

Executive Summary

STRAT.AT REPORT 2009

EU COHESION POLICY 2007-2013

The most recent reform of the EU Cohesion Policy strengthened its strategic alignment and also integrated it into the Lisbon Process. The increased Multilevel Governance which accompanied the reforms resulted in a new architecture of strategic concepts and reporting requirements.

This report forms the 2009 Strategic Report for Austria pursuant to Art. 29 of Regulation (EC) No 1083/2006. Starting with an analysis of current socio-economic developments, it illustrates the implementation status of Austrian structural fund programmes, and also makes reference to the "Strategic Guidelines on Cohesion", purely national initiatives, as well as the relevant areas of the "Rural Development Programme", among others. Experiences gained during the first phase of the 2007–2013 programme implementation are summarised, and initial suggestions from Austria for the 2014+ period are also included. Finally, the report highlights "good practice" examples, both in view of regional development as well as the coordination of regional and cohesion policies.

EU Cohesion Policy 2007–2013 in Austria

In addition to the strategic guidelines on cohesion and corresponding regulations, the Austrian National Strategic Reference Framework 2007–2013 – STRAT.AT – forms the reference framework for a total of 21 Operational Programmes in Austria, for which a total of approximately EUR 1.46 billion in structural funds is foreseen. In addition, the rural development programme which is allocated to the Common Agricultural Policy is also utilised.

Programmes related to the cohesion policy, which are implemented in Austria and build on STRAT.AT, are well positioned when compared on an international level. As regards contents, Austria's programmes feature a strong orientation to Lisbon objectives: 91 % of implemented structural funds are indicatively allocated to those areas which directly contribute towards achieving the Lisbon objectives ("Lisbon earmar-

king"). Based on an international comparison, this figure is on average 81 % of funds used towards the objective "Regional Competitiveness and Employment" with respect to the EU-15. In countries which are deemed "innovation leaders"^I, this figure is 85 %. Within the Lisbon objectives, Austrian ERDF programmes focus on RDI-based forms of intervention, and more specifically on business-related innovation investments. At its core, the ESF focuses on a preventive and active labour market policy.

First Implementation Phase of Cohesion Policy 2007–2013

Austria's programmes are among those which received the earliest approvals on an EU-wide basis. The first implementation phase was characterised by an overlap with the closure of programmes of the 2000–2006 period, so that two programme periods were de facto running in parallel.

Implementation has commenced along with the delays which are intrinsic to EU Cohesion Policy. Commitment and payment levels are similar to those of previous periods, during which programmes were implemented successfully.

To date, approximately EUR 250 million in ERDF and ESF have been committed or paid out as part of the objectives "Convergence Phasing-Out" as well as "Regional Competitiveness and Employment". The following contributions to the "Strategic Guidelines on Cohesion" are hereby highlighted:

→ "Improving knowledge and innovation for growth": EUR 150.5 million of funds (61 % of committed/paid structural funds). The implementation of this guideline is carried by innovative and investment-oriented measures, which constitute almost half of committed funds. They result in expansive workplace effects which are clearly above plan, and have their strongest effect on industrially characterised types of regions which have borne a disproportionate brunt of the economic crisis. In

I Council decision of 6 October 2006 on Community strategic guidelines on cohesion for economic, social and territorial cohesion 2007–2013 (2006/702/EC)

II Sweden, Finland, Denmark, Germany, UK

this context, 41 % of planned new workplaces and 38 % of investments volume has already been achieved, with an average share of programme approvals of 26 %. However, the number of start-ups, R&D projects and associated R&D workplaces continue to lag behind the overall performance of the programmes. In particular, R&D oriented measures are clearly reaching the administrative limits of structural funds, with a resulting tendency to fall back on national programmes. Therefore, as far as this area is concerned, it remains to be seen whether the original plans can be implemented.

- "Making Europe and its regions more attractive places in which to invest and work": EUR 16.5 million of funds (6.7 % of committed/paid structural funds). Here, implementation efforts are concentrated on the strategic fields "Energy and Environmental Investments" and "Risk Prevention and Management". These guidelines are also increasingly addressed through the programmes of the objective "European Territorial Cooperation" (ETC).
- "More and better jobs": EUR 69.1 million of funds (approximately 28 % of committed/paid funds). The ESF programmes focus on specific target groups and issues under labour market policies (preventive and active labour market policy; focus: persons isolated from the labour market, active ageing) and intensify the approach of the Territorial Employment Pacts. In 2008 alone, the national Austrian ESF programme reached approximately 100,000 participants, of which 56,800 were women. The proportion of disadvantaged population groups (e. g. migrant women, persons with disabilities) is at 37 %. At the same time, similar to other funds, the first implementation phase is also carried by the large, rather mainstream-oriented funding measures, while innovative projects require the corresponding preparation and start-up periods. The challenge now lies in the ability to bring on board the other focus areas, particularly the integration of persons not participating in the labour market and persons with disabilities, as well as the issue of "life-long learning".

With respect to the other programmes, the following is noted:

- As regards their contents, programmes for the objective "European Territorial Cooperation (ETC)" are decidedly broader than the programmes for "Regional Competitiveness", and their action fields also cover the thematic areas energy, transport and tourism, environmental protection and spatial development, in addition to innovation. To date, the

monitoring committees set up for this purpose have already approved projects constituting approximately 40–50 % of intended ERDF funds. The successful implementation of these project commitments and the strategic development of implementable and effective projects is, however, the challenge for the next programme phase. The convergence of an at times very different understanding of development (administrative cultures) by participating regions or Member States with processes which are not or barely compatible (competition versus proactive project development), and the lead partner principle represent significant challenges, in particular as a result of issues related to documentation, financing and liability.

- The Austrian "Rural Development Programme" is primarily directed at the target group consisting of agricultural operations and their environment, but also addresses – partly in axis 3 "The quality of life in rural areas and diversification of the rural economy" and the horizontal axis 4 "Implementation of the LEADER concept" – integrated development projects for rural areas. Programme implementation has been off to a good start and, similar to other funds, is also carried by large funding initiatives focusing on individual operations mainly in line with axis 1 "Improving the competitiveness of the agricultural and forestry sector" and 2 "Improving the environment and the countryside". Axes 3 and 4, which are directed at project development, must be strengthened during the course of programme implementation due to the required development and start-up periods. Ensuring the innovation potential of the LEADER approach remains a challenge. In addition to the "mainstreaming" of the LEADER approach, the settlement process presents a significant challenge. The latter increases risk-averse behaviour, whereby care must be taken to ensure that content-related components are not relegated to the background.

General conditions and their effects on the programmes

An examination of the qualitative effects of EU cohesion policy in Austria 1995–2007, which was conducted as part of the "taking stock" component of the "STRAT.ATplus" monitoring process,^{III} shows a number of positive effects but also points to the limitations associated with the structural funds, which lead to uncertainties and restrictions with regard to the level of innovation and a large increase

in administration requirements. This development can in part be traced back to reasons which originate within Austria, but the underlying problem is primarily the result of a complex EU regulative. Implementation experience gained during the 2007–2013 period shows that while there has been a noticeable turn towards more flexibility at the programme level, this development is counteracted by administrative rules at the operating level.

Overall, as regards the important programme components, the relationship of implementation planning and flexibility and required controls no longer seems to be at an equilibrium. This is leading to increasing reservations with regard to EU funds, and risk-averse funding behaviour. Initiatives designed to achieve "simplification", which have been introduced at the EU level, are generally welcomed. However, it must also be considered that the required additional refinements must be implemented and that Member States will require time for implementation, so that the measures only reach the project carrier with a significant time lag. But these are doubtlessly steps in the right direction. Regional policies directed at creating impulses require the corresponding framework conditions which promote the creation of innovations at different levels.

Effects of the financial and economic crisis

All in all, Austria has been progressing well towards the Lisbon objectives. It has developed a good competitive situation over the past years and benefitted broadly from the boom phase (2004–2008), which is reflected in Austria's above-average growth rates in GDP, exports, employment, and a significant decrease in unemployment. Good performance levels are also observed in the area of research, technological development and innovation. With respect to the 3 % R&D Barcelona target, Austria was one of the few countries on the path towards meeting this objective.

The current international financial and economic crisis will leave its mark – and not only on the country's economic performance: the crisis is accelerating the economic restructuring process, which would have required several years to achieve an "orderly" adaptation during "normal" economic periods. Cost pressures along with the pressure to relocate production to countries with lower wage levels will accelerate. Currently existing value chains will be reorganised. Still, significantly lower growth rates must be expected for the medium term as compared to the past boom phases, so that a recovery of labour markets is not very likely.

This points to a drastic intensification of the competitive environment, and also means that already ex-

isting pressures to accelerate the transition to a knowledge-based economy will continue to increase and hence become one of the main challenges.

At the same time, well-known long-term trends, such as demographic change, shortages of non-renewable energy resources, as well as climate change will also be intensifying, even if their effects will not be fully felt in many areas for some years or decades. These trends and developments were already picked up during the preparation of the STRAT.AT, but they have gained in speed and intensity as a result of current developments.

Conclusions for the continued design of EU structural policy

To-date experience with implementation has shown that only limited changes have occurred with respect to the implementation of programmes, as compared to previous periods. The most innovative funding measures are not utilised – and exceptions are confirming the rules in this case – for EU co-financing purposes because of inflexible general conditions. From this follows: A strengthening of the innovative and impulse-providing power of structural funds programmes requires conditions at the EU and national level which enable and/or promote a higher willingness for risk and hence enable clear and implementable strategies.

The required core components are as follows:

... at the European level:

- a new balance between flexibility in implementation and required controls;
- compliance with the principles of "good governance", whereby subsequent introductions or changes to interpretations of regulations are avoided;
- an adequate differentiation of general conditions by objectives and types of interventions (key word: principle of proportionality), in particular also with respect to territorial cooperation;
- increased flexibility for cross-fund cooperation, including EAFRD;
- a strengthened learning and innovation impulse function by the European Commission through, among others, the reintroduction of pilot and innovation programmes as well as improved functions with regard to the management of information exchange and learning processes at the EU level.

... at the national level:

- a strengthened focus on functional areas (in order to also transfer aspects of the variable geometry to the Austrian level);
- national and regional framework strategies with a clear strategic focus, within which structural fund

interventions are defined, and which concentrate mainly on selected areas/projects/lead projects and pick up on central future challenges;

- the continued development of the governance system and improved intra-Austrian general conditions in order to increase the investment level of funds;
- improved utilisation of existing development potentials across policy areas.

At the same time, the current financial and economic crisis also points to the central challenge: to promote adaptability and create the necessary conditions to achieve this objective. However, the strategic report also shows that significantly improved general conditions are required from the EU and national level in order to promote this adaptability at the target group level and to enable the same process in the funding system itself.