

STRAT.EVA-Workshop 13. Oktober 2009

Der Beitrag des EFRE im Kontext öffentlicher Investitionen in die österreichische Regionalentwicklung 2000-2006

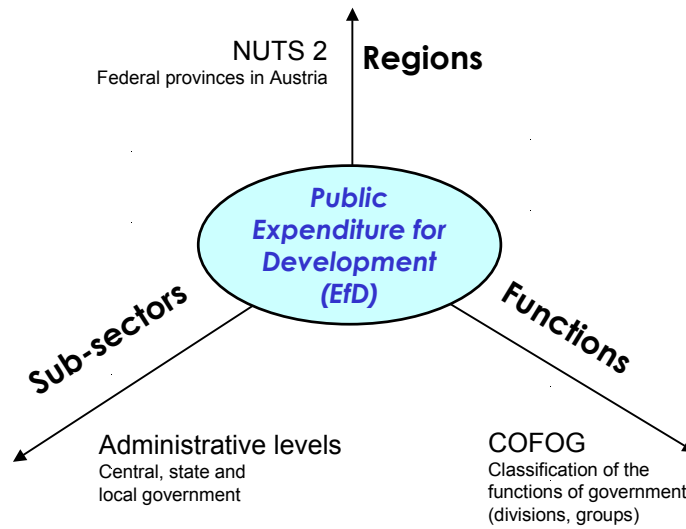
Johann Bröthaler, Andreas Resch

Wien, 13. 10. 2009

Background

- *“Distribution of Competences in relation to Regional Development Policies in the Member States of the European Union”*, study by ISMERI and APPLICA contracted by the Commission.
- Objectives:
Administrative distribution of competences and main **trends in public financing of development policies** and possible **contribution of Structural Funds** to this process.
- Presentation based on the **“Country Analysis Austria”** - one of 11 country studies - as part of the European wide study (Study not finalized yet, Draft Version) !

Public Expenditure for Regional Development

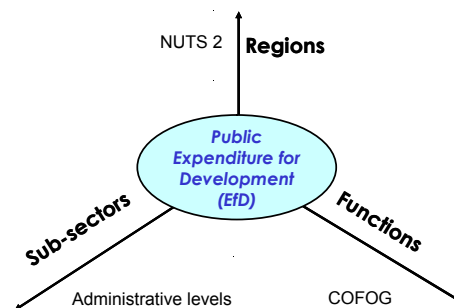


Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

3

Public Expenditure for Regional Development

1. Data on EfD
2. Institutional Definition
3. Economic Definition
4. Functional Definition
5. Territorial Breakdown

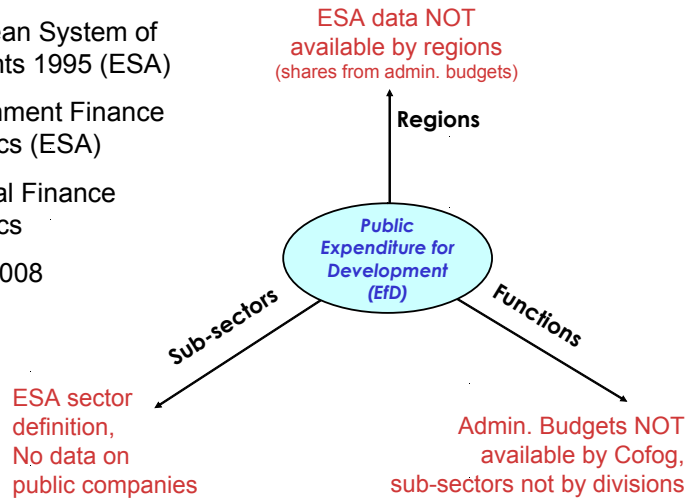


Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

4

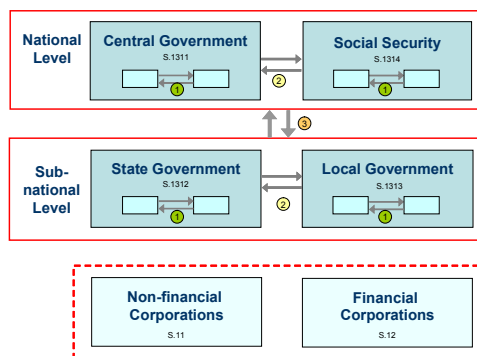
1. Data on EfD ... and Data Problems

- European System of Accounts 1995 (ESA)
- Government Finance Statistics (ESA)
- National Finance Statistics
- 1995-2008



2. Institutional Definition for EfD

- **General Government** according to ESA 95
- **Selected units outside** General Government (local quasi-corporations, aws, ecoplus)
- **EU Structural Funds:** ERDF, ESF, EAGGF, FIG



4. Functional Definition of EfD

- Common approach:
Expenditure on **selected COFOG groups**

- Linkage to
Fields of
Intervention
of Structural
Funds (FOI)

COFOG-level-1- definition	Definition of Regional Development		
	Gross fixed capital formation	Capital transfer to private sector	Current expenditure
01 - General public services	0,06	0,01	-
02 - Defence	-	-	-
03 - Public order an safety	-	-	-
04 - Economic affairs	1,00	0,99	-
05 - Environmental protection	1,00	1,00	-
06 - Housing & community amenities	1,00	1,00	-
07 - Health	0,75	0,03	-
08 - Recreation, culture and religion	0,99	0,89	-
09 - Education	0,98	0,08	0,04
10 - Social protection	0,08	-	-

5. Territorial Breakdown of EfD

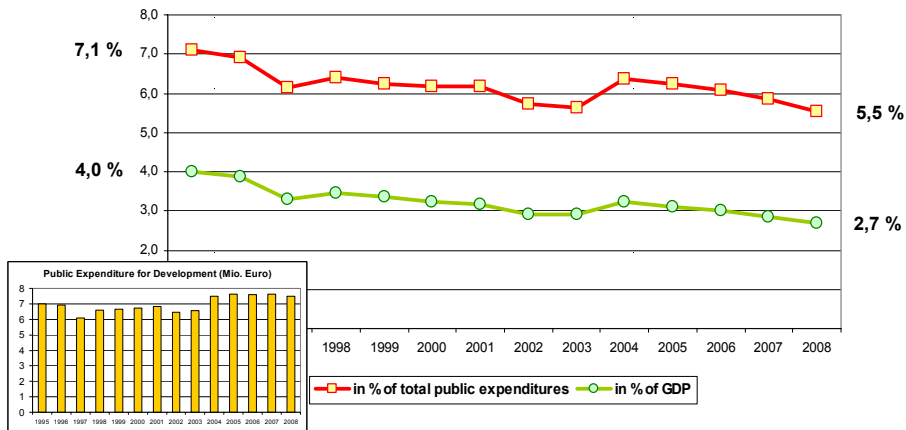
- ESA data (for Austria) not available by regions
- Estimation of regional shares (Nuts 2)
based on administrative budgets
(municipalities, federal provinces)
- Result:

Public Expenditure for Regional Development in Austria 1995-2008 by

- Administrative levels
- Cofog-functions
- Nuts-2-regions

Development policy capacity in AT

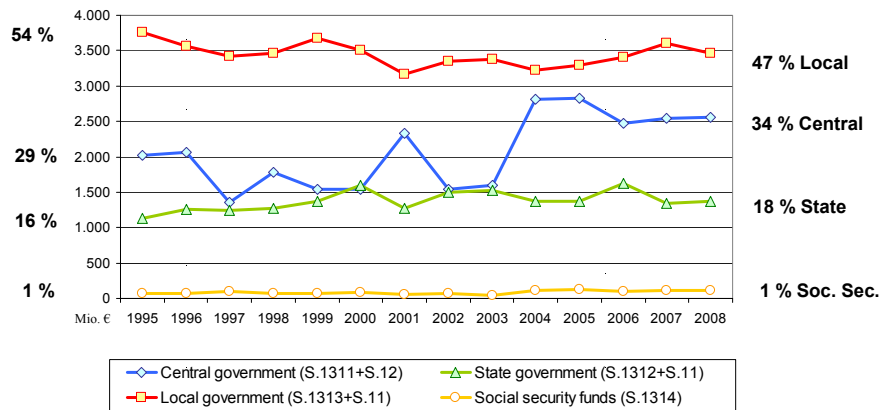
Total Public Expenditure for Regional Development
6,1 to 7,6 billion EUR per year, but weight is decreasing



11

EfD by Sub-sector

Major share of EfD (about 50%) financed by
local government level - with decreasing importance

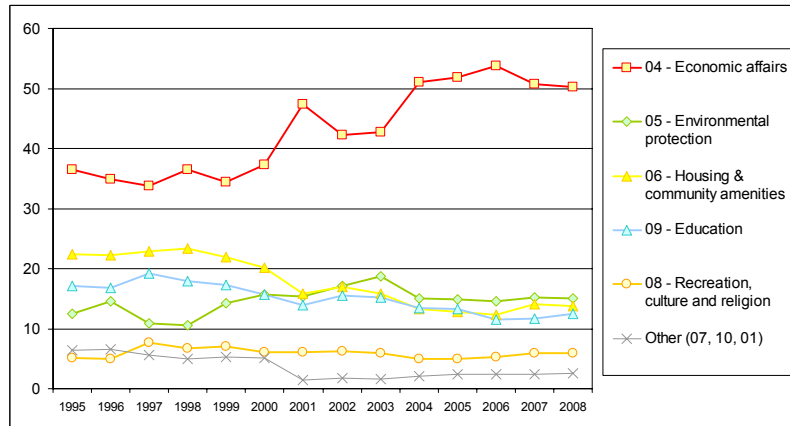


12

EfD by Function

Expenditure share by Cofog-Divisions (%)

Increasing importance of economic affairs (transport, agriculture, labor affairs)

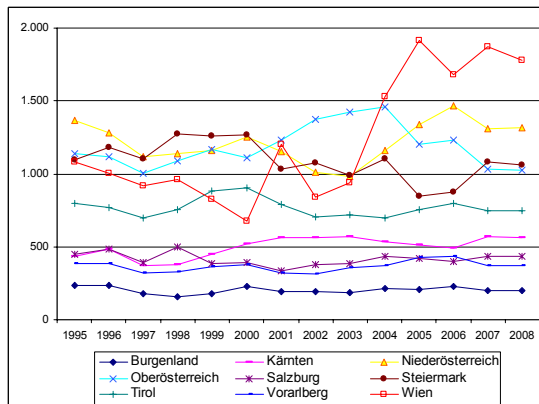


Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

13

EfD by Regions

EfD are only rising in **two Austrian regions**. In relation to GDP **Burgenland** shows a **great significance**.



	Average annual growth rate (%)	% GDP
Burgenland	-1,4	4,4
Kärnten	2,0	4,0
Niederösterreich	-0,3	3,8
Oberösterreich	-0,6	3,6
Salzburg	-0,3	2,8
Steiermark	-0,2	4,2
Tirol	-0,3	4,4
Vorarlberg	-0,2	3,9
Wien	3,9	1,9
Total AT	0,6	3,2

Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

14

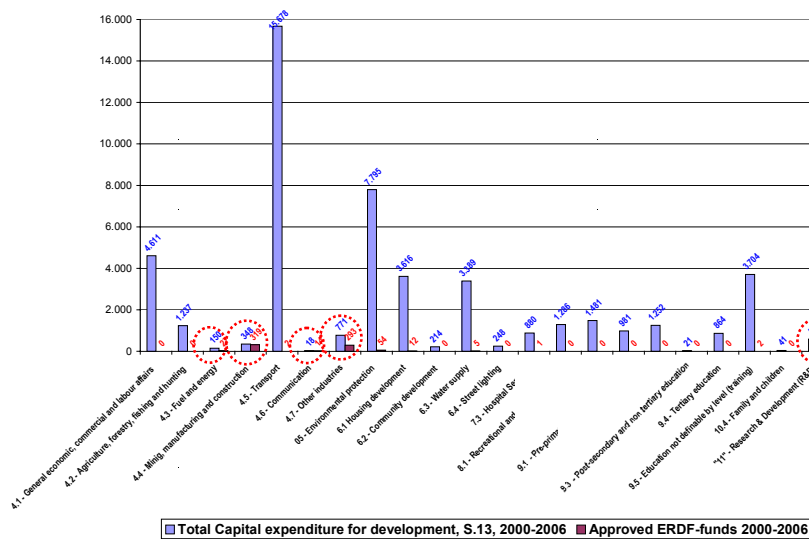
EU-contribution

Regarding the Structural Funds contribution to the national development policy in general two directions can be differentiated:

- **Quantitative effects** (“Financial instrument”), where the national spending is heavily influenced by the Structural funds, and/or
- **Qualitative innovation impulses** („Impulse instrument“) for regional development policy, to develop and implement new approaches, which otherwise would not have been taken up.

Not part of the presentation

Ad Quantitative effects (ERDF)

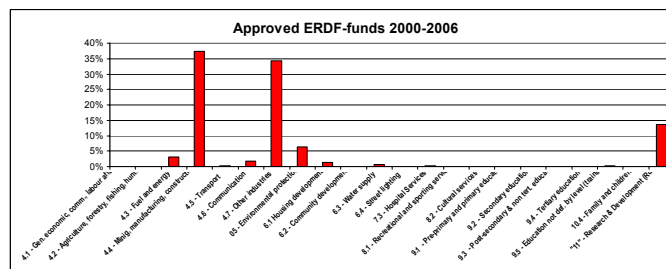
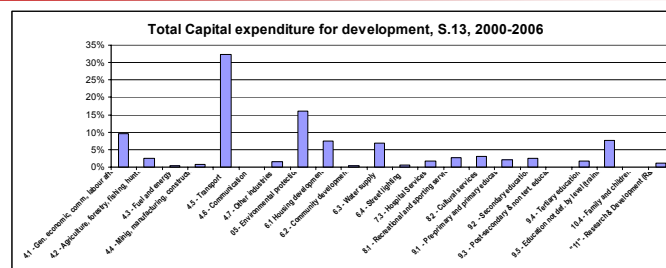


Relative importance of ERDF

COFOG functions, where ERDF-support represents a substantial share of national public investments in Austria

COFOG - level 2 - groups	Related ERDF interventions	ERDF in % of total public EfD	Major provider of national cofinancing funds
4.3 - Fuel and energy	Investments in renewable energy and energy efficiency	18%	Central government
4.4 - Mining, manufacturing and construction	Investments in enterprises	90%	Central and state government
4.6 - Communication	Investments in Information and communication technologies	78%	State government
4.7 - Other industries	Investments in Tourism and business related infrastructures	38%	State government
"11" R&D	R&D investments in enterprises and infrastructures	20%	Central and state government

Different focus on interventions



Sectoral dimension

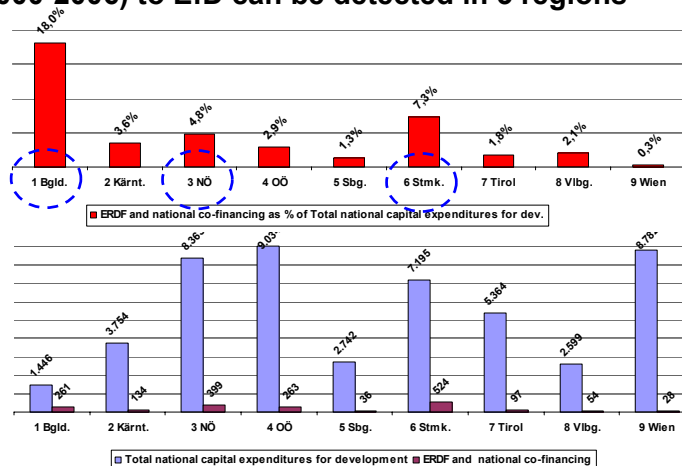
The sub-national level is taking major responsibility for investments on development. But the share within the sub-national level is different.

	Total national capital expenditures for development, 2000-2006, Mio. EUR	in %	Total national co-financing to ERDF, 2000-2006, Mio. EUR	in %
Central government (S.1311)	15.695	32%	350	37%
State government (S.1312)	10.273	21%	410	43%
Local government (S.1313)	23.311	47%	184	19%
Total General Government	49.279	100%	943	100%

62%

Regional dimension

A relatively high contribution of ERDF related investments (2000-2006) to EfD can be detected in 3 regions



Regional disparities

In contrast to national development investments ERDF focuses on the group of economically weaker *Länder*

Regions (NUTS 2)	2000-2006				
	GDP 2006 per capita (EUR)	Total national capital expenditures for development, Mio. EUR	in %	Total expenditures by ERDF, Mio. EUR	in %
Group with below-average GDP per capita					
Burgenland	20.500	1.447	3%	175	21%
Niederösterreich	25.300	8.344	17%	178	21%
Kärnten	26.500	3.753	8%	83	10%
Steiermark	26.900	7.205	15%	196	23%
Oberösterreich	30.300	9.045	18%	123	14%
Total Group		29.794	60%	755	89%
Group with above-average GDP per capita					
Vorarlberg	32.400	2.592	5%	22	3%
Tirol	32.500	5.389	11%	45	5%
Salzburg	34.800	2.746	6%	18	2%
Wien	41.500	8.741	18%	13	1%
Total Group		19.467	40%	98	11%
TOTAL COUNTRY	31.100	49.261	100%	854	100%

Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

21

Findings

■ Obstacles to analyse public expenditures on regional development – growing in-transparency of the system

Lack of ESA 95 adequate data on the regional level poses considerable obstacles to the successful analysis of development policies on the respective level. In order to carry out the regionalization of national data complex but methodological robust estimations have been introduced. Options to improve methodology and data have been identified. In the last decades numerous extra-budgetary units and other units of public sector have gained importance at all levels of government. This further in-creased the complexity of federal fiscal relations across entities of the public sector and reduces the transparency of the system.

Regional Consulting Int. GmbH & Vienna University of Technology / Ifip

22

Findings

- **The investment capacity on development is stagnating and getting less important relative to total expenditures and GDP**

Investments for regional development account for around 6,4 to 7,7 billion EUR per year in Austria. For the entire period 2000-2006 development investments account for about 49,3 billion EUR.

Annual development expenditures represent around 6% (2007) of total public expenditures. However the public expenditures on development are growing only by an average rate of +0,6 percent per year and the weight on the total expenditures is decreasing (from around 7 percent in 1995 to 6 percent in 2007). This trend is confirmed by the falling weight on GDP.

Starting from a very high level 70% of development expenditures were financed by the sub-national level in 1995, the share of the subnational level continuously decreased to 65% in 2007 (in particular at the local level). Hence the sub-national level lost to some extent its significance in financing development.

Regionalized data show that a significant growth of development expenditures takes place only in 2 Austrian regions (Kärnten und Wien). In all other 7 regions development investments decrease or stagnate. In relation to GDP only 4 regions show a greater significance of development investments in comparison to the national average (Objective-1-region Burgenland, Niederösterreich, Tirol, Vorarlberg).

Findings

- **The contribution of ERDF increases the room of manoeuvre of the *Länder* for investments in specific areas such as innovation, tourism against the background of stagnating national investment activities.**

Structural Funds contribution equals to around 3,6% in comparison to total public investments funded from national sources on development in Austria (1.782 million to 49.282 million EUR, 2000-06). The relative importance of ERDF in quantitative terms is high in the following intervention areas: (i) Investments in enterprises particularly in production (ii) Investments in tourism and business related infrastructures (iii) R&D investments in enterprises and infrastructures (iv) Investments in renewable energy and energy efficiency and (v) Investments in information and communication technologies. National cofinancing is provided to a considerable extent by the Länder and municipalities (63 percent of the total national cofinancing). The general trend in national financing of development expenditures shows that the room of manoeuvre is getting tighter for the sub-national level (in particular for the local level). In addition the Länder have increasingly earmarked expenditures (Pflichtausgaben) in relation to discretionary spending (Ermessensausgaben). The contribution of ERDF increases the room of manoeuvre for investments in specific areas such as innovation and tourism (if the earmarking by the Commission is not too strict).

Danke für ihr Interesse!

- **Ass.-Prof. DI Dr. Johann Bröthaler**

Fachbereich Finanzwissenschaft und Infrastrukturpolitik
Department für Raumentwicklung, Infrastruktur- und Umweltplanung,
Technische Universität Wien
Resselgasse 5/2/2, A-1040 Wien

- **DI Andreas Resch**

Regional Consulting International GmbH
Paradisegasse 51/2
A-1190 Wien/Vienna