

# Summary

## EXECUTIVE SUMMARY

### Implementation of the EU Cohesion Policy programmes in Austria

The **Second Strategic Report for Austria** pursuant to Article 29 of Regulation (EC) 1083/2006 on the implementation of the Austrian **National Strategic Reference Framework – STRAT.AT** is based on the first report of 2009 taking into account the Commission's Guidance Note.<sup>1</sup> These findings were investigated and expanded on starting out from the implementation data as of 31 December 2011.

The Austrian programmes were launched relatively quickly – albeit with the delays inherent to EU Cohesion Policy. They show a strong orientation on the relevant master **strategies of the EU** (Lisbon Strategy and as of 2010 “Europe 2020 Strategy”) and a generally good to very good implementation progress across all funding programmes – both with respect to financial implementation and attainment of the agreed objective indicators. Therefore, we expect an almost complete allocation of the funds.

→ The **ERDF** programmes for the objectives “Regional Competitiveness” and “Convergence Phasing Out Burgenland” indicate an average funds allocation rate of 66%. The **results indicators** show a good performance with respect to the agreed target values. According to the ERDF monitoring data as of 31 December 2011

- some **7,700 new jobs** are planned or have already been created (112% of the targets). Around one-tenth are R&D jobs;
- the **investment volume** funded is around EUR 3.5 billion (92% of the targets);
- the climate-related investments helped create 140 MW in additional generation capacities from **renewable energy** sources and this surpasses the agreed targets by more than 30%; the contribution to the reduction of greenhouse emissions of around 200,000 t is in line with plans.

Start-ups and R&D projects at enterprises lagged behind the targets. The cause is not a lack of projects, but primarily the transfer of project funding to exclusively nationally financed schemes. The programmes focus heavily on the **funding of individual enterprises** in the form of subsidies, and in this case, specifically on encouraging **investment activity** at enterprises. In international comparison, this is a special feature of the programmes. Overall, one should not forget that the volume of funds paid out – similar to that of Europe in general – is lower than in the previous programming period. Apart from the financial and economic crisis, this is due, above all, to the increasing hindrances in the processing due to the growing complexity of the multi-level governance structures as well as to the uncertainty regarding the interpretations of eligibility and unresolved audit issues.

→ The national “**ESF programme for Employment**” and the programme “ESF Convergence Phasing Out Burgenland” focus on special labour market themes and target groups (preventive and active labour market policy; specifically, persons distant from the labour market, active aging) and support the approaches of the Territorial Employment Pacts. Up to now, under the ESF programme for “Employment”, EUR 412 million in public funding has been allocated, and an amount of EUR 343 million paid out. The funds have been used to provide consulting to 6,860 enterprises and 399 qualification pacts. Overall, qualification and employment measures supported almost 460,000 participants. The programmes reached the target groups of “women” and “older persons” exceptionally well. This also applies to the integration objectives. Practice shows that the integration of marginalised groups into the labour market is a challenging task – even more so considering the current job market.

→ Under the **ETC programmes**, around 90% of ERDF funds earmarked for Austria with Austrian

1 Guidance note on indicative contents and structure for the national strategic reports 2012 (COCOF\_11-0040-01-EN)

participation had been contractually allocated by 31 December 2011. The cross-border programmes successfully integrated new concepts such as the “Lead Partner Principle” and in this manner substantially improved the **quality of co-operation**. Projects in the area of research, technology and **innovation** are becoming more important. Compared to previous Structural Funds programming periods, the importance of education and environmental themes, especially as regards risk prevention, energy and climate change, is growing. However, it has also been observed that

- very **divergent understandings of development** with partially incompatible procedures (e. g. competition versus proactive project development) exist and counteract each other;
  - there is a tendency towards fewer and larger projects. The requirements imposed are also reducing the number of potential project organisers. This is detracting from the ETC programmes’ effectiveness across a broader range;
  - the transfer of the **general rules** of the Structural Funds, especially those that give programming competence to only one member state are often inadequate for the ETC programmes.
- Austria gives special weighting to the second pillar of CAP and **rural development** within the Austrian Programme for Environmentally Compatible Agriculture (ÖPUL, *Österreichisches Programm für eine umweltgerechte Landwirtschaft*), and the disbursement of payments shows a heavy weighting on disadvantaged (mountain) rural areas. The EAFRD programme had paid out approximately 66% of the EU funds until the end of 2011. The degree of implementation of Priorities 3 & 4 (“Diversification of Rural Areas” and “LEADER”) is far below this level as regards the use of funds. An outcome of the “LEADER mainstreaming” is that there are still quite a significant number of funded projects with only limited innovative content although many of the projects implemented in the programme regions had a positive impact. The impact assessment conducted for the mid-term evaluation showed a year-on-year increase of gross added value from the programme of EUR 1,257 million; the employment effects are expected to reach a volume of almost 26,200 full time equivalents of which 5,866 are in agriculture. In the area of climate protection, the measures helped to reduce CO<sub>2</sub> emissions by 1.9 million t by the mid-term evaluation.

## Synergies and complementarities with Europe 2020

The data on programme implementation shows the high share of funds earmarked for the programming period 2007–2013 in accordance with the **Lisbon guidelines** (approx. 90% of ERDF and ESF). As regards the **Europe 2020 Strategy** and the implementation of the National Reform Programme (NRP), there were contributions to all objectives. However, due to the small volume of the funds from the Structural Funds, the contributions to the targets can only be very limited.

## The framework and its effects on the programmes

Apart from the many **positive effects** of the Structural Funds such as the impulses for a regular planning cycle, monitoring oversight and a closer coordination of the federal level with the *Länder*, they are also creating more and more hindrances that in Austria’s view are producing insecurity. The experience with implementation during the programming period 2007–2013 revealed that in comparison to the previous period, the greater flexibility at the programming level (e. g. use of the funds) is being **counteracted** by the administrative rules at the operating level. In this context, it has to be stressed that is very clear that the regulatory density is home-grown in Austria. If all **regulations** at the EU and at the national level were to be **strictly adhered** to, the system would reach the limits of operability both with respect to processing and to the control mechanisms and auditing. The “**simplification**” measures introduced at the EU level are welcomed. The principles of accounting for indirect costs based on “flat rates” and standard unit costs for personnel costs apply. These constitute a significant simplification in the processing of funding for labour-intensive action plans, as in the case of innovation and R&D projects.

## Effects of the financial and economic crisis

Austria proved to be a “**resilient**” economic region with excellent **problem-solving capacities** during the financial and economic crisis. Nonetheless, the crisis has not been without repercussions on the implementation of the programmes due to the contraction of investment activity. The consequences for the programmes are (i) longer and smaller projects, (ii) delays in payments because of the prolongation of the projects and (iii) a shift in the focus of the projects from detail engineering to less riskier investments in companies. The budget cuts carried out because of the pressure to consolidate government finances are starting to have negative effects on the possibilities of raising funds for regional co-financing.

The **ESF programmes** have significantly widened funding to combat unemployment caused by the deteriorating conditions on the labour market triggered by the crisis and have set up training and employment schemes. At the same time, it became necessary to adjust the integration targets slightly downwards. Furthermore, adjustments were made to individual schemes such as the enlargement of eligible target groups to include short-time employees in the qualification programmes.

The interventions during the crisis were generally carried out in the form of national programme measures using the elements specified in the EU Communication “A European Economic Recovery Plan” and supplemented by the measures of the *Länder* (see Report 2009). As an immediate response to the recommendations of the Structural Funds programmes, the simplification approaches (such as accounting for indirect costs by “flat rates” and using standard unit costs for personnel expenses) were taken up and applied.

### Conclusions for the current programming period – relevance of the strategies

As STRAT.AT is largely compatible with the Europe 2020 Strategy and the current strategies and Operational Programmes continue to serve as a reference framework. On account of the objectives of the programmes and the relatively low financing volumes when compared to the convergence scheme regions, these programmes are not suitable as “economic steering elements”. The consequences of the crisis are ameliorated by national interventions. With respect to the remaining term of the **programming period 2007–2013**, the following challenges remain:

- The implementation of **system adaptations** to account for the more stringent requirements for the audit system introduced in the programming period 2007–13, but without hindering or slowing down the overall process;
- Furthermore, the situation that the management of the current programmes and the complex planning processes operate **parallel** at several levels (national, regional) has to be solved in the new programming period.

### Conclusions for the further design of the EU Structural Policy 2014

For the years 2014+, the following general aspects must be taken into account:

- **Good governance principles must be strictly observed by all sides.** Apart from the avoidance of an excessive density of regulations, this requires the timely and clear definition of the rules (harmoni-

sation as far as possible) and the avoidance of any ex post additions or new interpretations.

- **Improve the performance of the system** both at the implementing bodies as well as at the control and audit authorities. To implement the programmes, the bodies involved have to be supplied with sufficient resources (concentration).
- **Vertical coordination:** The new governance concept makes it necessary to deepen the relationship to the National Reform Programme. Vice versa, this calls for a greater inclusion of the *Länder* in the preparation and reporting of the NRP.
- **Harmonisation of the regulations** by the EC as well as in the national financial aid rules (e. g. within EU framework programmes).
- The principle of **proportionality** must be observed, that is, the relation of reporting and auditing expenses to the size of the programme.
- As regards content, it will be necessary to place a greater emphasis on research and the related **development of locations** well as more on “**CO<sub>2</sub> reduction**”.

The **regulation proposals** being discussed since October 2011 propose the merger of the five EU funds under the “Common Strategic Framework” (CSF) as well as a closer vertical coordination with Europe 2020, the National Reform Programme and EU co-financed programmes. This is supplemented by an orientation on outcomes (“performance turn”). In the view of experts, there are two options for positioning the Structural Funds:

- The function and main argument for the European programmes is the **harmonisation of spatial** interventions and coordinated action for local development. For Austria, the issue within this framework will be to overcome sector-specific biases and the strict separation of target groups in favour of a coordinated development perspective in line with the common central themes as well as a stronger orientation on local development in which horizontal (enterprise level) financial aid programmes play more of a supplementary role.
- If this development scenario is not pursued, the alternative is to focus the funds as “**financing instruments**”. The individual Operational Programmes have to be argued here before the backdrop of the policy fields and regional strategies.

In any case, what we need are **framework conditions** from the EU and the member states that permit and/or encourage higher risk tolerance and enable clear, enforceable strategies. Major progress must be achieved in the current negotiation process to define EU Cohesion Policy 2014+.