



„Challenges for Austrian Local Authorities“

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Mag. Andreas Fleischmann

Member of the Executive Board
Kommunalkredit Austria AG

INFRA BANKING EXPERTS



Structural Deficit of Austrian Local Authorities

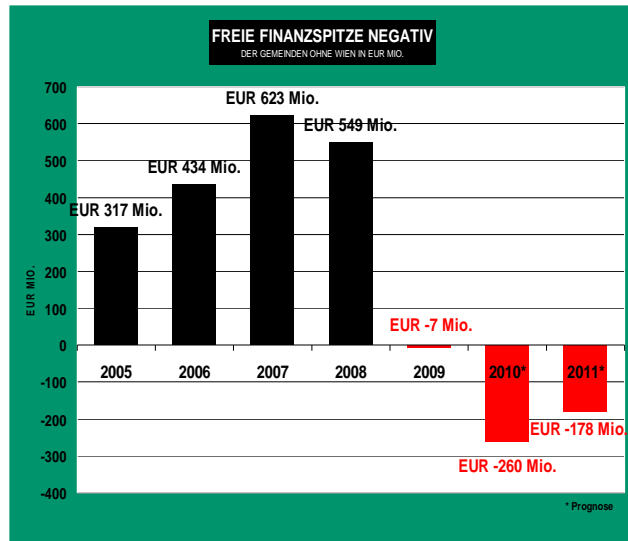


Free funding portion negative (= balance of current income and expenses minus debt redemption)

- Gap between income and expenses is widening
- Economic activities of municipalities: **a stable source of income**

Demographic development accelerates rise in expenditure

- Rapidly increasing costs of health and welfare services
- **Investment volume of local authorities remains at > EUR 2 billion**



- **Total income** (minus new debt): **- 1.1 % to EUR 15.6 billion**
 - **Ø interest rate:** **- 1.4 PP from 4.1% to 2.7%**
- ⇒ **Long-term deficit** destabilises municipal structures
- ⇒ Rise in interest rates demands **new financing structures**

- **Total expenditure** (minus redemptions): **+ 0.8 % to EUR 16.1 billion**
 - Social welfare and long-term care **+ 8.8 % to EUR 1.4 billion**
 - Health care **+ 6.6 % to EUR 2.3 billion**
- ⇒ **31 %** of net expenditure goes into health care and long-term care
- ⇒ **local authorities** as investors and sources of economic stimulus



Alternative Strategies Needed for Municipalities

- **Distribution of tasks** in public sector

=> Direct influence on performance specifications and remuneration
„money flowing back to the investor“

- **Intra-municipal cooperation**

=> Shared responsibility (examples: road cleaning, vehicle fleet, etc.)
„shared services“

- **New approaches involving „private operators“**

=> Municipal projects „without guarantees“ / Stability Pact and Long-Term Care Fund 2011-2014
„PPPs“*

- **Future-oriented processes**

=> E-government platform
„kommunalnet.at“ „DOPIK“**

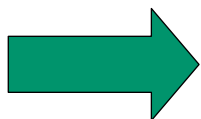
* Budget-friendly procurement models in cooperation with private sector

** Analysis and planning tool for municipal income components= kommunalnet.at; double accounting for municipalities= DOPIK

Kommunalkredit offers sustainable project solutions



- **Transparency: Municipal Finance Report**
= Comprehensive reporting medium of local authorities
- **Risk assessment: AT local authorities= no default risk**
= All Austrian local authorities have a Kommunalkredit rating
- **Finance: Financing in project structures**
= Consultancy services, provision of finance, identification of service providers
- **Support programmes: Overview of entire market**
= Support management expertise



Total project solutions:
Planning, financing, structuring, contracting, implementation

- Kommunalkredit's „Light Initiative“ in 2010: Modern light technologies in public lighting systems result in energy savings of > 50%. Payback period of investments 4-5 Y through energy savings



INITIATIVE LICHT

Finanzierungsmodelle und Förderungsmöglichkeiten für Städte und Gemeinden.



The „New“ Kommunalkredit Austria AG



▪ Infra Banking Experts

Our customers

- Regions, municipalities, local authorities
- Public institutions
- Private sector

Our core competences

- Social Infrastructure
- Energy & Environment
- Transport

Our services

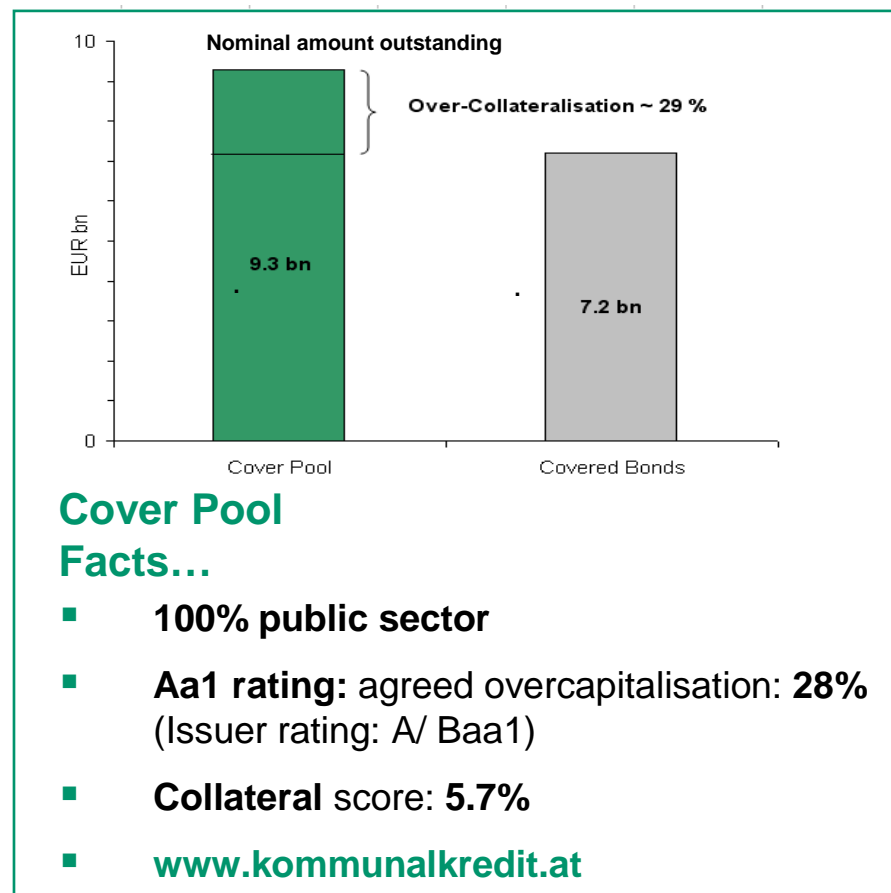
- Budgetary and infrastructure consulting
- Financing
- Treasury services
- Support scheme management

Our markets

- Home market: Europe
- Growth market: New EU Member States



▪ No 1 Issuer of Public Sector Covered Bonds in Austria





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Kommunalkredit Austria AG

Tuerkenstraße 9, 1092 Vienna

Phone: +43 (0)1/31 6 31-0

Fax: +43 (0)1/31 6 31-500

www.kommunalkredit.at

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