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Executive Summary

STRAT.AT 2007|2013

National Strategic Reference Framework 2007-2013 for Austria

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Executive Summary

1. STRAT.AT: Function, process and context

Structural fund policy 2007-2013 can be characterized by a strengthened strategic approach, with two new elements: the “Community Strategic Guidelines” at European level and the “National Strategic Reference Framework” at the level of the Member States. Both elements, as presented in the draft Council Regulation from 14 July 2004, are aimed at a better integration of Community priorities into national and regional development programmes.

In Austria, the “National Strategic Reference Framework” (NSRF, in Austria named [STRAT.AT](#)), was drafted in an intensive dialogue process which included all relevant partners at the Federal and the *Länder* level. According to the federalistic structure of regional policy in Austria, the platform for this process has been provided by the Austrian Conference on Spatial Planning (Österreichische Raumordnungskonferenz, ÖROK).¹

The [STRAT.AT](#) provides the goals and the basic strategic framework for the 8 operational programmes on the objective “Regional competitiveness and employment“, one “Convergence-Phasing Out“-programme for Burgenland², one national programme on “Employment growth” and for several regional programmes on Objective 3, “Territorial cooperation”. It also includes the links to the national programme for the development of rural areas, particularly with its axis no. 3³.

Resulting from the intention to provide a coherent overall development strategy für Austria and given the fact that there still is an ongoing debate about budgets and precise definitions of the structural fund aid regulations, the strategy and the spectrum of measures included in the [STRAT.AT](#) exceed the realistic use of EU funding in Austria. Therefore, the strategy outlined in the document includes a number of measures which will be funded on a strictly national basis – but these also will be in line with the overall framework of the Community Strategic Guidelines. This applies to measures with very high costs, e.g. transport and logistic infrastructures, or to framework conditions, which cannot be influenced with SF monies. Some of the SF-funded measures will clearly provide an innovative impulse for (infrastructure-) investment, as in planning and project development, managing tools, R&D etc..

2. Challenges for regional policy and employment policy in Austria

Context

The expansion of the EU-territory in 2004 has led to a dramatic increase of economic disparities in the Community. In a historical perspective, this constitutes a major challenge for the EU regional policy. It will be a great political achievement to find a *good balance between the necessary measure of cohesion on the one hand and global competitiveness on the other hand*. To support new member

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² Burgenland (Objective 1 region in the 2000-2006 period); in the years 2000 – 2002, GDP per capita in Burgenland reached 74,4% of the EU-15 average (in PPP).

³ Axis 3 = Diversification of the rural economy and quality of life in rural areas (EAFRD-Programme).

states in their catching-up-process while at the same time using the advantages of low-cost locations in a global competition perspective, is the most important strategy for economic and regional policy in the EU. The growing competition between regions inside and outside the EU for business investments is an indicator for the importance of this policy field, with strong implications for Austria.

Other contextual factors which will strongly influence future development in Austria include:

- A growing share of old-aged population and a shrinking number of young people will have consequences for the patterns of consumption and public service needs, but also for the behavioural aspects within the labour force (e.g. readiness for mobility and innovation).
- Population growth will increasingly depend on international immigration, particularly focused on cities, which will intensify the challenges of integrating a multi-ethnic society.
- Technological innovations and growing complexities of the economy and society as a whole contribute to the critical importance of information-processing, communication skills and the management of knowledge. These skills increasingly will become decisive for (individual) economic opportunities and societal participation.

A large number of people, but also the education system and public administration are not sufficiently prepared to meet these challenges. Therefore, it is essential to design policies safeguarding social and economic cohesion and preventing any kind of social, “digital” or *regional* divide in our society.

Specific challenges and opportunities

The major challenge for the Austrian economy is, from a global perspective, the continued and rising high pressure on productivity, wage levels and energy costs. With EU-enlargement in 2004, the low-cost competition became a strong factor at close distance. Since 60% of the population lives in regions bordering the new member states, the temporary protection of the labour market has a strategic significance for Austria. The high growth rate of traffic (goods and people) across borders, especially on roads, are a further consequence of EU-enlargement and economic growth in the new Member States.

To answer these challenges, the response outlined is that Austria must increase its regional economic competitiveness at a faster rate, with a growth path that provides increasing employment and income levels. Furthermore the growth path has to contribute at the same time to a balanced and sustainable regional development.

For enterprises, growth in size, international presence, and the rise in the global hierarchy of production networks are identified as crucial in the [STRAT.AT](#). Furthermore the establishing of clusters and SME-networks with focus on international activities, innovation in products and markets, especially for SMEs, is seen as key for further development. The proximity to fast growing markets in the new Member States, and the challenge in environment and energy sectors, are a potential push for innovation and growth. The strong growth of the financial service sector can be linked with other services and manufacturing to provide a good base for further growth.

Austria seeks to view these challenges positively, expanding the concept of innovation to include social and organisational aspects. Much attention is also given to improving “governance”, to profit from the realities of today’s globalisation but also local involvement.

The central location in Europe can and shall be used to develop the high growth potential in logistic and related services. Innovative and environment friendly transportation (rail, waterways) shall be supported. Austria can therefore be marketed as an attractive business location, with good accessibility.

For coping with the challenges, an upgrade of the education and training system according to the needs of an innovation-oriented, knowledge-based economy is crucial. The share of high qualifications and of academics in the economy needs to be increased. Regional networks of knowledge (production-access/transfer-application) need to be stimulated.

The widespread regional development impact needs to be secured through effective public management and networking and with the help of regionally based innovation agents.

Cross-border and trans-national co-operation must include cluster and network activities (more of business-to-business), education, training and labour market–policies, regional networks of knowledge, transportation policies, R&D, natural hazards and environmental risk management. These provide opportunities for potential growth and new jobs.

From a technology-taking economy towards a knowledge-based economy

The structural paradox of the Austrian economy – high growth rates with relatively small enterprises and a medium level technology – has reached its limits. With rising global competition, the need to strengthen high-tech segments and new growth patterns of a knowledge-based economy have become evident. This challenge also leads to an increased pressure on regional competitiveness and on agents in regional development .

Size of enterprises and regions vs. growing international activities

Characterised by a large share of small and medium-sized enterprises and a low number of internationally present corporations, future development of the Austrian regional economies will depend on the successful co-operation of businesses and regional agents. The (virtual) creation of critical size for international business activities, the building of networks and clusters, the development of well-equipped business locations with excellent access (esp. in the eastern parts of the country) therefore will be critical tools for promoting economic growth.

Growing pressures on the labour market: Adaptation and skills on all levels

The challenges in international competition for enterprises also includes major changes and readiness to adapt on the side of the work force, for both employed and self-employed. There still are significant deficits in the share of older people in the labour market, and in the participation rates in programmes to provide skills for an innovation-based economy. The volume and quality of such programmes will have to be expanded, particularly with links to the needs of growing segments of the economy. This also includes academic education, where there still is a need to raise the number of alumni. All of this has to be viewed as a preparation for the full opening up of the Austrian labour market for job seekers from the new member states.

Active use of economic and natural diversity of regions in Austria

The small size and the topographic variety of Austrian regions as well as the structure of the business sector shows advantages in terms of flexibility and long-term stability. As argued above, in international competition there are also disadvantages. Therefore, it will be important to support and strengthen the traditional ties of the enterprises within their regional environment and to develop tourism and leisure industry – in combination with natural resources and cultural landscape – as an important location factor for a modern, know-how-intensive economy.

Integrated development of business locations across borders

Business locations in Austria can be described as relatively small and fragmented. For international visibility and positioning it is necessary to form critical masses in locations with excellent infrastructure and accessibility. This can be brought about by (spatially) concentrating business location efforts and by linking knowledge-related infrastructures. This inter-linkages shall include city to city as well as cross-border relations, particularly with enterprise locations in the neighbouring new member states.

Accessibility and transport as major challenge

Access and transport are particularly important in a country located in the heart of Europe. With the high portion of alpine regions there is, contrary to general developmental trends, a very high sensitivity towards environmental issues in general and with regards to environmental hazards for the resident population in particular. Increasingly this problem also stretches to the eastern regions in Austria, bordering to new member states, especially in the Danube transport corridor.

With growing markets and enterprises in the new member states it is projected that the still propitious modal split in goods transportation will deteriorate rapidly on east-west routes. It will be of great importance, therefore, to develop the TEN/TINA-network and provide for some regions direct links with these major routes. Logistics and related services will have great economic development potential in the future – it will be crucial, on the other hand, to provide transportation services in an environmental friendly way.

Natural hazards and risk management

With the great share of Alpine space in Austria, natural hazards, particularly through flooding, landslides and avalanches cause high risks of natural hazards. As has been shown through the recent flood disasters (2002 and 2005), important settlement areas, enterprise locations and zones of tourism are being threatened, even in areas, which were thought to be save for a long period. For this reason, it will be urgent to improve knowledge about natural hazards and to develop risk prevention management for new risk-levels.

3. Strategy for regional policy and employment policy in Austria

The Community Strategic Guidelines document the Communities' priorities for the use of Structural Fund money. The Community Strategic Guidelines aim at transferring the Lisbon strategy with EU money into national regional and employment policies. In drafting the Community Strategic Guidelines, reference to the Gothenburg principles is also made (developing strategies shall be drafted within the general context of sustainable development). In Austria, these two general guiding processes, Lisbon and Gothenburg, formed the basis for drafting the [STRAT.AT](#).

The general objectives and the development strategy, as laid down in the document, were drafted on the basis of the Council Regulation for the Structural Funds and the Cohesion Fund. It includes all the envisioned tools and interventions for EU co-financing, but also encompasses some measures which will clearly be financed at national level only. This approach provides a coherent strategy description, independently of funding details (which will vary greatly among the Austrian regional programmes).

The fundamental theme guiding the strategic approach for Austria is *innovation as a complex societal process*, which cannot and shall not be reduced to technological dimensions only. Rather, the educational, sociological and regional (policy) implications of this wide definition of innovation will

have to be observed and included in the formulation of strategies, measures and tools. This also implies that regions which are less favoured in terms of accessibility and economic structure shall be included in this general modernisation process, which overall shall contribute to reducing regional disparities in Austria.⁴

The general development strategy therefore aims at the widespread introduction of the concept of a knowledge-based society and economy. New patterns of growth, using the linkages between knowledge and access to new markets, particularly with new member states will strongly spur economic development in Austria. This strategy is founded on a concept of innovation which strongly supports and includes non-technology aspects (e.g. developments in organisation, logistics, financial services, human resources, marketing, design).

Special attention lies on the integration and linkage of less developed regions to the central regions with a stronger location of innovative industries and R&D-activities. This objective is of great importance in Austria, since a large portion of the country lies in regions with territorial specifics (especially border regions; but also 60% of the population live in mountain regions and an even higher share in rural areas; cities as engines of economic development are facing specific challenges). For all types of regions specific objectives and strategic priorities have been defined.

General objectives and strategic approaches for regional economic policy and employment policy in Austria are (see fig. 1, below):

Widespread regional foundation of an innovation- and knowledge based economy:

- Focusing and strengthening of regional knowledge base and innovate performance of enterprises, research facilities and educational centres with view of the needs of SMEs in growing, international economic spaces
- Support the transition towards a knowledge-based society and economy with a wide approach, including all sectors of the economy, e.g. in production-oriented services, transport and logistics, tourism and leisure industries, social services
- Strengthen and support cross-border economic activities, esp. for small enterprises and with focus on the borders to the new member states (with link to the programmes for territorial co-operation)

Develop attractive regions and competitive enterprise locations:

- Develop attractive business locations with view at a well diversified spatial structure, with a good mix of economic functions and social structures in all regions. Reduce regional economic disparities and provide for a polycentric development with close ties between cities and their hinterland (see ESDP). Integrated, sustainable spatial development policies by using both, spatial planning as well as innovation-and process-oriented instruments of regional development.
- Intensify structural improvements in SMEs, particularly in border regions to new member states, who are under a low cost-competition from firms in neighbouring regions, with the additional advantage of very high business aid schemes; therefore, continuation of the Objective 1/Phasing Out-status for Burgenland.
- Regarding the improvement of traffic routes and logistic infrastructures with the objective to reduce environmental damage as well as to create better access to regions in new member states, SF-co-financed measures will focus on planning and co-ordination with innovative and strategic character.

⁴ This goal also requires that a number of other policy fields will be directed in a similar intention (e.g. tax system, macro economic policy, fiscal policy, legal system, labour market conditions, public administration, culture). Compare also with the National Reform Plan (NRP), which lays down strategies in some of the mentioned policy fields. Within the renewed Lisbon-process, Austria has drafted its „National Reform Programme“ (NRP) for 2006 – 2008 in October 2005.

- Increase resource- and energy-efficiency in society, strengthen the use of renewable energy sources in the enterprise and the public sectors; use the efficiency-approach for a general improvement of international competitiveness and as a contribution towards reaching targets according to the Kyoto-agreement
- Protect and use of natural resources and particularly of renewable raw materials with innovative methods; protection and utilisation of natural and cultivated landscapes through environmental management and guidance measures
- Securing settlement and enterprise zones from natural hazards through long-range planning, risk prevention measures and risk reduction

Increase adaptability and qualification of the work force

- As general objective is – in harmony with the European employment strategy – the increased adaptability and qualification of employed. This objective includes directly and indirectly the adaptability and qualifications of self-employed and entrepreneurs. Overall, the increased requirements of a knowledge-based economy are in the center of this strategy.
- Strengthening human capital is understood comprehensively; activities will be based on the approach of Life Long Learning (LLL), focusing on individual tailoring of job careers
- Access to employment for unemployed shall be supported, with a special focus on older and female unemployed
- People with handicaps shall be supported and actively integrated in the labour market, thus contributing to avoid or reduce poverty
- Develop knowledge and career potential for both genders, with a thorough implementation of the equal opportunity principle in all regions, in the preparing and implementing of operational programmes and aid schemes and by developing innovative equal opportunity projects.

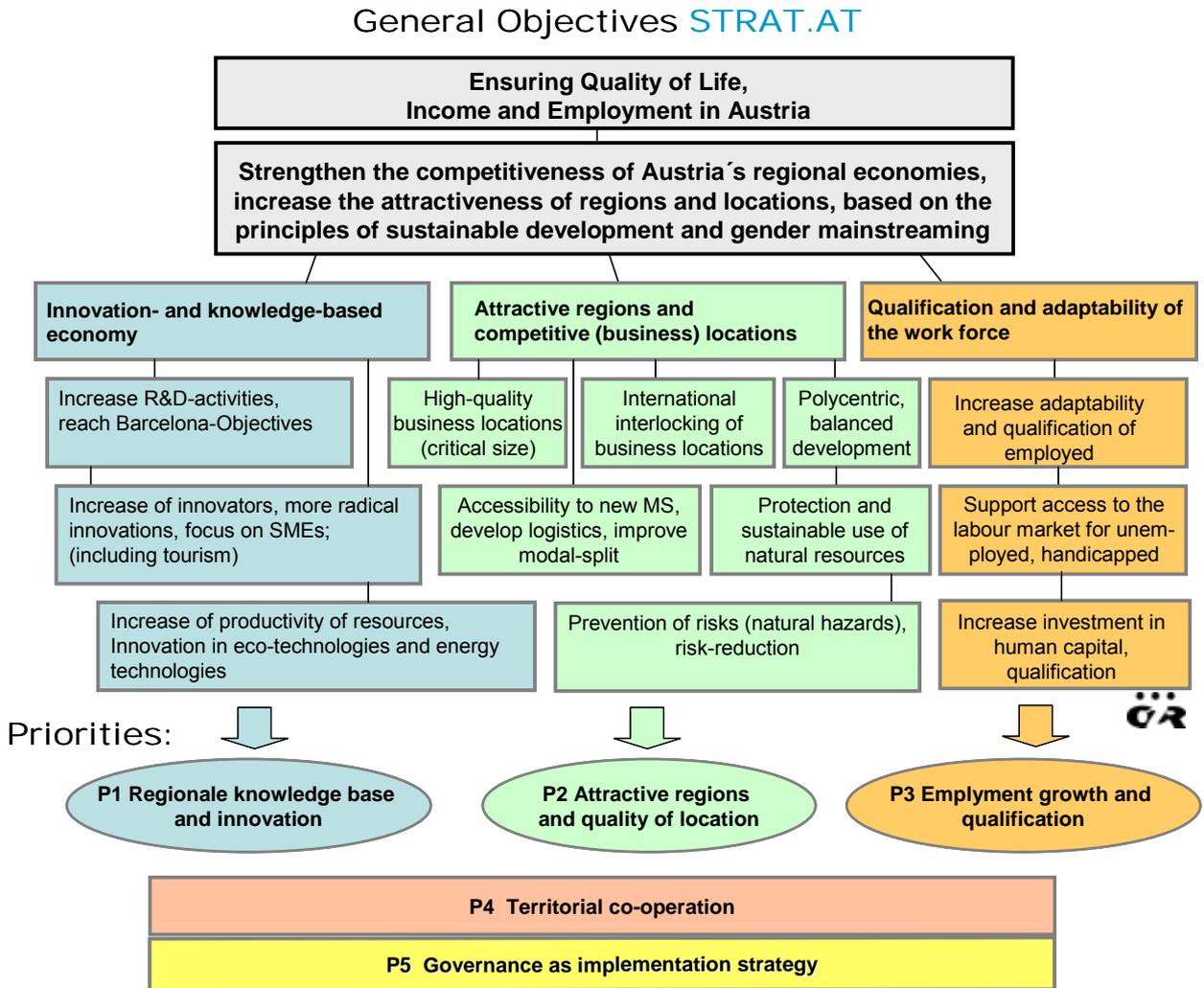
This general development strategy shall be supported and effectively implemented through modern governance-strategies, which – tuned to different regional contexts – shall strengthen the learning and innovation capacity of regions and their population.

SF-relevant priorities are, therefore, "Regional competitiveness and innovation(P1)", "Attractive regions and quality of location (P2)" and "Adaptability and qualification of the labour force (P3)".

"Territorial co-operation (P4)", is intended to include most of the strategic approaches of P1 to P3 and therefore also can be characterised as a horizontal priority. It encompasses the three tiers of territorial co-operation, namely cross-border, trans-national and interregional co-operation.

The horizontal priority "governance (P5)" is designed to support this overall strategic trajectory through a set of management strategies, which are tailored to individual regional contexts and shall strengthen the learning and innovative capacities of regions and their population.

Figure I: General Objectives for regional development in the STRAT.AT



Source: STRAT.AT-process