect the municipal business tax (*Kommunalsteuer*) and the property tax (*Grundsteuer*), levied on both land and buildings (0.2% of GDP). Tax administration is carried out mostly at the federal level. Approximately 95 % of all revenue is levied by federal revenue offices; municipalities levy more than 4 % and *Länder* less than 1 % of the total tax revenue.

GRANTS AND SUBSIDIES. Transfers from the federal government to states and municipalities are defined in the FAG, which distinguishes between general grants (quota allocation funds) and specific grants (to cover special needs or purposes). General grants are transfers aimed at equalising the average revenue of *Länder* and municipalities resulting from tax sharing (horizontal equalisation). Other transfers from the federal government include transfers for housing development, environmental purposes and infrastructure as well as transfers from the federal natural disasters fund. Municipalities also receive grants from state governments.

OTHER REVENUES. Other revenues are derived from user charges and fees (15% of municipal revenues, especially levied on water, sewerage and waste), asset sales, income from property and public companies. They represent a significant source of revenue compared to the OECD average.

OUTSTANDING DEBT

% GDP

% GENERAL GOVERNMENT

■ SUBNATIONAL DATA □ LOCAL DATA ONLY

OUTSTANDING DEBT (2013)	9.1%	3.6%	10.0%	4.0%

The Internal Stability Pact, which came into force in December 2012, sets new fiscal rules which apply to all levels of government. According to the Pact, all levels of government must reach a balanced budget in 2016, and from 2017 onwards a structural balance rule will be implemented, relating deficits to the output gap. Moreover, all levels of government must reduce their level of debt by 1/20 per year. The Federal Financing Agency gives Austrian states access to funds from the sovereign. The Austrian Fiscal Advisory Council (*Fiskalrat*) was created in 2013 as an independent fiscal institution to promote sustainable public finances and fiscal discipline, including at subnational level. Bond financing, allowed for states and municipalities, represented around one-third of total SNG financial debt but 44% for the *Länder* and 11% for municipalities.

A joint study of:



Sources: OECD National Accounts Statistics • OECD (2015 and 2016) Subnational Governments in OECD Countries: Key data • OECD (2015) The State of Public Finances 2015: Strategies for Budgetary Consolidation and Reform in OECD Countries • OECD (2015) OECD Economic Surveys: Austria 2015 • European Committee of the Regions (2014) Division of Powers Between the European Union Member States Candidate and some Potential Candidate Countries, and Local and Regional Authorities: Fiscal Decentralisation or Federalism • Unicredit (2014) Financing Austria's regional and local governments (RLGs) • Council of Europe (2011) Local and regional democracy in Austria • Dexia (2008) Subnational governments in the European Union: organisation, responsibilities and finance.