

AUSTRIA – CZECH REPUBLIC

INTERREG IIIA

Community Initiative Programme

2000-2006

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1. INTRODUCTION

1.1 From an external to an internal INTERREG IIIA programme

Since 1989, the overall aim of the Interreg Initiative has been to ensure that national borders do not remain a barrier to the balanced development and integration of the European territory. In 1995 – based on a decision by the European Parliament – the Interreg initiative was complemented by the Phare cross-border programmes in order to extend the cross-border co-operation approach to the external borders of the European Union.

Austria and the Czech Republic participated in the Interreg IIA – Phare CBC Programmes 1995 -1999 which helped to improve and intensify cross-border co-operation in the joint border regions. The present programme period 2000-2006 is even more challenging in the light of enlargement of the European Union.

At the starting point of the programme cycle 2000-2006, it was crucial to focus efforts as far as possible on Structural Funds and the Interreg rules as well as on procedures of the Phare CBC programme. This was particularly important as part of the pre-accession learning process for the local and regional authorities in the Czech Republic, which from now on will be closely involved in the Structural Funds' programmes.

Based on the common experience and cooperation structures of the programming period 1995 - 1999, preparatory work started in Austria and in the Czech Republic for the creation of the joint INTERREG III – PHARE-CBC Programme in the autumn of 1999. The respective coordination bodies (in Austria the Länder Upper Austria, Lower Austria and Vienna as well as the Federal Chancellery; in the Czech Republic the Ministry for Regional Development) have initiated the discussion for drafting strategies on cross-border cooperation based on regional and national concepts. The most important potential regional Operative Assistance Authorities as well as the regional actors such as regional management organisations and Euregios have been included in this process.

The preparations in the Czech Republic were launched with the creation of a cross-border regional development programme. In the course of the work, expert workshops as well as information and discussion events were organised with the collaboration of the regional actors (mayors, RDAs, regional development centres, etc.).

The preparatory work served as the basis for the joint programming process started in November 1999. The following list containing the bilateral meetings held at the programme coordination level gives an overview of the schedule for drafting the programme.

22 June 1999	Coordination meeting of the Länder Lower Austria, Vienna, Upper Austria in Wr.Neustadt
23 Sept. 1999	1. Information by the Federal Chancellery on INTERREG III A and Report on status of preparatory work
28 Oct. 1999	Meeting of the programme coordinators (appointment of a steering group)
17 Nov. 1999	Multilateral INTERREG III – PHARE-CBC Meeting in Vienna Kick-off event, information and discussion on structure and procedure of joint programming
9 December 1999	1 st Bilateral Workshop at the programme coordinator level in Brno
16 February 2000	2 nd Bilateral Workshop at the programme coordinator level in Gmünd
27-28 March 2000	3 rd Bilateral Workshop at the programme coordinator level in Vienna
28 April 2000	4 th Bilateral Workshop at the programme coordinator level in Brno
9 May 2000	Closing discussion of draft programme at JCC in Vienna

Apart from the Workshops at the level of the programme coordinators, bilateral working talks at the expert level were conducted as well as information and harmonisation talks at the state minister level. The social partners and the government's women's affairs representative were involved in the process through the official procedure for posting statements.

In March 1998 the European Union formally launched the process that makes enlargement possible.

On 9th October 2002, the European Commission recommended that the negotiations on accession to the European Union have to be concluded by the end of 2002 with 10 countries including the Czech Republic, the Slovak Republic, Hungary and Slovenia. The negotiations with these 10 best-prepared candidates were concluded on the basis of their progress in implementing the *acquis communautaire* up to now, and on their commitment to continue doing so until their accession.

After the conclusion of accession negotiations, and the approval of the European Parliament, the Treaty of Accession with the 10 first candidates was signed by the member states and the applicant countries in Athens on April 16th 2003; it will then need to be ratified by all the countries concerned.

In the Czech Republic the referendum on accession was held on 13th to 14th June 2003 resulting in 77,33% votes for accession with a voter turnout of 55,21%.

This legal framework builds the basis for the Managing Transition process that was launched by the programme partners Czech Republic and Austria in order to change the former Interreg IIIA/Phare CBC programme on the current external EU border into a full Interreg IIIA programme at the future internal EU border.

Already in October 2002 the Federal Chancellery took initiative as Managing Authority to launch the process of Managing Transition for the four external border programmes of Austria (future internal borders) and organised two events in Vienna:

- an International Seminar on „Interreg III and EU Enlargement Managing Transition 2004 – 2006“ on 1st October focused on strategic and operational questions with regard to the transformation of Phare CBC into Interreg and the new challenges for Interreg after Accession. The event served as a platform for exploring different possible scenarios for the transition phase and it supported an exchange of views between the European Commission, the Member States and Candidate Countries concerned in this co-operation area.
- a Working meeting on the 2nd of October to reconsider the main results of the seminar held the day before in the context of the Interreg programmes Austria-Czech Republic, Austria–Slovak Republic, Austria–Hungary and Austria–Slovenia and to prepare the next steps.

As a main result of this working meeting the Joint Monitoring Committee nominated the members of a Task Force (Federal Chancellery as MA, Czech Ministry of Regional Development as PIA, Upper and Lower Austria as Austrian regional representative and representative of the Czech regions as well as the JTS; representatives of the European Commission, DG Regio, have been invited as observers) and gave them the mandate to launch the Managing Transition process.

The Task Force held six meetings:

20 th of January 2003, Vienna	main changes in the technical and legal framework of the cooperation, identification of revision needs for the Joint Programming Document, coordination with the mid-term evaluation, fix an indicative timetable for 2003
24 th of April 2003, Vienna	Discussion of first draft of Memorandum of Understanding, review on the outcomes of the Workshop on strategic project development, preparation of the common seminar on Programme Structures and Monitoring in May
9 th of July 2003, Vienna	Open issues of the Memorandum of Understanding, discussion of the proposal of the joint programme structures (Chapter 10 of CIP), first estimations on common financial table, financial management and control
10 th of November 2003, Vienna	Financial management and control, Mid term evaluation: discussion of first main findings, Programme Complement: first estimation of revision needs, Development of Joint Central Monitoring System: requirements for update of CMS, Information and publicity: joint brochure, Work packages and proposed time plan
10 th of December 2003, Vienna	CIP: Comments of EC on the draft CIP, Programme Complement: first draft of revised PC, Application form: needs for amendments to the application form, Memorandum of Understanding: discussion of further comments and open issues, Article 5 declaration (according article 5 of EU regulation 438/2001), Mid term evaluation: discussion of draft final report
15 th of March 2004 Vienna	CIP: information on the final draft , Memorandum of Understanding: information on the final draft, Programme Complement: discussion of the second draft of revised PC, Application form: discussion of draft revised application form, Monitoring and financial flows: discussion of open issues, Article 5 declaration (according article 5 of EU regulation 438/2001): suggested proceeding, Publicity activities: joint brochure and possible event around accession

Additionally, a workshop on strategic project development was held on 20th of March 2003 in St. Pölten defining key projects and identifying key issues for the transition period 2004 – 2006 to be supported from both sides as well as discussing the availability of financial resources in the Czech Republic and Austria from 2004 onwards and the harmonising of the project selection procedures in both partner countries under Interreg.

Two cross-programme seminars have been organised in Vienna by the Managing Authority to discuss crucial issues for the phasing in of Interreg:

- Seminar on Project Implementation Structures and Monitoring on 27th May 2003 and
- Seminar on Financial Control and Monitoring on 5th November 2003

The programme partners still agree that it is essential to focus on projects which will lead to a continuous process of cross-border exchange of views, experience and visions of highest number of participants. This process shall lead to pilot projects which will have an impact on other projects and thus influence the mainstream of regional economic development on both sides of the border. Consequently, the given Programme shall be

- Visionary and forward oriented, following a pro-active approach towards regional economic and social integration,
- Pioneering and innovative, with projects ranging from strategy development to physical investments,
- Focused on networking and institution-building across borders.

The common objective remains to **develop a single border region integrated in economic, environmental and socio-cultural fields** throughout the seven years programming period. There will be, however, two distinct phases in this process. The years before and the years after accession have brought different tasks, challenges and opportunities for both sides on the border. The institutional and economic framework will change markedly upon accession.

1.2 The revised CIP

Consequently, the approved Joint Programming Document (JPD) for the Interreg IIIA/Phare CBC Programme has to be reviewed in the light of enlargement and including the results of the mid-term evaluation and converted into a Community Initiative Programme (CIP).

This amendment implies the establishment of relevant programme management and implementation structures in the Czech Republic assuring harmonised procedures with the existing structures in Austria. By overcoming the weaknesses imposed by different procedures of the Interreg IIIA and Phare CBC before accession, a new impulse will be given to strengthen the border regions cooperation.

In the preparation of this CIP, the practical guide for preparing new and amending existing INTERREG III Community Initiative Programmes has been respected beside regulations concerning the Interreg III A Initiative. The Commission's proposal to minimise the need for amendment has been taken into account. The structure of the document has not been changed. A special focus has been devoted to description of the structures and procedures for programme management and implementation and to provide the necessary amendments taking into account the activities of the period 2000-2003.

Thus the main changes in the given Document are to be found in the following sections:

- Chapter 2: The eligible area in the Czech Republic has been extended to NUTS III level, thus relevant dates and figures were amended accordingly.
- Chapter 5.3.2: Correspondence with other EU-Programmes for Czech Republic
- Chapter 6: Inclusion of new priority 6: Special Support for Border Regions
- Chapter 7: Programme Indicators (amended according the results of the mid-term evaluation)
- Chapter 9: Indicative Financing Plan
- Chapter 10: Programme Implementation Structures
- Chapter 11 has been included into this introductory chapter
- Chapter 12 has been omitted as the Ex-ante Evaluation relates to the JPD (and still can be found there) and not to the CIP

All Phare CBC related information has been omitted. But as the Phare CBC Programme will still be in place for some time all relevant regulations remain valid and can be looked up at the JPD.

Thus the JPD still builds the legal basis for the implementation of the Phare CBC Programme Czech Republic - Austria whereas the CIP is valid for the implementation of the Interreg IIIA Programme Austria – Czech Republic.

The present Interreg IIIA Community Initiative Programme is therefore a revision of the Joint Programming Document Interreg IIIA / Phare CBC Austria – Czech Republic and was developed through participatory approach and active involvement of all stakeholders.

While the differences between Phare and Interreg have been a handicap to the co-ordinated implementation of the Interreg and Phare CBC programmes in the past, the new phase sets a solid foundation to achieve a real cross-border impact.

Thus the programme partners agree that the implementation of genuine cross-border projects is one of the key objectives to be achieved in the Interreg IIIA programme Austria-Czech Republic.

The Czech Republic and Austria will continue the established cross border cooperation set out in this programme. Further details concerning the set of priorities and measures are part of the Programme Complement. In order to support efficient and effective management and implementation of the programme, the parties have agreed relations in a Memorandum of Understanding (see annex).

2. THE AUSTRIAN – CZECH BORDER REGION

The update of some statistic data in paragraphs concerning the Czech border region (data from the official counting of population, houses and residences in 2001) and following changes in territory delimitation (conversion the NUTS III – regions) reflect changes which came in the framework of public administration reform and which are results of decentralization of state administration and autonomy –in other words establishment of regions and creation of the regional offices.

Introduced changes and amendments in data do not necessarily change the results of previous analysis and therefore it is not required to change or amend the following chapter on Priorities and Measures.

2.1 Boundaries and location

In Austria the border region comprises the NUTS-III regions Weinviertel, Waldviertel, Mühlviertel, Stadt Wien (City of Vienna), and Wiener Umland/Nord. The Czech border region is situated in the NUTS-III regions South Bohemia, Vysočina and South Moravia.

Within the meaning of Article 10 of the INTERREG Guidelines (20% flexibility clause) the border region also includes the following NUTS III regions: the NUTS III regions Linz-Wels and Innviertel in Oberösterreich, and the NUTS III regions St. Pölten and Mostviertel in Niederösterreich.

Table 1: **The Austrian – Czech Border Region**

Regional unit AT: NUTS III; CZ: NUTS III*	Area in km ²	Inhabitants 1998(R)/ 2001(CZ)	Population density (Inh/km ²)
Mühlviertel	2,659	200,705	75
Waldviertel	4,614	225,865	49
Weinviertel	2,391	124,496	52
Wien	415	1,606,843	3,871
Wiener Umland-Nord	2,722	271,933	100
Bordering region pursuant to Art.10 INTERREG Guidelines			
Innviertel	2,823	270,733	96
Linz-Wels	1,743	526,515	302
Mostviertel-Eisenwurzen	3,356	237,984	71
Sankt Pölten	1,230	141,658	115
	(9,152)	(1,176,890)	
AUSTRIA (without bordering region)	12,801	2,429,842	190
South Bohemia	10,056	625,267	62
South Moravia	7,062	1,127,718	160
Vysočina	6,925	519,211	75
CZECH REPUBLIC			
	24,043	2,272,196	95
Cooperation area	36,844	4,702,038	127

Source: census, ŮSTAT, Český Statistický úrad

Approximately 5.1 million people were living in the entire border region in 1998 (including the approx. 527,000 inhabitants of the Linz-Wels region which is a functionally integrated part of the border region). In terms of inhabitants the biggest towns of the INTERREG III A region on the Austrian side, apart from Wien, are Freistadt (6,900), Gmünd (6,000), Krems (22,800), Horn (6,200), Mistelbach (10,200), and Hollabrunn (10,400), while the biggest towns on the Czech side, besides Brno (376,172) and České Budejovice

(97.339), are Jihlava (50.702), Znojmo (35.758), Třebíč (39.021), Jindřichuv Hradec (22.695), Český Krumlov (14.443), and Prachatice (11.843) – Czech data as to 1.3.2001.

The population density in the border region is below average on both sides of the border as compared to the respective national average. All in all, the population density is lower on the Czech side, but also shows a more heterogeneous pattern than in Austria. While density figures are relatively high in some districts (Česke Budejovice, Břeclav, and Hodonín), the figures in other areas are below 40 inhabitants/km² (Prachatice, Český Krumlov), and a third of the population lives in municipalities with less than 2,000 inhabitants.

Map 1: The Austrian-Czech border region



2.2 Landscape characteristics

The Western part of the Austrian-Czech border region is a low mountain range landscape and is one of the oldest geological formations in Europe (Bohemian Massif). Its highest elevation is the Plöckenstein (1,378 m) in the border area of Germany, Austria, and the Czech Republic. Towards the East, around Manhartsberg hill and the Znojmo region, respectively, the landscape changes into the hills and lowlands of the northern Vienna Basin.

The landscape of Mühlviertel is marked by a relatively steep rise in terrain from north to south (from about 300m in the Danube valley to approx. 1,400m above sea level) and deeply eroded river valleys. The Danube valley, a large river valley characterised by narrow valleys (Passau valley, Linzer Pforte) as well as basins (Eferding basin, Machland) forms the southern boundary of Mühlviertel. The northern slope of the Bohemian highlands, situated on the Czech side of the border, is characterised by the broad basins and river landscapes of the Moldau/Vltava and Lainsitz/Lužnice rivers.

The landscape in the border region in Niederösterreich is very varied and characterised by

- the granite and gneiss highlands of Waldviertel, a plateau on 400-700m sea level with maximum heights of slightly above 1,000m
- and the lowlands and hills (with heights up to 400m) of the northern Vienna Basin (which consists of the natural areas of Marchfeld and Weinviertel), a depression between the Alps and the Carpathians.

The Bohemian-Moravian heights and the Outward Carpathians form the natural continuation of these landscapes on the other side of the border.

2.3 Demography

Population numbers were on a distinct decline for decades in both the Austrian and the Czech border regions, with the exception of Mühlviertel. This decrease in population primarily affected the rural parts of the region in the immediate vicinity of the border. Between the census years of 1981 and 1991, for example, the population in the border districts in Niederösterreich decreased by approximately 4%. It has been only since the early 1990s that a reversal of this trend has been noted in many municipalities.

While the cities on the Czech side enjoyed a population growth as a result of migration, the border region as a whole was not considered very attractive owing to the unfavourable situation in the labour market and a directive settlement and housing policy within the Czech Republic. Over the past few years the demographic trend in the Waldviertel and Weinviertel regions seems to have stabilised, and the population has risen slightly in both regions. In the Czech part of the border region, the South Moravian and Vysočina regions came to slow decrease in population, only in the South Bohemia region came to slow increase in population between 1991 and 2001.

As far as age structure is concerned, the situation appears to be a bit more favourable on the Czech side of the border than on the Austrian side. Only Mühlviertel is a distinct exception. Here, the proportion of under 15-year-olds in the population is still far above both the average in the Land Oberösterreich and the national average despite a marked decrease in the young population in the period from 1971 to 1991. Differences are equally striking with regard to over 60-year-olds on the Austrian side of the border. While this group already accounts for almost 25% of the population in the border regions of Niederösterreich, its proportion is again far below the national average in Mühlviertel.

There is unfavourable age structure in the Czech border region especially in the South Moravian region, where is higher representation of population over the age of 60 and there is relatively low proportion of population below the age of 15. The South Bohemian region is characterized by low proportion of productive population, while the Vysočina region is characterized by high proportion of preproductive children's constituency. But these deviations from the Czech average are not so high.

Table 2: Population structure and population trend

Regional unit AT: NUTS III; CZ: NUTS III*	Population development 1991-1998 (A) 1991- 2001 (CZ) in %	Share of under15- year-olds 1991 (A) 2001 (CZ) in %	Share of over 60- year-olds 1991 (A) 2001 (CZ) in %
Mühlviertel	4.8	22.4	16.4
Waldviertel	0.8	17.7	22.6
Weinviertel	1.9	16.7	24.0
Wien	4.4	13.9	22.8
Wiener Umland-Nord	8.5	16.7	20.5
Bordering Regions pursuant to Art. 10 INTERREG Guidelines			
Innviertel	2.8	20.1	18.4
Linz-Wels	1.8	16.7	18.9
Mostviertel-Eisenwurzen	3.3	20.6	18.9
Sankt Pölten	3.0	17.3	21.0
AUSTRIA	3.8	17.4	20.1
South Bohemian region	0,4	16,6	18,1
South Moravian region	-0,8	16,0	19,0
Vysočina region	-0,4	17,3	18,4
CZECH REPUBLIC	-0,7	16,2	18,4

Source: census, ÖSTAT, Český Statistický úrad

2.4 Economic structure and economic development

Economic structure and trends in the Austrian-Czech border region are characterised by marked regional disparities in prosperity. These differences are apparent on the one hand, in the distinct disparities between cities and the countryside on the other hand and in differentials in prosperity between the Austrian and the Czech border regions.

The gross regional product per capita ranges from approx. 61% to 167% of the EU average in the Austrian border region, while in the Czech NUTS III border regions it amounts from 48% to 54%. (Year 2000)

The Austrian regions with a rural structure are among the weakest economic regions by national comparison. Mühlviertel, for example, reaches only little more than half of the national Austrian average in terms of gross regional product per capita, and by EU-15 comparison it even ranks slightly behind South Bohemia.

Weinviertel reaches a bit more than 60%, and Waldviertel and Wiener Umland/Nord reach somewhat more than three quarters of the Austrian average. Only Wien clearly exceeds this level. The city is one of the strongest economic regions in Europe by EU comparison.

By contrast the Czech side do far better by national comparison. In frame of the NUTS III regions are South Moravia and South Bohemia moving on 90% of average value for the Czech Republic. The Vysočina region reaches 80 % of the Czech Republic average. This amounts represent upto 54% and 48%, respectively of the EU-15 average. However, some parts of the border regions are among the weakest economic regions of the Czech Republic. The Czech Republic has classified these regions as national assisted areas with weak structures.

Table 3: **Economic level**

Regional unit AT: NUTS III; CZ: NUTS II	GRP/per capita 1996 (R)/ 2000 (CZ) National=100	Index EU=100
Mühlviertel	54.4	61.1
Waldviertel	76.4	85.8
Weinviertel	61.4	68.9
Wien	148.5	166.6
Wiener Umland-Nord	77.8	87.3
Angrenzende Gebiete gemäß Pkt.10 INTERREG-Leitlinie		
Innviertel	64.8	72.7
Linz-Wels	122.5	137.5
Mostviertel-Eisenwurzen	74.5	83.6
Sankt Pölten	82.7	92.9
AUSTRIA	100.0	112.3
South Bohemian region	89,5	53,6
South Moravian region	90,2	54,0
Vysočina region	80,1	48,0
CZECH REPUBLIC	100.0	59,0
EU15	-	100.0

Source: Eurostat, *Regional accounts 2000, ČSÚ Praha 2001

A number of common aspects or common problems exist in the Austrian-Czech border region with regard to economic structures:

- Orientation towards agriculture is much higher on both sides of the border than on the respective national average. South Bohemia and South Moravia as well as Weinviertel are centres of agricultural and forestry production. Delays in adapting to the new conditions in agriculture and forestry have led to structural problems on both sides of the border.
- Trade and industry on both sides of the border are dominated by traditional sectors such as the food industry and the textile and clothing industry as well as leather, glass, stone and wood processing, and manufacture of machinery. Industrial and trade production remains limited to only a few sites which tend to be located at a relatively long distance from the respective national economic centres.
- The tertiary sector still remains distinctly underdeveloped on both sides, with the exception of the urban regions, despite having seen an expansion over the past few years.

Table 4: **Economic structure**

Regional unit AT: NUTS III; CZ: NUTS III*	Employment structure 1998 (A) / 2001 (CZ)				
	Agriculture (I)	Manufacturin g, ttl (II)	Thereof construction	Manufacturin g, ttl (III)	Thereof accommo- dations and restaurants
Anteile in %					
Mühlviertel	1	51	19	48	6
Weinviertel	8	38	16	54	5
Waldviertel	4	46	14	50	7
Wien	0,5	32	15	77	9
Wiener Umland-Nord	7	38	12	55	6
Angrenzende Gebiete gemäß Pkt.10 INTERREG-Leitlinie					
Innviertel	2	52	10	46	5
Linz-Wels	1	33	10	66	3
Mostviertel-Eisenwurzen	2	50	14	48	6
Sankt Pölten	1	39	14	59	5
AUSTRIA	2	34	11	64	8
South Bohemian region	8	42	10	50	4
South Moravian region	5	40	11	55	4
Vysočina region	10	47	9	43	3
CZECH REPUBLIC	5	41	9	54	4

Source: Hauptverband der Österreichischen Sozialversicherungsträger, Český Statistický úrad – SLDB 2001

Structures based on small and medium-sized enterprises and poorly developed links regarding procurement and marketing (both within the respective regions and with nearby economic centres) have caused structural problems on the Austrian side. Problems on the Czech side are connected primarily with changing ownership structures, a changing mix of plant sizes, and low productivity.

Employment rates in the secondary sector are significantly higher in Waldviertel and Mühlviertel as compared to the other Austrian sub-regions. On the whole, employment in the construction sector is markedly above average by national comparison while the proportion of the tertiary sector is distinctly below the national average.

On the Czech side, the secondary sector is predominant only in the Vysočina region (47 %). In the South Moravian and South Bohemian regions services sector prevails with a proportion of more than 50 % of people involved.. Agriculture still plays a very important role in the Czech border region. The proportion of people employed in this sector is twice as high as the national average. With the exception of the big cities and some regional centres (Brno, České Budejovice, Jihlava, Třebíč, Jindřichuv Hradec, Hodonín) the Czech border region is of a predominantly rural character. This is reflected in the regional economic structure and the development-related problems of the region. The primarily agriculture-oriented border regions around Znojmo and Břeclav belong to the problem areas of the country. The district of Znojmo is considered the country's important agricultural producer and feels the consequences of the need to adapt agricultural and forestry structures particularly strongly.

The weight of the individual economic sectors is shifting in the entire border region, in line with the national trend. While employment is decreasing in the primary and secondary sectors, the number of people employed in the tertiary sector is on a steady rise.

Structural changes regarding employment were distinct in the Czech border region between 1991 and 2001, The employment largely decreased in all regions, in the primary sector in average on 45 % of the condition of the year 1991. The employment in the secondary sector increased and the rate of employment in the

tertiary sector also increased. But these data do not catch first aftertransformation changes, which had happened after year 1989.

The Czech part of the region has seen significant socio-economic changes since the early 1990s, partly brought about by the general political and economic transformation in the Czech Republic and partly resulting from the specific structural conditions and economic developments in the border area. The introduction of a market economy and privatisation in the public sector have created the basic framework conditions for restructuring the economy and for a general economic development of the area. Opening the borders to Austria has largely done away with the negative socio-economic effects caused by the peripheral character of the region. Positive changes arise, for example, from the restructuring of industrial enterprises, the development of a new basis of SMEs, new employment opportunities in the tertiary sector, and foreign investment. Further positive changes can also be expected in tourism and environmental improvement as a result of public investment in the technical infrastructure and a general improvement of the cross-border transport infrastructure.

However, the Czech border area has also been affected by a number of negative effects. The most complex ones are particularly the social, economic, and ecological problems in rural areas, caused by the collapse of the agricultural sector and forms of agricultural production (especially state farms in direct border region) and the deterioration of the transport situation in rural areas which, in turn, has led to a deterioration of living conditions of the rural population.

▪ Trade and industry, SMEs

As regards trade and industry, individual locations such as Perg and Freistadt (Mühlviertel) and Gmünd, Krems, Schrems, or Laa/Thaya (Waldviertel and Weinviertel, respectively) dominate in regions with a more rural structure. The enterprises concerned are active primarily in sectors such as wood processing, metal working, textile and clothing (mostly Mühlviertel and Waldviertel), and food and luxury foodstuffs (mainly Weinviertel). All in all, the level of industrialisation in the border areas of Oberösterreich and Niederösterreich can be described as low. Trade and industry show a predominantly local or regional orientation and engage in supra-regional competition only to a limited extent. Small and medium-sized enterprises with below-average productivity (with few exceptions) and a rather low level of technology prevail.

Stadt Wien is the undisputed industrial centre of the Austrian border region: 62% of a total of approximately 13,100 manufacturing enterprises are located there. The remaining 38% are spread over the more rural areas of the border region. The predominance of Wien as central area is equally obvious in terms of employment. Out of a total of about 223,000 industrial employees, almost 68.5% are found in Wien. Traditional, established enterprises covering a wide variety of sectors (electro-technology, consumer electronics, metal working, manufacture of machinery, food processing, etc.) account for a large part of Vienna's manufacturing industry. Even though standardised activities have been increasingly outsourced to peripheral regions over the past few years, the urban economy is still dominated by less technology-intensive forms of production, as a result of which structural problems have emerged and employment has been on the decline for years.

Attempts to boost the innovative power of trade and industry structures in the rural areas of the Austrian border region have also been limited to only few locations so far. Concrete examples include the Technologiezentrum Freistadt (Mühlviertel), which specialises in wood processing, the energy sector, and environmental technology, as well as the cross-border industrial park Gmünd-Česke Velenice.

Česke Budejovice and the small-town regions of Český Krumlov and Jindřichův Hradec play an important role as industrial centres, also on a supra-regional level, in South Bohemia. The concentration of sectors with a weak structure is relatively low by national comparison, the level of productivity is one of the highest in the country, and the decline in production is less marked than in other parts of the country. The predominant industries are food and luxury foodstuffs as well as metal-working. The restructuring process takes a moderate course here, and there is a strong dynamics of newly established domestic and foreign enterprises especially in the cities. Traditional enterprises (e.g., breweries) have successfully strengthened their hold in the market over the past few years and have also conquered new market shares in neighbouring countries. In South Bohemia it is primarily the small and medium-sized towns with their partly stable, differentiated industrial structures which have turned into the motors of regional development.

In South Moravia the situation is different: In terms of economic potential the cities of Brno and, to some extent, Jihlava take a dominant position. The prevailing sectors are the supplies, capital goods, and consumer goods industries. Medium-sized enterprises dominate by comparison with the overall Czech situation.

Entrepreneurship is still only weakly developed particularly in the rural areas of the Czech border region. Only three regions (Brno město, Prachatice, and České Budejovice) have higher activity levels than the national average. Most SMEs are enterprises with less than 5 employees. Most of these enterprises operate in the services sectors, construction, and various trades. All in all, these SMEs currently represent an important stabilising factor for the regional economies even though there still are sometimes considerable deficiencies with regard to management, innovation, and the use of new technologies.

▪ **Services**

With the exception of the urban centres, the services sector is not very well-developed on either side of the border, even though growth rates have been quite high by national comparison in the past few years. However, as regards the make-up and structure of the tertiary sector there are marked differences between the two sides of the border. On the Czech side it is mainly the cities which have profited from the expansion and strengthening of the services sectors in the wake of the privatisation process. New jobs have been created and development has been stimulated by the location of commercial enterprises and by the initiatives of private investors and founders (catering, hairdressers, commercial businesses, and similar activities). However, there are still considerable deficiencies on the level of small towns and villages. On the Austrian side the number of jobs in commerce, health services, and tourism has increased.

Small and medium-sized towns play a vital role as regional services centres on both sides of the border. As the federal capital and, thus, the administrative, economic, and cultural centre of Austria Wien holds a position of supra-regional importance. However, while high-quality services are predominant in both the public and the private sector, the highly qualified sectors are underdeveloped as compared to similar urban regions. The expansion of the services sector over the past few years has been borne largely by sectors with a low level of qualification.

The city of Brno plays a special role thanks to its international importance as a venue of trade fairs. About 30 different specialised fairs are held there each year; the best-known ones include the fair on the manufacture of machinery and the computer fair.

▪ **Tourism**

Tourism in particular holds a considerable potential for development in the tertiary sector on both sides of the border. At the moment domestic tourism, especially in connection with recreation, day trips, and health, is predominant in both parts of the border region. In Vienna, on the other hand, where the focus is on city and conference tourism, the proportion of overnight stays by foreigners is much higher (85.5%). This figure is topped only by some regions in western Austria. At the moment the tourist infrastructure and the services offered are developed to very different degrees in the various parts of the region, which is reflected quite clearly in the numbers of overnight stays. In the 1997-98 season 9.6 million overnight stays were recorded in the Austrian border region. 7.6 million, or a proportion of almost 80%, of these were counted in Stadt Wien. The regions which benefited most from the remaining 2 million overnight stays were Waldviertel (Wachau; spa tourism in the north) with slightly more than 1 million overnight stays and Mühlviertel (Bohemian Woods/Sumava, spa tourism), whereas day trip tourism currently dominates in Weinviertel.

The Sumava/Bohemian Woods region and the cities of Krumlov and Brno are the most important tourist destinations on the Czech side. Tourism does not play a significant role in any of the other sub-regions of the Czech border region. The South Bohemia region counted 4,3 mil. overnight stays in 2000, in the South Moravia region it was 3,2 mil. and in the Vysočina region it was 1,8 mil. overnight stays. The average length of stay is 4.7 to 5.6 days. Accommodation capacities in the destination areas are sufficient, but still remain insufficiently diversified. The poor quality of services and the lack of efficient organisational structures present a crucial problem regarding the full exploitation of existing potential.

Foreign tourism plays a minor role on both sides of the border (except for Český Krumlov and Lednicko-Valtický area.) . The fact that the region has (yet) failed to attract a lot of foreign guests can be ascribed mainly to the following factors: insufficient infrastructure and capacities, lacking co-ordination regarding the

services offered, and, thus, few “highlights” for tourists. An expansion and improvement of the structure of services offered, intensified advertising, and the development of common activities are designed to strengthen the future market position of the region.

▪ **Agriculture and forestry**

Agriculture plays a vital role on both sides of the border. Small family-owned farms dominate the structure of the agricultural sector in the Austrian part of the border region. The resulting lack of competitive strength on international or even national level makes it almost impossible to maintain a sufficient income so that about two thirds of farms are run on a part-time basis, i.e., by combining incomes from agriculture and from a regular occupation in trade or industry. Forestry is another important economic factor.

Production conditions and potential incomes in agriculture and forestry are better on the Czech side (except for the areas situated right next to the border) than in Austria, whereas productivity is considerably lower. Grain farming and the cultivation of oil crops and forage as well as fish farming and stockbreeding are the predominant fields of activity. The average size of agricultural enterprises is much bigger than in Austria (about 2,000 to 6,000ha). Only a very small proportion (ca. 5%) of the entire agricultural land is cultivated by small-scale, private farmers. The proportion of people employed in agriculture and forestry has been declining steadily in the border region since 1989 (in 1997 it reached about 7%), not least as a result of changed overall conditions and the accompanying radical structural change.

▪ **Foreign investments and co-operation between enterprises**

Direct foreign investments in the Czech Republic have greatly contributed to bringing about structural change in the economy. The majority of investors come from Germany; banking and insurances, construction, and the processing industry (food, vehicle construction) are the main sectors of investment. Telecommunications and the automotive industry are also gaining ground. The largest part of direct investments goes into the capital region, but shifts to other regions have been noted in the past few years.

South Bohemia, in particular, has successfully boosted its attractiveness. The number of foreign enterprises nearly trebled between 1993 and 1995, with Ěeske Budejovice securing the largest share with more than 50%. Joint ventures only account for a small proportion. In South Moravia the picture is different. The Brno region has established itself as the second most important location for foreign investors after Praha. Much like in the capital region, the number of joint ventures has increased, starting from a level that had already been quite high. The immediate border regions of Znojmo, Břeclav, and Třebíč have also seen a significant rise in the number of foreign investors.

While the removal of barriers at the borders has enabled the small and medium-sized enterprises of the region to expand their scope of action, the new framework conditions have been made little use of so far with regard to initiating qualified co-operation between enterprises (e.g., contract manufacturing, joint ventures, subsidiary companies). Existing operational contacts focus primarily on exploiting factor cost differentials arising directly in the area, e.g., by obtaining low-price materials, primary products or simple intermediate services from the neighbouring region. This has given enterprises in some sectors a considerable competitive edge over competitors from other regions, especially in sectors co-operating with the construction industry such as the wood-processing industry. Thanks to their full order books many of these enterprises in the immediate border area have been able to greatly increased the number of people employed, whereas the level of employment in this sector has fallen in Wien. However, the level of direct foreign investments (5.9% in relation to overall employment) remains low despite this positive trend. This is due, among other things, to the insufficient availability of well-equipped industrial and trade spaces and the lack of production-oriented infrastructures and services.

▪ **Technology and innovation**

The level of innovation in the border regions is rather low, except for that in the big cities (Wien and Brno, in particular, have managed to establish themselves as centres of innovation and technology of European significance). This is related to the structures of enterprises and the lack of financial resources on the one hand and to the almost complete lack of research and development institutions on the other hand. Regional enterprises, and SMEs in particular, on both sides of the border still only have insufficient access to innovation and technology, even though some isolated institutions facilitating technology transfer have been set up in the meantime.

One positive example of technology transfer and a business-related infrastructure is the industrial park Gmünd-Česke Velenice. The incubator centre and consultancy that was established there in 1996 offers a diverse range of consulting services such as the arrangement of contacts, or support regarding the telecommunications infrastructure or the connection to the international data network, etc.

2.5 Labour Market

2.5.1 Structure and development of employment

The labour market situation in the Austrian border regions is determined by a limited range of qualified jobs. Both the NUTS III border regions Mühlviertel, Waldviertel and Weinviertel and the Vienna hinterlands to the north have reported an above-average expansion in employment since the beginning of the 1990s. Between 1990 and 1998, payroll employment picked up between 4.3% (Waldviertel) and 14.2% (Weinviertel). Above-average growth was posted by the construction sector. In addition, many companies in the wood, construction and metal sectors raised their number of employees. Some service sectors, such as the health sector, trade and tourism, also attained a steady rise in employment.

Generally speaking, labour market problems tend to grow in border regions along with the increasing industrial orientation of the regional economy. Sharp drops in employment were reported in the industry, specifically in the clothing and textile sectors, where mostly women's jobs were affected. Plant closures, the relocation of production sites and structural adjustment measures caused jobs in this sector to decline drastically.

Table 5: Labour market situation in the border region of Austria

Regional unit AT: NUTS III*	Dependent employees				
	Absolute	Change in %		Change in % 1995-1998	
		1990-1998	1995-1998	Men	Women
Mühlviertel	35,949	13.7	6.5	4.3	10.0
Weinviertel	22,618	14.2	9.4	8.0	11.4
Waldviertel	56,733	4.3	2.0	1.6	2.6
Vienna	767,598	4.4	6.0	10.1	1.4
Wiener Umland-Nord	65,382	12.3	5.2	4.2	6.9
Bordering region pursuant to Art. 10 INTERREG Guidelines					
Innviertel	66,435	1.8	4.7	3.0	7.3
Linz-Wels	295,940	1.3	2.1	0.8	3.7
Mostviertel-Eisenwurzen	58,326	6.7	3.5	2.8	4.6
Sankt Pölten	46,391	11.9	3.8	1.9	6.5
AUSTRIA	2,916,855	3.6	1.7	0.1	3.7

Source: Hauptverband der Österreichischen Sozialversicherungsträger

Vienna is the chief centre of employment within the Austrian border regions. Of the about 655,000 employees in the production and service enterprises of the INTERREG region, some 77% work in the City of Vienna. This predominance of Vienna is also expressed by the intense labour market relations with the Lower Austrian border regions, especially Weinviertel and the other regions adjoining Vienna. For example, the share of out-commuters in Weinviertel runs to 34% (with a 22% increase between 1981 and 1991). The urban agglomeration of Linz plays the same role for the adjoining border region of Mühlviertel, where the share of out-commuters also exceeds the average at 38%.

Labour market trends, which depend on the dominant sectors and the strength of the economy in small and medium-sized towns, are somewhat different in the Czech border regions.

The overall number of employees went down (in absolute figures – on 105 thousand persons) markedly between 1991 and 2001, with Southern Moravia being affected slightly worse by the reduction in employment than Southern Bohemia. Despite substantial restructuring in agriculture and job reductions in the industry, the employment in Southern Bohemia did not decline as much as in other parts of the Czech Republic. Agriculture seems to be a relatively stable factor in this region, together with the food and luxury food industries and the rising number of freelance workers.

While the number of employees declined in industry and commerce, it went up in the service sectors (trade, economic services, tourism). A major part of employment growth is ascribable to business start-ups, most of which are located in urban regions.

Table 6: Labour market situation in the border regions of the Czech Republic

Regional unit CZ: NUTS III	absolute	Employees
		Change in %
	2001	1991-2001
South Bohemian region	303.627	-7.7
South Moravian region	533.613	-9.2
Vysočina region	242.945	-9.8
CZECH REPUBLIC	4.855.565	-10,4

Source: SLDB 1991, 2001

2.5.2 Unemployment

Following the Austrian trend, the number of unemployed grew in all Austrian border sub-regions between 1990 and 1998. However, (with the exception of Mühlviertel) this increase was much more pronounced than the Austrian average. This is primarily attributable to structural changes, which have fed through to the dominant industrial sectors of the border region. These sectors depicted severe structural weaknesses both in rural areas and in the City of Vienna.

Whereas the unemployment ratios of Waldviertel (7.7%) and Vienna (9.7%) are among the highest in Austria, unemployment is still clearly below the Austrian average in Mühlviertel (5.0%), Weinviertel (6.3%) and the Vienna hinterlands to the north (4.6%). A high share of the unemployed in the rural areas of the INTERREG region are women, less-qualified persons and manufacturing workers.

The Vienna labour market poses a particular problem. At 9.7%, the city's unemployment ratio lies well above the Austrian average and is thus among the highest in all of Austria. There are also marked differences in the structure of unemployment. In Vienna, men are more strongly affected than women. Almost half of the Vienna's unemployed are long-term unemployed (46%), many belong to the labour market problem groups with social and geographical mobility limitations, and the qualification level is low.

Table 7: **Unemployment in the border region of Austria**

Regional unit AT: NUTS III	Unemployment rate in %		Change in the number of unemployed in %	
	1998	1998	1990-1998	1995-1998
Mühlviertel	5.0	3,451	24.0	2.1
Weinviertel	6.3	2,864	71.9	15.8
Waldviertel	7.7	6,339	44.6	5.2
Wien	9.7	73,329	55.6	20.2
Wiener Umland-Nord	4.6	5,451	12.3	8.8
Bordering region pursuant to Art. 10 INTERREG Guidelines				
Innviertel	4.9	5,155	1.8	4.7
Linz-Wels	4.8	11,758	1.3	-0.8
Mostviertel-Eisenwurzen	4.8	4,410	6.7	7.2
Sankt Pölten	6.6	3,922	11.9	25.8
AUSTRIA	7.0	237.795	28.5	10.2

Source: Public Employment Office Austria

In the Czech border region, the level of unemployment reflects the structural economic differences between Southern Bohemia and Southern Moravia. In the western part of the Czech border region, the unemployment ratio is below the national average, although labour market conditions have drastically deteriorated in the districts of Český Krumlov and Písek. In the eastern part, unemployment is much higher and exceeds the national average.

This is in part traceable to an employment decline in the rural districts, such as Třebíč, Znojmo or Břeclav, which already had severe employment problems in 1993, because of heavy restructuring in agriculture. Since 1996 the employment situation has also dramatically worsened in larger industrial centres, such as Brno, Jihlava or České Budejovice, Třebíč, as a consequence of restructuring measures in the traditional industrial sectors.

Generally speaking, unemployment affects women more than men in all districts of the Czech border region. In the various sub-regions, the share of female unemployed runs to between 53% (Břeclav) and almost 65% (Brno venkov). Untrained or less-qualified persons belong to the groups with the highest unemployment. The fact that the share of unemployed aged up to 25 years comes to some 30% also has an extremely adverse impact. Long-term unemployment with a duration of more than one year is rising. The long term unemployment is becoming burdensome problem.

Table 8: **Unemployment in the border region of Czech Republic**

Regional unit AT: NUTS III*	Unemployment rate in %			Change in the number of unemployed index 1994=100
	1994	1998	2002	
South Bohemian region	2,2	5,8	6,7	295
South Moravian region	3,2	7,9	11,2	347
Vysočina region	3,9	7,5	8,3	218
CZECH REPUBLIC	3,2	7,5	9,8	309

Source: Český statistický úřad, MPSV ČR

2.5.3 The cross-border labour market

With the fall of the Iron Curtain, cross-border labour market relationships with the Czech Republic shifted onto a new level. Since then, Czech employees, largely from Moravia to Brno, have also been working in the border labour markets of Lower Austria and in Vienna.

This restructuring process of Austrian-Czech labour market relationships has taken place either in the form of cross-border labour migration or commuting, and has undergone two phases to date. The actual take-off phase started immediately after the opening of the borders and lasted until 1993. In the year 1991, there were about 7,300 workers from the former Czechoslovak Republic. This share corresponds to 2.4% of all gainfully employed foreigners in Austria. Until 1993, the absolute figures as well as the relative share rose to about 11,100 or 4.0%, and as of 1994 a decline or a phase of stagnation set in, which is related to the restrictive regulations in the Employment of Foreign Nationals Act. The labour force from the Czech Republic is distributed only across a few sectors of the Austrian labour market with a concentration in the hospitality sector as well as social and public services.

With the increase in labour migration, the number of daily and weekly commuters from the Czech Republic to Austria also rose. In July 1995, the official number (Public Employment Office) of commuters from the Czech Republic was 1,570 persons.

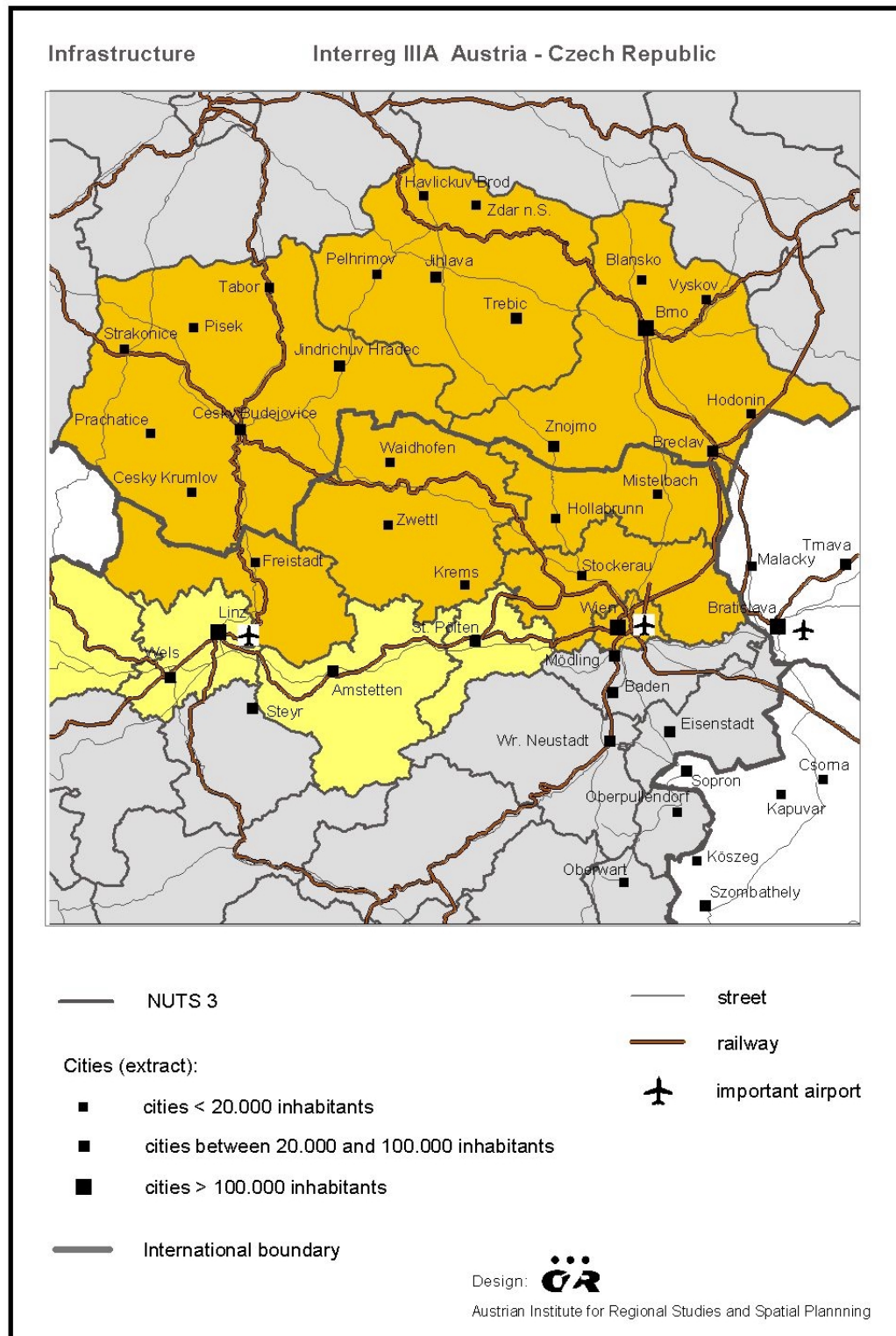
2.6 Technical Infrastructure

2.6.1 Transport

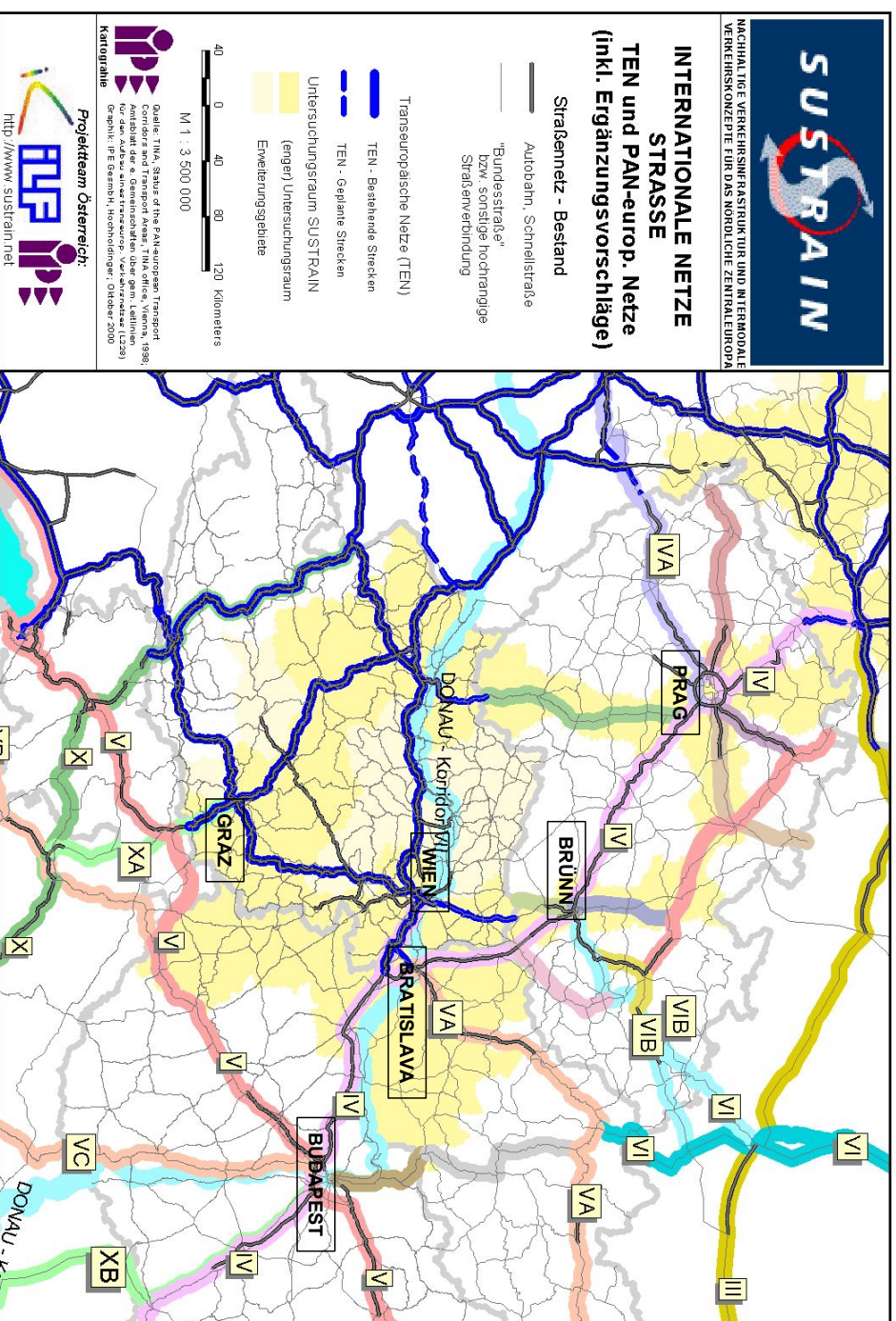
With regard to its connection to the international high-capacity transport network, the entire Austrian-Czech border region may be assessed as a peripheral region. Infrastructure is largely oriented on the respective regional economic and labour market centres, i.e. on the nearby urban agglomerations.

The Austrian border region is characterised by a radial transport network that is oriented on the central places of Linz and Vienna, whereas internal east-west connections are rather underdeveloped. Since the opening of the borders, the main routes of the region, which – until 1989 – largely served as access roads to the central places, have gained new importance as supraregional or international transport connections with the Czech Republic and Poland.

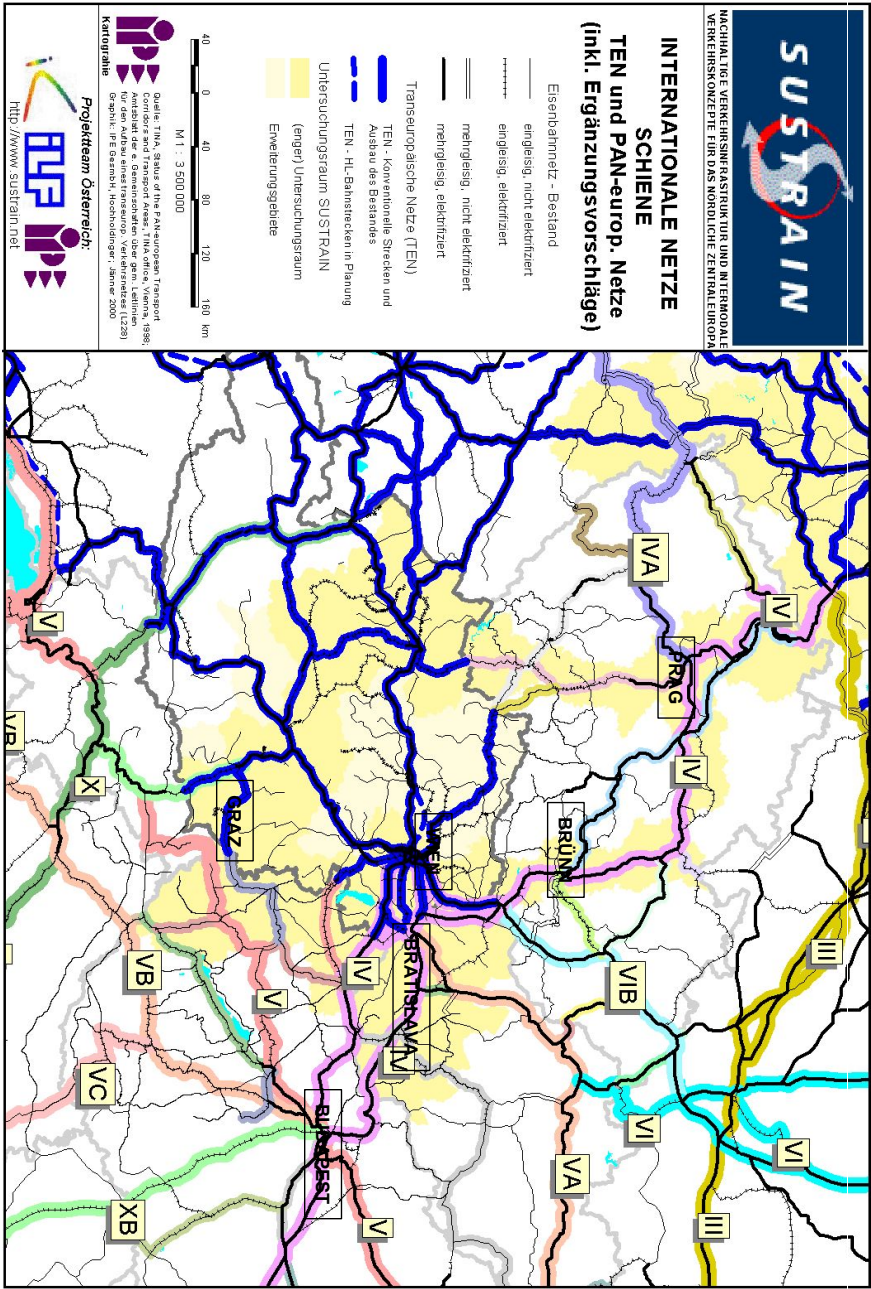
Map 2: Transport infrastructure



Map 3: **TEN + PAN Street**



Map 4: TEN + PAN Railway



Within a few years, the regional and supraregional traffic volumes on these routes surged.

The Czech transport infrastructure was determined by the limited orientation towards its western neighbours during the decades of the Czechoslovakian state. The chief focus was on the main transport route Prague-Brno-Bratislava, whereas the north-south connections remained rather underdeveloped. Therefore the newly developed cross-border cooperation in traffic planning shifts the geographical focus towards a strengthening of supranational transport corridors, especially in the southern part of the Czech border region.

Of the European transport corridors defined in the Helsinki Agreement, corridors VI, VIA and VIB have direct links to the region. The regional transport routes are to be oriented on the major international routes in order to achieve a harmonised transport network.

In a bilateral agreement on transport corridors with the Czech Republic, Austria defined two important TEN corridors from Austria to the Czech Republic and submitted them to the European Commission.

These corridors are:

- Linz – Prague
- Vienna – Brno

Road transport

The major part of the Austrian border region is still not connected by motorway, which results in a peripheral location of many areas and makes the centres of the region (Vienna, Linz, Krems) difficult to reach. Only the central places Vienna, Linz and Krems have a high capacity road infrastructure.

But it is not only the international and supraregional connections that are lacking, the cross-border interregional infrastructure is insufficient as well. The main links between Vienna or northern Lower Austria and the neighbouring Czech regions are national roads B6, B7 (Brünnerstraße) and B2 (Znaimer Straße) with the border crossings Laa an der Thaya/Hevlin, Drasenhofen/Mikulov and Kleinhaugsdorf/Hatěe. The border crossings of Neunagelberg/ Halámky, Grametten/Nová Bystrice and Reintal/Valtice are primarily used for small-scale cross-border traffic.

The main international and supraregional link between the Upper Austrian central place and Southern Bohemia is a national road B310 (Prager Bundesstraße). On account of unfavourable topographic conditions (Böhmerwald massif), it is the only cross-border long-distance route to the Czech Republic apart from B126 (Leonfelder Bundesstraße). We would like to point out that the district of Rohrbach does not have a single border crossing. All other former border crossings (i.e. those from before 1938) can only be reached by rather steep roads.

The Czech Republic is one Europe's states with the densest road network. The technical state of transport infrastructure in the Czech border region corresponds to the overall national situation. Although dense, the traffic network near the border has severe defects with regard to quality and capacity. Several important international roads run through this region, such as:

- E55: Rostock – Berlin – Prague/Praha – Linz
- E49/E551: *Germany* – Rozvadov – Plzeň – České Budejovice – Trebon – Halámky (border)
- I/38: *Germany* – D1 (Prague-Brno) – Jihlava – Znojmo (border)
- I/55: Přerov – Břeclav (border)
- R52, I/52: Brno – Pohorelice – Mikulov (Grenze)

Railway network, public transport

Public transport is a major area of concern in cross-border transport systems. On the one hand, the lacking or limited connections between Austria and the Czech Republic are behind the stagnating railway passenger numbers and, on the other hand, are the cause of two-digit growth rates in individual transport, which puts an additional traffic and environmental burden on urban areas and interregional roads.

These are the main supraregional railway routes in the Austrian border region:

- Nordbahn from Vienna to border crossing Bernhardsthal/Břeclav
- Franz-Josefs-Bahn from Vienna to Gmünd/Ěeske Velenice (border)
- Summerauer Bahn from Linz via Pregarten to Summerau/Dolní Dvorište (border)

In the urban areas Linz and Vienna these railway routes with their north-south orientation and capacity bottlenecks meet the west-east routes ("Danube corridor", Westbahn) of longer regional railway transport. The route Vienna-Wolkersdorf-Mistelbach-Laa/Thaya and Nordwestbahn (Vienna-Hollabrunn-Retz-Czech border) are further railroad connections of this region.

The Czech railway infrastructure is often rather obsolete. In 1993, the Czech government thus decided to modernise the railway network. In this context, it defined two transition corridors which are to be modernised at top priority in line with international railway agreements. Since then, improvement works have been going on, which are to be largely concluded by 2005.

Sub-sections of the following international connections (corridors) run through the INTERREG-PHARE region:

- Berlin – Dresden – Praha – Břeclav – Vienna
- Vienna – Břeclav – Ostrava – Warsaw

2.6.2 Technical infrastructure

Energy supply

On both sides of the cooperation region, energy supply is considered to be largely secured, but on the Czech side obsolete technologies in combination with environmentally-damaging energy sources are, notably in cities, often the source of high air pollution (e.g. by sulfur dioxides or nitrogen oxides).

The Czech Republic still faces a technology lag in the development of new environmentally-friendly and sustainable energy sources. Vienna, by contrast, excelled in urban and environmental technologies in the past few years, which will probably translate into positive synergies for the entire Austrian-Czech cooperation space. In Vienna, for instance, high hopes are placed on renewable energy sources as great potential for the future. They are applied in a multitude of fields, despite still being very expensive at times. In addition, pilot tests of solar and wind energy technologies are carried out to prepare for their large-scale utilisation in the future.

Many renewable energy plants, in particular short-distance biomass heat networks, solar plants and biomass heating systems for single-family dwellings, have been set up in Mühlviertel in the past few years – also in implementation of the Upper Austrian energy concept, the two regional energy concepts of the districts Freistadt and Rohrbach and the urban energy concept of Perg. In the district of Rohrbach, for instance, biomass yields 27% of the energy for heating and warm water – one of the best results in this context. The more extensive use of biomass in generating energy also offers important perspectives to agriculture with regard to regional development and the creation of jobs; and if R&D is adequately supported, it may also provide impulses for the development of new and innovative technologies.

Water supply, waste water disposal

In the Austrian programme area, high-quality level water supply and waste water disposal are ensured throughout territory. On the Czech side, however, there is a technology lag with regard to guaranteeing and improving the quality of these services, as they are essential in making a business site more attractive and in successfully establishing new companies. Although various improvements and renewals of the supply and disposal infrastructure were made in the past few years in the Czech border region, the general state of the technical infrastructure is still regarded as poor, especially in small and medium-sized communities.

As the borders opened, Vienna became a centre for the development of and the transfer of know-how on future-oriented environmental technologies. At an early stage, the city decided in favour of a sustainable and ecologically-oriented expansion of its technical services and today is regarded as an environmental example

in Europe. As one of the first European cities, Vienna thus recognised the importance of orderly waste water disposal and a guaranteed water supply. Today, almost 100% of drinking water is supplied by first-quality springs. In waste management, ecological factors are also increasingly being taken into account and sustainable waste management concepts are developed.

2.6.3 Telecommunications

The telecommunication network is regarded as insufficient, especially in the rural areas on the Czech side. On the Austrian side, communication infrastructure offers almost full population coverage, although mobile communication technologies still need to be optimised. Although Waldviertel, for instance, wants to become a model telematics region (ASDL) and is actively participating in the expansion of the telecommunication infrastructure, the new telecommunication technologies and media are presently only being used very tentatively in the entire cooperation area.

2.7 Education, research and development

In Austria, higher vocational education is concentrated in Vienna and Krems, in the Czech Republic in Brno and České Budejovice. A Faculty of Management was set up in Jindřichuv Hradec. By contrast, areas of a more rural character – and thus the major part of the border regions – only offer a small range of higher education establishments.

Outside the larger cities, higher education is offered in Austria at Fachhochschule für Tourismusmanagement und Freizeitwirtschaft in Krems, Donauuniversität Krems as well as the Fachhochschulen für Software-Engineering, Medientechnik und Design in Hagenberg im Mühlkreis.

Vienna is the most important location of higher education and research establishments within the entire Austrian-Czech border region. A share of 45.2% of all Austrian research units are concentrated here, as well as more than half of all non-company research organisations. Vienna houses five universities and three art colleges with a total of over 127,000 students (that is some 58% of all Austrian students).

Whereas the knowledge of non-company research is largely concentrated to and used in urban areas, private industrial research (which amounts to 17.5% of all research capacities) more strongly adapts to the geographical situation and the structural and innovative challenges. Their development and research results are increasingly benefiting small and medium-sized enterprises in rural areas and thus successfully supporting the trend towards specialisation and improving the competitiveness of businesses outside of large cities.

Higher vocational education in the Czech border region is clearly concentrated in the city of Brno: Masaryk University, University of Technology, College of Agriculture and Forestry, Veterinary College, Military Academy and Academy of Music and Theatre. For several years now, these universities have been in close contact with foreign partners, which ranged from student and specialist exchange programmes to joint research and development projects. In 1991, a Southern Bohemian university with five faculties was founded in České Budejovice.

The overall education level on the Czech side of the border is relatively high, but, measured by western standards, there are still wide gaps between formal and real qualifications. Most of all, there is a lag in modern technologies. The primary and secondary education system is well developed, although a number of schools had to be closed as the population in rural areas diminished. This meant that the capacities of secondary education establishments in the border regions are now below the national average. The secondary education system has not yet managed to react to the changing requirements of the regional labour market. This situation is causing an imbalance between supply and demand in the production sector.

2.8 Environment

On the Austrian side, the extensive forests of Waldviertel and Mühlviertel form a number of close-to-nature forest habitats. The unwooded, usually agriculturally utilised areas contain a multitude of valuable hedges and baulks. Furthermore, there are both wetlands and dry territories, which form valuable areas of retreat for many rare animal and plant species and their ecosystems. In the past, this landscape was ecologically impaired by forest monocultures (spruces) and the drainage of wide stretches of land. But at the same time, a number of reserves were founded to protect natural and cultivated landscapes and preserve them for future generations: National Park Thayatal, the nature parks Rechberg, Jauerling and Kamptal-Schönberg, several large natural landscape reserves, such as Strudengau, Wachau, Kamptal, Geras and Oberes Pulkautal, and a number of smaller reserves (mostly in Mühlviertel).

In contrast to Mühlviertel and Waldviertel, wide stretches of Weinviertel have been put to intensive agricultural use. This almost completely changed the natural environment; dehydration and excessive fertilisation of the soil and numerous endangered animal and plant species are the consequence. Many of the few areas that maintained their original state are now under nature and landscape protection. Among the important reserves are the landscape reserve and nature park Leiser Berge and the landscape reserve Donau-March-Thaya-Auen, which stretches from the border of the province of Vienna on both sides of Danube to the river mouth of March and along the right banks of March and Thaya to north of Bernhardsthal.

The Czech border region is one of the areas in the Czech Republic with only slight environmental and air pollution. In the larger cities of the region the picture is worse. Technologically obsolete equipment was and still is used in these heavy industrial centres, which results in high emissions of sulfur dioxides, nitrogen oxides and heavy metals. An additional burden are the conventional heating power stations with low efficiency and high emissions due to the use of brown coal with a high sulfur content. Air pollution is further aggravated by industrial and private traffic, as many vehicles are outdated and insufficiently maintained.

The ecological stability of the eastern part of the Czech border region is impaired by the intensive agricultural use of the land. The consequences are water and wind erosion, and soil dehydration, as it can no longer hold sufficient water. Another problem (with a cross-border impact) is the distribution of (mainly Southern Moravian) pollutants through the drainage systems that run towards Austria; water and soil pollution on both sides of the border are the consequence.

In the border region between Austria, Germany and the Czech Republic there is the continuous, ecologically valuable cross-border area Böhmerwald/ Sumava (the green roof of Europe) with an area of some 1,630 km², which is a national park on the Czech and the Bavarian sides.

As Vienna is the city with the largest population in the INTERREG-PHARE-CBC region, environmental and natural developments are of particular importance. Urban development in the past decades thus focused on the evolution of suitable planning instruments. A comprehensive protection of park areas and meadows was for example safeguarded in the form of schemes like the "1000-hectar programme" and "Vienna's green belt 1995" and by employing biomonitoring in urban expansion. In the past few years, town planners have also started to use comprehensive planning instruments, such as Masterplans for Green Zone Development, in urban park and green area development.

In 1991, Vienna entered the "Climate Alliance of European Cities", in 1996 it signed the "Aalborg Charter", which meant an international commitment of Vienna to implement a sustainable energy and environmental policy. The local Agenda 21 and the climate protection programme of the City of Vienna are also a substantial contribution to implementing climate-related measures in areas like energy, traffic and supply/disposal, but also in housing, social and economic matters.

In addition to a variety of international agreements and conventions on nature conservation¹, the "Directive on the Conservation of Natural Habitats of Wild Fauna and Flora" (92/43 EEC "**Natura 2000**") is the most

¹ Biodiversitätskonvention der UN (CBD), das Europäische Naturschutzdiplom, das Europäische Netzwerk biogenetischer Reservate, die Paneuropäische Strategie für biologische und Landschaftsvielfalt (PES), das Übereinkommen über Feuchtgebiete, insbesondere als Lebensraum für Wat- und Wasservögel von internationaler Bedeutung (Ramsar Konvention), die Alpenkonvention, das Übereinkommen zum Schutz des Kultur- und Naturerbes der Welt der UNESCO, das Übereinkommen über die Erhaltung der europäischen wildlebenden Pflanzen und Tiere und ihrer natürlichen Lebensräume (Berner Konvention), die Europäische Charta der Bergregionen, das Arten- und Biotopschutzabkommen der Arge ALP, die Internationale Union für die Erhaltung der Kultur- und

important legal basis of nature conservation in Europe. This directive is to create a European network of special protection areas. After nominating the protection areas in line with the "Directive on the Conservation of Wild Birds" of 1979 and the "Directive on the Conservation of Natural Habitats of Wild Fauna and Flora" (Fauna-Flora-Habitat Directive) of 1992, the protection areas "of European importance" will have been identified by June 2004. The Austrian Federal Environment Office has received a list of over 100 suggestions for Natura 2000 areas with their ecological evaluations.

Within the programme region, the following areas have, for instance, been suggested as Natura 2000 protection areas:

- Waldviertel pond, heather and moor landscape
- March-Thaya wetlands
- Thayatal
- Western Weinviertel
- Danube wetlands

3. STRENGTHS AND WEAKNESSES

3.1 The Austrian-Czech border region

The Austrian-Czech border region is not a homogenous region – neither in terms of its economic and structural environment nor in terms of its development dynamics. There are dissimilarities not only within the individual sections of the border region (border area Upper Austria/Southern Bohemia with the development axis Linz–Česke Budejovice, border area Weinviertel/Southern Moravia with the development axis Vienna–Brno, and border area Waldviertel/Jihlava region). The programme region is also strongly influenced by the two large urban regions of Vienna and Brno, which have their antipode in a number of extremely peripheral regions.

For many years, the population decreased in the entire area on both sides of the border, a fact that caused further out-migration and gave rise to the problem of an aging population. In many communities, this trend only reversed in the 1990s; since then population numbers have been increasing again.

As regards the region's attractiveness for business establishments, the entire border region, with the exception of the cities of Vienna and Brno, is to be classified as a location at the periphery of the European centres of economic activity. Accessibility of the region on both sides of the border is inadequate in international as well as in national terms. Public transport in particular exhibits a significant development backlog.

In rural areas, the regional economic structure continues to be heavily dominated by agriculture and the entire agro-industrial complex; this makes the region highly susceptible to structural change resulting, on the one hand, from the transformation process and, on the other hand, from European agricultural policy and the consequences of EU enlargement.

The region's secondary sector is strongly influenced by cyclical developments in the individual branches of industry. The regional labour market situation has been deteriorating in particular in sectors affected by restructuring measures and closures of enterprises within the context of relocation processes. In recent years, however, positive developments have been observed above all in areas where opportunities for cross-border cooperation between businesses have been exploited and where new products and/or processes were instrumental in opening up new markets. Even so, the overall innovation potential of the region is still seen to be very weakly developed on both sides of the border.

Table 9: Common strengths and weaknesses of the Austrian-Czech border region

Strengths	Weaknesses
<ul style="list-style-type: none"> Regional competencies both in rural areas (e.g. agro-industrial complex, textile industry, timber processing) and in the urban centres Dynamic demographic development High potential of qualified labour Potential of intact natural spaces 	<ul style="list-style-type: none"> Peripheral location of large parts of the border region in terms of international and intra-regional accessibility Inadequate connection to high-grade transportation infrastructure, insufficient cross-border transport links and lack of information Inadequate capacity of border crossings Dissimilar infrastructure development levels Aging population in some areas, especially in peripheral rural locations Low innovation and technology orientation of regional businesses Structural weaknesses due to insufficient number of enterprises and/or high share of branches/enterprises affected by structural weaknesses and/or threatened by structural change High dependence on urban labour markets Huge regional disparities in income levels and social standards Presence of "mental borders" owing to long years of interrupted cultural and social relations Huge importance of agriculture and high competitive and adjustment pressure within the agro-industrial complex triggered by the enlargement process Discrepancies between legal systems, environmental standards and a lack of early-warning systems (monitoring) Weak cross-border institutional infrastructure

A huge potential for joint regional development is perceived in tourism, even though there is still a high development backlog in terms of products and services offered, networking, marketing and improvement of business and organisational structures.

Differences in wealth and income levels, but also dissimilar legal, social and environmental regimes and standards pose special demands on the joint development process. While it is true that these imbalances must, in the first place, be addressed and reduced at the national level, their elimination is of particular importance for the border regions.

3.2 The Austrian border region

The **Mühlviertel** is one of Austria's weakest regions in economic terms, albeit developments have been taking a turn for the better in recent years. Agriculture is playing a relatively important role, even though the share of sideline farmers is high. Industrial and commercial activities are concentrated on few sectors and only a few isolated locations. Aided by an attractive landscape, tourism has been gaining importance above all in the immediate border region and along the Danube; however, the region is still behind time in terms of products and services offered, international attractiveness and quality standards. One of the major problems of this region is its inadequate supply of jobs for highly qualified labour, a fact that is due to an enterprise structure predominated by small to medium-sized businesses. As a consequence, the number of commuters to the central urban region Linz is rather high.

The two Lower Austrian regions **Waldviertel** and **Weinviertel** differ fundamentally both with regard to the types of problems they are faced with and the development perspectives they enjoy. Parts of the Waldviertel used to belong to Austria's traditional industrial regions with a formerly high concentration of textile and clothing industries as well as electronics and metal working enterprises. The economic and labour market situation in the areas along the borders in the northern part of the Waldviertel deteriorated substantially within the context of restructuring, rationalisation and relocation measures, with critical developments affecting above all the female population. Some districts in the Waldviertel still feature among the regions

with the highest unemployment rates in Austria. Accessibility is inadequate above all in the northern part, and the large distances to urban centres (e.g. Linz or Vienna) have a negative effect on the region's attractiveness as a business location.

The Weinviertel strongly bears the marks of agricultural production and the predominance of the agro-industrial complex. Parts of this region are among Austria's main cultivation areas with crops ranging from grain to vegetables, and wine growing. Despite first restructuring efforts, this region is expected to feel the effects of the changes in the agricultural sector with particular severity. The industrial and commercial sector has been playing a subordinate role owing to a high share of small and medium-size businesses and its concentration on only a few locations. As a result, corporate sector innovation activity is low despite incentives being created within the context of efforts to relocate technology transfer institutions at the regional level and to increase the attractiveness of commercial and industrial locations. In the past few years, the regions north of the Danube have benefited of the suburbanisation process in the Vienna area, which entailed further population growth and the establishment of new businesses.

Owing to the low supply of jobs in branches and sectors requiring high qualification, both these regions have become classical commuter regions, with an above average share of the labour force occupying jobs in Vienna.

The Waldviertel witnessed a concentration on recreation and health tourism in the more recent past. With a number of regional key enterprises leading the way, the range of products and services offered in this field has improved. As a result, the number of overnight stays increased. The situation is different in the Weinviertel. In this region the focus is on day-trip tourism and visitors seeking the experience of nature. There is ample room for improvement with regard to the range of products and services offered and the quality of hotels and catering businesses as well as with respect to organisational structures.

Vienna assumes an important function as economic and labour market centre for a large part of the border region. In the past few years, the city of Vienna has established itself as a hub between eastern and western Europe and reoriented its development strategies by focusing efforts on specific competencies like telecommunication, transport and logistics or urban and environmental technologies. The specific problems of the city's economy are due to its shrinking secondary sector, which has been exhibiting an above-average decline in employment figures over the years. At the same time, the service sector expanded, but – atypically for urban regions – a large part of the jobs fall into categories with low qualification requirements, which has been giving rise to structural problems. As a matter of fact, the development of the labour market poses a particular challenge for Vienna. The level of unemployment is among the highest in Austria and the tendency is still rising, almost half of the people without a job are long-term unemployed, and the majority of them belongs to one of the labour market's problem groups. A further specific feature is the high share of foreign labour by comparison to Austria in general, a fact that may spark off social tension if economic conditions deteriorate.

Areas	Strengths	Weaknesses
Population	<ul style="list-style-type: none"> Positive demographic development trend 	<ul style="list-style-type: none"> High share of older population groups High share of foreign workers from traditional source countries (former Yugoslavia and Turkey) in urban areas (notably Vienna) renders the integration of people from neighbouring regions more difficult
Economic structure and trends	<ul style="list-style-type: none"> Urban agglomerations Vienna and Linz as economic centres and pacesetters for the entire border region Tertiary sector making up leeway in rural regions (e.g. tourism, health, production-related services) 	<ul style="list-style-type: none"> High share of low-wage and structurally weak branches in peripheral rural regions is related to below-average economic strength and below-average income levels in non-urban agglomerations Insufficient start-up activities and low density of promising branches of industry Substantial shortage of high-grade business-related services in rural areas
Economy/SME	<ul style="list-style-type: none"> Positive development of trade with neighbouring regions and initiatives for intra-regional economic activity Huge know-how in the field of timber working and processing Availability of well developed industrial and commercial sites including consulting functions (above all EcoPlus, TMG) 	<ul style="list-style-type: none"> Lack of cross-border regional competence and location development Low research and innovation intensity of SMEs Hardly any cooperation structures among SMEs (e.g. in the fields of technology, innovation, internationalisation etc.) SMEs: scant neighbourhood contacts, inadequate instruments for providing assistance Regional core competencies weakly developed
Research and development	<ul style="list-style-type: none"> Vienna, Krems, Hagenberg and Linz as locations of high-grade university and extra-university research institutions assuming the role of pacesetters Development of core competencies in Vienna (Eastern Europe competence, telecommunication, urban technologies, logistics) 	<ul style="list-style-type: none"> Low research spending in international comparison Technology transfer insufficiently developed Insufficient involvement of SMEs in research and development activities
Tourism	<ul style="list-style-type: none"> Great importance of the entire region for short-distance recreational tourism, focus on recreation, health, wellness and day-trip tourism in rural regions A number of pilot projects and special offers realised in the region have enabled the development of a high-quality and multi-season type of tourism as a new mainstay of the regional economy Nature protection areas and national parks as a basis for forms of tourism catering to visitors who seek the experience of nature Existing potentials for the development of cross-border profiles of products and services offered by the tourist and leisure time industry and based on the common natural and cultural heritage 	<ul style="list-style-type: none"> Adjustment of tourist industry's products and services and the required infrastructure to current demand profiles still largely outstanding Weak international positioning (with the exception of Vienna) Pronounced dependence on a single season except for a few key enterprises and two-season initiatives (health and wellness centres) Structural weaknesses of tourist businesses: low degree of modernisation and internationalisation except in Vienna; predominance of small businesses Inadequate development of cross-border destinations and trans-national networking of products and services offered Absence of cross-border tourist organisation structures

Agriculture/ rural development	<ul style="list-style-type: none"> • Perceptible success with special products in some production segments • Potentials for ecologically-oriented agriculture and quality products 	<ul style="list-style-type: none"> • Partly inopportune business structures and climatically disadvantaged locations • High share of sideline farmers • Poorly developed relationships with other branches of the economy
Infrastructure and transportation	<ul style="list-style-type: none"> • Well developed short-distance passenger transport services within urban agglomerations • High-quality infrastructure for all means of transport • Generally satisfactory development of technical infrastructure (water supply, wastewater disposal, energy) 	<ul style="list-style-type: none"> • Increase of cross-border passenger and goods transport against the backdrop of a partly inadequate development of traffic and transport infrastructure • Low cooperation and coordination between the different means of transport (e.g. logistics centres) • Insufficient intra-regional public transport services in peripheral regions
Human resources and labour market	<ul style="list-style-type: none"> • Improving education level of the population • Broad supply of qualified labour • Broad supply of and good access to educational institutions (schools, universities, adult training and education), and good training and education schemes in the different regions • Broadly diversified labour supply especially with high and top-level qualifications as well as labour with "eastern Europe competence" • Low unemployment rate in rural regions thanks to intensive commuter movements to cities 	<ul style="list-style-type: none"> • Orientation on new framework conditions still insufficiently developed in the education and training system • High dependence of rural regions on urban labour markets • High share of commuters • Strong growth of problem groups on labour market • Below-average work and employment opportunities especially for highly qualified labour in peripheral regions • Loss of employment opportunities for women as a result of structural change • Pressure on urban labour markets owing to immigration of foreign and/or unqualified labour with indirectly negative impact on out-commuter regions • Lacking preparatory work for cross-border labour market strategies within the context of enlargement preparations
Nature and environment	<ul style="list-style-type: none"> • High-value nature and landscape spaces • High environmental quality and quality of life • Sufficient recreation areas and balancing spaces for the cities • Wooded area on the increase, relatively good condition of forests 	<ul style="list-style-type: none"> • Pronounced increase of environmental impacts (noise, exhaust gases) due to increasing traffic volume • Increasing volume of wastes; slow increase in the use of renewable sources of energy despite promotion measures • Lack of joint environmental planning and cooperation (e.g. in the field of antiflood measures)
Regional development and implementation structures	<ul style="list-style-type: none"> • Well developed regional support structures • Cross-border EUREGIOs 	<ul style="list-style-type: none"> • Insufficiently developed cross-border development and implementation structures • Insufficient networking of actors in east-west cooperation efforts

3.3 The Czech border region

Owing to its geographical, historic, economic and cultural development, the Czech border region has never been a homogenous region. While the eastern and western parts are dominated by the urban regions of Brno and České Budejovice, the remaining area is largely of rural character.

In the Czech programme area, the population development exhibits a dynamic trend in small towns and the environs of the large agglomerations, whereas the rural areas and the city of Brno have been suffering a substantial migration loss.

The age structure is favourable in comparison to the national average. The unsatisfactory development of the regional economic structure, however, jeopardises the further positive population development and structure in rural and peripheral areas.

The decline of the traditional Czech industries and the country's agriculture accompanied by massive restructuring processes has been giving rise to increasing unemployment especially in Brno and in areas dominated by agriculture, because there is no sufficiently developed services sector to absorb the labour laid off in this process. The situation has become critical above all in the east of the programme area.

Positive features are the broad spectrum of different branches within this region (primarily traditional industries) and the dynamic development of SMEs, especially in urban areas. Problems have been arising on account of inadequate management know-how, low labour productivity and an inadequately developed business-related infrastructure and services supply outside of the cities.

Even if the development of SMEs has been taking a positive trend in this region, there is still a lack of individually-tailored assistance programmes (e.g. consulting, credits, know-how transfer, support for innovation activity). While up to now the area benefited from a low cost level as the crucial competitive advantage, a rapid reorientation towards innovation is needed in the future.

The Czech programme area boasts a densely knit network of transportation routes, their orientation being basically determined by national needs. However, the quality of the roads and the public transport system is inadequate notably in remote rural areas. Traffic and transport links to the Austrian border region are poorly developed.

High investments were made in technical infrastructure (water and energy supply, wastewater treatment plants, industry parks, etc.) in the past few years, however, the development backlog continues to be high. In many instances, this lack of technical infrastructure at the municipal level has been an obstacle for the establishment of businesses and hence for economic development.

Institutional structures supporting cross-border cooperation continue to be insufficiently developed in general. In many areas, the agents involved (e.g. regional development agencies, chambers of trade) have gathered experience in developing intra-regional structures, implementing EU programmes and promoting cross-border cooperation in recent years. Nevertheless, transnational structures (Euregio) are still insufficiently developed above all in Southern Moravia, and people's inadequate command of foreign languages and the differing administrative structures on the two sides of the border continue to thwart a more intensive cooperation. Therefore, attention should focus on developing networks in the next programming period.

The Czech CBC region exhibits a high potential in terms of nature and cultural resources to support the development of high value-added tourism. The quality of services, however, still fails to meet the requirements, and coordinated product development and marketing structures as well as the necessary support structures still need to be improved and expanded.

The Czech programme area boasts many ecologically valuable and protected areas, but also areas badly affected by the impact of agricultural monocultures and polluted bodies of water because of the lack of wastewater treatment. In general, the quality of the environment has been improving over the past few years.

In the traditional branches of industry, the region exhibits a huge potential of highly qualified labour. Unemployment, however, has increased in the course of the transformation process, and the structures for lifelong learning are still inadequately developed. The educational and research infrastructure is good at all

levels, but rural areas are at a pronounced disadvantage in terms of opportunities offered, and qualifications fail to meet the actual needs of the local economy.

The telecommunication and business infrastructure has been developing dynamically also in the Czech CBC area, above all in businesses supported by foreign investments and thanks to the area's proximity to Austria. Specifically in rural regions, however, this infrastructure continues to be starkly behind time, because the businesses and people in general lack adequate access to information, and business-related infrastructures for SMEs (developed commercial premises, consulting services, information centres, etc.) are insufficiently developed.

As to medical supply, in the regional centres the population has access even to state-of-the-art facilities in the regional centres; an area-wide social care system involving non-governmental non-profit organisations is also available. However, in rural areas, both medical supply and the social support of marginal groups continues to be deficient. On the whole, a well-differentiated civil society system is seen to evolve.

Favourable soil and climatic conditions in the programme region provide perfect conditions for agriculture and forestry. Apart from the traditional fields of production, a trend to specialisation has been benefiting niche areas such as winegrowing, fruit-farming and aquaculture. A large part of the border region is covered by forests. Unclear ownership structures, a low degree of diversification and the enterprises' lack of economic strength as well as unsatisfactory social conditions in rural areas, however, detract from the area's competitiveness. As a result, the area is increasingly threatened by loss of employment and out-migration.

Increasing diversification and quality orientation in agricultural production is a must for the future.

Areas	Strengths	Weaknesses
Demographic developments	<ul style="list-style-type: none"> • Small and medium-sized villages exhibit relatively high natural population growth • Rural-urban fringe zones exhibit population growth due to immigration; in the programme area this trend is conspicuous above all in the district of Brno venkov 	<ul style="list-style-type: none"> • Negative impacts of the structural changes in the economy • Migration (out-migration) and the resulting population decrease in villages • High share of older population groups in urban areas (Brno město, Brno venkov) • City centres also exhibit a trend to out-migration; above all large cities are affected by population shrinkage
General locational factors	<ul style="list-style-type: none"> • Broadly diversified industry structure in traditional industrial centres • Organically grown industry, specialised labour force and continued competitive edge due to low wage level • Rapid development of SMEs, notably in larger towns and cities and urban areas • High attractiveness of urban areas with good access for foreign investors 	<ul style="list-style-type: none"> • Low competitive strength due to low labour productivity and low degree of innovation • Services sector insufficiently developed especially outside of urban areas • Lack of business-related infrastructures and services to support the development of SMEs • Low cooperation level and insufficient institutional cooperation structures
Economic development (industry, small and medium-sized enterprises)	<ul style="list-style-type: none"> • Broadly diversified industry structure in traditional industrial centres • Organically grown industry, specialised labour force and continued competitive edge thanks to low wage level • Rapid development of SMEs, notably in larger towns and urban areas • High attractiveness of urban areas with good access for foreign investors • Successfully implemented cross-border projects as examples of good practice (Industry Park Velenice/Gmünd, ECO Plus "Gemeinsam – spolu", Mailbox) 	<ul style="list-style-type: none"> • Frequently low management level and insufficient promotion of small and medium-sized enterprises by the state • Negative effects of structural change in the economy, especially in traditional industry sectors and agriculture • Low competitive strength due to low labour productivity and low degree of innovation • Low product diversification in agriculture • Lack of business-related infrastructure and services especially outside urban areas

Infrastructure and transport	<ul style="list-style-type: none"> • Strategically favourable location with regard to the major European traffic and transport arteries; traversed by important railway corridors • High density traffic and transport system (both roads and railways) • International airport in Brno • Adequate electricity and drinking water supply 	<ul style="list-style-type: none"> • Still poorly developed cross-border road and railway infrastructure, due above all to long years of political and economic isolation • Low capacity of road customs stations and congested access roads • Neglected transportation infrastructure and inadequate technical infrastructures and maintenance services • Deterioration in the quality of public transport and the accessibility of rural areas • Bad state of repair of municipal technical infrastructures (water supply, wastewater disposal, energy supply)
Regional structures and networking	<ul style="list-style-type: none"> ▪ Availability of regional development agencies involved in cross-border programmes/projects ▪ Political and coordination structures available at the regional level (e.g. Euregio Šumava-Bayerischer Wald and first initiatives under the Euregio March Area, committees for cooperation with Lower and Upper Austria) ▪ Good contacts at the economic, cultural and municipal levels thanks to SPF ▪ In some places fairly good cooperation between chambers of trade 	<ul style="list-style-type: none"> ▪ Lack of efficient regional structures for cross-border cooperation (e.g. EUREGIOS) in the Southern Moravian parts of the region ▪ Differing administrative structures on the two sides of the border ▪ Inadequate command of foreign languages to satisfy the needs of intensive international cooperation ▪ Poorly developed cross-border cooperation and lack of the required institutional framework
Tourism	<ul style="list-style-type: none"> ▪ Favourable location of the region from the vantage point of foreign tourism ▪ Well preserved, ecologically valuable rural nature and landscapes attractive for tourism ▪ Important culture-historical potential (historic town centres, fortresses and castles, church buildings, traditional architecture, folklore and folkloristic events in the villages) ▪ Huge development potential for a broad range of products and services (different types of tourism) addressing numerous target groups as, for example, cycling and culture tourism and sustainable eco-tourism 	<ul style="list-style-type: none"> ▪ Lack of functioning tourism organisation structures both at the local and the regional level ▪ Inadequate coordination and lack of programmes and targeted marketing/advertising activities for the region in particular abroad ▪ Poor quality of tourist services and low or highly inhomogenous staff qualification level; inadequate information services and systems (too few information centres, no defined standards) ▪ Generally insufficient exploitation of the regional potential for the development of tourism (lack of mature tourism products, poor tourism infrastructure in some places (accommodation, sports and recreation services, rural tourism offers, swimming pools, insufficient exploitation of inland waterways))
Environment and nature protection	<ul style="list-style-type: none"> ▪ Ecologically valuable spaces – national parks, nature protection areas ▪ General improvement of environmental quality, specifically in the western part of the region and in rural areas ▪ Suprarregional importance of water accumulation and water resources, headwater region of various rivers ▪ Several successfully implemented CBC projects with positive transnational environmental effects (e.g. construction of several wastewater treatment plants in the Czech border area, central district heating plant Nová Pec – wood scrap incineration) 	<ul style="list-style-type: none"> ▪ Inadequate wastewater treatment above all in rural areas; still polluted rivers above all in the eastern part of the area ▪ Environmental pollution in cities, primarily due to individual car traffic ▪ Destruction of cultural landscapes through intensive and collective farming ▪ Insufficient commitment of the population to environmental issues ▪ Few integrated projects and realized measures in environmental protection (e.g. in the field of antiflood measures)

Human resources, labour market, education and training	<ul style="list-style-type: none"> ▪ Qualified labour in traditional branches of industry ▪ First initiatives towards cross-border training and qualification: good potential for future cooperation based on existing universities, technical schools and research institutes ▪ Well-functioning cooperation of the different types of schools and educational institutions within the framework of the PHARE CBC Programme (Small Projects Fund) ▪ Adequate basis (in terms of capacity and variety) of educational institutions 	<ul style="list-style-type: none"> ▪ Lack of new jobs, growing unemployment, insufficient employment opportunities especially in rural areas, resulting in an increasing out-migration trend ▪ Low labour flexibility and mobility ▪ Insufficient networking between the education system and the labour market ▪ Inadequately developed opportunities (continuing education programmes) for life-long learning ▪ Substantial differences in the education and training level between urban and rural areas
Business infrastructure (telecommunication, innovation activities and technology transfer	<ul style="list-style-type: none"> ▪ High share of joint ventures with foreign partners using new technologies ▪ Innovation and technology transfer into the region due to its proximity to neighbouring Austria, the source of a wide variety of innovative technologies available in the region ▪ Technology park in Brno, business park in České Velenice/ Gmünd ▪ Development of mobile telephony and related services 	<ul style="list-style-type: none"> ▪ Underdeveloped and insufficiently linked information networks, lack of business-related infrastructures for SMEs (developed commercial premises, consulting services, information centres, etc.) ▪ Poorly developed communication infrastructure in rural areas ▪ Insufficient awareness of opportunities created by information technologies for enterprises ▪ Poor information basis and low awareness of state-of-the-art development trends
Social development, health, culture	<ul style="list-style-type: none"> ▪ Largely good availability of elementary health care services with the required capacity ▪ State-of-the-art medical facilities in centres ▪ Participation on non-governmental non-profit organisations in the national social care system ▪ Many cross-border contacts within the framework of projects financed via the PHARE CBC Small Projects Fund (exchange, joint cultural and sports events) ▪ Evolving network of non-governmental non-profit organisations as a basis of a civil society and of cultural development 	<ul style="list-style-type: none"> ▪ Poor medical supply in the region's fringe areas ▪ Inadequately developed network of specialised social care institutions for various population groups ▪ Insufficient cross-border cooperation in the areas of health and social services ▪ Inadequately developed leisure time infrastructure
Agriculture and forestry, village development	<ul style="list-style-type: none"> ▪ Large share of wooded areas, high productivity and good usability of the forests ▪ High cultivation potential in terms of uses of agricultural land ▪ Long tradition in specialised fields of agriculture (notably winegrowing, fruit-farming, fishery, aquaculture) with links to specific regional cultural characteristics) ▪ Ongoing village renewal programmes ▪ Good perspectives for future economic support ▪ Important nature and cultural potential of rural regions for the development of agrotourism 	<ul style="list-style-type: none"> ▪ Restitution (succession) proceedings not yet concluded and unclear ownership structures in agriculture ▪ Low degree of diversification in the local economy and restricted development perspectives in agriculture ▪ Limited alternatives ▪ Lack of cultural and social services and institutions responsible for deterioration of living conditions ▪ Poor economic condition of a vast majority of agricultural enterprises, inadequate network of sales and distribution centres for agricultural products and inadequate functional and territorial links with the manufacturing industry

3.4 Opportunities and risks

Taking into account the oncoming EU enlargement and the conditions of the regional economy in the Austrian-Czech border region, the following opportunities and risks can be identified:

Opportunities	Risks
<ul style="list-style-type: none"> ▪ High growth potential thanks to positive development trends and positive growth rates in European comparison ▪ Potential for expanding (regional) markets and intensifying neighbourhood trade ▪ Intensification of cross-border regional division of labour also among SMEs making use of cost advantages ▪ Potential for improved competitiveness by exploiting cost advantages as well as through the transfer of know-how and labour qualification ▪ Networking and cooperation creates the basis for expanding markets ▪ Agricultural and cultural framework conditions provide an important basis for developing cross-border tourism, which represents an important economic opportunity especially for peripheral rural areas ▪ The EU integration process opens up new perspectives for the border region 	<ul style="list-style-type: none"> ▪ The intensification of cross-border demand and supply developments may give rise to a competitive disadvantage and crowding-out competition in some sectors and businesses especially given high price and wage differentials ▪ Pressure on wages, crowding out of regional labour by labour from neighbouring regions, with an impact especially in low-qualification areas (in Austria) ▪ Brain drain and the ensuing loss of qualified labour to high-wage regions (in the Czech region) ▪ Increasing volume of cross-border commuting entails rising traffic load ▪ Impairment of protected areas by tourist development strategies ▪ Increased traffic volume (persons and goods) with negative effects on the environment

4. CROSS-BORDER ACTIVITIES – EXPERIENCE UP TO 2004

4.1 Introduction

The specific complex of problems encountered in the border region largely due to the long years of isolation moved to the centre of interest of regional policy making right after the opening of the borders in 1989. Cooperation with the neighbours on the other side of the border was immediately perceived as an opportunity for development at the regional level. Based on the Community Initiative Programme INTERREG IIA and in coordination with PHARE CBC, cross-border cooperation was initiated and intensified on the basis of already existing contacts and a structural framework was created within which activities could be coordinated.

In the programme planning period 1995 to 1999, the funds available under INTERREG IIA totalled EUR 12,5m² (of which EUR 4.7m came from the EU and EUR 7.8m from national sources³) on the Austrian side, which compared with EUR 46.4m (thereof EUR 32.3m (66.9%) from the EU and EUR 14.1m (33.1%) from national sources on the Czech side. Concrete cooperation of the Austrian Federal Länder along the Czech border basically consisted in efforts to set up cooperation structures with the Czech border region and the implementation of individual projects. A total of 126 projects to be implemented by the end of 2001 were approved on the Austrian side. 70 projects⁴ were approved on the Czech side of the border. All projects approved in the assistance period 1995 to 1997 have either already been concluded or are in an advanced stage of implementation. The realisation of the projects agreed on within the context of the Financial Memoranda of 1998 and 1999 has already been started or will be initiated by delivery and performance contracts concluded in 2000.

The INTERREG IIA Programme Austria – Czech Republic 1995-1999 elaborated with the Czech partners within the context of joint work meetings focuses on five priority areas:

- Priority 1: Supply infrastructure (ERDF)
- Priority 2: Business, tourism, socio-cultural cooperation (ERDF)
- Priority 3: Agriculture and forestry (EAGGF)
- Priority 4: Human resources (ESF)
- Priority 5: Spatial planning and regional policy (ERDF)

Projects implemented within the framework of PHARE-CBC focussed on the following eight areas:

- transport
- technical infrastructure
- environmental and natural resources protection
- economic development
- agriculture and forestry
- human resources
- Small Projects Fund, studies and technical assistance, programme management
- Flood Relief Programme

Though project implementation under the two programmes was not yet based on a coordinated cross-border strategy for the development of the common border region, the projects implemented generated a multitude of positive transnational effects and may be viewed as an effective contribution to the development of the

² Data including private funds

³ Funds from national and private sources.

⁴ This figure does not include small projects realised within the context of the Small Projects Fund or the Flood Relief Programme; this global figure only relates to special agreements concluded between the Ministry of Regional Development and the respective decentralised implementation agencies (generally regional development agencies)

border area and the strengthening of cooperation on both sides of the border. This is basically due to the following factors:

- close coordination of most of the projects already during their preparatory stage;
- good and continuous cooperation in the Joint Programming and Monitoring Committee (JPMC);
- positive effect of the work of the Euroregions and the Joint Cooperation Committees along the common border, especially thanks to jointly elaborated regional development concepts and the identification of eligible projects.

4.2 Chronology of cooperation

Since Austria's accession to the EU, and already in previous years – especially since the fall of the Iron Curtain in 1989 – Austria has established close contacts to former Czechoslovakia and what is now the Czech Republic at the municipal, socio-cultural, political and economic level. The focus of these efforts has always been on cooperation with the directly adjoining regions (of Southern Bohemia, Southern Moravia).

Lower Austria initiated cross-border cooperation with former Czechoslovakia already in 1987 with the Framework Programme on the Cooperation between the Land Lower Austria and Southern Moravia Rahmen (Programm über die Zusammenarbeit zwischen dem Land Niederösterreich und dem südmährischen Kreis) especially in the fields of science, research, education and sports as well as cultural matters. Contacts were intensified after the opening up of Eastern Europe, and in 1992 the two chairmen of the cooperation initiative, the Lower Austrian governor and the mayor of Brno, signed the Agreement on the Cooperation of Lower Austria – Interest Area in Czech Republic (Vereinbarung über die Zusammenarbeit Niederösterreich – Interessengebiet der Tschechischen Republik). The bilateral working groups dealt with issues regarding spatial planning and regional policy, village renewal, traffic and transport infrastructure, the border crossings, as well as issues relating to specific areas like sports, culture, education, health, the environment, economic relations, trade, tourism and energy, and since 1996 also the programmes INTERREG and PHARE CBC.

At the level of the Länder governments of Lower and Upper Austria, the “Mixed Commissions Upper Austria – Southern Bohemia” and “Lower Austria – Interest Area Czech Republic” were set up to promote intensive cooperation and the solution of existing cross-border problems in the above-cited areas within the context of a number of working groups.

The governor and mayor of Vienna also signed a cooperation agreement on important issues of cooperation with the mayor of Brno. This cooperation agreement defined the following fields of work: urban planning and environmental protection, transportation and technical infrastructure, municipal water management and waste management, cultural issues and education as well as the improvement of the transport connections between Vienna and Brno. This agreement also provided for the installation of a cooperation platform for the implementation of joint projects.

Moreover, an intensive exchange of experience on issues regarding municipal administration was initiated between political representatives and senior officials of individual municipalities in the border region. Fundamental principles of municipal self-administration in Austria were discussed in this context and individual fields of work were dealt with in greater detail and an exhaustive exchange of view was initiated on exemplary projects in fields of urban planning and urban renewal as well as technical and transportation infrastructure planning.

A successful example of teaming up cross-border efforts is the cooperation between the Upper Austrian Energy Saving Association (Oberösterreichischer Energiesparverband) and the Energy Centre České Budějovice, through which active practical collaboration in the concrete areas of energy efficiency and renewable sources of energy has been institutionalised.

Close cooperation has also been established at the municipal level, between the social partners and above all between associations in different areas of interest. Thus, close contacts were built up in the fields of sports, music, culture and tourism right after the fall of the Iron Curtain. These contacts have been maintained and constituted a sound basis for the establishment of cross-border Euregios.

It was in the three-land border area between Upper Austria, Lower Bavaria and Southern Bohemia that one of the first Euregios, the Euregio Bayerischer Wald – Böhmerwald was created in 1992. This Euregio played an important role in drawing up the INTERREG II Programme and, based on the knowledge gathered with projects envisaged in the Mühlviertel region, in defining the focal points in the orientation of the programme.

Intensive cross-border contacts and support from regional and INTERREG funds culminated in the establishment of the trilateral Euregio Weinviertel – Southern Moravia – Western Slovakia. The cooperation agreement was signed on 1 December 1997 and provides for trilateral cooperation in the fields of tourism, economic development, energy and environmental issues as well as municipal know-how transfer and agriculture.

Intensive preparations for the establishment of a Euregio with Southern Bohemia are currently also under way in the area of the Waldviertel. The cooperation agreement is to be signed in the first half of 2000.

At the subregional level, the activities pursued under the Lower Austrian project *Eigenständige Regionalentwicklung im Grenzraum – EREG*, whose objective is to promote the autonomous regional development in border regions, are directed towards raising the general awareness for regional issues in border regions and at supporting local initiatives in elaborating joint projects with Czech partners.

The Federal Länder involved have been diligently applying the subsidiarity principle in project development and project assistance.

4.3 Projects

The INTERREG IIA Programme primarily emphasised projects with a focus on areas that could be financed from the ERDF (cf. Table 10).

Table 10: **Distribution of funds INTERREG II A Austria-Czech Republic 1995-1999****INTERREG IIA Austria – Czech Republic 1995 – 1999**

Distribution of funds by priorities in accordance with Commission decision of 10 Dec. 1999 K(1999) 3906 amending decision K(95) 3437/4

ERDF No: 950010012/50 / ARINCO No. 95EU16012

In EUR million												
Priorities / measures	Total costs (TC)	Public expenditure								Private		
		Total (T)	Community contribution				National contribution					
			1= 2+10	2= 3+8	3= 5+6+7	4	5	6	7	8= 10+12	9	10
1: Improvement of infrastructure	0.928174	0.928174	0.464087	50%	0.464087			0.464087	50%			
2: Economy, tourism and socio-cultural cooperation	8.713350	5.979550	2.989775	50%	2.989775			2.989775	50%	2.733800		
3: Agriculture and forestry	0.830000	0.450000	0.225000	50%			0.225000	0.225000	50%	0.380000		
4: Human resources	0.661000	0.661000	0.330500	50%		0.330500		0.330500	50%			
5: Spatial planning and regional policy, development studies technical aid	1.395194	1.395194	0.697597	50%	0.697597			0.697597	50%			
TOTAL	12.527718	9.413918	4.706959	50%	4.151459	0.330500	0.225000	4.706959	50%	3.113800		
Sub-programme ERDF	11.036718	8.302918	4.151459	50%	4.151459			4.151459	50%	2.733800		
Sub-programme ESF	0.661000	0.661000	0.330500	50%		0.330500		0.330500	50%			
Sub-programme EAGGF	0.830000	0.450000	0.225000	50%			0.225000	0.225000	50%	0.380000		

Priority 1: Improvement of infrastructure (ERDF)

As of 11 May 2000 a total of 11 projects with total project costs amounting to EUR 0.8m⁵ had been approved⁶.

Eligible projects under this priority relate to the elaboration of joint planning documents for the improved preparation of future investment projects in the fields of transportation, the environment and energy such as, for example, the feasibility study "Railway Corridors Vienna-Gmünd-Ceskè Velenice-Prague and Linz-Summerau-Horni Dvoriste-Prague".

Priority 2: Business, tourism, socio-cultural cooperation (ERDF)

As of 11 May 2000, a total of 70 projects with total project costs amounting to EUR 8.9m⁷ had been approved⁸.

Eligible projects predominantly relate to consultation for SMEs and commercial businesses and trades in issues regarding location development, supply development and networking, cross-border company and product presentation as well as the establishment of structures for the cross-border transfer of know-how and cross-border organisational and marketing structures. Equally eligible are projects relating to cultural events and the networking of cultural institutions and programmes. The objective was to strengthen regional growth dynamics. Examples are projects such as "Telecommunication in the border region – Tricom", "VITECC", and "Revitalisation and tourist marketing of the former lumber canal Schwarzenbergscher Schwemmkanal" as well as the project "CCC Crossborder Business Cooperation".

Priority 3: Agriculture and forestry (EAGGF)⁸

Eligible projects include cooperation projects in the fields of agriculture and forestry with a focus on aquaculture as well as projects dedicated to nature and cultural landscape conservation; the objective is to improve cooperation and to prevent adverse impacts due to mutual competition.

Priority 4: Human resources (ESF)⁹

Eligible measures supported with a very low volume of funds are training and qualification programmes with cross-border effects, school-based educational and information events as well as adult education measures; all in all, this priority served to set local and subregional accents. The project CERNET – European Middle School, besides an education network (CERNET), also includes the practical implementation of a pilot school project.

Priority 5: Spatial planning and regional policy, technical aid (ERDF)

As of 11 May 2000, a total of 45 projects with total project costs amounting to EUR 1.1m¹⁰ had been approved⁸.

Eligible projects include the preparation and implementation of interdisciplinary studies for the development of planning documents that can serve as a basis for an environmentally and socially compatible and equally dynamic development on both sides of the border.

Project assistance within the framework of Phare CBC in the period 1995 to 1999 focused on the above-named eight groups of measures (cf. Table 11).

⁵ Data including private investments

⁶ This figure relates to projects approved prior to 31 Dec. 1999. Minor differences to Table 10 are due to certain time lags between the approval of projects and their registration in the monitoring.

⁷ Data including private investments, including reserve projects.

⁸ Recent implementation data are not available.

⁹ Comparable data are not available because the projects are only registered when the funds are disbursed.

¹⁰ Data including private investments

Table 11: Distribution of funds PHARE CBC Czech Republic – Austria 1995 – 1999

Distribution of funds by priority in EUR*)

Priority/measures	No. of projects	%	Total	%	PHARE CBC	%	Czech Republic	%
1 TRANSPORT	4	5.71%	9,146,613	19.74%	6,671,940	20.67%	2,474,673	17.60%
2 TECHNICAL INFRASTRUCTURE	4	5.71%	2,813,459	6.07%	1,767,204	5.48%	1,046,255	7.44%
3 ENVIRONMENTAL AND RESOURCE PROTECTION	16	22.86%	16,363,910	35.32%	10,668,676	33.06%	5,695,234	40.51%
4 ECONOMIC DEVELOPMENT	9	12.86%	7,456,572	16.09%	4,837,805	14.99%	2,618,767	18.63%
5 AGRICULTURE AND FORESTRY	2	2.86%	650,000	1.40%	650,000	2.01%	0	0.00%
6 HUMAN RESOURCES	0	0.00%	0	0.00%	0	0.00%	0	0.00%
7 SPF, STUDIES AND TA, PMU	32	45.71%	5,941,844	12.82%	5,111,844	15.84%	830,000	5.90%
Studies a. technical aid	21	30.00%	1,729,961	3.73%	1,729,961	5.36%	0	0.00%
Small Projects Fund	7	10.00%	4,053,528	8.75%	3,273,528	10.14%	780,000	5.55%
Support of PMU	4	5.71%	158,355	0.34%	108,355	0.34%	50,000	0.36%
8 FLOOD RELIEF PROGRAMME	3	4.29%	3,960,758	8.55%	2,566,666	7.95%	1,394,092	9.92%
TOTAL	70	100.00%	46,333,156	100.00%	32,274,135	100.00%	14,059,021	100.00%

*) The funds approved in support of the Rural Development Programme (1998) and the Small Infrastructure Projects Fund (1999) were allocated to the respective priorities on a pro-rata basis.

Transportation

A total of four projects were approved in the field of transportation; accounting for a total funding volume of EUR 6.7m, transportation takes place two in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 20.1% as against 20.0% laid down in the Multi-annual Indicative Programme (MIP)¹¹. Important projects, among others, included the connection of a commercial site in Ceske Velenice to the railway system and the upgrading of the border region roads from Prachatice to Chvalsiny and from Breclav to the border.

The realisation of these projects, on the one hand, contributes to making up for the substantial development backlog in transportation-related infrastructure in the border region, and, on the other hand, helps to cope with the enormous increase in cross-border traffic flows since 1989/90 and to direct the flows in a way that is compatible with the environment. Moreover, these projects serve to facilitate and strengthen transnational economic development and to assist the development of areas with a valuable cultural and landscape potential for tourism.

Technical infrastructure

A total of four projects were approved in the field of technical infrastructure; accounting for a total funding volume of EUR 1.8m, this area ranks on place six in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 5.5% as against 20.0% laid down in the Multi-annual Indicative Programme (MIP). Important projects, among others, include the introduction of natural gas for the energy supply of the municipalities of Nova Pec and Stare Misto p.L.

In this area too, a prime objective was to make up for the existing development backlog in the supply infrastructure. A further important goal of the efforts to reduce high pollution energy consumption was to improve the quality of the air; as a matter of fact, the measures had a clearly positive effect in the Saxon border area. Last, but not least, the assisted projects were indispensable in so far as they helped to enhance the attractiveness of the border region for tourism and provided incentives for economic development and employment.

Environmental and natural resources protection

A total of 16 projects were approved in the field of environmental and natural resources protection; accounting for a total funding volume of EUR 10.7m, this area takes first place in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 33.1% as against 36.0% projected in the Multi-annual Indicative Programme (MIP). The assistance projects exhibit a clear focus on the construction and upgrading of wastewater treatment plants and sewage systems in border area municipalities such as, for example, Stare Misto p.L., Znojmo, Vratenin, Hlohovec, Telc, Frymburk, Breclav, Kostice, Dacice, Trebic.

These wastewater treatment projects are of great importance in the cross-border context, because the large majority of rivers with headwaters in the Austrian-Czech border region leave the region either directly towards Austrian territory or flow into Austria indirectly via Slovakia. Moreover, they are conducive to the fulfilment of EU environmental requirements, which is an important aspect of the preparations for EU membership. Last, but not least, the availability of adequate wastewater treatment facilities is an important prerequisite for the establishment of new enterprises and hence for the creation of new jobs. Indirectly, these projects are instrumental in promoting economic growth, counteracting the population decrease and preserving the border region as an attractive cultural landscape with good employment opportunities and living conditions.

Economic development

A total of nine projects were approved in the field of economic development; accounting for a total funding volume of EUR 4.8m, this area takes place four in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 15.0% as against 10.0% projected in the Multi-annual Indicative Programme (MIP). In the foreground were assistance projects aimed at the improvement of tourist

¹¹ The MIP 1995-99 target figures are not readily comparable with the actual figures. (1) a substantial share of the funds were rededicated to the Flood Relief Programme, a group of measures that had not been planned originally; (2) the substantially extended application of this fund facility since 1998 had originally not been provided for in the MIP, but entailed a shift in weightings. The MIP target figures are nevertheless stated, as they at least provide an indication of the extent to which priorities have changed.

infrastructure (above all the construction or upgrading of hiking and cycling paths and their connection to Austrian networks on the other side of the border, and the further development of tourist information centres and their cross-border networking), projects for the preservation of the cultural heritage (refurbishment of the museum in Chválský), technology transfer and the development of business and commercial sites in the border region.

These projects are expected to result in a pronounced increase of tourism over the next few years, stimulating a branch of business that promises the greatest future potential for many municipalities in the border area. In places where the projects have already been concluded, the effects have become immediately perceptible and are reflected in rising numbers of visitors and positive acceptance of the outcome by the local population and visitors alike. Moreover, the projects will help to spur business activity in other branches as well and will hence have a positive effect on employment.

Agriculture and forestry

Two projects were approved in the field of agriculture and forestry; accounting for a total funding volume of EUR 0.65m, this area takes place seven in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 2.0% as against 3% envisaged in the Multi-annual Indicative Programme (MIP). The assistance measures focused on a feasibility study regarding the reconstruction of the former lumber canal Schwarzenbergischer Schwemmkanal as a valuable cultural monument and a tourist attraction as well as on organic wine growing based on the introduction of natural pest control agents.

These measures are in the first place aimed at enhancing tourism and contributing to the preservation of a transnational cultural landscape.

Human resources

No projects were implemented in the field of human resources. The Multi-annual Indicative Programme had provided for a 3% share in total funding. This is partly due to the fact that a number of projects were withdrawn because their preparation had not yet progressed very far and the funds were needed for the Flood Relief Programme for which no provisions had been made at the outset. However, the area of human resources still benefited from the programme because numerous cross-sector projects, which, among others, involved this area, were subsumed under a different sector because other goals predominated (e.g. the project relating to the promotion of technology transfer). In addition, the Small Projects Fund assisted a number of projects that in terms of sector would have to be assigned to the field of human resources.

A project that needs to be mentioned in this context is the Vienna European Middle School, which is supported by four countries (Austria, Czech Republic, Slovakia, Hungary) and represents a unique experiment of cross-border cooperation. The funds contributed by the Czech Republic (EUR 0.7m in total) stem from the Small Projects Fund.

All the same it is true that the promotion of cooperation in the field of education and training fails to meet expectations. This may be partly due to the fact that the traditional project applicants (municipalities in the border region) rarely feature as principals of such projects.

Small Projects Fund, studies and technical assistance, programme management

A total of 32 projects were approved in the areas Small Projects Fund, technical aid and programme management; accounting for a total funding volume of EUR 5.1m, this area occupies place three in terms of funding volume. This corresponds to a realised share in total funds approved under Phare CBC of 15.8% as against 8% envisaged in the Multi-annual Indicative Programme (MIP). However, leaving aside the Small Projects Fund that had not been envisaged in the MIP, the funding volume attributable to the areas "studies and technical aid" and "programme management" amounts to EUR 1.8m or 5.7% of the total volume. These monies were spent on a multitude of small projects in support of programme and project preparation, but, by way of diversion, also on projects which strictly speaking would have to be assigned to one of the above-named areas (e.g. grants enabling the Czech Republic to take part in projects within the framework of Interreg II C; support to aid the development of institutional structures in the border region, above all the Regional Development Agencies; auditing of decentralised funds). Furthermore, in this target area efforts also focused on the institutional establishment of a qualified Programme Management Unit (training measures; technical support; degressive cofinancing of running costs; technical equipment).

The establishment of a Small Projects Fund (SPF) within the context of the 1996 programme and its continuous further development thereafter proved a particularly innovative and effective approach to strengthening cross-border cooperation. The SPF enjoys very favourable acceptance throughout the border regions because it provides the opportunity to react relatively flexibly and swiftly to local needs arising in cross-border cooperation, and because the fund's management – albeit subject to strict regulations agreed on with the Commission – remains largely within the competence of local actors. It is a special feature of the Small Projects Fund that only the projected budget, the fund's objectives and the project selection criteria as well as its institutional framework are decided on within the context of the annual programming and fixed in the Financial Memorandum. Project preparation and selection take place at the regional level and form part of the programme implementation.

The Commission has issued special guidelines for the implementation of the SPF; on this basis, the Ministry for Regional Development has drawn up Czech SPF guidelines which were approved by the Commission and regulate the realisation of the SPF under the specific conditions of the Czech Republic. A further characteristic of the SPF in the Czech Republic is its very far-going decentralisation at the level of the Euroregions or the border regions Southern Bohemia/Upper Austria and Southern Moravia/Lower Austria. Each region is coordinated by a Steering Committee whose composition is representative of the different groups and interests of relevance for the activities of the SPF and hence for regional cross-border cooperation. Representatives of the Ministry for Regional Development, the partners from the Austrian part of the region and the Commission attend as observers. The Steering Committee has overall responsibility for the SPF in the region, it resolves on and promulgates the individual application rounds and decides on the project selection.

The Steering Committee is assisted by the SPF Secretariat, which attends to the daily routine within the context of SPF management. This task is usually taken over by the Regional Development Agency that has its seat in the respective region and has been prepared for performing these duties through training measures and receives material support from the Ministry. The Ministry concludes a special agreement in accordance with Phare regulations with the Agency; the Secretariat's tasks are laid down in detail in this agreement.

A body of experts called in by the Steering Committee evaluates project applications to the SPF. The members of this body are independent experts familiar with the situation in the respective region. The work of this body of experts is coordinated by the Secretariats. The ex-ante evaluations of the body of experts form the basis for project selection decisions made by the Steering Committee. The project applications are evaluated in accordance with pre-defined criteria.

In general, the SPF is viewed as a successful element of the Phare CBC Programme for the period 1995-99. It helped to enhance communication between the people on both sides of the border and thus constitutes an important aspect to complement the large-scale projects. The SPF has definitely reinforced the cross-border character of the programme. Moreover, it has made an important contribution in terms of an active involvement of regional actors in the implementation processes. The SPF played an instrumental role in making the regions acquainted with the processes involved in programme implementation in accordance with EU standards. This is of high value in so far as the programme character of the SPF is similar to the approach of the INTERREG programme and the SPF hence helps the actors to become familiar with EU programmes and processes.

The success of the Small Projects Facility assumes great importance also with regard to the Phare CBC Programme in general. In 1997 and 1998, the flexible mechanisms characteristic for the SPF found their way into large areas of the CBC Programme, i.e. small-scale infrastructural measures within the framework of special measures to redress damages caused by the flood, and the village renewal programme. A continuation and intensification of this approach was originally envisaged for the 1999 programme; important parts of the programme (about 45% of the funds) were to be allocated to a decentralised decision-making and financing mechanism conceived as a regional fund. For a number – and to some extent understandable – reasons, the Commission found itself unable to approve these proposals, and the volume of fund financing in the form of the Small Projects Facility had to be reduced to a maximum of 20% of the total programme volume. However, an exceptional regulation for 1999 created some additional scope, which in individual cases permitted to support also small-scale infrastructural measures up to a financing volume of EUR 300,000.

Flood Relief Programme

The Flood Relief Programme was not envisaged in any way when the MIP was planned. The extraordinary flood disaster of the year 1997 affected a number of municipalities in the Czech/Austrian border region, especially in the districts of Breclav, Hodonin and Brno. In order to bring fast and efficient relief to the municipalities and people affected by the disaster, a number of projects initiated under the 1995 to 1997 programmes that were already delayed and likely to come up against obstacles with regard to Czech co-financing were postponed in agreement with the Austrian partners. This made it possible to make EUR 1.4m available for projects to eliminate damages caused by the flood and for preventive measures against future floods. These monies were allocated to a fund whose objectives were implemented at the regional level in Southern Moravia through mechanisms similar to the SPF. All projects (small-scale infrastructural projects with a funding volume of up to EUR 300,000 each) have been concluded in the meantime. Besides its concrete benefits in the individual cases, the Flood Relief Programme also had the special effect of perceptibly enhancing the acceptance of the Phare CBC Programme and consequently the reputation of the EU in the affected regions.

4.4 Recent development since 2000

After the year 2000 the intensity of integrating process in the Czech Republic has generally increased. In case of the CBC Phare programme, the process of its subsequently transformation and approximation to INTERREG IIIA programme has started. This development follows the completion of the JPD strategy aims, creating of joint steering and monitoring structures

Acceptance of PRAG („Practical Guide to Phare, Ispa and Sapard contract procedures“, January 2001) , which has allowed introduction of new implementation mechanism for the large projects called “Grant schemes represents important impetus in the process of integration . Grant scheme gives opportunity to support smaller projects (from 50 to 300 000 EUR Phare grants).

This mechanism was already fully used in programs 2002 and 2003 in the Czech-Austria CBC Phare programme. In addition to Joint small projects fund (JSPF), which is also GS, there were introduced and accepted in total 3 Grand Schemes

- Grant scheme for transport infrastructure support (CBC Phare 2002)
- GS for supporting cross-border cooperation networks and human resources development and GS for environment support and sustainable spatial and Environmental development (CBC Phare 2003).

5. GENERAL PROGRAMME STRATEGIES

5.1 Challenges and strategies for the development of the Austrian-Czech border region

The development of cross-border contacts and first joint projects were in the foreground of cross-border activities in the last programming period.

Based on the experiences made and the results of the analysis, the new programme focuses on developing suitable strategies and measures for the future development of the Austrian-Czech border region.

The objectives and the strategy for the development of the Austrian-Czech border region in the period 2000 to 2006 are determined on the basis of the results of the preceding socio-economic analysis of the common border region and its deficits and development potentials. Thus the common development strategy is rooted in the more complex setting of the planned EU enlargement and the step-by-step integration of the Czech Republic.

The Guidelines for INTERREG III (Commission Resolution of 28 April 2000) describe the eligibility criteria of cross-border cooperation for realising the strategic objectives. In summary, these two programmes are seen to be germane above all for defining and pursuing a coordinated approach with regard to those development problems and opportunities in the common border region that are best addressed at the cross-border level and where a joint approach involves particular advantages. However, it is expressly acknowledged that a number of the above identified and analysed weaknesses are simultaneously and more efficiently addressed within the context of parallel programmes launched by the two governments and/or the European Structural Funds.

The INTERREG III A Programme specifically addresses the challenge of improving both the competitiveness and the quality of life in the border region by laying emphasis on cross-border cooperation at the EU external border.

The joint development strategy within the framework of the INTERREG III A programme therefore aims at the overarching goal of promoting the development of the Austrian-Czech border area into a common, future-oriented economic and living space, improving the competitiveness of the border region within the European context and sustainably enhancing the living conditions of the residents in the area and thus preparing the border region in general for EU enlargement.

The analysis of strengths and weaknesses, opportunities and risks shows that this border region exhibits a considerable development potential in the examined areas. The weaknesses in most cases result from the fact the existing potentials have not been exploited. The strategy therefore aims at the systematic exploitation of the latent potentials through efficient, cross-border cooperation aimed at strengthening the local economy and its competitiveness, increasing the region's wealth and promoting European integration at the local level. The intention is to attain sustainable coherence between the two parts of the border region.

Cross-border cooperation between the Czech Republic and Austria towards this goal will be based on the following strategic objectives:

A. Approximation of the economic and social framework conditions and solution of the problems due to the peripheral location of the border area, resulting in the creation of an integrated regional economic area.

- Improvement of the economic structure, acceleration of structural change, approximation of economic strength, improvement of locational conditions, technology and innovation development
- Improvement of basic transportation, technical and other infrastructures, reduction of the border-related barrier effects
- Strengthening of sustainable regional development
- Reduction of environmental impacts, elimination of existing environmental damage, improvement of the quality of life and the environment for the local population
- Improvement of the education and employment situation for women and men

- Development of human resources and strengthening of the endogenous potentials of the border region

B. Strengthening of cross-border relations between people, organisations and institutions in every structural area:

- Improvement of cross-border economic cooperation
- Reduction of barriers and creation of better links in cross-border traffic and transport
- Cross border coordination of efforts to protect resources and the environment
- Supporting of cross-border rural development
- Improvement of cross-border social and cultural exchange aimed at enhancing the area's attractiveness as a residential and living space
- Creation of cross-border networks for cooperation and communication with a view to strengthening the regional identity on both sides of the border
- Reduction of "mental borders"

These strategic objectives are further subdivided into individual priorities and measures. The implementation of the joint strategy will be based on the following principles:

- In view of its limited volume, the financing available under the programme will be concentrated on priorities and measures whose implementation is likely to generate a perceptible development impulse in the border region.
- The measures and operations selected for realising the development strategy must be clearly cross-border in nature. In this context, special priority will be attributed to measures planned in the border regions in close cooperation with regional and local authorities, among them the establishment and expansion of joint administrative structures supporting the far-reaching cross-border cooperation of government authorities, semi-governmental agencies and non-profit institutions.
- These measures should build to the utmost extent on regional opportunities and strengths and directly relate to the needs of the local population.
- Similar to the approach pursued in elaborating the joint development strategy and in annual programming, it is important that regional and local institutions and decision-making bodies are directly involved in the implementation of the programmes for cross-border cooperation.
- As regards the implementation of the strategy, emphasis must be put above all on the Czech side on directly involving as large a number as possible of regional and local institutions and decision-making bodies in the programme realisation to enhance their familiarity with European principles and processes of regional development in border regions.
- Moreover, the actors involved in strategy implementation must heed and wherever possible actively promote the general principles and policies of the European Union. The individual measures and activities are to be designed in a way to benefit women and men alike and to involve no gender specific discrimination. In line with the scope available in the individual fields of action, eligible projects also include measures that contribute actively to creating equal opportunities and reducing discrimination.
- In general, cross-border regional development will be paying special attention to the requirements of sustainable economic and social development as well as to preserving and safeguarding the region's ecologic variety and its unique landscapes.

5.2 Coordination of the programme with EU principles

▪ Competitiveness

Enhancing the competitiveness of the regional economy is an overriding principle that has been generally applied in drawing up the programme. Special attention is paid to the promotion of SMEs by making them acquainted with innovation and technology. Supported by infrastructural measures as for example impulse centres, the development and improvement of access to information technologies, measures to promote the transfer of know-how as well as measures targeted at enhancing education and qualification and the promotion of cooperation, the INTERREG III A Programme aims at giving impulses to prepare the regional enterprises for the requirements posed by a competitive market. ▪ **Observance of the competitiveness rules**

Any aid granted under this programme will be in conformity with the provisions laid down in one of the Commission regulations adopted under Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Article 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal State aid (OJ L 142, 14.5.1998, p.8). At present, the Commission has adopted four such block exemption regulations. These are:

- Commission Regulation (EC) No 68/2001 of 12.1.2001 on the application of Articles 87 and 88 of the EC Treaty to training aid (OJ L 10, 13.01.2001, p. 20) and
- Commission Regulation (EC) No 69/2001 of 12.1.2001 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid (OJ L 10, 13.01.2001, p.30),
- Commission Regulation (EC) No 70/2001 of 12.1.2001 on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises (OJ L 10, 13.01.2001, p. 33),
- Commission Regulation (EC) No 2204/2002 of 12.12.2002 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment (OJ L 337, 13.12.2002, p. 3).

Assistance going beyond this within the framework of competition related assistance guidelines or programmes is generally not envisaged. In such cases individual notification, approval and registration is required or assistance may be applied for in the frame of the four block exemptions quoted above. In addition the Competent Programme Authorities will take into account that assistance pursuant to Article 87, 88 of the EC Treaty is subject to the specific restrictions regarding the transportation sector.

Projects relating to the agricultural sector are to take into account the Common Agricultural Policy and, in particular, the provisions of Regulation (EC) No 1257/99. Moreover, the Community Guidelines for State Aid in the Agricultural Sector (2000/C28/02 OJ C 28, of 1 February 2000, p. 1 – 24) also apply in this case. This implies that only projects within the frame of approved state aids for the agricultural sector can be supported. New state aids have to be notified and approved by the Commission.

Within the context of examining the project applications and settlement accounts, the competent Programme Authority makes sure that the applicable assistance regulation or “de minimis” assistance regulations have been observed and that the pertinent upper limits for assistance under the applicable regulations or “de minimis” regulation will be observed even in the case of an accumulation of assistance from several schemes.

The Monitoring Committee may enter new or modified assistance regulations requiring notification into the list of the admissible legal basis for national co-financing, but only after they have undergone the regular notification procedure and have been approved by the Commission under EU assistance regulations.

▪ Sustainability

The principle of sustainability plays an important role in this programme in so far as the economic development in this region is taking place against the backdrop of highly sensitive spaces. Being a horizontal principle, sustainability must be taken into account on all priority axes. But it is of particular importance wherever different uses need to be coordinated. Concrete reference is made to this principle not only in the field of regional and environmental planning and the further development of cross-border nature and national parks, but also where sustainable concepts are to be implemented in planning support measures for specific

sectors, as for example the tourism and leisure time industry or technical infrastructure (supply and disposal services, especially energy generation and utilisation).

The legal code governing this field of action in Austria is Federal Constitutional Law on Comprehensive Environmental Protection of 27 November 1984. In this law, the federal government, the Länder and the municipalities allow to stand up for the protection of the natural environment against detrimental impacts, as it constitutes man's natural foundation of existence. All these legal entities are responsible at the different levels and within the scope of their competencies under constitutional law to implement the required environmental protection measures. Hence, Austria has no uniform environmental code or law, much rather the Annex to the constitutional act assigns the competencies for issuing the respective regulations to the respective sectors (waste management, water management, building legislation, etc.). The regulations for the protection of the environment are therefore contained in diverse acts and statutory instruments at the federal and Länder level.

Also taken into account in programme implementation are the areas to be defined within the framework of the nature conservation instrument Natura 2000, which is to safeguard that the programme measures will not have any negative impact on the areas defined under this programme.

The authorities responsible for programme implementation are to ensure that the measures receiving assistance from the Structural Funds through the INTERREG PROGRAMME are in agreement with the area protection regulations prescribed by Natura 2000 and that areas earmarked for protection under the Habitats Directive 92/43/EEC will not be affected before the supplementary area lists are issued.

The measures designed to prevent any such possible negative impact include, in particular:

- FFH introductory decrees with binding effect for the regional and local authorities (**Lower Austria**: Lower Austrian Nature Protection Act of 31 August 2000, **Upper Austria**: Upper Austrian Nature Protection Act of 27 April 1999 and 17 December 1999, **Vienna**: Vienna Nature Protection Act of 31 August 1998), which ensure that the programmes are implemented in compliance with the FFH Directive
- the participation of the competent nature protection agency in the selection and evaluation process
- a preliminary examination of projects based on suitable project testing and selection criteria
- the application of the procedural steps provided for in Article 6 of the FFH Directive and aimed at preventing potentially adverse effects.

The regions covered by the INTERREG Programme comprise a list of NATURA 2000 areas of some 181,163 ha in **Lower Austria**, of about 1,508 ha in **Upper Austria** and of about 5,535 ha in **Vienna**. In **Lower Austria** 118,985 ha are areas protected under the Fauna-Flora-Habitat Directive **and** the Birds Directive, 4,336 ha areas subject to the Fauna-Flora-Habitat Directive and 57,842 ha subject to the Birds Directive. In **Upper Austria**, 1,097 ha are protected under the Fauna-Flora-Habitat Directive **and** the Birds Directive and 411 ha under the Fauna-Flora-Habitat Directive. In **Vienna** the entire 5,535 ha are areas protected under the Fauna-Flora-Habitat Directive **and** the Birds Directive.

In the period 1995 to 1998, Lower Austria defined 13 special protection areas for birds (SPA) in accordance with the prescribed deadline. These 13 areas comprise about 460,000 ha, which corresponds to about 24% of the Lower Austrian territory. By designating the 13 large-scale SPAs, the authorities endeavoured to meet the requirements of Article 4 of the Directive 79/409/EEC.

In the period 1995 to 1998, Upper Austria defined 9 special protection areas for birds (SPA). These 9 areas currently comprise about 26,800 ha. By designating the 13 large-scale SPAs, the authorities endeavoured to meet the requirements of Article 4 of the Directive 79/409/EEC.

In the period 1995 to 1998, **Vienna** in accordance with the prescribed deadline designated 4 special protection areas for birds (SPA). These 4 areas comprise about 5,535 ha, which corresponds to about 13.34 % of the Viennese territory.

All pertinent information regarding the bird protection areas including maps was officially transmitted to the Commission in accordance with Decision 97/266.

The Member States, by compiling the supplementary list of pSCIs in accordance with Article 4 par. 1 Directive 92/43/EEC and adopting the national and regional statutory and administrative measures, are to ensure that the necessary regulatory framework is created to prevent a possible pollution or degradation of Natura 2000 conservation areas. In implementing the INTERREG Programme, it is the responsibility of the competent authorities to ensure that protected and potentially protected Natura 2000 conservation areas remain unaffected. Possible negative impacts must be assessed carefully and taking into account alternative solutions already at the planning stage of the projects and appropriate measures must be adopted in due time to ensure that the conservation objectives of the respective Natura 2000 areas will be met (according to Articles 4 and 6, Directive 92/43/EEC).

All operations undertaken under this programme shall comply where applicable with the Directive on Environmental Impact Assessment (85/337/EEC as amended by 97/11/EC). Additionally all actions realized within the programme must be carried out accordingly to the Czech legislation on environment. In cases where applicable environment Community legislation is not yet transposed into national legislation, the relevant EU Directives shall directly apply until their effective transposition.

▪ **Gender Mainstreaming**

Owing to social framework conditions, women still take a clearly less active part in economic and social life than men. Even though programmes like INTERREG will not eliminate the differences in terms of job and income opportunities and access to social and political functions, efforts should be made to exploit all the possibilities the programme offers in this respect.

Based on the concrete gender-specific problem situations, the measures will be implemented against the backdrop of the European and national equal treatment policies. In Austria and the Czech Republic the alignment with the Objective 3 Programme and the National Action Plans for Employment (NAPS) opens up synergy potentials.

5.3 Harmonisation with other EU and national programmes

5.3.1 Austria

The Austrian Federal Länder have clearly defined their strategy within the framework of the EU enlargement process.¹² The regional EU Structural Funds Objective 2 programme as well as the Community initiatives INTERREG, LEADER+ and EQUAL are to be applied as instruments for the preparation of the regions for their role in the enlarged Europe. Each of the programmes has its very specific strategic function:

▪ **Objective 2**

Objective 2 programmes are generally directed towards the active promotion of structural change. The upcoming enlargement of the EU, however, requires additional active strategic preparatory measures for the border regions in the sense of preparing them actively for their bridge function in the pre-accession and accession phase.

In Lower and Upper Austria, individual businesses are also eligible for (investment) promotion under Objective 2 programmes. This form of assistance, which is primarily addressed to the trade and commercial sector as well as to the tourist and environmental industries serves the objective of stabilising the economic structure and improving the competitiveness of the businesses. In Vienna, the Objective 2 Programme focuses on the upgrading of a strictly defined city area by strengthening its economic basis through innovation and technology and improving living conditions and environmental quality.

By contrast to the Objective 2 programmes, INTERREG III A is pursuing an active strategy of preparing the border region for the upcoming EU enlargement and promoting sustainable cross-border regional

¹² Lower Austria and EU enlargement – facts, standpoints, requirements; Office of the Government of the Land Lower Austria, Department for Spatial Planning and Regional Policy; 1998

Vienna and Europe – Five years of membership in the European Union (1995-1999)

INTERREG, Projects of the City of Vienna for EU enlargement, both: Vienna City Administration, Chief Executive Office – EU Funding, 2000

development. Accordingly, eligible projects must always be cross-border in nature. Eligible projects include cooperation projects in all economic and political areas, consultation, know-how transfer, organisation and network development across borders as well as regionally or locally important cross-border infrastructure projects and measures appertaining to the field of environmental and nature protection and sustainable spatial development. In tourism, the focus is on promoting cross-border programmes and services and destination development.

Hence, the INTERREG IIIA Programme assumes an important complementary function to the Objective Area Programmes. The satisfactory coordination of the INTERREG IIIA Programme and the Objective Area Programmes at the planning and implementation stages is guaranteed through the active involvement of the respective programme authorities of both sides of the border in the programming and implementation processes.

▪ **LEADER+**

LEADER+ aims to encourage rural groups and bodies to develop the endogenous potential of the population in small-scale areas in all spheres of life and work. Activities centre in on agricultural projects and agriculture-trade-tourism cross-sector projects. Transnational activities by the different LEADER+ groups in the individual Member States are also possible. The approval procedure of Leader+ projects within the context of "transnational" cooperation (in accordance with the Leader+ Programme) in a first step examines whether a transnational cooperation project involving areas on the two sides of a border exclusively relates to INTERREG areas. If this question is answered in the affirmative – and provided it is in line with the programme objectives and the requirements within the context of the programming supplementation – assistance should in the first place be applied for under INTERREG. Only in the event that the INTERREG authorities reject an application on the grounds of a particular activity not being eligible under INTERREG, the application will be processed within the context of Leader+. Decisive coordination criteria between INTERREG and Leader are a transnational approach and objective (e.g. transnational networking. Austria's neighbouring countries are also promoting endogenous development based on a bottom-up strategy. INTERREG III A offers the opportunity to promote transnational networking of such initiatives.

▪ **Rural Development Programme (EAGGF)**

The INTERREG region also overlaps with the target area of the EAGGF-financed Rural Development Programme; this implies that coordination is necessary and that complementary measures may be implemented also in this field. Generally, double funding, even in project areas in which the basic objectives of the ERDF and EAGGF are relatively similar, is prevented by the fact that the same authorities are involved in the consultation and project approval procedures of projects potentially eligible under INTERREG III A and the Rural Development Programme.

As regards possible cross-border network developments or projects involving cross-border benefit in this area, INTERREG III A will assume a supportive function to ensure that potential synergies between the programmes are optimally exploited.

▪ **Objective 3**

The Objective 3 Programme for Austria focuses on the following fields of activity:

- Combating long-term and youth unemployment
- Equal opportunities and avoiding exclusion from the labour market
- Flexibility on the labour market
- Equal opportunities for women and men
- Territorial employment pacts and local employment initiatives

INTERREG III A is to be seen as supplementary to the areas of basic structural labour market problems covered by the Objective 3 Programme. The labour market in particular requires new approaches in the course of active preparation for EU accession, as high demands will be arising, e.g. within the context of cross-border institutional cooperation.

▪ **EQUAL**

The labour market policy Community Initiative Programme EQUAL is designed to promote new methods of combating all forms of discrimination and inequalities (in connection with the labour market). A wide variety of possibilities for assisting the victims of discrimination are structured along the four pillars of the European employment strategy (capacity for occupational integration; entrepreneurship; flexibility; and, equal opportunities for men and women). A special focus of the programme is on combating racism and xenophobia, and, especially in the border regions along the Austrian EU external border, particular attention is given to the problems of migrants, ethnic minorities and applicants for asylum.

▪ **National Action Plan for Employment (NAP)**

The Austrian National Action Plan for Employment provides for the bundling of the broad range of resources in terms of employment and educational policy instruments in four pillars for the purpose of increasing the measures' efficiency. These four pillars are:

- Improved placeability, especially of young people and long-term unemployed
- Development of entrepreneurship in the sense of cost relief, promotion of independence and job creation
- Promotion of the adaptability of employers and employees through more flexible employment conditions as well as further education and training
- Promotion of equal opportunities for women and physically challenged people on the labour market

INTERREG III A supports complementary measures – especially in terms of promoting entrepreneurship and further education and training – with a view to contributing to the active preparation for the enlarged Europe.

▪ **Territorial Employment Pacts (TEP)**

Austria, in support of the implementation of the National Action Plan, adopted and later extended Territorial Employment Pacts as a new form of cooperation between actors at the federal, Länder and municipal level. The four pilot Territorial Employment Pacts adopted in Austria up to 1999 had a budget of about EUR 23 million and achieved a direct employment impact of some 1,300 new jobs in all of Austria. The Territorial Employment Pact of the Land Vienna had been approved by the EU Commission in 1997. Based on the positive experiences made with the Austrian EU pilot projects, a further TEP was established by the Land Upper Austria in 1999.

One of the goals within the framework of the Community Initiative INTERREG III A will be to expand the existing Employment Pacts for Vienna, and maybe also for Upper Austria and possibly to create further such pacts as starting point for creating cross-border networks. The synergy potential created by the Employment Pacts to be tapped by a variety of actors and initiatives may provide valuable impulses for the neighbouring countries, where structural change is progressing at a far more rapid pace and where the funds available for labour market policy measures are much scarcer.

5.3.2 Czech Republic

All necessary basic development documents on the national as well as regional levels had been concluded in the Czech Republic. The National Development Plan that covers sectoral operational programmes, Joint Regional Operational Programme and National Action Plan on Employment covers the national level. The Development Programmes of NUTS III regions and the Regional operational programmes of NUTS II regions represent by large the regional level.

▪ **The National Development Plan**

The National Development Plan (NDP) constitutes a basic document for the programming and coordination of the different intervention instruments. It creates also the fundament for the Community Support Framework. Implementation of the NDP shall facilitate the achievement of the overall goals of the Plan, including increase in GDP and reduction in unemployment. This document represents solid base for enlarging cross-border cooperation. In addition, the document actively involved regions, including those along the border to the implementation of concrete projects which fulfilling the goals and aims of the CIP.

Main priorities of the NDP in the field of "the balanced development of regions" are as follows:

- strengthening of competitiveness of the industry and business services
- development of transport infrastructure
- development of human resources
- preservation and increase of quality of the environment
- development of rural areas and multifunctional agriculture
- development of tourism

The NDP priorities will be implemented through four Sectoral Operational Programmes (SOP) and one Joint Regional Operational Programme (JROP).

The Sectoral Operational programmes are as follows:

- Industry and Enterprise (ERDF)
- Development of Human Resources (ESF);
- Rural Development and Multifunctional Agriculture (EAGGF) and
- Infrastructure (ERDF).

Each SOP will be co-financed only by one of the above mentioned Structural Funds.

The JROP is focused of assistance for socio-economic development on regional level.

Scope of the Operational programmes (OP) as well as OP priorities follow the priority axis set up in the NDP, suggestions made by the EC to the NDP, and the EC Council regulations related to the Structural Funds and Cohesion Fund.

The Austrian-Czech CIP document corresponds with the objectives of these Czech strategic documents. Well-elaborated coordination between the Ministry of Regional development as the Czech National Authority for the CIP on the one hand and the Managing Authorities of the SOP and JROP on the other hand will ensure that activities launched under the CIP will be clearly separated in terms of funding.

▪ **Cohesion Fund**

It is obvious that large-scale infrastructural projects envisaged for the CF will be clearly distinct from the activities and projects approach supported by the CIP.

▪ **Programmes for Objective 1 areas**

Taking into account that the Czech border regions belong to the Objective 1 areas, it is evident that all operational programmes shall be applicable there. Priorities and measures in the Czech-Austrian CIP are connected with some priorities and measures stipulated in the above mentioned OP. However, activities supported by the CIP shall clearly prove their cross-border nature, in terms of cooperation and impact. In this regard these activities are different or complementary to those implemented in the frame of national SOP or JROP.

▪ **Relationship of CIP with NDP goals**

Strengthening of competitiveness of the industry and business services

Implementation of this goal will be done on the national level through the OP Industry and Enterprise.

In the Czech/Austrian CIP, this is covered by Priority 1 "Cross border Economic Cooperation", and in particular measures 1.1 and 1.2. The activities within the CIP will complement the measures set up by the NDP, particularly in supporting economic cooperation on the level of SMEs located in the border areas, enlarging space for mutual cross-border business in the field of innovation and networking, improvement of the conditions for business settlements on both sides of the border, expansion of cross-border business services. The same applies for increasing economic competitiveness of SMEs in border areas as well as fostering export activities. The CIP is envisaged to be in line with legislation regulating anti-trust policy.

Development of transport infrastructure

Implementation of this goal will be done on the national level through OP Infrastructure, JROP and Cohesion Fund.

In the CIP, this goal is covered by Priority 2 "Accessibility", and in particular by measures 2.1 and 2.2. The activities in the CIP are focused on fastening and improving transportation links, connecting international transportation routes and improving accessibility in border areas.

Development of human resources

Implementation of this goal will be done on the national level through OP Human resources and partly through JROP.

In the CIP this goal is covered by Priority 4 "Human Resources", and in particular by measures 4.1 and 4.2. The activities in the CIP are focused on development of regional labour markets and development of cooperation and infrastructure in education, training and science. It is also partly covered by Priority 3 "Cross-border Organisational Structures and Networks", in particular by measure 3.1 focusing on further development of organisational structures and thematic co-operation networks.

Preservation and increase of quality of the environment

Implementation of this goal will be done on the national level through OP Infrastructure and within the Cohesion Fund.

In the CIP this goal is covered by Priority 5 “Sustainable Spatial and Environmental Development”, and in particular by measures 5.1 and 5.2. The activities in the CIP are focused on co-friendly development and marketing of the common environmental potential, implementation of joint environmental standards and monitoring, utilisation of renewable energy resources and natural resources, co-ordination of environmental and resources management, reduction of emission and waste, management of nature and national parks and creation of infrastructure for clean water.

CIP also envisaged that environment impact assessment (EIA) of large scale infrastructural projects will be prepared according to relevant legislation. In this regard the principle of sustainability will highlight the balance between environmental and economical aspects of the cross-border projects.

Development of rural areas and multifunctional agriculture

Implementation of this goal will be done on the national level through OP Rural Development and Multifunctional Agriculture.

In the CIP this goal is covered by Priority 5 “Sustainable Spatial and Environmental Development” and in particular by measures 5.3. The activities in the CIP are focused on coordination of cross-border spatial plans and balanced development of rural areas.

Development of tourism

Implementation of this goal will be done on the national level through JROP.

In the CIP this goal is covered by Priority 1 “Cross border Economic Co-operation” and in particular by measure 1.3. The activities in the CIP are focused on extension and improvement of activities in health, wellness, congress and cultural tourism, nature tourism, development of joint destinations and destination management, networks of facilities and tourist offers, joint marketing of the border regions, development of joint and harmonised attractions, development of joint soft tourist infrastructure, building up and developing of joint information, reservation, support of know-how transfer activities (e.g. practical experiences from existing local/regional tourist boards), support of agro-tourism activities, development and support of joint tourism and leisure-time facilities.

- **Pre-accession Instruments (PHARE-CBC, PHARE, ISPA, SAPARD)**

On the Czech side, the PHARE CBC measures launched within the context of the Accession Partnership had been coordinated with other instruments supporting the preparation for EU accession (PHARE, ISPA, SAPARD) and gradually integrated in a more comprehensive regional development strategy within the framework of the Pre-Accession Strategy.

For the Czech Republic funding provided as part of the pre-accession instruments (PHARE-CBC, PHARE, ISPA, SAPARD) phased out with Accession, i.e. by 1 May 2004. However in – particular parts of PHARE CBC programmes 2002 and 2003 – will be still in the stage of implementation. Due to the fact that in both cases, i.e. for the phasing out of PHARE CBC and the phasing-in of Interreg IIIA the Ministry for Regional Development is in charge of programme implementation the coordination between both programmes is ensured through internal coordination and project selection mechanisms. The institutional frame adopted by the Czech Government for the administration and implementation of the out-phasing accession instruments as well as Interreg initiative and other European programmes assures that double-financing will be excluded. The Ministry for Regional Development will be the responsible body to do so.

The Czech side wishes to confirm that the importance of the pre-accession instruments, particularly, PHARE CBC in the preparation for the Structural Funds and INTERREG IIIA period has been significant. These lessons allow a smooth transition to INTERREG IIIA.

- **National Action Plan on Employment and Initiative EQUAL**

The National Action Plan reflects the mid-term strategic goals of the Czech Policy on Employment. This Policy is prepared in accordance with the goals of the "Czech Economic Strategy for the EU Accession", in order to increase economic growth, competitiveness, qualification of human resources and employment.

Austrian-Czech CIP through its Priority 4 "Human Resources" will assist in fulfilling goals from the National Action Plan on Employment and it is complementary to the activities supported by the Initiative EQUAL, mainly by indirect support of creating working places on local level. This is done by promoting measures supporting SMEs and development of human resources. Important role is also given to the support of development of infrastructure in the fields of Education, Training and Science. Finally, CIP is constructed in a way that respect principles of equal opportunities for women and men. This equal gender approach at all programme levels and during the whole programme implementation would be carefully monitored by the CIP steering bodies.

▪ **Natura 2000**

Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora as well as Council Directive of 2 April 1979 on the conservation of wild birds will be taken into account during the implementation process of the Austrian-Czech CIP. Initial steps in the NATURA 2000 initiative shall be focused on better understanding and wide-spread awareness of the potential Programme beneficiaries. However, for further implementation of the projects in the area of environment and sustainable development, the adequate legislative acts should be taken on national level in both countries of the Programme.

5.3.3 The Austrian-Czech border region in overview

Eligible measures in the field of research and development, and eligible measures under the 5th Research Framework Programme or its successors, e.g. Information Society Technology (IST Programme) measures are coordinated with the present programme. Mutually beneficial complementarity is aimed at. Double funding is excluded.

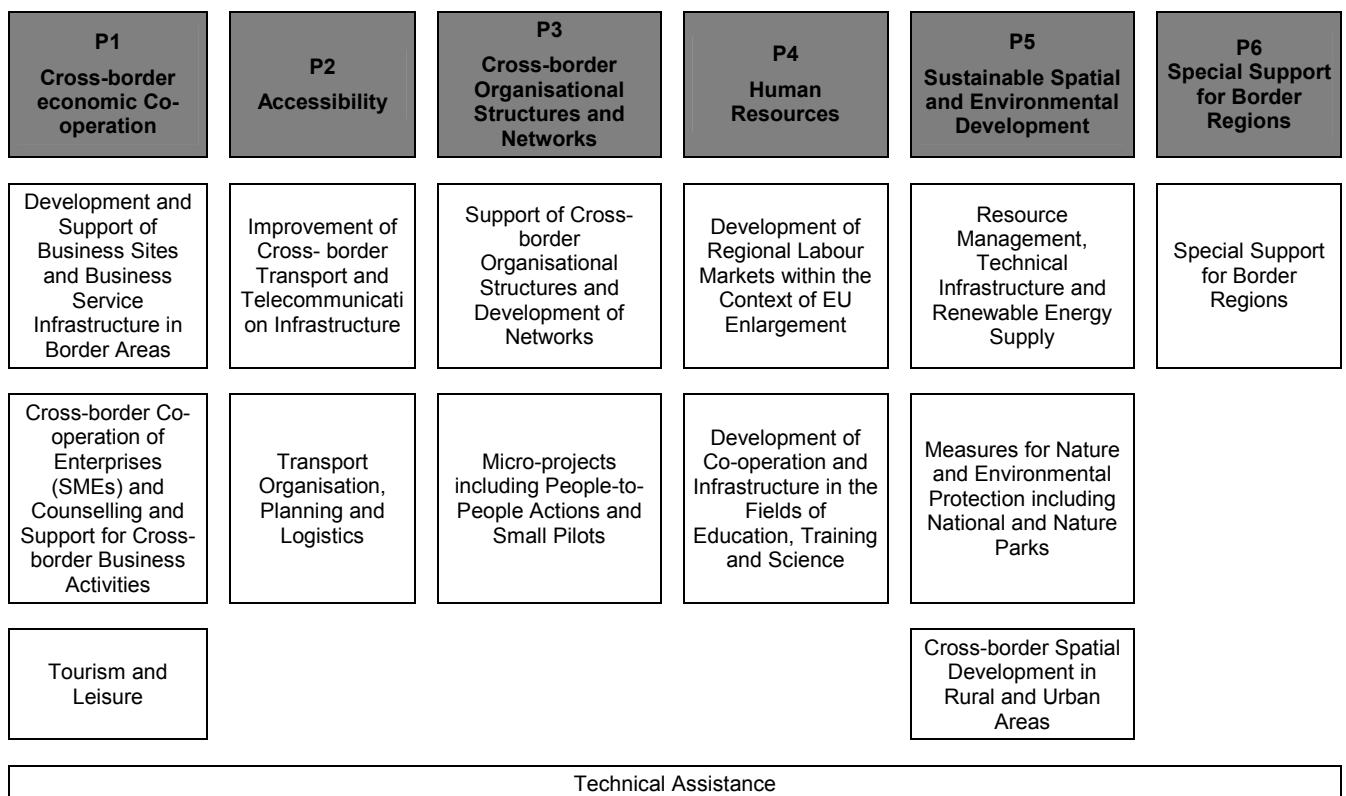
Eligible projects under this programme relating to the fields of professional training and general education and projects co-funded by the EU programmes "Leonardo da Vinci II" and "Sokrates II" are coordinated. Mutually beneficial complementarity is aimed at, whereas double funding is excluded.

6. PRIORITIES AND MEASURES – PROGRAMM STRUCTURE

The programme consists of six priority strands with a total of 14 measures, with 13 measures assigned to the individual priorities. The 14th measure is Technical Assistance, which applies to all six priority strands. The ERDF is to finance measures eligible for assistance according to Art. 3 par. 2 of Commission Regulation No. 1783/1999 within the scope of the EAGFL (PI/M3, PV/M1 and M2) and of the ESF and shall comply with all applicable provisions in implementing such projects. The special geographic situation of large section of the border region, multilateral projects may receive assistance, with double financing from several programmes being excluded.

The following descriptions of the measures form the framework, but this does not preclude assistance for other programming measures that cannot be assessed from today's perspective.

An overview of the programming structure is in the following figures:



Priority I: Cross-border economic co-operation

Starting situation

The border region Austria-Czech Republic is marked in the rural parts of the region by some very heterogenous economic structures, numerous small and medium-sized enterprises of low innovative intensity. Furthermore, the region is confronted with problems resulting from the structural change. The industrial-trade sector is hardly represented in large parts of the region and agriculture and the downstream economic branches are an important economic factor in all subregions with the exception of the cities. In the future, great importance will be attached to tourism as an approach for developing the region's economy.

The cities of Vienna and Brno play an important role in the border region as job centres and as drivers of technology and innovation for the entire border region. The urban economy of both cities is undergoing intensive structural transformation, which has resulted in a relatively high number of industrial branches for being an urban region, and a sharp decline in the number of employees in the secondary sector. The expansion of the tertiary sector and the orientation and definition of urban areas of focus is currently being intensively promoted.

Objectives

Heightened cross-border economic activities are to strengthen the border region's economic dynamic and develop its potential as an integrated region.

Especially the framework conditions for enterprises are to be improved through the increase and expansion of cross-border activity in business service structures, trade, industry and innovation centres as well as an improved business service infrastructure.

Furthermore, promising areas of competence for future development are to be established and developed that are draw on the region's situation and strengths (e.g. timber, food, East-West know-how, transport and logistics, telecommunications, environmental technology, etc.)

The enterprises of the border region are to be supported in taking advantage of the opportunities and coping with the challenges that will result from the elimination of the borders. It is above all intercultural communication, cooperation and networking that are to be supported in addition to the structural adjustments at the enterprises.

In the area of tourism, joint potentials (history, cultural history potential, nature areas, national park) for developing sustainable tourism forms, cross-border offerings and competitive organisational structures must be used. The quality of services is to be improved and adjusted on both sides of the border.

Agriculture and forestry are to be supported in their endeavour to attain sustainability, to develop new niche products and achieve vertical integration and promote cooperation (e.g. wine-growing, agrotourism, new cooperation projects with the wood processing industry), with the adjustment process in the Czech Republic being especially promoted to meet the new challenges.

Strategies

- Introduction of a cross-border "Strategic Campaign for Innovation and Cooperation"
- Joint exploitation of locational advantages, increased location quality and the reinforcement of the location for East-West know-how transfer
- (Further) development and bundling of existing economic potentials and development of common core competencies and brand name bundling in all sectors
- Joint development of destinations in the area of leisure time and tourism
- Support for accession countries in meeting Austrian and EU standards.

Measures

- PI/ M 1: Development of economic location and business services infrastructure in the border region
- PI/ M 2: Creation and expansion of cooperation at the enterprise level and support and consulting for cross-border economic activities
- P I/M 3: Development of the tourism and leisure industry

Measures PI/M1:**Development and assistance for business locations adjacent to borders und business service infrastructure****Starting situation**

The rising demand on infrastructure and business services from enterprises and plants looking to locate and expand define the framework conditions for industrial and trade locational development. Existing potentials, experiences and contacts as well as bilateral cooperation agreements with the neighbouring countries and cities are the ideal conditions for starting activities in the area of cross-border economic cooperation.

Special attention is devoted to the promotion of cooperation in science and business in those areas with a forward-looking competence focus of activity with respect to cross-border cooperation. Cities as locations of universities and non-university research facilities play an important role in this context.

These measures are aimed primarily at material projects, and within the scope of Measure 2 mostly immaterial projects are to be promoted. The allocation of complex projects to one or other of the measures is based on the main objective of the planned project.

Goals

- Creation of jobs in the industrial and trade sectors
- To encourage innovation and technology at SMEs
- Establishment of areas of competence with a cross-border impact
- Enlargement of production-related services
- Strengthening of cooperation between science and business

Possible action areas/ Summary of measures/ Model projects:

- Establishment, development and support for business parks as well as technology, start-up, consulting and other impulse centers from which cross-border impulses come or are expected to come.
- Assistance for core competencies
- Specific impulse projects with a supraregional impact as regards cooperation between business and research
- Assistance for (cross-border) cooperation between science and business (know-how transfer, joint research ...)
- Establishment, enlargement and expansion of entrepreneurial infrastructure in trade and industrial regions.

Measure PI/M2:**Cross-border cooperation at the enterprise level (SMEs) and support and advice for cross-border activities****Starting situation**

The majority of small and medium-sized companies in the cross-border region are inadequately equipped technologically, have a low innovation intensity, and lack an export orientation, which results in a rather weak cooperative behaviour. Especially noticeable is the lack of cooperation among businesses with regard to employee training and research, and development. Even less attention is given to the possibilities offered by existing cross-border economic structures and the regional production and service priorities to intensify purchasing and sales relationships, to set up co-operation networks, joint marketing activities and the establishment of corresponding networks to improve competitiveness. More so than in Austria, the restructuring of some economic sectors in the Czech Republic, e.g. in the agricultural sector, is of great significance.

Goals

- Strengthen the regional economic structure in the border region
- Develop and strengthen core competences and core qualifications (e.g. telecommunications, transport and logistics, environment and medical technology, East-West know-how transfer)
- Intensify co-operation between companies (especially SMEs) in the border region
- Improve the innovation and competitiveness of companies

Possible action areas/ Summary of measures/ Model projects:

- Cooperation with R&D organisations
- Establish cross-border business-to-business distribution and/or purchasing networks, and co-operation projects (SME & joint ventures, business broking & clustering)
- Develop new cross-border service offerings especially in the areas of technology transfer, information distribution, consultancy and financial instruments
- Develop qualification networks among businesses (e.g. management skills)
- Promote joint product and process development as well as marketing and advertising
- Assistance and advice with regard to cross-border activities (export and import, legal systems)
- Create information systems as well as support for organising events

Measure PI/M3:**Tourism and leisure industry****Starting situation**

Great importance for the development of the Austrian-Czech border region is given to the tourism and leisure industry. Overall the significance, except for a few areas and towns, on both sides of the border is still rather small. Meanwhile, it is the peripheral rural zones in the extended catchment areas of urban agglomerations as well as the fledgling soft tourism offerings that have sparked increasing demand over the past few years.

In the Austrian-Czech border region there is still a large deficit regarding the development and design of tourism offerings, company structures, the quality of the services, marketing measures and the co-operation and organisational structure.

Goals

- Strengthen the tourism economy in the border region
- Exploitation of synergy effects (tourism-induced demand effects)
- Increase the attractiveness and modernisation of the tourism offering (also through specific qualifying measures)

- Increase the number of overnight stays (in particular via measures to lengthen the season or to create dual seasonal tourism offerings)
- Development of soft tourism offerings and attracting new target tourist groups
- Expansion of possibilities to co-operate with other economic sectors (e.g. agriculture, skilled trades and businesses)

Possible action areas/ Summary of measures/ Model projects:

- Co-operation at the company level, also cross-sector
- Development of joint organisational and co-operation structures at the municipal and regional levels as well as between the various organisations (tourism organisations, regional development associations, regional management) to develop cross-border tourism offerings and organisations.
- Develop tourism offerings in the areas of health, wellness, culture and nature and also create offerings in co-operation with other economic sectors (e.g. agriculture)
- Marketing, networking offerings, development of attractions, destination development
- Establishment of transnational tourism information systems
- Visitor guidance systems and measures
- Tourism in rural regions/agrotourism, support to diversify agricultural structures

Priority II: Accessibility

An important prerequisite for every cross-border cooperation and to bring regions together is the greater permeability of the border and the accessibility of the border region.

Apart from the problems, which are caused by the ever increasing traffic volume on transit routes, the main issues in connection with cross-border matters concern the inter-regional improvement of the mobility of both people and freight transport. The greatest problems in this area are caused by the border region's insufficient links to the better quality transport infrastructure as well as from the differing stages of development of the transport and also the telecommunications infrastructure on the Czech and Austrian sides of the border.

Objectives

The focus of this priority is orientated towards improving the location quality for the aspired common business and living space. Taking environmental aspects into account and especially with a view to optimising accessibility conditions, this improvement will occur in the area of transport and telecommunications infrastructure.

Strategies

- Securing and improving the transport accessibility of the (border) region
- Improving border openness
- Exploiting cross-border synergies via information and harmonisation of planning documents
- Easing access and establishing the information and communications technologies as the primary cross-border medium
- Improving freight transport and logistics

Measures

P II/ M1: Transport infrastructure and information and communications technologies

P II/ M 2: Transport organisation, planning and logistics

Measures PII/M1:**Transport infrastructure, information and communications technologies****Starting situation**

The Austrian-Czech border region is, in large part, classified as a periphery region with adverse accessibility conditions. Accordingly the connection to better quality transport and telecommunications networks is to some extent insufficient. Decisive for the intensification of cross-border activities is border openness, as well as the availability of cross-border transport options and an infrastructure of relevance for small-scale business activity (e.g. tourism relevant infrastructure).

These measures are aimed primarily at material projects, while within the scope of Measure 2 mostly immaterial projects are to be promoted. The allocation of complex projects to one or other of the measures is based on the main objective of the planned project.

Goals

- Improve border permeability
- Improve the development of cross-border transport accessibility involving transport enterprises and logistics
- Co-ordinated development of the telecommunications infrastructure

Possible action areas/ Summary of measures/ Model projects:

- Infrastructural improvement/renewal to ease border crossings (checkpoints, cycle tracks, footpaths, roads of regional/local cross-border significance)
- Measures with regard to technical customs clearance
- Expand tourism-relevant base infrastructure
- Planning and implementing road projects close to the border
- Improving the rail network (closing the gaps in the rail network)
- Improving the telecommunications infrastructure
- Establishment and connection to the data super highways
- Development and establishment of telematic installations
- Networks for freight traffic logistics

Any initiative dealing with infrastructure development and electronic communications needs to comply with the Commission Staff Working Paper on "Guidelines on the criteria and modalities for the use of structural funds in electronic communications" SEC(2003)895 of 28 July 2003.

Measure PII/M2:**Transport organisation, planning and logistics****Starting situation**

Planning, organisation and optimisation of cross-border public transport are necessary to be able to manage the strong growth in cross-border traffic in the case of EU enlargement and to meet the intra-regional and inter-regional activity and communication needs in respect to transport and information technology.

The coordination of projects, information about planning, offerings etc. are an important prerequisite for an efficient organisation of current and future traffic flow as well as information and communications needs.

Goals

- Improve cross-border accessibility and transport offerings
- Improve transport services to increase the mobility of the region's inhabitants
- Contribute to the convergence of the border regions

- Harmonise transport policies and coordinated implementation of transport sector measures
- Improve public transport and passenger services (with special attention to those areas with the biggest tourist trade)
- Improve customs clearance

Possible action areas/ Summary of measures/ Model projects:

- Feasibility studies, planning as well as preliminary development and implementation planning in the common border area (including co-ordinated timetables to improve links to the TEN)
- Develop and build information systems (traffic routing systems,)
- Studies (e.g. corridor studies), applications (e.g. pilot or test projects)
- Support cross-border public local passenger transport systems
- Develop and create cross-border tariff networks for transport and telecommunications
- Support specific cross-border sections of the traffic organisation, planning and traffic concept especially with regard to cross-border economic and tourism centres.

Priority III: Cross-border organisational structures and networks

The divergent sociopolitical conditions, which lasted for decades, have also hindered the development of economic and social contacts in the Austrian-Czech border region. Since the beginning of the transformation process, organisations and institutions with a cross-border character have developed at the different levels and in different areas, new networks have been set up with the aim of exchanging ideas and transferring know-how, and work to develop joint strategies and projects has been started.

Objectives

The objective of this Priority lies in the improvement of the communication and co-operation structures to support them both organisationally and in substance. Functioning and efficient development and implementation structures as well as functioning networks to support the integration will help in this regard.

A further priority is the intensification of "people to people" contact, which creates the right conditions for the establishment of longer term and sustained cross-border co-operation.

Strategies

- Create and further develop co-operation structures at the administrative, political and professional levels
- Support integration at the "micro-level"
- Strengthen regional institutional structures to participate in structural fund programmes
- Strengthen the partnership principle with regard to project development and implementation (including regional protagonists, private, semi-public and public partners)

Measures

- P III/M 1: Assistance for cross-border organisational structures and development of networks
- P III/M 2: Small projects including "people to people" actions and pilot projects

Measure P III/M1:

Assistance for cross-border organisational structures and development of networks

Starting situation

The prerequisite for the smooth functioning of a future integrated cross-border region from an economic and social viewpoint is the creation of the necessary institutional conditions to co-ordinate a broad range of cross-border activities.

On the Czech side it is especially necessary, also with regard to the pending public administration reform of the middle tier, to strengthen and further develop the institutional structures and their capacities at a local and regional level with the aim of raising the region's development resources and level of preparation for EU-accession.

During the bilateral convergence process the regional and spatial development of the cross-border region will also be harmonised and not merely in the area immediately next the border but also at a local and regional level.

Goals

- Optimise co-operation between the regional protagonists, public, private and semi-private organisations and institutions as well as public administrations in the border region
- Professional preparation and support for cross-border projects
- Strengthen cross-border integration
- Sustained development of the border region
- Swift involvement of the new middle tier self-government bodies in the cross-border co-operation projects

Possible action areas/ Summary of measures/ Model projects:

- Create and support institutional cross-border organisations
- Activities to enhance the professional competence of institutions in regional and socio-cultural development co-operation projects with special regard to the new self-government bodies in the Czech Republic.
- Develop and implement co-operation projects such as for example the establishment of (thematic) municipal networks, regional development organisations, urban hinterland cooperation projects, regional management, co-operation with regard to agricultural development, health, women, youth, integration, culture etc.
- Public relations and information meetings (exhibitions, partner exchanges etc)
- Publications with a reference to INTERREG

Measure PIII/M2:

Small projects including "people to people" actions and pilot projects

Starting situation

Over the past few decades, "mental borders" have formed in the minds of the border region inhabitants due to interrupted economic, cultural and social relationships. An important foundation for intensifying communication can be achieved via regular contacts in the form of small – often regional and/or subject-specific – projects as well as steps taken in the direction of breaking down resentment and integration. The common experiences from the implementation of the programme to date have shown that integrated (chiefly non-profit orientated) "micro projects" were very helpful for the development of common contacts and project experiences. With this measure, this experience will also be used and further developed in the future.

Goals

- Cross-border integration as well as strengthening long-term co-operation
- Strengthening the encounters and long-term communication and co-operation of the population in the border region
- The convergence of the border region and the dismantling of "mental borders"
- Cross-border integration of the population
- Better preparation of eligible development projects
- Screening potential co-operation areas and initial contacts

- Information exchange about the respective neighbours
- Projects to support democracy development in the programme area

Possible action areas/ Summary of measures/ Model projects:

- Assistance for small projects in all of the programme's measures e.g. education, women, culture, youth, social welfare, environment, cultural exchange, events to facilitate dialogue, integration
- Assistance for local development initiatives
- Feasibility studies and other measures necessary to prepare for larger projects (e.g. training measures, seminars)

Individual measures can be supported if they are part of a common strategy to develop and/or strengthen cross-border integration.

This measure is not identical to the CBC-SPF. This goes further and comprises measures in all priorities including small infrastructure measures.

Priority IV: Human Resources

The Austrian-Czech border region is still characterised by the decade-long closed border. Only in the last ten years – based mostly on personal and some existing institutional structures – were new relationships developed and exchanges processes enabled. Very soon after the opening of the border, new labour market relations developed. Looking for better paid jobs and new experiences, the population has started commuting across borders in the direction of the Austrian border region and towns, which leads to social tension in economically difficult times.

The level of education and training on both sides of the border is relatively high, the education infrastructure is commensurate with the respective national conditions. With the new orientation towards a cross-border regional development strategy as well as the increase in competitiveness, the demands on the population and also on the education, training and research providers will rise.

Despite the rise in the education and training levels, and higher of employment, women in the border region, due to spatial and social mobility limitations, still are confronted with difficulties when integrating into professional life and when undertaking their professional training.

Objectives

A controlled development of the cross-border labour market will be supported and prepared through the enhancement of the institutional framework and the stronger co-operation between the labour market, education and integration policy protagonists. Before the backdrop of the specific problems with which women are confronted with respect to the labour market and access to education and training, special attention will be paid to this area when the measures are implemented.

Strategy

- Exchange of information to improve a common understanding of the situation and the development of the regional labour markets
- Co-operation between labour market policy actors to improve labour and social law standards
- Prepare for a further opening of the border (EU enlargement), dismantling of obstacles within the economic, education and social systems
- Standardising and harmonising the education and training systems
- Create co-operation structures in the sphere of training and education entities as well as labour market policy institutions

Measures

P IV/ M 1: Development of regional labour markets in view of the enlargement of the EU

P IV/ M 2: Develop co-operation and infrastructure in education, training and science

Measure PIV/M1:**Development of the regional labour market in the context of EU enlargement**

Labour market relations and development processes in the border region are determined on the one hand by the economic structural conditions and on the other by the existing regional disparities within the region and especially in the cross-border context. The markedly divergent prosperity and wage levels have sparked intensive one-sided cross-border commuting and migration movements from the neighbouring countries. Brain drain in the neighbouring states and social tension in Austria are the result.

The first measure mainly targets the activities of the labour market policy actors, while measure 2 mainly affects actors in the education sector. The allocation of complex projects to one or other of the measures is decided on the main objective of the planned projects.

Goals

- Create cross-border labour market relations
- Intensify co-operation among labour market policy institutions
- Integrate the cross-border strategy in the TEPs
- Prepare the framework for functioning cross-border labour market relations
- Improve cross-border information about the supply and demand on the labour market
- Dismantle economic, education and social system obstacles as well as harmonise labour and social law standards

Possible action areas/ Summary of measures/ Model projects:

- Co-operation of labour market policy institutions
- Provision and dissemination of information about the differences in the legal systems in connection with cross-border labour markets, economic, education and social systems
- Cross-border labour market monitoring
- Labour market policy know-how transfer through seminars and expert round-tables
- Develop regulation systems that enable the creation of viable and socially acceptable cross-border labour market relations
- Creation of cross-border information service (job search, placement service, ...)
- Cross-border co-operation to lift labour and social law standards
- Labour market ancillary analysis

Measure PIV/M2:**Develop co-operation and infrastructure in education, training and science****Starting situation**

The variety of institutions in the area of education, and also in social and science areas are an excellent setting for intensifying cooperation projects to develop the range of offerings in education and training, and in sharing experiences. According to the scope of the European Social Fund (ESF) Regulation, all age groups and educational areas are to be addressed. Assistance will be given in particular to those age groups for whom the training coincides with the regional development priority.

Goals

- Intensify co-operation between the education and training entities (schools, adult education colleges etc.)
- Training commensurate with market and sector needs
- Co-ordination and networking of training and further education offerings
- Provision of suitable education and research facilities

Possible action areas/ Summary of measures/ Model projects:

- Develop and implement common cross-border training offerings related to the regional development priorities (e.g. nature and environmental protection, tourism, new media, telecommunications, social work, language courses, "management skills", information technology, environmental technology, health tourism etc.)
- Creation of information services and centres
- Setting up and expanding training offerings and apprenticeships to promote cross-border training as well as co-operation between science and the business
- Develop common curricula, training programmes, education and exchange programmes
- Preparing multilingual teaching aids with a regional reference
- Establishment and expansion of a research, training and further education-orientated infrastructure

▪ Develop, harmonise and transfer education experiences

Priority V: Sustainable spatial and environmental development

The strong heterogenous economic structure of the border region and the sensitivity of the natural space call for a comprehensive and sustainable coordination of the different uses in the sectors as well as across sectors and speciality areas. Issues relating to the settlement and population trends, regional and urban development, spatial and environmental planning and nature protection are also areas that call for solutions as well as the problems arising from the economic conditions and the entailing spatial problems.

In this context, the development and use of environmentally friendly technologies is assessed as important.

Objectives

The higher degree of coordination in spatial and environmental development and planning is one of the main preconditions for a balanced economic and social development in the border region. The population is to be more strongly involved in the drafting of the development plans and future programmes (local Agenda 21), and as far as possible the exchange of experiences is to be promoted.

The quality of the environment and the nature potential of the border region are to be preserved and if necessary improved and secured for the long term. Moreover, the existing technical infrastructure is to be expanded, and cooperation and harmonisation of the relevant institutions as well as the air, ground and water quality is to be improved.

Strategy

- The intensification of cross-border cooperation for attaining sustainable spatial, environmental and economic development.

Measures

- P V/M 1: Resource management, technical infrastructure and renewable energy
- PV/ M 2: Nature and environmental measures including national and nature parks
- PV/ M 3: Cross-border spatial development in rural and urban areas

Measures PV/M1:**Resource management, technical infrastructure and renewable energy****Starting situation**

While the infrastructure in Austria is secured at a relatively high level as regards water, waste water disposal and waste management, on the Czech side there are substantial deficiencies. The expansion and modernisation of this area is of great importance as technical infrastructure standards are closely related to the development of business locations.

In Austria, competence has been built up over the past few years in technology and process development (urban and environmental technologies) with low resource exploitation and keeping emissions low; now this needs to be implemented in concrete cross-border projects.

Goals

- More intense use of renewable energy
- Optimal use of existing natural resources
- Reduction and avoidance of cross-border environmental contamination (water, air, ground) and the restoration of damaged forest eco-systems.
- Closer cross-border cooperation in environmental protection, environmental research and environmental management.
- Raising environmental awareness, development of efficient education and information measures

Possible action areas/ Summary of measures/ Model projects:

- Environment and energy studies and concepts, environmental monitoring, ecological research, renewable raw materials, renewable energy and energy efficiency
- Assistance for the use of renewable raw materials and energy
- Development of environmentally-friendly technologies and methods
- Studies and pilot projects in the area of settlement water management and waste treatment, new constructions and restoration of the infrastructure of the utilities and waste disposal facilities.
- Water management studies and pilot projects

Measure PV/M2:**Nature and environmental measures including national and nature parks****Starting situation**

The Austrian border region consists of many small-scale protection areas (e.g. Natura 2000 areas) and large-scale landscape protection areas which play a major role in tourism and for the ecology.

Goals

- Preservation of the high natural value of the border region
- Protection of natural resources
- Supply-side oriented enlargement of national parks and nature parks as well as their joint marketing and networking.
- Higher involvement of local population in the preparation of programme and project development in protected areas

Possible action areas/ Summary of measures/ Model projects:

- Preservation, enlargement and sustainable development of nature and environmental measures in national and nature parks as well as landscape protection areas
- Support of infrastructure measures in national and nature parks as well as project planning and support
- Preparation of the expert foundation as regards flora and fauna as well as nature and environmental measures outside of the statutory imposed protection areas

Measure PV/M3:**Cross-border spatial development in rural and urban areas****Starting situation**

The development of an integrated cross-border region calls for a harmonised strategy in the area of spatial development and planning. Experience has shown that up to now only few joint spatial development concepts have been produced or initiated to date. Where this has been achieved, the experience has been highly positive with respect to cooperation and information exchange and the policy has also created impulses for the regional economy and planning work.

The focus of the spatial development strategies in this border region is on the economic and infrastructure development of rural regional parts and the development of sustainable land use concepts, the development and preservation of nature areas and in the field of settlement structures (e.g. suburbanisation processes, land flight, etc.).

Goals

- Creation of a spatially balanced settlement and economic structure
- Development of the rural and urban space and of urban agglomerations with a view to sustainable development.
- Improvement of the quality of living and environmental, and the lasting preservation of the natural foundation of life
- Improvement and maintenance of extensively used cultural landscapes
- balanced economic, cultural, ecological development of the border region (e.g. within the scope of cross-border processes under Agenda 21)

Possible action areas/ Summary of measures/ Model projects:

- Studies and analyses on spatial and regional development, especially as regards pre-accession preparations (e.g. feasibility studies, development concept, expert opinions on subregions, spatial and natural space schemes, location concepts)
- Establishment of information systems (e.g. databases, spatial information systems, environmental monitoring)
- Institutional cooperation in spatial planning and in setting up cross-border cooperation, consulting and information centers.
- Cross-border pilot projects (e.g. agglomerations near borders and urban-rural cooperation projects)

Priority 6: Special Support for Border Regions

On 25th July 2001, the Commission passed the so-called „Community Action for Border Regions“ [KOM(2001) 437 final version], i.e. a document describing the impacts the upcoming enlargement of the European Union will have on the regions bordering on accession countries. This action plan suggests a number of measures for the benefit of these regions to help them prepare for the enlargement of the European Union. The Commission proposed to add the financial resources dedicated to this purpose to the INTERREG programmes in the form of a single common priority called "special support for regions bordering on accession countries".

This priority is treated under a separate budget line. The funds for this additional priority have been allocated entirely for the year 2002 (see Financial Table) and can be spent only at the Austrian side of the border until the end of 2004. In order to fulfill the demand on visibility for this priority a separate chapter within the Annual Implementation Reports will outline the achievements made.

Objectives

The financial resources are dedicated to supporting activities serving to ensure a smooth transition in the border regions and sustainable acceptance of the enlargement of the European Union by the general public.

The new priority is intended to support environmentally favourable projects that are directly associated with the enlargement of the European Union and will improve the competitive strength of the border regions.

Strategies

Support will in particular be granted for:

- Activities to support those small and medium-sized enterprises that will be particularly affected by the enlargement of the EU so as to enhance cross-border economic cooperation.
- Expansion of cross-border traffic routes to ensure sustainable and environmentally friendly development of potentials in the fields of tourism and nature on both sides of the respective border.
- Educational measures and intercultural cooperation, including measures to promote the integration of other cultural and language groups so as to reduce cultural and language barriers.
- Projects to improve minority language skills (e.g. in small and medium-sized enterprises).

Possible fields of actions and content of the measure:

a) Small and Medium Sized Enterprises that are particularly affected by the EU enlargement

This measure contains target-oriented preparation of and support for those small and medium-sized enterprises that are particularly affected by the upcoming enlargement of the EU so as to enable them to adapt to the impending modifications of the economic framework conditions. Full opening of the borders, free movement of persons and goods and freedom of establishment will completely change the economic framework conditions even though the full scope of these changes will, as a consequence of the transition periods to be agreed, not be felt immediately. Small and medium-sized enterprises, in particular, are often subject to limitations in terms of human resources and time, and therefore find it difficult to engage to a significant degree in research, development, cooperation projects and measures to improve their market situation without external support.

b) Development of a cross-border transport network

This measure contains cross-border projects in the field of traffic, especially to improve the utilization of potentials in the field of tourism and nature.

The measure focuses, among other things, on implementing pilot projects dedicated to the introduction and creation of environmentally friendly traffic in sensitive areas in the programme region. Creating, expanding and reactivating border crossing points between Austria and Czech Republic is intended to reduce the barrier function of the border between the countries, especially in the context of small-scale cross-border activities, and to improve the framework conditions for cross-border tourism.

c) Training Activities and intercultural cooperation

Activities to promote cultural exchange and intercultural cooperation (e.g. cross-border events, exhibitions) (e.g. joint events, exhibitions).

Cooperation projects involving minorities.

(Further) development of cross-border organizational structures and cooperation networks as well as theme-specific networks (culture marketing, media platform).

Technical assistance for implementing the programme

Technical assistance pursuant to Art. 23 of Council Regulation No. 1260/1999 is for the preparation, monitoring, evaluation and control of the programme and is divided into the areas under Rule 11 of the Commission Regulation No. 1145/2003 :

- TA-1: Administration, implementation, monitoring and control functions (pursuant to Rule 11, par. 2), and
- TA-2: Other activities within the scope of Technical Assistance (pursuant to Rule 11, par. 3)

For the more efficient administrative handling of the programme, the following activities are to be carried out under TA-1:

- Activities in connection with the preparation, selection, evaluation and support for interventions and operations;
- Activities for meetings of the Monitoring Committee and Steering Committees in connection with the execution of interventions;
- Investigation on location of operations.

Within the scope of TA-2 the following activities are foreseen:

- Set-up and operation of an EDP supported Central Monitoring System (ongoing systematic recording of the material implementation of the programme through financial and other implementation indicators for each project) for the management, monitoring and evaluation of the programme;
- Preparation of studies (e.g. for interim evaluations);
- Information and disclosure activities pursuant to Art. 46 of Regulation (EC) No. 1260/1999.

Indicative distribution of funds for Technical Assistance 2001-2006 (in 1000 EUR)

	Total costs	ERDF contribution	National contribution
TH-1	2,657	1,475	1,182
TH-2	664	369	295
Sum	3,321	1,844	1,477

7. PROGRAMME INDICATORS

7.1 Introduction

Indicators relevant for this Community Initiative Programme (CIP) are to be distinguished on four different levels:

- Programme- and
- Priority-level (in the CIP),
- Measure- and
- Project-level (in the Programme Complement)

These indicators will be used for both, **the joint programme monitoring procedure** as well as for **the joint project selection process**.

The impact indicators have been developed starting out from the project level – as this approach best permits to cover the great variety of expectable impacts. Subsequently, the question arose of how this wide range of individual impacts at the level of measures, priorities and programmes could be aggregated. Based on the impact indicators on project level, content related summaries were formulated at the level of measures. These “aggregated” indicators then form the basis for the (partly quantified) programme objectives at the level of priorities and the overall programme (c.f. Section 7.3, below). Specific objectives at measure level are laid down in the Programme Complement. In addition to the aggregated impact indicators, output indicators are given at the programme and priority level, in order to provide some clues to the structure of the supported projects (a.o. structure of average project sizes, see Table below).

Such a set of consistent indicators will provide the basis for the qualitative evaluation of projects and of the programme-impact as a whole. Thus the monitoring procedure and the information about project impacts collected there, will form a solid basis for mid-term and ex-post evaluations of the programme.

The **types of indicators** on the different levels can be summarised as follows:

Level	Output indicators	Impact indicators
CIP		
Programme	X	Aggregated
Priorities	X	Aggregated
Programme Complement		
Measures		X
Projects		X

7.2 Indicators for programme monitoring

A basic set of **output indicators**, to be used in the monitoring procedure, contains the following information (descriptive):

- total number of direct beneficiaries, broken down by main target groups [e.g. enterprises, citizens, institutions],
- number of projects
- financial monitoring (utilisation of funds, financial steps of implementation)

- an aggregate qualitative project-indicator, based on the classification of cross-border-cooperation-intensity on one hand and of expected cross-border-impacts on the other, thus forming a typology of 4 categories of projects (AA, AB, BA and BB-projects; cf. the following section on project selection).

The environmental field is included within the context of the mid-term evaluation of the programme, including also the methodological development of programme-relevant assessment/indicator systems and the harmonisation and concretisation of relevant objectives for the implementation of environmental/sustainability requirements.

7.3 Indicators for objectives on programme and priority levels

The set of indicators shown is geared to the quantification of objectives on programme and priority levels. In general, it is necessary to state that

- the limits to a sensible quantification of objectives are rather narrow in the context of cross-border programmes for methodological reasons¹³
- the quantification of indicators on programme and priority levels requires the completion of the programming process on the measure level (documented in the programme complement) and/or the agreement on indicators on project- and measure levels in the MC (according to Council Regulation 1260/99, Article 35 (3), lit. b)

▪ Indicators on programme level

Based on the quantitative and qualitative information collected on project and measure-levels, the following aggregate indicators could be used on programme-level:

- 25 to 30 %-share of AA-projects according to the aggregate qualitative project indicator

aspired size-distribution of projects:

- approx. 5 %-share of large projects (total of public financial contribution above 300.000 €)
- 30 to 40 %-share of (very) small projects (total of public financial contribution under 50.000 €)
- Indicators on priority level

On the level of priorities, the following indicators will be used – these include indicators which represent the most important impact categories for the respective priorities (further impacts will be provided by the project monitoring):

P1: Economic co-operation:

share of SMEs affected by projects of total of SMEs in the project area: 5 to 10 %

share of SMEs of participating enterprises: >90 %

Number of projects: 40 - 50

Share of impact:

60% leading to market integration and/or integration of production

20% leading to transfer of knowledge and/or technologies

20% partner search and creation of networks

Priority 2: Accessibility and Infrastructure:

Number of projects: 5 - 8

Thereof: 4 – 6 projects (studies) for strategic support

1 - 2 investment projects

Share of impact:

40 % links to international transport routes, improved CBC transportation links

60% improving CB-mobility, accessibility and intelligent traffic solutions and integrated use of information technology and communication infrastructure

¹³ See the Commissions' Methodological Working Paper "Ex-ante Evaluation and Indicators for INTERREG (Strand A), section 1.4

Priority 3: Organisational structures and networks:

Number of projects: 20 - 30

Thereof: 6 -8 supported Euregios/CB-development organisations, (GEO)/regional managements

150 projects in supported within Micro Project Funds

Share of impact:

50 % development of implementation structures for CBC cooperation

30 % generating and expanding networks

20 % pilot projects and testing of new forms of collaboration

Priority 4: Human resources:

Number of projects: 20 - 30

40 to 60 participating institutions in the fields of labour market and training

share of impacts:

25% projects preparing the integration of labour markets

75% projects providing qualifications/knowledge with specific relevance to the neighbouring region

Priority 5: Sustainable development:

Number of projects: 20 – 30

Share of impact:

33% development of the region and the environmental conditions

33% applying environmentally friendly technologies or representing technical infrastructure projects

33% improving natural resources and environmental conditions including national and nature parks

7.4 Quality and impact indicators on measure- and project-levels

The common set of indicators which will be used on project- and measure-level for the joint assessment and selection of projects will have to be shown in more detail in the programme complement and will have to be approved (or altered) by the JMC. The set of quality and impact indicators is focused on **two dimensions**:

(a) Intensity of Cross-border Co-operation in project development and implementation

In developing and implementing joint projects several distinct steps or phases can be distinguished (reaching from e.g. search/screening phases to implementation) which will be described more closely in the Programme Complement. Each of these steps can be performed in a cross-border co-operative way or independently.

The **assessment and selection of projects** will focus on the **cross-border quality of the steps in project development**, which will have to be demonstrated in the project application (see the following chapter on project selection).

(b) Expected impacts on cross-border regional development – functional integration as crucial quality

Projects contributing to **functional (regional) integration** are characterised by

- a project design focused on generating developmental impulses for the **border Region as a whole**, oriented towards a (mid-range) perspective of an economically and socially integrated space across borders;
- the **combination of resources, partners or target groups** from both sides of the border.

Functional integration does not necessarily imply that each action taken on one side of the border requires a complementary element on the other side. Such a strict definition would neglect the given (economic) imbalances and the different legal or procedural requirements between adjacent regions. Therefore, it makes sense to aid projects which are implemented only on one side of the border, if they are oriented towards the common objective of a functional regional integration.

Functional (cross-border) integration focuses also on the compatibility of systems and the development of common standards, in order to make co-operation more feasible. This has to be seen as a continuous management task since systems need to be adapted to new challenges, which applies to technical infrastructure but even more so to immaterial socio-economic infrastructures and networks. It seems that in complex fields such as cross-border labour markets projects will have to focus at first on the development on common understanding.

The proof of impacts on the functionally integrated regional development across borders will be an essential basis for the assessment and selection of projects (see the following section on project selection).

In the programme complement there will be a detailed table with types of potential impacts of projects with respect to their contribution for functionally integrated, cross-border regional development, which will also be included in the description of measures. This table will have to be approved or adapted by the Monitoring Committee.

8. PROJECT SELECTION

The joint project selection for the Interreg IIIA Programme Austria – Czech Republic. will be performed by the bodies indicated in chapter 10. The following outline contains the **methodological framework for the project selection criteria** to be applied in the joint selection process. These criteria – according to Council Regulation No. 1260/99 (article 35 (3) lit. b) – will have to be approved or adapted by the MC.

These criteria have to be distinguished from **formal criteria**, the fulfillment of which will have to be checked by the Intermediate Bodies **before** they reach the joint selection process (cf. process description in chapter 10).

Formal criteria in the above sense are measure-specific, technical, environmental and financial criteria, which have to be met by the projects according to the CIP and to European and national legal requirements

▪ Database for the joint project selection process

Clear and transparent instructions for the contents and the standardisation of project applications are an important prerequisites for the application of the indicator set contained in the programme complement and, subsequently, for a high-quality project monitoring and project selection.

Hence the minimum contents of project applications will have to be in line with the programme's project selection criteria. A general project description covering the projects' objectives, contents and implementation procedures will therefore be supplemented by (a) a standardised survey of the cross-border-quality in the projects' development and implementation and (b) a survey and typology of the projects expected impacts on cross border functionally integrated regional development. ▪ **Definition of standards**

In both dimensions shown in chapter 7.4, namely the quality of cross-border cooperation and the expected impacts, minimum standards will be defined, which have to be met in the joint Interreg IIIA programme and higher standards, which can be used as criteria for the ranking of projects.

(a) Quality of cross-border co-operation in project development

The quality of cross-border co-operation can be surveyed for the different phases of project development and implementation. The definition and precise description of the number of phases and the quality criteria to be applied will be outlined in the programme complement and will be agreed on in the JMC.

For project selection **two standards** are introduced concerning the quality of cross-border co-operation during project development and implementation:

- *Minimum standard:*
At least one phase of project development or implementation should be undertaken in cross-border co-operation – **B-projects**
- *Higher standard:*
More steps than required as minimum standard show a higher intensity of cross-border co-operation – **A-projects**

(b) Expected impacts on functionally integrated cross-border development

The expected impacts of the projects on the cross-border functional regional integration will be surveyed in detail in the project application. The definition and precise description of the impact indicators on project level will be outlined in the programme complement and will be agreed on in the MC.

For project selection **two standards** are introduced concerning categories of expected impacts on cross-border integration:

- *Minimum standard:*
At least one significant impact is expected – **B-projects**
- *Higher standard:* two or more significant impacts are expected – **A-projects**

- Project selection with an aggregated quality indicator

In order to be aided through the joint Interreg-Phare-CBC-programme, projects will have to at least meet minimum standards in both of the above outlined dimensions. An overview over the quality of the aided projects is reached through a **qualitative typology**, which combines both dimensions, i.e. (a) the quality of co-operation in project development and implementation and (b) the expected impacts and thus forms an **aggregate quality indicator**:

Expected cross-border integration impacts:	Quality of cooperation in project development:	
	Better: A	Minimum: B
Better: A	AA	AB
Minimum: B	AB	BB

In total, four different types of projects can be distinguished: AA, AB, BA, BB.

AA would label top projects, AB and BA would be intermediate ranks, whereas BB contains the projects which fulfil the minimum requirements only.

Leadpartnership

All programme partners seek to promote the generation and approval of genuine joint projects of high quality standards. Such projects can only emerge in close cross-border partnerships. As one option for the internal organisation of projects the lead partner principle can be applied. This is considered as one instrument among others to achieve the overarching objective of joint projects. As stated above the assessment of projects will focus in the cross-border dimension and the expectable impacts of the operations.

9. FINANCING PLAN

INTERREG IIIA Austria – Czech Republic

Financing Table by Priorities

including shifts August 2005

in Euro, current prizes	INTERREG IIIA Austria – Czech Republic Financing Table Austria/Czech Republic total 2000–2006					PHARE-CBC Czech Republic 2000–2003		
	Total Costs	ERDF	National Cofinancing total	Public Cofinancing total	Private Cofinancing	Total Costs	PHARE CBC	national
P I: Cross Border Economic Co-operation	20.710.444	11.591.222	9.119.222	6.677.922	2.441.300	4.250.000	3.259.000	991.000
P II: Accessibility	8.481.953	5.088.300	3.393.653	3.393.633	20	3.748.000	2.771.000	977.000
P III: Cross Border Organisational Structures and Networks	9.512.489	5.492.911	4.019.578	2.913.578	1.106.000	2.090.000	1.720.000	370.000
P IV: Human Ressources	10.083.889	5.448.611	4.635.278	4.301.578	333.700	1.225.000	990.000	235.000
P V: Sustainable Spatial- and Environmental Development	15.466.606	7.989.970	7.476.636	6.598.636	878.000	12.625.000	7.200.000	5.425.000
P VI: Special Support for Border Regions	1.651.794	825.897	825.897	825.897	0	0	0	0
Technical Assistance	3.321.334	1.844.000	1.477.334	1.477.334	0	60.000	60.000	0
Total	69.228.509	38.280.911	30.947.598	26.188.578	4.759.020	23.999.000	16.000.000	7.999.000

EU co-funding is calculated on the basis of total costs. Private funds are to be read as indicative estimate. Due to the usually complex nature of the INTERREG projects the accrual of funds from private sources cannot be seriously estimated at the outset.

INTERREG IIIA Austria - Czech Republic 2000-2006**Financing Plan 2000-2006 total per Year including shifts August 2005**

EURO					
current prices					
			2001	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
Index 1,062823					
P I: Cross Border Economic Co-operation	2.280.000	1.140.000	1.140.000	840.000	300.000
P II: Accessibility	838.000	419.000	419.000	419.000	0
P III: Cross Border Organisational Structures and Networks	930.000	465.000	465.000	325.000	140.000
P IV: Human Ressources	1.062.000	531.000	531.000	521.000	10.000
P V: Sustainable Spatial- and Environmental Development	2.252.000	1.126.000	1.126.000	1.096.000	30.000
Technical Assistance	388.000	194.000	194.000	194.000	0
Total	7.750.000	3.875.000	3.875.000	3.395.000	480.000
current prices					
			2002	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
Index 1,062823					
P I: Cross Border Economic Co-operation	2.586.000	1.293.000	1.293.000	952.000	341.000
P II: Accessibility	952.000	476.000	476.000	476.000	0
P III: Cross Border Organisational Structures and Networks	1.054.000	527.000	527.000	368.000	159.000
P IV: Human Ressources	1.204.000	602.000	602.000	591.000	11.000
P V: Sustainable Spatial- and Environmental Development	2.554.000	1.277.000	1.277.000	1.243.000	34.000
P VI: Special Support for Border Regions	1.651.794	825.897	825.897	825.897	0
Technical Assistance	438.000	219.000	219.000	219.000	0
Total	10.439.794	5.219.897	5.219.897	4.674.897	545.000
current prices					
			2003	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
Index 1,062823					
P I: Cross Border Economic Co-operation	2.578.000	1.289.000	1.289.000	949.000	340.000
P II: Accessibility	948.000	474.000	474.000	474.000	0
P III: Cross Border Organisational Structures and Networks	1.052.000	526.000	526.000	368.000	158.000
P IV: Human Ressources	1.200.000	600.000	600.000	589.000	11.000
P V: Sustainable Spatial- and Environmental Development	2.546.000	1.273.000	1.273.000	1.239.000	34.000
Technical Assistance	438.000	219.000	219.000	219.000	0
Total	8.762.000	4.381.000	4.381.000	3.838.000	543.000

including shifts August 2005

INTERREG IIIA Austria - Czech Republic 2000-2006**Financing Plan 2000-2006 total per Year**

EURO					
current prices					
			2004	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
P I: Cross Border Economic Co-operation	4.270.688	2.583.288	1.687.400	1.244.400	443.000
P II: Accessibility	1.627.916	981.937	645.979	645.979	0
P III: Cross Border Organisational Structures and Networks	2.052.372	1.261.357	791.015	631.015	160.000
P IV: Human Ressources	1.799.221	1.033.994	765.227	754.227	11.000
P V: Sustainable Spatial- and Environmental Development	3.063.560	1.610.170	1.453.390	1.047.270	406.120
Technical Assistance	665.971	388.978	276.993	276.993	0
Total	13.479.728	7.859.724	5.620.004	4.599.884	1.020.120
current prices					
			2005	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
P I: Cross Border Economic Co-operation	3.756.915	2.108.522	1.648.393	1.263.093	385.300
P II: Accessibility	2.498.277	1.714.058	784.219	784.219	0
P III: Cross Border Organisational Structures and Networks	2.001.850	1.207.494	794.356	551.356	243.000
P IV: Human Ressources	2.369.992	1.288.750	1.081.242	858.542	222.700
P V: Sustainable Spatial- and Environmental Development	2.475.870	1.317.903	1.157.967	926.887	231.080
Technical Assistance	670.480	392.360	278.120	278.120	0
Total	13.773.384	8.029.087	5.744.297	4.662.217	1.082.080
current prices					
			2006	national cofinancing	
	total costs	ERDF	total	public cofinancing	private cofinancing
P I: Cross Border Economic Co-operation	5.238.841	3.177.412	2.061.429	1.429.429	632.000
P II: Accessibility	1.617.760	1.023.305	594.455	594.435	20
P III: Cross Border Organisational Structures and Networks	2.422.267	1.506.060	916.207	670.207	246.000
P IV: Human Ressources	2.448.676	1.392.867	1.055.809	987.809	68.000
P V: Sustainable Spatial- and Environmental Development	2.575.176	1.385.897	1.189.279	1.046.479	142.800
Technical Assistance	720.883	430.662	290.221	290.221	0
Total	15.023.603	8.916.203	6.107.400	5.018.580	1.088.820

INTERREG IIIA Austria - Czech Republic 2000-2006
Financing Plan 2000-2006 total per Priority

EURO current prices			including shifts August 2005 national cofinancing		
P I: Cross Border Economic Co-operation	Total costs	ERDF	total	public	private
2001	2.280.000	1.140.000	1.140.000	840.000	300.000
2002	2.586.000	1.293.000	1.293.000	952.000	341.000
2003	2.578.000	1.289.000	1.289.000	949.000	340.000
2004	4.270.688	2.583.288	1.687.400	1.244.400	443.000
2005	3.756.915	2.108.522	1.648.393	1.263.093	385.300
2006	5.238.841	3.177.412	2.061.429	1.429.429	632.000
Total	20.710.444	11.591.222	9.119.222	6.677.922	2.441.300
P II: Accessibility	Total costs	ERDF	total	public	private
2001	838.000	419.000	419.000	419.000	0
2002	952.000	476.000	476.000	476.000	0
2003	948.000	474.000	474.000	474.000	0
2004	1.627.916	981.937	645.979	645.979	0
2005	2.498.277	1.714.058	784.219	784.219	0
2006	1.617.760	1.023.305	594.455	594.435	20
Total	8.481.953	5.088.300	3.393.653	3.393.633	20
P III: Cross Border Organisational Structures and Networks	Total costs	ERDF	total	public	private
2001	930.000	465.000	465.000	325.000	140.000
2002	1.054.000	527.000	527.000	368.000	159.000
2003	1.052.000	526.000	526.000	368.000	158.000
2004	2.052.372	1.261.357	791.015	631.015	160.000
2005	2.001.850	1.207.494	794.356	551.356	243.000
2006	2.422.267	1.506.060	916.207	670.207	246.000
Total	9.512.489	5.492.911	4.019.578	2.913.578	1.106.000
P IV: Human Ressources	Total costs	ERDF	total	public	private
2001	1.062.000	531.000	531.000	521.000	10.000
2002	1.204.000	602.000	602.000	591.000	11.000
2003	1.200.000	600.000	600.000	589.000	11.000
2004	1.799.221	1.033.994	765.227	754.227	11.000
2005	2.369.992	1.288.750	1.081.242	858.542	222.700
2006	2.448.676	1.392.867	1.055.809	987.809	68.000
Total	10.083.889	5.448.611	4.635.278	4.301.578	333.700
P V: Sustainable Spatial- and Environmental Development	Total costs	ERDF	total	public	private
2001	2.252.000	1.126.000	1.126.000	1.096.000	30.000
2002	2.554.000	1.277.000	1.277.000	1.243.000	34.000
2003	2.546.000	1.273.000	1.273.000	1.239.000	34.000
2004	3.063.560	1.610.170	1.453.390	1.047.270	406.120
2005	2.475.870	1.317.903	1.157.967	926.887	231.080
2006	2.575.176	1.385.897	1.189.279	1.046.479	142.800
Total	15.466.606	7.989.970	7.476.636	6.598.636	878.000
P VI: Special Support for Border Regions	Total costs	ERDF	total	public	private
2002	1.651.794	825.897	825.897	825.897	0
Total	1.651.794	825.897	825.897	825.897	0
Technical Assistance	Total costs	ERDF	total	public	private
2001	388.000	194.000	194.000	194.000	0
2002	438.000	219.000	219.000	219.000	0
2003	438.000	219.000	219.000	219.000	0
2004	665.971	388.978	276.993	276.993	0
2005	670.480	392.360	278.120	278.120	0
2006	720.883	430.662	290.221	290.221	0
Total	3.321.334	1.844.000	1.477.334	1.477.334	0
Total	Total costs	ERDF	total	public	private
2001	7.750.000	3.875.000	3.875.000	3.395.000	480.000
2002	10.439.794	5.219.897	5.219.897	4.674.897	545.000
2003	8.762.000	4.381.000	4.381.000	3.838.000	543.000
2004	13.479.728	7.859.724	5.620.004	4.599.884	1.020.120
2005	13.773.384	8.029.087	5.744.297	4.662.217	1.082.080
2006	15.023.603	8.916.203	6.107.400	5.018.580	1.088.820
Total	69.228.509	38.280.911	30.947.598	26.188.578	4.759.020

10. JOINT STRUCTURES OF CO-OPERATION AND FINANCIAL MANAGEMENT FOR THE IMPLEMENTATION OF INTERREG III A PROGRAMME AUSTRIA-CZECH REPUBLIC

The implementation structures as described in the following chapter have been agreed in partnership between the participating authorities in the Czech Republic and Austria, as formally laid down in a joint Memorandum of Understanding between –

- the Ministry of Regional Development (Dep. For EU Programmes) acting as National Authority for the INTERREG IIIA Community Initiative in the Czech Republic, and
- the Austrian Federal Chancellery

10.1 Organisational structures for the programme implementation (functional organisation)

10.1.1 Administrative structures

- **Managing Authority (MA)**

The Czech and Austrian programme partners agree that the responsibility of the Managing Authority (MA) within the meaning of Article 9 lit. n and Article 34 of Council Regulation No. 1260/99 will be given to the -

Federal Chancellery of the Republic of Austria
Division IV/4
Hohenstaufengasse 3, A-1010 Vienna

In order to fulfill the responsibilities of the Member States in The Czech Republic according to Art. 38 of Council Regulation No. 1260/1999 and Art. 2 of Commission Regulation No. 438/2001 the MA shall be assisted by the -

Ministry for Regional Development (MRD)
Department for EU-Programmes
Staroměstské náměstí 6, 110 00 Prague 1

- **Joint Technical Secretariat (JTS)**

To assist the administrative implementation of its tasks, the MA has appointed the following institution with the function of a Joint Technical Secretariat (JTS) within the meaning of point 30 of the EC's INTERREG guidelines:

ÖIR- Managementdienste GmbH
A-1010 Wien, Franz-Josefs-Kai 27
www.at-cz.net

A Czech member of the JTS will be placed at the Center for Regional Development in Brno. He/she will fully cooperate in all JTS tasks. For this purpose facilities for work on a temporary basis will be provided also at the JTS office in Vienna.

The *Joint Technical Secretariat* shall in particular be responsible for the following joint tasks within the framework of its functions pursuant to Article 34 (1) Council Regulation 1260/99:

- secretariat function for the Monitoring Committee and the Steering Committee including the preparation and mailing of the documentation for and the minutes of meetings [in two or more languages if required];
- drawing up reports on the programme implementation in English;
- preparation of decisions of the Steering Committee in co-operation with the intermediate bodies (IBs see below) in accordance with the procedure set out in 10.2.2, preparation of project documentation,

examination of project applications as to whether they are complete and meet the selection criteria defined in the CIP or in the Programme Complement (PC), especially those related to the cross-border nature of the projects;

- preparation and making available of standardised forms for project applications and for project assessments for all INTERREG III A projects coordinated with the MA and the IBs;
- joint public relations work (e.g. creation, maintenance and updating of a website) in agreement with the MA and the IBs;
- administrative management of (external) tasks and services, e.g. interpreting services and translations as may be required, arising within the context of the mid-term evaluation including the required reports and disclosures.
- receipt of project applications and (if needed) clarification as to which Intermediate Body the projects are forwarded

▪ **Central Monitoring System (CMS)**

On behalf of the MA a Central Monitoring System for the collection of data according to Art. 34, para 1, lit. a of Council Regulation No. 1260/99 has been established at the –

ERP Fund
Ungargasse 37, A-1030 Wien

The technical framework as well as the structure and content of reporting to the CMS have been agreed by the programme partners on the basis of given EU standards.

The MA, the PA and the IBs will immediately report all data necessary to the CMS and confirm the correctness of data. The reporting authority is responsible for the correctness and completeness of data sent. The data sent to the CMS shall be considered as official data. Information that deviates from the official data on the programme implementation may be used for controlling purposes, but shall not be valid for official reports.

The monitoring data shall be made available by the CMS to the MA, MMR, IBs, the European Commission as well as to the financial control authorities on a regular basis. The use of the monitoring data is subject to the provisions of Austrian data protection law.

▪ **Intermeditate Bodies (IB)**

The following authorities, henceforth called “intermediate bodies” in the meaning of Art. 2 of Commission Regulation 438/2001, shall assume responsibility for the operative management of the programme at the project level (with the exception of projects related to technical assistance at the levels of the MA and the JTS):

AUSTRIA	CZECH REPUBLIC
Office of Government of Lower Austria, Department RU 2, Divison for EU Regional Policies, Landhausplatz 1, A-3109 St. Pölten	Ministry for Regional Development Staromestske namesti 6, 110 00 Prague 1 and
Office of Government of Upper Austria, Department for Coordination of EU Regional Policies, Annagasse 2, 4010 Linz	1. Regional offices of the regions (Jihomoravský kraj, Vysočina, Jihočeský kraj) through Secretariats of Regional Councils set up within administrative structure of the respective Regional Offices, together with
c) Office of Government of Vienna, Department for EU- Strategies and Economic Development, Schlesingerplatz 2, A- 1080 Wien (Adress: Rathaus, A-1082 Vienna)	2. Center for Regional Development (CRD as the Implementing Agency of the MRD)
	A)
	a)Regional office of Jihomoravský kraj. Žerotínovo nám.3/5, 601 82 Brno
	b) Regional office of kraj Vysočina Žižkova 16, 58601 Jihlava
	c)Regional office of Jihočeský kraj U Zimního stadionu 1952/2, 37076 České Budějovice
	B) Centre for Regional Development Vinohradská 46, Praq 2, 120 41

These authorities are responsible for

- Regional public relations work and consulting for parties seeking assistance with regard to the programme objectives and the terms and conditions attached to INTERREG assistance
- acceptance of applications for assistance, for further details see chapter 10.2.2;
- assessment of project applications as to whether they fulfil the organisational, legal, technical and economic assistance requirements;
- concluding subsidy contracts relating to ERDF funds on the basis of the decisions by the SC;
- auditing the project financial statements and reports that must be submitted by the final beneficiaries of the assistance (with regard to their meeting the terms and conditions laid down in the subsidy contract and the evidence provided with regard to costs eligible for assistance and any other financing the project may have received) as well as confirming the correctness of the financial statements in terms of content and compliance with accounting regulations.
- prompting the disbursement of ERDF funds by the PA to the final beneficiaries as well as demanding the repayment of ERDF funds if applicable.
- Reporting to the Central Monitoring System

Without prejudice to its responsibilities to the outside, an IB may where relevant and on an internal basis, entrust other authorities as may be appropriate to carry out the activities mentioned.

▪ **Paying Authority (PA) and Sub-Paying Authority (sub-PA)**

The function of a PA charged with the financial management of the ERDF funds within the meaning of Article 9, lit. o and Article 32 Council Regulation No. 1260/99 – in particular the execution of payments to the final beneficiaries, the reimbursement claims and the booking of in- and outgoing payments to the accounts, including the establishment of the settlement system required for these purposes within pursuant to Article 34 (1) lit. e Council Regulation No. 1260/99 – shall be carried out by the –

Federal Chancellery of the Republic of Austria
Division IV/4
Hohenstaufengasse 3, A-1010 Vienna

The PA has contracted the operative functions of PA to -
ERP Fund
Ungargasse 37, A-1031 Wien

The ERDF programme account has been established by ERP Fund at
Account number: 90.022.438
ERP-Fonds, Österreich-Tschechien EFRE 2000-2006, Interreg III-A
SWIFT/BIC: OPSKATWW
PSK (IBAN AT98600000090022438)

In the case of ERDF financing in the Czech Republic the function of the Sub PA will be carried out by the the National Fund (NF) in the Ministry of Finance and will be supported by the Paying Unit set up within the MRD. The Sub PA is responsible for:

The Sub PA is responsible for:

- Opening and administration of a sub account in Euro in the Czech Republic
- Collecting payment claims by the final beneficiaries or the final recipient
- Submit to the PA a payment application with Certificate and Statement of Expenditure
- Receive ERDF funds from the PA and transfer them from the account of the sub PA to the account of the MRD Paying Unit
- Execute payments to final beneficiary
- Satisfy itself that financial management and control system is in place
- Submit forecasts for payments to the PA
- Repay the payment on account to the PA, in cases provided by Art. 32, paragraph 2, that is if no payment application is sent to the PA within 18 months of its decision to grant a contribution for the funds
- Allocate any interest earned on ERDF
- Receive the ERDF money in case of irregularities in Czech Republic
- Support PA's activities.

The sub PA commissions the MRD Paying Unit with execution of operative tasks, such as execution of payments, on behalf of the sub PA. On the Czech side the financial flows will be carried out according to the Methodology of Financial Flows and Control of SF approved by the Czech government.

The PA will submit the forecasts of payment claims for the current year and the forecasts for the following year according to Article 32/7 Council Regulation 1260/99 to the Commission. The forecasts are based on the analysis of single project data and at the aggregation of data from the monitoring system.

The costs arising within the context of these tasks shall be borne by the Federal Chancellery/Ministry for Regional Development respectively, and shall be co-financed from ERDF funds in accordance with the EU regulations governing the Structural Funds. According to rule 3 of Commission Regulation No. 1145/2003 transaction costs are eligible for co-financing from ERDF, national co-financing of these costs shall be borne by the MRD.

The MA, PA, the sub PA and the IBs shall co-operate to ensure efficient fund management and to warrant that the budget of funds advanced by the ERDF will not be exceeded nor ERDF funds forfeited. The final 5% tranche of the ERDF funds, which according to Article 32 (3), last sentence Council Regulation No. 1260/99 fall due for transfer from the EC only after final settlement of the programme accounts shall be pre-financed.

The modalities for the technical handling of different cofinancing rates within the procedures applied by the Commission to calculate the amounts to be reimbursed for payment applications submitted by the Paying Authority will be managed by the partners in close cooperation with the EC.

10.1.2 Bodies to support the implementation and the selection of projects

The constitution of the bodies mentioned and the distribution of voting rights shall be agreed on by mutual consent by the Austrian and Czech programme partners.

▪ Monitoring Committee (MC)

The MC – which has already been established in accordance with the provisions of Article 35 (1) of Council Regulation No. 1260/99, shall continue to perform its tasks as described in Article 35 (3) of Council Regulation No. 1260/99.

The composition of the MC shall be determined in accordance with the provisions of Article 8 of Council Regulation No. 1260/99 in co-operation with the social partners and the regional authorities responsible for labour market, equal treatment and environmental issues. The MC shall lay down internal rules of procedures.

Pursuant to Art. 35 of Council Regulation No. 1260/99 the MC is responsible for the following tasks:

- It shall, in accordance with Art. 15 of Council Regulation No. 1260/99, confirm or adapt the Programme Complement , including material and financial indicators for providing support to the programme. Any adaptations done later shall require prior approval.
- It shall examine and approve within six months after the approval of the interventions, the selection criteria for the individual measures to be financed.
- It shall examine on a regular basis the progress achieved with respect to the specific intervention goals.
- It shall examine the results of the implementation, especially the achievement of the goals of the various measures, and conduct a mid-term evaluation according to Art. 42.
- It shall examine and approve the annual implementation report and the final report before these are sent to the Commission.
- It shall examine and approve all proposals for changing the content of the Commission's resolution on the participation in the fund.
- It may in any case propose to the MA an adjustment or revision of the intervention that would speed up the achievement of the goals set out in Art. 1 or could improve the administration of the intervention with respect to the financial administration. Any changes to the interventions shall be carried out in accordance with Art. 34, par. 3.

▪ Steering Committee (SC)

The SC – which has already been established in accordance with points 29 and 38 of the INTERREG guidelines laid down by the EC – shall continue to act as body responsible for the joint selection of all projects and the co-ordinated monitoring of the projects' implementation.

With a view to the harmonisation of decision making procedures and to developing joint projects, the programme partners shall aim at bundling the project selection procedure on a SC level.

The SC shall lay down internal rules taking into account the institutional, statutory and financial systems of the countries involved in the programme.

10.1.3 Financial Control

In compliance with Art. 4 of Commission Regulation No. 438/2001 the IBs shall ensure for all projects co-financed by ERDF funds under the INTERREG III A Programme Austria-Czech Republic that compliance with the terms and conditions for assistance under the programme as well as the correctness of financial

statements settled with regard to expenses eligible for assistance and assistance funds to be granted is continuously ensured both in factual and accounting terms and, if necessary, audited on site.

Sample checks on operations according to Art. 10 and the winding-up declaration according to Art. 15 of Commission Regulation 438/2001 will be carried out by –

AUSTRIA	Czech Republic
Federal Chancellery, Division IV/3 Phone: +43-1-53115-2908 Fax: +43-1-53115-4120 e-mail: iv3@bka.gv.at	Ministry for Regional Development (sample checks on operations) Foreing Aid and Programme Financing Department – Project verification Unit Staromestske namesti 6, 110 00 Prague 1 Phone: +420 2 2486 1302 Fax: +420 2 2486 1324 e-mail: primir@mmr.cz Ministry of Finance Central Harmonization Unit for Financial Control (issuing winding-up declaration) Letenská 15, 118 10 Praha 1 Phone: +420 2 57 04 23 40 Fax: +420 2 57 04 25 45 e-mail: josef.svoboda@mfc.cz

The national financial audit authorities shall co-operate within the meaning of the administrative agreements concluded or to be concluded with the financial audit authorities of the EU Commission, the European Court of Auditors, and the national audit offices as well as the auditing authorities at the Länder (regional) level, if applicable.

10.2 Procedural regulations governing the programme implementation (procedural organisation)

10.2.1 Co-ordination at the programme level

In compliance with Art. 34 of Council Regulation 1260/99 the MA or – as commissioned by the latter, the JTS – is responsible for the co-ordination between the authorities named in section 10.1 and involved in the implementation of the INTERREG III A Programme Austria-Czech Republic.

In addition to the provisions of Council Regulation No. 1260/99 with regard to the tasks of the MA and the PA, the following co-ordination procedures are agreed:

- a) The MA shall become active with regard to the following issues of programme-strategic importance in agreement with the IBs as well as, in issues regarding programme financing, also in agreement with the Czech and Austrian Ministry of Finance;
 - Preparation of proposals for the MC decisions regarding amendments of the CIP or the Programme Complement;
 - Preparation of and, if required, participation in the annual meetings with the European Commission pursuant to Article 34 (2) Council Regulation 1260/99;
 - Preparation of the mid-term evaluation pursuant to Article 42 Council Regulation 1260/99;
- b) Data regarding the implementation of the programme shall be made available by the JTS and (on financial matters) by the PA – in the most suitable form afforded by the available technical facilities– to the MA, the IBs, both Ministries of Finance, as well as the competent authorities of the European Commission.

- c) The MA, the relevant IBs and both Ministries of Finance, shall be informed on a same-day basis about any and all assistance requests submitted by the PA to the Commission. The PA shall inform the MA and the IBs on a same-day basis on any incoming SF funds. In the case of a shortage of SF funds available on the programme account, the priorities of further payments to final beneficiaries shall be jointly agreed between the PA, MA, and the IBs. Moreover, IBs, PA and MA shall inform each other and immediately with regard to any delay, implementation problems or irregularities occurring in the financial management of the programme, co-ordinate measures to eliminate such problems among each other and monitor their successful implementation.
- d) By end of April of each year the PA shall transfer directly to the Commission (in copy to both Ministries of Finance as well as to the IBs) an estimate of payment applications expected for the current and the following calendar year. This estimate shall relate to eligible expenditure as a whole as well as to ERDF funds.

10.2.2 Administration of the programme at the project level

The administrative work involved in the procedures for granting assistance to the individual projects under the INTERREG III A-Programme Austria-Czech Republic will be managed according to the following rules, which may be further specified by agreement between the MA, the IBs and the JTS:

a) Information and consulting:

Potential project owners shall be adequately informed by the IBs in cooperation with the JTS of the objectives of the programme, the prerequisites for obtaining ERDF funds and the individual procedures to be followed. Active public relations work will be implemented in agreement with the MA, the IBs and the JTS, and if useful, also with the participation of any existing regional consulting and project management institutions, regional development agencies and the co-financing national assistance authorities.

A communication and information plan shall be drafted in accordance with Commission Regulation 1159/200 within the scope of the Programme Complement.

b) Submission of applications for ERDF co-financing

Applications (also in electronic form) for ERDF co-financing from the INTERREG IIIA programme Austria-Czech Republic shall be submitted by the project owner to the IB concerned or to the JTS.

Each complete application that fulfills the necessary formal requirements for co-funding will be reported to the CMS and will be registered automatically. Thus the information on all applications submitted is available via the CMS for the programme partners. In case of evidence that there are substantial reasons not to recommend this project for approval in the SC only a basic record of the project will be registered in the CMS. Due to the fact that the JTS will get a list of all registered projects (including full application form) by the IB information in the CMS on all applications can be checked by the JTS. In addition detailed information on all project applications can be obtained through the JTS.

If applications are submitted to the JTS, it shall immediately forward the applications to the responsible IB. In the event of difficulties in deciding which IB is to be responsible, the JTS shall reach a decision on the assignment of a project to a responsible authority for the coordination of the project.

Applications shall include information on the legal and economic situation of the responsible project owner, any project partners involved in Austria and Czech Republic, the object of the assisted project, the location or (in the case of immaterial projects) the territory affected by the project, the scheduled project costs including the most important components and the planned financing (giving detailed information on any other public assistance obtained).

c) Assessment of applications

The IBs shall examine the following technical and economic aspects:

- economic and organisational capacity of the project owner,
- amount and appropriateness of the costs of the project,

- secured financing, appropriateness of the ratio between own funds and public assistance (taking into account the possible programme co-financing with ERDF funds as well as any other national public funds applied for, already granted or promised),
- compliance with regional development programmes and sectoral policy objectives (if required, also including statements of other administrative bodies concerned).
- compliance with the specific INTERREG IIIA assistance requirements pursuant to the CIP and Programme Complement
- Compliance with ERDF assistance requirements pursuant to Council Regulation 1783/99 and the eligibility rules for Structural Funds co-financing pursuant to Commission Regulation 1685/2000 amended by Commission Regulation – 1145/2003)
- Compliance with other relevant provisions of EU law (State aid legislation, rules for the awarding of public procurement, environmental law, etc.)
- Complementarity with other regional or national Structural Funds Programmes

After completing the examination, the application is given positive and negative statements on the individual aspects examined.

The results of this examination, in the form of a report with an assistance recommendation, are presented by the IBs (JTS) to the SC for decision. The JTS on its part examines the reports (project sheets) and screens it in particular with regard to internal coherence, aspects of cooperation and partnership and the indicators.

In the event of disputes, the SC may obtain external statements (e.g. expert opinions, assessments by the concerned municipalities, Euregios, etc.).

d) ERDF co-financing decisions

The SC selects the projects and assesses the ERDF funds on the basis of the assistance recommendations issued by the IBs.

The co-financing of a project with ERDF funds in specific amounts shall be granted (according to availability) only if the result of the examination are as follows:

- The assistance requirements are fulfilled as defined by the minimum criteria of the INTERREG III A programme, the selection criteria defined in the Programme Complement and to be approved by the MC, the relevant assistance guidelines and other relevant national and Community legislation;
- The amount of the co-financing to be granted, taking into consideration the total amount of the subsidy, is commensurate with the content of the project and the financial capacity and/or needs of the entity responsible for the project and – if applicable – complies with the provisions of EU state aid legislation (assistance ceilings, accumulation rules, notification requirements);
- The amount of the ERDF co-financing can be covered within the framework of the approved financial plan of the programme and does not exceed the respective funding ceilings pursuant to Art. 29 of Regulation No. 1260/99

The SC may reach the decision to transfer co-financing decisions for a sufficient number of small-scale projects (the maximum amount of total eligible costs will be defined in the Programme Complement) that are adequately defined as to type and cross-border quality to a cross-border responsible entity (e.g. Euregio) in the form of a disposition fund (DF) as long as the task of monitoring compliance with the requirements of co-financing under ERDF with funds from the INTERREG IIIA programme Austria-Czech Republic are guaranteed and the procedure for reaching decisions takes place within the framework of cross-border decision-making structures.

On the basis of the projects selected by the SC the formal decision on the granting of funds shall be taken by the IBs concerned according to their specific legal provisions.

e) ERDF subsidy contract

The legally binding written approval for all of the ERDF funds granted to a project shall be issued by the IB concerned in a form of subsidy contract and shall be handed over to the project owner. Its acceptance constitutes the ERDF subsidy contract.

Besides the amount of ERDF granted, the subsidy contract shall contain –

- the information stated under lit. b on the project owner and the project,
- the terms of the INTERREG IIIA programme Austria-Czech Republic as well as all other EU and national rules relevant for project implementation, and
- the definition (in terms of territorial impact, timeframe and content) of eligible costs.

If several partners participate in the implementation of a project, the lead partner shall be obliged to coordinate all involved project partners named in the subsidy contract and to comply with the conditions and requirements with regard to reporting, auditing and repayment.

Any co-finance from national public funds shall be granted on the basis of the respective national legal provisions.

The conclusion of any ERDF subsidy contract together with the required information shall be reported to the CMS by the IB concerned.

ERDF subsidy contracts to Czech project owners will be issued in Czech Currency. They will be reported to the CMS in Euro, applying the exchange rate of the formal decision of the subsidy contract.

ERDF subsidy contracts within the framework of a DF shall be reported to the CMS only after the (interim) settlement of accounts and the payments of funds (lit.g) have been concluded.

f) Control according to Art. 4 of Commission Regulation No. 438/2001 (1st level control)

Only expenditure actually paid and eligible for funding (or expenses recognised as equivalent under EU law) may be co-financed by ERDF funds. ERDF funds may therefore only be paid out on the basis of receipted invoices, (or accounting documents of equivalent probative value), that clearly relate to the recipient of the assistance, the assisted project and to the defined timeframe. To ensure this, the recipient of the subsidy shall present financial statements with receipted invoices for the eligible total costs and financing of the co-financed project including a list of all actually paid invoices and payment confirmations to the IB who issued the ERDF subsidy contract. The IB has to verify the products and services co-financed and the reality of expenditure claimed and to ensure compliance with the terms of assistance as specified in the ERDF subsidy contract by checking the invoices and – depending on the type of project – also by conducting on-site audits or collections of the corresponding project reports and similar documentation.

In this context care shall be taken to ensure the proper separation (and if applicable, also the organisational and functional separation) of the personnel conducting financial control from the project consulting activities and, in particular, from the project management in order to avoid conflicts of interests and to reduce the risk of irregularities.

In all cases in which a project is also being co-financed from national or regional public funds, an attempt should be made to have the task of 1st level control done by only one of the authorities involved and that such controls be recognized by the other authorities involved.

g) Payment of EU funds

AUSTRIA	CZECH REPUBLIC
After examining a project's implementation and the financial statements, the IB will hand over to the PA the result of the control and a Certification of Expenditure (relating to all items mentioned in Article 9 Para. 2 lit.b of Commission Regulation No.438/2001) and a Payment Claim. On this basis the PA shall pay the ERDF funds to the account of the (Austrian) project owner. The project information provided in the (interim or final) financial statements as well as the payment executed by the PA shall be reported to the CMS.	On the Czech side the 1st level control of the final beneficiaries' applications for payments is executed by the IB (CRD) and approved by the MRD. The approved application for payment is forwarded to the MRD Paying Unit that carries out further checks and generates summary payment application that is forwarded to the sub-PA. After the funds have been released by the sub-PA the MRD Paying Unit shall make payments to final beneficiaries. Payments to Czech project owners will be executed in CZK. For the purpose of establishing a statement of expenditure by the sub-PA the amounts of expenditure incurred in CZK shall be converted in EUR using the exchange rate as defined in Article 2 of Commission Regulation No. 643/2000.

The PA will issue the Certificate and Statement of Expenditure and Application for Payment according to Annex II of Commission Regulation No. 438/2001 on the basis of aggregated data from the CMS and the Certificate, Statement of Expenditure and Application for Payment submitted by the sub-PA.

Where the ERDF funds are to be recovered from a project owner the IB responsible for the project/ financial authorities shall request their repayment. The ERDF funds recovered in this way shall be transferred to the trust account in Austria/ sub account in the Czech Republic. Information on the recovery shall be entered into the CMS.

h) Cooperation with financial control

In cooperation with the MA and the JTS, the IBs shall be obliged to make available at all times to the EU and national Czech and Austrian authorities entrusted with the task of conducting the financial audits all information on ERDF co-financed projects relevant for programme implementation.

Figure 1: **Delineation of tasks and responsibilities of MA, PA and OAA**

Tasks of the Management Authority (MA) pursuant to Article 34 (1) of Regulation 1260/99: Distribution among the individual programme implementation entities

Task and responsibilities of the MA pursuant to Article 34 (1)	MA/NA (JTS)	PA/sub- PA	IB
a) Setting up of the monitoring system	+		
b) Programme revision	+		
c) Implementation reports	+		
d) Mid-term evaluation	+		
e) Payment system		+	
f) Orderly settlement and control on project level			+
g) Examination as to compatibility with Community policies			+
h) Publicity	+		

10.3 Guidelines for EU co-financing

Individual direct funding decisions of the governments of Upper Austria, Lower Austria and Vienna will apply to EU co-financing. On the Czech side, the decision should follow the State Aid Act 59/2001 Sb. The provisions for compliance with the community policies have been laid down in section 5.2.