

WORKING PAPER
15/2004

Public Management Reforms in Austria

Kurt Promberger
Iris Rauskala
Franziska Cecon



University of Innsbruck
Centre for Public Management

Universitätsstrasse 15
A-6020 Innsbruck

+43-512-507-7601
www.verwaltungsmanagement.at
verwaltungsmanagement@uibk.ac.at

European Academy Bolzano
Institute of Public Management

Viale Druso 1
I-39100 Bolzano

+39-0471-055-400
www.eurac.edu
info4@eurac.edu

EURAC
research

EUROPÄISCHE
AKADEMIE

ACCADEMIA
EUROPEA

EUROPEAN
ACADEMY

BOZEN - BOLZANO

Table of Contents

Tables.....	III
Figures.....	IV
Abstract.....	V
1 Introduction and Background.....	1
1.1 State Structure and Constitutional Basis.....	1
1.2 Administrative Structure.....	3
1.3 Special Features of the Austrian Public Sector.....	5
2 Public Management Reforms at the Federal Level.....	10
2.1 Financial Management Reforms.....	13
2.1.1 Innovations in Financial Management.....	14
2.1.1.1 Budget Reforms.....	14
2.1.1.2 Accounting Reforms.....	15
2.1.2 Status of Governmental Budgeting and Accounting in Austria.....	18
2.1.2.1 Flexibility Clause Experiment.....	19
2.1.2.2 Cost and Performance Accounting.....	22
2.1.2.3 Future Reform Directions.....	24
2.2 Information and Communications Technology (ICT).....	24
2.2.1 E-Government.....	25
2.2.1.1 The Austrian E-Government Act.....	26
2.2.1.2 Help.gv.at – the Virtual Guide on Austrian Authorities.....	27
2.2.2 Enterprise Resource Planning (ERP-) Systems.....	29
2.2.2.1 Concept of Enterprise Resource Planning.....	30
2.2.2.2 ERP in the Austrian Government – SAP R/3.....	31
2.3 Performance Measurement and Management.....	33
2.3.1 Federal Performance Report.....	36
2.3.2 Austrian Experience with the Balanced Scorecard.....	38
2.3.3 Interim Results.....	38
2.4 Quality Orientation.....	40
2.4.1 Speyer Quality Award.....	43
2.4.2 Common Assessment Framework (CAF).....	44
2.4.3 Mystery Shopping.....	45
2.5 Organisational Reforms.....	46
2.5.1 Corporatisation in Austria.....	48
2.5.2 Critique on Corporatisation/Off-Budget Companies.....	51
2.5.3 Examples of Organisational Reform.....	52
2.6 Privatisation.....	58
2.6.1 Historically Determined Specifics in Austrian Public Sector.....	61
2.6.2 Overview of Privatisation in Austria and Comparison with other Countries.....	63
2.6.3 Prospects of Privatisation in Austria.....	65
2.7 Human Resource Management Reforms.....	66
2.7.1 From Personnel Administration to Personnel Management.....	67
2.7.2 Personnel System of the Austrian Federal Government.....	68
2.7.2.1 Legal Status of Public Officials.....	69
2.7.2.2 Recruitment.....	69
2.7.2.3 Remuneration.....	70
2.7.2.4 Career Development.....	71
2.7.2.5 Senior Executive Service.....	71
2.7.3 Future Reform Directions.....	74

2.8	Reform of the University System – A Case Study.....	74
2.8.1	Starting Point of Reform in Austria.....	75
2.8.2	Elements of Reform.....	76
2.9	SUPPLEMENT: Performance Measurement: Intellectual Capital (IC) Reporting.....	79
2.10	Austrian Convention – A Parliamentary Reform Initiative.....	82
2.11	Conclusions and Summary of Reforms at the Federal Level.....	83
3	Public Management Reforms at the “Länder” Level.....	85
3.1	Steering.....	86
3.2	Structures.....	87
3.3	Processes.....	89
3.4	Organisation and Employees.....	92
3.5	External Relations.....	93
3.6	Review of the Legal Basis.....	95
3.7	Fiscal Effects of NPM Reforms.....	95
3.8	Recommendations to the Provinces and Conclusions.....	96
4	Public Management Reforms at the Municipal Level.....	100
4.1	Main Topics of Municipal Reform.....	102
4.1.1	Output-Oriented Management.....	104
4.1.2	Service-Oriented Reorganisation.....	104
4.1.3	Cost and Performance Accounting.....	104
4.1.4	Benchmarking and Competitiveness between Municipalities.....	105
4.1.5	Co-operation between Municipalities.....	107
4.1.6	Quality Management – E-Government.....	110
4.1.7	Human Resource Management.....	115
4.2	Conclusions of Municipal Reforms.....	116
5	Bibliography.....	117
6	Authors.....	122

Tables

Table 1: Public sector employees at the federal, provincial and municipal level.....	6
Table 2: Government deficit and surplus (1990 - 2003).....	7
Table 3: Tax ratio for the general government, 1990 - 2003	8
Table 4: Cash flow statement.....	16
Table 5: Operating statement	17
Table 6: Balance sheet (financial position).....	17
Table 7: Hived off agencies	50
Table 8: Assets and capital of BIG	53
Table 9: Privatisation of state-owned enterprises: global amount raised from privatisation.....	64
Table 10: Committees of the Austrian Convention and their review subjects.....	83
Table 11: Four reform patterns	84
Table 12: Recommendations for provinces	97
Table 13: Reform areas and their realisation in the provinces.....	98
Table 14: Use and envisioned use of NPM instruments in the provinces	99
Table 15: Number and size of municipalities	101
Table 16: Speyer Quality Award - participants and winners	111
Table 17: Complaints management in Linz	112
Table 18: Major themes of the E-Government Act.....	113

Figures

Figure 1: Austria's map and political division into provinces.....	1
Figure 2: Federal and provincial relationship	3
Figure 3: Elements of the administrative system	4
Figure 4: Reform areas.....	13
Figure 5: E-Government and ERP	25
Figure 6: User's surface of www.help.gv.at.....	27
Figure 7: Electronic Service Delivery.....	29
Figure 8: SAP R/3 and its modules.....	32
Figure 9: Input-Output-Outcome-Model (IOO-Model), 3 E's	34
Figure 10: Balanced Scorecard in the public sector.....	35
Figure 11: Instruments and systems towards quality	41
Figure 12: The CAF Model.....	45
Figure 13: Four circles model of the public sector organisations	47
Figure 14: New structure of the Austrian Federal Railways.....	57
Figure 15: Restructuring plan and its milestones.....	58
Figure 16: Types of privatisation.....	59
Figure 17: Problems of public sector, solutions and advantages	60
Figure 18: Formal procedure for privatisation projects	62
Figure 19: University Act 2002	78
Figure 20: Model for IC reporting of Austrian universities.....	80
Figure 21: NPM topics at the provincial level.....	85
Figure 22: Municipal structure.....	100
Figure 23: Municipal management	103
Figure 24: Human resource management	115

Abstract

Public sector reform in Austria is a ‘never ending story’. Each new elected government is writing a new chapter in this incredible book. In more recent history, these chapters are representing different reform initiatives, which are labelled ‘public management project’ (1989 until 1993) or ‘administration innovation programme I and II’ (1999 until now). In the mid 1990s the ‘new public management’ wave or revolution reached Austria. Politicians, top officials and political interest groups have been calling for the implementation of key NPM instruments via media reports, party platforms and government white papers. Public management reform reached a new level of attention after a fundamental political change in federal government from a centre-left to a centre-right coalition in the year 2000. A long lasting period of social-democratic involvement in federal government had ended. The new era gives impetus for further public sector renewal.

The structure of this paper follows public management reforms at all three levels of government. In chapter one there is a general introduction about the Austrian political-administrative system, highlighting special characteristics. Chapter two concentrates on federal reforms, focussing first on the general background to continue with details to the various reform fields, and finally ending with concluding remarks. Chapter three and four follow this structure on provincial and municipal level respectively.

1 Introduction and Background

1.1 State Structure and Constitutional Basis

Austria is a federal republic - see the map in Figure 1 – and a representative parliamentary democracy characterised by the separation of state power between the federation (Bund) and the provincial governments (Länder). Including the local level, there are three levels of government:

- 1 federal government (Bund);
- 9 provincial governments (Länder);
- 2,359 local authorities (Gemeinden)¹.



Figure 1: Austria's map and political division into provinces

The federation, the provinces and the municipalities are legally autonomous and independent in fulfilling their constitutionally defined tasks. Owing to the constitutionally based system of close intra-governmental relations the Austrian political system is called co-operative federalism. Co-operative federalism refers to legislation and execution of laws as well as to revenue-sharing. Its administrative structure can be characterised as polycentric.² All sovereign power rests with the citizens, who indirectly exercise this power through the election of the National Assembly

¹ Österreichischer Gemeindebund, Online in Internet URL: <http://www.gemeindebund.at/>, Download: September 14, 2004

² Franz Fallend: Vielfältiger Föderalismus. Ausgewählte Föderationen im Vergleich, p. 18

(Nationalrat).³ It is responsible for legislation as well as control of the government. The Federal Assembly consists of representatives of provincial governments and is called the “Bundesrat”, representing the institution through which the provinces participate in the legislation of the federation. In contrast to the National Assembly, the Federal Assembly is not directly elected but consists of appointed members of the provincial governments or their delegates. An institution equivalent to the federal parliament can also be found in each province (Landtag) and local authority (Stadt- or Gemeinderat).

The head of the Austrian state is the federal president, who is directly elected by the citizens for a fixed term of six years. Re-election is permitted only once. All presidents of the Second Republic have acted in accordance with the non-party character of their position, although candidates for the presidency are nominated by the political parties. The federal president has no administrative authority. In practice, he can act only according to the proposals of the federal government but according to the constitution he would have farther reaching competences. His main duties include representing the Republic abroad, signing international agreements and appointing the federal government.

Each province has its own constitution, parliament and government. It is headed by the so-called “Landeshauptmann”, who is the leader of the provincial government. Legislative and executive powers are distributed between the federation and the provinces by the federal constitution (see Figure 2). It lists the fields in which the federal parliament may legislate. Fields not mentioned by the constitution are considered to be the responsibility of the province’s parliament.

The 2,359 municipalities⁴ are administered by politicians who are directly elected mayors in six out of nine provinces. Otherwise, they are elected by and out of the municipal council. The municipalities have a long tradition. The right to govern their local affairs under their own responsibilities within the limits set by the law is guaranteed by the constitution (“Kommunale Selbstverwaltung”) and allows that local authorities may issue regulations, which represent substantive law and which are binding for their citizens as long as no statutes of the federation or the provinces oppose them.

³ Provisions are also made for other direct democracy procedures such as referenda, popular initiatives and election of the Federal President by universal suffrage.

⁴ Vienna is not only the federal capital, but also a province and a municipality.
The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 5

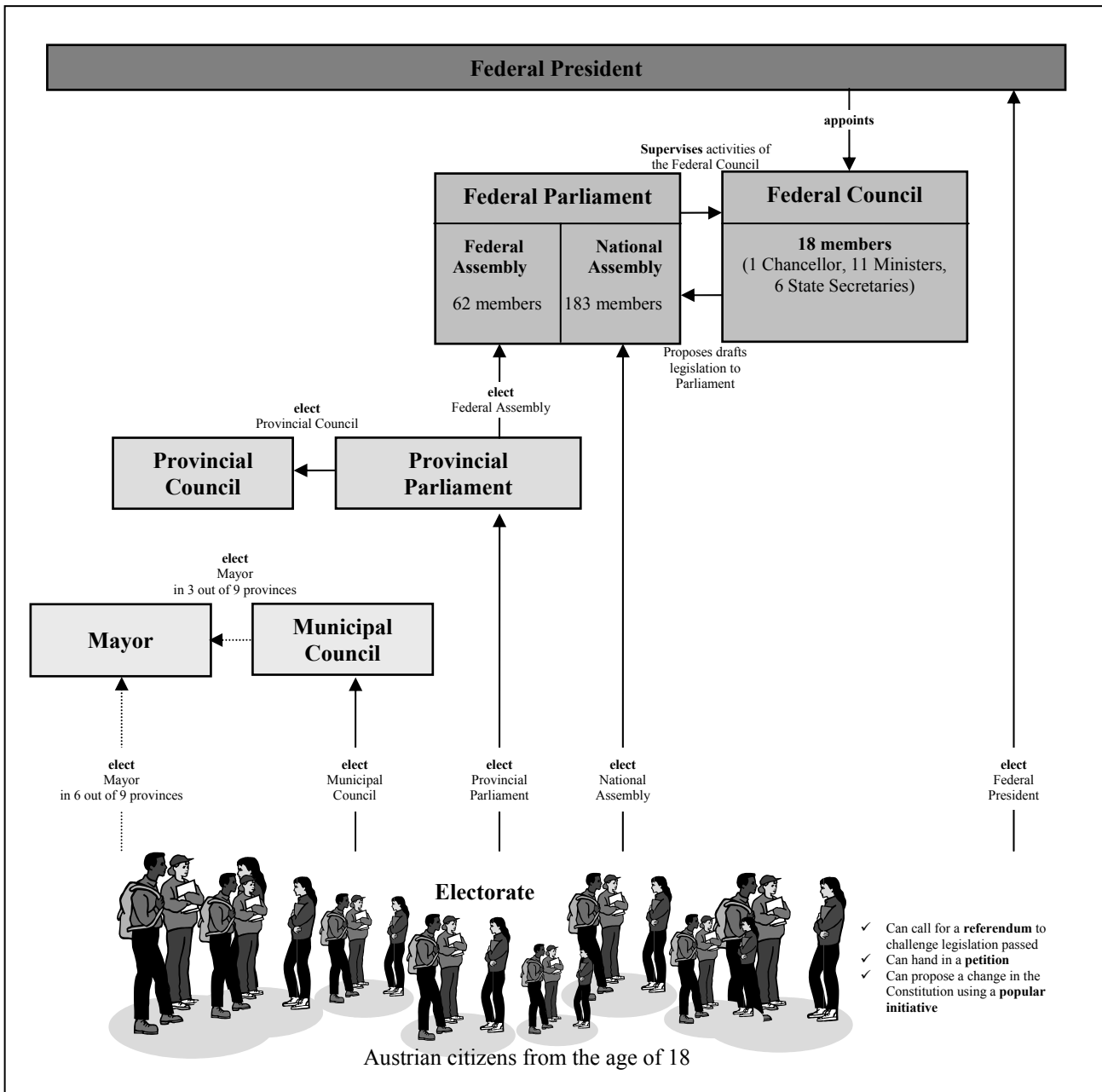


Figure 2: Federal and provincial relationship

1.2 Administrative Structure

The Austrian administrative practice is characterised by a strong legalistic approach – the so called Rechtsstaat – with constitutional protection, both for tiers of government and civil servants. The constitutional foundations are not restricted to general principles like the German Basic Law, but regulate certain functions in detail. Therefore, the administrative system is characterised by bureaucratic governance. It is regulated by law, emphasising processes instead of output and outcomes. Moreover, it is dominated by a high degree of horizontal and vertical division of labour and by a strong hierarchy as well as rigid legislative regulations concerning finance and personnel. The latter is finding its expression in lifelong tenure, little or no workplace mobility and promotion

based on seniority. These features of the Austrian administrative system are depicted in the following figure.

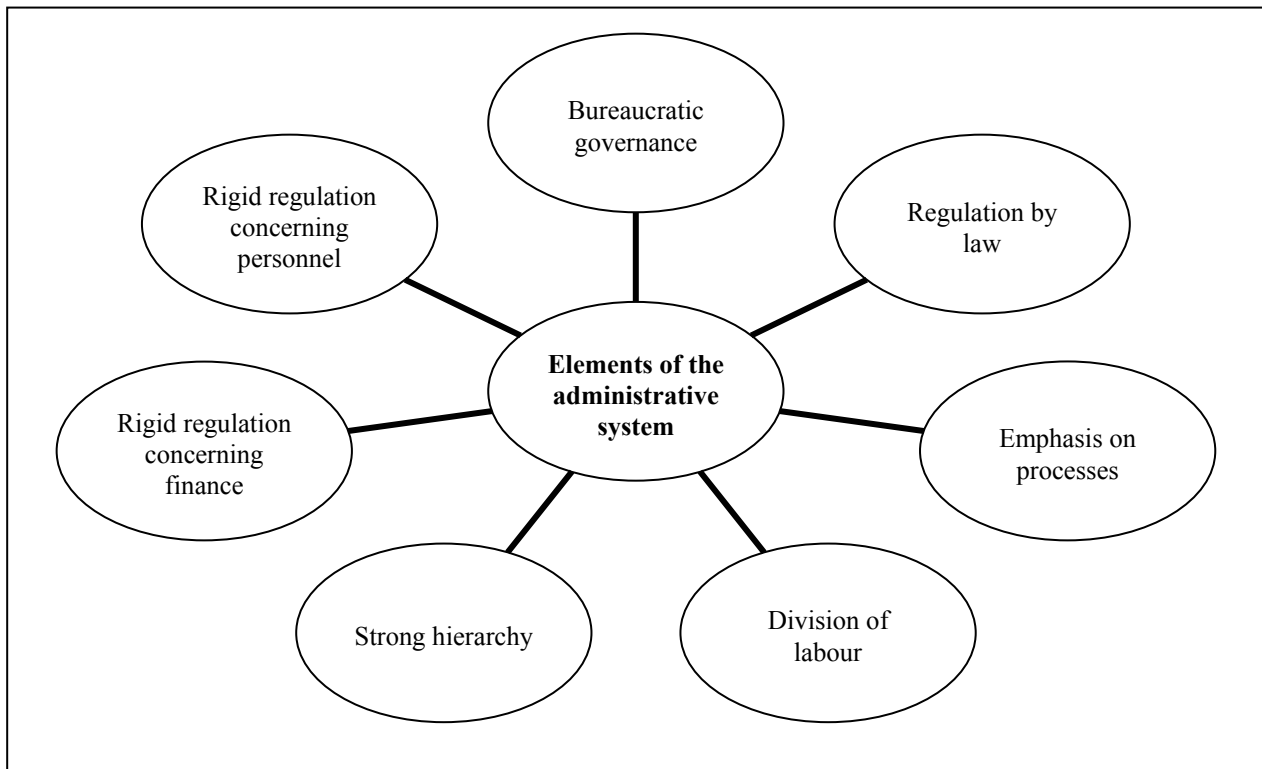


Figure 3: Elements of the administrative system

At the **federal level**, the ministries⁵ and the authorities subordinated to them are entrusted with the conduct of all businesses on behalf of the federal administration. The powers and responsibilities of the individual federal ministries are clearly defined in the Federal Ministries Act. This act also contains provisions governing the organisational structure of the ministries and their rules of procedure.⁶ The tasks of the federal administration are either performed directly by federal authorities or indirectly by province authorities.

At the **provincial level** the head of provincial government and his members (Landesräte) determine the general policy of their province. In general, the federal level and the provinces are independent of each other in their financial and budgetary management. If the provinces act as agents of the federal government, the federation bears (almost all) expenditure incurred.⁷ For their own sphere of activities and for activities performed on behalf of the federal government, the provinces set up their own budgets, but they have to ensure that their fiscal administration meets the needs of the overall

⁵ For a complete list of the current federal ministries see The Federal Chancellery, Federal Ministries, Online in Internet, URL: <http://www.bka.gv.at/DesktopDefault.aspx?TabID=3541&Alias=english>, Download: September 16, 2004.

⁶ The federal ministries are subdivided into directorates-general, divisions, directorates and units.

⁷ This system results in a substantial influence of federal government on the provinces and in a twofold system with a considerable amount of parallel structures and overlapping between the two levels.

economic balance. They receive revenues from separate taxes of their own as well as from tax sharing between the federal level and the provinces.

In administering the provincial policies, the members of the governments are assisted by province government offices. In total, 84 district authorities are subordinated to the province authorities. They are responsible for performing administrative functions on behalf of the province and of the federal government.

Besides the federal and the provincial governments, the **municipalities** carry out administrative tasks. Therefore, the mayor and the municipal council are supported by professional officers. In order to finance activities in their own sphere, at least partly, municipalities have to be able to levy their own revenues. Furthermore, they gain subsidies from the provinces and from the tax and fiscal equalization system between the provinces and the municipalities.

1.3 Special Features of the Austrian Public Sector

Austria is characterised by a large public sector with a general government employment⁸ as a percentage of total employment above the OECD average.⁹

Table 1 shows civil servants, contract staff and other public employees according to the three administrative levels for the years 2001 and 2002. By the end of 2002, the Austrian public sector had a bit more than 490,000 employees, of which 39 % belonged to federal government, 29.6 % to provincial government, 14.2 % to Vienna and 16.4 % to municipal government.

Public Sector employees at the federal, provincial and municipal level		
Federal government employees in 2001 and 2002		
Active employees	2001	2002
Civil servants	149,275	138,264
Contract staff	56,269	55,399
Other	1,670	1,263
Total	207,214	194,927
Employees of the provincial governments		
Active employees	2001	2002
Civil servants	47,211	46,129
Contract staff	92,672	93,871
Teachers	7,5415	74,758
Total	215,298	214,758

⁸ General government employment means persons with employment regulated by public law.

⁹ Statistik Austria, Statistisches Jahrbuch 2004, Online in Internet, URL: <http://www.statistik.at/cgi-bin/jahrbuch.pl?KAPITEL=07&SPRACHE=D>, Download: September 15, 2004

Employees of the local governments (without Vienna)		
Active employees	2001	2002
Civil servants	10,382	10,206
Contract staff	63,740	63,537
Other	6,753	6,625
Total	80,875	80,368
Public Sector Employees in Total	503,387	490,053
Source:	Statistics Austria, adapted from the Statistical Yearbook 2004	
Notes:	Federal level: Civil servants include civil servants of the Post AG/UB Post und Postauto, Telekom Austria AG, PTI and GIS;	
	Provincial level: Provinces including Vienna excluding Wiener Stadtwerke and Wiener Wohnen;	
	Municipal level: Municipalities excluding Vienna and association of municipalities.	

Table 1: Public sector employees at the federal, provincial and municipal level

Furthermore, the Austrian public sector shows intense legal regulations, a hierarchical administrative culture rooting in the ancient monarchy, and a complex federal system. To understand the reform dynamic, it is important to get the picture of so-called “indirect federal administration”, a complex inter-relationship between the federal government and the provinces dating back to the days of the monarchy, too. This multi-level system has been subject of ongoing discussion during the last two decades. Most recent, the “Austrian Convention” (see 2.10) is trying to find a new state architecture, although the mutual legislative setting of the federation and the provinces makes far reaching changes a tedious process.¹⁰

Traditionally, the Austrian system has shown unique and in its intensity distinctive features:

- an unusually stable two party government (centre-left, “grand coalition” between the conservative People’s Party and the Social Democrats)
- the overriding principle of the so called “Social Partnership”¹¹ as a strong social and political stabilisation factor, known as neo-corporatism as well as
- the so called “Proporz system”, which means that the major political, administrative and economic functions are distributed according to political strengths of the parties. Most positive effect of this proportional representation has been the political stability and governability of the country. Compromise, mutual concessions and consensus among the elites have determined the political culture.

Due to these characteristics, Austria has been part of the “maintainers” concerning reform efforts¹² and until recently, was lagging behind the international new public management developments.

¹⁰ By constitution, the change of central areas requires a qualified majority (2/3) in the federal parliament and the approval of each of the nine provincial governments.

¹¹ Though there is no constitutional or legal basis for it, the social partnership plays a decisive role in translating interests of employers and employees into policies. It is supported by the party system as many of their leaders are also members of parliament and occupy important party functions.

¹² Pollitt Christopher/Bouckaert Geert, Public Management Reform, A Comparative Analysis, 2nd edition, Oxford University Press, Oxford, 2004, pp. 98 f.

However, the joining of the European Union in 1995 had significant influence on the political and economic environment – though not resulting in major changes of organisational structures; it still put considerable pressure on the need for severe budget consolidation programmes and structural adjustments. This was and still is especially true for the federation, while provinces and most municipalities show small surpluses.¹³ The development of public deficit in the various government levels is shown in Table 2.

Government deficit(-)/public surplus(+) as per ESA 1995 1990 - 2003					
Year	General government	Central government	Provincial Government	Municipalities	Social security funds
1990	-2.43	-3.39	0.84	0.31	-0.19
1995	-5.16	-4.71	0.09	-0.49	-0.06
2000	-1.49	-1.63	0.21	0.04	-0.11
2001	0.25	-0.52	0.52	0.26	-0.01
2002	-0.21	-0.87	0.42	0.25	-0.02
2003	-1.28	-1.77	0.31	0.19	0.00

Source: Statistics Austria
Notes: No compensation of rounding differences.
Federal sector: Federal government, federal funds, federal chambers
Provincial level: Länder excluding Vienna, Land funds, Land chambers
Municipality level: Municipalities including Vienna, municipality funds, association of local governments

Table 2: Government deficit and surplus (1990 - 2003)

Not only government deficits and debt have been a problem in the past, but also the tax ratio has been much too high¹⁴ in the international context and in comparison to the EU average. For this

¹³ Contributions of central and local governments to public deficit show that, in 2003, Federal Government reported a deficit of € 3.9 billion or 1.7 % of GDP, the highest such figure since 1999 (€ 4.8 billion or 2.41 % of GDP). Together, the nine federal provinces recorded a surplus of 0.49 % of GDP last year, at € 1.1 billion; this was the lowest such figure since 2000. The accounts rendered by municipalities and other public legal entities (social insurances, chambers and funds) have been relatively balanced since 1998 (between – 0.1 and + 0.1 % of GDP).

Statistik Austria, Public Finances, Online in Internet, URL: http://www.statistik.at/englisch/results/vgr/finances_txt.shtml, Download: September 15, 2004

¹⁴ Government expenditure in 2003 amounted to € 114.7 billion (51.2 % of GDP), government revenue to € 111.5 billion (49.8 % of GDP), resulting in a negative financing balance of € - 3.2 billion (- 1.4 % of GDP). Compared with 2002, the balance increased by € 2.3 billion or 1.0 % of GDP. This rise is due almost exclusively to a decrease in the government revenue quota (- 1.1 per cent of GDP). Charges, i.e. production charges, income and property taxes, asset-effective taxes and actual social contributions, accounted for 86 % - or € 96.0 billion - of government revenue (€ 111.5 billion) in 2003. The most significant changes over the past few years were registered in income and property taxes:

2000:	€ 27.4 billion	(13.3 % of GDP)
2001:	€ 32.0 billion	(15.1 % of GDP)
2002:	€ 305.0 billion	(14.0 % of GDP)
2003:	€ 29.7 billion	(13.0 % of GDP)

Statistik Austria, Public Finances, Online in Internet, URL: http://www.statistik.at/englisch/results/vgr/finances_txt.shtml, Download: September 15, 2004

reason, down-sizing programmes have been popular. This will be further illustrated in 2.5 and 2.6, where the Austrian actions towards organisational reform and privatisation are being discussed. Table 3 gives an overview of the development of the contribution of taxes to general government funding.

Tax ratios for the general government sector as per ESA 1995 in per cent of GDP 1990 - 2003							
	Revenue	Taxes and contributions	Taxes and contributions	Expenditure	Net lending (+)/borrowing	Gov. deficit/public surplus (+)	Outstanding debt
Year	General government		General gov. + EU	General government			
1990	50.6	40.7	40.7	53.1	-2.4	-2.4	57.2
1995	51.9	41.5	42.4	57.1	-5.3	-5.2	69.2
2000	50.6	42.9	43.6	52.3	-1.7	-1.5	67.0
2001	51.7	44.7	45.4	51.6	0.1	0.2	67.1
2002	50.9	43.8	44.3	51.3	-0.4	-0.2	66.6
2003	49.8	42.9	43.3	51.2	-1.4	-1.3	65.0
Source:	Statistics Austria						
Notes:	Part of the taxes levied by the general government (in particular value added tax) are own resources of EU institutions. Situation as of April 1, 2004						

Table 3: Tax ratio for the general government, 1990 - 2003

Financial pressures as well as political change have been starting points for comprehensive reform.¹⁵ This can be documented with increasing competition between the political parties and diminishing role of the social partnership as a mediator. In 2000, these developments were further spurred by the incoming centre-right coalition which can be seen as a break with the politics of the past years. Being re-elected in 2003, there was a shift within the coalition from the right to the centre, but in fact there was no return to the former centre-left coalition in spite of greater political upheavals.

The term “New Public Management” has only slowly been adopted in Austria. Reasons may be difficulties in transporting the complex concept together with Anglicism. Therefore, the Administrative Innovation Programme at the federal level used the term “Wirkungsorientierte Verwaltungsführung” (outcome-oriented government) of the Swiss public sector modernisation

¹⁵ Supported by international experience, it is generally agreed upon that fundamental political change is a main factor driving administrative reform.

For the Austrian context: Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), Öffentliches Management in Österreich, Realisierungen und Perspektiven, KDZ, Wien, 2003, p. 83

programme to overcome language barriers.¹⁶ The provinces, too, named their reforms rather according to terms of existing programmes in the German-speaking countries than taking hold of English terminology, though gearing their reform concepts on the themes of NPM (customer and citizen-orientation, output-orientation, quality-orientation and competition).

Although Austria has been slow towards public management reforms there are considerable initiatives, especially since the 1990s. Starting with chapter 2 the reform initiatives of the last years shall be examined at the federal level, followed by provincial reforms in chapter 3 and the municipal reform agenda in chapter 4.

¹⁶ Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), Öffentliches Management in Österreich, Realisierungen und Perspektiven, KDZ, Wien, 2003, p. 83

2 Public Management Reforms at the Federal Level

Since 1997, two main reform programmes have shaped the public administration at the federal level: the Administrative Innovation Programme I (Verwaltungsinnovationsprogramm, short: VIP) and the Administrative Innovation Programme II. On December 3, 1997, the Administrative Innovation Programme I was launched and scheduled until June 1999. It was based on a holistic approach, relying on the involvement of both politicians and as many staff members from the administration as possible, covering all ministerial departments. The aims outlined in the programme demonstrated that the theoretical and practical debate at the international level on “New Public Management” in New Zealand, “Outcome-oriented Government” in Switzerland, as well as the “New Steering Model” in Germany, have influenced the reform objectives in Austria (though the term itself stems from initiatives in German-speaking countries¹⁷).

(1) Reorientation of the role of the state from a regulator to a modern service provider

Citizen-orientation should not be interpreted as an end in itself, but in the sense that the services needed or required are provided in a way which perfectly satisfies the citizen’s needs. VIP was the first to initiate projects with direct benefit for the public at large. Examples are one-stop agencies (e.g. District Police in Liesing, Vienna) or the virtual guide on public authorities at www.help.gv.at.

(2) Annual productivity gains of 2 – 3 % in the administration

In spite of the widening scope of services provided by the public administration and a steady decrease in staffing numbers, public servants have been able to maintain the quality and quantity of services. They have been supported by modern technology as well as by modern management tools such as cost accounting, performance indicators and management control. Federal staffing levels have significantly declined since 1996.

(3) Gradual introduction of output-oriented governance

Output-oriented government includes management by objectives (MbO)¹⁸ and performance agreements, product catalogues, transparency of costs and services, as well as decentralised

¹⁷ Dearing Elisabeth, *New Public Management in der österreichischen Bundesverwaltung*, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), *Öffentliches Management in Österreich, Realisierungen und Perspektiven*, KDZ, Wien, 2003, p. 83

¹⁸ MbO and decentralised accountability for resources has been achieved, e.g. through the corporatisation of the federal theatres, the federal sports centres, or the federal environmental agency, and the introduction of the flexibility clause. Encouraged by the Swiss and German examples, the flexibility clause was incorporated into the Federal Budget Act after only 10 months of preparation. Starting in a pilot project, it empowers selected government departments to use allocated resources on the basis of performance agreements. Concomitant

accountability for resources. Starting to develop performance indicators has contributed significantly to make government services more transparent. As a result, the first performance report of the federal administration was published in October 1998.¹⁹

Another crucial prerequisite for an efficient and effective management of public services is the definition of products and required quality standards. Important steps towards the introduction of a product catalogue and higher cost transparency by reviewing the scope of action had been made. This created the basis necessary for further reform steps, like the introduction of business-like accounting systems. Progress in the field of developing cost accounting in the federal administration led to higher cost transparency in some administrative units until the end of VIP I.

(4) Introduction of efficient human resource management

For the federal administration as a large-scale organisation it is crucial to handle employees professionally.²⁰ In the course of administrative reform, a large number of measures and instruments have been implemented, like the need to change administrative culture and to move employees towards results-orientation. With the participation and contributions of ministries and public service unions, the "Mission Statement for the Austrian Federal Service" was developed within six months. Performance-related payment schemes will follow. Higher salaries at the start of a public service career shall ensure fairer and more equitable pay scales and, eventually, bring down the number of civil servants with permanent tenure.

For the objectives laid down by resolution of the Council of Ministers on December 3, 1997 the outcome was encouraging and advantageous for a continuation of the reform directions. Thus, subsequently to the Administrative Innovation Programme I, the Council of Ministers initiated a new phase of the Administration Innovation Programme (VIP II)²¹ on July 8, 2003. VIP II seeks to realise around 80 projects. A database on the internet shall help to evaluate the progress being

management control ensures that the ministry or the Federal Ministry of Finance retain their role in giving strategic direction.

¹⁹ Interested readers will learn that, by international comparison, the number of major crimes and offences committed, such as theft, robbery, or homicide is far lower in Austria than in Switzerland and Germany, or that the numbers of police summonses and the number of driving licences being withdrawn on account of drunken driving have been constantly declining since 1993.

²⁰ That means that staff is employed according to demand and requirements needed, that a certain degree of confidence and pride in their role and activities is instilled in them, that consistency and continuity in the accomplishment of tasks is being ensured and that adequate performance-related pay is being offered.

²¹ The programme is organised by the VIP Advisory Council, which consists of representatives of the ministerial departments. It acts as an interface to political decision-makers. The representatives are responsible for the progress of the individual projects within their sphere of competence in the respective ministries and administrative units.

made.²² VIP seeks to attain the objectives of **more efficiency** and citizen-orientation in conducting administrative action, **securing Austria's position as a business location** and **achieving further spending cuts** amounting to a total of € 1.3 billion by 2006 with an elimination of 10,000 full-time equivalents between 2003 and 2006. In pursuing these objectives, VIP II focuses on the following activities:

- **Combined responsibilities for resources and outcomes:** Implementation of global budgets, development of a performance indicator system, and federal cost accounting.
- **E-government initiative:** Expansion of e-government to new areas, drafting a bill on e-government, ongoing external relations activities, etc.
- **Organisational reforms:** Setting up a central accounting agency, merging the local and federal police, corporatisation of the state universities, etc.
- **Quality management:** Enforcement of quality tests like “mystery shopping” for public authorities, more widespread use of the Common Assessment Framework (self-assessment system), etc.
- **Continuation of other administrative reform projects:** Introduction of SAP and electronic files throughout the federal administration and Flexibility Clause (Experimentation Clause)²³

Following this general introduction to Austrian federal reform initiatives, further details will be provided in the upcoming sections. Embedded as well in an international context the Austrian reforms are presented, described and if possible evaluated. Though, a final evaluation is not possible in every case and therefore it may reflect interim results. Figure 4 illustrates the main reform fields in discussion.

²² Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), *Öffentliches Management in Österreich, Realisierungen und Perspektiven*, KDZ, Wien, 2003, p. 84

²³ The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 23

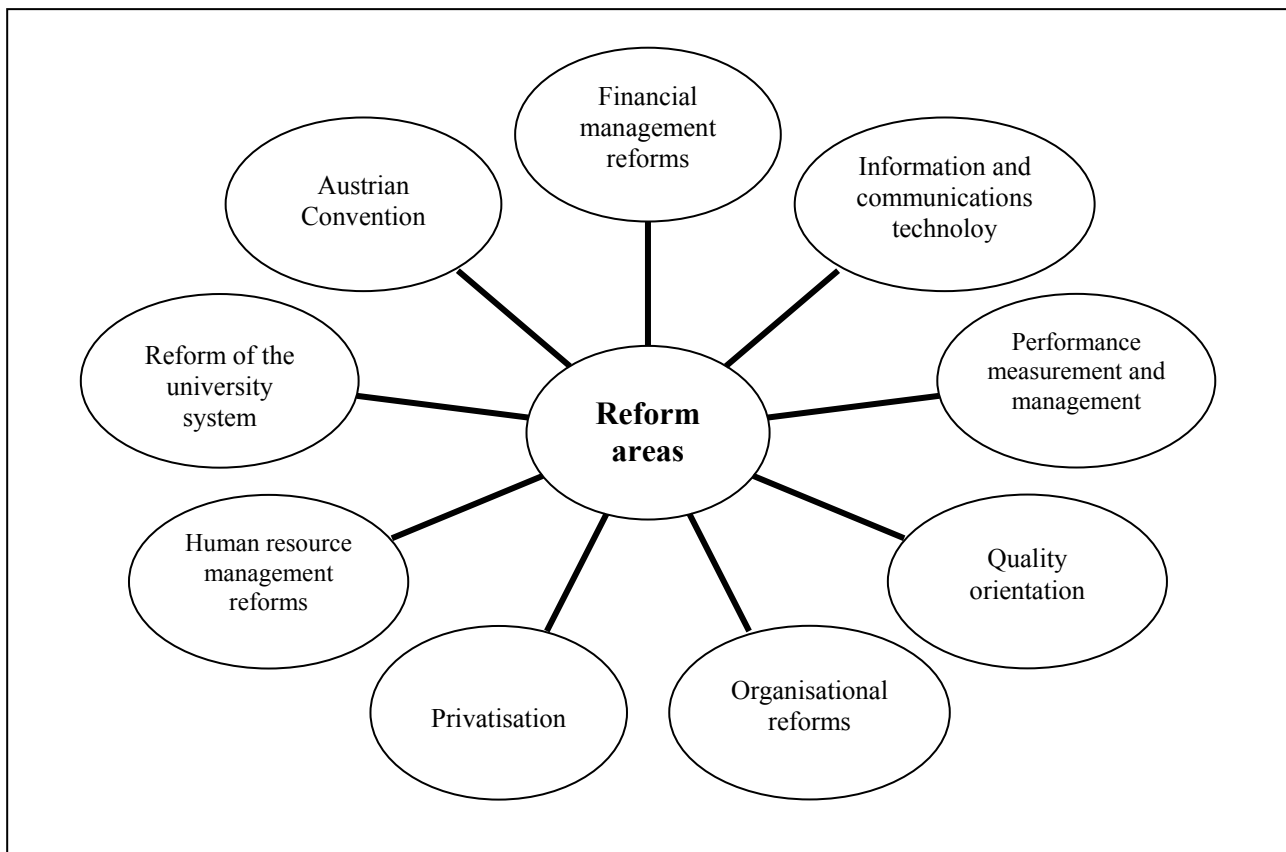


Figure 4: Reform areas

2.1 Financial Management Reforms

Many governments have reformed their public sector arrangements in recent years. In contrast to the traditional focus on inputs a concentration on outcomes is noticeable. At the same time, they are seeking greater efficiency and better fiscal performance. Public debt, budget deficits and interest payments in the federal budget reached a critical level in reference to the convergence criteria of the Treaty of Maastricht (a government budget deficit not in excess of 3 % of each country's GDP; a gross debt to GDP ratio that does not exceed 60 %). The level of debt is an unacceptable burden to future generations. This induces discussions about the budgeting and accounting system in the public sector and approaches to strengthen cost consciousness. To improve effectiveness, efficiency and economy the accounting system has to produce detailed information of outputs, costs, assets and debt alongside revenues and expenditures. More and more, the traditional input-oriented, cash based or compliance-oriented system was compared to the system of commercial (accrual) accounting. Results, outputs, costs and accrual accounting became keywords within the discussions and the demand for a reform of the budgeting and accounting system.²⁴

²⁴ Chan James L., Changing roles of public financial management, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, pp. 101 ff.

2.1.1 Innovations in Financial Management

Generally speaking, financial management reforms encompass reforms of the budgeting system (content, structure, process) and reforms of the accounting (accounts, documents) system.²⁵

2.1.1.1 Budget Reforms

Two particular external pressures are the driving forces of budget reforms. The first is the restraint of growing public expenditure. The second is the performance improvement (greater efficiency or effectiveness or higher quality) within the public sector. The reforms that have served the savings objective do not always fit well the reforms that are required to encourage performance improvements. The initial reaction of some governments to financial pressures was the strengthening of central finance ministries to cut back programmes in a top down approach. To adopt or increase the use of frame or block budgeting – which is more compatible with performance improvement – is another option to reach the demanded savings. Here, the central ministry sets broad ceilings (frames), but within those, it delegates responsibility for allocation to particular services, programmes, or projects to politicians and/or managers. Frame-budgeting requires some redesign of budgetary procedures. There need to be clear and separate phases of the budgetary discussion – first, the determination of aggregate financial frames (and therefore a debate about what the modest appropriate formulas should be) and second, a detailed discussion of allocations attributed to specific programmes (and how performances of those programmes should be measured). Budget reforms that are more related to performance rather than savings, contain the following elements:

- (1) Publication of performance information alongside the annual budget documents
- (2) Change of the format and contents of the budget itself, typically by moving away from line item budgeting towards a more performance-sensitive type of categorization or by trying to link up budgeting with new processes of strategic planning
- (3) Change of the procedure of budgeting by altering the incentives to key budget actors or by fundamentally changing the structure or timing of the budget discussion, or even by attempting to alter the role of the legislature in the budgeting process.

²⁵ Pollitt Christopher/Bouckaert Geert, *Public Management Reform, A Comparative Analysis*, 2nd edition, Oxford University Press, Oxford, 2004, pp. 6 f.
Hughes Owen E., *Public Management and Administration, An Introduction*, 3rd edition, Palgrave Macmillan, New York, 2003, pp. 165 ff.

2.1.1.2 Accounting Reforms

The second aspect of financial management reform is the modernisation of accounting systems.²⁶ The public and the private sector both used cash accounting until the 16th century. While government accounting remained on a cash basis, the private sector developed generally accepted accounting principles (GAAP) including accrual accounting. Cash accounting records receipts when cash is banked and payments when cash is paid. Accrual accounting recognizes events and transactions when they occur, regardless of when cash changes hands. International accounting standards (IAS) require the preparation of four key statements:

- (1) Statement of fiscal position (balance sheet)
- (2) Statement of fiscal performance (operating statement, income statement or profit and loss account)
- (3) Statement of changes in net assets/equity) and
- (4) Cash flow statement.

Government accounting systems determine how financial and statistical information is prepared and presented.²⁷ To varying extents, most OECD member countries have implemented accrual accounting in the past decade. But, only four OECD member countries (Australia, Finland, Iceland and New Zealand) have implemented accrual budgeting (appropriate resources on the accrual basis). Implementing accrual appropriations generally requires fundamental legal changes and the application of computerized accounting information system.

²⁶ Lüder Klaus/Jones Rowan, The diffusion of accrual accounting and budgeting in European governments – a cross-country analysis, in: Klaus/Jones Rowan (eds.), *Reforming governmental accounting and budgeting in Europe*, Fachverlag Moderne Wirtschaft, Frankfurt am Main, 2004

²⁷ The three major international systems have slightly different purposes: The European Union (EU), International Monetary Fund (IMF), OECD, United Nations (UN) and World Bank jointly publish the **System of National Accounts (SNA)**. It compiles aggregate financial statistics for an entire economy (government and private sector activities are combined together). The IMF **Government Finance Statistics (GFS)** is a specialized system intended to support public sector analysis. The IMF designed GFS so that government financial information could be compared across economies. The International Federation of Accountants (IFAC) began promulgating **International Public Sector Accounting Standards (IPSAS)** in 2000. They are designed for use in the preparation of general purpose financial reports by public sector entities (individual government agencies or whole-of-government reports). SNA, GFS and IPSAS have been developed in the past decade and all are accrual based. The European System of Accounts (ESA 95) also mandates accrual –based financial reporting. IPSAS are based on the private sector International Accounting Standards (IAS). IFAC has issued 20 accrual-based IPSAS. By now only few countries directly referred to IPSAS for their public sector reporting. However, there is a trend for countries to refer to IPSAS when developing government accounting standards. Several international organisations have decided to implement the accrual-based IPSAS (e.g., European Commission, OECD).

An example

To illustrate the difference between cash and accrual accounting an example is provided.²⁸ It considers a week in the life of a small government unit. The effects of the following five transactions are shown in the financial statements below:

- (a) Corporate taxpayers are required to make tax payments of € 100 million to the government, but only € 90 million is received. At the end of the week, € 10 million is outstanding.
- (b) The government sells fixed assets for € 100 million. The assets had been valued at € 100 million.
- (c) Government salary payments are made during the week. In addition to paying € 60 million, the government is obligated to provide for their pensions when they retire – employees earned € 30 million in future pension rights during the period.
- (d) The government settles a long-running legal dispute. It agrees to pay € 30 million to the plaintiff in two month time.
- (e) All the government's borrowings are held in foreign exchange. The exchange rate declined by two percent during the week.

As Table 4: Cash flow statement shows, cash accounting would report a € 130 million surplus, which reflects the traditional administrative way of bookkeeping (cash accounting).

Cash Flow Statement	
Receipts	
Taxation	(a) 90 million
Asset sales	(b) 100 million
Payments	
Salaries	(c) - 60 million
Cash Surplus	130 million
Bank balance	
Opening	50 million
Closing	180 million

Table 4: Cash flow statement

The accrual operating statement (Table 5) – as used in private sector business - shows a € 30 million deficit. Operational statements and balance sheets are prepared additionally to a cash flow statement under the accrual accounting regime.

²⁸ Athukorala Lakshman S./Reid Barry, Accrual Budgeting and Accounting in Government and its Relevance for Developing Member Countries, Asian Development Bank, 2003, Online in Internet, URL: http://www.adb.org/Documents/Reports/Accrual_Budgeting_Accounting/chap02.pdf, Download: September 13, 2004

Operating Statement	
Revenues	
Taxation	(a) 100 million
Expenses	
Personnel costs	(c) 90 million
Foreign exchange loss	(e) 10 million
Litigation expense	(d) 30 million
Total	130 million
Accrual Deficit	- 30 million

Table 5: Operating statement

The actual difference between the cash flow statement and the operating statement amounts to € 160 million. This difference arises from the fact that cash accounting ignores the pension liability (€ 30 million), the asset already has a value equal to its sale price (€ 100 million), the exchange rate change (€ 10 million), the judgement liability (€ 30 million), and the taxes to be received (€ 10 million), as shown in Table 6.

Balance Sheet			
	Opening	Changes	Closing
Assets			
Bank	50	130	180
Receivables	20	(a) 10	30
Fixed assets	700	(b) 100	600
	770	40	810
Liabilities			
Litigation		(d) 30	30
Pension liability		(c) 30	30
Borrowings	500	(e) 10	510
	500	70	570
Net Assets	270	- 30	240
Equity and Reserves	270	- 30	240

Table 6: Balance sheet (financial position)

2.1.2 Status of Governmental Budgeting and Accounting in Austria

Governmental budgeting and accounting at the federal level is input-oriented, cash based. The legal framework of budgeting and accounting is a hierarchical system comprising different regulations.²⁹ Despite the apparent simplicity of cash accounting, budgeting and accounting documents are not easy to understand because receipts and payments are reported in great detail. As a result, current budgeting and accounting lack transparency. Cash budgeting and accounting are primarily aimed to meet the budgetary control needs of the parliament and it is limited to the core sector of the government.³⁰ In contrast to the core public sector, public spin-offs³¹, as part of the peripheral sector of government, are using commercial accounting systems: double-entry bookkeeping, a comprehensive balance sheet, a profit and loss statement, a cash flow statement, global budgets (net budgets) as well as a cost accounting system. These became the technical basis of the financial management of these legally independent, still government-owned public entities. As a consequence, the peripheral sector of the Austrian federal administration cannot be integrated in and consolidated with the core public sector managed by traditional budgeting and accounting system. Therefore, it is impossible to produce consolidated information on a government's overall financial position, total assets and debts. The only way to solve this problem and to develop a consolidated system for the "two different worlds of accounting and management" is to change the cash based and input-oriented accounting system of the core sector to the accrual based accounting of the peripheral sector. The problem of providing useful aggregated financial information becomes more important with the increasing significance of the peripheral sector.

The key player of the budgeting and accounting reform at the federal level is the Minister of Finance. The vast majority of the staff of this ministry prefers – if at all – a very cautious piecemeal change of the actual budgeting and accounting system. Piecemeal change refers to a reform, characterised by more flexibility in running the budget, and additional information in comparison to the traditional budgeting and accounting system. The present cash based budget becomes more flexible by the possibility to transfer funds between budget items and into the next fiscal year. Moreover, the present status is 'optimized and extended' by additional cost and performance information for all core government entities or just for selected organisations within the core administration of a ministry. However, presently this supplementary information is not integrated into a new concept of governmental budgeting and accounting. The information is at present only

²⁹ It is regulated by law and not by any government external standard setting body (such bodies, even in the form of advisory bodies to the government on matters of public sector accounting, do not exist in Austria).

³⁰ This includes especially federal ministries, as well as all administrative units subordinated to the ministries and superior authorities like the accounting office, constitutional court, administrative court and so on.

³¹ Due to public spin-offs the number of off-budget governmental units is increasing.

added to the existing system. The shift of international and European finance statistics from cash to accrual basis puts additional pressure on government to change their accounting system to accrual-based accounting.

2.1.2.1 Flexibility Clause Experiment

Government budgeting and accounting reform in Austria is inconceivable without amendments of the legal framework. Therefore in 1999³², the Federal Budget Act was reformed to improve flexibility and efficiency in preparing as well as executing the budget and to strengthen cost consciousness. This amendment (called Flexibility Clause) gives selected government agencies more discretion to move funds between budget items and to transfer unused funds into the next fiscal year. Without a doubt this is a first step towards introducing global budgeting within the Austrian budget framework. The Flexibility Clause was originally introduced for a period of three years. Meanwhile this project – as part of the Administration Innovation Programme of the federal government – has been extended until 2006. The legal basis for this programme is found in the §§ 17a and 17b Federal Budget Act, which both represent constitutional law. In general, the Flexibility Clause represents an approach to introduce core elements of the New Public Management in the Austrian federal administration.

The Flexibility Clause (FC) can be characterised as follows:

- Administrative units participating in the FC initiative are able to manage their cash flow by utilising excess revenues in future financial years, as long as the mutually agreed difference between revenues and expenditures is not exceeded.
- The role of managers in FC agencies is significantly strengthened. They are permitted to incur non scheduled expenditures and make allocations to and from reserve funds, i.e. for further education and training purposes.
- According to the principles of global budgeting, the FC allows free movement of financial resources without the need for central government approval as long as the agreed amounts are not exceeded.
- The FC facilitates the management of additional funds which can be used for investments or for further education and training purposes.
- During implementation of the FC, agencies are subject to scrutiny through the responsible ministry and the ministry of finance.

³² OECD, PUMA, Recent public management initiatives in Austria, August 2000, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Experimentation%20clause>, Download: August 24, 2004

- To receive FC status, the applying administration unit needs the approval of the responsible ministry, the Ministry of Finance and the Federal Chancellery.

The FC allows more flexibility in the timing of the use of financial resources, within subordinated public agencies. On the basis of so called “performance contracts” a global amount of financial resources is assigned to a government entity for the delivery of specified outputs (goods and/or services) and outcomes. The underlying context of performance contracts is the link between inputs and results in the administration, which should help to establish a more result-oriented public sector. The FC is an alternative to outsourcing and corporatisation (public spin-off) and encourages the development of a management culture.

Governmental entities running under the flexibility clause remain within the federal budget framework. The operational steering of FC organisations is based on the requirement to define and measure against a set of agreed management and performance controls. FC organisations are furthermore subject to quarterly reporting comparing the actual and expected performance concerning the revenues, expenditures and personal capacities. In contrast to the decentralisation of financial resources, human resources have not been decentralised which is limiting the flexibility of the FC organisations in a substantial way. The management of participating agencies have experienced this to be the main problem with this otherwise successful project.

The following principles of the Austrian budgeting system are affected through the FC:

- **Structure of the budget**

The Austrian budget is structured in detail and includes a range of principles, which prevents the shifting of resources according to actual requirements. The global budgeting of the FC allows the bypassing of this system at the level of the participating subordinated organisations.

- **Focus on expenditures**

Usually the focus in administrations lies on the expenditures, while the revenues are playing an insignificant role in the delivery of public services. The FC organisations have the possibility to increase their savings or at least to maintain their difference amount either the traditional way by saving costs or by increasing their revenues.

- **Non-assignment of revenues**

The total of all additional revenues generated by government entities belong to the ministry of finance and are managed centrally. Because of this principle there is little incentive in the administration to obtain additional revenues. In the FC, additional revenues remain, to a large extent, in the organisation which has obtained those revenues and they can be used either for

investments, reserve funds or education and training. This is a substantial motivating factor, which leads to an increase in the quality and efficiency of public sector management.

- **Annuality principle**

Since the Austrian budget is restricted to an annual cycle, possible savings of organisations expire by the end of the year, which leads to the well known “December fever” where money is spent just to retain the budget for the next year. The FC permits the transferring of additional funds into the next year, which allows the accumulation of funds for large scale investments.

Government entities applying for FC status have to meet at least the following minimal requirements:

- Consent within the organisation
- Obligatory commitment of employees
- Operational agency at the interface to the citizen
- Independent task spectrum providing the possibility to obtain revenues in different business segments
- Management tools (cost accounting, controlling, performance indicators etc.)
- Structural adjustments within the agency

In order to implement the FC according to its legal basis, administrative units have to consider the following obligatory checklist:

- Definition of strategic goals and core competencies
- Definition of particular objectives which should be achieved within the FC
- Definition of products as a basis for an output-oriented budget
- Implementation of a management control system based on performance indicators and performance reporting (including cost accounting)
- Performance contracting
- Determination and depiction of revenues, expenditures and permanent posts

In the year 2003, ten agencies with a total of 898 permanent posts have Flexibility Clause status (Federal Agency for Water Management, Federal Institute for Adult Education, Security Academy, Federal Law Office, Penitentiary Leoben, Sonnberg, St. Pölten and Public Record Office). These organisations had a total budget of € 54.2 million. In 2004 two more agencies will participate (Federal Institute for Alpine Dairy Farming, Federal Institute for Agriculture).

The FC does not generate massive savings for the Austrian government. However, this corresponds with its original concept of work as a motivating force, to improve the quality of public services and their production processes, increase efficiency and most importantly to provide training ground for testing the practical application of public management techniques.

During the practical testing of the FC some improvements for the future became apparent:

- Decentralisation of human resource management
- Improving performance indicator systems (e.g. balanced scorecard)
- Integration of flexible working models and performance related payment

Continuously improving the Flexibility Clause is necessary to keep this financial management reform tool appropriate for future application.

2.1.2.2 Cost and Performance Accounting

A further focus of reform is concentrated on developing systems of cost accounting and performance measurement.³³ The attempt to measure public performance and outputs was concentrated on documenting activities and results by 'product ranges'. A product is the output or the result of the activities of a special unit (group, department). Products are aggregated to groups, these groups are aggregated to sections and these sections belong to overall product plans or product catalogues. Products and product groups are analysed and discussed in the context with cost accounting. In cost accounting the product (or project) causes the cost and accordingly it must be the unit for the costs.

With the means of cost and performance accounting several objectives and expectations shall be met:

- More transparency about the costs of public services
- Building up the basis for output-oriented budgeting
- Benchmarking of internal and external public services
- Provision of information relevant for decision making in the ministries
- Cost consciousness among the employees

To safeguard that cost consciousness is being built up amongst the public employees, it is necessary to let the people in charge of the resources take decisions. That way they influence the development of costs and accounting of costs. This means that the people in charge of resource allocation need to be able to influence disposable factors. If this possibility is missing, the personal identification is

³³ Strehl Franz/Hugl Ulrike, Austria, in: Flynn Norman/Strehl Franz (eds.), *Public Sector Management in Europe*, Prentice Hall, London, 1996, pp. 184 f.

missing, too, and instead of cost consciousness there can only be some kind of cost administration. The logical consequence of cost and performance accounting therefore can only be a further development in the direction of outcome-oriented budgeting and management by performance indicators.

Cost and performance accounting is now being implemented in all twelve Austrian Federal Ministries. The process shall be completed until the beginning of 2005. The ministry in charge of this project is the Ministry of Finance.³⁴ The basis of cost and performance accounting has been the introduction of the standard software SAP for the purpose of accounting in most of the federal ministries by now. SAP safeguards that the uniformity, comparability (internal service charges) and minimisation of implementing expenses of cost and performance accounting is assured through technical standardisation in the form of a “master-system”. The master is the basis for the more specific detailing in the single ministries.

Within the context of a broad introduction of a cost accounting and performance measurement system in federal government the Council of Ministers in June 2002 decided to develop a product catalogue in order to amend public management and to create a system that allows international benchmarking. In an inter-ministerial working group the delegates of 12 ministries develop the principles of a performance catalogue.

The results of work could be summarized as follows:

- Policy fields were defined which correspond to the COFOG Classification used in the UN and the OECD. It can be used for classification of public expenditure according to COFOG Criteria. That way international benchmarking should be possible in the future.
- A catalogue of internal services (personnel administration, budget management, IT-infrastructure, car pool, facility management etc.) is used in every federal ministry as a basis for managerial decisions and will be used for inter-ministerial benchmarking. Different levels of the performance hierarchy were defined and described in order to co-ordinate the implementation of the cost-accounting and performance measurement system.

³⁴ For efficient communication and co-operation between the ministries involved an inter-ministerial team has been built up. Business administrators, controllers and accountants of the ministries, as well as external project coaches belong to the team. Below this team, several working groups discuss topics in detail. The inter-ministerial project team is led by a steering group which contains representatives of the ministries and which is again directed by an executive committee, nominated by the Federal Chancellery, the Ministry of Finance and State Secretary of Finance.

2.1.2.3 Future Reform Directions

According to the government program 2002, the federal government is planning to fundamentally reform the Federal Budget Law with the aim of bringing together input and output in the sense of new public management. Global budgets will be installed in the Ministries. Simultaneously, the desired effects will be linked to the responsibility of resources by means of performance indicators, the achievement or non-achievement of budgetary targets will be amplified by budgets and results to subordinate agencies will be facilitated by applying a broad-based use of the flexibility clause, the accounting system of the Federal Government will be extended according to commercial principles and the relevant measures under the service law will be taken in parallel. The implementation of these measures will start on a step-by-step basis in the legislative period beginning in 2005.

2.2 Information and Communications Technology (ICT)

Governments throughout the developed world are interested in the potential contribution of information and communications technologies to transform public administrations. One reason for this widespread interest in electronic service delivery (ESD) is the hope to restore the legitimacy of political institutions, by increasing their accessibility, responsiveness, comprehensibility, efficiency and effectiveness. Beyond this, ICT is often seen as a key force for public sector reengineering and a prerequisite for the adoption of “managerialism”. Many public sector organisations are highly fragmented systems and often new information systems fail, because they reinforce this fragmentation. Therefore citizens’ data remain imprisoned in “information silos”, preventing public services from responding flexibly and holistically to citizens’ needs. Business process re-engineering (BRP), on the contrary, implies that processes and structures of administrations should be fundamentally re-engineered. Processes should be integrated horizontally (across departmental boundaries) and vertically (between supply, production, distribution and consumption).³⁵

³⁵ Bellamy Christine, Moving to e-government, The role of ICT’s in the public sector, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, pp. 115 f.

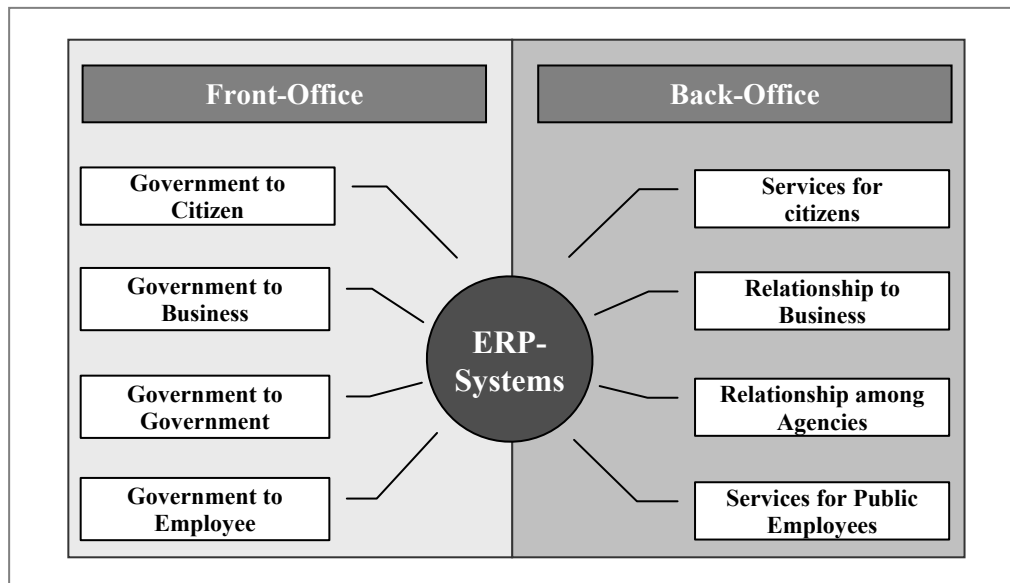


Figure 5: E-Government and ERP

By and large, there are two main areas where ICT is used in the public administration. First, in contact with citizens or customers use of ICT, especially the Internet, is known as E-government (front office). It makes only sense in combination with the second highly integrative tool, located in the back office area, the so called Enterprise Resource Planning Services. Figure 5 illustrates that ERP-systems are the central point between front and back office.

2.2.1 E-Government

E-government is a global trend that swept the use of ICT from the private to the public sector. But what does “e-government”, a well-known, often used term, actually mean? It refers to the use of information technology - particularly the Internet - to deliver public services in a much more convenient, customer-oriented, cost-effective way. In a broader sense e-government means the adoption of information and communications technology by government.³⁶ A key factor in the development of e-government is a simple design of the services offered.

Based on the agreement of the EU summits in Feira and Lisbon, all member states of the EU will make all major public services available on the Internet by the end of 2005. Its national implementation will be subject to on-going benchmarking by the European Commission.

Austria has already taken considerable action to implement the e-government project fast and efficiently. In May 2003, the Austrian federal government launched an e-government initiative to

³⁶ Hughes Owen E.: Public Management and Administration, An introduction, 3rd edition, Palgrave MacMillan, New York, 2003, p. 182

co-ordinate all e-government activities. Therefore, two cross-departmental co-ordination bodies (E-Government Platform and E-Co-operation Board) were set up. At the same time, all on-going activities have been registered and a common project plan was agreed on. On March 1, 2004, the E-Government Act became effective. So, Austria was one of the first EU member states to adopt comprehensive legislation on this issue.

In order to ensure security and trust, which are critical factors in e-government and e-commerce, Austria uses the same standards and tools for both areas in all its application like citizen card, digital signature or electronic payment. This should guarantee that high-quality, efficient, low-cost and secure public services are offered to both citizens and companies alike. It is an essential contribution to improve Austria's competitive position as an attractive business location.

The Austrian way seems to be paved with success. In the fourth benchmarking survey covering 20 basic e-government services among 18 European countries in January 2004, Austria could significantly improve its position, from rank 11 to 4. Considering the proportion of services that can be fully processed online, Austria is placed second, scoring a percentage of 68 % (European average: 45 %). In 2003, 60 % of all Austrians had the possibility to access the internet (increase of 5 %) and in the corporate sector this was even higher with 79 %.

More detailed information will be given on the Austrian E-Government Act as well as the internet platform help.gv.at. Both are important steps towards the realisation of e-government.

2.2.1.1 The Austrian E-Government Act

A vital part and legal foundation of the Austrian e-government initiative is the E-Government Act. The main objective of this federal act³⁷ is to promote legally relevant electronic communications. Electronic communications with public bodies is to be facilitated. Moreover, it adds to the variety of possible means of communications with public authorities, paying tribute to the principle of choice. Thus a multi-channel-access to public bodies is ensured. The act deals with issues like the identification and authentication in electronic communications with public bodies, the use of the citizen card functions in the private sector and penal provisions. In order to improve legal protection, specific technical means shall be created to counter the risks associated with an increased use of automated data processing for the purposes of achieving the above mentioned aims. They shall be implemented where other precautions do not already provide adequate

³⁷ The Federal Act on Provisions Facilitating Electronic Communications with Public Bodies came into force on March 1, 2004.

protection. With respect to the implementation of the objectives of this federal act, measures shall be taken to ensure that, by January 1, 2008 at the latest, official internet sites which provide information or electronic support for procedures are structured in such a way as to comply with international standards for access to the worldwide web, including unhindered access for disabled persons.

One integral part in pursuing these objectives is the internet portal called [help.gv.at](http://www.help.gv.at) which will be presented in further details below.

2.2.1.2 Help.gv.at – the Virtual Guide on Austrian Authorities

The Austrian internet platform HELP – introduced in 1998 - was set up as an interface between administration (and its federal ministries, provincial and local authorities) and citizens, with special emphasis on transparency, readily understandable format, clarity of information and concentration on essential facts. There are four main sections according to different target groups: ordinary citizens, business, disabled, and foreign citizens.

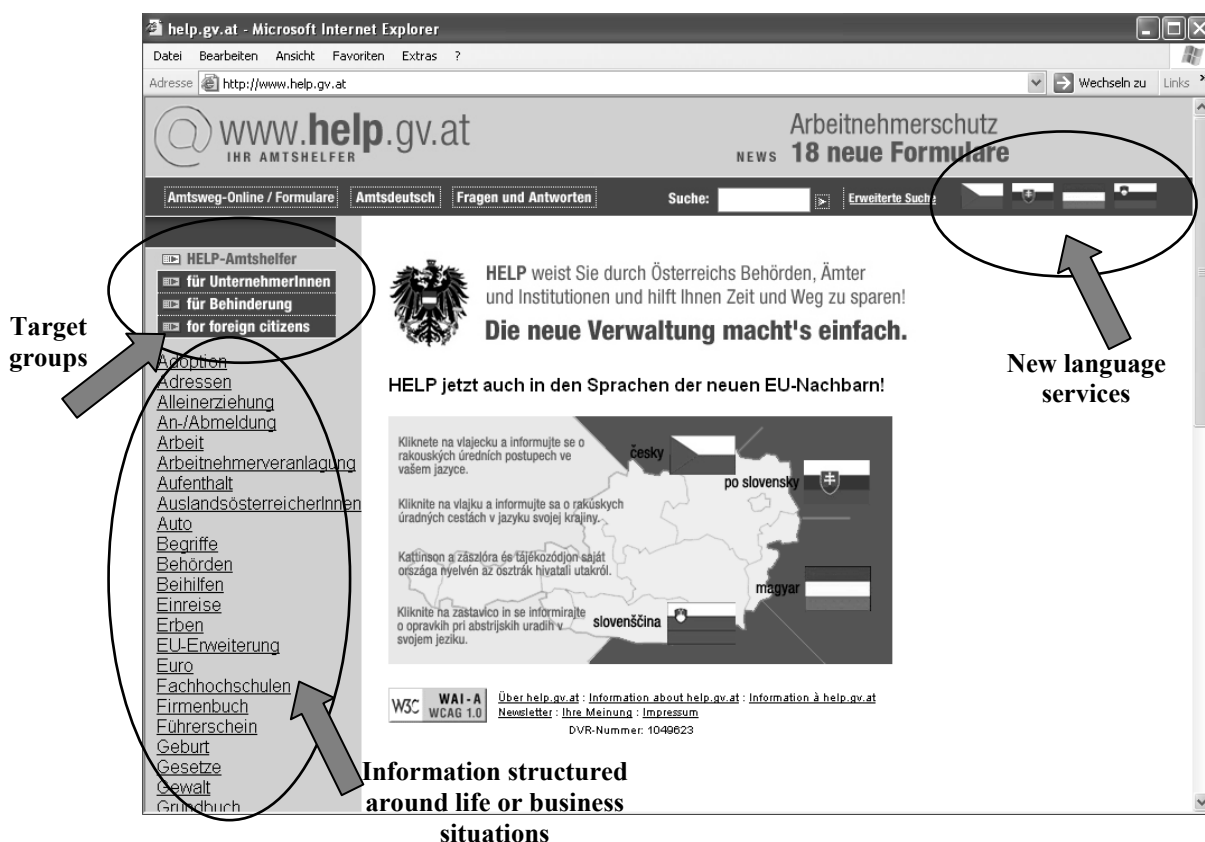


Figure 6: User's surface of www.help.gv.at

In general, the information provided is structured around life or business situations³⁸ (for example pregnancy, childbirth, marriage, housing etc. or registration, human resources, taxes, etc.). There is information available on:

- which documents will have to be provided
- what fees to be paid
- which deadlines to be met and
- what forms or documents can be downloaded at any time.³⁹

According to the huge number of hits onto the pages HELP is a very successful and well accepted instrument (5 million hits in 2002 and 2003). Since March 2001, it has been possible to process some administrative procedures electronically via “@mtsweg online”. Recently the version for foreign citizens in English was enlarged by information in Czech, Slovakian, Hungarian and Slovenian language. Moreover, there are more than 40 links connecting the users with the EU-platform www.europa.eu.int/publicservice. Since it is highly user-oriented, there are further plans to extend the service range. So, this effective co-operation between all levels of administration will be transformed into a transactional portal (as shown in the chart below), which is fully in line with the EU one-stop-shop principle.⁴⁰ It includes the electronic processing of electronic forms, by making use of e-forms, e-signature, e-banking and finally delivering the demanded product.

³⁸ Rupp Christian, E-Government in Austria, Keeping up with and anticipating socio-technical developments, in: ICA International Council for Information Technology in Government Administration, No. 82, General Issue, June 2004, p. 8

³⁹ Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), Öffentliches Management in Österreich, Realisierungen und Perspektiven, KDZ, Wien, 2003, pp. 88

⁴⁰ Rupp Christian, E-Government in Austria, Keeping up with and anticipating socio-technical developments, in: ICA International Council for Information Technology in Government Administration, No. 82, General Issue, June 2004, p. 5

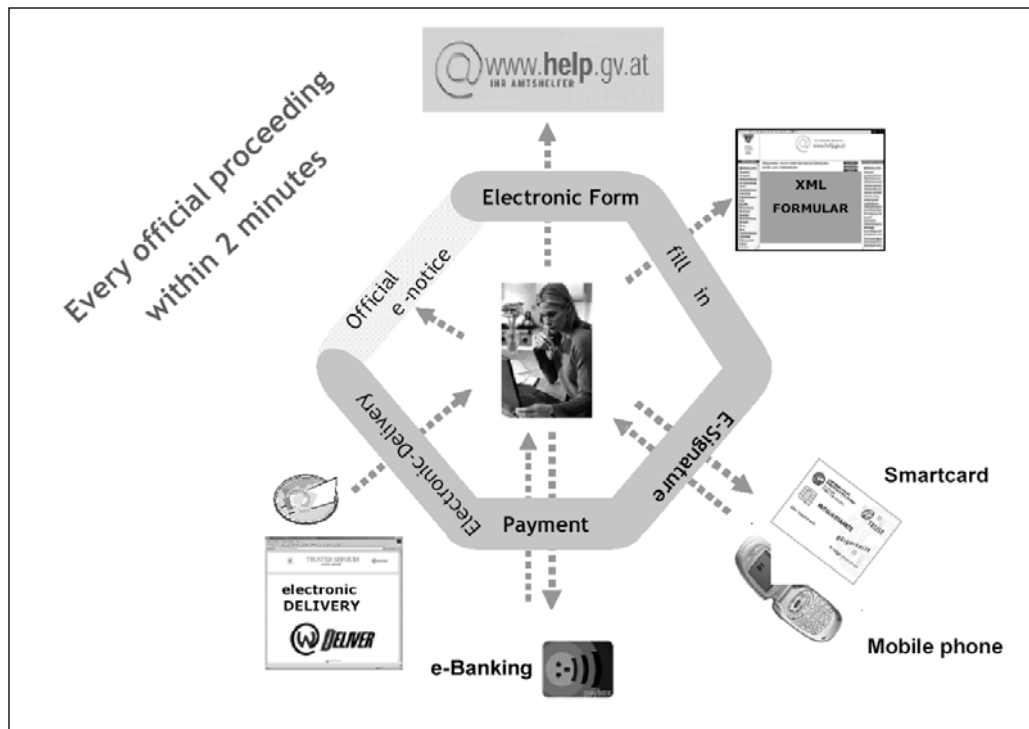


Figure 7: Electronic Service Delivery⁴¹

Besides its high acceptance by internet users, HELP has been granted several awards. It was honored with the Austrian Justitia Award 2003 as the “best Webpage with legal contents”, due to its “successful reduction of the complexity of official proceedings”. At the E-Government Conference in Como on July 7, 2003 HELP received out of 185 applicants the E-Europe Award 2003 in the group themed at “A better life for European citizens”. In presence of the Italian Prime Minister Silvio Berlusconi, Commissioner Erkki Liikanen acknowledged HELP as an inspiration for Europe. Other prizes had been the E-Media Award 2003 (category information). Furthermore, it was the best public sector homepage in 2003, among the finalists of the Stockholm Challenge Award 2000, winner of the 4th Speyer Quality Award of the Speyer Academy for Public Administration Science, and finally the W:URL Award for the best Austrian web presentation.⁴²

2.2.2 Enterprise Resource Planning (ERP-) Systems

Besides the front office instruments of e-government, it is vital to make use of ICT as well in the back office area. This is where Enterprise Resource Planning Systems (Enterprise Systems) come into action.

⁴¹ Rupp Christian, E-Government in Austria, Keeping up with and anticipating socio-technical developments, in: ICA International Council for Information Technology in Government Administration, No. 82, General Issue, June 2004, p. 5

⁴² Help.gv.at, Information about this site, Online in Internet, URL: <http://www.help.gv.at/Content.Node/73/Seite.730200.html>, Download: September 6, 2004

2.2.2.1 Concept of Enterprise Resource Planning

ERP are commercial software packages, attempting to integrate all departments and functions across a private or public organisation onto a single computer system (central database) that can serve all those different department's particular needs.⁴³

In most cases, businesses as well as the public administration are having a functionally organised structure, which implies a certain independency concerning processed information and diverse information systems in use. While each information system taken by its own makes sense it hinders performance. Additionally, it is extremely expensive to maintain different systems, to store and rationalise redundant data, to de-bug and up-date software, to transfer, re-key and re-format data from one system to another and so on. ERP-systems are designed to solve this problem of fragmentation of information in large organisations.

In order to make it work it is necessary to link organisational functions into processes. This process-orientation means that data between and within functional areas are shared, linked and processed. Such integrated information systems work more efficiently and effectively in order to create more efficient business processes that enable meaningful, valuable output for the targeted customers. Therefore; it is not at all astonishing that business' performance can be spurred by ERP.

The centre of an ERP is a single comprehensive database which collects data from and feeds data into modular applications supporting virtually all of a company's business activities – overcoming any organisational structures like functions, business units, regions, offices etc. – when new information is automatically being updated. An ERP-system streamlines a company's data flows and provides management with direct access to a wealth of real-time operating information.

As ERP is a generic solution, partly adaptable to the individual needs, customers can benefit from the vast experience of the vendor. It is the vendor, not the customer who decides what is "best". Since major modifications are impracticable, most companies installing ERP-systems will need to adapt or even completely re-work their processes to fit the requirements of the system while gaining efficiency.

The internet's rapid development since the late 1990s has been something of a threat to ERP software developers. ERP software lets users access the company's software and central database

⁴³ Brady Joseph A./Monk Ellen F./Wagner Bret J., *Concepts in Enterprise Resource Planning*, Thompson Learning, Australia, 2001
Norris Grant et al., *E-Business and ERP, Transforming the Enterprise*, John Wiley, New York, 2000
Davenport Thomas H., *Putting the Enterprise into the Enterprise System*, in: *Harvard Business Review*, July - August 1998, pp. 121 – 131

via internal pathways. Therefore, nowadays ERP developers have brought web-based systems together with their ERP products.

Having discussed the problems of widespread data and information gathering and use as well as differing systems it makes sense that ERP helps to improve productivity and speed. This is especially valid in the long-run for large companies, considering the enormous investments between € 50 million and more than € 500 million.

ERP-systems have a direct impact on a company's organisation and culture. On the one hand, by providing universal, real-time access to operating and financial data, the systems allow companies to streamline their management structures, creating flatter, more flexible, and more democratic organisations. On the other hand, they also involve the centralization of control over information and the standardization of processes.

After this short introduction about ERP-systems its use in the Austrian Government is worth paying attention to.

2.2.2.2 ERP in the Austrian Government – SAP R/3

In Austria SAP R/3⁴⁴ is used as ERP system. The modular design – as seen in Figure 8 - covers several main areas– as shown in the figure below - financial functions (FI, CO, AM, PS), sales and distribution (SD), project and materials management (MM, PP, QM, PM), human resources (HR), and the two modules of workflow and industry solutions.

Currently SAP R/3 is applied throughout the whole federal administration (more details are given below), in some of the provincial administrations, such as Upper Austria, Styria, or Tyrol, and in larger cities like Linz, Graz and Vienna. Additionally, since January 1, 2004 all 21 Austrian universities (6,500 users) are working on a so called “university master”, which is a standardised template for its internal and external accounting system. It was created in co-operation of six universities and a total of eight SAP modules were installed.⁴⁵ It has been the largest SAP project in the educational sector.⁴⁶

⁴⁴ In 1972 five former IBM systems analysts formed the SAP (Systems, Applications and Products in Data Processing) company, which is the largest ERP vendor nowadays.

⁴⁵ Siemens, Siemens Business Services implements SAP at all 21 Austrian universities, Bratislava, March 9, 2004, Online in Internet, URL: http://www.siemens.com/page/1.3771.1158652-1-2_0_0-163.00.html, Download: September 11, 2004

⁴⁶ Zentrum für Verwaltungsmanagement, Erfolgreiche Einführung von SAP R/3 an 21 österreichischen Universitäten, Online in Internet, URL: <http://www.verwaltungsmanagement.at/602/php/detail.php?artnr=1097&ukatnr=10608>, Download: September 13, 2004

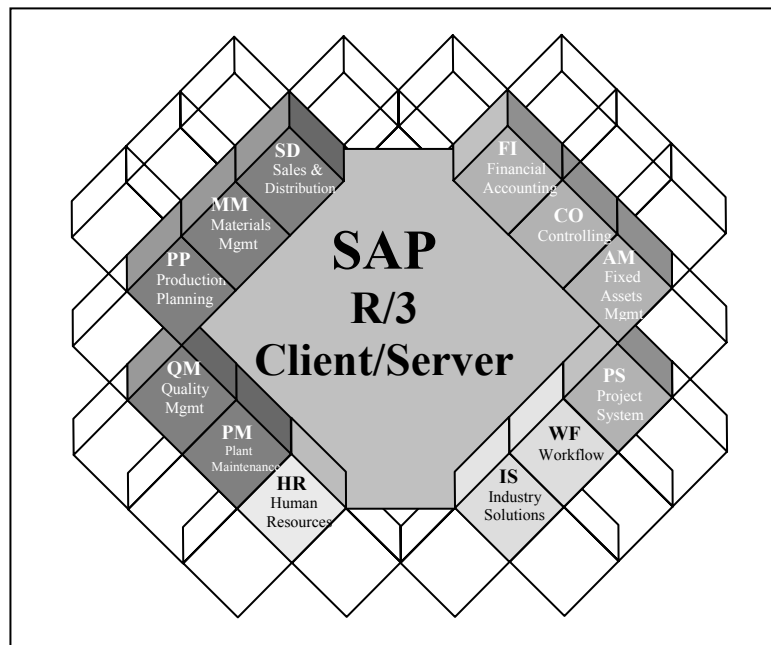


Figure 8: SAP R/3 and its modules⁴⁷

The Austrian federal government was as well reorganising its whole budgeting and accounting system by making use of SAP R/3.⁴⁸ This new automation – effective since 1998 – enables even real-time information to the Minister of Finance. With the implementation of SAP R/3 future trends and developments can be easily managed. Moreover, it is in accordance with concepts of new public management as well as the reform agenda of the government⁴⁹, as it is not only an IT-solution for modern accounting, but also an instrument for organisational development, e.g. through continuous process reengineering.

This change was desperately needed: The software in use before the implementation of SAP was a proprietary development dating back to the 1970s. Apparently, its lifecycle came to an end, as the integration of data-warehouses, modern user interfaces, as well as the use of most recent communication techniques (inter-/intranet, e-commerce, e-cash) was not possible. So there were two possibilities of reorganisation, either a new proprietary development, or the implementation and use of business standard software.

The final decision was influenced by the requirements of a complete process-optimisation including all entities and units involved in the budget cycle (procurement units, accounting offices, departments, book keeping and other administrative units). Under these circumstances, the use of

⁴⁷ Brady Joseph A./Monk Ellen F./Wagner Bret J., Concepts in Enterprise Resource Planning, Thompson Learning, Australia, 2001, pp. 24 f.

⁴⁸ SAP, Public Sector, Milestone in budget management, Online in Internet, URL: <http://www.sap.info/public/en/print.php4/article/comvArticle-193333c63b45e39ae5/e>, Download: September 8, 2004, Update: October 20, 1999.

⁴⁹ Like enforcement of the autonomy in schools, e-commerce, internal and external accounting, reform of the procurement processes, building up of several data bases, etc.

standard software seemed to be more profitable. After a competitive tendering, SAP R/3 was chosen and Siemens-Nixdorf won the competition as general contractor. The contents of the software allow for a know-how transfer from business to public administration and for permanent, further developments of the software. Besides the areas of internal and external accounting SAP R/3 integrates procurement and sales activities as well as managed control functions. SAP R/3 supports also the budgetary procedures of public administrations through the special SAP solution for the public sector.

A cost benefit analysis showed that through SAP R/3 benefits are expected amounting to € 291 million over the next 10 years. Furthermore, there will be strategic benefits through the entry of the electronic market in general and the market for public procurement in particular (e-commerce, e-cash, etc.), which will be of about € 45 million each year.⁵⁰

Concluding the Austrian experience with SAP R/3, the following qualitative aspects can be summarised:⁵¹

- Better data analysis and accuracy of data support the delegation of activities to subordinated administrative units (delegation, decentralisation)
- Modern cost and performance accounting instruments emphasise outputs and not inputs
- Integration facilitates processes; data is being recorded where activities happen, redundancies can be eliminated
- Subordinated units and entities can be connected via inter- and intranet
- The flexible structures of the system support changes in the budgeting methods (like global budgeting or budgeting on a higher level of aggregation).

Considering these positive aspects, initial problems and difficulties are no longer insurmountable stumbling stones.

2.3 Performance Measurement and Management

The new public management (NPM) actively emphasises the significance of performance measurement as a management tool in government.⁵² Accurate performance information is needed

⁵⁰ In the USA savings in vendor costs of about 90% could be made through the use of e-commerce. SAP, Übersicht Praxis, Online in Internet URL: <http://www.sap.info/index.php4?ACTION=noframe&url=http://www.sap.info/public/en/article.php4/comvArticle-193353c63ad025837d/de>; Download: September 15, 2004

⁵¹ Winter Arthur/Csoka Stefan, Ein Meilenstein in der Haushaltsführung des Bundes, in: VerwaltungHeute, Vol. 32, April 2000, p. 7

SAP, Übersicht Praxis, Online in Internet, URL: <http://www.sap.info/index.php4?ACTION=noframe&url=http://www.sap.info/public/en/article.php4/comvArticle-193353c63ad025837d/de>, Download: September 15, 2004

⁵² Pollitt Christopher/Bouckaert Geert, Public Management Reform, A Comparative Analysis, 2nd edition, Oxford University Press, Oxford, 2004, pp. 90 f.

for the implementation of management instruments such as performance pay, performance contracts or performance budgets. If an organisation does not measure its performance, it will understand only tentatively what its impact in society is and consequently its ability to respond appropriately will erode. Therefore, it is important to develop performance measurement systems in order to know at least a little more and to have some control over performance.

There are a number of levels at which performance can be measured. Measurement may refer to the measurement of inputs, throughputs, outputs, or outcomes (input-output-outcome-model, see Figure 9). It may focus on different indicators like economy, efficiency, productivity or effectiveness.⁵³ A performance measurement system should provide public sector organisations with sufficient information to plan, monitor and evaluate both public policy and management.

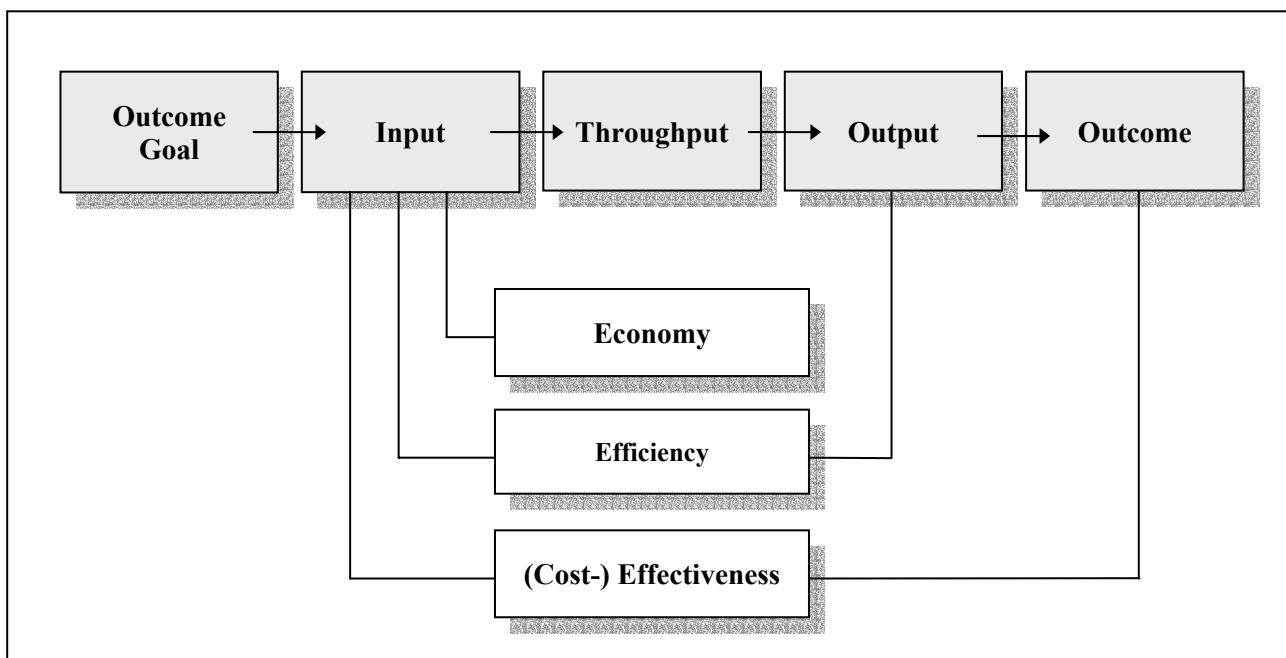


Figure 9: Input-Output-Outcome-Model (IOO-Model), 3 E's

The process of comparing performance across organisations is known as benchmarking. Where benchmarking is used to derive “league tables”, it requires a high degree of comparability between the organisations to be compared, especially, if these league tables trigger government action (e.g. loss of budgets, intervention by a higher level of government).

Performance measurement becomes valuable only when it is followed by management action to improve policy and management. Performance management can be broadly defined as “acting upon performance information”. Performance information can be used for different purposes – in the policy cycle, for accountability purposes or in financial management. In the policy cycle,

⁵³ For a more detailed explanation of the ratios formulated by the IOO-model see e.g. Bouckaert Geert/Van Dooren Wouter, Performance measurement and management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 131

performance information can help to develop better thought-out policies, to monitor whether the policy is on track and to finally evaluate the policy. For accountability purposes, different relationships exist between stakeholders:

- Accountability of government to citizens and society
- Accountability of the administration to politicians
- Accountability of decentralised agencies to central departments
- Accountability of individual employees and teams to the top management

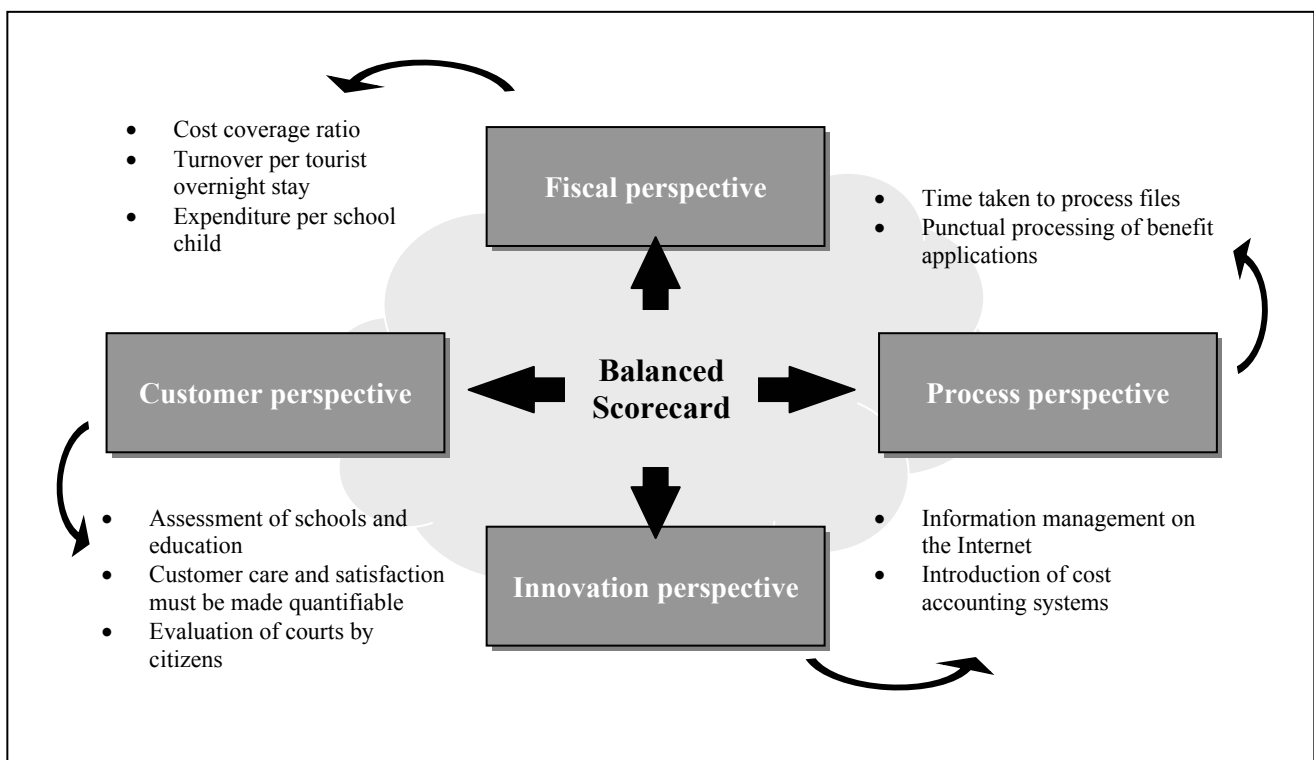


Figure 10: Balanced Scorecard in the public sector

To be successful, every organisation needs an idea or a vision of its intermediate goals (“Where do we see us in three to five years?”). The strategy developed answers the question of how to get there. Often, organisations fail to achieve their goals because there is a gap between their plans and their actual doing. The balanced scorecard aims at closing that gap through a concretion of strategies and a consequent measurement of the achievement of objectives with the help of performance indicators (scorecard). For each strategic objective, concrete action is being agreed upon. A look at the strategies from many different perspectives (or dimensions) of the organisation and its environment shall help to develop a balanced strategy.⁵⁴

⁵⁴ The Federal Chancellery, Leistungsbericht 2003, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202003.pdf, Download: August 22, 2004, p. 133

For the public administration, the balance scorecard concept of Robert Kaplan and David Norton represents a useful option for meeting the criteria of efficiency, effectiveness and economy. Modelled on cockpit data, a restricted number of indicators are defined which can be grouped into four key categories. The Figure 10 illustrates examples from different administrative areas:

2.3.1 Federal Performance Report

Performance Indicators constitute a major prerequisite which must be met in order to control and manage organisations in accordance with their objectives. As part of the ongoing administration development process in Austria, one of the main priorities is to build up a performance measurement system in order to optimise decisions about resource allocation and to provide public administration with basic information for benchmarking programmes. The Federal Chancellery coordinates the introduction of performance indicators and supports ministries and other public organisations in implementing them.⁵⁵ All federal ministries shall participate. The use of performance indicators underlines the improved quality of public services as well as a greater accountability and transparency in the administration. The main objectives of the project are to show high efficiency in spending taxpayers' money and to build up an overall performance-indicator-system.⁵⁶

The performance measurement project began in January 1997 with a preliminary phase of finding and analysing already existing performance indicators in four pilot ministries, which were the Ministries of Finance, the Ministry of Justice, the Ministry of Agriculture and the Ministry of Social Affairs. It ended in July 1997.

At the time of the preparation phase, lots of indicators already existed, but most of them were only input-oriented, unsystematically collected and not connected to performance. For the mass media and the public, output- and outcome-oriented indicators are much more interesting, because they give more information about the ratio between inputs and the offered quality of services. Public servants perceive transparency as important for inter-organisational purposes but not necessarily for informing the public. To use performance indicators effectively, especially to make sure that there is no misuse or misinterpretation, it is necessary to describe the background of a performance indicator.

⁵⁵ The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 25

⁵⁶ OECD, PUMA, Recent public management initiatives in Austria, Performance indicators in the federal administration, December 1999, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Performance%20Indicators%20in%20the%20Federal%20Administration>, Download: August 25, 2004

The federal administration submits annual performance reports which illustrate the depth and quality of the range of its services. The first performance report was put together in spring 1998. The focus was only on a few key performance indicators (i.e. indicators about the most important products of every ministry).⁵⁷ In November 1999 the second edition of the performance report covering 11 of 12 Austrian ministries was completed.⁵⁸ Since 2002, the recording, drafting and publication of all reports have been web-based. A search function permits online comparisons on the basis of nine different criteria (i.e. customer satisfaction, processing time, etc.). For further details there is a section at the homepage of the Federal Chancellery. This platform also promotes networking among all parties involved and thus facilitates the exchange of information.⁵⁹

In the pursuit of the development and implementation of a cost accounting system at present, work is focused on the development of a federal performance catalogue which is to be merged with the data contained in the annual performance report. The performance catalogue is modelled on an internationally recognised system (Classification of Functions of Government, COFOG)⁶⁰ and thus permits international performance comparisons. In addition, the performance catalogue will act as one of the main pillars on which the federal cost and performance accounting system will be based.⁶¹ In this context it is especially important to harmonise the internal services of all the ministries to allow for benchmarking activities.⁶²

⁵⁷ OECD, PUMA, Recent public management initiatives in Austria, Measuring performance, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Measuring%20performance>, March 1998, Download: August 25, 2004

⁵⁸ OECD, PUMA, Recent public management initiatives in Austria, Performance indicators in the federal administration, December 1999, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Performance%20Indicators%20in%20the%20Federal%20Administration>, Download: August 25, 2004

⁵⁹ The Federal Chancellery, Leistungskennzahlen, Online in Internet, URL: <http://www.bka.gv.at/leistungskennzahlen>, Download: August 26, 2004

⁶⁰ COFOG is a classification structure for the areas of public spending, which is being used by the OECD as well as by the UNO for the means of international comparisons. The Austrian federal government has defined a list of 16 policy fields, of which most meet the criteria of COFOG. This means that a whole policy field does not necessarily need to be within the responsibilities of a ministry, but that services of a department can also be allocated to more than one policy field.

Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), *Öffentliches Management in Österreich, Realisierungen und Perspektiven*, KDZ, Wien, 2003, p. 93

⁶¹ The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 25

⁶² Dearing Elisabeth, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), *Öffentliches Management in Österreich, Realisierungen und Perspektiven*, KDZ, Wien, 2003, p. 90

2.3.2 Austrian Experience with the Balanced Scorecard

In pilot projects, the balanced-scorecard concept was applied to the Ministry of Defence and the Ministry of Agriculture, Forestry, Environment and Water Supply and Distribution.⁶³ With the concept, a clearly structured performance information system can be built up for public management. However, balanced-scorecard models as control instruments are of practical value only if clear outcomes are agreed upon, and if performance indicators are integrated into a comprehensive management model, i.e. if they are linked to adequate incentive systems.⁶⁴

2.3.3 Interim Results

In the first three years of Austrian performance reporting (1998-2000), the primary focus was on introducing the concept of performance indicators as a central element of outcome-oriented public management and allowing for a transfer of learning and know-how to take place between the ministries.⁶⁵ For the future, more demanding goals shall be achieved by the instrument of performance measurement. As public administration will increasingly step back from its traditional role of producing services itself and rather ensure that services are being provided by third parties, management control tools will become much more important. With an increasing number of administrative units operating primarily as purchasers of services, greater emphasis will be placed on ensuring that quality standards are met. With regard to the implementation of performance indicators, it is important to establish a link between the performance indicators and other management tools to prevent the use of performance indicators from degenerating into self-referencing bureaucratic activity.⁶⁶

The annual performance reports point out typical weaknesses inherent to the system of federal administration:

- Through the means of performance indicators, target-/goal-orientation is not tackled yet;
- Some administrative units have not achieved a consistent illustration and characterisation of core activities within a bundle of PIs;

⁶³ The Federal Chancellery, Leistungsbericht 2001, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202001.pdf, Download: August 22, 2004, pp. 63; pp. 123 ff.

⁶⁴ Austrian Federal Administration, Administration at a Glance, Performance Report of the Austrian Federal Administration, November 2002, Online in Internet, URL: <http://www.bmols.gv.at/framevwinnov.html>, p. 9

⁶⁵ Austrian Federal Administration, Administration at a Glance, Performance Report of the Austrian Federal Administration, November 2002, Online in Internet, URL: <http://www.bmols.gv.at/framevwinnov.html>, p. 125

⁶⁶ Austrian Federal Administration, Administration at a Glance, Performance Report of the Austrian Federal Administration, November 2002, Online in Internet, URL: <http://www.bmols.gv.at/framevwinnov.html>, p. 125

- The value of some PIs can not be influenced by the management of administrative units, which means they are worthless for governance and play more or less a statistical role.⁶⁷

Parts of these deficiencies can be manipulated by the administrative units themselves. Nevertheless, there are limits to the administration for the following reasons:

- Politicians avoid the setting of measurable targets or the joint agreement on them with the administration, which complicates results-oriented governance;
- Excellent performance is not being rewarded because of missing incentive systems while bad performance is being structurally tolerated;
- Due to public law, the possibility of flexible resource allocation is strained. So even if there were more governance-relevant performance indicators, they would be of little value in a system without the adequate governance flexibility.⁶⁸

The elimination of the deficiencies stated above cannot be managed with single action. Behind the performance indicators there needs to be a new governance paradigm which will have a huge impact on the organisation:

- The implementation of performance measurement on a broad scale can only be successful with awareness training amongst the employees;
- Structural changes are needed, starting with the institutionalisation of professional management control and ending with the interlocking of the different management instruments;
- The implementation of performance indicators is a top-management task and therefore needs to be situated at the senior management level to find broad acceptance;
- Internal change agents are needed to enforce the process of organisational change. There needs to be a balance between political power and professional competence.⁶⁹

At the medium term, results and outcome-oriented indicators shall link the services and products of the federal administration to actual cost indicators, which will be the basis for an accurate evaluation of service provision and delivery. At the moment, cost indicators are more or less missing, as the cost and performance accounting system is in the process of being developed. Still, the already existing indicators allow for orientation and interesting comparisons, e.g. the

⁶⁷ The Federal Chancellery, Leistungsbericht 2001, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202001.pdf, Download: August 22, 2004, p. 131

⁶⁸ The Federal Chancellery, Leistungsbericht 2001, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202001.pdf, Download: August 22, 2004, p. 131

⁶⁹ The Federal Chancellery, Leistungsbericht 2001, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202001.pdf, Download: August 22, 2004, p. 131

comparison between trends in expenditure of single ministries and expenditure of the federal level.⁷⁰

2.4 Quality Orientation

The topic of quality and quality management is of high value in the international debate of modernising public administrations. It may leave a positive notion of reform and it is not associated with pressures on budgets, cost reductions, cutbacks on personnel, privatisation, and so on.⁷¹ There is no agreed definition of quality as one can differentiate many different concepts throughout its evolution.⁷² However, generally spoken, quality means the extent of compliance to the demands and/or expectations on inputs (resources), processes (activities), services (products), results (outcomes) and relations between users/beneficiaries and providers of public services.⁷³ Quality can be referred to different elements of the service provision process. Based on this, several differences can be drawn:⁷⁴

- Input quality, structure quality and human resources capital (qualification of personnel, furnishing of offices, modern technical equipment, etc.)
- Quality of relationships (short waiting time, accessibility, friendliness of employees, etc.)
- Process and service quality (time to process an application, number of mistakes in certifications and documents, etc.)
- Quality of results as a degree of the achievement of planned outcomes

To measure quality, it is important to define and agree upon quantifiable and precise indicators, which can be defined in accordance with quality dimensions like promptness, accurateness, friendliness, etc. Instruments, methods and techniques of quality measurement (surveys, interviews by phone, focus groups interviews with users and/or employees with customer contact, etc.) have to be chosen according to the kind of indicators. In this context, Bovaird/Löffler distinguish subjective (e.g. satisfaction) and objective indicators (e.g. delay of busses in minutes)⁷⁵. Actual results will be

⁷⁰ The Federal Chancellery, Leistungsbericht 2002, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202002.pdf, Download: August 22, 2004, p. 2

⁷¹ Gaster Lucy/Squires Amanda (eds.), Providing Quality in the Public Sector, A practical approach to improving public services, Open University Press, Maidenhead, Philadelphia, 2003

⁷² Bovaird distinguishes four key concepts of quality such as “conformance to specifications”, “fitness for purpose”, “meeting customer expectations” and “passionate emotional involvement”.

Bovaird Tony/Löffler Elke, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 138

⁷³ Bernhart Josef, Stand der Qualitätsorientierung in den Gemeinden Italiens, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 93 f.

⁷⁴ Bernhart Josef, Stand der Qualitätsorientierung in den Gemeinden Italiens, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 94 f.

⁷⁵ Bovaird Tony/Löffler Elke, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 139

measured against the target indicators. In order to move towards quality management arrangements need to be made for assuring and improving quality. There need to be regular check-ups, whether quality standards set can be met. The evaluation of the results of quality assuring and improving measures is of vital importance for further improvements.⁷⁶

For decision-makers in politics and administration, there are several instruments and systems to measure, assure and improve quality. Figure 11 gives an overview of the different concepts being described further down.

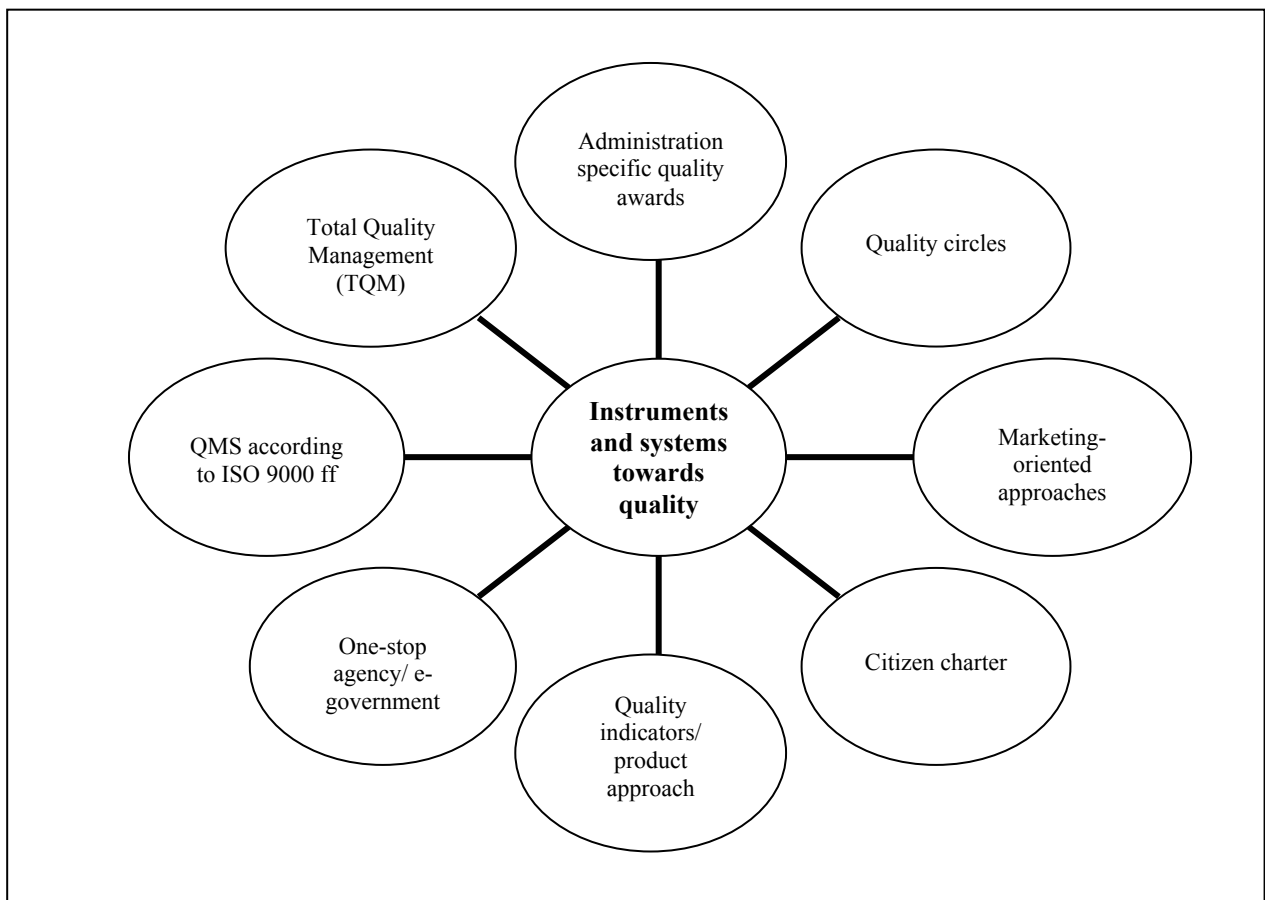


Figure 11: Instruments and systems towards quality

(1) Quality circles

Quality circles are moderated discussions. They take place during the labour time regularly on a voluntary basis. The participants, usually employees of the same hierarchical level, are aiming at identifying and analysing problems of their working area. The employees affected develop and discuss solutions to the problems, present the solutions and finally they have the opportunity to realise them.

⁷⁶ Bernhart Josef, Stand der Qualitätsorientierung in den Gemeinden Italiens, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 95 f.

(2) Marketing-oriented approaches

These approaches involve the measurement and management of “customer’s” satisfaction with the public administration and its services. “Customers” are individual service users as well as all kind of stake-holders, like employees, entrepreneurs, retired persons, and the organised public in general, represented by associations of employers and employees or by citizens’ initiatives. Possible ways of measuring their satisfaction level are for example surveys of front office employees or silent-shopping (“mystery shopping”, in more details in 2.4.3), where a test person simulates a situation (like the application of a pass port) to find indications for improvements (e.g. unclear responsibilities, long waiting hours, and so on).

(3) Citizen Charter

Citizen charters are documents, in which providers of public services specify, what citizens can expect in terms of services and quality of services. The main part of these charter documents is the description of services that forms the basis for setting quality indicators and standards.⁷⁷

(4) Product approach and quality indicators

In the course of the definition and description of products not only cost and quantity targets are being set, but also quality dimensions and indicators. The achievements are being compared with the set targets.

(5) One-stop agencies and e-government

One-stop agencies are real and/or virtual organisational units, which adjust their resources, structures, processes and services to the needs and requirements of citizens. Internet portals as an alternative access to the services provide information, communication and interaction possibilities between the citizen and the administration and are seen as the most important field of application of e-government.

(6) QMS according to ISO 9000ff

The ISO 9000ff series is an internationally recognised standard providing regulations concerning the implementation and display of a quality assurance and management system. The recommended quality assurance system consists of compliance with 23 elements of “good” quality management, which will allow an organisation to formulate and deliver at an

⁷⁷ For the case of the UK, where the charter idea originates from, the falling levels of public service quality have led to a lack of confidence in the realities of charters. Nevertheless, charters have prompted some service providers to think about what the public really wants in service quality. Moreover, they have provoked debate about the rights of consumers and citizens in relation to public and private services. Bovaird Tony/Löffler Elke, Quality Management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, pp. 142 f.

appropriate and agreed standard.⁷⁸ The use and permanent improvement of a quality management system aims at increasing customer satisfaction.

(7) Total Quality Management (TQM)

TQM is a cross-functional leadership approach aiming at a continuous up-grading of quality. The basic idea of TQM comes from Japan. While the implementation and certification of a quality management system according to ISO can be managed within two years, the implementation of a TQM system takes several years. Special TQM models have been developed, like the Excellence Model of the European Foundation for Quality Management (EFQM) or the Common Assessment Framework (CAF), described in more detail in 2.4.2. They may be used for self-assessment and as the bottom line for external assessment, often honoured in the form of a quality award.⁷⁹

(8) Administration-specific quality awards

The aim of quality awards is to identify innovative approaches in the public sector and to foster and spread them throughout the administration. A well-known quality award in the German-speaking countries is the Speyer Quality Award, which is described in the next paragraph.

Due to their importance and actuality three quality instruments will be described in further details: Speyer Quality Award, Common Assessment Framework and mystery shopping.

2.4.1 Speyer Quality Award

Since 1992 the University of Administrative Sciences (Deutsche Hochschule für Verwaltungswissenschaften) at Speyer, Germany, has been organising the Speyer Quality Award for public organisations in German-speaking nations (Germany, Austria and Switzerland). The objective of the biannual contest are to give an impetus to modernisation in the public sector and to familiarise the general public with innovation projects of diverse fields (i.e. strategic management, citizen orientation, Public Private Partnerships, e-government, etc.), thus enabling organisations to learn from the best practices. Since 2002 the application of CAF has constituted a prerequisite for the participation in the Speyer Quality Award, so it is continuously adapted to developments

⁷⁸ Bovaird Tony/Löffler Elke, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 141

⁷⁹ Bovaird Tony/Löffler Elke, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 143

throughout Europe. In 2002, 50 administrative units took in seven different categories. Twelve awards were granted, three awards were won by Austrian organisations.⁸⁰

2.4.2 Common Assessment Framework (CAF)

The Common European Quality Assessment Framework (CAF) is an initiative of the directors general for public administration of EU member states under the Austrian Presidency (autumn 1998) and was presented at the First European Conference on Best Practices in Lisbon in May 2000. CAF is starting to become a common self-assessment instrument for public sector organisations. In contrast to the EFQM, it is less demanding and less systematic and therefore suitable for organisations at the starting point of the implementation of TQM.⁸¹ The objective of CAF is to advance quality management in public administrations within the EU, to help public-sector organisations to assess their own performance and to serve as a framework for performance comparison. The European Institute for Public Administration (EIPA) assures the continuous input of data from all European users into a database, thus permitting an ongoing exchange of experiences and learning from best practices.

Following the resolution of the Ministerial Meeting of EU ministers in Strasbourg in November 2000, CAF is to be introduced at national level. In co-operation with the KDZ Centre for Administrative Research, the first few seminars have already been conducted. Since March 2003 a revised German version of CAF has been available at www.bka.gv.at/verwaltungsreform.⁸²

At the Speyer Quality Award 2002 the use of the European quality model CAF was a precondition for the application for the first time which means that the quality initiative of the German-speaking countries is now connected to the European quality movement. Meanwhile 28 public administrations in Austria already work with CAF and are part of the European benchlearning network. CAF allows evaluating an organisation's quality orientation rapidly and free of charge, for it is based on a self-assessment which relieves the organisation of the necessity to involve a private consulting. It may also be used under a wide variety of circumstances e.g. as part of a systematic programme of reform or as a basis for targeting improvement efforts in public service organisations. CAF is based on the nine criteria of the EFQM model and the Speyer model, which take into

⁸⁰ The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 24

⁸¹ Bovaird Tony/Löffler Elke, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), Public Management and Governance, Routledge, London, 2003, p. 143

⁸² The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004, p. 24

account the main features of public administration units. The model is being illustrated in the figure below:

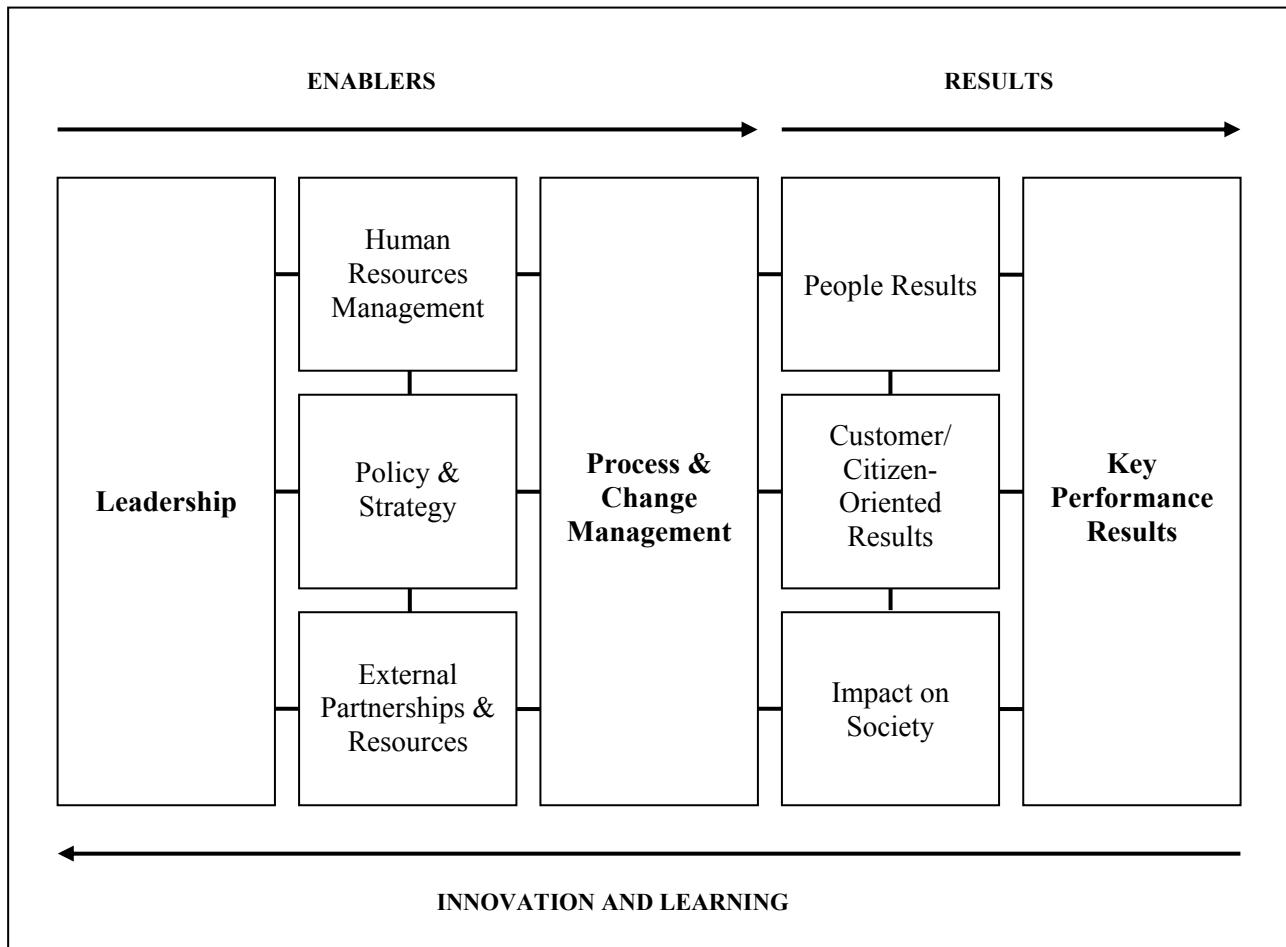


Figure 12: The CAF Model

2.4.3 Mystery Shopping

Mystery shopping describes a specific method of market research which is particularly used for testing the quality of public service. Trained testers visit offices as "undercover customers". The tested agencies, services or employees do not know being under examination. This setting should guarantee that the received information is authentic and correct. So far, in Austria there have been three main tests conducted in different resorts:

- Receiving legal information and consultation at a court (Ministry of Justice)
- Receiving information about tax laws and about EDV supported tax declaration (Ministry of Finances)
- Receiving specific information about job integration of disabled (Ministry of Social Affairs and Generations).

The recent testing period includes factors like accessibility of information as well as correctness of the contents and the quality of services (communication, social competence etc.) The results should offer detailed information about the customer-orientation of the public sector and should help improving certain aspects of public administration.

Quality orientation in general and especially on the federal level has a large potential. As quality management is an ongoing “project”, there are only interim goals accomplished. Further efforts need to be made and pursued. However, success stories already achieved should be more visibly communicated to the public.

2.5 Organisational Reforms

The public sector consisting of numerous governmental units encompasses various types of organisations. According to the four circles model, as illustrated in Figure 13, four main organisational forms in terms of public governance can be distinguished.

The first and most inner circle is formed by ministerial departments and supreme administrative bodies, like presidential office, office of the parliament, supreme courts, General Accounting Office, etc. Circle two consists of administrative bodies directly subordinated to the ministerial level. Off-budget agencies and/or corporatised administrative bodies (circle three) are potential candidates for privatisation. Public owned business companies of various legal forms can be easily privatised, if politicians wish to do so.

Most countries have been pursuing organisational reform activities, like the agencification or corporatisation of administrative units, for the last two decades. During the last 15 years, especially agencies have become a popular vehicle for executing a wide range of functions, although in some countries this type of public body had existed as an important and recognized category for a long time (e.g. Finland, Sweden and the USA).⁸³

⁸³ Pollitt et al., Agency Fever? Analysis of international policy fashion, in: *Journal of Comparative Policy Analysis: Research and Practice*, Vol. 3, 2001, p. 272

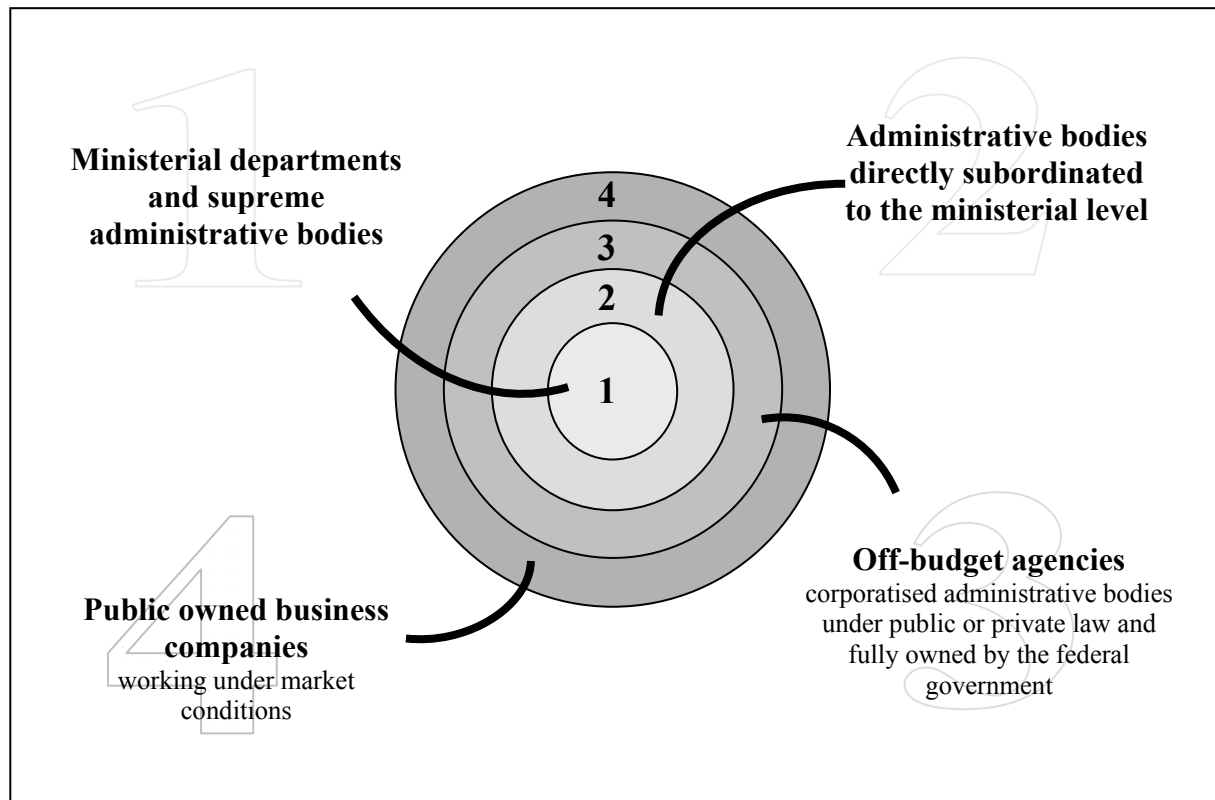


Figure 13: Four circles model of the public sector organisations

Types of organisational reform comprise the comprehensive restructuring within existing administrative units (e.g. reshaping federal ministries by cutting or reorganising directorates general or divisions), the mergers of existing administrative units (e.g. weather services, accounting agency, security forces – see 2.5.3), the corporatisation of administrative units (e.g. Federal Real Estate Company – see 2.5.3) or combinations of these types.

The underlying principle of reorganisation is that the administration can be improved by confining government activity to core competences. If the core competences have been defined, there are several possibilities to perform these services and tasks. To name but two forms, highly favoured in recent years, there can either quasi-independent agencies be established or independent companies by corporate law (corporatisation) be set up. In both cases managers are freed from the direct bureaucratic grip⁸⁴ (deconcentration and functional decentralisation⁸⁵) The government as owner still decides in principle upon the goals, strategies and activities of the entity. However, decisions regarding daily operations, financial management, and personnel are taken by the managers

⁸⁴ „In today’s world, things simply work better if those working in public organisations ... have the authority to make many of their own decisions“ Osborne David/Gaebler Ted, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading MA: Addison Wesley, 1992, p. 251, in: Pollitt et al., *Agency Fever? Analysis of international policy fashion*, in: *Journal of Comparative Policy Analysis: Research and Practice*, Vol. 3, 2001, p. 287

⁸⁵ OECD, *Public management developments in Austria, Update 2000*, Online in Internet URL: <http://www1.oecd.org/puma/country/Surveys2000/surv2000at.htm>, Download: August 24, 2004

according to the rules of the private sector. The minister cannot give directives and the employees have no more lifelong tenure. Examples are available with a huge diversity of legal and operational constructs.

Corporatisation⁸⁶ is a process of making a state body into an independent (commercial) organisation. In many countries it has been considered appropriate to corporatise such formerly state owned providers of services like energy, public transport, telecommunications, airports, even prisons and more recently, institutions of higher education. Corporatisation is often the first stage in a process of privatisation⁸⁷ where the ownership of a former state body is transferred to private individuals and institutional investors (see Figure 13).⁸⁸

Corporate entities perform better in the acquisition of funding and new sources of income and have improved management techniques. They have more cost transparency and –responsibility and operate outcome- and customer-oriented.⁸⁹ It is especially suitable for the following services/administrative units:⁹⁰

- Support and auxiliary units and their activities (*e.g.* IT departments, maintenance and repair work, cleaning);
- Services, which can be fulfilled by self-employed persons (*e.g.* testing, measuring and supervising);
- Industrial capacities producing for the market;
- “Mixed-economy” public services, where there already are other private and public providers.

2.5.1 Corporatisation in Austria

Corporatisation in Austria has a long tradition, starting with the agencification of the Austrian Broadcasting Company (ORF) in the late 1960s. Another early example is the establishment of the Austrian Central Bank as a quasi-public agency with majority ownership by the central

⁸⁶ Synonymous terms for “Corporatisation” are “public spin-offs”, “off-budget companies” or “agencies/agencification”.

⁸⁷ As is agencification;

Pollitt et al., Agency Fever? Analysis of international policy fashion, in: Journal of Comparative Policy Analysis: Research and Practice, Vol. 3, 2001, p. 286

⁸⁸ Bostock William W., The Global Corporatisation of Universities: Causes and Consequences, Introduction, Ante Podium, electronic journal of world affairs published by The School of Political Science and International Relations at Victoria University of Wellington (III/99), Online in Internet, URL: <http://www.vuw.ac.nz/atp/articles/bostock.html>, Download: September 9, 2004

⁸⁹ Pollitt et al., Agency Fever? Analysis of international policy fashion, in: Journal of Comparative Policy Analysis: Research and Practice, Vol. 3, 2001, p. 279

⁹⁰ OECD, PUMA, Public management developments in Austria, Update 1998, Online in Internet, URL: <http://www1.oecd.org/puma/gvrnance/surveys/report98/surv98at.htm#F>, Download: July 14, 2004

government.⁹¹ The Austrian Railways were organized as a separate company in 1993, the post and telecom company in 1996. Several funds for industrial support are organized as companies at arm's length: the labour service organisation in 1994, air traffic control was corporatised in 1994.⁹²

Especially since 1995, a number of Austrian government activities have changed organisational forms for two main reasons. First, in many public entities there was rising dissatisfaction with the lack of freedom of action resulting from rigid central directives, and inflexible financial and managerial routines including personnel and wage policies.⁹³ Second, as the tax ratio is seen as much too high in Austria, down-sizing programmes have been popular. Other reasons for changing organisational forms are the shifting demand for public services as stated below:⁹⁴

- There is a changing understanding of state activities (service-orientation, citizen-orientation and market-orientation).
- There is a demand for more efficiency in state activities.
- There is an increasing demand on the state for reforming the administrative structures.
- There is a demand for consolidating budgets and smaller deficits because of the membership to the EU.
- There is an EU demand for more competition through the elimination of protectionist intervention of the national states.

The following agencies have been hived off in the last decade:

Cultural institutions
<ul style="list-style-type: none"> ✓ Zoo of Schönbrunn (Schönbrunner Tiergarten GmbH) ✓ Schönbrunn Castle (Schönbrunner Schloss) ✓ Spanish horse-riding school ✓ Federal theaters (Bundestheater) ✓ Museums
Services of general commercial/ economic interest
<ul style="list-style-type: none"> ✓ Austrian railways (ÖBB) (1993) ✓ Post and telecommunications (PTT Post und Telekom AG) (1996) ✓ State press ✓ Banking co-operation ✓ River maintenance

⁹¹ But it is free from any direct interference in monetary affairs.

⁹² Aiginger Karl, The privatisation experiment in Austria, in: Austrian Economic Quarterly, 4/1999, pp. 261 – 270
⁹³ OECD, PUMA, Public management developments in Austria, Update 2000, Online in Internet, URL: <http://www1.oecd.org/puma/country/Surveys2000/surv2000at.htm>, Download: August 24, 2004

⁹⁴ Bundesrechnungshof, Tätigkeitsbericht des Rechnungshofes, Verwaltungsjahr 2000, Reihe Bund 2001/5, p. 13

Support and auxiliary
<ul style="list-style-type: none"> ✓ Part of the federal real estate management (Bundesimmobilienverwaltung) ✓ Federal debt management (Österreichische Bundesfinanzierungs Agentur) ✓ Federal Computer Centre (Bundesrechenzentrum)
Other services
<ul style="list-style-type: none"> ✓ Unemployment service (Arbeitsmarktservice) (1994) ✓ Environment investigation (Umweltbundesamt) ✓ Mint ✓ Statistics Austria (Österreichisches Statistisches Zentralamt) ✓ Institute for Testing and Research

Table 7: Hived off agencies

From the public utilities and agencies hived off, some have since been privatised, like telecommunications or state press. Museums, statistics, unemployment services, ICT matters and real estate are run as corporations owned by the state (spin-offs).⁹⁵

A further 37 administrative units will be transformed into off-budget agencies within the next years.⁹⁶ The existing accounting offices and libraries will be merged, as well as the three weather services. The units going to be off-budget agencies are:

- Car garages (police)
- Uniform procurement and administration
- National library
- Institute for Meteorology
- Historical gardens
- Academy for Administration
- Institute for Calibration and Surveying
- Universities⁹⁷
- Federal Layer Office
- Banking and Insurance Supervision
- Several institutes for agriculture, forestry, water and consumer protection

⁹⁵ The importance of such corporatisations and government agencies can be illustrated by the total number of staff, which is about 120,000: some 100,000 in the Austrian Railways and PTT and 20,000 in ministerial agencies. This means that of the 300,000 civil servants in the early 1990s, about 40 % now work for incorporated organisations. From 2000 to 2003, federal employment decreased from 167,000 to around 152,000, with a further 25,000 jobs being cut after that period.

⁹⁶ They represented some 30,000 posts in 1999.

⁹⁷ As far as the number of personnel is concerned, universities are the biggest organisations to change organisational form.

2.5.2 Critique on Corporatisation/Off-Budget Companies

The decision which public activities and services shall change organisational form is – within existing constitutional and EU law - a political one. The Austrian government associates the following expectations with corporatisation, off-budget companies and mergers:⁹⁸

- More efficiency and less cost in the provision of public services:
- Noticeable relieves to the federal budgets
- Reduction in the number of state employees
- Meeting the Maastricht criteria (public deficits and debt)

The Austrian General Accounting Office has scrutinised some projected spin-offs between 1999 and 2000. It states the following positive effects of spin-offs:⁹⁹

(1) More flexible management of budgets

As the public law concerning budgeting doesn't appeal to spin-offs, more flexible investment- and financial planning as well as new forms of sourcing are possible.

(2) Faster decision taking

Organisational forms acting under private law regulations enforce the application of professional management principles and faster decision-taking processes.

(3) Faster modernisation

Spin-Offs have attracted more investment, technical equipment has been modernised.

(4) More cost and service transparency

The implementation of professional accounting and information systems lead to higher cost-transparency.

(5) More flexible personnel policy

Spin-offs permit a personnel policy that is more adaptable to market conditions. New employees are hired on the basis of private law regulations (in contrast to the civil service status of formerly hired employees). This allows for more flexible working arrangements adapted to actual demand.

⁹⁸ Bundesrechnungshof, Tätigkeitsbericht des Rechnungshofes, Verwaltungsjahr 2000, Reihe Bund 2001/5, p. 14

⁹⁹ Bundesrechnungshof, Tätigkeitsbericht des Rechnungshofes, Verwaltungsjahr 2000, Reihe Bund 2001/5, pp. 18 f.

With spin-offs, certain negative effects are being associated:¹⁰⁰

(1) Limited parliamentary control

For most spin-offs, the negative consequence of partly being detracted from public control is applicable. Parliament only has a say in which form of legal entity the spin-off shall be established, but it cannot influence the financial management as it can with the federal budget. Even for spin-offs that were set up successfully, the minimised possibility to control is the biggest disadvantage.

(2) Deficits

The deficits of spin-offs are not shown in the federal balance of accounts. The borrowing of money doesn't need parliamentary approval but the state bears the financial risk if the spin-off can't serve its debt.

(3) No relief on budgets

With the forming of spin-offs, there is not necessarily a relief on the federal budget. Far more, it depends on the aims of the legislator and the general economic conditions.

(4) Higher personnel and administrative costs

Spin-offs sometimes lead to the loss of synergies and efficiencies which can cause higher total costs. There might be higher costs in personnel (management, supervisory board, accountants and external consultants).

(5) Continuing influence of the state

Examples for the existing influence are legal requirements, guarantees to bear losses, assumption of liabilities, co-determination in the filling of the management boards, as well as directions and audits. These actions hampered the management under market conditions.

2.5.3 Examples of Organisational Reform

(1) Federal Real Estate Company

The Federal Real Estate Company (Bundesimmobiliengesellschaft m.b.H., BIG) is in charge of the management of the Austrian Republic's real estate, with a portfolio dominated by schools and universities (55 %) and other administrative buildings (45 %). BIG's activities involve renting out the buildings to the various government entities, carrying out renovations

¹⁰⁰ Bundesrechnungshof, Tätigkeitsbericht des Rechnungshofes, Verwaltungsjahr 2000, Reihe Bund 2001/5, pp. 19 f.

and new investments and handling possible sales of redundant buildings and land. BIG offers facilities management if required by the tenants. BIG consists of the holding company, and three daughter companies. Ownership is to 100 % by the Republic of Austria.¹⁰¹

BIG was created by law in 1992 with the objective of centralising the property management of the public sector, making it more efficient and, more importantly, trying to make the various departments more cost-conscious. The underlying premise is that if departments had to pay and account for the usage of buildings, space would only be used if really needed. Surplus stock could be put to alternative use or sold off. BIG's management is focused on cost efficiency and project management, and has been successful in keeping operating costs at an acceptable level.

In the past, BIG used to pay a fee to the state for the "lease" of the buildings. However after the 2000 revision of the act regulating BIG's activities, the entity has over the past three years acquired the buildings (in part previously leased) from the state for an agreed price of € 2.4 billion. BIG has financed the purchase via debt. The properties continue to be let out to the various ministries. The price for the transferred assets is deemed fair for the specialist nature of the properties (i.e. a lower re-sale value and future investment needs).

BIG	1998	1999	2000	2001	2002
Total assets (Euro 000's)	1,350,724	1,386,100	2,066,280	2,945,463	3,734,482
Total capital (Euro 000's)	29,436	51,177	257,923	355,798	323,161

Table 8: Assets and capital of BIG

(2) Federal Accounting Agency

In comparison to the 32 independent and decentralised accounting units with more than 850 employees existing in 2003, there will be only one organisational unit responsible for accounting (with 3 branch offices in Graz, Linz and Innsbruck) from January 1, 2005 onwards. The Accounting Agency is to provide bookkeeping services for all federal units while using a minimum of resources and maintaining high service levels. The quality of the services offered is based on service standards. The Accounting Agency is able to offer additional support services beyond the defined core services.

Arguments in favour of the central Accounting Agency are the synergetic effects which will be generated by joining units, by more flexible use of staff and by the focus on core competencies. The agency will start activities with approx. 600 - 650 employees. The staff numbers are expected to decrease to about 500 employees by 2010. In addition to pure

¹⁰¹ Moody's Investors Service, Global Credit Research, Analysis of Bundesimmobiliengesellschaft m.b.H., August 2003

personnel savings, there will also be considerable reduction of costs resulting primarily from synergies (optimised operational and organisational structures) as well as the use of latest ICT (SAP, electronic act: ELAK, etc.). An analysis of economic efficiency (on an annual basis from 2001 - 2006) has shown that (by taking into account imputed factors and an adjustment for inflation) by 2006 potential savings of € 17.8 million to the 2003 level and € 27.9 million to the 2001 level could be achieved. This would correspond to a cost reduction of 42.6 % and 32.2 % respectively compared with 2001 and 2003.

(3) Federal Security Forces

Until now, Austria possessed a two-fold structure of security services, being divided in the federal police and the federal gendarmerie. While the police has been responsible for security services in the cities and towns, the gendarmerie pursued more or less the same activities in rural areas.

Having had regard to the consequences of the enlargement of the EU and to the specific central tasks of the customs administration, there will be a merger of all security forces (police, gendarmerie, federal bureau of investigation, customs authorities and parts of the shipping control police force) into a uniform security force at the Federal Ministry of the Interior in order to avoid overlapping. Combating of crime shall be made possible even at the lowest, most rural level, if necessary. New training courses for security officers and an expansion of courses and training offered at the Security Academy will follow, as well as a reform of the detective service (particularly at the province level).¹⁰² Together with the merger of the federal security forces, there will be a review of the structure of the authorities responsible for security administration.

The merger of the federal security forces will lead to tighter structures of command and the enforcement of the operational level of the services. The dominant element in the conceptualisation of the merger is the possibility of steering and allocating resources needed by the operational forces as fast and responsive as possible.¹⁰³ Minister Strasser hopes to be able to transfer 500 police officers from administrative tasks to operational duties on the beat.¹⁰⁴

¹⁰² The Federal Chancellery, Programme of the Austrian Federal Government for the 22nd Legislative Period, Online in Internet, URL: http://www.bka.gv.at/2004/4/7/regprogramm_e.pdf, Download: September 9, 2004, p. 7

¹⁰³ Federal Ministry of the Interior, Exekutivreform: Diskussionsvorlage Team04: Umsetzungsvorschlag einheitlicher Wachkörper „Bundespolizei“, Online in Internet, URL: <http://www.bmi.gv.at/downloadarea/publikationen/exekutivreform/vorschlag0304.pdf>, Download: August 23, 2004, p. 5

¹⁰⁴ ORF, Verhandlungen vor Weihnachten, Online in Internet, URL: http://orf.at/031204-68331/index.html?url=http%3A//orf.at/031204-68331/68332txt_story.html, Download: September 9, 2004

The arguments in favour of joined security forces put along by the project team (“Team 04”, chaired by Brigadier Franz Lang) responsible for the conceptualisation are:¹⁰⁵

- The compliance to the basic principles of leadership (“unity of leadership”, “disposition of resources”)
- International compatibility of police structures
- National and international compatibility with the organisation of activities and missions through integrated staff-/line systems;
- Minimising interface-problems and achieving synergies through simplicity and clearness and deconcentration of administrative and security services
- Explicit, clear relationships between all security services of Austria ensuring uniform orientation and uniform processes

Until December 2004, there will be an agreement on a joint course of action between the project group, the ministry and with the staff council. After a statement to the discussion paper presented by Team04, there will be five negotiation panels to decide on the actual content of the reform.

A new uniform has already been designed for the joint forces, which will be in use from summer 2005 onwards. The designers of the uniform combined elements from other European police forces and from the Austro-Hungarian Monarchy.¹⁰⁶

(4) Weather Services

For historical reasons, there are three weather services working independently from each other existing in Austria at the moment. From an economic point of view this structure is not efficient any longer. Several institutions (Austro Control GmbH, Ministry of Education, Sciences and Culture, Central Institute of Meteorology, Ministry of Agriculture and Forestry and the Ministry of Finance) are working on a restructuring and merger of the weather services. The aims of the merger are the realisation of saving potentials and a concentration of tasks and activities. The merger shall guarantee an economic and efficient use of resources.

¹⁰⁵ Federal Ministry of the Interior, Exekutivreform: Diskussionsvorlage Team04: Umsetzungsvorschlag einheitlicher Wachkörper „Bundespolizei“, Online in Internet, URL: <http://www.bmi.gv.at/downloadarea/publikationen/exekutivreform/vorschlag0304.pdf>, Download: August 23, 2004, p. 5

¹⁰⁶ ORF, Neue Uniformen für die Polizei, Online in Internet URL: <http://oesterreich.orf.at/oesterreich.orf?view=bw&channel=10&id=320881>, Download: September 9, 2004

(5) Austrian Federal Railways

The new centre-right coalition government, which first came to office in February 2000, launched several initiatives to restructure the state-owned federal railways (ÖBB). Similar to any other restructuring reform projects, the government aimed at a company that is more competitive and efficient, so that the state would be discharged from its legal obligation to meet ÖBB's deficits.¹⁰⁷ Furthermore, it is expected that the decision path will be accelerated and simplified, while improving performance. More transparency, smart use of opportunities of the market and more accurate governance of the new company will eventually lead to cost efficiency, one of the main goals in the long-run.¹⁰⁸

Basically, the government's reform plan envisioned to transform the Federal Railways into a holding company. Still under ownership of the federation (Federal Minister of Traffic, Innovation and Technology) which holds 100 % of the shares, the holding is at the head of several independent and specialised enterprises – created on May 17, 2004 - and keeps 100% of these subordinated companies. Its main responsibilities are fourfold:

- Creation and formation of private and public limited companies – as shown in Figure 14:
- Strategic and operational implementation of the restructuring
- Exertion of the shareholder's rights
- Ensure a standardised strategic orientation of the whole holding

The ÖBB Services Ltd. will be in charge of all services, like human resource management, accounting, purchasing management as well as information technology, for all affiliate companies of the holding. ÖBB Passenger Traffic Plc. and Rail Cargo Austria Plc. are responsible for the transportation of people and goods respectively. Together they are presiding over the ÖBB Traction Ltd. and the ÖBB Technical Services which has been established by June 30, 2004. The ÖBB Infrastructure Plc. deals with maintenance, rails planning and development. It levies tolls and allocates sections of the rail network. It functions therefore as a network operator. The fifth company in the holding, the ÖBB Real Estate Plc., is responsible for asset management, planning and engineering, Rail Speedways (Eisenbahn-Hochleistungsstrecken AG), affiliated power plants, and financing the rail network (SCHIG – Schieneninfrastrukturfinanzierungs-Gesellschaft mbH). Shares of the

¹⁰⁷ Eironline – European Industrial Relations Observatory On-line, Restructuring of Austrian Federal Railways leads to strikes, Online in Internet, URL: <http://www.eiro.eurofound.eu.int/2003/12/feature/at0312103f.html>, Download: September 3, 2004

¹⁰⁸ ÖBB, Bahn-Bilanz 2003: ÖBB erwirtschaften solides Ergebnis, Online in Internet, URL: http://www.oebb.at/Newsroom/OeBB_Journal/Bilanz2003/index.html, Download: September 6, 2004

Brenner Eisenbahn GmbH will merge with this newly established company and a separate ÖBB asset management Ltd. will be created.

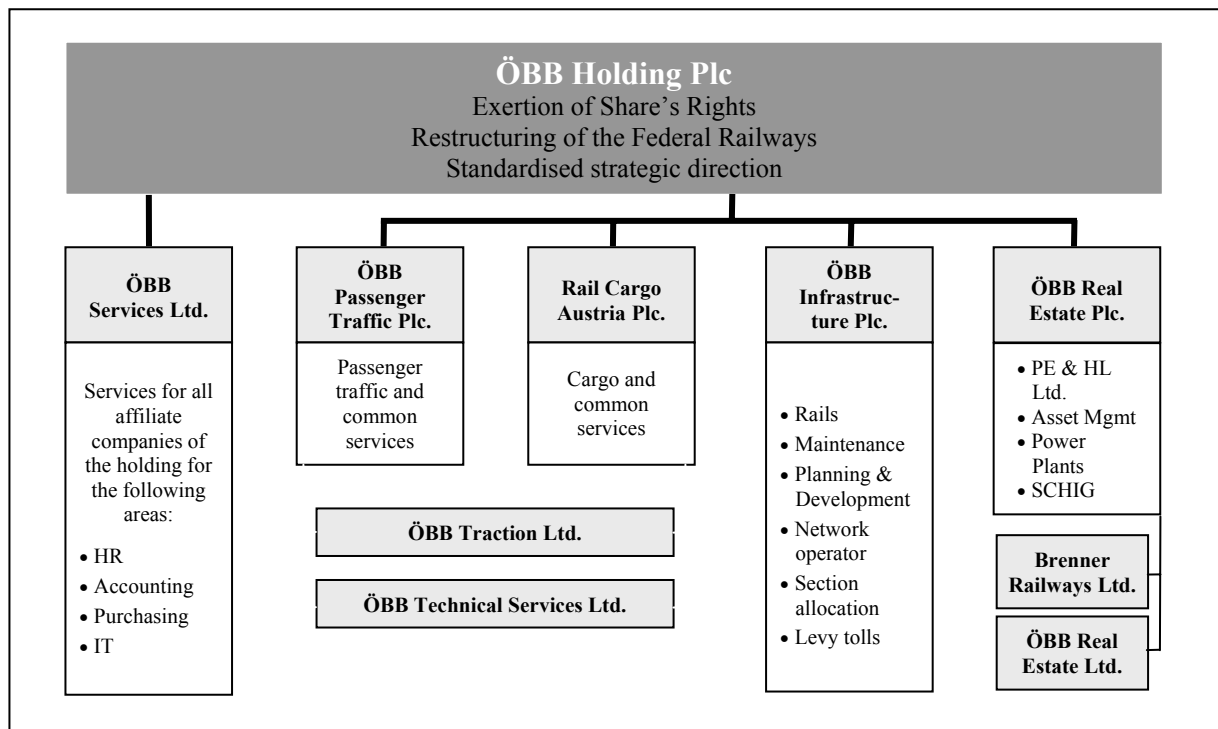


Figure 14: New structure of the Austrian Federal Railways¹⁰⁹

Opponents criticised that this restructuring will lead to privatisation and (partly) sell-off of the company. There were also fears about a decrease in the overall performance of the company. Although this reform plan was strongly opposed by the union of the railway employees, it is still on track. The plan and its milestones are shown in Figure 15.

¹⁰⁹ ÖBB, Organigramm ÖBB neu, Online in Internet, URL: <http://www.oebb.at>, Download: September 6, 2004

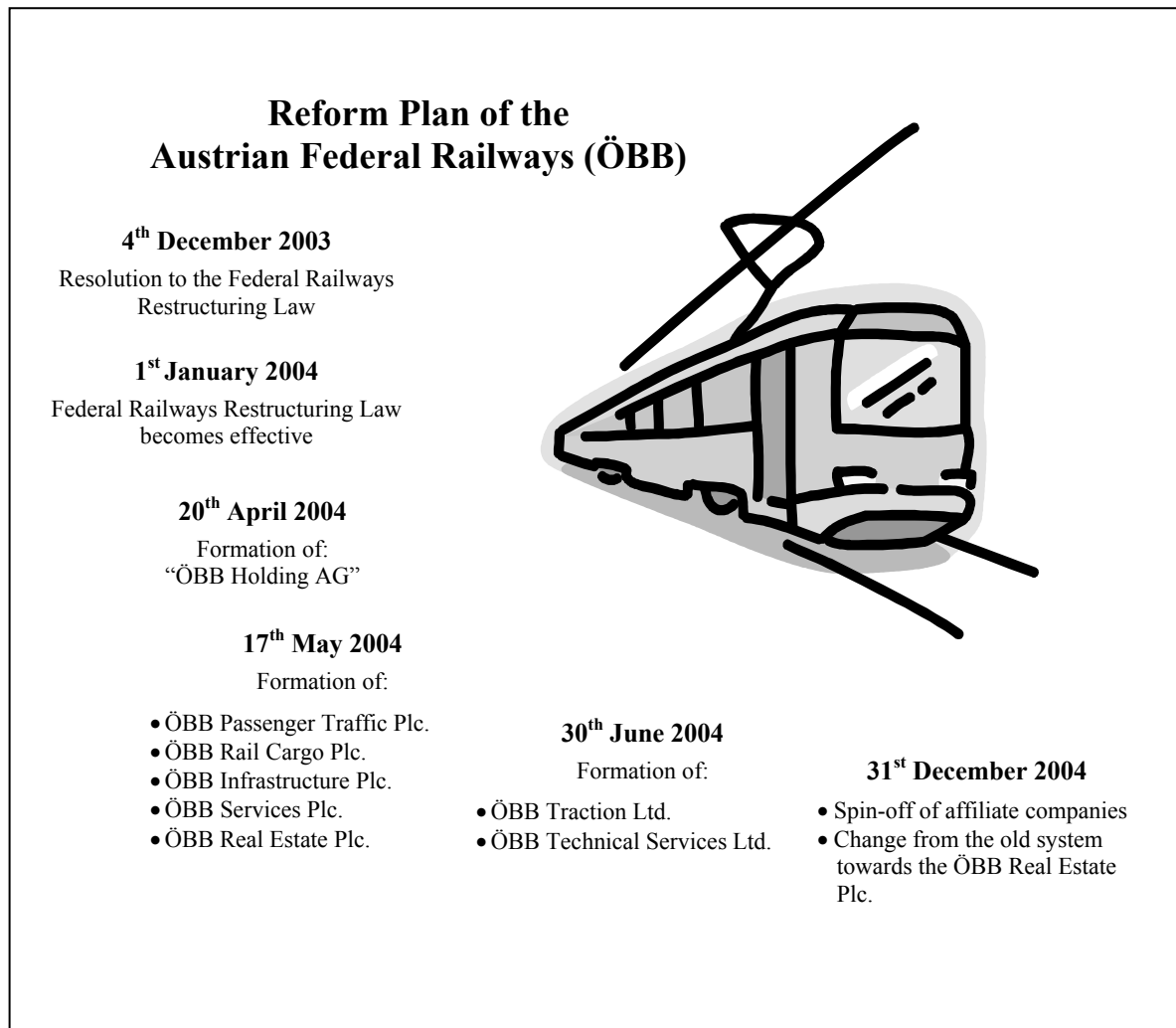


Figure 15: Restructuring plan and its milestones

The new structure of the Federal Railways will meet the demands of the new managerial environment in rail business and ensure that the company is able to adapt quickly and accurately to the upcoming competitive challenges.

2.6 Privatisation

Privatisation – as a key element to structural reform programmes - is not a typically Austrian phenomenon. Rather it is the international answer to similar problems coming along with public sector industry. In virtually all industrialised and most developing countries restructuring programmes of the public sector have been launched with a strong focus on liberalisation and privatisation. The main idea behind privatisation is fed by public choice theory and property rights theory. It is supposed that the incentive structure in the private sector leads to better, more efficient,

more effective and more customer-oriented service provision than in the public sector. So, the state should concentrate on core tasks and leave everything else to the private sector.

Any reduction in scale or scope of governmental involvement is a very general definition of the term privatisation. More specifically, privatisation could be the actual transfer of ownership (assets and/or production of goods and services) from public to private sector. It could also be the transfer of management and ownership, management alone or only several functions. Financial privatisation refers to private financiers of public projects which are covered by public private partnerships (PPP).¹¹⁰ A change of the legal form of enterprise to private or public limited companies is also widespread. The latter is a special method of privatisation through public share offerings. Without going into further details, it should be mentioned that there are different types of privatisation according to the area (operation, financing, etc.) and depth of involvement of the private sector.

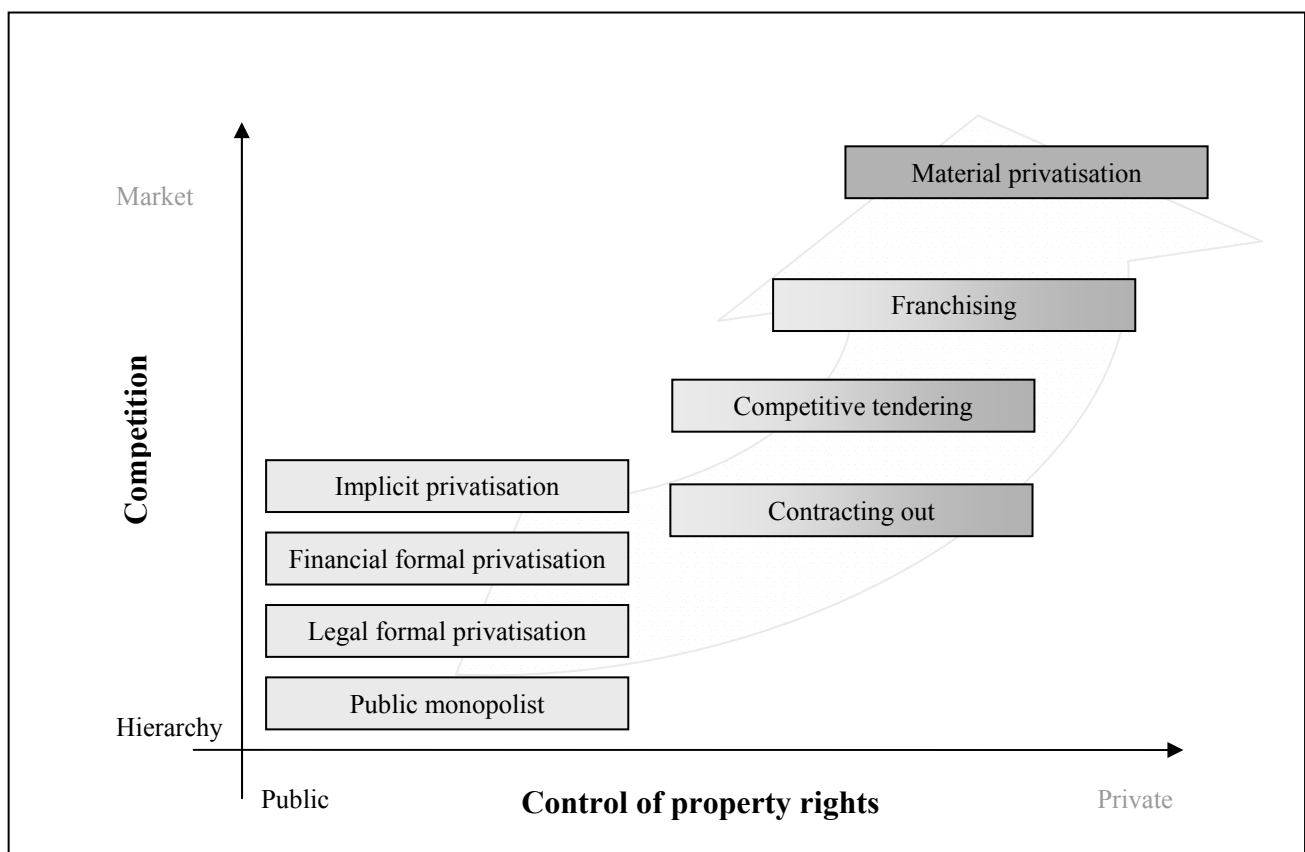


Figure 16: Types of privatisation

¹¹⁰ Denkhaus Ira/Schneider Volker, *The Privatisation of Infrastructures in Germany*, in: Lane Jan-Erik (ed.), *Public Sector Reform, Rationale, Trends and Problems*, Sage Publications, London, 1997, pp. 70 ff.

So, what are the expected advantages coming along with privatisation and divestiture of the nationalised sector? Generally spoken, there are three positive effects resulting from private sector involvement:

- Economic efficiency gains will be achieved. Professional management and market are the main driving forces running the company instead of party policy, prestige of politicians or other “strange” reasons for interference.
- There is no longer a legal obligation of the state to offset any losses of these former public sector companies. Therefore this financial burden will cease and the fiscal situation will improve.
- Revenues from privatisation can be used for financing other programmes or help to reduce the budget deficit.

These general statements about privatisation are summed up in the chart below. Privatisation is one possible answer to the problems caused by too much interference of the state in typical private sector tasks (see Figure 17).

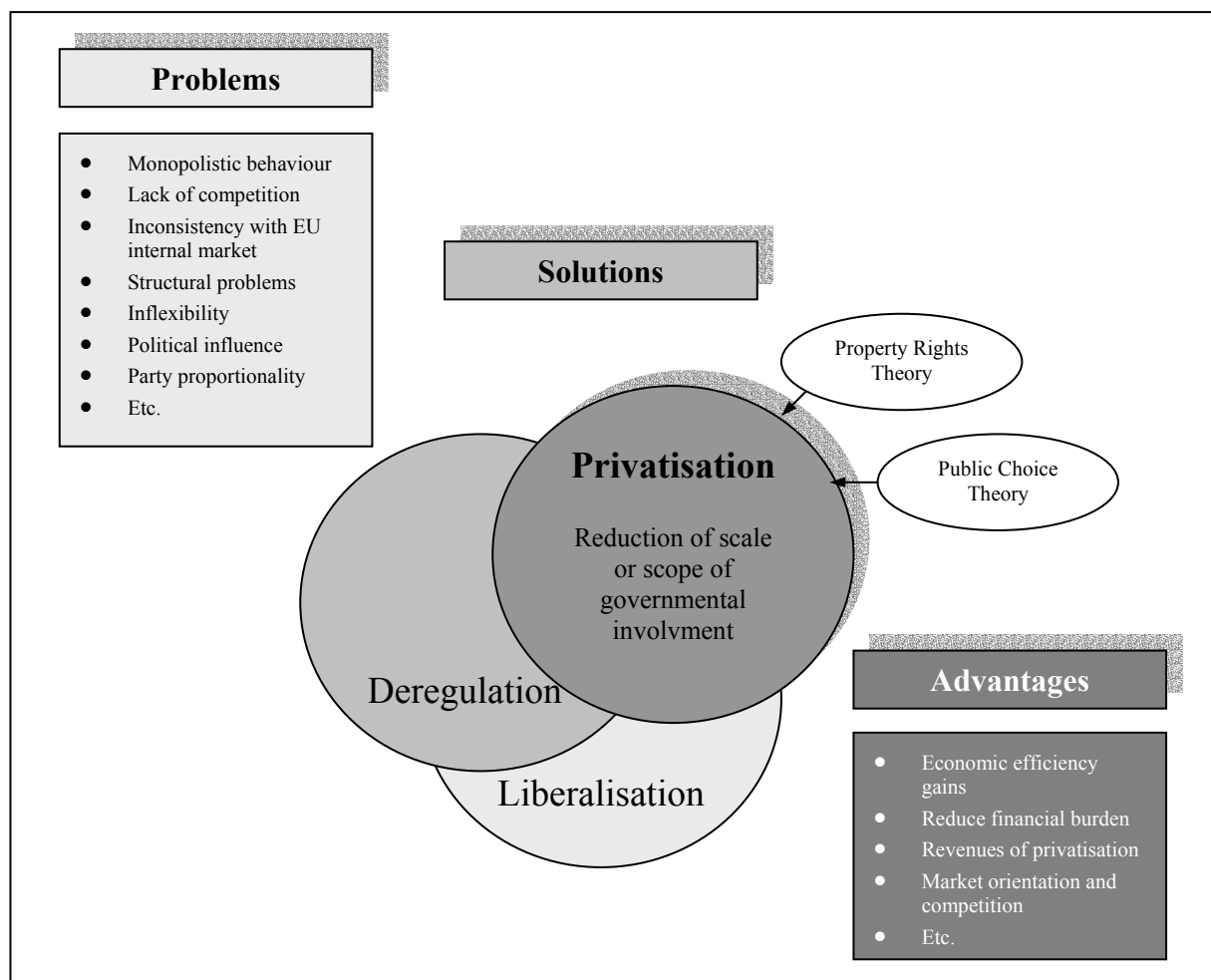


Figure 17: Problems of public sector, solutions and advantages

While supporting privatisation, some of the potential problems with respect to private sector involvement in infrastructures should be mentioned as well:

- Long amortisation periods, meaning that the return of investment is rather late
- Sunk costs and capital intensity, but rather low return on capital
- Some political influence upon planning and construction could be a risk to the investors
- Knowing about the risks, it is therefore very important to privatise wisely and examine the offerings and bidders thoroughly.

2.6.1 Historically Determined Specifics in Austrian Public Sector

The extremely large public sector in Austria, which was the largest in Europe¹¹¹, dates back to the aftermath of World War II. To prevent “German-owned” and former Austrian nationalised companies from Soviet confiscation, the first Nationalisation Act was passed in 1946 and formed the OIAG (Austrian Industry Holding). But only after the occupation forces left, the state took control over these enterprises. All nationalised companies – mainly the manufacturing sector, like coal and metal mining, mineral oil extraction and processing facilities, heavy industry, as well as banks - together accounted for about 20 per cent of value added and were consolidated under the roof of OIAG. Also transportation, energy and telecommunications came into public ownership.

Nationalised industry played an essential role in economic reconstruction. It received large parts of the American reconstruction aid and, therefore, helped to ensure employment. Besides the strong state-owned industry, Austria’s economy has been characterised by a bank-based investment system and a lack of own capital funds in consequence of the predominantly small company size.

Though, the direct political influence as a means of re-election purposes as well as a misuse of employment policy, which favoured political proportionality more than qualifications, caused more and more problems. Moreover, due to monopolistic features and political protection it could bid below world market levels. With the emergence of the oil price shocks and the international steel crisis the (structural) difficulties of the state-owned and run industries became apparent. One crisis followed the next. Between 1980 and 1992 the Austrian state had to offset losses of its nationalised companies amounting to € 4.4 billion, while cutting 55,000 jobs. Growing budget deficits, worsening of debt-to-GDP ratios and unemployment issues contributed to the reform pressure.

Furthermore, spurring globalisation with fierce competition and eventually Austria’s entry to the European Union in 1995 helped to abandon the historically strong interventional policy by the

¹¹¹ Aiginger Karl, The privatisation experiment in Austria, in: Austrian Economic Quarterly, 4/1999, pp. 261 – 270

government. During the last two decades there has been a drastic cutback through deregulation, liberalisation and privatisation of economic activities. Competition protected sectors had to be integrated in the internal market of the EU due to the Maastricht Treaty.

Therefore, the former OIAG as the administrator of public companies changed in 1993 towards a privatisation agency, whose primary task was and still is “... to sell within a reasonable period of time, a majority interest in its directly owned holdings to industrial enterprises. ... As far as economically feasible, Austrian industrial enterprises and industrial value added should be maintained.”¹¹²

In Austria the OIAG - as the new privatisation agency – is responsible for the change of enterprises under public control to the private sector. It follows a formal procedure (see chart below) in order to ensure to make the most and to find the optimal solution for all stake-holders.

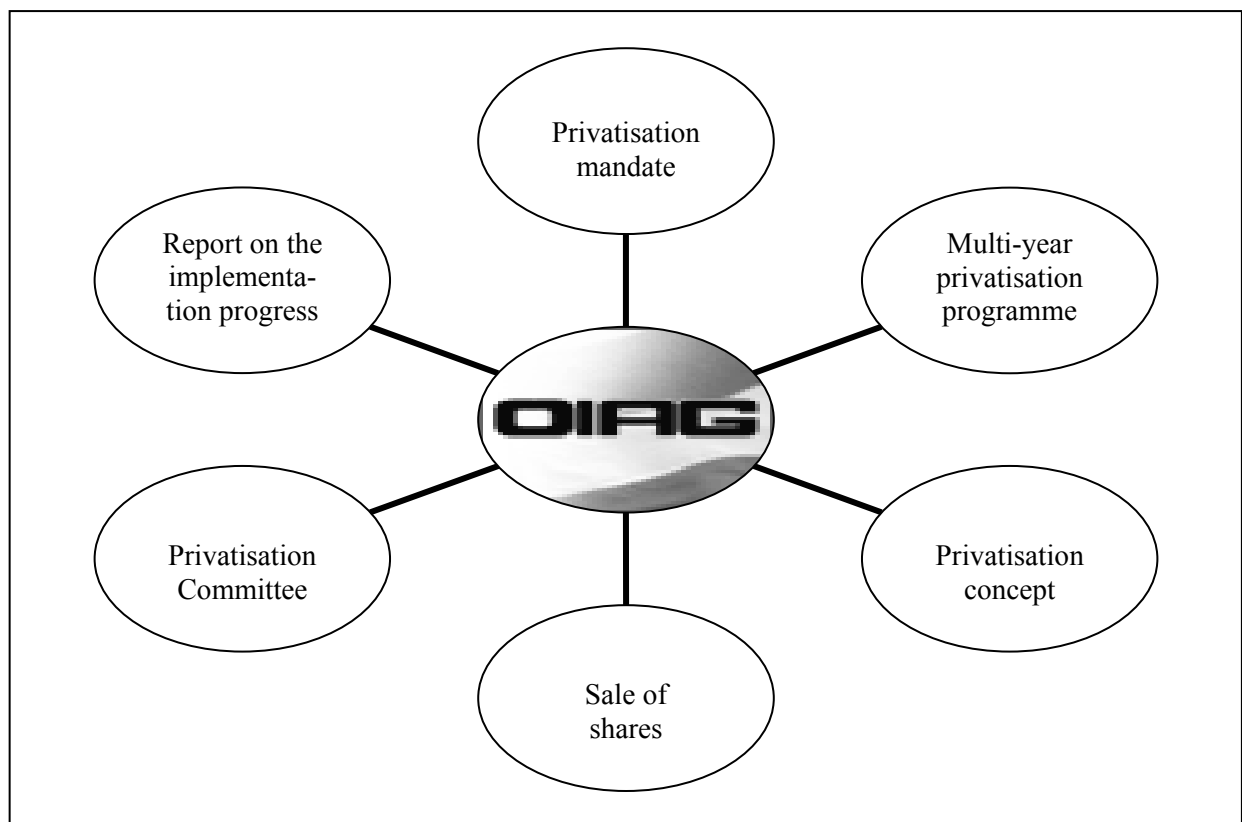


Figure 18: Formal procedure for privatisation projects

The process – based on the OIAG Act 1993 - starts with a privatisation mandate, which is based on a decision of the Council of Ministers and awarded by the Minister of Finance to the OIAG. A

¹¹² OIAG Österreichische Industrieholding AG, The history of OIAG, Online in Internet, URL: <http://www.oeiag.at/english/oiag/geschichte.shtm>, Download: September 7, 2004

multi-year privatisation programme is prepared by the managing board and submitted to the supervisory board for approval. This is also valid for the privatisation concept and has to be submitted on an annual basis. It contains methods of privatisation for the respective project. Established by the supervisory board the privatisation committee is in charge of preparing decisions for the supervisory board and for monitoring the execution of the taken decisions. Furthermore, it might have some authority to make a decision in individual cases. At the general annual meeting the managing board has to report on the progress of the implementation of the privatisation programme. The Minister of Finance reports then to the federal government.¹¹³

2.6.2 Overview of Privatisation in Austria and Comparison with other Countries

Although Austria started rather late to get rid of the public industries and release them to the private sector, there are some interesting facts to it.

In the early 1990s a real trend towards privatisation began to develop. In most countries the wave peaked in the second part of the 1990s. Table 9 shows the respective privatisation figures of privatisation of state-owned enterprises (SOE) for the countries of the European Union and some other industrialised nations. Austria, obtained revenues from privatisation in 1990/91 of only US \$ 80 million, but in 1996/97 it reached a peak of US \$ 3.9 billion. The total proceeds of the period from 1990 to 2000 summed up to US \$ 10.6 billion. These privatisation revenues represent 3.9 % of the GDP (2000), which is relatively low and clearly below the average performance of the EU 15 of 4.2 %.

Country	Total Revenues (1990 – 2000) in Million USD	GDP (2000) in Billion USD	Total Revenues 1990 – 2000 in % of 2000 GDP	Investment of SOE in % of total investment (1978 – 1991)
Austria	10,607	266.3	3.9	6.2
Belgium	9,569	316.1	3.0	8.8
Denmark	6,048	205.6	2.9	13.5
Finland	11,044	165.8	6.6	n.a.
France	74,961	1,755.6	4.2	14.5
Germany	29,549	2,680.0	1.1	11.6

¹¹³ OIAG Österreichische Industrieholding AG, News OIAG, Formal procedure for privatisation projects, Online in Internet, URL: http://www.oeiag.at/english/komm/OIAG_20030623.shtm, Download: September 7, 2004

Greece	12,261	138.1	8.8	17.9
Ireland	7,613	104.8	7.2	n.a.
Italy	98,812	1,204.9	8.2	12.5
Luxembourg	n.a.	24.7	n.a.	n.a.
Netherlands	13,630	494.6	2.7	8.1
Portugal	25,845	128.0	20.2	16.6
Spain	37,476	702.4	5.3	10.7
Sweden	15,960	276.8	5.7	16.0
UK	64,011	1,294.4	4.9	11.0
EU 15	410,321	9,758.1	4.2	n.a.
Norway	2,900	170.5	1.7	22.7
Switzerland	4,426	337.0	1.3	n.a.
Turkey	8,978	205.1	4.3	35.7
Czech Republic	5,438	54.0	10.0	n.a.
Hungary	11,530	54.4	21.2	n.a.
Poland	17,805	163.3	10.9	n.a.
Slovakia	1,979	22.5	8.8	n.a.
Australia	79,771	465.2	1.3	16.4
Canada	10,583	694.4	1.5	n.a.
Japan	61,577	5,639.5	1.1	8.2
New Zealand	9,413	67.6	13.9	n.a.
United States	6,750	9,076.6	0.07	3.7
Total OECD 30	894,057	27,708.6	0.2	n.a.

Table 9: Privatisation of state-owned enterprises: global amount raised from privatisation¹¹⁴

The total revenues in the last decade as a percentage of GDP (2000) are showing that Portugal has reached by far the highest amount of privatisation proceeds of EU member states, namely 20.2 %. Only Hungary with 21.2 % scored higher. Considering some developed OECD countries, New Zealand reaches 13.9 % followed by Poland (10.9 %) and the Czech Republic with 10.0 %. Greece and Slovakia levelled ex equo at 8.8 %, followed by Italy with 8.2 % and Ireland with 7.2 %.

¹¹⁴ OECD, Financial Market Trends, here: No 79, June; OECD (2001), Main Economic Indicators, December, World Bank (1996) and CESifo calculations, in: Belke Ansgar/Schneider Friedrich, Privatisation in Austria: Some Theoretical Reasons and First Results About the Privatisation Proceeds, CESifo Working Paper No. 1123, Category 2: Public Choice, January 2004, Presented at CESifo Conference on Privatisation Experiences in the EU, November 2003, pp. 52 f.

Germany and Japan (1.1 %), Norway (1.7 %), Switzerland and Australia (1.3 %), Canada (1.5 %) and the United States (0.07 %) are at the lowest range with less than 2 % of total privatisation proceeds from 1990 to 2000 as a percentage of the GDP 2000.

Examining the absolute amount of privatisation revenues (in billion US \$) during the 1990s, Italy ranks first with US \$ 98 billion, followed by Australia with US \$ 79 billion, France (74), the United Kingdom (64) and Japan (61). Austria with its total revenues of US \$ 10,607 million is ranked 15 out of 27 countries.

The last column of Table 9 is worth mentioning as well. It indicates the investment taken by state-owned enterprises as a percentage of the total investment over a period from 1978 till 1991. It indicates the importance of the nationalised enterprises. Turkey (35.7 %) and Norway (22.7 %) are heading the list. Greece, Portugal, Australia, Sweden, France and Denmark range between 13.5 % and 17.9 %. Italy comes close to this group with 12.5 %, followed by Germany with 11.6 %. Austria reaches only 6.2 % which is the lowest besides the United States who have traditionally a small public sector.

Privatisation through public share offerings (PSO) is a special approach. Over the years 1961 – 2000, the largest amount of privatisation of state-owned enterprises took place in Japan with 146 billion US \$, followed by United Kingdom with 98 billion US \$, by Italy with 85 billions US \$ and France with 84 billions US \$. Austria is ranked seventeenth out of eighteen countries. Austria's performance (2,692 million US \$ whereof POS of 2,030 million US \$ took place between 1990 and 1999) was clearly below average independent of the exact criterion.¹¹⁵

2.6.3 Prospects of Privatisation in Austria

The Austrian privatisation policy gained importance with the centre-right government that came into office in February 2000. Their declared goal of a balanced budget – the so called “Nulldefizit” – favoured extensive privatisation. The OIAG had to transfer 100 % of companies or interests in companies to new shareholders, strategic partners or to the general public. The companies in question had been Österreichische Staatsdruckerei GmbH, Dorotheum GmbH, Print Media Austria AG, Flughafen Wien AG, Österreichische Postsparkasse AG, Telekom Austria AG and Austria Tabak AG. Böhler-Uddeholm, VA Tech, Voestalpine and Bergbauholding which were already partly privatised have to be completely privatised.

¹¹⁵ Belke Ansgar/Schneider Friedrich, Privatisation in Austria: Some Theoretical Reasons and First Results About the Privatisation Proceeds, CESifo Working Paper No. 1123, Category 2: Public Choice, January 2004, Presented at CESifo Conference on Privatisation Experiences in the EU, November 2003, pp. 11 f.

From 1987 on the following companies were (partly) privatised: Austria Microsystems, Austrian Airlines, AT&S, Böhler-Uddeholm, Energieversorgung Niederösterreich, Flughafen Wien Schwechat, Flender, Immotrust, OMV, Voestalpine Eisenbahntechnik, Voestalpine Technologie, Voestalpine Stahl and Voith, Simmering-Graz-Pauker Verkehrstechnik, Schoeller Bleckmann Oilfield Equipment AG, Schoeller-Bleckmann Edelstahlrohr GesmbH, Bernhard Steinel Werkzeugmaschinen GmbH, Weiler Werkzeugmaschinen GmbH & Co KG, VAMED, GIWOG-Wohnbaugruppe, AMAG, Salinen, VA-Bergtechnik, Österreichische Staatsdruckerei, Austria Tabak, Dorotheum AG, Telekom Austria AG, Österreichische Postsparkasse AG, Print Media Austria AG, Strohal Rotations Druck GmbH, Postbus AG.¹¹⁶

Successful examples of nowadays privately run companies show a positive development of their performance of shares. Böhler-Uddeholm could increase its share by 35.65 % since November 2003, the performance of the Voest share climbed by 17.11 % since September 2003 and Telekom Austria gained 27.44 % since November 2000 (all exchange rates by June 17, 2004).¹¹⁷

Although significant restructuring towards the private sector has taken place since the 1990s, there is still a large potential for further privatisation in Austria. By and large, the Austrian government kept substantial shares of partly privatised enterprises. Considering all three administrative levels (federal, provincial and municipal) and including all public utilities, there is an estimated potential of € 45 billion. Currently, this is in the hand of the federal government, which owns 62 %, the city or province of Vienna 13 %, all other provinces (e. g. Upper and Lower Austria) 14 % and the communes (without Vienna) 11 %.¹¹⁸

2.7 Human Resource Management Reforms

The International Labour Organization¹¹⁹ estimates that at least 200 million people are working in government units world wide. In industrialised countries government employment reached an average of about 18 % of the total workforce. It is a matter of fact that the state is the largest single employer in all countries. Public service personnel comprises persons employed by public authorities at any level of government. The current debate centres around the question of how far

¹¹⁶ For further information on privatisation, their legal basis as well as the new owners, see Federal Ministry of Finance, *Ausgliederungshandbuch*, Online in Internet, URL: <http://www.bmf.gv.at/service/publikationen/download/berichte/ausgliederungshandbuch.pdf>, Download: September 7, 2004, pp. 18 ff.

¹¹⁷ Federal Ministry of Finance, Pressecenter, ÖIAG: Eine österreichische Erfolgsstory seit dem Jahr 2000, Online in Internet, URL: http://www.bmf.gv.at/presse/archiv/2004/juni/oeiag_040618.htm, Download: September 9, 2004

¹¹⁸ Belke Ansgar/Schneider Friedrich, *Privatisation in Austria: Some Theoretical Reasons and First Results About the Privatisation Proceeds*, CESifo Working Paper No. 1123, Category 2: Public Choice, January 2004, Presented at CESifo Conference on Privatisation Experiences in the EU, November 2003, p. 18

¹¹⁹ International Labour Organization, Online in Internet, URL: <http://www.ilo.org>, Download: September 15, 2004

the state should and can introduce market-type mechanisms, involving private contracts, or privatise in order to ensure an effective and efficient provision of services in the public interest. Solutions have obviously been adapted to the context of each country even though there are certain global trends.¹²⁰

2.7.1 From Personnel Administration to Personnel Management

In the traditional model of personnel administration the individual civil servant has a particular set of working conditions – life-long tenure, appointment by a superior authority in contrast to election, positional appointment and promotion, old age security provided by a state pension. – and a career within the hierarchical structure of the public administration. The career service personnel model is associated with a number of advantages and disadvantages. It provides a measure of stability for those inside. It was designed to be non-partisan, while the principles of neutrality and anonymity fitted an administrative or technocratic view of public service. Appointment at the base-grade and steady progression through the hierarchy, even promotion by seniority, should inculcate loyalty to the department and public service and could reduce office politics. But, a system characterised by rigid hierarchy is unable to cope with rapid change. Personnel management should aim to select, appoint and develop the best available employees for the required tasks. Even though this matching cannot be done perfectly in any system, it would be hard to find an example where these three points were performed worse than in the traditional model of bureaucracy. Taking recruits only at the base grade initially aimed at training them for a lifetime of service. A system of promotion by seniority is an acknowledgement either that performance cannot be measured or that everyone has equal performance in administrative tasks. The absence of performance measurement can also lead to other personnel problems. A possibly developing clique of like-minded managers may only hire or promote those of their own kind. In the traditional model of administration, inefficiencies could be hidden for many years. Personnel systems in the traditional bureaucracy era were obsessed with fairness rather than ability to achieve a result while not promoting the most able. It is similarly difficult to provide appropriate reward structures or to remove people who are not performing. The rules inhibit managers' ability to motivate subordinates.

There are several directions of change leading to personnel management and finally abandon the concept of personnel administration:

¹²⁰ Pollitt Christopher/Bouckaert Geert, *Public Management Reform, A Comparative Analysis*, 2nd edition, Oxford University Press, Oxford, 2004, p. 74 ff.
Hughes Owen E., *Public Management and Administration, An Introduction*, 3rd edition, Palgrave Macmillan, New York, 2003, pp. 149 ff.

- Politicians desire public servants, who are more flexible and responsive to the needs of citizens, more focused on results, and more skilful. At the same time, as cutbacks in total numbers are made, personnel expenses decrease.
- A typical development in NPM countries was the appointment of top officials on two-, three-, or five-year performance-related contracts. Traditionally most top officials are career “mandarins” with long experience and well-established personal networks.
- Another direction of change was to link promotion and payment more to performance, by a performance contract on an annual basis, containing specified individual.
- A further important development was the creation of some form of Senior Executive Service (SES), which is a more flexible, responsive, and managerially competent group at the top of public service. An SES would be more mobile because provisions would allow for easier recruitment of competent executives with managerial expertise from outside the public sector, and because the terms and conditions would explicitly include horizontal movement within the political-administrative machine. It would be more responsive partly because the right person to do the job could be moved into the right place at the right time, irrespective of seniority and precedence.
- There are provisions especially of intensive high-level management training programmes.
- The direction in quite a few countries was towards decentralisation of the unified national public service, initially for the day-to-day management of officials, but increasingly also in terms of a widening range of terms and conditions. This development had many consequences. Pay, hours of work, required qualifications, disciplinary and dismissal procedures were, no longer subject of national negotiation by management and union leaders, but subsequently decentralised. This kind of de-privileging has certainly not been followed by all nations. In Italy the terms of service employment have been brought somewhat closer to those prevailing in the private sector, but there are still significant differences especially for more senior grades.

2.7.2 Personnel System of the Austrian Federal Government

The personnel system of the Austrian federal government shows distinct characteristics, especially with regards to legal status of public officials, recruitment arrangements, remuneration and career development.¹²¹

¹²¹ The Federal Chancellery, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004

2.7.2.1 Legal Status of Public Officials

There is a distinction between civil servants and contract staff. Civil servants are appointed (public law service contract) to life-long tenure. Therefore, they can no longer be made redundant. There is an ongoing discussion on limiting tenure to those civil servants involved in jurisdiction. The legal status of contract staff, by contrast, is comparable to private sector employees. Their service contracts are based on specific federal or provincial laws. In general, civil servants and contract staff alike are subdivided into service categories and remuneration grades which basically reflect the required degree of formal education. The Austrian legal system generally does not delimit the sphere of activity of civil servants as opposed to that of contract staff. As a result of various reform measures, public-law contracts have been widely replaced by employment under private-law contracts. Additionally, there are a small number of employment contracts based on general labour law.

2.7.2.2 Recruitment

There is a staff appointment scheme, linked to the budget, containing any post in each ministry. The recruitment decision itself rest with the individual ministries. According to the 1989 Act on the Advertisement of Vacancies all vacant posts in the federal administration must be advertised.¹²² The job advertisement must specify all the requirements stipulated by law for the type of service to be performed in the established post being advertised. It must also indicate the type of selection procedure which will be applied as well as the department to which the application is to be submitted. Applicants are typically screened in a job interview in which the applicant faces several top civil servants of the hiring ministry. Alternatively, hiring decisions are made in assessment centres. The ministries are free to decide whether they hire their personnel already on the civil service track or under contract. In practice, the latter method is the much more frequent. Both tracks can lead to civil service status with tenure after a probation period of six years. During this time employees who do not fulfil the ministry's expectations can be made redundant. To become civil servant, a formal requirement is the civil service examination, which is preceded by a training

Strehl Franz/Hugl Ulrike, Austria, in: Flynn Norman/Strehl Franz (eds.), *Public Sector Management in Europe*, Prentice Hall, London, 1996, pp. 188 f.

¹²² This requirement may be dispensed with or is inapplicable in some cases. The Act on the Advertisement of Vacancies enumerates these exceptions comprehensively, i.e. service in the cabinet of a federal minister or the office of a state secretary. This act does not apply to posts which are subject to other advertising or recruitment procedures laid down in other federal laws.

programme. Large ministries have their own training institutions. The examination is held by permanent examination commissions.¹²³

2.7.2.3 Remuneration

Until 1996 **civil servants** were paid according to their position in a system of service classes. Promotion was neither performance-related, nor did it offer incentives for good performance. Existing review procedures for the individual's performance has never been properly applied in practice: almost all civil servants were rated "excellent" by their superiors. To avoid potential conflicts, the top civil servants hardly made any differentiations in their ratings. Therefore, individual performance had no effect on promotion within the administration or on pay. Consequently, promotion depended largely on seniority.

The Payment Regulation of 1996 has replaced the old service classes by a system which distinguishes nine groups of functions (I-IX). The payment of civil servants consists of their basic salary plus extra pay for (a leadership) function. The extra pay is substantial. Only those civil servants, who occupy a leadership position, are entitled to receive it. Once a civil servant is removed from a leadership position, the extra pay is immediately cancelled. But if the leadership positions are abolished due to ministry's reorganisation, the extra pay will be paid for another three years. The new payment system automatically applies to all civil servants appointed from January 1, 1996 onwards. All others remain under the old system but have the right to opt for the new system.

As **contract staff** is entitled to the equivalent of a further two month's pay annually, in addition to their monthly remuneration, they receive fourteen salaries a year. The remuneration scheme for contract staff consists of a uniform system of scales in each remuneration group. They automatically transfer to the next scale at biannual intervals. The salary differential between civil servants and contract staff at the federal level is insignificant (contrary to provincial and local level), except for university graduates and those with university entrance qualifications. Under the Contract Staff Reform Act, improvements for lower remuneration groups were introduced in early 1999. Thus the remuneration scheme for contract staff has been made more attractive than that applying to civil servants. In addition, it provides for a flatter curve of remuneration levels and for an adequate compensation for higher level tasks.

Today, the adjustment of salaries is linked to rises in productivity. Representatives of the federal government, the provincial governments and the local communities are all involved in the

¹²³ Some of these examination commissions are entirely ministry-based while others also contain representatives of the central personnel department (Federal Chancellery). The foreign ministry is a special case.

negotiations on the adjustment of public service salaries. The agreement reached is generally valid for the entire public service.

2.7.2.4 Career Development

The main objectives of the Human Resources Development Initiative are improving the qualifications of all staff members, encouraging management and motivation, furthering personality development and promoting a communicative public service culture. Therefore, the career development encompasses staff appraisal, training, mobility plans and the establishment of the human resource development function.

- The staff appraisal must be carried out annually and involves all superiors and each of their staff members. It is an instrument of management by objectives and constitutes an occasion for target setting for the next year. Such agreements are reached through co-operation, with due regard to the objectives set by the next higher management level (top-down approach) and taking into account the interests and qualifications of each staff member (bottom-up approach). The staff appraisal can improve the corporate culture by focussing on mutual feedback on quality of co-operation and represent a common quest for possible improvements or, in case of conflict, for solutions to such conflicts.
- Based on the performance attained and the specific interests and skills of each staff member, options for career development are to be discussed and concrete development measures agreed upon.
- Special attention is given to basic and advanced training of public service staff. Three different types of training exist: basic initial training, management training and further training. In the federal administration, a series of institutions offer a variety of basic and further training options. The basic training system has been reorganised. Course contents are being defined by the individual ministries and administrative units, so that it will be possible to use training as a central instrument of human resources development.
- The regulatory framework has been improved towards increasing mobility between government departments, for the purpose of which the federal Job Exchange has been established.

2.7.2.5 Senior Executive Service

The senior executive service of the Austrian federal government (particularly in ministries and administrative units subordinated directly to the minister) adds up to approximately 1,700 civil

servants holding a leadership function. This group of people are playing a very powerful role in fostering public management reforms. To understand the functioning of the Austrian bureaucratic élite, it is necessary to give information about the structures and composition of higher civil service and its position within the political structure.¹²⁴

(1) Appointment of top officials

Appointments to a management level function are made only after the vacancies have been publicly advertised in the official government newspaper. All applications are scrutinized by a board of review which are individually established for each vacancy. Boards of review consist of two members appointed by the minister, one by the civil servants' trade union and one by the central civil service representative body (which normally works closely with the trade unions). A constitutional clause determines that the board members are autonomous and independent. The board is chaired by one of the minister's appointees. The recommendation of the board of review is not legally binding for the minister.

In contrast, positions in cabinets ministériels need not to be advertised. Normally the ministers have clear ideas about whom they want to hire and do so without any formal procedure. Members of cabinets ministériels coming from outside and wishing to continue their career in the regular civil service have to go through the procedure as outlined above. Most top officials are appointed from within the civil service.

(2) Ministerial reorganisation and the fortune of top officials

Each federal minister has organisational power over his or her ministry and therefore the minister can set up or abolish administrative units. The basic precondition for new organisational units, or at least the adequate payment of appointees to these positions, is that they had been provided for in the personnel plan. Under the pre 1996 system incumbents could be removed from leadership positions provided that they were offered a position of the same rank. If this was not the case an "urgent official interest" was required. Civil servants could appeal to the Administrative Court which then had the final say. As long as the case remained undecided new appointments remained provisional. The old system to some extent offered some advantages. A minister could tailor-make the ministry for his or her needs by creating new organisational units, by assigning them most relevant tasks (which were removed from the old units) and by appointing heads who were in tune with the minister. While the creation of new departments was trickier, sub-departments could be established quite easily. If a minister wanted to deprive a department head of power the trick was to

¹²⁴ Liegl Barbara/Müller Wolfgang C., Senior Officials in Austria, in: Page Edward C./Wright Vincent (eds.), *Bureaucratic Élités in Western European States, A Comparative Analysis of Top Officials*, Oxford University Press, Oxford, 1999, pp. 90 ff.

establish a large sub-department. The most frequent reason for ministers to engage in the politics of ministerial reorganisation was related to the party affiliation of senior civil servants. The new system, which became effective in 1996, has changed the accountability of senior civil servants considerably. They can no longer appeal to the Administrative Court. They can appeal to a court-like commission which decides quickly (within four months). The most relevant differences between the old and new systems, however, is that many appointments to positions of the three highest function groups are made only temporary, for a period of five years.

(3) Political role of top officials

The role of the bureaucracy in the development and enforcement of law is very important, especially since Austria is not accustomed to the practice of providing each minister with a group of “temporary civil servants”¹²⁵, like for example in the United States. So, the ministers depend on the co-operation of the bureaucracy. If it does not provide its expertise readily, the minister will have little policy impact and may run into serious political problems. Civil servants, on the contrary, have the power to influence indirectly political decisions by selective information given, or even by holding off their profound knowledge. Furthermore, as they remain in office independently of the legislative period they inherently possess some advantages over politicians.

Although many civil servants are law school trained and the socialisation within the bureaucracy certainly has a unifying effect, bureaucrats are far from being a single, monolithic bloc. Personal rivalries and career interests constitute limiting factors, both to top officials themselves as well as to effective communications with politics.

(4) Party affiliation of top officials

According to the Appointment Law of 1989, civil service recruitment has to be based entirely on objective tests. Moreover, the appointments to a number of leading positions in the public administration are to be made only for a fixed, limited period of time according to professional criteria. However, in practice, these reforms have not substantially reduced the capacity of the government to influence personnel decisions within public administration. The top layer of the civil service is almost entirely appointed on the basis of party affiliation, with appointees belonging to or being loyal to the party in charge of the ministry in question. Going down the middle level of the civil service this still holds true for the overwhelming majority of appointments, although at this level some positions go to supporters of the party

¹²⁵ These civil servants, whose appointment is based on party-political criteria only for the duration of government's term of office, serves as a sort of ‘buffer’ between ministers and their departments.

which is not in charge of the respective portfolio in order to pacify this group within the ministry.

Though changes in the bureaucracy occur at a notoriously slow pace and are difficult to assess, it seems clear that significant changes haven't taken place in the last decades. The power of party ties to determine bureaucratic structures and behaviour has been reduced.

2.7.3 Future Reform Directions

The federal government wants to undertake sustainable steps to harmonise all public remunerations and pension regulations. The legal framework conditions of the public and the private sector should be aligned as far as possible, taking into account specific necessities:¹²⁶

- Standardisation of service and remuneration laws of the regional authorities (provinces and municipalities)
- Uniform federal employees law instead of Civil Service Act and Contractual Employees Act with function-related protection against dismissal and the possibility of taking into consideration vocation-specific requirements
- Equitable distribution of life income
- Reform of additional payments
- Training and further education offensive

2.8 Reform of the University System – A Case Study

Universities have recently been the object of large reform processes across the world, facing strong pressure from their institutional environment to offer new programs and to adopt new governance and management systems.¹²⁷ The reasons of this vast process of reform are usually found in a substantial lack of efficiency and effectiveness of the academic programs and institutions. As a consequence, calls for a more effective and efficient use of resources destined to universities are continuously and increasingly heard. These calls, however, often do not come only from external parties but also from within it, i.e. from professors, teachers, researchers and students. Thus, efficiency, effectiveness, efficacy, flexibility and, in general, market principles, have become quite common words within universities, boosting a so called process of “managerialisation” or

¹²⁶ The Federal Chancellery, Programme of the Austrian Federal Government for the 22nd Legislative Period, Online in Internet, URL: http://www.bka.gv.at/2004/4/7/regprogramm_e.pdf, Download: September 9, 2004, pp. 34 f.

¹²⁷ Rhodes Gary/Sporn Barbara, New Models of management and Shifting Modes and costs of Production: Europe and the United States, in: Tertiary Education and Management, Vol. 8, 2002, p. 3

“corporatisation”.¹²⁸ These developments are in accordance with the New Public Management approach.¹²⁹

2.8.1 Starting Point of Reform in Austria

Since 1990 successive Austrian governments have taken steps to transform the state controlled universities into “autonomous” institutions in order to “improve their academic performance and economic efficiency”. It started in the early 1990s with an Organisation Act, which allowed universities to become more independent from the ministry and to develop more efficient management structures. During the 1990s, a whole range of reforms¹³⁰ ensued, the most prominent of which created a more differentiated higher education market by permitting Fachhochschulen¹³¹ for the first time, which are showing successful development and are highly accepted. Since 1993, these institutions have proliferated very well. At the same time, the ministry launched an Evaluation Act prescribing mandatory evaluation for all courses at the university. Another example of reforms formed the legal basis for establishing private universities through the creation of an accreditation board. Last but not least, in 2001 the ministry introduced tuition fees in Austria for the first time ever. They are in a statutory amount of EUR 363 per semester.¹³² These examples show the general direction of reforms in Austria over the last decade:

- differentiation of higher education market;
- more competitive environment for universities;
- increased accountability;
- more professionalism.

The new legislation encompasses all the major parts of higher education (academic programmes, employment, and organisational structures) and is meant to address the problems of efficiency,

¹²⁸ Bostock William W., The Global Corporatisation of Universities: Causes and Consequences, Introduction, Ante Podium, electronic journal of world affairs published by The School of Political Science and International Relations at Victoria University of Wellington (III/99), Online in Internet, URL: <http://www.vuw.ac.nz/atp/articles/bostock.html>, Download: September 9, 2004

¹²⁹ Leitner Karl-Heinz, Intellectual Capital Reporting for Universities: Conceptual background and application within the reorganisation of Austrian universities, Paper prepared for the Conference “The Transparent Enterprise. The Value of Intangibles.” Autonomous University of Madrid, Ministry of Economy, November 25 – 26, 2002, Madrid, Spain, pp. 2 f.

¹³⁰ Kellermann Paul/Sagmeister Gunhild, Higher Education and Graduate Employment in Austria, in: European Journal of Education, Vol. 35, No. 2, 2000, pp. 157 ff.

Leitner Erich, Academic oligarchy and higher education research, Implications for the reform of institutions of higher education in Austria, in: Higher Education Policy, Vol. 12, 1999, pp. 27 ff.

¹³¹ Pechar Hans, Accreditation in Higher Education in Britain and Austria: two cultures, two time-frames, in: Tertiary Education and Management, Vol. 8, 2002, p. 231 ff.

¹³² Federal Ministry of Education, Science and Culture, Höllinger Sigurd, University reform in Austria: implementation if the University Act 2002 under way, Online in Internet, URL: http://www.bologna-berlin2003.de/pdf/Comment_Austria2.pdf, Download: September 3, 2004, p. 2

effectiveness, flexibility, accountability and competition, and overregulation. Austrian universities have long been characterised by high dropout rates and lengthy time-to-degree. The strong tradition of democratic governance structures, with many committees, has also resulted in a slow decision-making process. Universities are known for their lack of flexibility in institutional management. For example, shifting funds between budget categories has been impossible. Also, the funds are budgeted on an annual basis – leading to what has been coined “December fever” (i.e., heavy year-end spending in departments and institutes). Austrian universities have had an underdeveloped sense of public accountability. They have been under almost no competitive pressure either for students or for faculty. At the same time, the universities are highly regulated institutions, with federal laws and mandates determining almost everything – from salaries, employment, academic programs, and decision-making structures to exam and graduation procedures. As the range for targeted problems indicates, the pressure for reform was felt by both institutional leaders and policymakers. Accordingly, the ministry prepared a new Organisation Act, which was passed by Parliament in July 2002 and the implementation was started in October 2003. The Universities Act 2002¹³³ - the new structure is shown in Figure 19 - creates a framework that will enable the Austrian universities to remain or become attractive and competitive in European and international terms. The universities are to be public institutions with their own legal personalities.

2.8.2 Elements of Reform

In 2004 Austria’s universities were turned into “autonomous” (independent from the federal ministry of education, science and culture), off-budget organisations (corporations under public law) with multi-year budgets and a new type of managerial governance. The ministry will step back into supervisory role, steering the universities from distance through performance contracts. Universities will be able to make the decisions on employment, academic programmes, and resource allocation without ministerial approval.

Performance contracts will form the major steering tool both between the ministry and the university as well as within the university (between rector and the institutes or departments). Contracts will be based on performance measures, like the number of graduates or research productivity. Part of the budget will be allocated based on performance. Universities will negotiate three year unified, lump-sum budgets. With this, the universities gain complete autonomy as to which categories the fund will be allocated (e.g. personnel, equipment, materials, and books).

¹³³ Neuhäuser Rudolf, Institutional Autonomy Versus Government Control (The New University Act in Austria), in: Higher Education Management and Policy, Vol. 16, No. 1, pp. 19 ff.

The civil servant status and tenure of university personnel were abolished for new entrants. Starting with January 1, every university will be an employer, and all new staff entering will make salary arrangements with the unions. The universities will also be able to make individual employment contracts with staff. Legal provision has been made for the possibility, but not the certainty of a “tenure track”. Limited term employment contracts may not be more than six years. Extensions, which are at the discretion of university management, can be terminated. The interests of staff members will be represented by works councils. Under the new Act civil servants at work in the universities will retain all their existing rights, and federal contract staff there will become permanent salaried employees.¹³⁴

The federal government continues to have an obligation to fund the universities. The minister in charge of higher education will conclude three-year performance agreements with all 21 universities. The draft agreements, on which negotiations with the government will be based, will come from the universities. Some 20 % of the budgets will be indicator based. The federal government will not make use of its right to set budgets unilaterally.¹³⁵

The universities will be free to determine the structure of their internal organisation (faculties, departments, institutes etc.). Still, the Act prescribes the form to be taken by management: rectorates (a rector and vice-rectors responsible for given areas) will run the universities. The rector will be the employing officer. The rector will take on a senior management function, supported by a team of vice rectors. The senate will lose most of its former power, focusing instead on academic programmes.

The governance structure will also change dramatically. As a new element university boards will be introduced. The university council will perform strategic functions. It will have seven or nine members, of whom equal numbers will be appointed by the senate and the federal government. These members will elect a further member. The university council will decide on crucial issues like the rector, the organisational structure and plan, the strategic plan, the budget, or the employment structure.

The senate will be responsible for academic matters such as curricula, shortlists for appointments and habilitation – which will no longer have automatic consequences in terms of employment rights or academic careers. The senate will have up to 24 members.

¹³⁴ Federal Ministry of Education, Science and Culture, Höllinger Sigurd, University reform in Austria: implementation of the University Act 2002 under way, Online in Internet, URL: http://www.bologna-berlin2003.de/pdf/Comment_Austria2.pdf, Download: September 3, 2004, p. 1

¹³⁵ Federal Ministry of Education, Science and Culture, Höllinger Sigurd, University reform in Austria: implementation of the University Act 2002 under way, Online in Internet, URL: http://www.bologna-berlin2003.de/pdf/Comment_Austria2.pdf, Download: September 3, 2004, p. 1

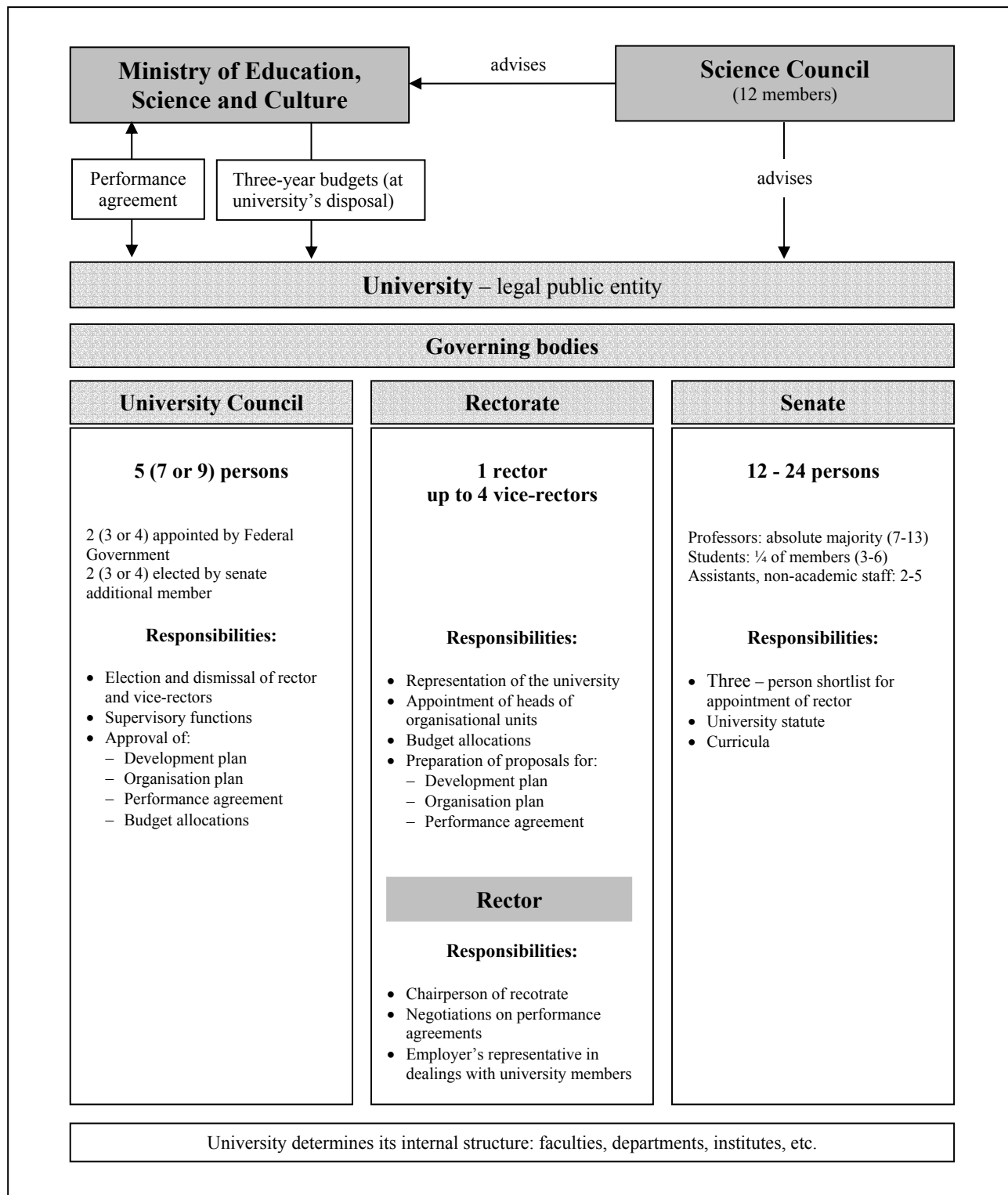


Figure 19: University Act 2002

The arrangements for study law will promote towards the objectives mapped out by the Bologna Declaration. The new Act will favour the changeover from the present diploma programmes to the two-cycle system. It prescribes ECTS. In addition, it will be possible to establish Ph.D. programmes in place of the traditional doctoral programmes.

The universities are obliged to introduce accounting systems tailored to their needs and inspired by private sector accounting style. It will replace traditional fiscal accounting methods. They will be required to submit opening balance sheets, and thereafter annual financial statements, performance reports and intellectual capital reports to the Minister. The Minister will have a duty to report to parliament.¹³⁶

Evaluation will remain a major part of the university, encompassing course, whole programmes, and departments or institutes. Overall, quality control should involve all parts of the institution and should be used for promotions and resource allocation. Global university budgets will be set by law for the initial three-year changeover period, and the first performance agreement will come into force in the fourth year.

2.9 SUPPLEMENT: Performance Measurement: Intellectual Capital (IC) Reporting

Evaluation and accountability have become central features of academic life. The reorganisation of Austrian universities is based on the principles of New Public Management. Apart from new governance structures and labour laws, an important element to implement the transformation according to the new paradigm is the introduction of “performance contracts”. These contracts define the duties of both the universities (studies offered, human resources, research programmes, co-operations and social goals) and the ministry (funding), and assigns a global budget for the duration of three years. The funding, calculated on the criteria of need, demand, performance and social goals, will be based on the development of selected performance indicators fixed within the performance contracts up to 20 %. In addition, every year the universities have to generate a performance report, which provides information about the development and achievement of the contract.

Besides these statutory requirements of performance reporting, the reorganisation of Austrian universities revealed high demand for a new management and reporting system based on the principle of (IC) reporting to give the universities the opportunity to report on their full range of activities and to provide an instrument for internal management tasks and decision-making. The model for IC reporting was finally developed for the Ministry of Education, Science and Culture.¹³⁷

¹³⁶ Federal Ministry of Education, Science and Culture, Höllinger Sigurd, University reform in Austria: implementation of the University Act 2002 under way, Online in Internet, URL: http://www.bologna-berlin2003.de/pdf/Comment_Austria2.pdf, Download: September 3, 2004, p. 2

¹³⁷ The project was carried out by the ARC Seibersdorf research GmbH Systems Research and Montanuniversität Leoben, Institute for Economic and Business Management and funded by the Austrian Ministry for Education, Science and Culture.

It meets the specifics of the knowledge production process in the new organisational and legal context of universities.

IC reporting fulfils two aims. First, it should provide information for the management of intangible resources. Universities have to decide whether, and how much they should invest in the training of scientists, with whom co-operations should be fostered, which research programmes should be emphasised, etc. This way, IC reporting shall help discussing goals and strategies, as well as the operationalisation goals and monitoring their achievement. Second, IC reports should provide external stakeholders with information about the development and productive use of the intellectual capital. Thus, the ministry gets useful information for the allocation of its resources and the management of research programmes but also for defining the national science and education policy.

The framework for IC reporting is based on a model which tries to trace the knowledge production process within universities (see Figure 20). It consist of four main elements: the goals, the intellectual capital, the performance process of intangible resources when carrying out different activities (research, education etc.) resulting in the production of different outputs according to the specific and general goals.

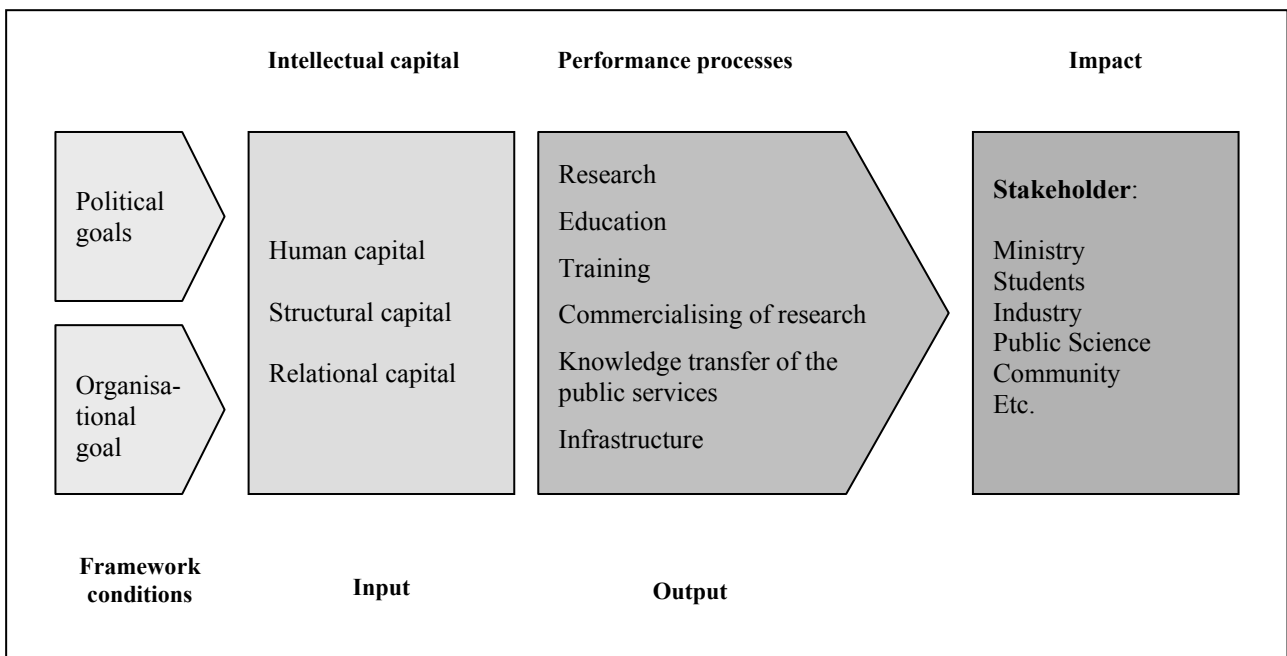


Figure 20: Model for IC reporting of Austrian universities

The development of intellectual capital is guided by political goals, set by the ministry, which, in turn, are based on the Austrian science and education policy, but also by the organisational goals defined by the universities themselves. Within this model intellectual capital or intangible resources are interpreted as the input for the knowledge-production process within universities. Three elements of intellectual capital are differentiated: human capital (staff of the university), structural capital (routines, processes and infrastructure) and relational capital (relationships and networks of the researchers, entire organisation).

Within the project a list of indicators was developed. Whereas some of them are obligatory indicators, others are optional and can be used depending on the context and aims. The design and selection of indicators was based on:

- The set of measures used in the past within Austrian universities;
- Proposed indicators within the intellectual capital literature;
- Findings of the evaluation research.

A list of 200 indicators was proposed, of which 24 indicators will be obligatory for universities.¹³⁸ Some of them are financial figures, whereas most of them are non-financial. The financial assessment of outcomes is the most difficult one. In the case of commercialising, the amount of licensing and the sale of spin-offs are possible answers to that question.

So far, only the Institute for Economics and Business Management at the Montanuniversität Leoben, which had been a partner of the IC project and has long experience in quality management, and the Department for General and Tourism Management at the University of Innsbruck, which undertook a workshop together with researchers of the Institute for Economics and Business Management, have developed an IC report based on the presented IC model.

Clearly, Austria is in the lead among all German-speaking countries for introducing far-reaching reforms. The challenges are enormous and the contested issues are well known. Aspirations are high but it remains to be seen how universities in Austria will deal with this next, and largest, piece of reform in the long and arduous journey to becoming world-class institutions.

¹³⁸ For a complete list see: Federal Ministry of Education, Science and Culture, Wissensbilanzen für Universitäten, Online in Internet URL: <http://www.weltklasse-uni.at/upload/attachments/170.pdf>, Download: September 10, 2004

2.10 Austrian Convention – A Parliamentary Reform Initiative

The current Austrian constitution was drawn up by the jurist Hans Kelsen in 1920. In its version, dating back to 1929, it is still valid today. However, the Austrian constitution has been amended and paragraphs were added more than 80 times. Today, it consists of more than 1,000 constitutional provisions and thus, it is somewhat confusing.¹³⁹ The patchwork of legal regulations, over-regulation, overlapping regulations and even obsolete regulations, hinder efficient and effective governance responsive to today's needs and challenges. In order to establish a solid but lean legal base for a modern Austrian state structure, which will support further reform initiatives, the Austrian Convention was inaugurated on June 30, 2003. The Austrian Convention's aim is to work out an Austrian constitution which is structured, citizen-friendly and efficient. These aims are fully in line with the ideas of NPM.

Until the end of 2004, the members of the Convention will go through the constitution to redefine the relation between the federal government, the provincial government and the EU, as well as to redefine responsibilities amongst the levels of government in their committees. The assembly – chaired by Dr. Franz Fiedler, former President of the Austrian General Accounting Office – consists of 70 representatives of Austria's political life such as the Federal Chancellor, the former Vice-Chancellor, the three presidents of the National Assembly, provincial governors as well as representatives of associations of towns and municipalities and the heads of major democratic institutions. The leaders of all political parties represented in the Austrian National Assembly are taking part, also. Even NGOs are invited to hearings of special topics. The Convention shall work out proposals for reforming the Austrian state and constitution. Therefore, the Austrian Convention is also called 'Constitutional Convention' by the public.¹⁴⁰

Subsequently ten committees were formed to review the constitution. They are formulating proposals for constitutional reform (see Table 10):¹⁴¹

¹³⁹ Österreich Konvent, The Tasks of the Austrian Convention, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905,133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004

¹⁴⁰ Österreich Konvent, The Founding Committee, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905,133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004

¹⁴¹ If agreement with the presidium is achieved, the committees may consult experts for certain debates. The members of the committees may invite guests (one person each) to accompany them to the discussions of the committees, if the committee agrees on this. Furthermore, the members of the presidium may take part in the meetings or send observers to them. The committees also have to hand in a written report about the results of their work.

Österreich Konvent, The Working Groups, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905,133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004

Committee I	Tasks and objectives of the federal state
Committee II	Possible changes to the legal structure
Committee III	State institutions
Committee IV	List of constitutional rights
Committee V	Partitioning of tasks between the federal, provincial and municipal level
Committee VI	Administrative reform
Committee VII	Restructuring of special administrative institutions
Committee VIII	Democratic control mechanism
Committee IX	Legal protection and jurisdiction
Committee X	Financial constitution

Table 10: Committees of the Austrian Convention and their review subjects

As the work of the Austrian Convention is still in progress, no definite results can be given so far. If the envisioned goals were achieved – at least partly – then the Austrian Convention would be a milestone for the development of modern state architecture. However, knowing about the specialties of the Austrian political decision making process, especially whenever all levels of government are included, then ground-breaking changes are highly questionable.

2.11 Conclusions and Summary of Reforms at the Federal Level

At the federal level several reform initiatives have already been brought to a glorious end. But most of the actions launched are still going on and need further efforts to bear fruits.

It is interesting to classify Austria's reform performance in an international context. To do so, the framework suggested and used – though, not for Austria's case - by Pollitt/Bouckaert seems to be practical. They distinguish four main reform patterns, which are summarized in the table below.

Main direction	Characteristics	Nations
Maintain the status quo	<ul style="list-style-type: none"> • Make current structures and practices work better • Tightening up rather than restructuring 	Germany European Commission
Moderniser	<ul style="list-style-type: none"> • Budget reforms • Results of performance- budgeting • Loosening personnel rigidities • Decentralisation • Devolution • Quality management • Strategic planning • Gradual privatisation 	<p>Participatory modernization: Finland, Netherlands, Sweden (northern Europeans: more open and egalitarian culture)</p> <p>Managerial modernisation: Belgium, France, Italy (central Europeans: more hierarchical and technocratic culture)</p>

Marketiser	<ul style="list-style-type: none"> • Quasi-markets • Large-scale contracting out • Market-testing • Contractual appointments • Performance pay for civil servants • More external people coming to the public sector • Reduction of the distinctiveness of the public sector vis-à-vis the private 	<p>Australia, New Zealand, United Kingdom</p> <p>Rhetorically: United States</p>
Minimal State	<ul style="list-style-type: none"> • Everything that could possibly be privatised is privatised • State as “night watchman” 	<p>Nowhere, but in their rhetoric:</p> <p>Thatcher (UK) 1980s National Party (NZ) 1990s Howard (AUS) 1996 Reagan (USA) early 1980s</p>

Table 11: Four reform patterns

Austria has long been part of the first group, because it was slow to change and insisted on its traditional systems and processes. Though, starting in the 90s reform became an important topic and, as shown in the previous sections, the elements of “modernisers” are now vividly practised. Public management reforms are not enthusiastically welcomed, only to forget them as soon as challenges make life hard and the implementation of changes cumbersome, but changes are realised gradually. Step by step and integrated into a legal foundation, the Austrian federal reforms seem to solve the problems of the time. So far Austria can look back to a successful reform history, but should be aware not to rest on its laurels.

As reforming may be a tedious process, it needs still a good deal of political will and action over a long period of time, interim successes to motivate and keep on going, as well as strong links to external think tanks/experts, which can help to keep on track, evaluate plans, implementation and finally results.

This is also true for the other administrative levels, like the provinces and municipalities. Their reform efforts will be described and discussed in further details throughout the following chapters.

3 Public Management Reforms at the “Länder” Level

The provincial governments enjoy – as mentioned in 1.2 – a high degree of autonomy concerning public management reforms. The federal government cannot force provincial governments to change administrative structures and processes in a certain way and manner. Therefore, provinces can follow different pathways of reform. The Austrian General Accounting Office (GAO) scrutinised eight provinces¹⁴² in reference to the current implementation status of NPM concepts. The survey’s basic idea was a comparison concerning NPM at the province level. Questions of interest have been, whether or not NPM instruments were planned, implemented and/or used, how the implementation took place and to what extent their efforts are successful. This cross-sectional review provided a list of typical NPM topics – see Figure 21. The results are summarised in the following paragraphs.¹⁴³

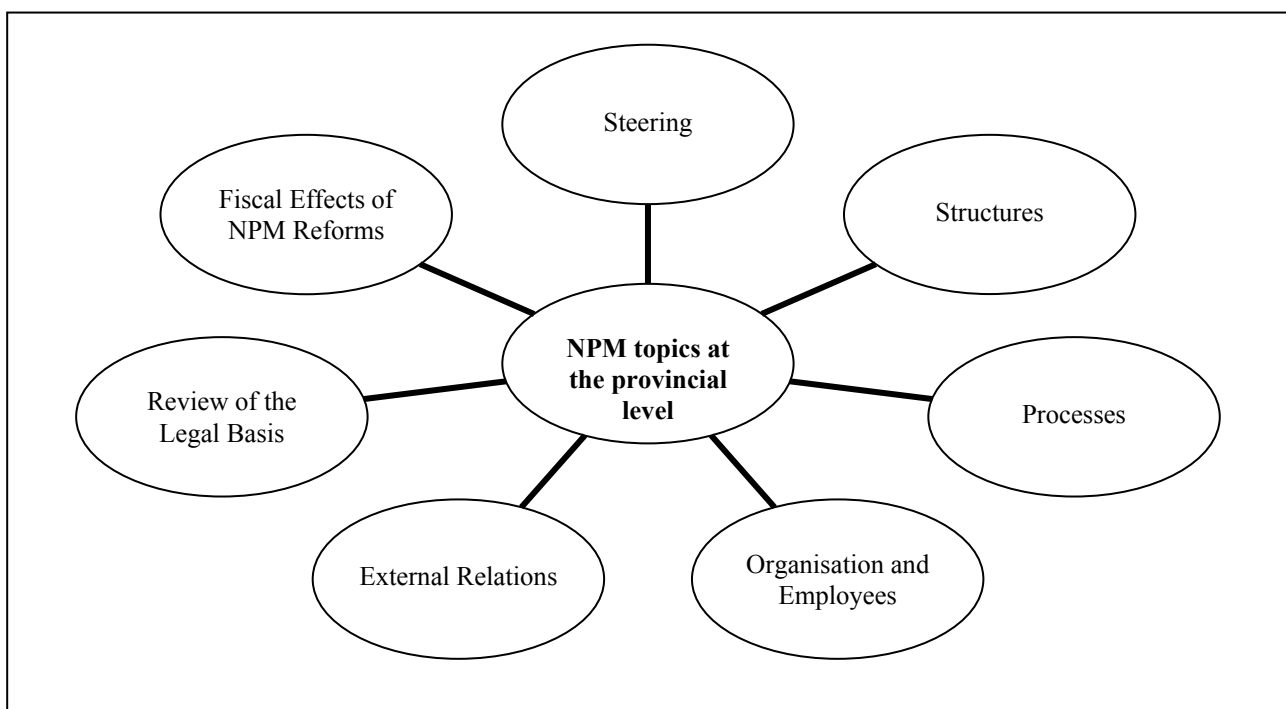


Figure 21: NPM topics at the provincial level

¹⁴² Though, this was without the province and capital of Vienna for the reason of non-comparability concerning its administrative tasks and duties with the other provinces.

¹⁴³ This section exclusively summarises the key findings of the GAO report. Bundesrechnungshof, Wahrnehmungsbericht des Rechnungshofes, New Public Management in den Ländern, Katastrophenvorsorge, Reihe Tirol 2002/3

3.1 Steering

Under the topic of steering, the GAO asked for the existence and concepts for following instruments of NPM:

- **strategic management** at the level of executive government (politicians and senior executives)
- separation of strategic and operative management and
- **performance review** in the sense of services that a province should provide in combination with their funding.

The provinces show a quite mixed picture. While there is hardly any major movement in the provinces of Vorarlberg (V) and Burgenland (B), the provinces of Tyrol (T), Salzburg (S), Upper Austria (UA) and Lower Austria (LA) have more ambitious projects.

Especially Lower Austria can refer to a strategic reform concept, which consists of four phases. Starting in September 1998, Lower Austria undertook a comprehensive performance review, resulting in a product catalogue, and recorded resources needed for the single outputs. At the end of Phase I a catalogue of recommendations for change and possible reorganisation was put together. After Phase I the chief officer of the province administration and the provincial government agreed on output targets. There was a separation of cross-functional responsibilities and service departments as well as separations in the departments as such.

Upper Austria lacks a comprehensive project organisation for its reform concept of outcome-oriented administration (“Wirkungsorientierte Verwaltungsführung”), as it follows sectoral implementation, but nevertheless shows significant progress in reform because of a holistic concept of management control effectiveness (economy, efficiency, outcome-orientation, service quality, customer orientation, etc.). Services and activities undertaken have gone through a review, resulting in the cutback of 346 posts between 1996 and 2001 at an actual potential to cutback 786 posts. Together with external consultants, Upper Austria has been building up business-like planning and steering processes since the year 2000. At the heart of these processes lies the separation of strategic and operative planning- and steering processes, as well as training for senior officers in consciousness for the separation of strategic and operative activities.

Salzburg saw a revision of the already existing product catalogue through the Service Analysis II, together with the further development of its performance indicators system. Performance objectives and targets are set on a permanent basis between politicians and senior officers. For the separation of strategic and operative activities there have been several approaches, ranging from detailed job-

descriptions, to the mission statement of the province administration and role models for executives and employees.

In Tyrol, special focus is on the topics of performance review, efficiency in achieving targets and possible savings and the further development of the provincial cost accounting system. Several working groups have been implemented to organise and implement certain reform steps according to agreements with the provincial government, though a setting of priorities has not been done yet.

Styria reorganised the central province administration to create one central planning and coordinating department and autonomous service departments while **Carinthia** showed some progress in its performance review by comparing activities and services with those of external providers. Funding shall be on the basis of global budgeting and performance targets in the future.

3.2 Structures

Here, the provinces were questioned about reform initiatives concerning the following aspects of a transparent, responsive and accountable administration:

(1) Decentralised Resources and Budgeting

Carinthia has started its decentralisation activities in 1994 with the pilot project “budget centre” in two district agencies and in some departments of the central provincial administration. The results have led to the implementation of global budgeting in all district agencies from January 2000 onwards. The decentralisation of resources shall follow. **Upper Austria** changed the legal basis in 2001 to allow for the implementation of the flexibility clause (see 2.1.2.1 at the federal level), following the example of the federal administration. In Salzburg, all departments of the central administration and the district agencies hold decentralised responsibilities in the use of resources. The department heads are integrated into the selection of personnel. The GAO recommends that further progress shall be made towards global budgeting. Tyrol is developing the existing cost and performance accounting system towards output-oriented budgeting. Vorarlberg decentralised parts of the budgeting process and the use of resources through the means of budget sub-estimates. There are also devolutions of responsibilities in civil service law.

In contrast to these reformers, Burgenland does not show any ambitions in decentralising neither budgets nor decisions about human resources. Lower Austria thinks that there need to be changes in the principle of annual budget estimates before the implementation of global

budgeting. Styria even holds the opinion that in decentralising resources, there is a loss of efficiency.

(2) Break Up of Administrative Structures

Burgenland changed the structure of the departments in the central administration. In moving from 23 to only 10 departments, synergies are gained through the better use of resources and in optimising the fields of activities. The district agencies shall follow soon. Salzburg reduced the number of district authorities' departments from 16 to not more than eight. Lower Austria tried to group connected processes into one organisational entity (like Styria) and to abolish mixed responsibilities. Upper Austria follows the same approach, but awaits the results of further developments in legislation at federal level to decide further reforms in service responsibilities and structures.

(3) Spin-Offs and Outsourcing

The GAO states that in pursuing privatisation or outsourcing a number of criteria shall be fulfilled, like the evaluation of alternatives, the conduct of a cost-benefit analysis, the setting up of an outsourcing/privatisation concept, the continuous evaluation of the achievement of objectives and targets, and so on.

Most of the provinces hived off formerly province-owned hospitals (like Burgenland, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg), and public utilities, like parts of the waste disposal and water supply in Upper Austria and the building construction in Tyrol. They also turned monuments or cultural institutions (like Burgenland's Castle of Esterhazy or the Haydn-Museum, Lower Austria's tourism advertising, Styria's Provincial Museum Joanneum, Vorarlberg's Schloss Hofen and Kultur-Häuser Betriebs GmbH) into private corporate companies (like holdings or private limited companies), some of them are owned by the provinces again.

Some tasks of regulative authorities (Boden- und Baustoffprüfstelle in Upper Austria or the registration of automobiles in Lower Austria, Tyrol and Vorarlberg) are undertaken by private companies nowadays.

In the past years, provinces also contracted out transfer services, like government aid for residential building or housing (Burgenland, Lower Austria, Vorarlberg), social funds (Vorarlberg), Business development (Styria) and so on, and outsourced internal services, like facility management (Burgenland), IT (Carinthia, Lower Austria, Tyrol), print and copy office (Carinthia) and parts of the estate management (Styria, Tyrol).

The attitude towards privatisation and contracting gives a mixed picture. While some provinces show a pragmatic approach in finding the most cost efficient way to provide services, others made mistakes in the privatisation process and therefore are not so much in favour of privatising public services. Styria's Chief Officer of the province administration noted that so far, there were no considerable benefits from outsourcing and establishments of spin-offs as there were mistakes made in the past. Possible cost-reductions are of great importance in Tyrol and Upper Austria besides quality aspects and the safeguarding of former service standards in outsourcing or privatising services. The same considerations might apply to Salzburg, where mainly services shall be outsourced or privatised, for which is already an existing market.

One should note that by the means of privatisation and outsourcing, the provinces of Carinthia and Salzburg also tried to break up structures and concentrate on core activities.

3.3 Processes

As already stated in the 3.2, Styria holds a very strong opinion in complying with the administrative law. For this reason, Styria lags behind the more motivated reformers in the field of structures and processes. Except an area wide cost accounting system and the start of defining products (where there shall be co-operation with Upper and Lower Austria and Salzburg), customer and employee surveys, there is no major progress so far.

(1) Combined Responsibilities for Activities and Resources

This aspect is one of the corner stones of the Upper Austrian reform initiative. Upper Austria plans to integrate responsibilities in several steps to promote cost-consciousness and private-sector attitudes. In contrast, although Lower Austria has a very well developed system of output-orientation and service level agreements between politics and administration in place it does not plan to integrate responsibilities, as long as the legal context will not be changed. Salzburg has partly realised the integration of responsibilities for those areas of the administrative system, where product budgets are existing (which is only true for some central departments). Here, for each product or product group, costs and revenue and expenditure and receipts have been allocated, objectives defined and a person in charge of the product nominated. For the rest of the offices, the resource-responsibilities for the day-to-day business have been delegated. Carinthia planned to implement area-wide global budgeting on the basis of product groups.

(2) Performance Objectives and Agreements

Carinthia has been using performance agreements within the administration since the mid 1990s. Now it is moving towards objective-setting by politicians as clients of the province administration, but a project group is still working on the conceptualisation.

(3) Definition of Outcome Targets

Carinthia planned to work on the outcome targets together with the University of Klagenfurt. The Chief of the province administration thought that the future definition of targets was the duty of politicians. Upper Austria put a workshop in place for defining outcome-indicators. In addition, the chief of the central provincial administration asks the chiefs of the organisational units to define indicators for their own area of responsibilities. Until now, there's no evaluation system existing.

(4) Definition of Outputs and Product Catalogues

Carinthia, Lower Austria, Upper Austria and Salzburg all have developed product catalogues. Carinthia's product catalogue consists of 1,600 products, allowing for a wide range of management control activities. On the basis of the product catalogue, the province also undertook the cost-calculation for each product on the basis of full costs. It is planned to implement an area wide cost accounting system. Lower Austria has defined products as well and calculated the costs of each product, but unlike Carinthia, it is not planned to implement a cost and performance accounting system. The product catalogue is the basis for service level agreements between politicians and administration and within the different levels of hierarchy in the administration. Upper Austria has developed a comprehensive product catalogue, on which a cost and performance accounting concept has been modelled. Each product is a cost unit. Together with the change-over to SAP R/3, the cost and performance accounting concept will be implemented from 2003 onwards. Performance agreements are in place between politicians and administration and within different levels of hierarchy in the administration and are renewed in a two year period. Salzburg has defined products and product groups for all district agencies and for most of the central provincial administrative units.

Burgenland has been working on a product catalogue for the district agencies and for the central province administration.

(5) Cost and Performance Accounting, Management Control and Performance Indicators

The province of Tyrol has a very strong emphasis on cost and performance accounting. The accounting system shall be the basis for further organisational development and shall indicate sources of cost-reductions.¹⁴⁴ The product catalogue is the basis for the accounting system and

¹⁴⁴ Landesrechnungshof Tirol, Rechnungsabschluss 2003 des Landes Tirol, Innsbruck, 2004, p. 62

also for the transparency of the inter-relationships between performance targets, outcomes and quality. Tyrol has been working on the realisation of cost and performance accounting since 1998. The provincial building authority has been operating an integrated cost-unit-accounting system since the beginning of 2001; the district agencies and the rest of the central provincial administration have been operating a cost centre accounting system for the same period.¹⁴⁵ In spring 2004, there were more than 1,900 types of costs and 1,690 cost centres in use within the System of SAP-CO.¹⁴⁶ The product catalogue consists of 60 products of the district agencies at the moment and has been the basis for the cost units plan. With the turn of the year 2004 to 2005, the first test settlements will be done. Presently, the product catalogue is being changed over to the basis of SAP.¹⁴⁷ The use of resources for the implementation of the project so far can be classified as very low,¹⁴⁸ and therefore, it is highly efficient.

Vorarlberg implemented cost and performance accounting in January 2000 as part of its integrated budgeting and accounting system.

Salzburg is only operating a cost accounting system for the area of provincial law to calculate the consequential costs and outcomes of the provincial legislature.

Burgenland started a pilot project for the implementation of cost accounting for the area of road construction.

(6) Evaluation of Outcomes and Governance supported by Management Control

Lower Austria conducted outcome analysis in a view fields only. In Salzburg, within the product budgets and the obligatory reports at the beginning and the end of a fiscal year, for each product and/or product group, the scheduled costs and revenues and outcome targets can be compared to the actual results. This way it is possible to take corrective action if needed.

(7) Quality Management

Lower Austria conducted quality management in a few fields only. Besides complaints management and an internal suggestion scheme, Upper Austria operates a pilot project for the implementation of Total Quality Management, the certification of construction projects and the participation in quality awards. In Salzburg, citizens and customers are asked about their administration on a regular basis. The environmental department possesses a quality certificate, too.

¹⁴⁵ Landesrechnungshof Tirol, Rechnungsabschluss 2003 des Landes Tirol, Innsbruck, 2004, p. 58

¹⁴⁶ Landesrechnungshof Tirol, Rechnungsabschluss 2003 des Landes Tirol, Innsbruck, 2004, p. 59

¹⁴⁷ Landesrechnungshof Tirol, Rechnungsabschluss 2003 des Landes Tirol, Innsbruck, 2004, pp. 60 f.

¹⁴⁸ Landesrechnungshof Tirol, Rechnungsabschluss 2003 des Landes Tirol, Innsbruck, 2004, p. 61

3.4 Organisation and Employees

(1) Organisational Development through Delegation and Project Management

Four of the eight provinces questioned have developed skills in project management (Lower Austria, Upper Austria, Salzburg and Styria) and use them more or less extensively in the handling of major organisational projects.

Burgenland is managing the authorisation procedures for facilities and construction electronically. It is planning to establish a coordinating office for certain aspects (women's rights, etc.). Similarly, Styria has nominated persons in charge for certain processes, like the authorisation of facilities. Several manuals, like the organisation manual, the human resource management manual or the optimisation of processes manual, have been developed and partly or fully implemented. Vorarlberg plans smaller central departments with strategic functions, and the full delegation of operative activities to subordinate levels.

(2) Cross-Sectional Departments for Strategy and Services to Operative Units

Most provinces have organised cross-sectional departments or staff units for the fields of IT (Carinthia, Lower Austria, Salzburg and Styria), car pools and legal aspects. Other cross-sectional areas spanned from bookkeeping, printing and design services to statistics.

Five out of eight provinces have institutionalised strategy and co-ordination groups or staff units, either for administrative reform, or for the advice of senior officers (Carinthia, Lower Austria, Salzburg, Tyrol, Vorarlberg;).

In a few provinces the department for personnel plays a distinctive role in undertaking co-ordinating activities, like Upper Austria (new pension scheme, new remuneration system, flexible employment schemes, new performance judgement schemes), Lower Austria and Tyrol (co-ordination of organisational development process through delegation and project management).

(3) Human Resource Management

Most provinces have implemented a wide range of instruments to motivate and train their employees, like standardised appraisal interviews (Burgenland, Upper Austria, Salzburg), job exchange and/or institutionalised exchange of ideas (Burgenland, Tyrol), further training for employees and senior officers and executives (Upper Austria, Styria, Vorarlberg), human resource development concepts (Upper Austria, Styria). Especially far-reaching is the concept of Tyrol with a focus on marketing activities and communication plans and the nomination of contact persons for each department to answer questions from the public.

Some provinces have also changed considerable parts of the provincial civil service law, like stop of tenures except for a few, sensitive areas (Burgenland, Upper Austria) and development of new pension and remuneration schemes (Upper Austria, Styria and Vorarlberg).

(4) Corporate Identity

Except for Burgenland, all provinces have adopted uniform appearance towards the public, like logos, internet pages, cards, door and name plates, uniform design of publications, paper and stationary, and so on.

Some provinces had worked on mission- and vision statements for the whole provincial administration, like Upper Austria or Salzburg, on special codes of conducts or manuals, like Styria, or on role models for public sector employees, like Salzburg.

3.5 External Relations

(1) Customer and Citizen-Oriented

Though most of the provinces have not fully realised the concept of one-stop shops so far, there is a great variety of initiatives to move towards customer/citizen-orientation all over the country. In Carinthia, a pilot project on the establishment of one single contact point on the internet on the one hand and in the form of a call centre on the other hand is being pursued. There is a large number of service points already existing, like the citizen's office (comparable to one-stop shops, so called Bürgerbüro) of the Landeshauptmann, counsellors for the handicapped and for children and the youth and consultation in the fields of energy, European Union, women' rights, and ethnic minorities.

Lower Austria is engaged in customer surveys in several fields, in a call centre and in the reorganisation of district agencies according to the needs of citizens. It is working on standardised customer surveys and are currently establishing one contact points in each district agency to co-ordinate procedures. Additional, in the capital city of Upper Austria – Linz – a service centre with the centralisation of all offices and entities of the central provincial administration in one building is under construction.

Salzburg concentrates on administrative processes and therefore has nominated employees as contact persons in charge of procedures, which need more than one approval. Styria is busy with processes, too, in trying to deliver authorisations for facilities within three months. Next to the process-orientation, it offers a range of information-instruments, like Bürgerämter, information-points, helpdesks and counselling-days for planning activities and project management. Tyrol has a focus on broad internet-activities as a cross-functional area.

(2) Marketing

In Carinthia, a comprehensive marketing concept for the whole provincial administration is being worked out. Lower Austria and Upper Austria have established a department for media relations (Upper Austria) and a staff unit for public relations (PR) (Lower Austria), which pursue the communications, information and PR activities for the whole Upper Austrian administration and act as a service point for customer satisfaction, customer needs and advertising in Upper Austria. In Lower Austria, the single organisational units conduct their own marketing-activities according to their areas and ideas. Burgenland follows the same approach. Salzburg and Styria informed the public about results and about different topics of administrative reform in the media (press and internet) and in open house events.

(3) Benchmarking on the Basis of Performance Indicators

Although there have been experiences with benchmarking in some of the provinces for the last 10 or 15 years, the understanding of benchmarking is maybe different in the NPM concept. Upper Austria has made comparisons for more than 15 years between the district agencies, but adapted the system according to the product catalogue. Tyrol has been undertaking comparisons in the district authorities since 1994 for the fields of driving licenses, passports and car licenses. Now, indicators are defined on the basis of cost and performance accounting to make comparisons for the cost per kilometre of roads and highways in the field of roads maintenance.

A quite innovative approach is the co-operation of Salzburg and Upper Austria in the undertaking of benchmarking exercise between their district agencies. A further co-operation project between the provinces of Lower- and Upper Austria, Salzburg and Styria on the topic of administrative reform has been planned. Only in Carinthia, benchmarking was conducted between all district agencies. The central provincial administration has been using benchmarking as an instrument for comparing the competitiveness in terms of costs of public service provision in the contrast to private sector provision.

The provinces of Burgenland and Lower Austria conducted benchmarking in a few fields only where there was data. In Burgenland, this was personnel, roads maintenance and social services. Lower Austria compared procedures in the fields of facilities authorisation and water rights (process benchmarking).

(4) E-Government

The concept of the electronic file was appealing to all of the province administrations, but there are significant differences in the state of implementation.

Burgenland offers internet and intranet for all of its employees, but mainly for use of internal processing of applications. It plans the development of e-government and e-portal, and electronic payment possibilities in the district agencies. Carinthia is also in the planning process. As a first step, it plans e-government activities for the most demanded products and services. Styria decided on applications via internet, the electronic file concept and one-stop shops. So far, it has put a working group in place.

Lower Austria has installed one of the largest and latest local networks with focus on the electronic file with the move to the new seat of government in St. Pölten. Upper Austria's approach is co-operation with the federal administration towards the "networked" customer. Here, special focus is given to the citizen and not to the file, as in the "electronic file" concept. In Salzburg, the inter-active application of a file is possible, as well as payment by cash card in all district agencies.

3.6 Review of the Legal Basis

Burgenland is going to undertake changes in the provincial budget order, the standing order of the provincial government and of the central provincial office and the district agency order. Lower Austria thinks that changes are needed to the Act on General Administrative Procedure for full implementation of e-government (electronic file), and to the VRV¹⁴⁹ dating from the year 1997 for the implementation of global budgeting.

Upper Austria and Salzburg are of the opinion that no major changes are needed to the legal basis. Upper Austria's deregulations and movement towards more citizen-friendliness in the legislative system resulted in a significant reduction of laws. Salzburg thinks that no changes are needed except for the case that further decentralisations take place and the central provincial administration turns into a strategic office only.

3.7 Fiscal Effects of NPM Reforms

Most provinces can't make any precise estimates about cost savings resulting from the reform initiatives so far, partly because of insufficient levels of specification (Carinthia) or because important measurement instruments haven't yet been finalised, like Tyrol's cost and performance accounting, partly because cost reductions achieved so far cannot be tracked back solely to the implementation of New Public Management concepts or instruments, like Salzburg comments on.

¹⁴⁹ Voranschlags- und Rechnungslegungsverordnung. Comprises regulations concerning structure of budget and documents with regards to the closing of accounts.

For privatised organisations there are improvements in the financial situation (revenues) in Carinthia. The organisations working as budget centres have not fully used their budgets for the last years. However, these findings are not confirmed by the province of Styria. There were no detectable improvements to budgets or revenues in the privatised spin-offs, a fact which maybe can be explained by the mistakes made during the privatisation process stated above.

Nevertheless, Styria comments on improvements in citizen-orientation, an opinion that is shared by the province of Vorarlberg, which didn't envisage cost-reductions, but an improvement in outcomes and in citizen-orientation. Still, positive influences on the budgets can be felt there. Styria for its part estimates the cost reductions due to some recent reforms: the reduction of posts will save around € 8.36 million per year, the reform in pension schemes and remuneration around € 14.53 million and the implementation of the electronic file will save € 4 million.

3.8 Recommendations to the Provinces and Conclusions

As an impetus for further developments of the reform initiatives, the GAO published the following recommendations for the provinces:

Burgenland
<ul style="list-style-type: none"> • Comprehensive conceptualisation and project management for the implantation of NPM • Concept for the performance review • Creation of a product catalogue • Implementation of service points according to the concept of one-stop shop
Carinthia
<ul style="list-style-type: none"> • Continuative project organisation, as well as time-schedules and implementation concepts • Development of the one-stop shop concept • Full implementation of the existing internet-project "corporate network Carinthia"
Lower Austria
<ul style="list-style-type: none"> • Implementation of integrated, current cost and performance accounting and accomplishing performance indicators • Examination of the pros and cons of decentralising the personnel administration in later periods of the reform initiative
Upper Austria
<ul style="list-style-type: none"> • Systematic control of the realisation of agreements on objectives/target agreements with the operative units • Recording of results of outcome targets and evaluation of them • Development of structures of a systematic approach to Quality management • One-Stop-Shop concept for the district agencies

(3) Processes								
Combined responsibilities for resources and activities		✓	✓			✓	✓	
Performance contracts	✓	✓	✓			✓	✓	✓
Defining Outcomes	✓	✓	✓			✓	✓	✓
Defining Activities/ Outputs	✓	✓	✓	part	✓	✓	✓	
cost and performance accounting, controlling, PIs	part	✓	part	✓	✓	✓	✓	✓
Impact analysis and steering by the means of controlling and	✓	part	✓	part				
Quality management	✓	✓	✓	part				
(4) Organisation and employees								
Delegation and project-management	✓	✓		part		✓	✓	✓
Department for strategy-definition and support services for operative entities	✓	✓	✓	✓		✓		✓
Human Resource Management		✓	✓	✓	✓			✓
Corporate Identity	✓	✓	✓	✓		✓	✓	
(5) Relations to the Public								
Customer orientation	✓	✓	✓	✓	✓	✓	✓	✓
Marketing	✓	✓	✓	✓	✓	✓		
Competition								
Benchmarking (cost and performance accounting/ Controlling)	✓	✓	✓	✓	✓	✓	✓	
E-government	✓		✓		✓	✓		✓
(6) Legal Basis								
Review of changes needed					✓			
(7) Fiscal Effects of NPM-Reforms								
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Table 13: Reform areas and their realisation in the provinces

The GAO published a table, trying to differentiate the current status of reform initiatives in the provinces according to four levels of actual use (including concrete plans) of NPM instruments – see Table 14. Carinthia, Lower Austria and Salzburg are the most advanced provinces, followed by Upper Austria, Styria and Tyrol, whereas Burgenland and Vorarlberg are the latecomers.

	Use or envisioned use of NPM instruments			
	non	partly	predominantly	completely
Burgenland		✓		
Carinthia				✓
Lower Austria				✓
Upper Austria			✓	
Salzburg				✓
Styria			✓	
Tyrol			✓	
Vorarlberg		✓		

Table 14: Use and envisioned use of NPM instruments in the provinces

However, for the time being, it remains still difficult to evaluate the reform initiatives at province level. First, as the provinces are independent from each other, there are as many reform approaches and even more initiatives as there are provinces. Second, each province began its reforms from a different starting point and pursued them with different speed. As the focus is on different aspects in each province, the reform directions have been leading to different situations every where, even though the initial concepts might have been similar (outcome-oriented government, Switzerland; new steering model, Germany). Encouraging projects seem to be starting co-operation in the fields of benchmarking. The progress being made so far with product catalogues, cost accounting and delegation of responsibilities in terms of personnel and financial decisions are considerable and noteworthy. At the moment, most provinces are at the point of recognising legal restrictions that have to be overcome to move further down the reform track. Time will reveal which province is the bravest “moderniser”.

4 Public Management Reforms at the Municipal Level

The 2359 municipalities represent the third tier of government. While federal and provincial governments are exerting legislative competences, municipalities administer and execute the laws. Their legal status is based on the Austrian Constitution Articles 115 – 120. An Amendment of the Municipal Constitution in 1962 established the basic principles of the local self-administration (autonomy), although, their actual implementation is determined by provincial law. Therefore, due to the federal structure there are nine different Municipal Orders. Other than between federal and provincial level, provinces can force their municipalities to certain reform activities.

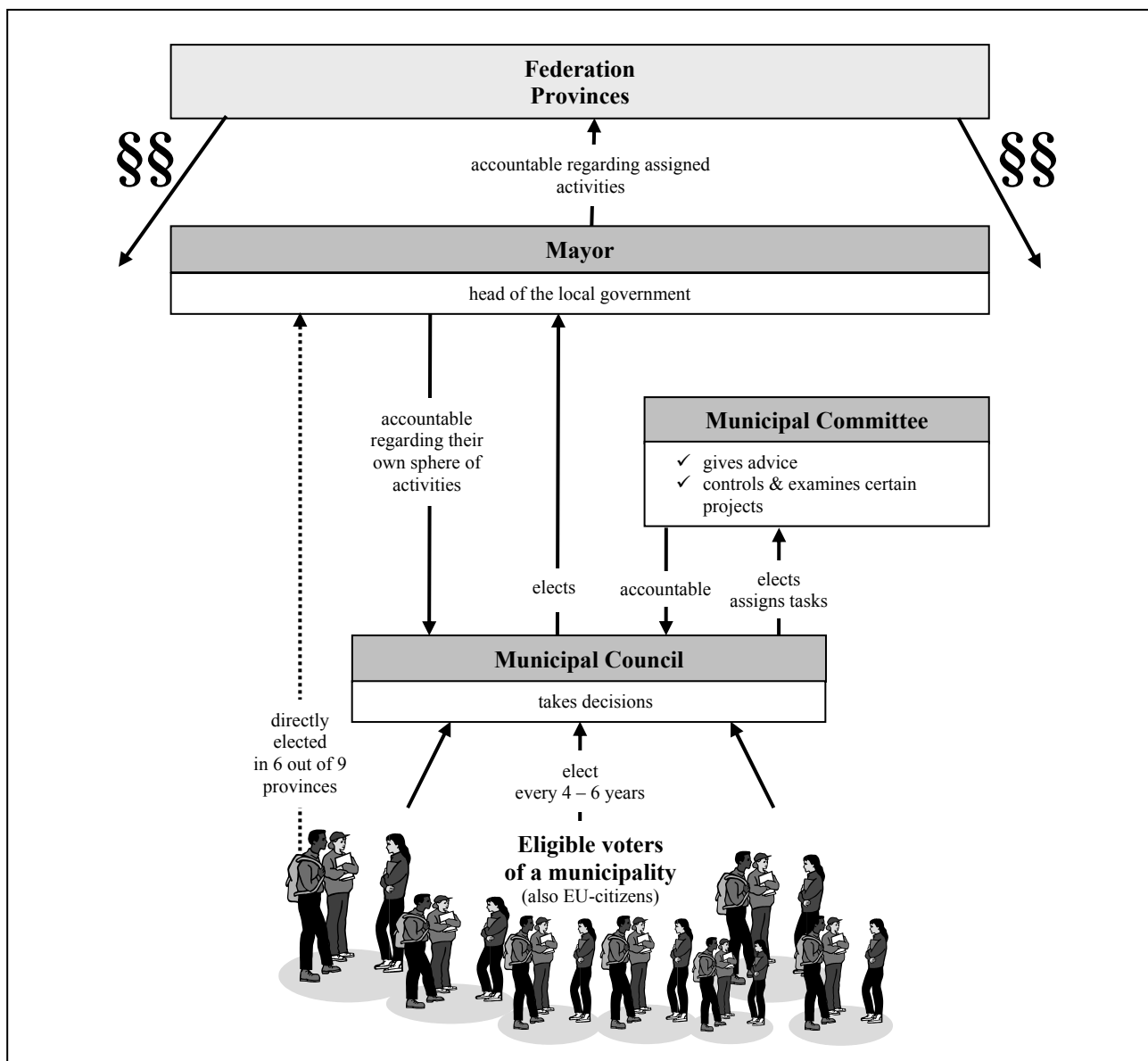


Figure 22: Municipal structure

Each municipality needs to have at least three authorities, whose tasks are legally determined. Depending on the province, the legal voters of a commune elect every 4 to 6 years their municipal council (Gemeinderat, Beschlussorgan). They themselves elect the members of the municipal committee (Gemeindevorstand) and the mayor. Since 1994 mayors can also be directly elected, already applied in six out of nine provinces. Structures, responsibilities and duties are shown in Figure 22.

Austrian municipalities are rather small. The average size according to the population is about 3,500 inhabitants. Table 15 gives a comprehensive list of communes according to their size in the provinces. The capital city of Vienna is an exception, as it is province and municipality at the same time.

Size according to inhabitants	B	C	LA	UA	S	St	T	V	Austria
≤ 500	17	0	18	15	7	66	38	15	176
501 – 1,000	35	9	85	77	17	122	63	22	430
1001 – 2,500	93	67	307	214	34	271	110	27	1123
2,501 – 5,000	21	37	102	97	40	55	47	15	414
5,001 – 10,000	4	11	41	28	16	21	14	8	144
10,001 – 20,000	1	5	13	8	4	5	6	6	48
20,001 – 50,000	0	1	7	3	0	2	0	3	16
50,001 – 500,000	0	2	0	2	1	1	1	0	7
Total	171	132	573	445	119	543	279	96	2358
Vienna									1
Total incl. Vienna									2359

Table 15: Number and size of municipalities¹⁵⁰

The number of citizens and the size (in square kilometres) of the communes determines their funding assigned by the financial equalisation. The total budget of federation, provinces and municipalities amounted to € 138.6 billion in 2001. About two thirds account for the federal level and the other two tiers receive one sixth respectively. Besides these financial means, municipalities can levy certain taxes and duties, like the so called Kommunalsteuer (municipal tax) or the Grundsteuer (real estate tax). Municipalities can borrow a loan, but in some cases they need the approval of the province. The main expenditures can be attributed to personnel and investment. There are about 150,000 employees in Austrian communes – exclusively employees in municipally owned enterprises – adding up to 23 % of expenditures. In other words, there are about 10 to 25 municipal employees per 1,000 inhabitants. Communes contribute for about 70 % of all investments made by the public sector. Moreover, there are approximately 1,400 (for-profit) enterprises owned

¹⁵⁰ B = Burgenland, C = Carinthia, LA = Lower Austria, UA = Upper Austria, S = Salzburg, St = Styria, T = Tyrol, V = Vorarlberg.

ÖSTAT, Einwohnererhebung der Gemeinden vom 31. 12. 1999, Online in Internet, URL: <http://www.staedtebund.at/de/recht/tab1.htm>, Download: September 16, 2004

by municipalities. As they can choose the organisational corporate form which fits best for service delivery, there are numerous corporatised units. These numbers refer to the economic importance of municipalities.¹⁵¹

New Public Management has started to be of interest at the local level, too. There are experiments with management reforms, spin-offs, and co-operation between municipalities. Other than in Switzerland, mergers of communities are neither popular nor a noteworthy topic due to political reasons. A more detailed description of the actual reforms in municipalities will be provided in the following paragraphs.

4.1 Main Topics of Municipal Reform

Two surveys have tried to catch the status of reform in Austrian municipalities within the last four years. The first one dates from the year 2000 and was conducted by KMPG Consulting.¹⁵² The 24 largest towns have been surveyed.¹⁵³ The other one is from the year 2003.¹⁵⁴ In comparing the two surveys, one can see that NPM reforms have been popular, but that the focus of reform has slightly shifted between 2000 and 2003. While in 2000, most municipalities were engaged in drawing up mission statements, implementing quality management concepts, citizen-orientation projects, human resource management tools and modern information technology, as well as focusing on leadership and control and trying to figure out core competences, three years later the emphasis was still on quality management and human resource management. But there started initiatives in human resource development, e-government, cost and performance accounting, output-oriented management and service-oriented reorganisation, benchmarking and municipal co-operation, too.

2003, nearly 80 % of towns stated that a comprehensive reform-strategy was a major topic to them (in comparisons, in the year 2002, it was important for 25%). Especially the reorganisation of the administrative apparatus according to NPM principles gained importance besides the early reform

¹⁵¹ Städtebund, Rechtliche und finanzielle Strukturen der österreichischen Städte und Gemeinden (2004), Online in Internet, URL: <http://www.staedtebund.at>, Download: September 16, 2004

Bodemann Markus, Kommunales Management in Österreich, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 203 ff.

¹⁵² KPMG (ed.), New Public Management in Österreich, Österreichs Städte und Länder auf dem Weg zu effizienten und bürgerorientierten Verwaltungen, Online in Internet: URL: http://www.kmpg.at/vbibliothek/70_1130.htm?page=kpmgstudien, Download: March 23, 2004

¹⁵³ The capital Vienna was not included for reasons of comparison.

¹⁵⁴ Biwald Peter/Hochholdinger Nikola/Sachse Irene, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagenpapier für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet, URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>, Download: March 22, 2004, pp. 6 ff., in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 220

themes of citizen-orientation and optimisation of structures. For most of the towns, modernisation had strong ties with budget consolidation (90 % in contrast to 34 % in the year 2000).¹⁵⁵

A look at the size of the municipalities reveals that there is an increase in all areas of reform independent of the size of municipalities. In towns with more than 10,000 inhabitants, the central NPM-instruments are more or less all covered, in towns with less than 10,000 inhabitants, a holistic, integrated approach seems most appealing.¹⁵⁶

In the following paragraphs the approaches of Austrian municipalities to an efficient municipal administration, as shown in Figure 23, will be illustrated.

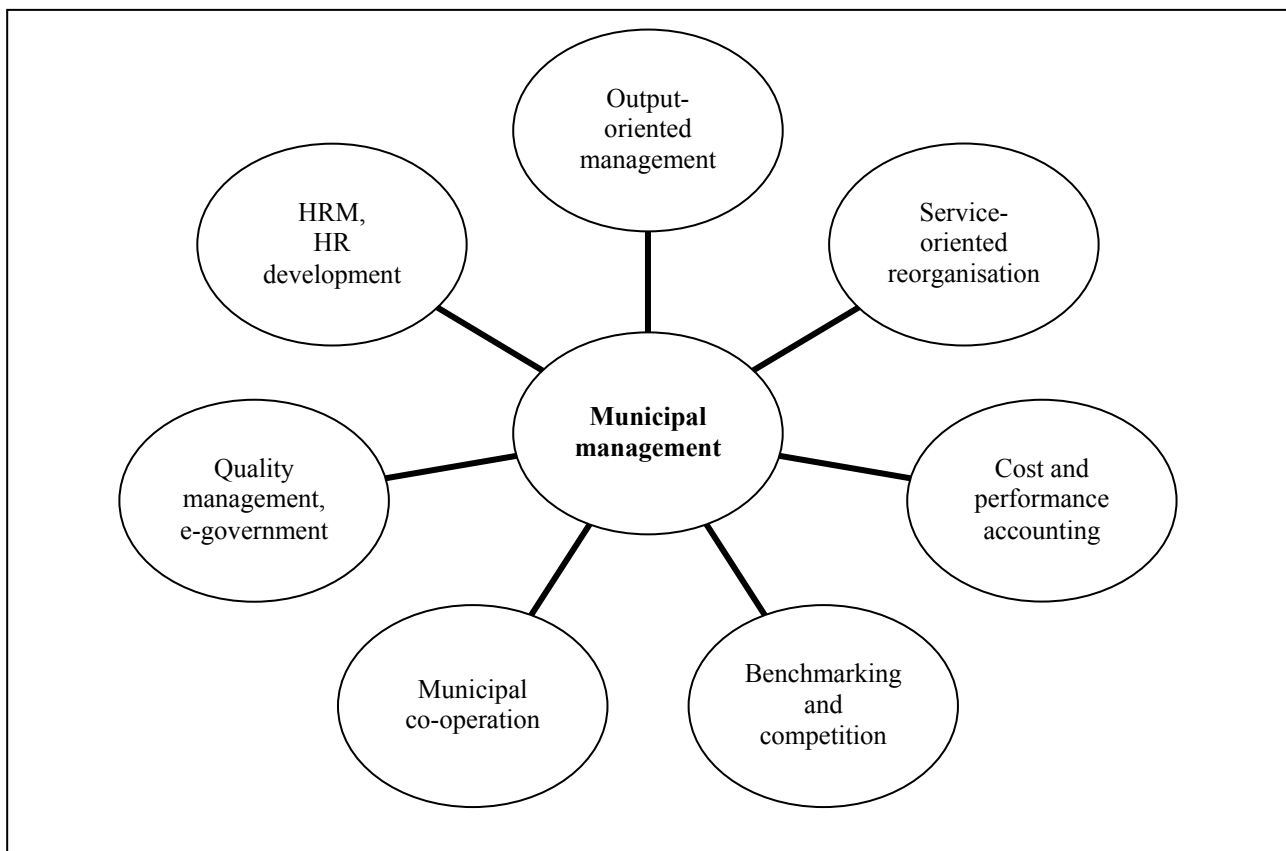


Figure 23: Municipal management

¹⁵⁵ Biwald Peter/Hochholdinger Nikola/Sachse Irene, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagenpapier für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet, URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>; Download: March 22, 2004, p. 6, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 218

¹⁵⁶ Biwald Peter, Online in Internet, URL: http://www.db.staedtebund.at/de/print.ph?ID=45e81409831b7740fbc22afc09f0d78&menue_ID=16&PHPSESSID=2425910a74a86e36acc4aae8413b72b4&P; Download: March 23, 2004

4.1.1 Output-Oriented Management

The implementation of business style steering instruments was the focus of reform initiatives within the last years. At the moment, 34 % of the towns have defined their products and documented them in a product catalogue. 25 % have agreed on performance targets (outcome targets) and performance indicators, 26 % have implemented reporting systems and management control. The integration of the products into the accounting systems is only starting, mainly because of the budgetary restrictions existing at the moment.

4.1.2 Service-Oriented Reorganisation

A large number of municipalities have reviewed their organisational structures within the last few years. There is a trend noticeable towards lean hierarchies and decentralisation. To be more responsive to citizens' needs, citizen's offices and service points have been set up.¹⁵⁷

A further main focus of modernisation has been the reorganisation and restructuring of the municipal administrations. Taking into account already realised and planned projects, around 70 % of all municipal administrations are involved in restructuring and reorganising themselves and contracting or privatising parts of their scope of functions. Approximately two thirds of the municipalities have organised project groups or teams for this purpose. In this context, the question arises which services and activities need to be provided and pursued as such or whether they shall be provided by the municipality or other providers.¹⁵⁸

4.1.3 Cost and Performance Accounting

In regard to tighter budgets, cost efficient service provision is becoming increasingly important. Cost assessment is impossible, as most services and products are insufficiently described. Customers and citizens have ever increasing demands as well, so municipal politicians and senior officers need the support of cost and performance accounting.¹⁵⁹

¹⁵⁷ Bodemann Markus, *Kommunales Management in Österreich*, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, pp. 221 f.

¹⁵⁸ Biwald Peter/Hochholdinger Nikola/Sachse Irene, *Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz*, Grundlagenpapiere für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet, URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>, Download: March 22, 2004, pp. 37 f., in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, p. 222

¹⁵⁹ Bodemann Markus, *Kommunales Management in Österreich*, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, p. 222

In 2003, 44 % of towns asked have implemented cost and performance accounting in some areas, whilst 28 % are operating it throughout the administration. In comparison to the year 2000, twice as many municipalities use this instrument, especially in the area of public utilities (44 %), municipal “Wirtschaftshof” (43 %) and roads construction and maintenance (26 %). Cost and performance accounting is least used in the administration of schools and training institutions, in the health sector and in pursuing sovereign powers (Hoheitsverwaltung).¹⁶⁰

4.1.4 Benchmarking and Competitiveness between Municipalities

In the provinces of Upper Austria, Salzburg, Carinthia and Vorarlberg, the following benchmarking and benchlearning activities have been started:

(1) “CIVES” and “CIVES^{next}”

CIVES is a benchmarking project between the five municipalities of Oberndorf, Saalfelden, Tamsweg, Wals-Siezenheim and Zell am See in the province of Salzburg. Seekirchen, winner of the Speyer Quality Award, is the learning partner of the other five.

(2) Benchmarking circle of Upper Austrian municipalities (IKV OÖ) and “working group on benchmarking in Upper Austrian municipalities”¹⁶¹

Characteristic for the benchmarking ring is a methodical recording of the benchmarking process and the analysis of different areas of activities depending on the size and type of a municipality (rural, mixed, commuters coming in or leaving the municipality). The experience of the municipalities can be summarised as follows:

- Transparency, which means accurate information concerning a field of activities and the products of a municipality
- Training of thinking in terms of results and outputs
- Motivation for employees to take responsibilities and strive for constant improvements
- Higher transparency as the basis for better political decision making and better information of the public

¹⁶⁰ Biwald Peter/Hochholdinger Nikola/Sachse Irene, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagenpapier für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet, URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>, Download: March 22, 2004, p. 36, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 222

¹⁶¹ Members of the IKV OÖ are the municipalities of Neumarkt im Mühlkreis, Moosdorf, Hartkirchen und Engerwitzdorf, members of the working group comprise Allerheiligen im Mühlkreis, Frankenburg, Hartkirchen, Hirschbach, Munderfing, Seewalchen, Scharstein, Kleinzell, Bad Goisern, Marchtrenk and Eberstälzell. GEMPRESS 2001, Online in Internet: URL: http://www.gemdat.at/data/gempress/Gempress_200112.pdf, Download: February 25, 2004

Optimising procedures through e.g. global budgeting in schools, fire brigade etc. or examination, whether in-house or external provision is better

(3) International benchmarking ring Carinthia (IKV)

Starting with 10 municipalities in the year 1997, the IKV has 5 member municipalities today.¹⁶² Spittal/Drau, which has been operating a performance indicator system since 1996, provided its indicators system to the other municipalities which did not have indicators at that time. The municipalities had the possibility to adapt or adopt the system of Spittal. In further work-shops, different areas of activities were compared with one another in the municipalities, the indicators developed, deflections recorded and reasons for deflections analysed. The analysed fields are child care, registration, civil registry office, waste collection, building law, municipal finance, taxes, water and “Wirtschaftshof”.

(4) Benchmarking for sewage and waste water utilities

Within the scope of a research project, 71 operators from the whole country (municipalities, associations and towns) took part, which totalled in 52 sewage water systems and 76 sewage treatment plants with capacity between 5,000 and 500,000 inhabitants. This covers about 20 % of total population served and 25 % of the whole Austrian sewage water capacities. The providers taking part had the possibilities to compare the efficiency of their processes with the best provider (best practice). In the year 1999, for each operator taking part an individual cost and performance accounting system was set up, technical indicators were collected and from the technical and economic data detailed performance records were assembled. For the plants and defined processes (municipal canalisation, canalisation of municipal associations, mechanical or biological sewage purification, thixotropy and stabilisation of sewage sludge etc.), the existing data was analysed and a benchmark defined for each. As a result, each participating provider got:

- Analysis of his data in comparison to the anonymous benchmark organisation
- Individual cost reduction possibilities
- Suggestions for optimising the operation

Irrespective of the size or type of the operator there were cost reduction possibilities for each participant which amount to € 5.5 million in total each year or between 4 and 2 0% for the single operator.¹⁶³

¹⁶² These are Spittal/Drau, Wolfsberg, Hermagor, Leoben (Styria) and Lienz (Tyrol).

¹⁶³ Federal Ministry of Agriculture, Forestry, Environment and Water Management, Benchmarking in der Siedlungswasserwirtschaft, in: Kommunal 2/2002, p. 36

(5) “Learning municipality in the region of the Lake Constance”¹⁶⁴

This project is promoted by the Intereg II programme of the European Union. The idea behind is a co-operation of the municipalities¹⁶⁵ situated around the Lake of Constance concerning learning process and knowledge transfer associated with administrative reform. The focus was on joint training of employees, senior officers and specialists, exchange of trainees and experiences gained as well as joint drafting of reorganisation concepts. The starting point was nearly the same for all municipalities: problems in accepting the necessary shift towards customer orientation and transparency, reduction in funds and therefore constraints to enforce efficiency and effectiveness of the administration.

The project was continued in form of an Intereg III project, where the politicians of the municipalities Konstanz, Friedrichshafen, Überlingen, Radolfzell, Schaffhausen, Kreuzlingen and Feldkirch institutionalised a network for future challenges and support. The network has focused on:

- “fit for the future”: sustainable structures for internal and joint further training of employees
- co-operation: regional development at the Lake of Constance concerning knowledge management, and stronger identification with the region
- Human resource development: support centre for training and further education to achieve a comparable level in qualification of employees (modular, individual, task-oriented, reflexive training)

4.1.5 Co-operation between Municipalities

Within the framework of the symposium “Modern municipal co-operation” of the Austrian Association of Municipalities, together with the Institute for Federalism on the 11th of March in Vienna, one could see that nearly all of the 2356 Austrian municipalities co-operate with at least one other municipality. The most important field of co-operation is the public utility of water and sewage, waste collection, land use planning and social- and health services. There is co-operation in administration, in a building authority and in tourism and commercial activities.¹⁶⁶ From the resulting win-win situation all participating municipalities shall profit.

¹⁶⁴ Lernende Verwaltung in der lernenden Region Bodensee.

¹⁶⁵ Kreuzlingen, Schaffhausen (CH), Konstanz, Friedrichshafen (D), Bregenz, Dornbirn, Feldkirch (A).

¹⁶⁶ Mödlhammer Helmut, Gemeinden setzen auf Innovation und Zusammenarbeit, Für Zukunft gerüstet, in: Kommunal, Vol. 3, 2004, p. 6

(1) Municipalities association “Karnische Region” (District of Hermagor) – co-operation beyond the boundaries of administration¹⁶⁷

The association aims at economic and efficient performing of tasks of the participating municipalities by optimising processes, joint fulfilment of equal activities and centralised fulfilment of activities of regional interest. The main focus of the association is regionalisation and co-operation. The association serves as a model for the whole country.

(2) “Regional Development Ltd.”¹⁶⁸

The municipalities of the districts of Hermagor and the region of Villach-Unterland founded a commercial co-operation. The development company acts jointly with the regional stakeholders (politics, business, and social partners) in the following fields:

- Development of regional projects
- Professional preparation of eligible projects
- Accompanying support in the implementation of projects
- Linking-up and co-ordination of existing institutions and projects

Successfully conducted projects are so far:

- Central sewage water system for most of the district municipalities
- Building of a modern cableway in the skiing-area of Nassfeld
- Building of an adventure outdoor pool in Kötschach-Mauthen
- Building of an education centre in Hermagor
- Building of a golf course for the region
- Planning of a business park for the region

(3) Joint building authority in the Great Walser Valley/Vorarlberg¹⁶⁹

In 2002, the provincial government of Vorarlberg decided to promote co-operation of municipalities and put up promotion guidelines. Six municipalities of the Great Walser Valley which are home to 3,500 inhabitants in total realised a joint administration of residential and commercial building for their areas in Mai 2003. The task of the joint building authority is the counselling and processing of building applications, conduct of negotiations, and preparation of appeals, monitoring of the construction, cost estimation and counselling for the

¹⁶⁷ Österreichischer Gemeindebund, Gemeindeverband Karnische Region im Bezirk Hermagor, Eine Kooperation über Verwaltungsgrenzen, Online in Internet, URL: http://www.gemeindebund.at/archiv/documents/DOKUMENTE/GDE_KOOPE_PANSI_RAUSCHER_0304.pdf, Download: August 6, 2004

¹⁶⁸ Österreichischer Gemeindebund, Gemeindeverband Karnische Region im Bezirk Hermagor, Eine Kooperation über Verwaltungsgrenzen, Online in Internet, URL: http://www.gemeindebund.at/archiv/documents/DOKUMENTE/GDE_KOOPE_PANSI_RAUSCHER_0304.pdf, Download: August 6, 2004

¹⁶⁹ Österreichischer Gemeindebund, Bauverwaltung, Großes Walsertal, Online in Internet, URL: http://www.gemeindebund.at/archiv/documents/DOKUMENTE/GDE_KOOP_0304.pdf, Download: August 6, 2004

municipalities. The advantages of the co-operation are the relief of politicians, promotion by the provincial administration and the district administration of Bludenz, enforcement of joint regional working and the employment of a joint specialist.

(4) Network for personnel administration/Vorarlberg

The Association of Vorarlberg's Municipalities and Municipal IT¹⁷⁰ are ambitious to set up a network for personnel administration for all municipalities. The aim of the network is to provide access to the know-how of towns and larger municipalities in the fields of payroll processing and personnel administration to all municipalities throughout the province. Municipalities interested can ask for support or can outsource the tasks to more experienced municipalities. The network guarantees, that outsourcing municipalities still get the necessary information.¹⁷¹

(5) Co-operation and administrative companionship in the region of Vorderland/Vorarlberg¹⁷²

The aim of this co-operation is to profit from the arising synergies. There have already been a number of co-operations in different areas. At the moment, the administrative companionship works on the following topics:

- Geographic information systems
- Payroll processing
- Book keeping
- Taxes and dues
- Bauhof
- Construction law
- Customer and citizen service
- Know-how transfer
- Co-ordinating functions

(6) Composting plant for Brixlegg, Münster, Rattenberg and Reith i.A./Tyrol

The four municipalities have founded a consortium to operate the joint composting plant, which serves around 1,500 households and 56 enterprises. Per year, around 560 tons of bio-waste are processed to composted earth. The management and especially accounting functions

¹⁷⁰ Municipal IT is an undertaking of all municipalities of Vorarlberg.

¹⁷¹ Anonymous, Personalverwaltung und Lohnverrechnung, Netzwerke der Gemeinden, in: Kommunal, 1/2004, p. 51, in: Bodemann Markus, Kommunales Management in Österreich, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 232

¹⁷² The region of Vorderland in the province of Vorarlberg consist of the municipalities of Fraxern, Göfis, Klaus, Laterns, Rankweil, Röthis, Sulz, Übersaxen, Viktorsberg, Weiler and Zwischenwasser. Concept, Region Vorderland – Kooperationen und Verwaltungsgemeinschaften, 2003, pp. 3 ff.

are carried out by the municipality of Brixlegg on behalf of the other municipalities, who pay for the service. Investment costs are calculated by the number of total households, the costs of composting by the number of households and enterprises actually using the service. The setting of fees is done by the municipalities individually.

4.1.6 Quality Management – E-Government

(1) “Office Manager” 2005¹⁷³

The award themed at “effective administration – less bureaucracy – more environmental protection” is being organised for the 8th time in 2004. Following purposes shall be achieved:

- More citizen-orientation and customer-friendliness
- More efficiency in administrative action
- More commitment from employees
- More innovation (less bureaucracy – more creativity)
- Safeguarding of wealth and progress of the country
- Optimal quality of products and services provided by the administration

(2) Speyer Quality Award¹⁷⁴

In the German-speaking countries, the Speyer Quality Award has special publicity amongst the international quality awards for the public sector. The quality award was founded by two professors of the Speyer Academy of Administrative Science. They define quality of public services or public organisations not only as legitimacy, lawfulness, economy, efficiency and employee and customer-orientation, but also the ability of public sector organisations to communicate, learn and innovate.

The quality award was carried through for the first time in 1992 and takes place every two years. The first two years was with German participants only, but since the third award in 1996, also Austrian and Swiss public organisations have been taking part.

The award is based on the principle of self-assessment and the assessment through experts on site. The most innovative organisation is finally being nominated by an assessment commission.

Having a look at the award throughout the years, one can see modifications not only in regard to the content of modernisation, but also in the selection procedures. The participants of the 6th

¹⁷³ WKÖ, Abteilung für Umwelt- und Energiepolitik, WKÖ sucht „Amtsmanager 2005“, Online in Internet, URL: http://portal.wko.at/dst_SZ_Details.asp?SNID=243779, Download: August 6, 2004

¹⁷⁴ Deutsche Hochschule für Verwaltungswissenschaften Speyer, Speyerer Qualitätswettbewerb, Online in Internet, URL: <http://www.hfv-speyer.de/Qualitätswettbewerb>, Download: April 24, 2004

quality award in 2002 were asked to demonstrate their approach to innovation in one or more of seven topics (strategic management, politics and administration, citizen-orientation, PPP, e-government, HRM, knowledge management) and link it with the general modernisation process. Besides the quality of concepts, the implementation of modernisation approaches is of growing importance in the selection process, as well as the possible gains for and the transferability to other public sector organisations.

The table below gives an overview of the Austrian organisations taking part at the Speyer Quality Award.

year Laureate	3 rd Award 1996	4 th Award 1998	5 th Award 2000	6 th Award 2001
Total number of participating municipalities	7 (D: 4/Ch: 0) A: 3	5 (D: 3/Ch: 0) A: 3	7 (D: 3/Ch: 0) A: 4	4 (D: 4/CH: 0) A: 0
Municipalities from Austria	Feldkirch (modernisation) Langenrohr (first accredited municipality in Europe) Linz (organisational development)	Seekirchen (co-operation politics – administration, citizen-orientation, product catalogue) Spittal a.d. Drau (citizen friendliness, co-operation with local business and college of higher education, Pls)	Schwechat and Salzburg (foreigners' office: citizen-orientation) Salzburg (e-government) Pasching (HRM)	No Austrian participants

Table 16: Speyer Quality Award - participants and winners

(3) Complaints management in Linz

In the municipal administration of Linz (capitol of the province of Upper Austria), there has always been a focus on customer-orientation. The Customer service points and the mission statement can be quoted as examples for this. In 1994, the complaints management was implemented as a part of overall quality management. Complaints management comprises four steps:

- (1) Complaints stimulation
- (2) Receiving of complaints
- (3) Recording and processing of complaints
- (4) Analysis of complaints

The table below visualises complaints management at Linz.¹⁷⁵

Complaints stimulation	Customers and citizens can complain face-to-face at the service point (Mo – Fr 7.00 – 18.00), by telephone or by email and mail
Receiving of complaints	A specific instrument is the programme “Aktiv Linz”, through which employees evoked to report nuisance or grievances of the townscape so that deficiencies in services can be found before citizens have to complain. As an incentive, employees get a small gratification.
Recording and processing of complaints	The complaints are being recorded completely and fast and are structured according to certain standards. Processing times and control possibilities are determined.
Analysing complaints	The aim of analysing complaints is to benefit from the information gained. The resulting quality reports are being put together according to certain criteria, like urban district, processing times and method of complaining (mail, face-to-face, etc.)

Table 17: Complaints management in Linz

(4) Moosburg

A milestone in administrative reform at Moosburg has been the establishment of “Moosburg-service”, a service point for citizens in form the one-stop shop. A big number of services, activities and tasks, where contact with the customer is necessary, have been centralised at the service point. In the future, every employee shall be able to process customers’ inquiries and wishes and the old thinking in departmental boundaries shall disappear. The service point will also be the efficient central information point, so that the citizens don’t have long waits.

Citizens have access to the service point for 41 hours a week. Around 80 % of requests and services are processed at the service point. The municipal administration has published a brochure, which lists the services provided by the municipality, the responsible departments or offices for certain services (death, marriage, etc.), and the documents citizens need to submit. The office and consultation hours can be found in the brochure, too.

(5) E-Government Act

In Austria, there exist a huge number of different e-government activities. The E-Government Act¹⁷⁶ has been providing a secure basis for e-government activities since the March 1, 2004. The Act regulates the complex agenda of communications technology in public administrations.¹⁷⁷

To safeguard the municipal’s constitutional right of self-organisation within their sphere of action, the implementation of the instruments put down in the E-Government Act need not be obligatory. Each municipality has to be in the position to decide on its own whether or not to

¹⁷⁵ Stauss Bernd/Seidel Wolfgang, Beschwerdemanagement, 3rd edition, Hanser, München, 2002

¹⁷⁶ “Bundesgesetz über Regelungen zur Erleichterung des elektronischen Verkehrs mit öffentlichen Stellen”

¹⁷⁷ Huber Martin, Rechtsgrundlagen für den Einsatz der Kommunikationstechnologie, E-Government Gesetz ist beschlossen, in: Kommunal, Vol. 12, 2003, p. 18, in: Bodemann Markus, Kommunales Management in Österreich, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 236 f.

implement e-government instruments. The following table illustrates some major themes of the E-Government Act:

Identification and authentication in electronic contact with the public administration	<ul style="list-style-type: none"> • “Citizens’ Card”: new electronic identity- and authenticity proof under safeguard of data security through area specific individual codes • Citizen’s Card also applicable for the purpose of e-commerce
Electronic certification of data	<ul style="list-style-type: none"> • Aims at the facilitation of the production of electronic documents • The production of often needed documents, like certification of birth or proof of citizenship is eased through recording such documents in the central registration office or other similar offices
Changes in the Registration Act	<ul style="list-style-type: none"> • Changes in citizenship or name can be managed easily through accessing the central registration office • From the June 1, the registration of a birth affects also the registration of the child
Electronic office signature, regulations concerning the submission of the electronic file	<ul style="list-style-type: none"> • The office-signature facilitates the recognisability of a document’s origin. A special office-signature can be used by one office or authority only. • The submission of an electronic file necessitates additional regulations in processing and procedure

Table 18: Major themes of the E-Government Act

For this year, the creation of a municipal portal is planned, connecting all municipalities. With the platform the aim of providing all e-government functions (from land register to registration) to municipalities is being followed.¹⁷⁸ Because of the multi-faceted and intensive contact to citizens, municipalities – together with the district agencies – hold a key position in the implementation of e-government.¹⁷⁹

(6) Use of modern information - and communications technology

According to a survey, the following modules or products of information and communication technology are the most widespread in use: electronic communication software (98 %), municipal data bases, municipal homepages (93 %), services via internet (89 %), and transactions with other municipal, district, provincial or federal authority (79 %). For the future, intranet, planning and management control systems, services via internet and office information services will have the biggest growth rate (around 25 %). In 80 % of Austrian municipalities, the citizens do have the possibility to download forms and applications. In 41 % of municipalities, the forms can be filled in online.¹⁸⁰

¹⁷⁸ Hink Robert, Konvent und Finanzausgleich als Schwerpunkt 2004, Ein Jahr bedeutender Weichenstellungen, in: Kommunal, Vol. 1, 2004, p. 13, in: Bodemann Markus, Kommunales Management in Österreich, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 238

¹⁷⁹ Österreichische Bürgermeisterzeitung, Vol. 11, 2003, p. 6

¹⁸⁰ Biwald Peter/Hochholdinger Nikola/Sachse Irene, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagendokument für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet,

(7) CNC – Corporate Network Carinthia¹⁸¹

The setting up of the CNC started with a pilot project of eight municipalities in 1999. The aim of the CNC is to provide all services at any time to the customers throughout the province. The electronic integration of administrative processes between province, district and municipality are the basis of a citizen-oriented and efficient service enterprise.¹⁸²

Since the year 2001, all Carinthian municipalities have been integrated into CNC and possess modern and uniform communications and information structures. Carinthia therefore is the first province with an area-wide cross-linking of public organisations. Online communication between municipalities is possible without red-tape.¹⁸³

Since the year 2002, the further development of the CNC is the main focus of activities. A number of projects is being undertaken, like civil protection, land register and digital cadastres, with the aim of offering interactive, transparent services close to real life situations at any time to citizens.¹⁸⁴

(8) ICNW – International Communal Network

The CNC is being further developed towards an international network of European communities and municipalities (ICNW). The project which has been set up by the Association of Austrian Municipalities shall set a course in international know-how transfer and in the building of new international contacts. The project is being promoted by the Intereg III C programme of the European Union and shall bundle the knowledge of the municipalities through linking them.

The main focus is on the exchange of experience in the field of land use planning strategies on the one hand and the fortification on rural municipalities through the improvement of municipal infrastructure on the other hand. Thereby, the new members of the European Union and third countries are especially considered. The municipalities can build up partnerships where the transfer of products or knowledge, as well as the building of contacts and the guarantee of an information-flow is of importance.

During five international conferences, the resulting knowledge shall be bundled and the resulting contacts enforced. Six personnel exchange programmes are being prepared at the

URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>, Download: March 22, 2004, p. 43, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, p. 239

¹⁸¹ Österreichische Bürgermeisterzeitung, Kärntner Gemeinden haben das Ohr am Bürger, 56th year, Vol. 10, p. 30
¹⁸² Amt der Kärntner Landesregierung, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid988364780,25362>, Download: March 17, 2004

¹⁸³ Amt der Kärntner Landesregierung, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid1063598400,67611>, Download: March 17, 2004

¹⁸⁴ Amt der Kärntner Landesregierung, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid994156150,30437>, Download: March 17, 2004

moment. The project consist of 34 partners form 13 countries. 9,500 municipalities are integrated and around 100 million inhabitants can profit from the co-operation.¹⁸⁵

4.1.7 Human Resource Management

A citizen-oriented, efficient and effective municipal administration needs motivated and qualified employees. They work results-oriented and ask for performance-oriented payment. Human resources therefore more and more become a critical success-factor.¹⁸⁶ Referring to the survey “Verwaltungsreform in Österreichs Städten”, job descriptions are farthermost developed (70 % of towns surveyed). Every second town has institutionalised talks between senior officer and employee and trains senior officers on management topics. Performance agreements are used in 43 % of municipalities, 33 % have set up human resource training concepts. In 26 % of the municipalities, senior officers have fixed term contracts. A fifth of municipalities have implemented performance-incentive systems. The following graph shows the human resource instruments used in Austrian municipalities.

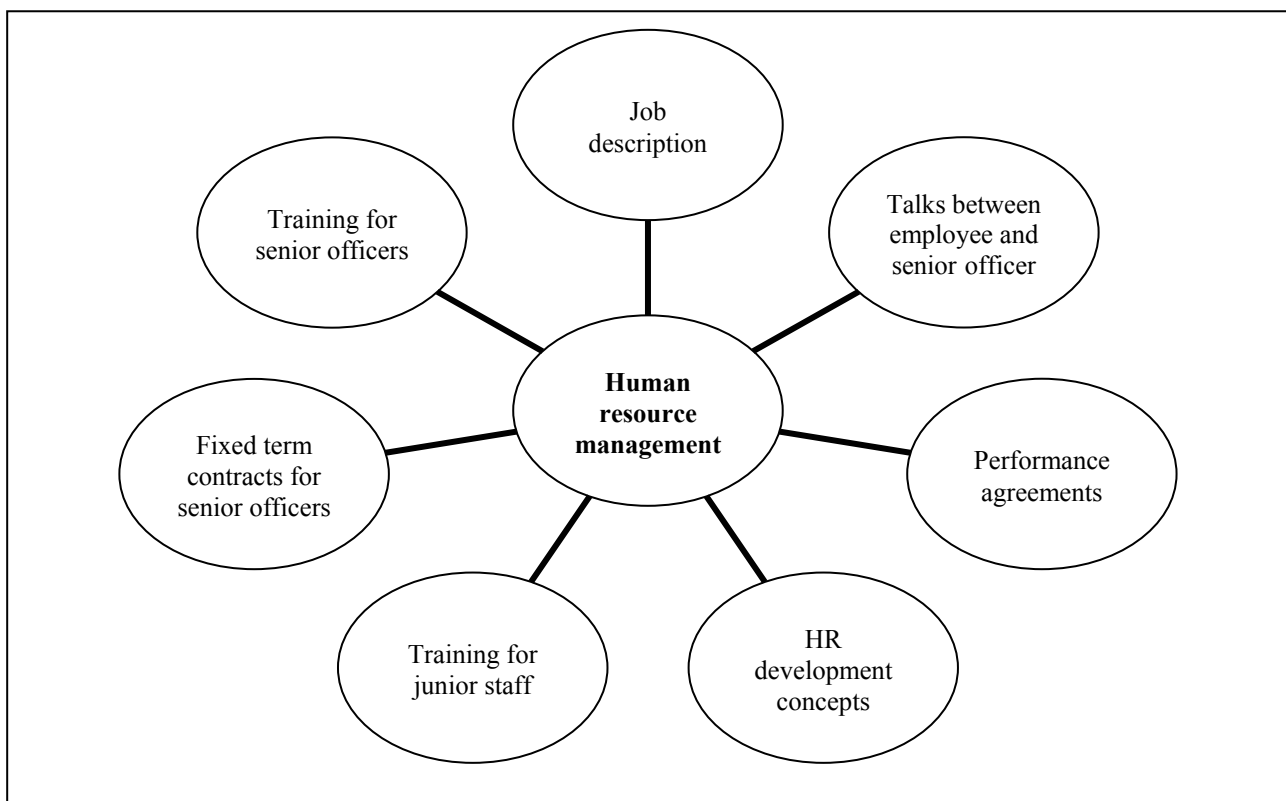


Figure 24: Human resource management

¹⁸⁵ Das Österreich Journal, Know How soll gebündelt werden – Stärkung von Landgemeinden durch Verbesserung kommunaler Infrastrukturen, Online in Internet, URL: <http://www.oe-journal.at/Aktuelles/1003/W2/21710ktnNetzwerk.htm>, Download: March 17, 2004

¹⁸⁶ Promberger Kurt, Anforderungen an eine leistungsfähige Gemeindeverwaltung, in: Promberger Kurt/Bernhart Josef (eds.), Leitlinien der kommunalen Verwaltungsentwicklung, Linde Verlag, Wien, 2004, pp. 26 f.

4.2 Conclusions of Municipal Reforms

As the Austrian municipalities are the most important public sector investors, every Euro in efficiency savings is of direct profit to the local communities. Austrian municipalities have been in severe financial problems for the last years with negative effects on employment and attractiveness as a business location. To overcome these problems, the Austrian Convention is rethinking the distribution of tasks and funding between the levels of administrations. The municipalities have not been passive, neither. The reform fields favoured by municipalities demonstrate citizen a quality-orientation on the one hand, but also gaining efficiency and learning from each other by the forming of co-operations and network on the other hand. It is at the federal government to free the municipalities from huge financial burdens in performing activities on behalf of the federal government.

5 Bibliography

- Aiginger Karl**, The privatisation experiment in Austria, in: *Austrian Economic Quarterly*, 4/1999, pp. 261 – 270
- Anonymous**, Personalverwaltung und Lohnverrechnung, Netzwerke der Gemeinden, in: *Kommunal*, 1/2004, p. 51, in: Bodemann Markus, *Kommunales Management in Österreich*, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, pp. 203 - 268
- Belke Ansgar/Schneider Friedrich**, Privatisation in Austria: Some Theoretical Reasons and First Results About the Privatisation Proceeds, CESifo Working Paper No. 1123, Category 2: Public Choice, January 2004, Presented at CESifo Conference on Privatisation Experiences in the EU, November 2003
- Bellamy Christine**, Moving to e-government, The role of ICT's in the public sector, in: Bovaird Tony/Löffler Elke (eds.), *Public Management and Governance*, Routledge, London, 2003, pp. 113 – 125
- Bernhart Josef**, Stand der Qualitätsorientierung in den Gemeinden Italiens, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, pp. 93 - 148
- Biwald Peter/Hochholdinger Nikola/Sachse Irene**, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagenpapier für den Österreichischen Städtetag 2003, Linz, 2003, p. 43., in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004
- Bodemann Markus**, Kommunales Management in Österreich, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, pp. 203 – 268
- Bouckaert Geert/Van Dooren Wouter**, Performance measurement and management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), *Public Management and Governance*, Routledge, London, 2003, pp. 127 – 136
- Bovaird Tony/Löffler Elke**, Quality management in public sector organizations, in: Bovaird Tony/Löffler Elke (eds.), *Public Management and Governance*, Routledge, London, 2003
- Brady Joseph A./Monk Ellen F./Wagner Bret J.**, *Concepts in Enterprise Resource Planning*, Thompson Learning, Australia, 2001
- Bundesrechnungshof**, Tätigkeitsbericht des Rechnungshofes, Verwaltungsjahr 2000, Reihe Bund 2001/5
- Bundesrechnungshof**, Wahrnehmungsbericht des Rechnungshofes, New Public Management in den Ländern, Katastrophenvorsorge, Reihe Tirol 2002/3
- Chan James L.**, Changing roles of public financial management, in: Bovaird Tony/Löffler Elke (eds.), *Public Management and Governance*, Routledge, London, 2003, pp. 101 – 111
- Concept**, *Region Vorderland – Kooperationen und Verwaltungsgemeinschaften*, 2003
- Davenport Thomas H.**, Putting the Enterprise into the Enterprise System, in: *Harvard Business Review*, July -August 1998, pp. 121 – 131
- Dearing Elisabeth**, New Public Management in der österreichischen Bundesverwaltung, in: Bauer Helfried/Biwald Peter/Dearing Elisabeth (eds.), *Öffentliches Management in Österreich, Realisierungen und Perspektiven*, KDZ, Wien, 2003
- Denkhaus Ira/Schneider Volker**, The Privatisation of Infrastructures in Germany, in: Lane Jan-Erik (ed.), *Public Sector Reform, Rationale, Trends and Problems*, Sage Publications, London, 1997, pp. 64 - 113
- Federal Ministry of Agriculture, Forestry, Environment and Water Management**, Benchmarking in der Siedlungswasserwirtschaft, in: *Kommunal* 2/2002, p. 36
- Gaster Lucy/Squires Amanda (eds.)**, *Providing Quality in the Public Sector, A practical approach to improving public services*, Open University Press, Maidenhead, Philadelphia, 2003
- Hink Robert**, Konvent und Finanzausgleich als Schwerpunkt 2004, Ein Jahr bedeutender Weichenstellungen, *Kommunal*, Vol. 1, 2004, in: Bodemann Markus, *Kommunales Management in Österreich*, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004
- Huber Martin**, Rechtsgrundlagen für den Einsatz der Kommunikationstechnologie, E-Government Gesetz ist beschlossen, in: *Kommunal*, Vol. 12, 2003, p. 18, in: Bodemann Markus, *Kommunales Management in Österreich*, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004

- Hughes Owen E.**, *Public Management & Administration, An Introduction*, 3rd edition, Palgrave Macmillan, New York, 2003
- Kellermann Paul/Sagmeister Gunhild**, Higher Education and Graduate Employment in Austria, in: *European Journal of Education*, Vol. 35, No. 2, 2000, pp. 157 – 164
- Landesrechnungshof Tirol**, *Rechnungsabschluss 2003 des Landes Tirol*, Innsbruck, 2004
- Leitner Erich**, Academic oligarchy and higher education research, Implications for the reform of institutions of higher education in Austria, in: *Higher Education Policy*, Vol. 12, 1999, pp. 27 – 40
- Leitner Karl-Heinz**, Intellectual Capital Reporting for Universities: Conceptual background and application within the reorganisation of Austrian universities, Paper prepared for the Conference “The Transparent Enterprise. The Value of Intangibles.” Autonomous University of Madrid, Ministry of Economy, November 25 – 26, 2002, Madrid, Spain
- Liegl Barbara/Müller Wolfgang C.**, Senior Officials in Austria, in: Page Edward C./Wright Vincent (eds.), *Bureaucratic Élités in Western European States, A Comparative Analysis of Top Officials*, Oxford University Press, Oxford, 1999, pp. 90 – 120
- Lüder Klaus/Jones Rowan**, The diffusion of accrual accounting and budgeting in European governments – a cross-country analysis, in: Klaus/Jones Rowan (eds.), *Reforming governmental accounting and budgeting in Europe*, Fachverlag Moderne Wirtschaft, Frankfurt am Main, 2004
- Mödlhammer Helmut**, Gemeinden setzen auf Innovation und Zusammenarbeit, Für Zukunft gerüstet, in: *Kommunal*, Vol. 3, 2004
- Moody’s Investors Service**, *Global Credit Research, Analysis of Bundesimmobiliengesellschaft m.b.H.*, August 2003
- Neuhäuser Rudolf**, Institutional Autonomy Versus Government Control (The New University Act in Austria), in: *Higher Education Management and Policy*, Vol. 16, No. 1, pp. 19 – 26
- Norris Grant et al.**, *E-Business and ERP, Transforming the Enterprise*, John Wiley, New York, 2000
- OECD**, *Financial Market Trends*, here: No 79, June; OECD 2001, *Main Economic Indicators*, December, World Bank (1996) and CESifo calculations, in: Belke Ansgar/Schneider Friedrich, *Privatisation in Austria: Some Theoretical Reasons and First Results About the Privatisation Proceeds*, CESifo Working Paper No. 1123, Category 2: Public Choice, January 2004, Presented at CESifo Conference on Privatisation Experiences in the EU, November 2003
- Osborne David/Gaebler Ted**, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading MA: Addison Wesley, 1992, in: Pollitt et al., *Agency Fever? Analysis of international policy fashion*, in: *Journal of Comparative Policy Analysis: Research and Practice*, Vol. 3, 2001
- Österreichische Bürgermeisterzeitung**, Kärntner Gemeinden haben das Ohr am Bürger, 56th year, Vol. 10, p. 30
- Österreichische Bürgermeisterzeitung**, Vol. 11, 2003
- Pechar Hans**, Accreditation in Higher Education in Britain and Austria: two cultures, two time-frames, in: *Tertiary Education and Management*, Vol. 8, 2002, pp. 231 – 242
- Pollitt Christopher/Bouckaert Geert**, *Public Management Reform, A Comparative Analysis*, 2nd edition, Oxford University Press, Oxford, 2004
- Pollitt et al.**, *Agency Fever? Analysis of international policy fashion*, in: *Journal of Comparative Policy Analysis: Research and Practice*, Vol. 3, 2001
- Promberger Kurt**, Anforderungen an eine leistungsfähige Gemeindeverwaltung, in: Promberger Kurt/Bernhart Josef (eds.), *Leitlinien der kommunalen Verwaltungsentwicklung*, Linde Verlag, Wien, 2004, pp. 19 - 42
- Rhodes Gary/Sporn Barbara**, New Models of management and Shifting Modes and costs of Production: Europe and the United States, in: *Tertiary Education and Management*, Vol. 8, 2002, pp. 3 – 28
- Rupp Christian**, E-Government in Austria, Keeping up with and anticipating socio-technical developments, in: ICA International Council for Information Technology in Government Administration, No. 82, General Issue, June 2004
- Stauss Bernd/Seidel Wolfgang**, *Beschwerdemanagement*, 3rd edition, Hanser, München, 2002
- Strehl Franz/Hugl Ulrike**, Austria, in: Flynn Norman/Strehl Franz (eds.), *Public Sector Management in Europe*, Prentice Hall, London, 1996, pp. 172 - 208
- The Federal Act on Provisions Facilitating Electronic Communications with Public Bodies**, March 1, 2004.

Winter Arthur/Csoka Stefan, Ein Meilenstein in der Haushaltsführung des Bundes, in: VerwaltungHeute, Vol. 32, April 2000, pp. 6 – 7

Internet Sources

- Amt der Kärntner Landesregierung**, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid988364780.25362>, Download: March 17, 2004
- Amt der Kärntner Landesregierung**, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid1063598400.67611>, Download: March 17, 2004
- Amt der Kärntner Landesregierung**, Online in Internet, URL: <http://www.ktn.gv.at/cgi-bin/redaktion/homepage.cgi?newsid994156150.30437>, Download: March 17, 2004
- Athukorala Lakshman S./Reid Barry**, Accrual Budgeting and Accounting in Government and its Relevance for Developing Member Countries, Asian Development Bank, 2003, Online in Internet, URL: http://www.adb.org/Documents/Reports/Accrual_Budgeting_Accounting/chap02.pdf, Download: September 13, 2004
- Austrian Federal Administration**, Administration at a Glance, Performance Report of the Austrian Federal Administration, November 2002, Online in Internet, URL: <http://www.bmols.gv.at/framevwinnov.html>
- Biwald Peter**, Online in Internet, URL: http://www.db.staedtebund.at/de/print.ph?ID=45e81409831b7740fbc22afc09f0d78&menue_ID=16&PHPSESSID=2425910a74a86e36acc4aae8413b72b4&PHPSESSID=2425910a74a86e35acc4aae8413b72b4
- Biwald Peter/Hochholdinger Nikola/Sachse Irene**, Verwaltungsreform in Österreichs Städten – eine Zwischenbilanz, Grundlagenpapier für den Österreichischen Städtetag 2003, Linz, 2003, Online in Internet, URL: <http://www.kdz.or.at/kdz/grundlagen/sttg2003/managementsummary.pdf>, Download: March 22, 2004, p.
- Bostock William W.**, The Global Corporatisation of Universities: Causes and Consequences, Introduction, Ante Podium, electronic journal of world affairs published by The School of Political Science and International Relations at Victoria University of Wellington (III/99), Online in Internet, URL: <http://www.vuw.ac.nz/atp/articles/bostock.html>, Download: September 9, 2004
- Das Österreich Journal**, Know How soll gebündelt werden – Stärkung von Landgemeinden durch Verbesserung kommunaler Infrastrukturen, Online in Internet, URL: <http://www.oe-journal.at/Aktuelles/1003/W2/21710ktnNetzwerk.htm>, Download: March 17, 2004
- Deutsche Hochschule für Verwaltungswissenschaften Speyer**, Speyrer Qualitätswettbewerb, Online in Internet, URL: <http://www.hfv-speyer.de/Qualitätswettbewerb>, Download: April 24, 2004
- Eironline – European Industrial Relations Observatory On-line**, Restructuring of Austrian Federal Railways leads to strikes, Online in Internet, URL: <http://www.eiro.eurofound.eu.int/2003/12/feature/at0312103f.html>, Download: September 3, 2004
- Federal Ministry of Education, Science and Culture**, Höllinger Sigurd, University reform in Austria: implementation if the University Act 2002 under way, Online in Internet, URL: http://www.bologna-berlin2003.de/pdf/Comment_Austria2.pdf, Download: September 3, 2004
- Federal Ministry of Education, Science and Culture**, Wissensbilanzen für Universitäten, Online in Internet URL: <http://www.weltklasse-uni.at/upload/attachments/170.pdf>, Download: September 10, 2004
- Federal Ministry of Finance**, Ausgliederungshandbuch, Online in Internet, URL: <http://www.bmf.gv.at/service/publikationen/download/berichte/ausgliederungshandbuch.pdf>, Download: September 7, 2004
- Federal Ministry of Finance**, Pressecenter, ÖIAG: Eine österreichische Erfolgsstory seit dem Jahr 2000, Online in Internet, URL: http://www.bmf.gv.at/presse/archiv/2004/juni/oeiag_040618.htm, Download: September 9, 2004
- Federal Ministry of the Interior**, Exekutivreform: Diskussionsvorlage Team04: Umsetzungsvorschlag einheitlicher Wachkörper „Bundespolizei“, Online in Internet, URL: <http://www.bmi.gv.at/downloadarea/publikationen/exekutivreform/vorschlag0304.pdf>, Download: August 23, 2004
- GEMPRESS 2001**, Online in Internet: URL: http://www.gemdat.at/data/gempress/Gempress_200112.pdf, Download: February 25, 2004

- Help.gv.at**, Information about this site, Online in Internet, URL: <http://www.help.gv.at/Content.Node/73/Seite.730200.html>, Download: September 6, 2004
- International Labour Organization**, Online in Internet, URL: <http://www.ilo.org>, Download: September 15, 2004
- KPMG (ed.)**, New Public Management in Österreich, Österreichs Städte und Länder auf dem Weg zu effizienten und bürgerorientierten Verwaltungen, Online in Internet: URL: http://www.kmpg.at/vbibliothek/70_1130.htm?page=kpmgstudien, Download: March 23, 2004
- ÖBB**, Bahn-Bilanz 2003: ÖBB erwirtschaften solides Ergebnis, Online in Internet, URL: http://www.oebb.at/Newsroom/OeBB_Journal/Bilanz2003/index.html, Download: September 6, 2004
- ÖBB**, Organigramm ÖBB neu, Online in Internet, URL: <http://www.oebb.at>, Download: September 6, 2004
- OECD**, PUMA, Public management developments in Austria, Update 1998, Online in Internet, URL: <http://www1.oecd.org/puma/gvrnance/surveys/report98/surv98at.htm#F>, Download: July 14, 2004
- OECD**, PUMA, Public management developments in Austria, Update 2000, Online in Internet, URL: <http://www1.oecd.org/puma/country/Surveys2000/surv2000at.htm>, Download: August 24, 2004
- OECD**, PUMA, Recent public management initiatives in Austria, August 2000, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Experimentation%20clause>, Download: August 24, 2004
- OECD**, PUMA, Recent public management initiatives in Austria, Measuring performance, Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Measuring%20performance>, March 1998, Download: August 25, 2004
- OECD**, PUMA, Recent public management initiatives in Austria, Performance indicators in the federal administration, December 1999 Online in Internet, URL: <http://www1.oecd.org/puma/focus/compend/at.htm#Performance%20Indicators%20in%20the%20Federal%20Administration>, Download: August 25, 2004
- OIAG Österreichische Industrieholding AG**, News OIAG, Formal procedure for privatisation projects, Online in Internet, URL: http://www.oeiag.at/english/komm/OIAG_20030623.shtm, Download: September 7, 2004
- OIAG Österreichische Industrieholding AG**, The history of OIAG, Online in Internet, URL: <http://www.oeiag.at/english/oiag/geschichte.shtm>, Download: September 7, 2004
- ORF**, Neue Uniformen für die Polizei, Online in Internet URL: <http://oesterreich.orf.at/oesterreich.orf?view=bw&channel=10&id=320881>, Download: September 9, 2004
- ORF**, Verhandlungen vor Weihnachten, Online in Internet, URL: http://orf.at/031204-68331/index.html?url=http%3A//orf.at/031204-68331/68332txt_story.html, Download: September 9, 2004
- ÖSTAT**, Einwohnererhebung der Gemeinden vom 31. 12. 1999, Online in Internet, URL: <http://www.staedtebund.at/de/recht/tab1.htm>, Download: September 16, 2004
- Österreich Konvent**, The Founding Committee, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905.133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004
- Österreich Konvent**, The Tasks of the Austrian Convention, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905.133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004
- Österreich Konvent**, The Working Groups, Online in Internet, URL: http://www.konvent.gv.at/portal/page?_pageid=905.133003&_dad=portal&_schema=PORTAL, Download: September 10, 2004
- Österreichischer Gemeindebund**, Bauverwaltung, Großes Walsertal, Online in Internet, URL: http://www.gemeindebund.at/archiv/documents/DOKUMENTE/GDE_KOOP_0304.pdf, Download: August 6, 2004
- Österreichischer Gemeindebund**, Gemeindeverband Karnische Region im Bezirk Hermagor, Eine Kooperation über Verwaltungsgrenzen, Online in Internet, URL: http://www.gemeindebund.at/archiv/documents/DOKUMENTE/GDE_KOOP_PANSI_RAUSCHER_0304.pdf, Download: August 6, 2004
- Österreichischer Gemeindebund**, Online in Internet URL: <http://www.gemeindebund.at/>, Download: September 14, 2004
- SAP**, Public Sector, Milestone in budget management, Online in Internet, URL: <http://www.sap.info/public/en/print.php4/article/comvArticle-193333c63b45e39ae5/e>, Download: September 8, 2004, Update: October 20, 1999.

- SAP**, Übersicht Praxis, Online in Internet URL: <http://www.sap.info/index.php4?ACTION=noframe&url=http://www.sap.info/public/en/article.php4/comvArticle-193353c63ad025837d/de>; Download: September 15, 2004
- Siemens**, Siemens Business Services implements SAP at all 21 Austrian universities, Bratislava, March 9, 2004, Online in Internet, URL: http://www.siemens.com/page/1,3771,1158652-1-2_0_0-163,00.html, Download: September 11, 2004
- Städtebund**, Rechtliche und finanzielle Strukturen der österreichischen Städte und Gemeinden (2004), Online in Internet, URL: <http://www.staedtebund.at>, Download: September 16, 2004
- Statistik Austria**, Public Finances, Online in Internet, URL: http://www.statistik.at/englisch/results/vgr/finances_txt.shtml, Download: June 7, 2004
- Statistik Austria**, Statistisches Jahrbuch 2004, Online in Internet, URL: <http://www.statistik.at/cgi-bin/jahrbuch.pl?KAPITEL=07&SPRACHE=D>, Download: September 15, 2004
- The Federal Chancellery**, Federal Ministries, Online in Internet, URL: <http://www.bka.gv.at/DesktopDefault.aspx?TabID=3541&Alias=english>, Download: September 16, 2004.
- The Federal Chancellery**, Leistungsbericht 2001, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202001.pdf, Download: August 22, 2004
- The Federal Chancellery**, Leistungsbericht 2002, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202002.pdf, Download: August 22, 2004
- The Federal Chancellery**, Leistungsbericht 2003, Online in Internet, URL: http://www.implus.at/gv/free_downloads/Leistungsbericht%202003.pdf, Download: August 22, 2004
- The Federal Chancellery**, Leistungskennzahlen, Online in Internet, URL: <http://www.bka.gv.at/leistungskennzahlen>, Download: August 26, 2004
- The Federal Chancellery**, Programme of the Austrian Federal Government for 22nd Legislative Period, Online in Internet, URL: http://www.bka.gv.at/2004/4/7/regprogramm_e.pdf, Download: September 9, 2004
- The Federal Chancellery**, Public Service in Austria, Online in Internet, URL: <http://bkacms.bka.gv.at/2004/4/23/pubserv.pdf>, November 2003, Download: September 15, 2004
- WKÖ**, Abteilung für Umwelt- und Energiepolitik, WKÖ sucht „Amtsmanager 2005“, Online in Internet, URL: http://portal.wko.at/dst_SZ_Details.asp?SNID=243779, Download: August 6, 2004
- Zentrum für Verwaltungsmanagement**, Erfolgreiche Einführung von SAP R/3 an 21 österreichischen Universitäten, Online in Internet, URL: <http://www.verwaltungsmanagement.at/602/php/detail.php?artnr=1097&ukatnr=10608>, Download: September 13, 2004

6 Authors

Kurt Promberger

Director of the Centre of Public Management of Leopold-Franzens-University, Innsbruck; Head of the Institute of Public Management at EURAC Research Bolzano, Italy; Owner and Managing Director of the Institute of Public Management Consulting Ltd., Innsbruck.

Iris Rauskala

Since September 2002 research assistant at the Centre of Public Management of the Leopold-Franzens-University, Innsbruck and at the EURAC, Bolzano.

Franziska Cecon

Since January 2003 research assistant at the Centre of Public Management of the Leopold-Franzens-University, Innsbruck and at the EURAC, Bolzano.