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CommunalAudit, a guide for municipalities in Austria to foster inclusive and sustainable development

Municipalities in Austria have been exploring ways to adopt inclusive and sustainable development approaches based on the built environment. It is a fact that the tasks of municipalities are becoming more and more comprehensive, while the resources available are not increasing to the same extent. However, the sustainable provision of municipal public services must remain a key component in strengthening rural areas. One way is to conduct a CommunalAudit. In addition to the identification of optimisation and development options, the CommunalAudit tool serves as a basis for inter-communal cooperation. Moreover, it enables municipalities to look at their finances and entire infrastructure in an objective and systematic way and to compare them with those of others. Between 2008 and 2013, the CommunalAudit was one of the measures within the Rural Development Programme in Austria. This contribution (a) explores the implementation of CommunalAudit in Austria, (b) highlights the benefits and drawbacks for municipalities and citizenry, and (c) looks at the former's further development.

Keywords: assessment, continuous improvement, evolution, inclusive, municipalities

JEL classification: R58

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Introduction

Municipalities are continually trying to improve themselves to face the challenges of the times (Niedomyśl, 2006; Curristine *et al.*, 2007; USAID, 2012; Enichlmair, 2015; Patsiorkovskiy, 2017; RSC, 2017; ProAudit, undated; NCC, undated). The ongoing challenges for inclusive and sustainable development definitely include the provision of more public services with less public spending, along with maintaining the attractiveness of the local territory for inhabitants and business investments. In particular, they involve the demographic and social (e.g. ageing populations and increasing health care), the economic (e.g. job opportunities) and the ecological (e.g. energy consumption, availability of alternative energy) need to improve the quality of life (e.g. living conditions). These challenges and needs for municipal services add to budgetary pressures and call for efficiency in public spending. Citizens are demanding that municipalities be made more accountable for what they achieve, i.e. making their activities and performance transparent. There is a need for evidence that municipalities increase their efficiency and improve their administrative capabilities (Curristine *et al.*, 2007). The scale and complexity of municipal tasks have been increasing while budget restraints have been tightening.

In order to support municipalities in their task-oriented, structural and financial development in the face of the challenges and needs referred to above, a tool called CommunalAudit was developed in Austria (ProAudit, undated; RSC, 2017), based on an initiative of the Federal Ministry for Agriculture, Forestry, Environment and Water Management (BMLFUW). CommunalAudits were first launched in 50 municipalities of eight Austrian provinces in the autumn of 2003. Currently, some municipalities have completed their CommunalAudit to varying extents. This tool helps a municipality to analyse itself, to identify synergies and cooperation potentials, to manage change and to improve quality of life at the local level. It is not a static process: it must continue (re-evaluation) to reflect the potential for change in the municipality today and in the future.

A CommunalAudit mainly deals with the following themes: (a) the financial viability of local public services, (b) targeting, and hedging of funding, (c) cost and performance accounting, and (d) establishing an inter-communal knowledge platform (ProAudit, undated).

This paper examines CommunalAudit as a monitoring and evaluation tool to track the success of municipalities in terms of attractiveness and competitiveness in rural areas. The main focus is on CommunalAudit as a measure within the Rural Development Programme based on the data of the 2007-2013 ex-post evaluation (BMLFUW, 2016a). The analysis being undertaken intends to draw lessons from implemented CommunalAudits to advance the development of municipalities in the Austrian context. At the same time, focusing on the Austrian evidence will reveal areas where there are both benefits and gaps for municipalities and citizens. This notwithstanding, this paper also serves as the basis for guiding further activities and research to improve municipalities' performance and audits globally, and streamline the process.

General background

The general background clarifies the context of this paper by outlining the relevant definitions and concepts. They are backed up by examples of applications that analyse municipalities in other countries as well as similar initiatives which indirectly address municipalities.

Definitions

Achieving sustainable development has been hampered by trade-offs in favour of economic growth over social well-being and ecological viability in the assessment of the local economy. Equally, the concept of inclusive development emphasises the social, ecological and political dimensions of development (Gupta and Vegelin, 2016). Linking these two concepts at the level of municipalities gives useful insights

into the current state and the future development required. Development, and in particular the inclusive and sustainable development of municipalities, is the critical driver to achieve enduring ‘destinations’ or ‘places of choice’ for people and businesses. A municipality is a single unit administering a settlement or a group of settlements (Gabler Wirtschaftslexikon, undated), and inhabitants, households, production and infrastructure are located on its territory. Municipalities are the agents of spatial development and the regional economy as a whole (Patsiorkovskiy, 2017). Municipalities play a particularly important role in stimulating the living and working conditions for citizenry and businesses, along with sustaining lively rural areas.

To ensure the sustainable and inclusive development of rural areas, it is necessary to focus on a limited number of core objectives at community level which foster and sustain the competitiveness and attractiveness of municipalities (EC, 2006). In the context of CommunalAudit, competitiveness should be in line with Porter’s (2004) definition of competitiveness focused on the idea of productivity. Using the same lens, local competitiveness is how a municipality perceives its resources and how it uses these to improve the standard of living in the local area. Competitiveness provides information about the municipality’s attractiveness. The overall attractiveness of municipalities in rural areas relies on their competitiveness and ensures the inclusive and sustainable availability of goods and services for the entire population as well as the whole complex of market relations (Niedomysl, 2006; Patsiorkovskiy, 2017; ProAudit, undated). However, the attractiveness of municipalities is difficult to define due to its abstract and subjective nature.

The CommunalAudit is a tool to assess local performance and development of municipalities in rural areas. Despite huge differences in the social, cultural, ecological, economic and political circumstances between municipalities, there is a general consensus on the overall objectives (cf. intervention logic). The CommunalAudit in the context of the Rural Development Programme deals with different objectives as follows (a) increasing capacity for the implementation of local strategies in the form of skills acquisition and animation with a view to preparing and implementing a local development strategy, i.e. CommunalAudit, Local Agenda 21 actions, cooperation etc.; (b) reinforcing territorial coherence and synergies in view of enhancing human potential required for the diversification of the local economy and provision of local services, i.e. information exchange, cooperation, outsourcing etc.; and (c) improving the quality of life. These objectives should not be confused with the main features of proper management (such as efficiency, transparency, accountability and participation). Although the three categories of objectives are different in nature, they are strongly connected. The attractiveness and competitiveness of municipalities as well as the living conditions of the population cannot be improved in the long run if municipalities do not know their performance and their capacity for improvement.

Setting

A fascinating debate on development is going on which is driven by the different stakeholders. The literature on, and

politics of, sustainable development suggest that achieving a certain level of strong sustainability is rare. This concept does not allow for trade-offs between economic, social and ecological goals. Politicians tend to prefer trade-offs in favour of the economy and disregard social and ecological issues (Lorek and Spangenberg, 2014). Furthermore, the processes of globalisation allocate resources through a poorly regulated market, resulting in a ‘one dollar, one vote’ approach, rather than a ‘one person, one vote’ system at the local and national level, or a ‘one country, one vote’ system at the global level (Karabarbounis, 2011; Piketty, 2014; Stiglitz, 2015).

While sustainable development has ecological, social and economic aspects, the difficulties in optimising all three aspects for present and future generations has led to the rise of concepts that embody dualities of this trinity, i.e. green economy/growth which combines the environment with the economy (UNEP, 2011; WB, 2012), green society which combines the environment with social goals, inclusive growth which combines growth with social aspects, and inclusive development which focuses on social and ecological aspects (Gupta and Baud, 2015). Green development (or growth) and inclusive development (or growth) are the two most dominant dualities, and both have neo-liberal roots but take on an additional dimension — either environmental issues or the need to share economic growth with the poorest.

To make all this come true, different initiatives have been set up at different levels. The most prominent one is the Local Agenda 21. Based on the United Nations Conference on Environment and Development held in Rio de Janeiro in 1992, the economy (economic prosperity, ecology), ecological equilibrium and social aspects (social justice) need to be considered for sustainable solutions to take shape at the local level. Following this conference, the ‘European Campaign for Sustainable Cities and Towns’ was launched in 1994 in Aalborg. On the basis of the Rio de Janeiro Agenda 21, the issue of realisation at the local level was treated in greater detail and specifically for Europe. In Austria, Local Agenda 21 was implemented as a measure within the Rural Development Programme in 2007. Local Agenda 21 is not supposed to replace initiatives such as village renewal (*Dorferneuerung*), the Climate Alliance, healthy community (*Gesunde Gemeinde*), Leader, Learning Regions, CommunalAudit etc., but to build on these and to supplement them (ÖGUT, undated). The common development objective of all these initiatives is to improve living conditions and promote development investment in rural areas through modern inclusive planning practices and strategies. The main difference lies in the underlying concept and the focus on development at the local level.

Related initiatives

The inclusive and sustainable development or growth of a country, however, is not more than the sum of the growth of its territories and, of those, the growth of their populations. In this regard, there is the need to promote the development of competitive and dynamic territories that attract and retain investment and generate greater business and job opportunities, fostering the best quality of life for their populations. With this vision in mind, there are instruments which could

Box 1: Examples of instruments which could contribute to improving the governance quality and the attractiveness of municipalities for businesses and residents.

- **Municipal Competitiveness Index (MCI)** measures the business-enabling environment at the municipal level. One striking characteristic of USAID's MCI is that it does not rely on secondary data (e.g. published data from statistical or other data providers), but on the perceptions and opinions of surveyed enterprises. The goal of this approach, which is based upon the direct experiences and circumstances faced by local businesses, is to identify and tackle constraints on private sector development at the local level. The idea behind the MCI is to increase competition between municipalities and to improve the dialogue with the business community. In order to approach the entrepreneurs, a sample of businesses is taken at municipal level. A survey is conducted through face-to-face interviews. The MCI distinguishes eight thematic sub-areas with a total of more than 30 individual indicators, namely (a) transparency, (b) municipal services, (c) proactivity, (d) informal payments, (e) public safety, (f) time to compliance, (g) rates and taxes, (h) entry costs and (i) municipal regulations (USAID, 2011; 2012; 2013; 2014). Scores are tallied for each MCI sub-index to determine how much one municipality differs from another in each aspect of the business environment being measured. The municipalities are ranked in a scale from 1 to 10 for each sub-index, where 10 represents the best relative performance and 1 stands for the worst. In order to create a general MCI score, all the scores of each sub-index are combined and weighted. Five performance categories were created to classify the results: excellent, high, average, low and very low (USAID, 2009).
- **Municipal Competitiveness Review (MCR)** is a concept for the measurement of municipal competitiveness that is easily applicable and replicable in Kosovo. It is based on the MCI. MCR consists of two components, municipal fact sheets and a municipality ranking. The fact sheets for each of the 38 Kosovar municipalities include primary and secondary data on issues influencing competitiveness at the local level, allowing for the comparison of specific indicators between the municipalities and Kosovo overall. The municipality ranking comprises a ranking according to four subgroups ('performance of the local business sector', 'supply of human resources', 'business support services' and 'infrastructure') and an overall ranking which takes into account all indicators (Enichlmair, 2015).
- **Cities and Municipalities Competitiveness Index** based on an overall competitiveness score. The overall competitiveness score is the sum of scores on three main pillars including pool data from several sub-indicators. The three main pillars cover (a) economic dynamism, (b) government efficiency and (c) infrastructure. Scores are biased by the values of the actual data, as well as the completeness of the submitted data. The higher the score, the higher the competitiveness (NCC, undated).

Source: own compilation

contribute to improving the governance quality and the attractiveness of municipalities for businesses and residents. Different countries or institutions have come up with the examples presented in Box 1.

Apart from these examples which directly address municipalities, there exist other concepts measuring competitiveness. Although these concepts refer to the national or regional level, from the content point of view they are very similar. Some also address the performance of the government (Murray, 1992; Currstine, 2005; Dooren, 2006; Currstine *et al.*, 2007). The best-known concept for measuring competitiveness is 'Doing Business' by the World Bank (WB, 2014) which measures competitiveness on the national level in comparison with other economies. Another model which is of interest is the European Union (EU) Regional Competitiveness Index (RCI, Annoni and Dijkstra, 2013). It focuses on the NUTS 1 and NUTS 2 levels and utilises mainly secondary data collected by Eurostat, the World Economic Forum (since 2013), OECD-PISA and OECD-Regpat, the World Bank as well as and the Cluster Observatory.

Methodology

This paper aims at a better understanding of the functioning of municipalities by looking at the measure CommunalAudit within the Rural Development Programme. The Austrian experience implementing CommunalAudit serves

as the background. Consistent with the need to focus on a limited number of core objectives, the amount, number or value of the CommunalAudit is judged in accordance with the Handbook on Common Monitoring and Evaluation Framework (CMEF) of the Rural Development Programme 2007-2013 (EC, 2006). The input (amount of public expenditure), output (number of audits, number of participants), result (number of participants that successfully ended an audit) and impact (on quality of life in rural areas) were analysed in detail.

Figure 1 summarises the hierarchy of objectives in the context of the rural development regulation for the CommunalAudit (EC, 2006). The intervention logic covers a series of indicators at different levels for the achievement of the objectives of the CommunalAudit in the local region. These are used to measure in simple terms: (a) what objectives did the CommunalAudit pursue, (b) were these objectives achieved and to what extent, and (c) how were they achieved? Data were gathered through an analysis of documents and through semi-structured interviews with experts. Furthermore, detailed information about the expectations and motivation for the implementation of a CommunalAudit from the persons responsible within the municipalities was available from an online survey by ProAudit (ProAudit, 2009). The further development is verified by the latest literature on CommunalAudit (BMLFUW, 2016b; RSC, 2017) and similar concepts and tools (USAID, 2009; Enichlmair, 2015; NCC, undated).

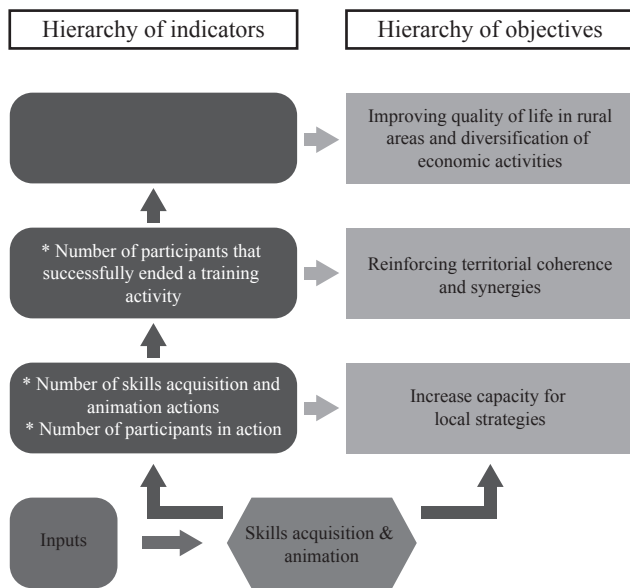


Figure 1: Evaluation scheme – link rationale of the measures and indicators.

Source: BMLFUW (2016a)

CommunalAudit's procedure

To know what a CommunalAudit is and to understand the results better, in this section the content-related description of the audit's procedure is explored. An audit is an evaluation or examination of a product, process or quality system by a person or a group of people (Russell, 2012). In this context, CommunalAudit is about professional consulting. The overall process of carrying out the CommunalAudit is shown in Figure 2. It covers the main elements funding, workshops, reporting and re-evaluation as well as the time requirement.

The CommunalAudit is voluntary. Once a municipality has decided to run one, there is a grant application. After the approval of funding, the audit starts with a kick-off workshop followed by three other workshops. After the final workshop the grant payment is made. A measure report for the improvement and development of the municipal services follows around six months after the final workshop. Then, 18 months after the measure report, there is a re-evaluation by the audit team.

The human and related resources required to manage, monitor and review the audit process should be made available. Each municipality that takes part in a CommunalAudit gets a password-protected access to the CommunalAudit interface. An integrated help system and an automated progress display support the survey process.

Firstly, the auditor presents the areas and submodules and explains the online tool. Next, data for the last three years in the areas *organisation* (submodules: administration, building yard and community facilities), *infrastructure* (submodules: water supply, sewage disposal, waste disposal, municipal roads, street lighting and energy), *finances* (submodules: comparison of the municipal services with the finances) and *environment* (submodules: quality of life and climate protection) are entered by the person responsible within the municipality. In the areas mentioned, more than 100 indica-

tors are analysed to attain a picture of the competitiveness and attractiveness of the municipality. Comparing data and locations can identify savings potentials, assure the transparency and establish work strategies (for example outsourcing, cooperation) etc.

In the workshops the members of audit team work closely together. The audit team includes the auditor, the mayor and two employees of the municipality. Different experts are brought in when needed. CommunalAudit can either be carried out in one municipality, or several municipalities can undertake a CommunalAudit jointly. In the case of a single municipality audit, benchmarks are taken from the municipalities already analysed.

Results

This section illustrates, on the one hand, the assessment of the contribution to the overall objectives, given by EC (2006). On the other hand, it gives insights into the level of participation and geographical coverage in Austria, and into the motivation of the municipalities to implement a CommunalAudit.

Contribution to the core objectives

In the course of the audit, the indicators being analysed and the measures identified were assessed according to their contribution to the core indicators given by the EU (Figure 1). Of the indicators analysed, 72 per cent (130 out of 167) contributed to *increasing the capacity for local strategies*, as did 76 per cent (162 out of 214) of the measures set. Examples were funding from the LEADER programme, cooperation with private providers and other municipalities (library, museums etc.). Twenty-two per cent (36 out of 167) of the indicators analysed and 26 per cent (55 out of 214) of the measures set contributed to *reinforcing territorial coherence and synergies*. Examples were cooperation of the municipality with external providers (waste, water, education, consulting etc.), more tourist attractions, and shared municipal vehicle fleets, district heating, purchasing groups, exchange of information etc. Finally, 37 per cent (61 out of 167) of the indicators analysed and 42 per cent (89 out of 214) of the measures set contributed to the *improvement of the quality of life*. Examples were cooperation with regional providers (more kindergartens and services for old people, longer opening hours of communal services), more tourist attractions, private transport services, educational and information activities, benchmarking their costs with others (water, waste, rent), improving the situation for local services (bicycle rent, doctors, leisure facilities etc.) (ProAudit, undated).

Participation, scope and geographic coverage

In the period 2008-2013, a total of 570 municipalities successfully completed the CommunalAudit. The public funding was about EUR 2.05 million. The provinces of Niederösterreich and Oberösterreich showed the highest percentage of implementation, followed by Steiermark, Tirol

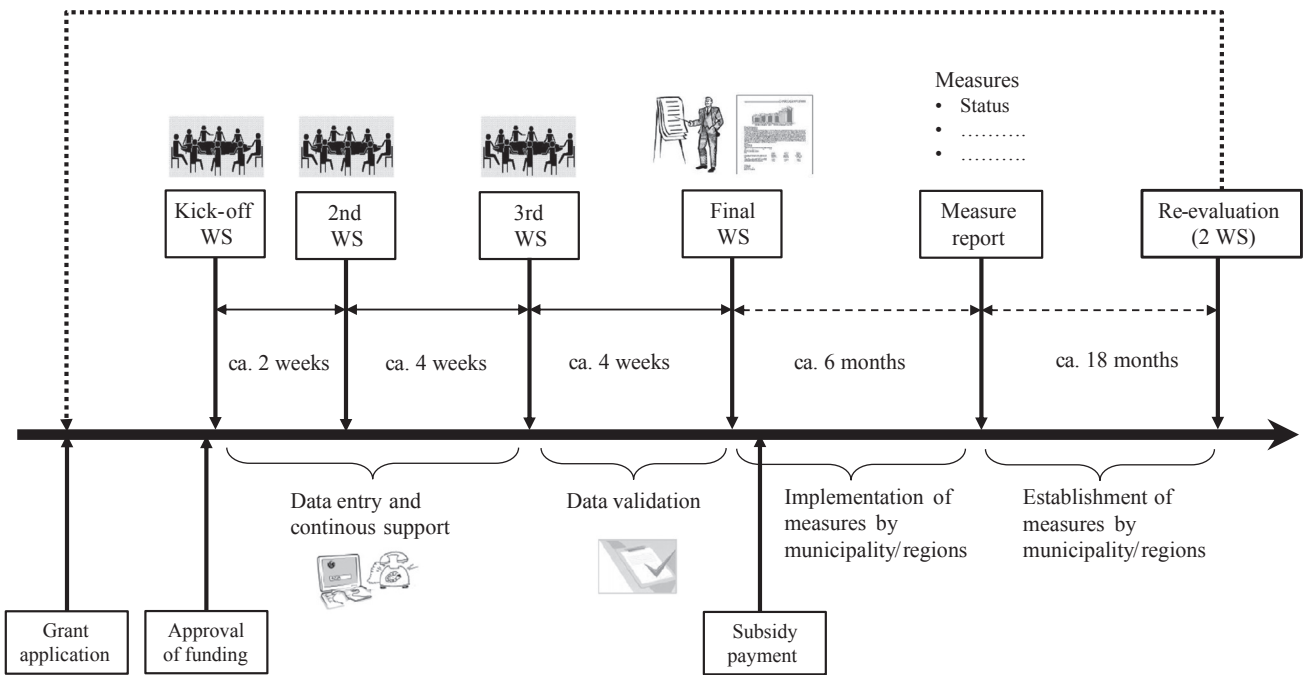


Figure 2: The overall process of carrying out the CommunalAudit.

Source: ProAudit (undated)

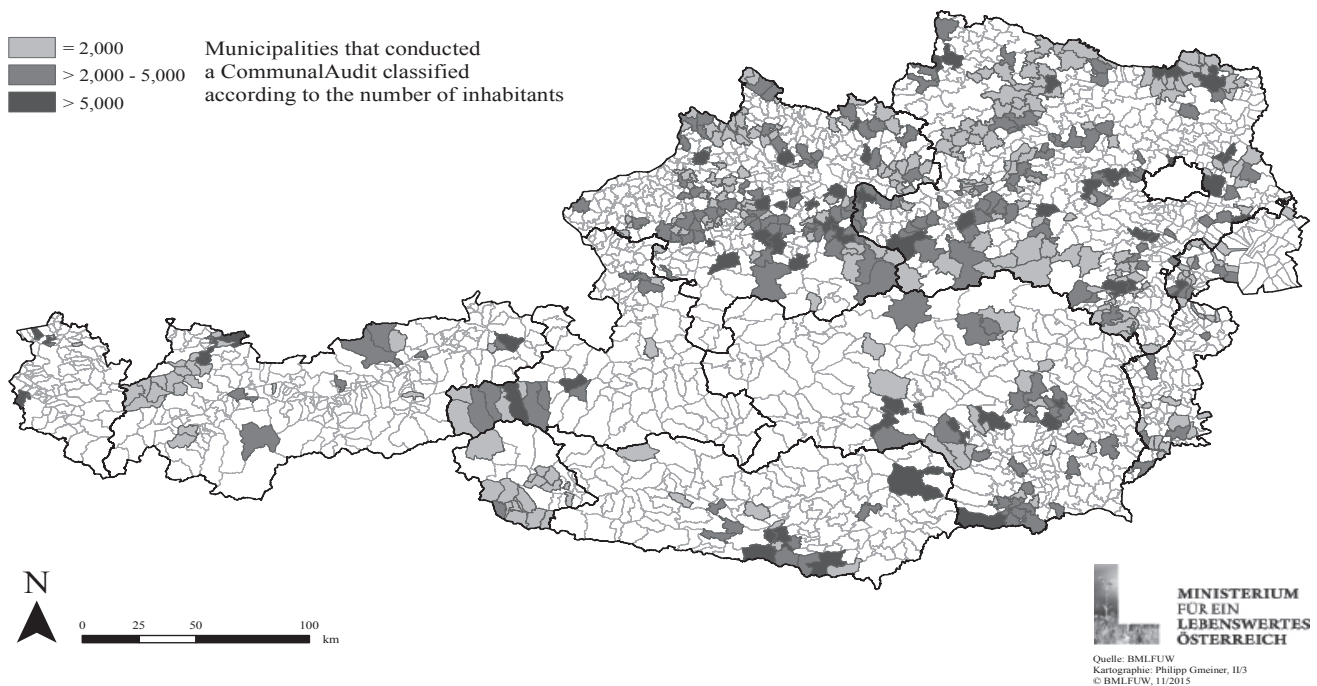


Figure 3: Participation, scope and geographic coverage of CommunalAudit.

Source: BMLFUW (2016a)

and Kärnten (BMLFUW 2016a, Figure 3). Furthermore, Figure 3 shows the populations of the municipalities which have carried out CommunalAudits. CommunalAudits were mainly carried out by those with few inhabitants: 66 per cent of the audits were in municipalities with fewer than 2,500 inhabitants, 23 per cent in municipalities with between 2,501 and 5,000 inhabitants, and the balance in municipalities with more than 5,000 inhabitants. Comparing the population size with the structure of expenditures allows the following conclusion: small municipalities (in terms of population) see

the CommunalAudit as an instrument to improve their cost structure (BMLFUW, 2016a).

Self-assessment

The responsible persons within the municipality evaluated the actual value of the CommunalAudit for themselves. This self-assessment matrix predominantly highlights the perceived benefits by questioning the people involved on

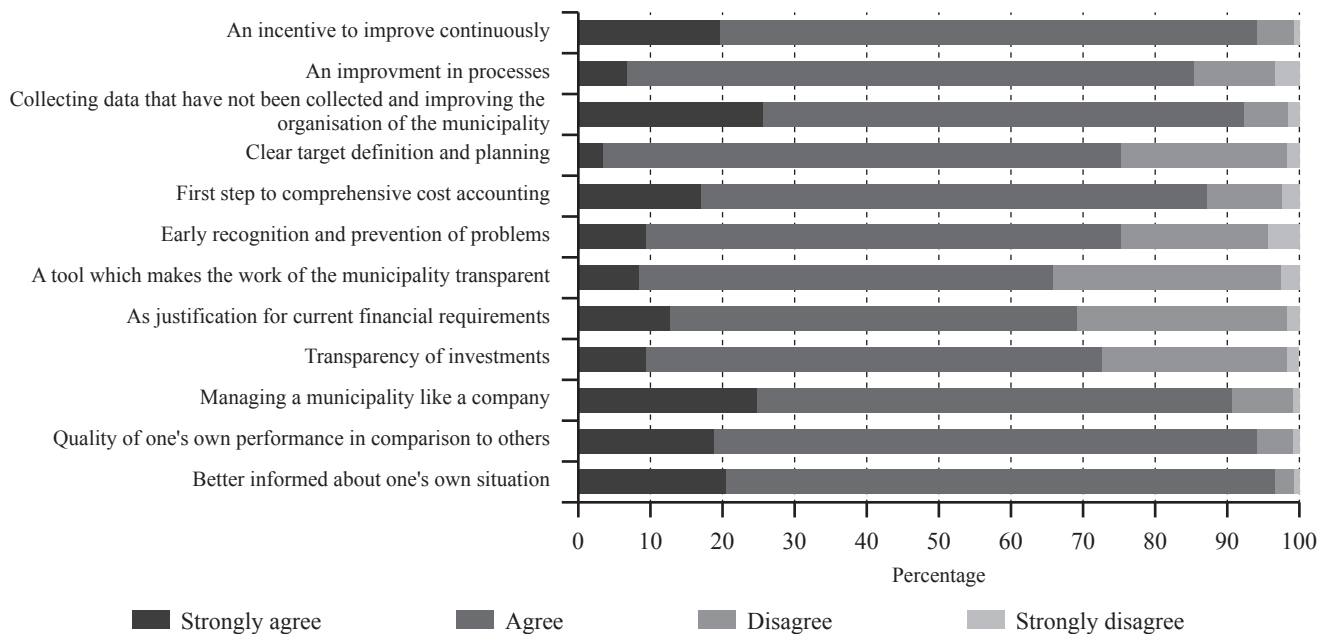


Figure 4: Self-assessment of CommunalAudit by the responsible persons within the municipality.

Source: ProAudit (2009)

their motivation to carry out the audit. The matrix identifies twelve main motivational statements for carrying out the audit and these were evaluated on a scale of 1 to 4, where 1 stands for strong agreement and 4 for strong disagreement. Participants were asked to what extent they agreed with the twelve statements. The results of the assessment are shown in Figure 4. All statements met with over 60 per cent agreement and the results further showed that almost 100 per cent of the participants saw the CommunalAudit as a tool to inform them of their own situation and as an incentive to improve the same. The statement which met with the least agreement (only 66 per cent of the participants) was that the CommunalAudit was a tool to make the work of the municipality transparent. All in all, Figure 4 clearly shows that the CommunalAudit was perceived as addressing the financial viability of local public services, the targeting and hedging of funding, management accounting, and establishing an inter-communal knowledge platform.

The way forward

In order to act in the present to shape the future, this section highlights the opportunities and drawbacks, along with the future perspective as CommunalAudit New. Based on the findings, some suggestions on the need for further research are made.

Turning opportunity into action

Most municipalities, whether they are rich or poor, large or small, in rural or urban areas, are facing problems of a similar nature. They have to regroup and rethink their response to developments in the marketplace and to consider how to implement their strategy on the ground. To remain competitive and sustain their attractiveness, municipalities

need to improve their performance continually, while information, communication and the knowledge base are continually expanding. Obvious and ongoing responses range from the development of strategies and cooperation to more compact services and ways to improve infrastructure. In this context, municipalities are a resource in need of reshaping, guiding and managing, not only to meet these challenges but also to maximise their contribution to community development in an inclusive and sustainable way. Development can only be set by actions, i.e. measures. Viewed through the lens of inclusive and sustainable development, measures are being developed and implemented in ways that directly link the built environment of the municipality to an inclusive and sustainable well-being. The measures identified in the course of CommunalAudits include actions to improve the social, ecological and economic quality of the municipality in an inclusive way. In particular, these measures are required to (a) increase administrative efficiency and optimise the use of resources; (b) develop modern strategies; and (c) ensure the sustainability of policy and administration action. As a result, this CommunalAudit also improves the living situation and thus the quality of life (e.g. lower fee rates, better opening hours of the municipality, adapted and optimised services etc.) in the municipalities when implementing the measures identified. However, the results should also better be taken on board in practice at the local level. This said, most of the measures identified were not implemented. The main reasons were (a) the lack of financial resources and (b) no consequences for non-implementation (BMLFUW, 2016a).

CommunalAudit New

CommunalAudit undertakes to keep the debate about local competitiveness and attractiveness alive, and urges Austrian municipalities to include the debate in their own

democratic assemblies. The financial viability of the continuous development of the quality of life and location is a challenging task for politicians and administrative staff at the municipal level. In addition to a wide range of technical and legal competences, it also requires a resource-conserving, effective, fact- and method-based definition and implementation process founded on the broadest possible consensus with relevant stakeholders (RSC, 2017). With this background, BMLFUW in cooperation with the municipalities is offering the auditing process again in the form of CommunalAudit New. It is being promoted within the campaign ‘*Heimat.Land.Lebenswert*’ as a tool for the development of rural areas and cities (BMLFUW, 2016b). With this more advanced audit, municipalities see exactly where they stand and which concrete measures are important for their future. The CommunalAudit New for the period 2014-2020 was set to start in autumn 2017. It has a new face. It is a combination of efficient methods for participative communal and municipal development and a software platform. The methods clearly focus on the analysis of the initial situation, the definition of development targets and the formulation of measures for future development. The software platform includes a data collection tool and provides a comprehensive database on indicators and values along with benchmarks and best practice examples. It is composed of two modules – the basis module and the individual one. The analysis is carried out in the basis module. In the subsequent individual module, strategic goals and measures are developed within the framework of two workshops (RSC, 2017). A detailed description of the process planned, the content, the technical requirements and working templates for the audit are presented in detail in a report on the website of the Ministry (BMLFUW, 2017).

Further activities and research

The development at the local level influenced by the global level and the empirical evidence give rise to the following concerns. In order to identify relevant areas of research and factors influencing the development at municipal level, it is important to learn from related concepts and other countries. Therefore, a knowledge exchange is strongly recommended. Consequently, the Austrian CommunalAudit can glean important insights from the measurement methods, construction of the indices and ranking undertaken from the examples described above. On the other hand, CommunalAudit provides information about identifying saving potentials and establishing work strategies at the local level. In practice, the paucity of data often makes it difficult to benchmark countries or municipalities of different countries. There is no common standardised concept and method. Given this, it would seem logical that further work be done to harmonise and expand these approaches on a global scale. This would potentially enable the provision of more information about the status quo *per se* and the development potential of municipalities including benchmarking under an inclusive and sustainable perspective. With this in mind, transnational comparisons could be useful to identify best practices in delivering public services in a cost-effective manner. Furthermore, this is one approach. Combining it

with other instruments will potentially provide a viable tool for political decision making, stakeholder awareness as well as providing information to residents when considering a fair distribution of global resources and wealth. Furthermore, it would enable policy makers and residents to gain a fresh perspective on the function of municipalities at the local level as well as in the region.

Conclusion

Municipalities across Austria are in various stages of development and growth. With CommunalAudit they are working on the inclusive and sustainable development for their communities. Austrian municipalities are in a state of transition as ways are being sought to adapt to an internationalised marketplace. In the context of CommunalAudit, municipalities do not have a ‘market’ *per se*. For this reason, the comparison with others (benchmarking) is the only market equivalent, which gives feedback on how they can evolve and improve. The CommunalAudit is ‘the’ tool in Austria for the development of municipalities. There are also other instruments around the world. Through ‘municipality-making’ efforts, the long-term intent is to add value in an inclusive and sustainable way, resulting in a greater attractiveness, competitiveness and sense of identity within the municipality. This, in turn, allows municipalities to become ‘destinations’ or ‘places of choice’ for people and businesses.

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