

# STRAT.AT REPORT 2009

Strategic Report for Austria pursuant to Article  
29 Regulation (EC) No 1083/2006

*Resolution by the ÖROK Commission of Deputies of 22 October 2009*

## IMPRESSUM

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Executive directors: Johannes Roßbacher/Markus Seidl  
A-1014 Vienna, Ballhausplatz 1  
Telephone +43 1 535 34 44,  
Fax +43 1 535 34 44 54  
E-mail: oerok@oerok.gv.at  
Internet: www.oerok.gv.at

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AUSTRIAN CONFERENCE ON SPATIAL PLANNING (ÖROK)

**STRAT.AT REPORT 2009**

**1<sup>ST</sup> STRATEGIC REPORT FOR AUSTRIA ON THE  
IMPLEMENTATION OF EU COHESION POLICY 2007-2013**

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Vienna, January 2010



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# Executive Summary

## STRAT.AT REPORT 2009

### EU COHESION POLICY 2007-2013

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

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

#### **EU Cohesion Policy 2007-2013 in Austria**

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

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

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

#### **First Implementation Phase of Cohesion Policy 2007–2013**

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

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

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

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

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

II Sweden, Finland, Denmark, Germany, UK

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

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

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

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

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

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

### **General conditions and their effects on the programmes**

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

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

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

### Effects of the financial and economic crisis

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

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

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

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

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

### Conclusions for the continued design of EU structural policy

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

The required core components are as follows:

*... at the European level:*

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

*... at the national level:*

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

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

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

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



# 1 INTRODUCTION

The European Union focuses the core of its policies on the Lisbon objectives of competitiveness, growth and employment, taking into account sustainable development considerations. As part of a reform of structural funds for the current 2007–2013 period, the European Cohesion Policy was included in the attainment of these objectives.

The close linking of structural funds to the Lisbon process and the abandonment of zoning micro-zoning completed the paradigm shift in regional policy which was started in 2005.<sup>1</sup> This development was supported by the establishment of a continuous multilevel governance process with the Strategic Guidelines on Cohesion (SGC) at the European level, the "National Strategic Reference Frameworks" (STRAT.AT in Austria) and the (regional) Operational Programmes, which form the operative link in the new multilevel governance chain.

As part of a strengthened strategic orientation, the General Structural Fund Regulation provides for reporting by Member States on the progress of implementation of the selected strategy and its contributions to European objectives for 2009 and 2012.<sup>2</sup>

This report describes the implementation of the Austrian National Strategic Reference Framework –

STRAT.AT. It is oriented towards the requirements of the Commission and extends beyond the same: In line with a comprehensive reporting process, it also includes SF Programmes, as well as relationships to the development programme for rural regions. Furthermore, results obtained from the strategic monitoring process STRAT.ATplus, which was introduced for the purpose of implementing STRAT.AT, were also integrated. A final chapter will draw initial conclusions with regard to the future design of the structural funds.

In order to be able to evaluate the contribution of the programmes towards European objectives and STRAT.AT, a system using the thematic codes was developed, which allows for a direct linking of interventions of individual programmes with the priorities and action fields of the strategic guidelines on cohesion and STRAT.AT.

The preparation of this strategic report was carried out in line with the ÖROK subcommittee "Regional economy", and included the STRAT.AT partnership as well as the relevant programme agencies. The resolution was adopted in October 2009 as part of the ÖROK acting committee and was subsequently forwarded to the European Commission pursuant to Art. 29 of Regulation (EC) No 1083/2006.

1 While the objectives of cohesion and equation- particularly in view of the recent EU enlargements- continue to be pursued within a European context, national and regional programmes are clearly dominated by an orientation towards potentials. The promotion of competitiveness and innovation, economic growth and dynamics is understood as an important contribution to decrease economic and social disparities.

2 The reporting obligation is set out by Article 29 of Regulation (EC) No 1083/2006, in which numbers 2–4 specify the main contents of this report



## 2 THE STRATEGY - STRAT.AT

Austria's national strategic reference framework 2007–2013 – STRAT.AT – provides the framework for Austria's regional policies during the ongoing seven-year planning period which ends in 2013, and is therefore a part of the reference framework for a total of 21<sup>3</sup> Operational Programmes.<sup>4</sup> STRAT.AT was one of the first national strategic plans to be approved within Europe (4 April 2007). The contents of formulated objectives and strategies – they build on the orientation framework created by the "Strategic Guidelines on Cohesion" – are the result of a participative process, which also integrated actors responsible for the coordination of Austrian regional policy at the national and *Länder* level, including business and social partners as well as NGO representatives. In this vein, the STRAT.AT follows the strong Austrian tradition of policy formulation by consensus.

Within the EU objectives of strengthening growth and employment, STRAT.AT formulates a position which takes a regional-political perspective, and which is meant to support a broad participation in growth and innovative processes. Accordingly, it focuses on supporting regions and individuals in being able to access economic developments, and also supports the transition to a knowledge-based economy. At its core, STRAT.AT is oriented towards

→ the objective of increasing the quality of life, income and employment in Austria's regions by strengthening economic competitiveness and attractiveness of locations, taking into account the principles of sustainable development, and

→ pursuing a broad understanding of innovation; it views the complex overall societal process of "innovation" as central to Austrian regional and employment policies. "The development strategy of STRAT.AT aims to ensure that Austria designs and develops the transition to a knowledge-based economy and society on a broad basis" (ÖROK 2006).

STRAT.AT is divided into three vertical and two horizontal priorities:

→ P1: regional knowledge basis and innovation which focus on the broad anchoring of an innovative and knowledge-based economy in Austria's regions.

→ P2: attractive regions and competitive locations, with a focus on endogenous regional policy and location development, which puts more emphasis on equalisation-oriented objectives.

→ P3, which places the objective of increasing the adaptability and qualification of employees and employment growth at the centre.

→ P4 refers to territorial cooperation and therefore includes the ETC programmes (cross-border, transnational and EU-wide network programmes).

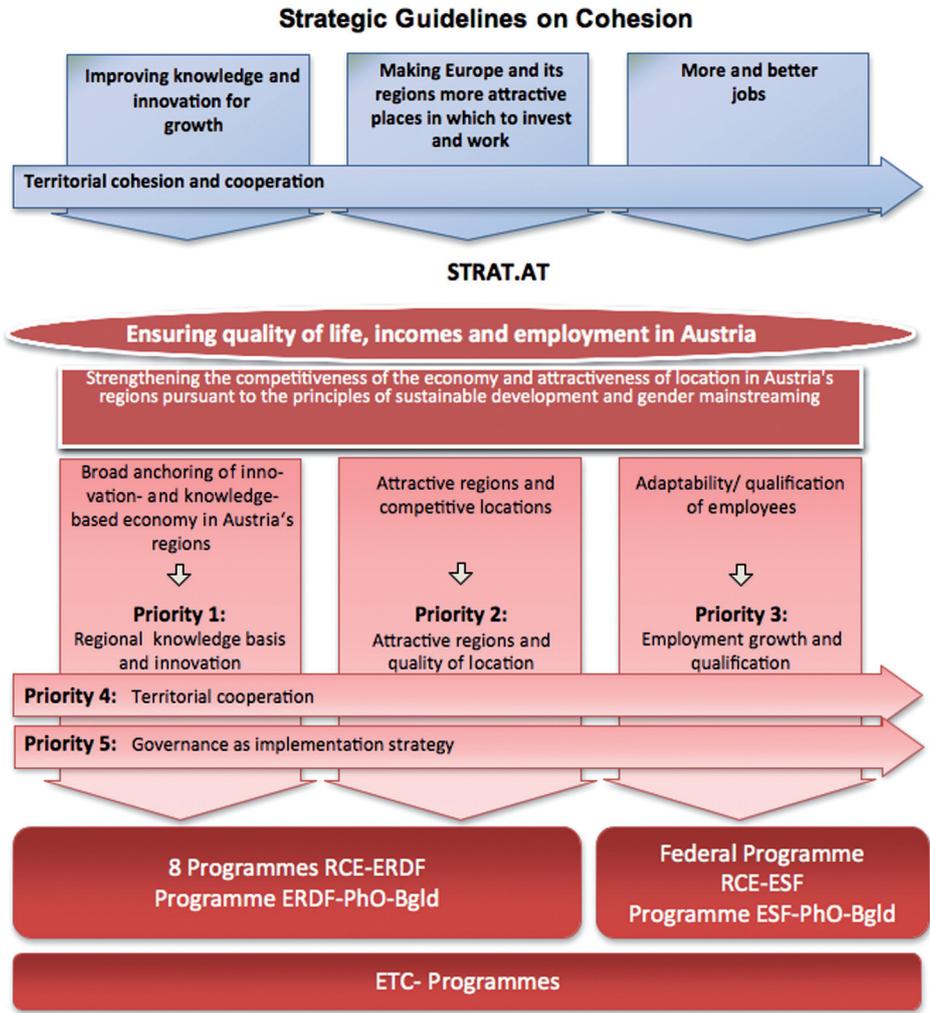
→ P5 refers to national and regional governance as well as gender mainstreaming as an implementation strategy.

The illustration below (figure 1) shows the relationship between the strategic guidelines on cohesion (SGC), the objectives and priorities of STRAT.AT, and the individual structural fund programmes.

3 Two programmes ESF, eight programmes RCE-ERDF, one programme Convergence Phasing-Out ERDF (PHO-ERDF), seven European Territorial Cooperation (ETC) programmes cross-border, three ETC programmes transnational

4 Besides STRAT.AT, which forms the framework for regional strategies, the national reform plan which was developed by Austria and submitted to the EU commission forms the basis for the regional planning process.

Fig. 1: Relationships between STRAT.AT objectives and priorities with regard to structural fund programmes and guidelines on cohesion



Source: own illustration, convelop 2009 according to ÖROK 2006

## 3 SOCIO-ECONOMIC DEVELOPMENT AND TRENDS

The following section highlights the main development trends. The description of the most important socio-economic developments follows the STRATAT observation period and therefore mainly refers to the time period after 2004.

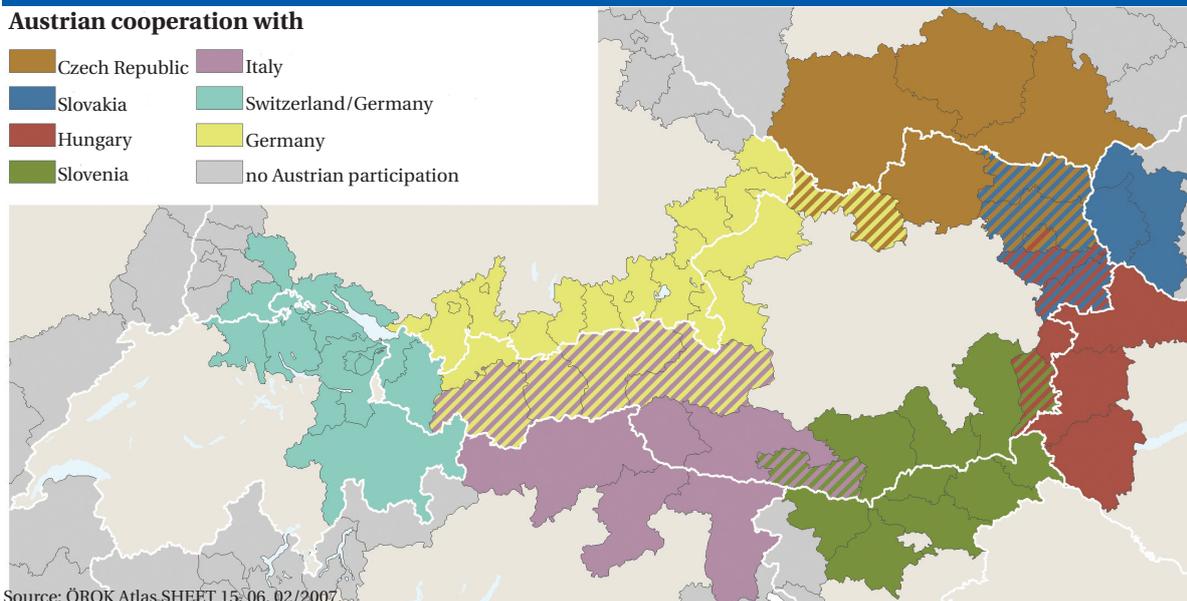
Judging by its size (rank 14) and population (rank 12), Austria is considered one of the smaller states in central Europe. Austria is characterised by a high proportion of border regions and a diversified spatial structure: 23 of 35 NUTS III regions are direct border regions, of which half border the new EU Member States; three quarter of the population and economic performance originates from these regions. For this reason, Austria places great importance on all types of different territorial cooperations.

Judging by international figures (OECD definition), 78 % of Austria's population lives in areas which can be defined as rural in the broadest sense.<sup>5</sup> Regional disparities are also evident in the Gross Regional Product (GRP), with ranges from EUR 20,500 to EUR 41,500 per capita (2006), along with different R&D rates which can range from 3.9 % in Styria up to 0.5 % of GRP in Burgenland. Finally, this also results in the requirement of a regionally differentiated development policy.

### 3.1 Development during the boom phase: 2004–2008

Austria's place within the EU can be characterised by a high level of prosperity and a more favourable deve-

Fig. 2: Cross-border cooperation regions



Austria's geography is characterised by very different types of regions with different levels of development and conditions: the metropolitan area of Vienna, urban regions, mountainous areas and intra-Alpine regions, with a high proportion of rural regions.

lopment in many relevant socio-economic indicators, as compared to the overall EU (EU-15/Eurozone respectively). Starting with a rather weak economic climate at the beginning of 2004, the subsequent period was characterised by a boom economy which extended across the globe, and which lead to high

5 47 % live in "predominantly rural areas", another 31 % in so-called "integrated regions" (formerly: "regions with a predominantly rural character").

growth rates and employment increases, and offered relief for employment markets.<sup>6</sup>

- Austria's economy expanded at a greater rate than the EU economic area (viewed over a cycle) until the start of the financial and economic crisis (3rd quarter 2008).
- A decisive factor in this development was Austria's increased international competitiveness – labour unit costs improved above average on an EU comparative basis,<sup>7</sup> as well as increased linkages and integration with the European and global economy. This is shown by the following:
  - the export sector, which is an important factor in an open economy such as Austria, saw dynamic growth.<sup>8</sup> Today, Austria's export share is 58 % of GDP;
  - the dynamic development of direct investments. According to OeNB<sup>9</sup> calculations, total capital of both active and passive direct investments grew by 60 % between 2004 and 2006. With regard to Austria's active direct investments, the proportion of investments in central, eastern and south-eastern European countries (CEEC-19) (EUR 36.8 billion) is higher than in the Eurozone (EUR 24.9 billion).
- Another beneficiary of this cycle was the Austrian labour market which experienced a significant expansion in employment and a noticeable decrease in unemployment rate (from 4.9 % in 2004 to 3.8 % in 2008, based on the EU method), accompanied by the already evident shortages of qualified labour.
- Within Austria, the *Länder* also experienced a boom until the start of the global financial and economic crisis, enabling a large number of *Länder* and regions to participate in a dynamic growth environment. In particular, *Länder* with a strong industrial base were able to benefit from integration and the progressing global division of labour.

### 3.2 The financial and economic crisis

Signs pointing to a global economic decline were evident as early as the summer of 2008. Starting in the US, the financial and economic crisis spread quickly

as a result of the extensive linkages in financial markets, and then also affected the real economy.

- Export-oriented goods production – the current driver of Austria's economic development – showed initial signs of trouble as early as the start of the crisis in the third quarter of 2008, followed by a significant decrease in Austrian exports, a trend which has continued unabated since that time.
- By the end of 2008, the implementation of counteracting measures by government had made it possible to limit more serious effects in employment markets in Austria. However, after the start of the new year, Austria's more industrial *Länder* (Upper Austria, Styria and Carinthia) exhibited a decidedly more unfavourable employment development than other *Länder*. All *Länder* have been recording significant employment losses since March 2009 (as compared to the previous year), whereby the aforementioned *Länder* are relatively more affected. By the middle of September 2009, there were 64,880 fewer employed positions – a decline of -1.87 % – than the same month of the previous year.<sup>10</sup>
- Since May 2009, all *Länder* have experienced two-digit increases in unemployment figures.<sup>11</sup> In this context, it must also be noted that as of September 2009, 68,450 persons were participating in training offered by the Public Employment Service Austria (AMS) and 45,719 persons were covered by reduced work hour provisions in addition to 234,505 persons already registered as unemployed. For this reason, the effect on the labour market is actually significantly higher.
- At the municipal level, the current June 2009 analysis shows a broad range of increasing unemployment figures as compared to the same month last year: from an increase of a few percent to more than a doubling of previous figures. Building on a classification of municipal districts by economic regions (which was developed by the Austrian Institute of Economic Research (WIFO), it is evident that "intensive industrial regions" and "extensive industrial regions" have experienced particularly large increases. The same applies to a majority of "intensive tourism regions."<sup>12</sup>

6 A summarising table with the most important socio-economic key figures as well as graphic overviews can be found in Annex C

7 See Austrian Reform Programme for Growth and Employment, implementation report 2009

8 Between 1996 and 2007, Austrian exports (goods and services) increased on average by 8.7 %, higher than the growth of EU-15 exports (+7.9 %). The export share – the relationship of exports to GDP – rose from 37 % in 1996 to 58.2 % in 2007; placing Austria in fifth place among the EU-15

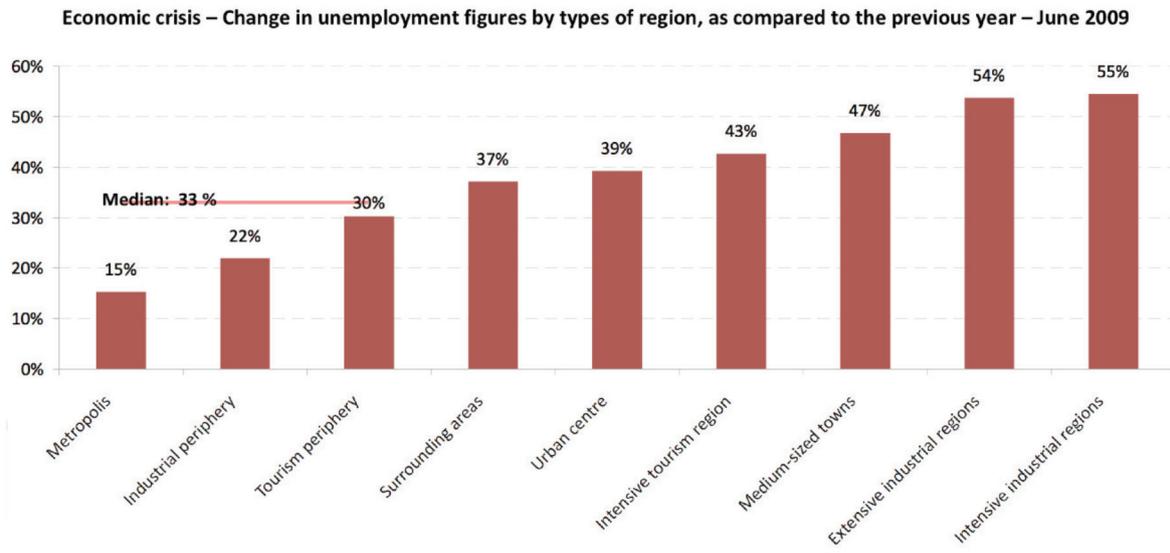
9 Austrian National Bank (OeNB): Investors from the Eurozone dominate passive direct investments of approximately EUR 56 billion. At the industry level, both active and passive direct investments focus on the service sector

10 Basis: Overall employment, i.e. incl. those on maternity leave and recruits in an ongoing employment relationship

11 However, Vienna is a special case in this context - while its unemployment numbers are not growing to the same extent as the national average, the capital's unemployment rate continues to be significantly above average

12 With regard to regional classifications see Section H: Abbreviation index and terminology

Fig. 3: Economic crisis - Change in unemployment figures by types of regions, as compared to the previous year - June 2009



Source: AMS-Austria, WIFO, calculations and illustration convelop, 2009

- The majority of economic forecasts for Austria are expecting GDP to decline between -3.4 to -3.8 % for 2009, which is similar to the trend expected for the Eurozone as a whole. The same applies to the unemployment rate: according to EU forecasts, Austria's unemployment rate will increase by +2.2 % (EU: 2.4 %) to 6 % (EU: 9.4 %). As a result, Austria is expected to undergo the same changes as the entire European development with respect to economic performance, unemployment and overall employment.
- In the summer of 2009, economic indicators point to a stabilisation and improvement of the current situation (order inventories) and improved expectations by businesses (business outlook for six months). Similarly, recent surveys for the "industry confidence indicator", which has been established by the EU Commission, have resulted in very positive indicators for Austria, Germany and the EU generally. Overall, this seems to indicate that stabilisation has taken place at a low level, and that the bottom has been overcome to some extent. Even though forecasts for 2010 economic growth are again positive, it is expected that the worst effects on the labour market will not be felt until the middle of 2010. In addition, there remains considerable uncertainty with regard to the sustainability of the recovery.
- However, significantly lower growth rates must be expected for the medium term, as compared to past boom periods. While average growth during 2004–2008 was at 2.8 %, average growth for 2009–2013 is expected to be at 0.7 % (IHS 2009). Since experience has shown that growth rates of 2 % to 2.5 % are required to stabilise labour markets, it can there-

fore be concluded that unemployment figures will remain at higher levels for the medium term. At the same time, any increase in economic growth will also lead to a renewed shortage of qualified labour.

### 3.3 Convergence of regions – Medium-term observations

Looking back to medium-term developments, a regional convergence process has been observed for Austria, which has been accelerating since Austria's accession to the EU. The closure of the two programming periods for EU structural funding in Austria formed the starting point for an analysis of Austria's regional development as part of the STRAT.ATplus (see also Annex B), using time series related to growth, labour markets and productivity (Mayerhofer et al 2008). As it turns out,

- funded regions have experienced more positive development trends than non-funded regions;
- at the same time, the growth differentials between periods accompanied by ERDF funds and periods without ERDF funds were significantly higher within funded regions than in non-funded regions;
- this advantage of funded regions was particularly evident in the areas of employment and labour market. The amount of employment growth increased along with the intensity of the funds for all types of funded regions;
- productivity levels did not vary significantly between funded and non-funded regions.

In summary, the study therefore suggests a general intra-Austrian convergence process which has acce-

lerated since Austria's accession to the EU; it also underlined the theory regarding the relevant growth impulses created by EU regional funds. The effects of the current financial and economic crisis and the new regional policy paradigm on the convergence process as of 2007 are not yet clear and cannot be assessed in detail at this time (see 5.3). However, it is clear that industrialised and fixed capital-intensive regions were much more affected by the economic crisis. However, data regarding the implementation of ERDF programmes will also show that structural fund interventions focus heavily on these regions.

### 3.4 Development trends and challenges

The following issues and development trends are increasingly becoming mega trends (see STRAT.ATplus process,<sup>13</sup> Spatial Scenarios Austria 2030,<sup>14</sup> Regions 2020<sup>15</sup>).

#### Globalisation and the increasingly knowledge-based nature of growth

It can be expected that globalisation processes will continue, and that they will put pressure on companies to relocate to target markets which show strong growth. This is also connected with increasing innovation pressures on existing companies and regions. Austria is undergoing a phase of transition towards growth that is increasingly determined by research, technology and innovation. This also applies at the *Länder* level, as *Länder* must develop an orientation towards the new prerequisites for economic stability and development for the region.

- On an international level, Austria achieved the highest increase in R&D rate since 2000. While this rate remained the same for the EU-15 between 2000 and 2008 (1.91 %), Austria's rate increased from 1.94 % to 2.7 %. Therefore Austria is one of the few countries which are on target to reach the objective of a 3 % R&D rate.
- In the synthetic overall index of the Innovation Scoreboard EIS<sup>16</sup>, Austria has continuously improved its position since 2000 from 11th place in 2000 to a current 6<sup>th</sup> place, and now leads the group of

"innovation followers."<sup>17</sup> At the same time, it still lags the "innovation leaders" (particularly Scandinavian countries) (WIFO et al 2009).<sup>18</sup>

- Individual EIS 2008 indicators confirm the well-known strength/weakness profile: strengths in the business area, with a significant above-average ranking for most innovation-based indicators are opposed by weaknesses in human resources, in particular for technical and scientific graduates, as well as risk financing.

The effects of the financial and economic crisis on R&D expenditures in Austria are difficult to assess at this time. However, the cycle of increasing financing contributions by companies is threatened, also because private R&D expenditures are mainly carried by a few large companies, associated with a high degree of financing from abroad. A current global estimate by STATISTICS AUSTRIA in 2009 shows a noticeable weakening of R&D expenditures, which had been expanding significantly in recent years. This is a first indication of an at minimum temporary withdrawal from scientific research and an emphasis on rather short-term oriented innovation processes, which may threaten Austria's competitive position in the long term.

It can be expected that the economic crisis will increase the innovation pressures considerably on Austria's economy in the medium term. Economic restructuring processes, which could have been implemented over several years in "normal economic times", will likely have to be managed over a very short time period. Even more important to Austria as a location for business will be its ability to strengthen those areas which are deemed "stabilising factors" in a high wage country such as Austria: high innovative capabilities and qualified employees.

In this vein, Austria is faced with two challenges: it must first alleviate the decline in growth which has resulted from the crisis. In parallel, a forward strategy must be formulated and implemented in order to ensure that the medium term goal of belonging to the group of leading innovation nations is not threatened.<sup>19</sup>

13 As part of the annual focus of the STRAT.ATplus-process (see Annex A.2), the trends and challenges for Austria's regional policy are discussed

14 Szenarien der Raumentwicklung Österreichs 2030 – Regionale Herausforderungen und Handlungsstrategien, ÖROK series No. 176/II, Vienna 2009

15 European Commission, Regions 2020 – An assessment of future challenges for EU regions, Commission Staff Working Document SEC(2008), Brussels

16 Care should be taken when interpreting the results of such benchmarks, since purely quantitative inflows are generally not as expressive. The EIS is a suitable instrument to trace developments in individual countries, and is helpful for "rough positioning" in an international context

17 Besides Austria, countries such as France, Belgium Ireland and Netherlands are also in the group of "innovation followers"

18 Aiginger K./Falk R./Reinstaller A, Reaching out to the Future Needs Radical Change – Towards a New Policy for Innovation, Science and Technology in Austria, Synthesis Report der Systemevaluierung der Österreichischen Forschungsförderung: WIFO, SMEFA, Prognos AG, convelop, Vienna 2009

19 See Austrian Reform Programme for Growth and Employment, implementation report 2009

An analysis of programme implementation will show that according to budget figures, and as compared to the international environment, STRAT.AT and Operational Programmes feature a strong emphasis on research, technological development and innovation, but are also challenged by specific implementation problems which result from, among others, the administrative conditions created by the EU and national governments. Highly innovative measures and projects must be implemented outside of EU programmes.

### Demographic developments

The demographic development of a country leads to numerous societal change processes. In this context, labour markets, social security systems, regional and urban planning as well as the ability to live together on a more general level are provided as examples. Austria's average population in 2008 was 8.34 million, an increase of 167,108 (+2.05 %) since 2004. This development was disproportionately due to immigration. The following developments are of central importance in this regard:

- Further growth is also expected: current forecasts from STATISTICS AUSTRIA estimate that Austria's population will grow to 8.57 million (+3.0 % compared to 2008) by 2015, and reach 8.99 million by 2030 (+8.1 %). Growth continues to be based mainly on migration flows, which will pose considerable challenges to integration policies.
- Growth is not evenly distributed:
  - Above-average population growth is forecast for Vienna and Lower Austria as a result of strong (international) migration net inflows. While moderate population growth is expected for the Western *Länder*, Austria's southern regions will have to expect stagnation or slight declines in population for the long term.
  - In general, it can be expected that Austria's agglomeration areas will continue to register above-average growth. Although rural regions continue to remain stable overall, inner-Alpine peripheral regions/valleys will be affected by out migration and declines in population.
  - The age structure is clearly shifting towards an older population – while 22 % of the population is currently 60 years or older, this number will increase to 26 % in the medium term (2020) and more than 30 % in the long term (as of 2030 approximately).

The programmes most strongly address these challenges in the ESF. With regard to the ESF programmes, there is an increased focus on the integration of persons with an immigration background as well as older employees in regional labour markets, and innovative approaches in terms of "productive ageing" processes which support the integration of older employees in companies (see also Section 4.3).

### Resources and energy scarcity

Bottlenecks related to the availability of commodities and energy became more pronounced particularly during the recent economic boom phase of 2007 to mid 2008; they sometimes resulted in drastic price increases<sup>20</sup> and shortages. Even if the situation has relaxed somewhat because of a decline in overall demand, shortages in energy and resources will again become significant factors once the economy has recovered. For this reason, increasing resource efficiencies, the substitution of commodities as well as the utilisation of alternative energies and new materials will form important fields of activity in the future. With regard to the ERDF programmes, there are specific areas which are programmed for precisely this purpose, however, at this time mostly national instruments are used in this context.

### Climate: change, protection, adjustment

The increasing occurrence of extreme weather and associated damages along with new scientific insights (e.g. report of the Intergovernmental Panel on Climate Change) have resulted in an increased awareness with regard to climate change, anthropological contributions to climate change and its consequences.

The European Commission published its white paper "Adapting to Climate Change" at the beginning of April 2009, in which it outlines a two-prong strategy to manage climate change, and also assumes that the effects of climate change will become more pronounced and also more quickly pronounced than forecast by the Intergovernmental Panel on Climate Change in its 2007 report (IPCC Report). A number of countries have already developed corresponding plans for strategy (for some time). The Austrian government has anchored the preparation of a national adaptation strategy by 2013 in its government agreement.

20 The drastic price increases were not only due to strong demand, but at times also due to speculative effects.



## 4 IMPLEMENTATION OF OPERATIONAL PROGRAMMES

The following section will discuss a central objective of the strategic report – the current implementation of structural fund programmes in Austria and their significance for STRAT.AT strategies and European guidelines on cohesion. Various paragraphs, but mostly the summary, will show the relationship to existing development trends and the financial and economic crisis.

In the end, STRAT.AT is implemented on the basis of the Operational Programmes. It also represents an interface – although no longer directly allocated to the structural fund – to the programme for rural development, Priority 3 ("improving the quality of life in rural areas and encouraging diversification of economic activity").

A look at Austria's EU cohesion policy would also have to note that structural fund programmes are embedded in extensive national regional, technological, business promotion, environmental and labour market policies. The contribution of EU cohesion policy to the implementation of the same varies among policy areas. The linkages between EU cohesion and national policies are particularly tight in Austria as a result of the implementation of structural funds through established national and regional bodies and funding instruments.

### 4.1 Quantitative implementation at a glance

Austria implements a total of 21 programmes,<sup>21</sup> for which a total of approximately EUR 1.5 billion of structural funds is foreseen, plus EAFRD funds.

With regard to their contents, STRAT.AT and Operational Programmes are oriented to European Guidelines on Cohesion and the Integrated Guidelines for Growth and Jobs. An international comparison based on programme planning shows that:<sup>22</sup>

→ Austria's programmes are among those with the highest "Lisbon share": 91 % of structural funds

used are earmarked to the Lisbon strategy (EU-15: 81 %). The Lisbon proportion of the group of countries which are deemed "innovation leaders" as per the European Innovation Scoreboard<sup>23</sup> is 85 %;

- within the Lisbon codes, they focus on RTDI-based intervention forms in ERDF and in this vein on business-related innovation investments;
- within ESF they are aligned to a preventative and active labour market policy;
- there is special emphasis on the development and promotion of regional partnerships and linkage structures.

The National Strategic Reference Framework STRAT.AT and the Operational Programmes were prepared and approved very early on. Following the required creation of an administrative framework (e. g. contractual agreements between managing authorities and intermediate bodies, set-up of monitoring for the new period, clarification of eligibility criteria, description of management and control system), the programmes are now being implemented.

The table below illustrates an initial overview of the financial dimensions of implementation and shows that

- to date, EUR 247.2 million of structural funds (ERDF/ESF) and another approximately EUR 253.4 million in national public funds have been committed (ERDF) or paid out (ESF);
- EUR 176.5 million is attributable to ERDF and hence 26.0 % of total ERDF funds are committed;
- a total of EUR 70.7 million is attributable to the implementation of the ESF, and hence 13.5 % of funds have been paid out;
- payments reach 27.1 % of funds for EAFRD.

In total, this means that the implementation of the programmes has been off to a good start. With regard to funds committed or paid out, the programmes are developing in accordance with the experience values of successfully implemented periods.

21 Two programmes ESF, eight programmes RCE-ERDF, one programme Convergence Phasing-Out ERDF (PHO-ERDF), seven programmes ETC cross-border, three programmes ETC transnational.

22 Based on analyses of thematic codes for the programmes "Regional Competitiveness and Employment"

23 Sweden, Finland, Denmark, Germany, UK

## 4.2 ERDF programmes for objectives "Regional Competitiveness and Employment" and "Convergence Phasing-Out"

EU-15 68 %). In contrast to other programmes, these programmes focus more on RTDI measures and in this vein particularly on innovation-oriented business investments:<sup>26</sup> 40.6 % of ERDF funds in Austria are planned for this purpose (innovation leaders: 22.2 %).

Tab. 1 : Overview - Budget figures as per financial tables and commitment/payment status, by programme

	Plan		Implementation*			
	Fund	National public funds	Fund		National public funds	
			Euro	%	Euro	%
Convergence-Phasing Out						
Burgenland – ERDF	125,026,964	41,675,655	13,775,251	11.0	5,335,364	12,8
Convergence-Phasing Out						
Burgenland – ESF	52,140,000	17,380,000	7,216,054	13.8	2,395,107	13,8
RCE-ERDF	555,039,057	555,039,057	162,716,790	29.3	174,770,071	31,5
RCE-ESF	472,272,560	532,541,560	63,447,456	13.4	70,885,614	13,3
ETC (cross-border and transnational)	256,664,100					
<b>EAFRD</b>						
EAFRD	3,911,469,992	3,910,819,061	1,051,849,246	26.9	1,015,303,455	27,1

\* ESF: payment of settled measures until 2<sup>nd</sup> quarter 2009; EAFRD: payments until 2<sup>nd</sup> quarter 2009; ERDF: commitments per 30 September 2009

Plan figures as per financial tables

Source: ATMOS monitoring at awslerp-fonds; ESF monitoring; BKA; BMLUFW; own calculations envelop; 2009

The Austrian Operational Programmes for the objectives "Regional Competitiveness and Employment" and "Convergence Phasing-Out", which are co-financed out of ERDF, concentrate on the first two priorities of STRAT.AT with a clear focus on Priority 1 "Regional Knowledge Basis and Innovation". Priority 2 "Attractive Regions and Competitive Locations" on the other hand is implemented on a supplementary and equalisation-oriented basis.

Compared to the 2000–2006 period, indicatively planned funds for the areas research, technological development and innovation have been significantly strengthened.<sup>24</sup> With regard to the thematic intervention fields,<sup>25</sup> 89 % of ERDF funds in Austria are Lisbon relevant (country group of innovation leaders: 74 %,

### Implementation status by *Länder* and types of regions

The current implementation status (commitments as at 30 September 2009) by *Länder* is as follows: (table 2)

Commitments of ERDF funds have already reached a level of approximately EUR 176.5 million, or 26 % of the plan value. The implementation status varies between approximately 11% (Burgenland) and approximately 41% (Upper Austria). The three relatively large programmes – Lower Austria, Styria and Upper Austria – each feature an above-average commitment rate.

24 In this context, planned funding for RTD infrastructures has been increased from EUR 7.5 million (2000–2006) to EUR 26.3 million (2007–2013), funds for RTD in research centres from EUR 20.5 million to EUR 46.9 million despite an overall decline in structural funds. Budget figures for 2007–2013 for R&D in companies for the most part correspond with the actual values for the period 2000–2006 (approx. EUR 85 million), which represents a significant relative increase of business R&D during the current period since funds are lower on an absolute level

25 Codes 1 "RTD activities in research centres" to 15 "Other actions aiming at access to the TIC by the SMEs and their effective use", not using thematic codes 80–86 directed towards governance

26 Code 06 "Assistance to SMEs for the promotion of environmentally products and processes", Code 07 "Investments in companies directly related to research and innovation" and 08 "Other investment in firms"

Tab. 2: Distribution of ERDF funds by *Länder*; plan figures for the period 2007–2013, commitment information to 30 September 2009, in Euros

Länder	Plan	Commitment	%
Burgenland (PHO)	125,026,964	13,775,251	11.0
Carinthia	67,388,430	12,242,064	18.2
Lower Austria	145,646,798	45,044,327	30.9
Upper Austria	95,543,517	38,866,948	40.7
Salzburg	13,813,480	3,794,425	27.5
Styria	155,061,854	43,472,292	28.0
Tyrol	34,772,988	9,530,130	27.4
Vorarlberg	17,660,129	4,213,554	23.9
Vienna	25,151,861	5,553,052	22.1
<b>Total</b>	<b>680,066,021</b>	<b>176,492,041</b>	<b>26.0</b>

Source: ATMOS monitoring at awslerp-fonds; as at 30 September 2009; own calculations convelop

Approximately one third of committed ERDF funds are attributed to human capital-intensive regions,<sup>27</sup> 35 % to rural regions and 18 % to capital-intensive industrial and tourism regions. A detailed breakdown of types of regions shows that 57 % of interventions focus mainly on regions characterised by industry: approximately one sixth of utilised funds are used for medium-sized towns characterised by industry, another 40 % for industrial regions (extensive and intensive industrial regions, industrial peripheries).<sup>28</sup> As a result, to date interventions have been focusing on the types of regions which have been hit the hardest by the financial and economic crisis, namely the industrialised regions and medium-sized towns which are characterised by industry.<sup>29</sup>

### Implementation status by intervention areas

On a content basis, implementation is carried by

- business-related investments focusing on RTDI and other company investments:<sup>30</sup> approximately 46 % of funds which have been committed are attributed to these two interventions, of which close to one fifth is used for the tourism sector;
- areas which focus on corporate "Research, Networks and Technology Transfer". More than a quarter of committed funds (28.8 %) can be traced back to these issues.<sup>31</sup>

The areas "Renewable Energies" and "Energy Efficiency" have been implemented as planned with a portion of approximately 5.1 % of committed ERDF funds (plan value: 4.4 %). To date, relatively few projects have been attributed to the area "Assistance to SMEs for the promotion of environmentally products and processes".<sup>32</sup>

Lower than average commitments have been observed for business-based research and development projects.<sup>33</sup> Their share in programme implementation is approximately 1.7 % (plan value: approximately 12.5 %). Because of the limited room for manoeuvring with regard to the administrative implementation of structural funds (key word: "labour cost subsidy"), there are concrete tendencies towards shifting operational research funds to national funding programmes, which is associated with a de facto withdrawal from structural fund co-financing.

The financial crisis resulted in a strong expansion of instruments designed to ensure liquidity for companies (liabilities, guarantees) and new financing forms, such as capital for holdings. Similar instruments (for example, the set-up of regional VC funds) are provided for in some programmes, but have not been used to date; rather, they are implemented with national funds.

27 Human capital-intensive regions: Vienna city, urban centres, medium-sized towns, surrounding municipalities; rural regions: tourism periphery, industrial periphery, extensive industrial regions, goods-intensive regions: intensive tourism and intensive industrial regions

28 See Section H Terminology for a graph of types of regions

29 Approximately 13 % of ERDF funds cannot be assigned to a geographic area

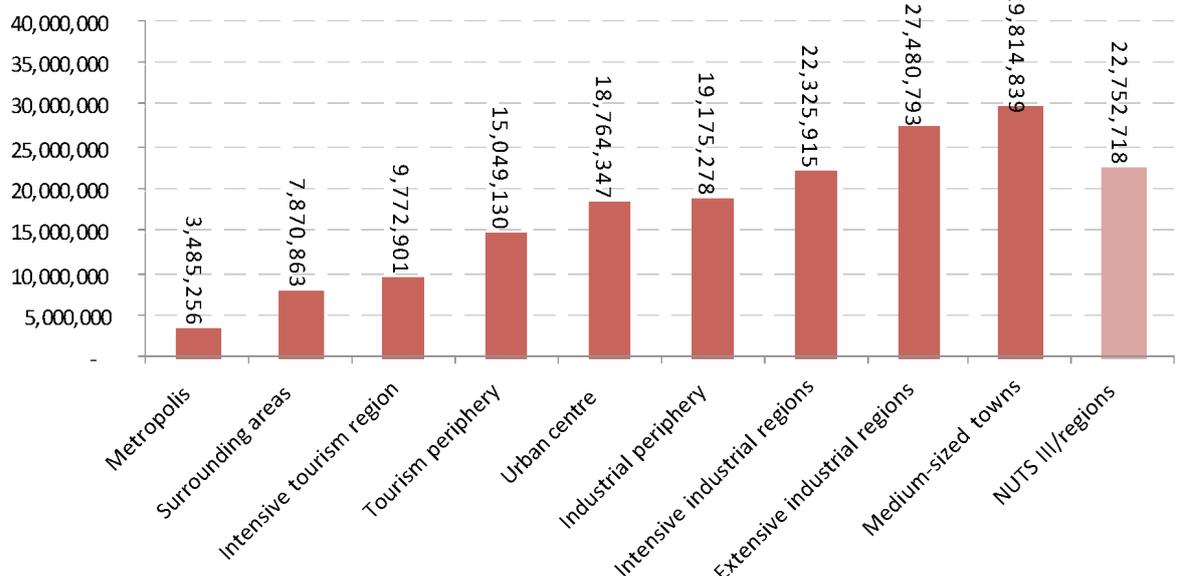
30 They are the thematic codes 07 "Investments in companies directly related to research and innovation" and 08 "Other investment in firms"

31 Thematic codes 01 "RTD activities in research centres" – 03 "Technology transfer and improvement of cooperation networks"

32 Thematic codes 40–43 and 06 "Renewable Energies" and "Assistance to SMEs for the promotion of environmentally products and processes"

33 Thematic code 04 "Aid for the RTD in particular in the SMEs"

Fig. 4: Distribution of ERDF funds by types of regions - Committed funds (in Euro)



Source: ATMOS monitoring at awslerp-fonds; as at 30 September 2009; regional differentiation as per WIFO, own calculations, 2009

\*NUTS-III/Länder level: No allocation to types of regions can be made for approximately EUR 22.8 million

### Material implementation using observed output and results indicators

For the most part, the financial implementation status corresponds with the observed output and results indicators. In this regard, a standard indicator set has been established for the programmes "Regional Competitiveness" and "Convergence Phasing-Out".

In principle, the output and results indicators show a plausible connection between the number of projects, commitment status and subsidized investment volumes. At the same time, the employment effects indicated in monitoring are disproportionately high.

In this context, already 41 % of planned new workplaces and 38 % of investment volume have been attained with an average programme commitment rate of 26 %. However, experience shows that as a result of the economic crisis, the actual employment effects will remain behind original assumptions during the implementation phase, and hence values are probably exaggerated at this time.

On the other hand, (i) the number of start-ups, (ii) the number of R&D projects and associated R&D workplaces, as well as (iii) investments in environmental technologies in SMEs clearly lagged behind overall programme performance. At the same time, imple-

Tab 3: Planning and implementation status of indicator sets agreed to for the entire Austrian region

Category	Indicator	Plan figures	Commitment	in %
<b>Output</b>	Total number of projects	5,490	1,821	33.2
	of which cooperation projects (incl. R&D)	1,255	59	4.7
	of which start-ups	352	39	11.1
	of which R&D projects	1,329	75	5.6
	of which investment projects involving environmental technologies	232	11	4.7
<b>Result</b>	Planned number of new workplaces (FTE)	6,920	2,840	41.0
	... of which planned number of new R&D workplaces (FTE)	1,004	114.5	11.4
	Subsidized investment volume in million EUR	3,772	1,446	38.3
	Additional production capacity renewable energies (MW)	75	94.75	126.3
	Reduction in greenhouse gases in t	565,400	67,710	12.0

Source: Budget numbers: individual OPs, approval status: ATMOS monitoring at awslerp-fonds, as at 30 June 2009, own calculations convelop, 2009

Tab. 4: Distribution of committed ERDF funds by code (30 September 2009)

No.	Code Short text	Plan in Euro	Performance in Euro	[actual/ plan] in %
01	RTD activities in research centres	46,918,095	24,260,792	51.7
02	RTD infrastructure and specific technology competence centres	26,290,602	10,323,689	39.3
03	Technology transfer and improvement of cooperation networks between SMEs and research institutes	38,444,043	16,200,106	42.1
04	Aid for the RTD in particular in the SMEs (excluding ICT projects)	84,801,783	3,006,939	3.6
05	Advanced supporting services in companies and groups of companies	48,982,062	6,399,860	13.1
06	Assistance to SMEs for the promotion of environmentally products and processes	31,209,693	1,645,642	5.3
07	Investments in companies directly related to research and innovation	123,249,384	41,045,655	33.3
08	Other investment in firms	104,644,477	40,140,591	38.4
09	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	22,663,773	1,367,043	6.0
10	CI infrastructures (incl. broad-band networks)	501,000		-
11	Information and communication technology (access, safety, interoperability,...)	4,233,449		-
14	Services and applications for the SMEs (electronic trade,...)	7,676,631	180,000	2.3
15	Other actions aiming at access to the TIC by the SMEs and their effective use	6,659,005		-
16	Rail	3,000,000		-
26	Multimode transport	1,100,000		-
28	Intelligent transport systems	1,458,808	154,888	10.6
30	Ports	2,800,000		-
39	Renewable energy: wind	65,000		-
40	Renewable energy: solar	6,638,629	114,392	1.7
41	Renewable energy: biomass	17,208,779	6,330,378	36.8
42	Renewable energy; hydroelectric, geothermic and others	325,000	124,707	38.4
43	Energy efficiency, combined heat and power, control of energy	5,956,013	2,442,117	41.0
53	Risk prevention (natural and technological hazards)	9,074,950	3,346,804	36.9
55	Promotion of natural assets	175,000	275,426	157.4
56	Protection and development of natural inheritance	2,000,000		-
57	Aid for the improvement of tourist services	9,021,229	2,410,550	26.7
59	Development of cultural infrastructure	6,503,500	472,215	7.3
60	Other assistance for the improvement of cultural services	5,603,500	1,725,000	30.8
61	Integrated projects for urban/rural rehabilitation	20,790,928	3,084,906	14.8
62	Development of life-long learning systems and strategies in companies; training and services for employees ...	9,450,000	1,928,242	20.4
68	Supporting self-employment and entrepreneurship	150,000		-
69	Actions to increase the sustainable participation and progress of women in employment	1,247,053		-
70	Actions to increase migrant's participation in employment and thereby strengthen their social integration	547,053		-
71	Pathways to integration in employment for disadvantaged people	1,094,105		-
75	Infrastructures for education	398,400		-
80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders	11,081,973	3,072,885	27.7
81	Mechanisms to improve the design and delivery of good policy and programmes	5,167,251	1,448,870	28.0
85	Preparation, implementation, follow-up and control	6,655,761	1,933,205	29.1
86	Evaluation, studies, conferences, publicity	6,279,092	3,057,141	48.7
<b>Total</b>		<b>680,066,021</b>	<b>176,492,041</b>	<b>26.0</b>

Source: ATMOS monitoring at awslerp-fonds; as at 30 September 2009, own illustration convelop, 2009

mentation status is still very low in many areas, or projects have not yet been completed, so that valid statements cannot be made at this time.

This shows that the programmes have started well overall, feature a high Lisbon relevancy in principle and hence provide a clear contribution to the implementation of guidelines on cohesion. Implementation is mainly carried out on the basis of innovative and investment-oriented measures – and this to a greater extent than planned. This results in expansive workplace effects which are clearly above plan, and affect those regions which have been strongly influenced by the economic crisis. On the other hand, the administrative limits of structural funds can be seen clearly with regard to R&D oriented measures, which are behind overall performance. There is a tendency to fall back on national programmes. Therefore it remains to be seen whether the original plans can be implemented at the originally envisioned balance.

### 4.3 ESF programmes for the objectives "Regional Competitiveness and Employment" as well as "Convergence Phasing-Out" Burgenland

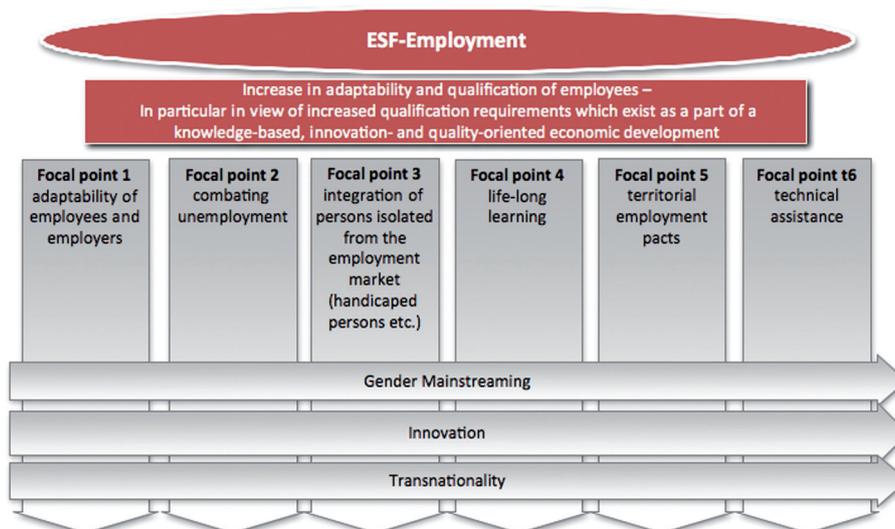
The ESF programmes "Employment" as well as "Convergence Phasing-Out" Burgenland, which apply to the entire federal region, address priority axis 3 of the STRAT.AT. Furthermore, some RCE-ERDF programmes also utilise the limited option of financing ESF measures out of the ERDF (cross-financing).<sup>34</sup> In ac-

cordance with the experience gained from earlier programme periods, the ESF profile of the national "Employment" programme and the ESF programme "Phasing-Out Burgenland" were further refined during the current period. They focus on active and preventive labour market policy, and on older persons and persons isolated from the labour market with regard to target groups, and they also support the approach towards life-long learning and adult education. Interventions are significantly more concentrated than in the EU-15, in accordance with the thematic codes. The two programmes are directed towards the guidelines for growth and jobs; approximately 95% of planned EU funds are classified as Lisbon-relevant.

The level of cumulative payments for the federal programme "Employment" and the ESF programme Convergence Phasing-Out is 13.4 % and 13.8 %, respectively (see Figure 5 below). In this context, it must be taken into account that approximately EUR 70.6 million (13.5 % of intended ESF funds) refer to actual payments and in large part finalised and settled measures, and that the data base extends up to the 2<sup>nd</sup> quarter of 2009. Therefore the activity level of ESF programmes is actually already much higher and is certainly within the range of that of the ERDF programmes.

Approximately 100,000 participants are addressed as part of the national programme in the reporting year 2008 alone; 56,800 of which are women. The proportion of socially weaker population groups (e. g. migrant

Fig. 5: Priorities of OP "Employment" for ESF Austria 2007-2013



Source: own illustration, convelop 2007 as per BMWA 2007

34 Under certain conditions, it is possible to finance activities out of ERDF and ESF, which fall into the intervention area of the other fund ("cross financing") – however this can only be done to a maximum level of 10 % of Community participation at the priority axis level. Legal basis: Art. 34 paragraph 2 of Regulation (EC) No 1083/2006

Tab. 5: Planning and implementation status of ESF funds

Regional competitiveness and employment	Plan figures	Payments (cum.) 2 <sup>nd</sup> quarter 2009	in %
Adaptability of employees and companies	133,534,000	15,003,154	11.2
Combating unemployment	133,534,000	35,174,096	26.3
Occupational integration of handicapped persons	127,112,000	4,624,871	3.7
Integration of persons isolated from the labour market			
Life-long learning	56,118,000	5,640,409	10.1
Territorial employment pacts	6,246,000	1,485,868	23.8
Technical assistance	15,728,560	1,519,058	9.7
<b>Federal programme "Employment"</b>	<b>472,272,560</b>	<b>63,447,456</b>	<b>13.4</b>
Adaptability of employees and companies	7,906,275	730,852	9.2
Integration into labour market and social integration	37,723,125	6,257,362	16.6
Support structures, access to knowledge and knowledge transfer, labour market partnerships	4,425,000	206,696	4.7
Technical assistance	2,085,600	21,143	1.0
<b>Phasing Out Burgenland</b>	<b>52,140,000</b>	<b>7,216,054</b>	<b>13.8</b>
<b>Total</b>	<b>524,412,560</b>	<b>70,663,510</b>	<b>13.5</b>

Source: ESF monitoring, own calculations convelop, 2009

women, persons with disabilities) is 37 %. As part of preventive labour market policies, almost 800 operations were reached through qualification and flexibility advisory approaches. Similar to the ERDF, the first phase of ESF programme implementation does not indicate an even contribution of all activities towards implementation; rather, a focus on a few programme areas is observed. With respect to the national programme, these are focal point 1 "Adaptability of employees" (one quarter of payments), as well as focal point 2 "Combating unemployment", with over half of payments.

This also corresponds more or less with the implementation structure for the programme Convergence Phasing-Out. At the same time, in the Phasing-Out Burgenland programme, the focus of implementation is even more strongly on the area of integration into the labour market and social integration (focal point 2), which has committed more than 85 % of all payments. These refer to areas of activities which are generally well established and are mainly implemented through the Public Employment Service Austria. Overall, approximately 6,600 participants (of which 3,750 women) were reached as part of the ESF Phasing-Out programme in the reporting year 2008 alone; in addition, 177 business projects were also carried out.

Focus as regards contents is placed particularly on the following areas (federal programme "Employment", Phasing-Out Burgenland).<sup>35</sup>

- In accordance with demographic trends, an "active ageing" approach is promoted at the business level (in particular for the over-45 segment). The instrument of qualification advisory services which is aligned to the challenges of active ageing provides a contribution in this regard.<sup>36</sup>
- Support for persons who are particularly isolated from the labour market and persons with disabilities. Over 21,000 funding cases were registered as part of the federal programme during the first two implementation years.<sup>37</sup> However, the payment status is still relatively low. In this context, the institution related to company services (including employment assistance etc.) for persons with disabilities is highlighted.
- Life-long learning with the objective of improving access to educational opportunities for disadvantaged persons, whereby educational measures, measures in the area of adult education (e. g. educational counselling) and in the area of science (e. g. scholarships for university degrees) are offered.
- The continuation of the Territorial Employment Pacts (TEP) with eight regional partnerships as part of the federal programme "Employment" and one pact in the programme Convergence Phasing-Out. They also

35 The quantifications in this section refer to the cumulative implementation status by 31 December 2008

36 In the Phasing-Out Programme Burgenland, advisory services were adjusted for businesses experiencing a collapse in capacity due to the crisis situation

37 Source: Presentation of the report "People with Disabilities" for the 3<sup>rd</sup> Monitoring committee of the Operational Programme Employment Austria 2007–2013

Tab. 6: Planning and implementation status of ESF funds by code (expenses accumulated to 2<sup>nd</sup> quarter 2009)

Code	Plan figures		Payments		in %
	Absolut	in %	Absolut	in %	
62 – Training and services for employees	141,440,275	27	15,734,007	22.3	11.1
66 – Implementing active and preventive measures on the labour market	165,237,400	32	41,242,661	58.4	25.0
69 – Measures to improve access to employment and increase sustainable participation and progress of women in employment	2,362,500	0	203,412	0.3	0.1
71 – Pathways to integration and re-entry into employment for disadvantaged people	131,031,725	25	4,624,871	6.5	3.5
72 – Design, introduction and implementation of reforms in education and training systems	187,500	0			
73 – Increased participation in general and career education during entire life	59,268,000	11	5,832,491	8.3	9.8
74 – Developing human potential in the field of research and innovation	412,500	0			
80 – Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	6,658,500	1	1,485,868	2.1	22.3
85 – Preparation, implementation, monitoring and inspection	12,249,907	2	1,540,201	2.2	12.6
86 – Evaluation and studies, information and communication	5,564,253	1			
<b>Total</b>	<b>524,412,560</b>	<b>100</b>	<b>70,663,510</b>	<b>100.0</b>	<b>13.5</b>

Source: ESF monitoring, own calculations convelop, 2009

form an important approach towards the territorialisation of labour market policies. Because of their significance, the TEP were upgraded to a separate focus as part of the federal ESF programme (as compared to previous programmes). Furthermore, during the current structural fund period, employment pacts may also apply for funds related to the implementation of activities to integrate persons isolated from the labour market, which represents a positive effect on the activity level of the pacts.<sup>38</sup>

A look at the Europe-wide thematic codes, as opposed to the inside programme structure, shows that to date, approximately 59 % of implemented measures have been carried out by activities related to active and preventative labour market policy, and another 22 % through educational and support measures for employees, which focus on lower-qualified and older employees.

In summary, it can be said that the implementation of ESF programmes in Austria has had a good start alongside delays which are intrinsic to the system

(approval process, development of administrative framework etc.). Compared to previous periods – in which the programmes were well utilised in a timely manner – commitment and payment statuses show a similar progression overall.

However, the first phase of implementation is carried by the large, more mainstream oriented funding measures, similar to other funds, while innovative projects require the corresponding preparation times and start-up periods. The challenge now lies in the ability to bring on board the other focus areas, particularly the integration of persons not participating in the labour market, as well as persons with disabilities, and the issue of "life-long learning".

#### 4.4 European territorial cooperation (ETC)

The geographic location and proportion of regions which directly adjoin a national border points to the significance of territorial cooperation – and in this context particularly to cross-border cooperation

38 As part of these activities, funds for projects targeting long-time unemployed persons who are positioned between emergency aid and social welfare form a central focus

(CBC) with regard to Austria. The objective "European Territorial Cooperation" corresponds with Priority 4 of the STRAT.AT.

Financial support is provided by the ERDF and concentrates on

- the development of cross-border economic and social projects,
- the creation and promotion of transnational cooperation, including bilateral cooperation between coastal regions,
- increasing the efficiency of regional policy through the promotion of interregional cooperation,
- the creation of networks and exchange of experiences between regional and local authorities.

Austria participates in seven cross-border, three transnational and three EU-wide network programmes. Overall, approximately EUR 1.0 billion in ERDF funds for ETC programmes with Austrian participation during the 2007–2013 period is foreseen. The ERDF amount attributed to Austria is approximately EUR 257 million,<sup>39</sup> with the majority going to cross-border programmes of Austrian regions with new Member States.

On a content basis, the programmes for territorial cooperation should be viewed as complementary to those of the objective convergence and regional competitiveness and employment, and should embed projects into a supra-regional or cross-border dimension. A summary of information contained in the Operational Programmes regarding interventions by priority theme dimensions shows that cross-border ETC programmes cover a large range of themes. In addition to the area of RTD, innovation and promotion of entrepreneurial spirit (15 % of funds), the areas environment and risk prevention (13 %), transport (12 %) as well as tourism (11.6 %) are also addressed on the basis of thematic codes. For this reason, the programmes also have a strong orientation towards Priority 2 of the STRAT.AT. A complementary relationship to the objective regional competitiveness therefore does not necessarily exist at the project level (e.g. through funding of cross-border project components) but rather at the level of themes and target groups.

To date, the monitoring committee set up for this purpose have already approved projects covering the significant amount of approximately 40–50 % of intended ERDF funds. The successful implementation of these project commitments and the strategic development of implementable and effective projects is

however the challenge for the next programme phase. Current experience with the implementation of ETC programmes 2007–2013 has shown that

- the transfer of general SF rules, which by virtue of their logic continue to build on larger infrastructure projects and jurisdiction of only one Member State, to ETC programmes is not considered as adequate;
- very different notions of development (administrative cultures) with sometimes incompatible processes (competition versus proactive project development) continue to clash in the programmes;
- the lead partner principle is accompanied by considerable challenges, particularly due to issues related to documentation, financing and liability. The number of potential project carriers is significantly limited, but at the same time also leads to an intensive preparation process;
- particularly in new Member States, project carriers are faced with more restrictive attitudes on the part of banks with respect to prefinancing for projects.

#### 4.5 Rural development programme (EAFRD)

The Austrian programme for rural development 2007–2013 aims to achieve a multifunctional, sustained and competitive agricultural and forestry industry in a vital rural environment. It pursues the following thematic objectives:

- improving the competitiveness of agriculture and forestry industry,
- sustainable use of natural resources and conservation of cultural landscapes, and
- the maintenance and development of attractive and vital rural regions.

In the current period, the EAFRD programme is implemented under new framework conditions. With the agrarian reforms in 2003 and 2005 the second pillar of CAP was strengthened by the creation of the agriculture fund for rural development (EAFRD) and has been completely removed from the area of structural funding. The clearest indication of the intention to bundle funding measures for the rural area as part of this programme is the integration of the LEADER programme which was previously managed separately as a Community initiative ("mainstreaming"). It is characterised by a strong focus on rural development policies. The increasing orientation away from markets towards rural development which was initiated by EU agricultural policy is hereby already assumed.

39 The EU-wide network programmes are not taken into account in this context, since there is no indicative allocation of funds to Member States foreseen in the planning phase, and accordingly Austria's portion cannot be determined

EAFRD is primarily directed to the target group agricultural operations and their environment, but also addresses – in part in axis 3 and particularly in axis 4 LEADER – integrated development projects for rural areas (e. g. start-up of and funds for micro enterprises, tourism measures, commercial cluster projects, e. g. wood, cultural projects including building culture, social and integration etc.). However, the focus lies on inward processing and direct marketing measures, the development of agri-tourism and the promotion of facilities generating energy from renewable raw materials. Other focus areas include investment-based measures to protect and improve cultural landscapes and rural heritage, for example, through measures directed at village renewal or the expansion of rural infrastructures.

Linkages between EAFRD and RCE programmes and the programmes Convergence Phasing-Out Burgenland occur particularly for axis 3 "the quality of life in rural areas and diversification of the rural economy" as well as for the horizontal LEADER axis 4 of the programme for rural development. On a financial level, axis 3 in EAFRD includes approximately EUR 506 million of public funds. Taking into account the LEADER portion for axis 3, the programme portion is 10.1 %. This corresponds with a tripling of funds compared to the similarly positioned "Article 33 measures" during the 2000–2006 period. Added to this are EUR 423 million for axis 4 "Implementation of Leader concept" which in turn represents a significant increase in funds as compared to the previous 2000–2006 period. On a programme level, provision has been made for an overlapping contribution by LEADER to axis 1–3 on a content level: This means that while the provided measures in axis 4 "Implementation of LEADER concept" are implemented in

accordance with LEADER principles, they relate to measures of axis 1–3 on a content level, insofar as *Länder* guidelines do not provide for "other activities which cannot be allocated to axis 1–3," as is the case in Styria.

Similar to ERDF and ESF programmes, it is important that implementation starts with a consideration of the delays which are intrinsic to the system, and that it corresponds with the experience values of the previous period for the most part. The same applies here, namely that programme implementation is carried by the rather site-specific funding activities (94 % of implementation is traced back to axis 1 and 2). Since activities in axis 3 refer to development projects and project funds, they require longer preparation and start-up periods, so that the implementation status of approximately 14.2 % can be considered as appropriate. In addition, it must be taken into account that the information refers to payments and information as per the 2<sup>nd</sup> quarter of 2009.

Within axis 3, activities related to the diversification of the rural economy, activities related to diversification up to non-agricultural activities, promotion of start-ups and development of micro enterprises and the tourism industry are funded. In this vein, a differentiated picture starts to emerge as part of the implementation process:

→ Measures related to the diversification of the rural economy have had a good start as almost a quarter of planned funds has been paid out. In this context, activity areas such as the diversification of agricultural operations or agri-tourist measures focus on agricultural operations as a target group feature a relatively good implementation rate,

Tab. 7: Planning and implementation status of EAFRD funds (expenses until 2<sup>nd</sup> quarter 2009)

Axes and measures		Planning	EAFRD Implementation	in %
1	Improving the competitiveness of the agricultural and forestry sector	540,848,288	171,724,946	31.8
2	Improving the environment and the countryside	2,828,475,185	813,944,309	28.8
3	Quality of life in rural areas and diversification of the rural economy	254,047,498	36,012,126	14.2
31	Measures to diversify the rural economy	33,808,521	7,885,153	23.3
32	Measures to improve the quality of life in rural areas	196,354,468	25,489,562	13.0
33	Training and information measures for economic actors operating in the fields covered by axis 3	18,681,902	2,230,560	11.9
34	Skills-acquisition and animation measures	5,202,608	406,851	7.8
4	Implementation of Leader concept	213,675,629	12,330,668	5.8
5	Technical assistance	74,373,299	17,837,196	24.0
<b>Total EAFRD</b>		<b>3,911,419,900</b>	<b>1,051,849,246</b>	<b>27.0</b>

Source: BMLUFW; registered expenses to end of 2<sup>nd</sup> quarter 2009; own calculations developed

while the implementation of "start-up and development of micro enterprises" still indicates significant activation potential.

- The initiative to improve quality of life in rural areas attains a payment rate of 13 %. The activity areas which are designed to secure basic services as well as "energy supply from renewable sources" and "village renewal and development" have started at above-average performance. The activity bundle targeted at "conservation and upgrading of the rural heritage" is still below average.<sup>40</sup>
- The initiative "Improving professional qualifications for economic actors to increase quality of life in rural regions and to promote the diversification of the economy" focuses on qualification activities in connection with agri-tourist services and activities in the area of the forestry industry. Regional development processes are started via the "Learning regions" or "Local Agenda 21", with implementation only beginning some time in 2008.

The LEADER axis represents an important concept for Austria. LEADER provides innovative access and a widening of the approach towards endogenous, independent regional development in Austria, and is viewed as an important instrument to strengthen regional governance. Based on its tradition, Austria is well positioned in this area. During the current period, the challenge lies in the mainstreaming of the LEADER concept, both in view of the geographic coverage of Austria with LEADER regions, as well as the implementation of the programme EAFRD along LEADER principles including local action groups, bottom-up approaches, medium-term regional development planning etc.

As part of the implementation of the LEADER concept (axis 4), 86 local action groups (compared to 56 action groups during the 2000–2006 period) were selected; they cover an area of approximately 73,000 square kilometres, representing approximately 87 % of the country's geographic area. At 4.3 million people, 52 % of the Austrian population lives in LEADER regions. Experience to date has shown that the implementation of axis 4 with respect to the payments is still relatively weak – as was the case during the previous LEADER+ period. Reasons for this development are the late selection of local action groups and the typically complex project requirements. However, with respect to fund commitments, it was possible to reach rather significant levels of up to 70 % in some *Länder*.

Summary: Programme implementation has had a good start, and in this phase has been carried – as is the case in other programmes – by large funding measures targeted at individual operations (axis 1 and 2), while axis 3 "Diversification of rural areas" as well as 4 "Implementation of the Leader concept" which is directed at project development must be significantly strengthened during the course of the remaining programme term.

It is becoming evident that the areas targeted to agricultural target groups feature a greater implementation dynamic than those directed at diversifying rural development outside of agriculture and forestry. Ensuring the innovation potential of the LEADER approach remains a challenge. In addition to the challenges posed by the mainstreaming of the LEADER approach, a conflict potential can be observed in the rigorous financial controls as applied in EAFRD. It increases the danger of strongly risk-averse behaviour. More conventional projects which can be managed easily therefore take precedence over areas involving experimentation and impulse areas in which projects are more likely at risk to fail. This applies in particular to *Länder* which view LEADER mainly as strengthening axis 1–3 and do not use it as an innovation instrument towards integrated rural development.

## 4.6 Contributions of RCE/Phasing-Out programmes in Austria as regards the objectives of the guidelines on cohesion and STRAT.AT

### 4.6.1 Fundamentals and methodology

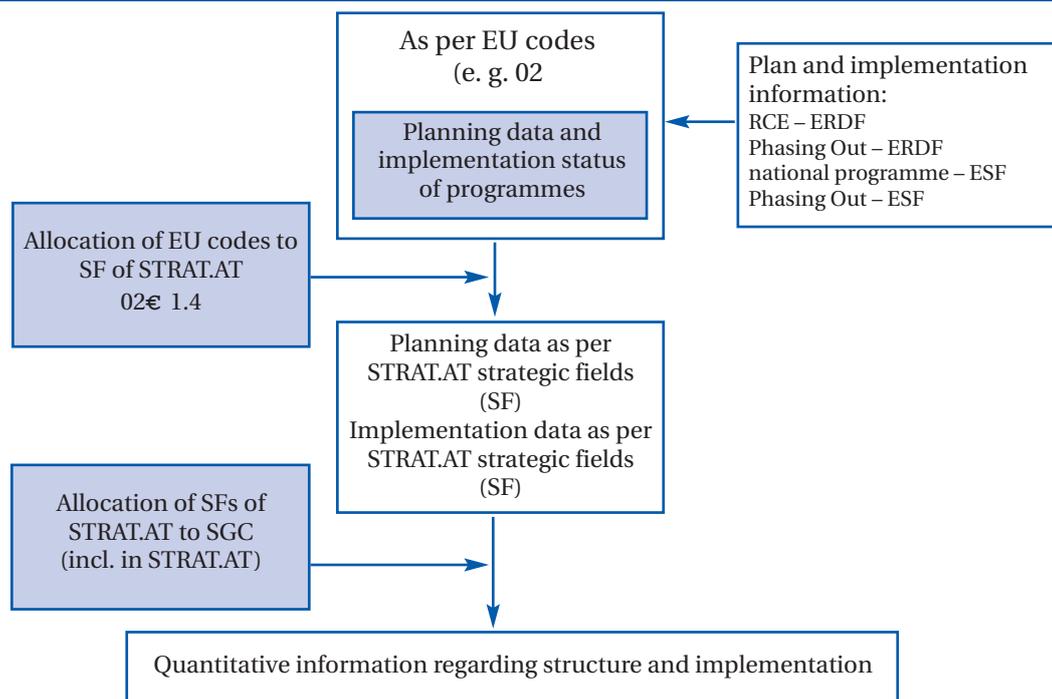
A system has been developed for the purpose of assessing the level and structure of contributions of Austrian programmes towards EU objectives and the priorities of the guidelines on cohesion, (as illustrated in Fig. 6):

In this vein, the thematic codes<sup>41</sup> were each assigned to the STRAT.AT strategy fields. The linking of STRAT.AT strategic fields to the Community strategic guidelines on cohesion (2006/702/EC) is already shown in STRAT.AT itself. By aggregating the structural funds which have been assigned to the thematic codes, it is possible to create a continuous connection between the interventions of the Operational Programmes, STRAT.AT strategic fields and the strategic guidelines on cohesion.

40 Promotion of environmental protection, national parks, cultural landscapes, landscape design and development, forestry, awareness raising for environmental protection and potentials of Alpine region

41 This concerns the EU codes of the dimension "priority theme" (pursuant to Regulation (EC) No 1828/2006 Annex II Part A Table 1)

Fig. 6: System for transferring EU codes to STRAT.AT and SGC objectives



Source: convelop, own conception, 2009

Tab. 8: Planning and implementation of ERDF and ESF and their contributions to STRAT.AT\*

Strategic guidelines on cohesion	STRAT.AT objectives and priorities	Structural funds		
		Indicative plan [Euro]	Performance [Euro]	Implementation (Performance /Plan)
Improving knowledge and innovation for growth	Regional knowledge basis and innovation**	569,742,066	150,476,963	26.4
Making Europe and its regions more attractive places in which to invest and work	Attractive regions and quality of location	81,139,883	16,502,978	20.3
More and better jobs	Employment growth and qualification	506,598,400	69,123,309	13.6
	Governance at the national/regional level and gender mainstreaming	46,998,237	11,052,302	23.5
<b>Total</b>		<b>1,204,478,586</b>	<b>247,155,552</b>	<b>20.5</b>

\* Taken into account are the RCE programmes ERDF and ESF as well as the Convergence Phasing Out programmes ERDF and ESF

\*\* The objective "Qualification for innovation" contained in priority 1 contains a connection to the guideline "More and better jobs" of the cohesion guidelines

Source: ATMOS monitoring at awslerp-fonds; ESF monitoring; own allocations and calculations convelop; 2009

#### 4.6.2 Programmes and their implementation in view of the strategic guidelines on cohesion

An analysis of the interventions in Austrian structural fund programmes and their contributions (without ETC) with planned and actual implementation as regards the priorities of the strategic guidelines on

cohesion and the corresponding STRAT.AT priorities are illustrated in the following table.

It can be seen that the financial implementation of structural funds is concentrated on the first and third strategic cohesion guideline - and also on the corresponding priorities 1 and 3 of STRAT.AT.<sup>42</sup> The implementation of programmes has shown that

<sup>42</sup> The STRAT.AT objective "Qualification for innovation" is allocated to the SGC "More and better jobs", as is priority axis 5 "governance at the national/regional level and gender mainstreaming" of the STRAT.AT

Tab. 9: Planning and implementation of EFRE and ESF and their contribution to STRAT.AT\*

STRAT.AT strategic fields (SF)	Total		EFRE		ESF			
	in EUR million		Implementation		Shares in %		Shares in %	
	Plan	Performance	per SP in % [Performance/Plan]		Plan	Performance	Plan	Performance
Networks, cooperation, clusters	85.36	40.46	47.4		12.6	22.9		
Business RTD	84.8	3.01	3.6		12.5	1.7		
Innovative investments in companies	197.31	70.11	35.5		29.0	39.7		
Location/RTD infrastructure	29.09	10.32	35.5		4.3	5.8		
ICT diffusion and application	14.34	0.18	1.2		2.1	0.1		
Innovation in tourism and recreational industry	76.42	16.86	22.1		11.2	9.6		
Business start-up/management	49.13	6.40	13.0		7.2	3.6		
Innovative business financing	20.95	1.21	5.8		3.1	0.7		
Qualification for Innovation	12.34	1.93	15.6		1.8	1.1		
<b>STRAT.AT Priority 1: Regional knowledge basis and innovation</b>	<b>569.74</b>	<b>150.48</b>	<b>26.4</b>		<b>83.8</b>	<b>85.3</b>		
Infrastructure and network development	3	-	0.0		0.4	0.0		
Development of locations, focus areas	36.7	3.87	10.5		5.4	2.2		
Renewable resources, nature management	2.18	0.28	12.6		0.3	0.2		
Energy and environmental investments	30.19	9.01	29.9		4.4	5.1		
Risk prevention, risk management	9.07	3.35	36.9		1.3	1.9		
<b>STRAT.AT Priority 2: Attractive regions and quality of locations</b>	<b>81.14</b>	<b>16.50</b>	<b>20.3</b>		<b>11.9</b>	<b>9.4</b>		
Qualification for employees	141.44	15.73	11.1			27.0	22.3	
Qualification for the unemployed	167.6	41.45	24.7			32.0	58.7	
Support and integration measures for persons not participating in the labour market	131.03	4.62	3.5			25.0	6.5	
Life-long learning	59.87	5.83	9.7			11.4	8.3	
Regional partnerships, TEPs	6.66	1.49	22.3			1.3	2.1	
<b>STRAT.AT Priority 3: Employment growth and qualification</b>	<b>506.6</b>	<b>69.12</b>	<b>13.6</b>			<b>96.6</b>	<b>97.8</b>	
Governance at the national/regional level and gender mainstreaming	47.00	11.05	23.5		4.3	5.4	3.4	2.18
<b>STRAT.AT Priority 5: Governance as implementation strategy</b>	<b>47.00</b>	<b>11.05</b>	<b>23.5</b>		<b>4.3</b>	<b>5.4</b>	<b>3.4</b>	<b>2.18</b>
<b>Total</b>	<b>1.204.48</b>	<b>247.15</b>	<b>20.5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

\* STRAT.AT priority 4: Territorial cooperation is targeted through ETC programmes, which are not considered here  
Source: ATMOS monitoring at awslerp-fonds; ESF monitoring: own allocation and calculations convelop; 2009

→ EUR 150.6 million of funds – 61 % of committed/paid out structural funds – are attributed to the SGC "improving knowledge and innovation for growth". The implementation is carried by the STRAT.AT strategic field "innovative investments in companies" to which 40 % of committed ERDF funds can currently be attributed. If one also includes tourism-related investments, these two strategic fields make up half of committed ERDF funds. Another significant factor is the promotion of "net-

works, cooperation and clusters" (23 % of all committed ERDF funds). In this context, multi-year projects were approved at the beginning of the programme period. However, as has been described above, business R&D projects but also company start-ups remain far behind plan figures.

→ EUR 16.5 million – or 6.7 % of committed/paid out structural funds – can be attributed to SGC "making Europe and its regions more attractive places in which to invest and work." Here, implementati-

on concentrates on the strategic field energy and environmental investments as well as risk prevention and management.

- EUR 69.1 million of funds – approximately 28 % of committed/paid out structural funds – can be attributed to SGC "more and better jobs". Implementation is carried by the STRAT.AT strategic field "qualification for the unemployed" as well as "qualification for employees". Both of these inter-

ventions consume 80 % of ESF funds that have been paid out to date.

It must be taken into account that the ESF refers to payment values of mostly settled initiatives, as well as the data status at the end of the second quarter of 2009, while the ERDF data base refers to commitments and the data status as of 30 September 2009.

## 5 SUMMARY AND CONCLUSIONS WITH RESPECT TO ...

### 5.1 ... the first phase of programme implementation

In the current term, the Austrian SF programmes are oriented towards the European objectives for competitiveness, growth and employment, as well as the specified strategic framework. Adapted to national and regional situations and the challenges related to employment and labour markets, they have developed differentiated strategies.

The ERDF programmes for the objectives RCE and Convergence Phasing-Out have picked up on the new paradigm of a regional structural policy and feature one of the strongest Lisbon relevancies on an international level, which has been confirmed by the current implementation of the programmes. Austria invests significantly more ERDF funds in RTDI-relevant initiatives than the group of "innovation leaders", for example. However, the focus of implementation is strongly directed at innovation-oriented investments for individual operations and less on highly innovative R&D projects.

The federal ESF programme Employment and the programme ESF Convergence Phasing-Out Burgenland have refined their profile during the current period on the basis of experiences from preceding periods, and therefore focus on special labour market target groups and issues, and successfully strengthen the internationally implemented approach of Territorial Employment Pacts.

At the content level, ETC programmes feature a decidedly broader orientation and also focus their action fields on the areas of energy, transport and tourism, in addition to innovation. In the meantime, the programmes were off to a successful start, despite new and significant administrative challenges, such as joint programme implementation and lead partner principle.

EAFRD, which in Austria is particularly characterised by a strong orientation to rural development policy – through equalisation payments and environmental funds which are accorded significantly more weight than expenses for market organisation – has started successfully, mainly carried by large site-specific funding initiatives. During the start phase, axis 3 which

targets the diversification of rural regions has developed good dynamics for the initiatives which target agricultural target groups, while axis 4, which is targeted to the integrated approach of the LEADER concept, still shows delays with regard to payments, even though high levels of committed funds can be observed for some *Länder*.

The essential general conditions for the first implementation phase of the SF programmes and EAFRD were as follows:

- the fact that the closure of the 2000–2006 period allowed projects to be approved until 2008, and hence two programme generations were running de facto parallel during the 2007–2008 time period;
- the administrative framework of structural funds and the timely and resource-appropriate commitment of capacities for the establishment of the same;
- the effects of the financial and economic crisis, in particular in the areas of company-related funds.

Considering the delays which are intrinsic to the structural funding system, the implementation of EU programmes in Austria experienced a good start-up phase. Austria's programmes were among those which were approved the earliest and which were able to set the administrative framework conditions for implementation purposes very early on. As compared to previous periods – in which programmes could be utilised at the same time – commitment and payment statuses are very similar overall.

As regards contents, programme implementation is mainly carried by projects with large funding activities during the start phase. Within the ERDF, it concerns mainly innovation in companies associated with investments, in addition to supra-operational RTD, in the labour market policy of the ESF it concerns the labour market integration initiatives of the AMS, and in the EAFRD initiatives related to "environmental and land-based funding".

### 5.2 ... the effects of the financial and economic crisis

In addition to causing production and employment restrictions, the financial and economic crisis also results in a reduced willingness of companies to inno-

vate. For this reason, the ERDF programmes, which are heavily focused on company funds as part of an international comparison, feature the right orientation in being able to offer companies the corresponding financing incentives. At the same time this approach also carries with it risks for programme implementation: a declining willingness to innovate along with financing bottlenecks, particularly for large loans, can lead to declining application numbers or delays for (already approved) projects (extending project terms, suspension of projects).

Most of the negative effects resulting from a weakening desire to innovate are expected for the second half of 2009. Its effects on the year 2010 will be dependent on the ongoing economic climate. In this vein, adherence to the n+2 rule will present a challenge in the future. As regards content, it can be assumed that a more pragmatic approach will be required for the selection of projects (more open interpretation of selection criteria), which may also lead to shifts within the indicative distribution provided for in the thematic codes (in particular between "investments in R&D" and "other investments in firms"). In this context, it is evident that similar to the areas environmental technology and energy/resource efficiencies, tourism (including infrastructure) is still characterised by a high degree of willingness to innovate. In addition, there are also additional funds which are available in this context in the form of national instruments. Overall, it will have to be seen whether an economic stabilisation will also result in a renewed increase in the willingness to innovate on the part of companies. In the meantime, some of the target groups which are eligible to receive funds were expanded within the two ESF programmes, for example by including a consideration for employees working reduced hours for qualification measures.

The federal government has responded to the financial and economic crisis with a number of comprehensive stimulus packages,<sup>43</sup> which were designed in accordance with the strategic lines<sup>44</sup> provided for in the EU communication "A European Economic Recovery Plan" and supplemented by initiatives of individual countries. They are directed at the following:

- increase in household income to strengthen consumption (e. g. tax reform),
- investment incentives for private individuals and companies (e. g. increase liability and guarantee limits, funds for growth projects or thermic building restructuring),

- infrastructure investments (e. g. acceleration and push-up of infrastructure and redevelopment projects) and
- strengthening of interventions in labour markets (e. g. educational leave, reduced work hours, increase funds for qualifications and labour market integration).

Added to these are economic impulse programmes of individual *Länder*, which are mainly directed at improving infrastructure, environment and social buffers, as well as the automatic stabilisation of the economy through taxes and dues as well as social security nets. Overall, these initiatives allowed Austria to react quickly and strongly to the crisis. Calculated cumulatively for 2009 and 2010, an ex-ante assessment of economic initiatives shows a bandwidth of effects with regard to the economic impulse packages at a level of 1.18 % to 1.4 %, as well as employment effects of 21,300–26,600. The share of *Länder* initiatives is likely between 25–30 % of the GDP effect and approximately 25 % for the employment effects.<sup>45</sup>

In Austria, SF programmes are not viewed as suitable crisis intervention instruments due to (i) their objectives – long-term objective of structural adaptation of regions, (ii) relatively low financial volumes as compared to convergence regions, and (iii) the specific administrative general conditions which result in limited flexibility for the management process. Economic stimulating measures as well as initiatives targeted at securing financing and liquidity are implemented through national funds. Ensuring that the contents of structural policy remain stable and feature a long-term outlook seems to be an important factor.

### 5.3 ... the contributions to the cohesion policy

#### Regional convergence

The analysis regarding the development of Austrian regions,<sup>46</sup> which was conducted as part of the "STRATAT plus work programme 2008", shows a generally intra-Austrian convergence process. In this context, it has been observed that funded regions have been catching up to other *Länder* in terms of employment and labour markets since Austria joined the EU. The funded regions are developing significantly better than non-funded regions, and the growth differentials in employment policies have seen a positive change since the

43 See Annex F

44 COM(2008) 800 final, COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN COUNCIL, A European Economic Recovery Plan, Brussels, 26. 11. 2008

45 See Austrian Reform Programme for Growth and Employment, implementation report, 2009

46 MAYERHOFER, P./FRITZ O./HIERLÄNDER, R./STREICHER, G. (2009): Quantitative Effekte der EU-Regionalförderung in Österreich – Eine Pilotstudie in: ÖROK, EU-Kohäsionspolitik in Österreich 1995–2007 – Eine Bilanz, ÖROK series 180, Vienna 2009

time of EU accession. However, significant catch-up processes with regard to productivity performance were not observed for the funded regions.

However, the effects of the current economic crisis and the consequences of the abolition of small-micro zoning towards the convergence process are still not clear at this point. The most affected areas are Austria's industrialised and capital-intensive regions.

With respect to the implementation of the ERDF programmes, the analysis showed that

- at an absolute level, funds have been mainly directed at the regions which were mostly affected by the economic crisis (industrialised (rural) regions and medium-sized towns with an industrial character), and hence it has been possible to cushion the impact of the economic crisis for these regions;
- the ESF programmes for employment are focusing on fighting unemployment, and that ESF initiatives lessen the impact during the crisis.

In addition, based on the programmes structures and the first implementation phase, it can be noted that

- overall, the initiatives feature a high Lisbon relevance – 90 % of the current implementation has been "earmarked". The same applies to 95 % of ESF funds.
- Austria's programmes are focusing on SGC 1 "Improving Knowledge and Innovation for Growth" (61 % of current implementation) as well as SGC 3 "More and Better Jobs" (28.0 % of current implementation), while the area focusing on making Europe and its regions more attractive places in which to invest and work is more supported by national initiatives.

### Synergies and complementarities

Because of the clear target group segmentation, it is possible to create synergies at a regional level through the complementarity of issues and addressed target groups, and less through "integrated projects". The monofund programmes and complete separation of EAFRD from the SFs are recognised as administrative simplifications. However, this is associated with an especially strong segmentation of programmes which could not be compensated by the "strategic roof" of STRAT.AT. Opportunities for cross-financing within the SF are viewed as a first approach for increased flexibility, but are not considered as sufficient.

Experience to date shows only slight changes to the structure of the projects as compared to the previous periods of structural funding. While a significantly in-

creased level of sophistication can be recorded with respect to the level of technology and innovation,<sup>47</sup> investments by individual operations continue to dominate; they take up more than 50 % of committed ERDF funds and their weighting in implementation is significantly higher than in planning.

Especially in Austria – where the implementation of structural fund programmes through established and experienced bodies and institutions is mainly carried out on the basis of co-financing existing national guidelines – there exists a close linkage between the EU cohesion policy and national policy areas. For this reason, we cannot lose sight of the fact that the programmes of EU cohesion policy only cover sections of policy areas. The illustration below attempts to relate funds flowing through the SF (RCE and Phasing-Out ERDF and ESF) to national budget funds (whereby such an attempt is by default incomplete and not always without discrepancies).

However, even this incomplete illustration shows that structural funds are actually only one component of the implementation of public objectives.

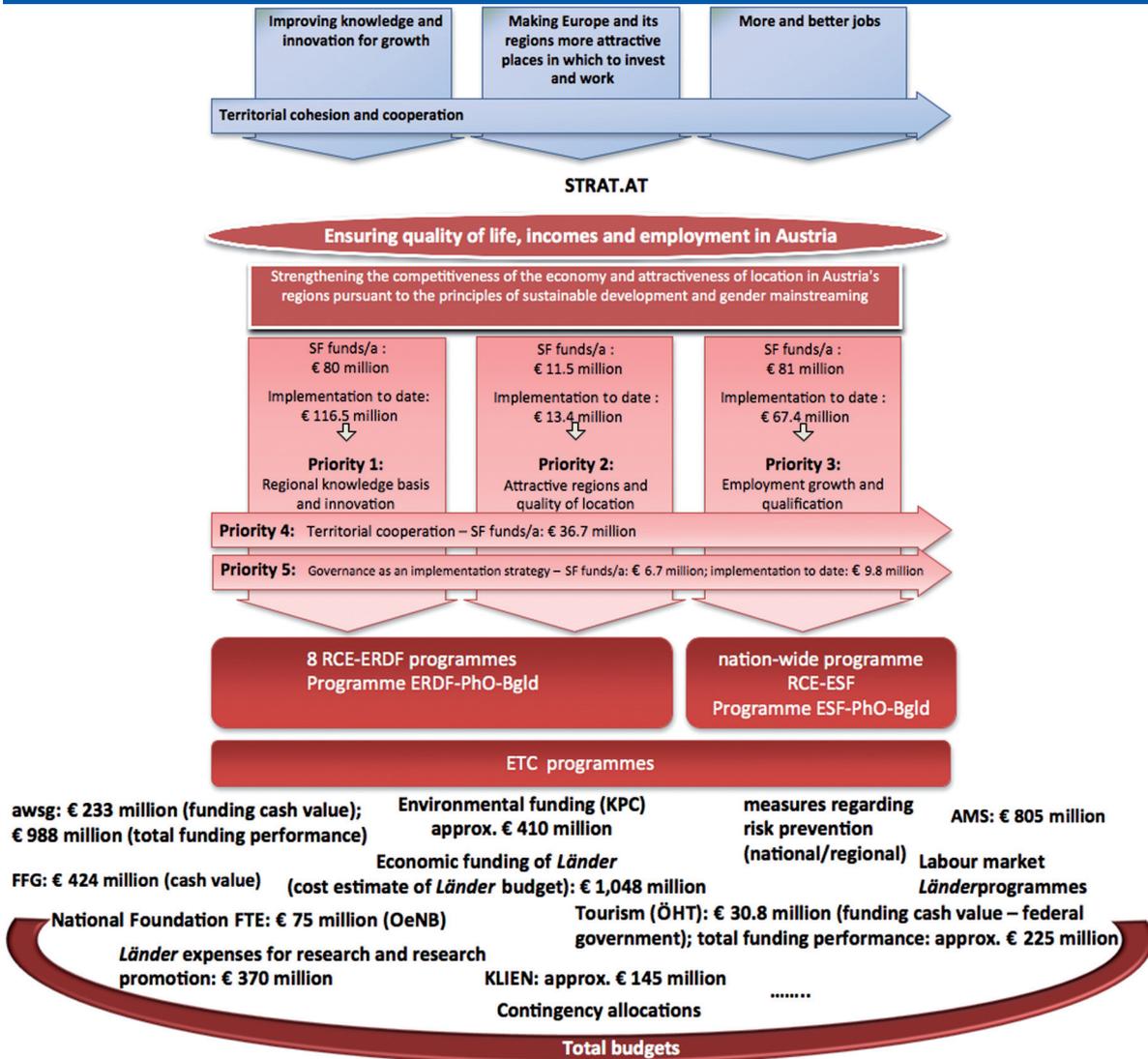
### 5.4 ... the general conditions and their effects on the programmes

An examination of the qualitative effects of structural funds in Austria's "structural fund interim balance sheet" (ÖROK 2009) shows, among other things, the restrictions associated with the structural funds, which result in great uncertainties and limitations with regard to the level of innovation, as well as a large increase in management requirements. While a part of this issue may be "home-made", the principal problem is a result of the entire EU regulative, which in turn traces its origin to the multi level approach of divided fund management. The reforms for the period 2007–2013 resulted in simplifications for some areas, including an increased strategic orientation with respect to programming, and the removal of small-micro-zoning. However, these effects were also accompanied by significantly higher requirements, particularly with regard to the management and control system, which caused extremely high preparation and maintenance requirements as well as time delays.

While the programme level has experienced a noticeable increase in flexibility, this development has been counteracted by administrative rules, whereby there is a strong realisation that a portion of the high regulatory density is caused by factors within Austria.

47 More research transfer to new products, no direct modernisation investments

Fig. 7: Annual allocation and current STRAT.AT implementation via SF programmes with respect to the estimated overall budget



Source: Own conception and illustration convelop, 2009. Data: Annual estimates and business reports for the 2007 and 2008 fiscal year

Overall, the relationship between planning, flexibility in implementation along with the required controls no longer seems to be at equilibrium. This is resulting in an increasingly negative attitude towards EU funds, and risk-averse funding behaviour.

Initiatives designed to achieve "simplification" which have been introduced at the EU level are generally welcomed. The principles of taking into account indirect costs on the basis of "flat rates" and flat rates for personnel costs ("standard scales of unit costs") are to be implemented. This is viewed as a significant assisting factor in funding programmes with a high degree of labour intensity, as is the case for innovation and R&D projects.

However, it must also be noted that these (i) create a number of new questions without providing any ascertainment of the same, (ii) are not far-reaching

enough, and (iii) above all, are too late. A series of initiatives now running under "simplification" could not be implemented during the negotiations for the SF regulation. They are now used during a phase in which the implementation processes have already been defined. Moreover, further detailed provisions and an integration into the funding system are required to achieve an implementation of "simplification" initiatives within Austria, which in turn requires new adjustments, for example as part of management and control systems etc.

Further initiative areas of the "EU Recovery Plan" in the area of financing ("advances" etc.) are not implemented in Austria, or are implemented through national financing initiatives. The same applies to the content of the options in the area of energy efficiency or newer financing forms, which are used as part of the "crisis packages" but are implemented with na-

tional funds (see Annex E1 "Reactions to the European Recovery Plan").

### 5.5 ... the relevance of STRAT.AT strategies

In the past, Austria has developed a good competitive position and was able to profit on a broad basis from the economic boom years of 2004–2008, which is reflected in the above-average growth rates of its GDP, exports, employment and a significant decrease in unemployment. However, the current international financial and economic crisis will leave its mark – and not only in the country's economic performance: The crisis is accelerating the economic restructuring process, which would have required several years to achieve an "orderly" adaptation during "normal" economic periods. Cost pressures and the pressure to relocate production into countries with lower wage levels will accelerate. Current value chains will have to be reorganised.

This means that the already existing pressure on achieving a transition to a knowledge-based economy has increased further: Current strengths in the middle "Technology and Qualification Segment" are more quickly lost as a result of the crisis. At the same time, well-known long-term trends, such as demographic change, shortages of non-renewable energy resources, as well as climate change, will be intensifying, even if their effects will not be fully felt in many areas for some years or decades.

However, with respect to long-term spatial effects, it is possible to theorise that the adjustment processes which have been accelerated by the crisis will lead to increased innovation pressures. In this context it can be expected that high-ranking locations near urban regions, high-quality educational and research institutions will continue to increase in value, which would lead to an increased focus on agglomerations.

Trends as regard contents and developments were already picked up during the preparation of the STRAT.AT, but they have gained in speed and intensity as a result of current developments. For this reason the strategies should not be changed at this point – as their validity remains. At the same time, a pragmatic perspective is needed for the programmes with regard to further implementation. It includes:

- In the case of a continued reluctance to invest on the part of companies, an argument can be made for a pragmatic loosening of the interpretation of selection criteria and a general increase in incentives as part of the funding options in European competition law.
- If required, this can also result in a shift of indicative thematic codes, in particular for tourism, if this

sector's investment strength continues, as well as in the areas of renewable energies/resource efficiencies.

- Intensive monitoring of the programmes development processes with a view to comply with the n+2 rule to prevent possible funding losses.
- In particular, the interleaving between the priorities also requires more attention (e. g. innovation in environmental technologies/resources/energy), and coordinated location development (issues, focus areas, clusters, networks, R&D) should be promoted.

### 5.6 ... to the continued design of EU structural policy

What do these experiences mean to the discussion on the future design of EU structural policy? Austria's experience regarding structural funds resulted in a mainly agreed-upon view that funding initiatives in regional policy programmes must be limited to a "good Austrian mainstream", within existing national and EU general conditions.

Because of its focus on competitiveness and growth, along with the abolition of small-micro-zoning, the new 2007–2013 period resulted in a paradigm shift for regional policy, with adaptations to the content-based direction of the programmes towards the "Lisbon objectives". At the same time, administrative conditions were not adapted to the objectives; rather, they were strengthened.

To-date experience with implementation has shown, therefore, that only limited changes have occurred with respect to the implementation of programmes, as compared to previous periods. The most innovative programmes are not used for EU co-financing due to the general conditions – exceptions confirm the rule. As far as business R&D funds are concerned, national programmes are preferred because of the tight administrative leeway (key word personnel costs). Therefore: A strengthening in the innovative and impulse power of structural funds requires conditions at the EU and national level which enable and/or promote a higher willingness for risk and hence enable clear and implementable strategies.

#### 5.6.1 European level: Continuity along with purification

*A new balance between flexibility in implementation and the required controls must be established.* This refers to a reduction in the number of different control levels, associated verification methods as well as a reduction in the number and density of documentation provisions to a required and realistic level.

*There is a need for adequate differentiation by types of interventions and objectives (key word: principle of proportionality):* Large infrastructure projects and programmes require different financing, reporting and control mechanisms than funds for small enterprises, advisory and soft initiatives or RTD-related initiatives. Changing institutional arrangements – something that has been formulated as a central element in the "Barca Report", among others – require totally different understanding of management than interventions focusing on large infrastructure projects.

*Reduction of uncertainties:* A new understanding of compliance with "good governance" principles is required. These require an avoidance of excessive regulatory density, associated with a timely and clear definition for individual provisions as well as the prevention of a subsequent or new interpretation of provisions on the part of the European Commission.

*Adequate monitoring, management and evaluation instruments:* The use of monitoring and management instruments must also be viewed in this context. Indicator- and output-based management in the conventional format is viewed with increasing criticism especially when it comes to regional interventions which build on complex development initiatives. In this context, the use of monitoring and evaluation processes which are able to cover the core information requirement at a European level and also serve as feedback instruments for programme management is viewed as an important factor. First, an approach involving the use of codes and core indicators is still viewed as adequate, followed by an increased concentration on compiling development processes.

*The intent is to achieve increased flexibility for cooperation across funds:* One objective which is broadly supported by all Austrian partners is the reform and significant simplification of cooperation across funds, including cooperation regarding the development of rural areas. The simplification and expansion of the current 'cross financing' opportunities is considered a possible approach in this context. This would increase the leeway for regionally adequate interventions and support the opening of a hitherto strict delineation between programmes by individual industry-based target groups.

*Territorial cooperation requires adequate conditions:* Traditionally, territorial cooperation is attributed considerable significance, also due to the fact that it creates visible and direct European added value. Still,

there is also a view that important development steps are required in the area of territorial cooperation. They include:

- rules adapted to the requirements of transnational, interregional and cross-border cooperation, which better take into account the specifics of the objectives of the programmes and projects;
- a consideration of regional specifics in programme development;
- the introduction of a discussion process regarding the design and implementation of – particularly transnational – cooperation programmes. A strengthened focus on functionally linked regions and a "variable geometry" in regional delineations should be discussed in this context. It may consist of a combination of spatial (for example spatial development) and inter-regional components (e. g. in the area of innovation), which may enable a strategic but spatially more flexible orientation of territorial cooperation.

Depending on the contents, the role of the European Commission in transnational and cross-border programmes should be revisited or strengthened. With regard to the area of cross-border cooperation, the Commission's role in view of clear, more binding and also commission-internal coordinated rules for CBC programmes should be clarified.<sup>48</sup> The ability for self-organisation at the inter-state level seems to be limited due to the existence of different administration systems and cultures.

*Role of EU Commission: Setting learning and innovative impulses*

- Reintroduce innovation programmes (ERDF, ESF): Experience gained from previous SF periods shows the positive effects achieved in particularly through the pilot and innovation programmes of the EC. They provided impulses from the outside, were very attractive to regions and made the testing of new approaches more attractive and easier to implement. Whereas the number of Community initiatives and pilot actions was disproportionately high during the 1994–1999 period, the complete integration into the main objective programmes of pilot programmes which are specifically directed at policy innovations is too extensive. The number and scope of such programmes should be strictly limited and the focus should be on introducing and testing new topics and methods.
- Strengthen the management of information exchange and learning processes at the EU level: The function of the European Commission, which is also discussed in the "Barca Report", must be significantly strengthened.

48 Examples include the uniform interpretation in the area of competition law or public awarding procedures

This requires new formats for the management of learning processes, which go beyond the new form of the detailed direction of regional development processes in formal negotiation, management and monitoring committees, as indicated in the "Barca Report".

### 5.6.2 National level: Simplification and concentration

Where the principal structure of the SF is maintained, the Austrian side should provide the following in the future:

- ... a strengthened focus on functional perspectives (and hence also transfer aspects of variable geometry to the Austrian level);
- ... develop a national and regional framework strategy with a clear strategic focus, within which structural fund interventions are defined, which mainly focus on selected areas/project/lead projects;
- ... rethink intra-Austrian general conditions in order to increase the level of innovation of funds.

This requires increasing the strategic character, and also more proactive project development.

- As part of the implementation process, the involved bodies should be equipped with sufficient and critical funds (cost – benefit).
- A more comprehensive look at existing developments is required as part of planning, monitoring and evaluation processes, in order to make the contributions of different interventions (regional, national, EU) more transparent.
- Development potentials which extend beyond policy areas (particularly territorial employment pacts at the regional level) must be better utilised in order to achieve a better integration with economic development policies.
- The Governance structure must be continuously developed, with a focus on the reduction of the regulatory density which has also been caused internally, as well as the intensification of coordination at the federal level and a strengthened integration of operative funding institutions.

### Content-related focus on the central challenges

In view of the directions as regard contents, different studies and projects at the national and international level provide a convergent picture of relevant mega trends and challenges which are bundling around the following areas:

- globalisation processes and associated innovation pressures;
- resources and energy scarcity;
- climate change and resulting adaptation requirements, but also opportunities;

- demographic developments, including change in composition of population due to migration and ageing processes.

As a result, Austria's future relevant focus areas may lie in the areas of (i) innovation: innovation and adaptability of companies and regions; (ii) resources, energy and climate, including location development; and (iii) people (education, integration and social inclusion, ageing). In this vein, even more attention will have to be paid to the interleaving and synergetic management of issues (e. g. innovation and ageing, innovation and environment, energy and climate technologies). Future planning processes must be more aligned to problem- and mission-oriented courses of action, which pay more attention to the coupling of regional-economic developments with solving societal challenges.

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



## **APPENDIX**



## A GOOD PRACTICE EXAMPLES

### A.1 Austria's Territorial Employment Pacts

Originally started in 1996 as an EU initiative, the Territorial Employment Pacts (TEPs)<sup>49</sup> were initially set up in four Austrian *Länder* in the late 1990's. TEPs were then also developed in all other *Länder* in subsequent years. The successful implementation and quick geographic coverage of TEPs is also based on Austria's long tradition of regional employment policies. The development was also supported by the Federal Ministry for the Economy and Employment (and previously by the Federal Ministry for Employment and Social Affairs), so that it did not take long for a coordination agency to form at the federal level, whose task is to support the regional pacts. Against the background that labour market and employment policies constitute an area which reaches many aspects of society, the intention of TEP was to achieve a strengthened integration of this area into different policy areas. Therefore, Austrian TEPs are

- contractually agreed regional partnerships to link labour market and employment policies with other policy areas, and
- are understood as instruments to implement cooperative labour market and employment policies.

In international comparisons they are now described as a successful example.<sup>50</sup>

At an organisational level, TEPs are usually organised at the *Länder* level. A further regionalised approach was only implemented in the *Länder* of Styria, Upper Austria and Vienna. The main actors usually involve the provincial AMS offices, economic policy departments of the *Länder*, and social partners. In accordance with these actors, the content-based focus is generally on the strategic coordination of economic policy action fields. The main advantages for the partners include better access to information with regard to politico-economic objectives.

On a content level, the TEPs are directed at labour market policy action fields, despite their different de-

tailed alignments. While the classic AMS target groups are targeted in many *Länder*, as a result of the funds socially disadvantaged persons and those isolated from the labour market (including persons with a migration background) are now increasingly becoming target groups in the pacts.<sup>51</sup> The overall labour market and employment policy direction is therefore different on an international level, where for example pacts are more often found in the socio-political area (e. g. Ireland, Finland) or in the area of economic development strategies (e. g. Italy).

The pacts have resulted in a series of successes, with the following highlights:<sup>52</sup> (i) The cooperative approach of the partnerships made it possible to achieve a better acceptance of labour market policy issues even for groups of actors who are not traditionally attributed to the labour market. Examples include the utilisation of *Länder* awarding procedures as a means towards seasonal employment stabilisation (construction industry) or the inclusion of the continuing education policy in economic policy strategies (cluster support programmes). (ii) The pacts also allowed for the provision of funds (in particular from EU programmes) for the regions. The pacts offer an infrastructure which makes it possible to quickly define regional and regionally-developed projects, which are also competitive at a European level. (iii) In addition, the pacts allowed for a better adaptation of standard measures to local requirements.

On a financial level, the pacts became more valuable recently as they were adopted as a separate focus area in the Operational Programme Employment Austria 2007–2013 (priority 5), and were also included as an activity in the ESF programme Convergence Phasing-Out. The funds of the European Social Fund (EUR 6.3 million for the programme period), as well as national funds (EUR 7.3 million for the programme period), along with another EUR 0.9 million of public funds for the programme Convergence Phasing-Out, support the pacts for the operating activities of the TEP coordinating bodies and also the development of work programmes and projects. Moreover, for the

49 [www.pakte.at](http://www.pakte.at)

50 European Commission (2002): Thematic Evaluation of the Territorial Employment

51 See also Austria's Territorial Employment Pacts 2009, [http://www.pakte.at/attach/TEP\\_Infomappe\\_2009.pdf](http://www.pakte.at/attach/TEP_Infomappe_2009.pdf)

52 See also ÖROK (2009): EU-Kohäsionspolitik in Österreich 1995–2007. Eine Bilanz, Part 3, Chapter 7

first time the TEPs also had access to project funds. In this context, priority 3b of the EFS Operational Programme Employment Austria provides funds for the development and testing of innovative measures to improve the integration of persons isolated from the labour market, and the cooperation of participating institutions in the region. The co-financing of priority 3b initiatives are hereby ensured through the pacts.

The integration of economic strategies of the *Länder* into the individual pacts is viewed as a challenge. While individual institutions increasingly integrate pact themes into their programmes and implementation measures, in many cases there appears to be a lot of potential for an explicit inclusion of regional economic policy objectives (in particular for the integration of ERDF and ESF strategies) in TEP strategies.

Contact	Federal Ministry of Labour, Social Affairs and Consumer Protection (Bundesministerium für Arbeit, Soziales und Konsumentenschutz), Section VI/Department 9 – ESF Coordination Unit of Austria's Territorial Employment Pacts at CSI, <a href="http://www.pakte.at">www.pakte.at</a>
Funds (2007–2013)	Priority 5 federal programme: Territorial Employment Pacts ESF: EUR 6,246,000 National: EUR 7,332,000 Priority 3b – Integration of person isolated from the labour market – Project funds ESF Convergence Phasing-Out: overall expenditures EUR 935,000, ESF EUR 675,000 National contribution EUR 225,000, private contributions: EUR 35,000

## A.2 Strategic monitoring process STRAT.AT

The objectives and guidelines of Austrian regional policy in the 2007–2013 structural fund period are described in the National Strategic Framework Plan STRAT.AT. The preparation of the planning document as well as the monitoring process which was implemented as a result can be described as good practice examples.

The STRAT.AT was prepared as part of a participative process in accordance with Austria's federal structure and its strong tradition of consensus-based policy formulation, with the inclusion of the actors who are responsible for coordinating Austria's regional policy. These include regional policy stakeholders at the *Länder* and federal level, as well as economic and social partners and NGO representatives. Following the traditional Austrian coordination pattern, the ideas of involved bodies were collected using a bottom-up approach, supplemented with top-down inputs, weighted and gradually "up-aggregated" to a strategic level.

This planning and strategic development process was then transferred into a strategic monitoring process (STRAT.ATplus) which is to be implemented during the entire current structural fund period. As regards contents, STRAT.ATplus pursues the objective of promoting the exchange of experiences and reflection, as well as to generate practical impulses. This established a framework in Austria, which in addition to administrative and funding-related issues supports a content-based discussion or dialogue-driven discussion for information, reflection and learning processes for all Austrian regional policy actors in charge.

Traditionally, the Austrian Conference on Spatial Planning (ÖROK) has assumed a coordinating and driving function as regards regional policy coordination processes. While ÖROK does not have any formally binding executive powers, coordination mechanisms and the corresponding negotiation results are generally carried by the involved actors in accordance with "living practice".

With regard to the STRAT.ATplus, the subcommittee "Regional Economy" which was formed as part of ÖROK functioned as a coordination forum. While questions regarding issues and contents were carried forward in this committee, the "Working Group for Managing Authorities", which also belongs to the ÖROK framework, looked mainly at the clarification of management and administration related questions which result from the actual programme implementation and management, with the correspondingly lacking accent on contents.

However, the advantages of a coordination which is strongly directed at consensus and driven by bottom-up processes, which induces a high level of integration of involved actors and hence also a high level of commitment, are also facing some potential challenges. The pervasive lack of top-down elements brings with it a danger of moving towards a strategy with the lowest common denominator (see ex-ante evaluation STRAT.AT).

A direct result of the continuous monitoring process in Austria is a well established monitoring system for the ERDF programmes, with Austrian-wide standardised indicators. This system now makes it possible to compare Austrian ERDF programmes of individual *Länder* and also make them more transparent.

In a first phase (2007/2008), the STRAT.ATplus process focused on looking back at the experience gained during the last two structural fund periods. The results of this process were published in the spring of 2009 (see also ÖROK 2009b). In 2009, the STRAT.ATplus process is focusing on future issues. As part of the working title "Trends and Challenges – The great future challenges and their effects on regional policy", a series of workshops and seminars were held which discussed the topics research – technology, innovation, climate change, resource and energy scarcity, as well as demographic changes as the central future topics with respect to regional development. The effects of the current financial and economic crisis on the discussed megatrends were also reflected upon.

### Contact

ÖROK – Austrian Conference on Spatial Planning, Office at the Federal Chancellery,  
Ballhausplatz 1 (Hofburg), 1014 Vienna,  
oerok@oerok.gv.at; <http://www.oerok.gv.at>

### A.3 Integrated location development – technopoles

Since the middle of the 1980's, economically oriented infrastructure has been expanded for the purpose of strengthening and newly aligning industry and technology at the Wiener Neustadt area (EU Objective 2 region) as part of the regional development policy of Lower Austria. The objective is to develop a modern "technopole" (innovation hub) at a traditionally industrial location.

This comprehensive development of a location is evidenced by the example of Wiener Neustadt where a growth pole (technopole in a narrow sense) was developed on the basis of considerable preparatory work using the pillars (i) economic/industrial production, (ii) research and innovation, (iii) education, and (iv) economically oriented services. This strategy has been supported with EU structural funds since 1995.

The regional innovation centre (RIZ) also forms the starting point for two other institutions which are located close to the industrial centre Wiener Neustadt-Nord – the university of applied sciences and also the technology and research centre (TFZ). The initiative received additional development impetus through Lower Austria's technology offensive which started in 2000, and the associated technology programme, as well as the successful development of competence

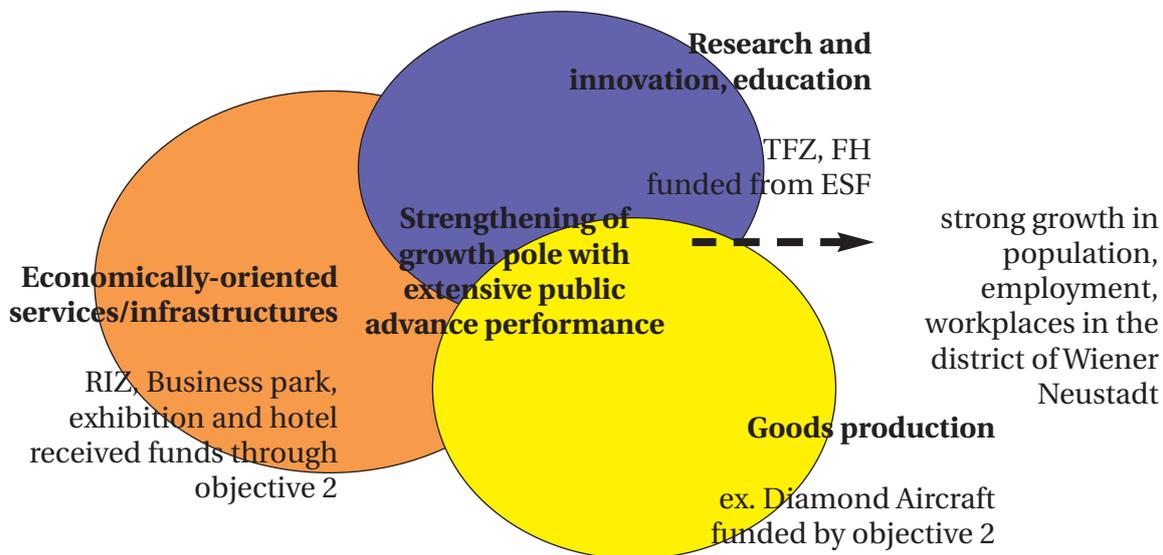
centres as part of the national competence centre programme.

With its competence, research and development centres, the TFZ forms the core piece of the Wiener Neustadt technopole, which is organised as one of three<sup>53</sup> research and growth poles of Lower Austria's economy, and is coordinated through corresponding technopole management.

The TFZ was implemented in three stages and features a gross floor area of approximately 12,600 square meters (divided into high-tech laboratory space of 1,700 square meters, laboratory and office space of 3,500 square metres, infrastructure facilities of 500 square metres, and other areas of 1,400 square metres). The TFZ Wiener Neustadt houses three competence centres, which employ a total of 250 highly qualified scientists. Focus areas related to research and development include the area of modern industrial technologies: materials, process technologies, medical technology, sensory actuating elements and surfaces. A minimum of three different research facilities, each with more than 30 scientists, conduct research for each of the focus areas.

Based on the growth of the research groups which are part of the TFZ, as well as other new start-ups, or the set-up of a technopole, the location of Wiener Neustadt is able to exist on an international level as a stable and competitive location for surface technologies,

Fig. B: Comprehensive location development using the example of Wiener Neustadt



Quelle: ÖIR/RCi

53 Wiener Neustadt: modern industrial technologies, medical technology, sensors, Technopole Krems: biotechnology and regenerative medicine; Technopole Tulln: agricultural and environmental biotechnologies; another location in Wieselburg (focusing on bio energy) is in the development phase

micro systems and medical technology, with a comprehensive research performance in combination with a corresponding training facility. The example of Wiener Neustadt highlights the importance of the following:

- a long-term and continuous development perspective and
- the integration of the three pillars science/research, education and economy.

Finally, it is also an example of the interplay of regional technology and location development and national and international research and technology policies. In this context, new technology and research structures were developed from the perspective of regional policy, including European structural funds, which subsequently enabled the utilisation of national programmes (e. g. competence centres) and EU framework programmes for project funds.

Programme	Objective 2 Programme 1995–1999, 2000–2006 Regional competitiveness Lower Austria 2007–2013	
Measure	Technology infrastructure – Integrated location development	
Financing	Funded infrastructure projects 1995–2006: EUR 8.6 million overall project costs, of which EUR 1.1 million ERDF Current period 2007–2013: 3rd stage: EUR 16 million overall project costs, of which 4 million ERDF	Technopole management and development 2000–2006 approximately EUR 1.3 million project costs, of which EUR 0.4 ERDF as well as 2007–2013 1.6 million project costs, of which EUR 0.8 million ERDF
Contact information	Government Office of the Land Lower Austria, Lower Austria Business Funding (NÖ Wirtschaftsförderung), WST 3 <a href="http://www.wirtschaftsfoerderung.at">www.wirtschaftsfoerderung.at</a> ecoplus. Economic agency of Lower Austria (Niederösterreichs Wirtschaftsagentur GmbH), Niederösterreichring 2, Haus A, A-3100 St. Pölten, <a href="http://www.ecoplus.at/">http://www.ecoplus.at/</a>	

#### A.4 Integrated tourism location development – Impulse projects

The region "Central Burgenland" is located in the Convergence Phasing-Out region (formerly Objective 1 area): Based on its location along the South Eastern Austrian thermal line, tourism and the recreational sector were viewed as development opportunities for the region Lutzmannsburg/Frankenau. The strategy which was pursued provides for integrated tourism location development. The impulse project "Sonnenherme Lutzmannsburg", made way for a series of other business investments (commercial, private rooms) and potentials for the marketing of regional products. The Land of Burgenland was the carrier of the lead project "Sonnenherme Lutzmannsburg" during the start phase, followed by the WIBAG. The thermal springs were funded as early as the first Objective 1 programme (1995–1999).

- The thermal springs were opened in 1994 following a five-year preparation period, and were significantly expanded in 1999. The second expansion phase of the thermal springs was opened in 2003.
- In order to create a special opportunity in the network of thermal spring locations in south eastern Austria, the main focus was placed on families with small children, developing a new tourism group for the region.
- A cluster of projects (thermal springs, high-quality hotels, tourism-related infrastructure ...) was developed and funded around the "Sonnenherme Lutzmannsburg" impulse project.

As part of the two funding programmes in the years 1995–2006, EUR 30.2 million was approved for the region. Of these, EUR 29 million is attributed to tour-

ism-related projects, with the remaining investments going to agriculture, for example. In total, more than EUR 82 million was investment into projects for the region. An evaluation of project funds shows that

- directly within the region of Lutzmannsburg/Frankenau, overnight stays increased from 1,603 (1996) to 244,516 (2006) and approximately 290 new permanent jobs were created;
- associated tax return flows have increased. For the region, this means approximately EUR 2 million in earnings from municipal taxes (which are dependent on the wage bill) in 10 years, for Austria overall it resulted in EUR 43 million of additional payroll and income taxes, social contributions as well as profit taxes. By integrating persons who were not previously employed, it was also possible to lessen the burden on the AMS budget.
- by 2020, additional sales of almost EUR 400 million are assumed for the funding operations. Taking into account other funds as part of the Phasing-Out programme, the gross economic output can be expected at an additional EUR 200 million by 2020. The calculations represent gross effects, as possible displacement effects in thermal spring tourism or in labour markets have not been taken into account.

As a result, positive effects related to the number of salaried employed, the unemployment and commuter rate, as well as the purchasing power of the region were achieved. The number of salaried unemployed increased by 7 % between 1995 and 2006. 57 % of new workplaces can be attributed to funded operations, the remainder were created indirectly through the increase in guests and overnight stays in the region with regard to retail, gastronomy or personal services, or suppliers of beneficiaries in the region.

Programme	Objective 1 2000–2006 Burgenland
Measure	Tourism and culture: tourism destination development
Financing	Funded project costs for five projects: EUR 11,781,400, of which EU co-financing (ERDF): EUR 2,145,500; national public funds: EUR 997,000; other funds EUR 8,666,200 <sup>54</sup>
Contact	Wirtschaftsservice Burgenland AG, Technologiezentrum, Marktstraße 3, A-7000 Eisenstadt office@wibag.at, <a href="http://www.wibag.at">http://www.wibag.at</a> , <a href="http://www.thermenwelt.at">http://www.thermenwelt.at</a>

<sup>54</sup> Additional investments which are supported by EU, *Länder* and federal funds are carried out particularly during the current programme period. Accordingly, larger effects can also be assumed.

### A.5 Science centre inatura creates interest in technical professions

To create excitement among young people for technologies and natural sciences, governments and businesses worked together to develop a new form of "science zone" in the experience-oriented natural exhibition inatura Dornbirn. Inatura is both an experience exhibition as well as a documentation centre on nature.

A Science Centre has now also been added to inatura. Over 40 interactive stations in six "science zones" introduce physical, technical and mechanical phenomena in a playful manner, and invite visitors to learn about physics and technology for themselves. As a result, science and technology are turned into an experience. By taking part in the Science Centre, children and youth gain an exciting view into the fascinating world of technology, creating curiosity and a desire to learn more. The lead theme of the Science Centre at the inatura is "Energy", a focus area with special development potential for Vorarlberg.

The objective is to achieve a double benefit consisting of the creation and development of curiosity for technology and natural sciences for youth, and the creation of a tourism offering in the region. Schools of all types and at all levels have newly discovered inatura as an excursion destination. The great interest shown specifically by young people and educational institutions confirms not only the exhibition concept, but also meets an important objective of the initiators: to sensitize youth to nature and technology. In the first half of 2009, inatura was able to increase visitor numbers by 20 % compared to the previous years.

The project is also a good-practice example based on the commitment shown by the business sector. In addition to financing provided by the Land of Vorarlberg and EU structural funds, the project was implemented mainly based on financing provided by regional businesses. The companies are committed both with respect to an educational theme and support for regional development, as well as through the creation of a new tourism infrastructure.

Programme	Regional Competitiveness Vorarlberg 2007–2013
Measure	Science Centre – inatura Dornbirn AF 1.2. Funding of facilities for technology, research and economy
Financing	Overall costs: EUR 700,000, of which EU cofinancing (ERDF): EUR 105,000; national public funds: EUR 105, 000; other funds: EUR 490,000
Contact-information	inatura Erlebnis Naturschau GmbH, Jahnstraße 9, A-6850 Dornbirn Government Office of the <i>Land</i> Vorarlberg (Amt der Vorarlberger Landesregierung) Department VIa – General Economic Affairs; Römerstraße 15, A-6900 Bregenz <a href="http://www.inatura.at/Science-Center.7563.0.html">http://www.inatura.at/Science-Center.7563.0.html</a>



## B EU COHESION POLICY IN AUSTRIA 1995-2007 - TAKING STOCK

As part of the STRAT.ATplus process, the Austrian experience with EU regional policies and structural funds were also reflected upon. This process was based on a quantitatively oriented pilot study conducted by the Austrian Institute of Economic Research (WIFO), as well as a summary of evaluators from the areas of regional, labour market and rural development policy. The results were discussed in the STRAT.ATplus forum and published as part of the ÖROK series ([www.oerok.gv.at](http://www.oerok.gv.at)). This has resulted in the following assessments:

In view of the core objective of EU regional policy "regional convergence", the quantitatively oriented WIFO pilot study obtained encouraging results. In this context, it has been observed that funded regions have been catching up to other regions in terms of employment and labour markets since Austria joined the EU. The funded regions are developing significantly better than non-funded regions, and the growth differentials in employment policies have seen a positive change since the time of EU accession. However, significant catch-up processes with regard to productivity performance were not observed for the funded regions.

The qualitative observations led to the conclusion that the development conditions of the regions have improved due to the creation of regional intermediate bodies and a series of decentralised activation structures. Institutional deficits were covered at the regional level. Possibilities for targeted multilevel governance have improved, and the adaptability of the regions to national and international developments and programme has increased.

In view of the management structures, the structural fund regulative was quickly and efficiently integrated into the Austrian administration. In contrast to many other Member States, the path towards this goal was the full integration of fund administration into the existing funding scheme. In view of the management, utilisation and error avoidance of the programmes, Austria is very well positioned within Europe.

The adoption of the regulative supported the optimisation and professionalization of the administration system in the affected policy fields (improved coordination, loosening up of the funding jungle for regio-

nal and economic funds) and provided impulses for more structured and systematic learning (evaluation, monitoring), whereby the intensive evaluation efforts in the ESF and their expansion to national labour market policies and promotion must be highlighted in particular.

However, it was also shown that the relationship between planning, flexibility in implementation along with the required controls is no longer at equilibrium. This effect was strengthened in Austria through the integration of a large number of funding bodies and the associated acquisition efforts with regard to the structural fund regulative. Because of the extensive requirements, the system of EU regional funding limits the leeway for strategic content discussions, as discussions of management-related questions dominate. This is resulting in an increasingly negative attitude towards EU funds, and risk-averse funding behaviour.

Innovation impulses for policy fields were more evident as a result of smaller programmes of some Community initiatives, as well as pilot and action programmes. They represented a policy innovation per se for Austria (e. g. territorial cooperation), created room for experimentation and provided the impetus to try something new. However, as a result of the full integration of Community initiatives into the Objective programmes, it is likely that the spectre of a strengthening of the mainstream character of the structural funds will continue to increase.

In summary, experience gained to date therefore shows positive impulses for regional and structural policies, which lead to improved conditions for regions and regionally-oriented policy fields, and support the catching-up process of funded regions as regards employment and labour markets. At the core, the implementation of regional policy programmes must however be limited to a "good Austrian mainstream". A new balance between strategically directed planning, the "flexibility to be flexible" and the necessary control mechanisms are required to strengthen the innovative and impulse power of structural fund programmes. What is required are the general conditions at the EU and national level which enable and/or promote a higher willingness for risk and hence enable clear and implementable strategies.

Tab. 10: Structural funds in Austria - Effects, impulses and limits

	<b>Impulses</b>	<b>Limits</b>
<b>Core objective of European regional policy: Convergence 1995–2006</b>		
<b>Reduction in regional disparities</b>	positive development impulses since 1995 for funded regions, particularly with regard to employment and labour markets (as compared to non-funded regions)	No significant catch-up processes in productivity performance of funded regions
<b>Regional Capacity Building</b>	Broadening of regional understanding of development and impulses for increased adaptability and organisation ability of regions New actors at regional level (regional management, TEP, cross-border networks) as basis for multilevel governance and networking of policy fields	Dense network of institutions with increasing requirements for meta coordination and clarification of functions
<b>Other effects</b>		
<b>Policies</b>	Improved regional policy profile (larger political importance) Reduce resistance against bottom-up oriented regional policy approaches Thematic influence (particularly environment, equal opportunity, R&D, innovation) on regional policy, policy innovation, mainly through smaller programmes and community initiatives Clear development of an ESF profile in labour market policy – new intervention forms and carriers, linkages with other policy areas: impulses for the regionalisation of labour market policies Focus agricultural policy to rural development, not funds for market organisation Information exchange and integration of external know-how	Few opportunities for policy learning and experimentation Structural conservatism of mainstream programmes (with the exception of ESF) Prefer selective strengthening of investments over consistent spatial strategies through regional policy oriented programmes Focus on more traditional intervention instruments (single operation, bottom-up oriented funds) in first two SF periods Little ability to use opportunities for innovative initiatives, rarely strategic considerations re: increase of innovative initiatives Concentration of rural development on agricultural operations
<b>Administration and partnership</b>	Improved vertical and (in some areas) horizontal coordination professionalization of funding management, in particular regional policy but also agricultural and labour market policy	System reform for regional, economic and technology promotion had to be carried out from inside
<b>Effects on policy cycle</b>	Increased conceptual and programme-related discussion of issues Planning ability through multi-year financial planning Development and expansion of monitoring; strengthening of evaluation culture	Extensive administrative and bureaucratic requirements at the programme and project level for funding bodies and beneficiaries

## C SOCIO-ECONOMIC ANALYSIS - MATERIALS

### C.1 Austria's development in a European context

Tab. 11: Selected core indicators - Austria in the European context

	2004	2005	2006	2007	2008	2009	2010
<b>Growth rate of GDP volume – percentage change, compared to previous year</b>							
EU (27 countries)	2.5	2.0	3.1	2.9	0.9	-4.0	-0.10
EU (15 countries)	2.3	1.8	2.9	2.7	0.7	-4.0	-0.10
Eurozone	2.1	1.7	2.9	2.6	0.8	-4.0	-0.10
Austria	2.5	2.9	3.4	3.1	1.8	-4.0	-0.10
<b>GDP per capita in PPS – GDP per capita in purchasing power standard (PPS) (EU-27 = 100)</b>							
EU (25 countries)	104.2	104.1	103.9	103.7	103.7	n. a.	
EU (15 countries)	113.2	112.8	112.2	111.7	110.3		
Eurozone	110.6	110.7	110.3	109.7	:		
Austria	126.8	124.7	124.3	123.8	124.7		
EU (27 countries)	63.0	63.6	64.5	65.4	65.9	n. a.	
EU (25 countries)	63.4	64.0	64.9	65.8	66.3		
EU (15 countries)	64.8	65.4	66.2	67.0	67.3		
Eurozone	63.1	63.7	64.7	65.6	66.1		
Austria	67.8	68.6	70.2	71.4	72.1		
<b>Annual percentage change in overall employment</b>							
EU (27 countries)	0.7	1.0	1.6	1.8	0.9	-2.6	-1.4
EU (25 countries)	0.8	1.1	1.7	1.9	0.9	n. a.	n. a.
EU (15 countries)	0.8	1.0	1.5	1.7	0.8	n. a.	n. a.
Eurozone	0.8	1.0	1.6	1.8	0.8	-2.6	-1.5
Austria	0.4	1.1	1.5	1.7	1.6	-2.7	-0.9
<b>Overall unemployment rate overall</b>							
EU (27 countries)	9.0	8.9	8.2	7.1	7.0	9.4	10.9
EU (25 countries)	9.0	8.9	8.2	7.2	:	n. a.	n. a.
EU (15 countries)	8.1	8.1	7.7	7.0	:	n. a.	n. a.
Eurozone	8.8	8.9	8.3	7.4	7.5	9.9	11.5
Austria	4.9	5.2	4.8	4.4	3.8	6.0	7.1
<b>Regional GDP (PPS per capita in % of EU-27 average), by NUTS 2 regions<sup>55</sup></b>							
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>		
Burgenland	84.9	85.8	87.0	84.0	82.1	n. a.	
Lower Austria	100.5	101.8	103.5	100.7	101.4		
Vienna	180.2	178.4	174.0	169.7	165.9		
Carinthia	104.6	105.0	106.6	104.7	106.0		
Styria	105.5	107.5	108.5	106.9	107.6		
Upper Austria	120.6	121.6	121.8	121.6	121.3		
Salzburg	139.0	140.0	141.5	138.8	139.4		
Tyrol	129.1	130.1	129.5	129.8	129.9		
Vorarlberg	132.0	130.9	131.4	129.5	129.5		

## C.2 Developments within Austria – Länderlevel

Tab. 12: Selected core indicators – Developments within Austria

Year	Austria	Bgld	Carinthia	LA	UA	Slbg	Styria	Tyrol	Vlbg	Vienna
<b>Average annual population by Länder – total</b>										
2004	8,169,441	277,387	558,431	1,562,913	1,391,321	520,745	1,194,368	685,505	358,521	1,620,250
2005	8,225,278	278,466	559,093	1,574,536	1,397,572	523,356	1,198,543	690,668	361,391	1,641,653
2006	8,267,948	279,590	559,453	1,584,525	1,402,281	525,300	1,201,495	695,296	363,389	1,656,619
2007	8,300,954	280,577	560,118	1,593,032	1,405,535	526,570	1,203,770	698,377	365,155	1,667,820
2008	8,336,549	282,172	560,579	1,601,183	1,409,123	528,276	1,206,206	702,063	366,777	1,680,170
Development										
2004–2008	2.05%	1.73%	0.38%	2.45%	1.28%	1.45%	0.99%	2.42%	2.30%	3.70%
<b>Proportion of foreigners by Länder, in %</b>										
2004	9.3%	4.4%	6.0%	6.2%	7.3%	11.7%	5.3%	9.7%	12.8%	17.4%
2005	9.6%	4.5%	6.1%	6.3%	7.4%	11.8%	5.4%	9.8%	12.7%	18.0%
2006	9.7%	4.5%	6.1%	6.4%	7.3%	11.8%	5.6%	9.9%	12.6%	18.4%
2007	9.9%	4.7%	6.3%	6.4%	7.4%	11.9%	5.8%	10.0%	12.6%	18.9%
2008	10.2%	5.0%	6.6%	6.6%	7.7%	12.2%	6.1%	10.3%	12.7%	19.7%
Development										
2004–2008	9.55%	14.94%	9.68%	5.41%	6.29%	3.98%	16.55%	5.97%	-0.74%	12.87%
<b>Number of registered unemployed persons, annual average</b>										
2004	243,876	7,978	16,925	40,507	26,181	11,809	33,165	16,368	8,918	82,025
2005	252,650	8,411	17,640	42,599	28,024	11,946	35,221	17,439	9,935	81,435
2006	239,169	7,996	17,256	40,284	25,701	10,719	33,168	16,701	9,256	78,088
2007	222,245	7,277	16,277	37,360	22,318	9,752	31,942	16,410	8,646	72,263
2008	212,246	7,212	16,253	35,173	21,653	9,758	30,895	16,396	8,420	66,486
Development										
2004–2008	-12.97%	-9.60%	-3.97%	-13.17%	-17.29%	-17.37%	-6.84%	0.17%	-5.58%	-18.94%
<b>Unemployment rate, annual average</b>										
2004	7.1	8.7	7.9	7.1	4.5	5.1	7	5.6	6.1	9.8
2005	7.3	9	8.2	7.4	4.7	5.1	7.3	5.8	6.7	9.7
2006	6.8	8.5	7.9	6.9	4.3	4.5	6.8	5.5	6.2	9.3
2007	6.2	7.6	7.3	6.3	3.6	4	6.4	5.3	5.7	8.5
2008	5.8	7.4	7.2	5.9	3.5	3.9	6.1	5.2	5.5	7.8
Development										
2004–2008	-18.31%	-14.94%	-8.86%	-16.90%	-22.22%	-23.53%	-12.86%	-7.14%	-9.84%	-20.41%
<b>Labour force participation rate, annual average</b>										
2004	68.6	56.8	63.8	61.4	69.4	72	66.2	69.2	65.6	79
2005	69.2	57.6	64.8	62.2	70.1	72.6	67.3	70.1	66.3	78.7
2006	69.6	57.8	65.7	62.5	70.9	73.5	67.8	70.9	66.8	78.5
2007	70.2	58.1	66.4	62.9	71.7	74.4	68.7	71.7	67.4	78.5
2008	71.2	58.9	67.3	63.6	73.1	75.9	69.9	73	68	79.3
Development										
2004–2008	3.79%	3.70%	5.49%	3.58%	5.33%	5.42%	5.59%	5.49%	3.66%	0.38%
<b>GRP, absolute, in EUR million, current prices</b>										
2004	232,782	5,421	13,398	36,355	38,118	16,674	29,131	20,057	10,606	63,021
2005	244,453	5,573	13,957	37,740	40,470	17,409	30,524	21,445	11,155	66,179
2006	257,294	5,739	14,838	40,158	42,560	18,427	32,355	22,683	11,790	68,743
Development										
2004–2006	10.53%	5.87%	10.75%	10.46%	11.65%	10.51%	11.07%	13.09%	11.16%	9.08%

Tab. 12: Selected core indicators - Developments within Austria

Year	Austria	Bgld	Carinthia	LA	UA	Slbg	Styria	Tyrol	Vlbg	Vienna
<b>GRP per capita, current prices</b>										
2004	28,500	19,500	23,900	23,200	27,400	31,800	24,400	29,100	29,500	39,100
2005	29,700	20,000	24,900	24,000	28,900	33,000	25,400	30,900	30,800	40,400
2006	31,100	20,500	26,500	25,300	30,300	34,800	26,900	32,500	32,400	41,500
<b>Development</b>										
2004–2006	9,12%	5,13%	10,88%	9,05%	10,58%	9,43%	10,25%	11,68%	9,83%	6,14%

Source: European Commission, 2009

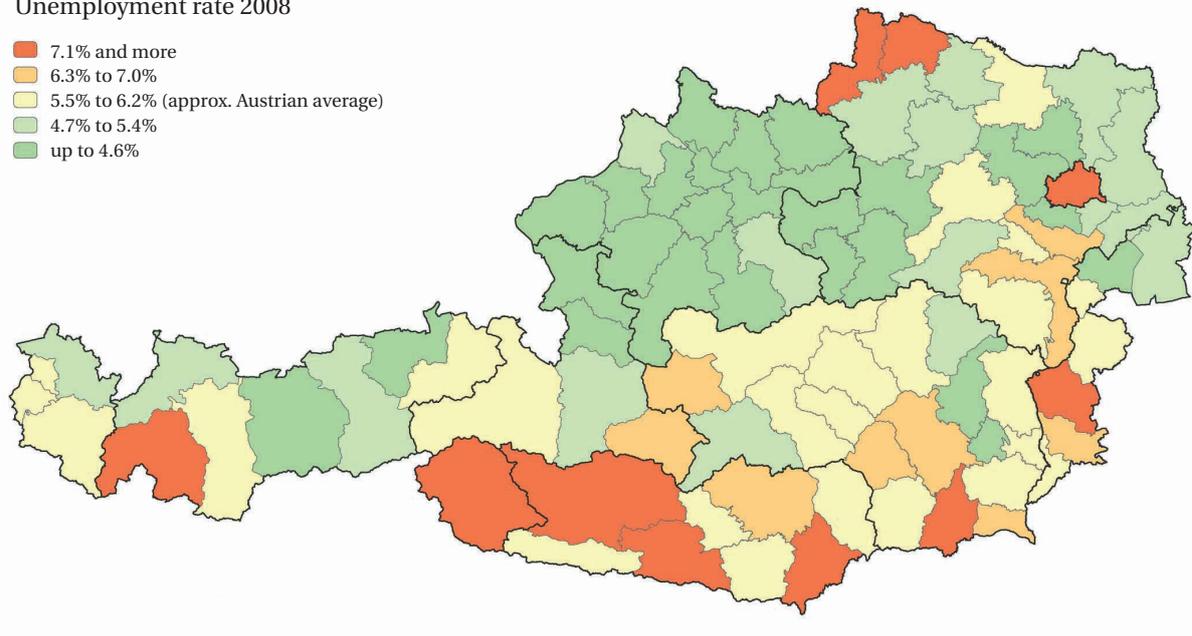
- 55 Expressing GDP in terms of PPS (Purchasing Power Standard) means that differences in price levels between countries are removed. Calculations on a per capita basis allow a comparison of national economies and regions whose size can vary greatly. The data refers to PPS per capita as a % of the EU-27 average. Because of the above-average growth rates measured by the purchasing power standard in the accession countries, a European convergence process can be observed, whereby the index values of Austria's regions have declined compared to the 2002 starting year. Also, a portion of population growth in Austria, ex. Vienna, must be taken into account, which will put pressure on the per capita PPS index value. This is a relative development. As shown by Table 12, the GRP is increasing on an absolute level, based on the population.

Fig. 9: Development of regional labour market indicators 2008-2009

**Unemployment rate 2008 by labour market districts**

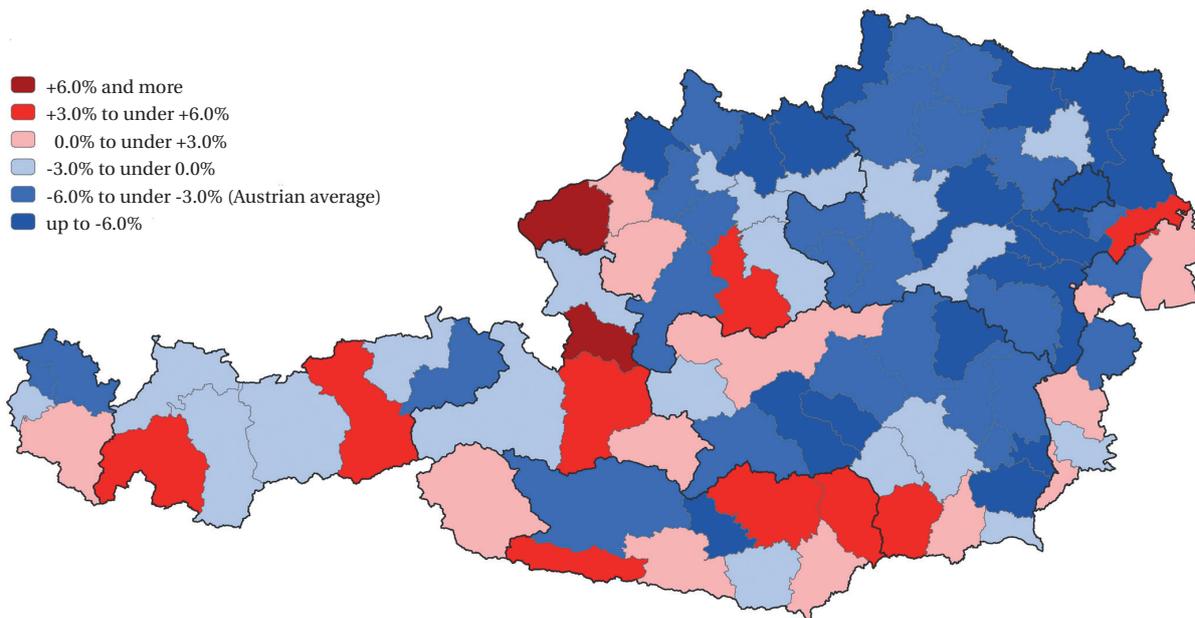
Unemployment rate 2008

- 7.1% and more
- 6.3% to 7.0%
- 5.5% to 6.2% (approx. Austrian average)
- 4.7% to 5.4%
- up to 4.6%



**Change in number of unemployed 2007-2008 in % by labourmarket districts**

- +6.0% and more
- +3.0% to under +6.0%
- 0.0% to under +3.0%
- 3.0% to under 0.0%
- 6.0% to under -3.0% (Austrian average)
- up to -6.0%



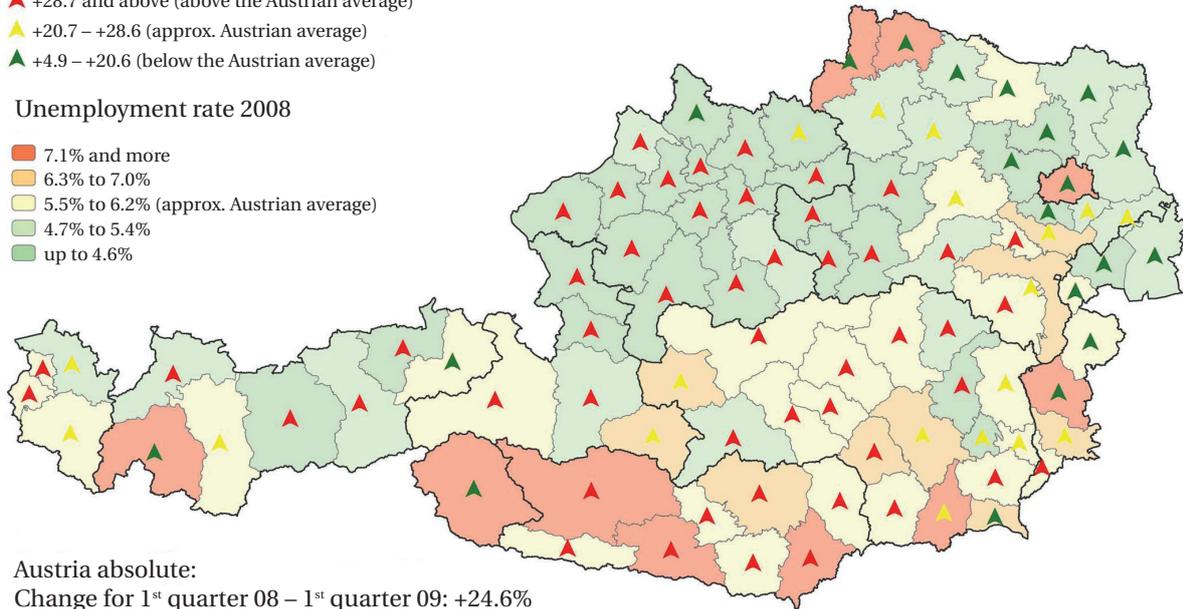
### Tendency of increasing number of unemployed in % first quarter of 2008 – first quarter of 2009

Change in number of unemployed in %  
1<sup>st</sup> quarter 2008 – 1<sup>st</sup> quarter 2009

- ▲ +28.7 and above (above the Austrian average)
- ▲ +20.7 – +28.6 (approx. Austrian average)
- ▲ +4.9 – +20.6 (below the Austrian average)

Unemployment rate 2008

- 7.1% and more
- 6.3% to 7.0%
- 5.5% to 6.2% (approx. Austrian average)
- 4.7% to 5.4%
- up to 4.6%

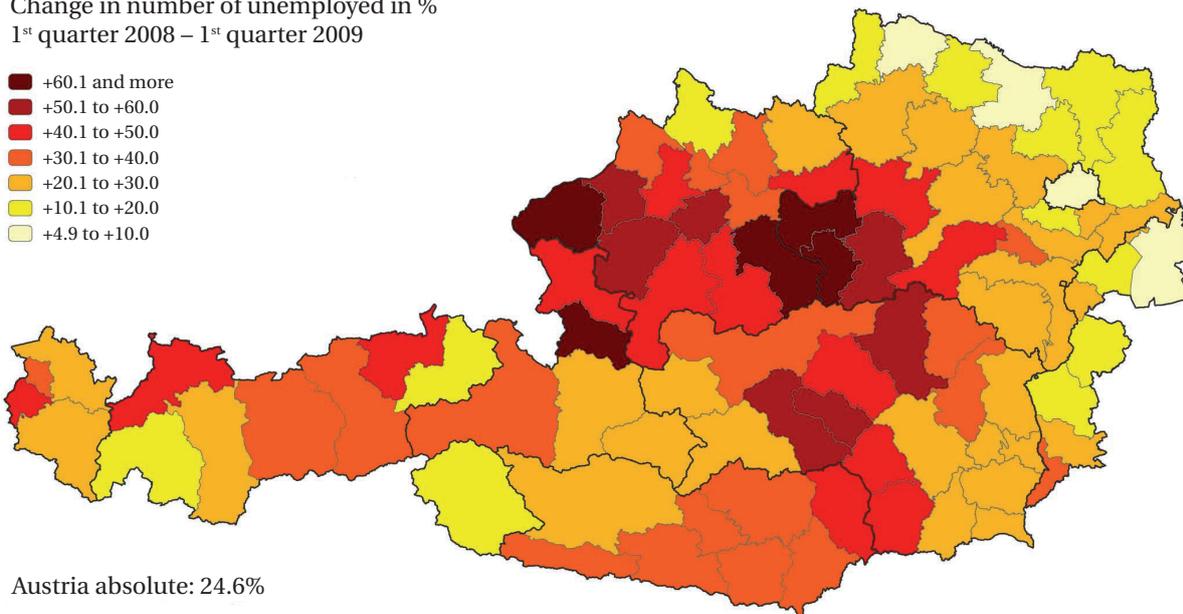


Austria absolute:  
Change for 1<sup>st</sup> quarter 08 – 1<sup>st</sup> quarter 09: +24.6%  
Unemployment rate 2008: 5.8%

### Change in number of unemployed in % first quarter of 2008 – first quarter 2009 by labour market districts

Change in number of unemployed in %  
1<sup>st</sup> quarter 2008 – 1<sup>st</sup> quarter 2009

- +60.1 and more
- +50.1 to +60.0
- +40.1 to +50.0
- +30.1 to +40.0
- +20.1 to +30.0
- +10.1 to +20.0
- +4.9 to +10.0



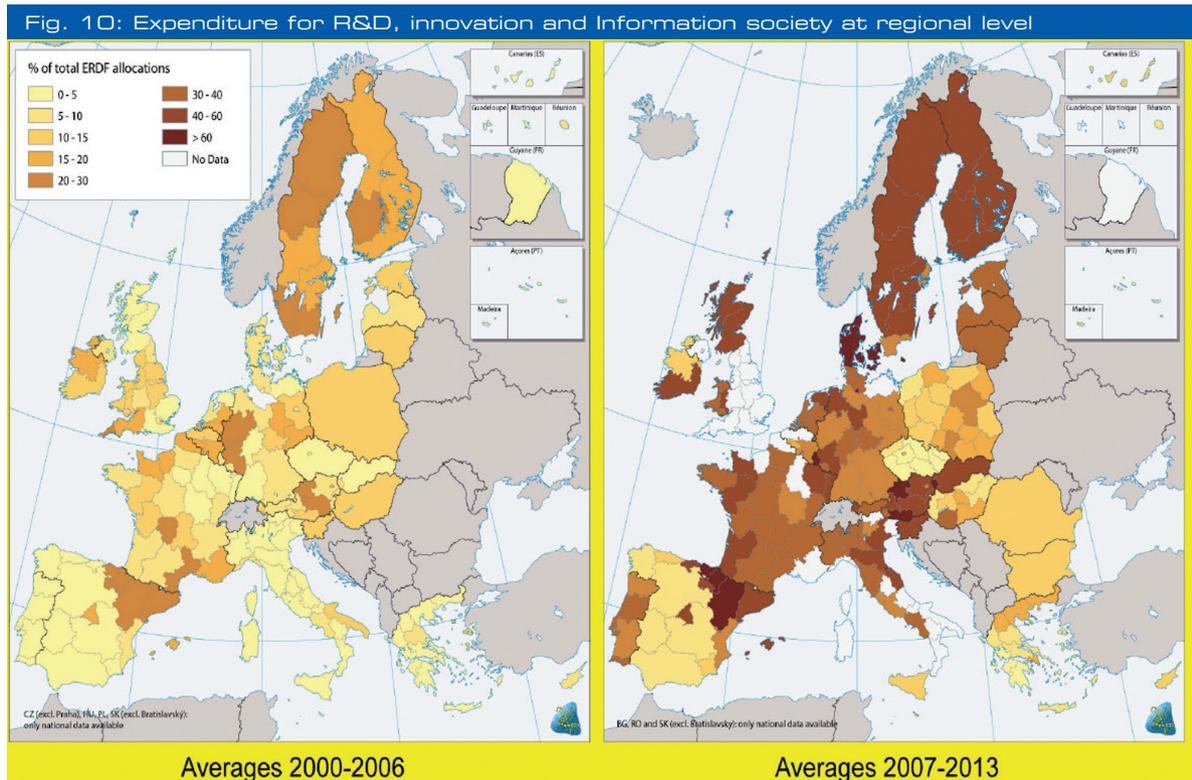
Austria absolute: 24.6%

Source: ÖROK Atlas, 26th delivery (data as per AMS)



# D ADDITIONAL ILLUSTRATIONS FOR PROGRAMMES

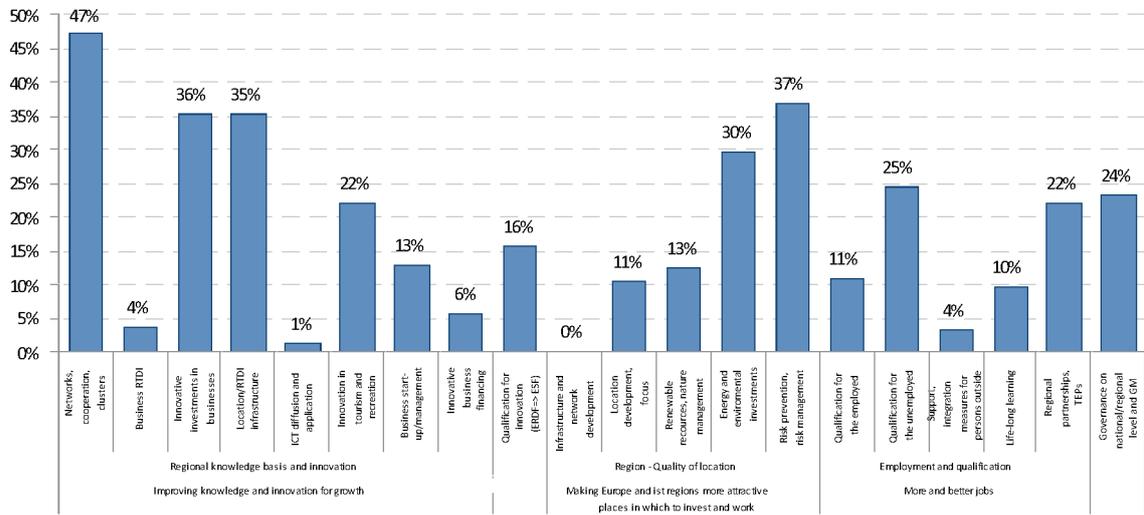
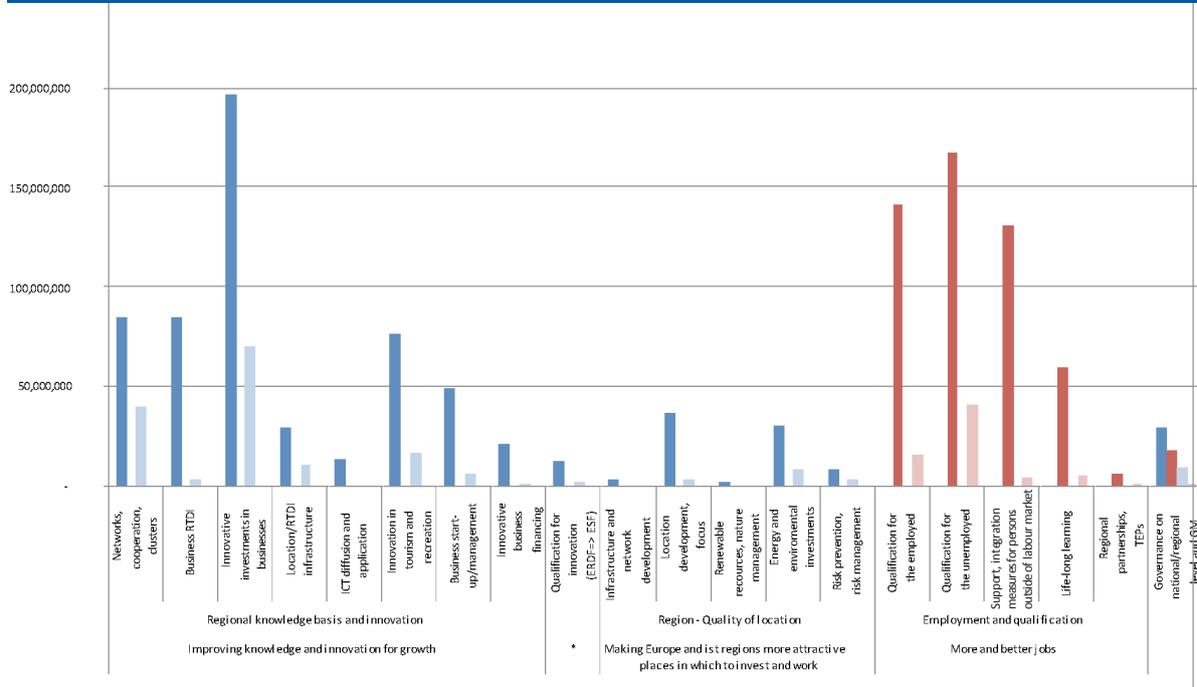
## D.1 Planned EU fund portions for RTDI and Information Society



Source: Landabaso 2009

## D.2 EU fund distribution in view of STRAT.AT and guidelines on cohesion

Fig. 11: Contributions of Austrian RCE and Phasing-Out programmes to the SGC; Part A: absolute (planning and implementation); Part B: implementation in %



\*this objective is to be assigned to the guideline "more and better jobs"

Source: AMTOS monitoring at awslerp-fonds; as at: 30 September 2009; ESF Monitoring (2nd quarter 2009), own conception and calculation 2009

### D.3 Implementation tables as per COCOF guidelines

Tab. 13: Commitments of Operational Programmes of objectives „Regional Competitiveness and Employment“ and “Convergence/Phasing Out” data as at 30 September 2009

Table as per Annex II of information note for EC "Indicative Structure of National Strategic Reports for 2009

(Template from final version of 18 May 2009 / COCOF 09 / 0018/01-DE)

Note: The values in the table only refer to the structural funds for the listed EU programmes

		1		2	3	4	5	6	7
Country	CCI	OP	Source of funds	Total amount EU-funds 2007–2013 (EUR)	Advances (EUR)	Fund allocations for selected projects (EUR)	Col 4 as % of Col 2	Payments reported to Commission (EUR) (received interim payment applications)	Col 6 as % of Col 2
A	2007AT051PO001	OP Bgld 2007–2013: Obj. Convergence/ Phasing Out/ESF	ESF	52,140,000	3,910,500	26,674,026	51.2%	7,208,371	13.8%
A	2007AT052PO001	Operational Programme employment Austria 2007–2013	ESF	472,272,560	35,420,442	220,524,717	46.7%	0	0.0%
A	2007AT161PO001	OP Bgld 2007–2013: Obj. Convergence/ Phasing Out/ERDF	ERDF	125,026,964	9,377,022	13,775,251	11.0%	2,911,135	2.3%
A	2007AT162PO001	OP LA 2007–2013: Obj. RCE/ERDF	ERDF	145,646,798	10,923,510	45,044,327	30.9%	7,424,424	5.1%
A	2007AT162PO002	OP UA 2007–2013: Obj. RCE/ERDF	ERDF	95,543,517	7,165,764	38,866,948	40.7%	1,420,120	1.5%
A	2007AT162PO003	OP VlbG 2007–2013: Ziel RCE/EFRE	ERDF	17,660,129	1,324,510	4,213,554	23.9%	1,150,400	6.5%
A	2007AT162PO004	OP Vienna 2007–2013: Obj. RCE/ERDF	ERDF	25,151,861	1,886,390	5,553,052	22.1%	40,644	0.2%
A	2007AT162PO005	OP Car 2007–2013: Obj. RCE/ERDF	ERDF	67,388,430	5,054,132	12,242,064	18.2%	2,560,586	3.8%
A	2007AT162PO006	OP Slbg 2007–2013: Obj. RCE/ERDF	ERDF	13,813,480	1,036,011	3,794,425	27.5%	559,523	4.1%
A	2007AT162PO007	OP Styria 2007–2013: Obj. RCE/ERDF	ERDF	155,061,854	11,629,639	43,472,292	28.0%	9,623,449	6.2%
A	2007AT162PO008	OP Tyrol 2007–2013: Obj. RCE/ERDF	ERDF	34,772,988	2,607,974	9,530,130	27.4%	2,290,669	6.6%

Tab. 14: Commitments for selected projects by priority theme objective "Convergence/Phasing Out" Austria

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
1	R&TD activities in research centres	4,200,000	2.37	-/-	-/-
2	R&TD infrastructure and centres of competence in a specific technology	6,043,968	3.41	-/-	-/-
3	Technology transfer and improvement of cooperation networks ...	1,050,000	0.59	67,500	0.32
4	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	7,931,250	4.48	186,720	0.89
5	Advanced support services for firms and groups of firms	5,396,682	3.05	-/-	-/-
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	3,408,210	1.92	-/-	-/-
7	Investment in firms directly linked to research and innovation (...)	25,715,209	14.51	-/-	-/-
8	Other investment in firms	34,909,818	19.70	7,510,555	35.78
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs	7,500,000	4.23	-/-	-/-
10	Telephone infrastructures (incl. broadband networks)	-/-	-/-	-/-	-/-
11	Information and communication technologies (...)	1,080,000	0.61	-/-	-/-
12	Information and communication technologies (TEN-ICT)	-/-	-/-	-/-	-/-
13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion etc.)	-/-	-/-	-/-	-/-
14	Services and applications for SMEs (e-commerce, education and training, networking etc.)	2,115,000	1.19	-/-	-/-
15	Other measures for improving access to and efficient use of ICT by SMEs	-/-	-/-	-/-	-/-
16	Railways	3,000,000	1.69	-/-	-/-
17	Railways(TEN-T)	-/-	-/-	-/-	-/-
18	Rolling materials	-/-	-/-	-/-	-/-
19	Rolling materials(TEN-T)	-/-	-/-	-/-	-/-
20	Motorways	-/-	-/-	-/-	-/-
21	Motorways(TEN-T)	-/-	-/-	-/-	-/-
22	National roads	-/-	-/-	-/-	-/-
23	Regional/local roads	-/-	-/-	-/-	-/-
24	Cycle tracks	-/-	-/-	-/-	-/-
25	Urban transport	-/-	-/-	-/-	-/-

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
26	Multimodal transport	-/-	-/-	-/-	-/-
27	Multimodal transport (TEN-T)	-/-	-/-	-/-	-/-
28	Intelligent transport systems	-/-	-/-	-/-	-/-
29	Airports	-/-	-/-	-/-	-/-
30	Ports	-/-	-/-	-/-	-/-
31	Inland waterways	-/-	-/-	-/-	-/-
32	Inland waterways (TEN-T)	-/-	-/-	-/-	-/-
33	Electricity	-/-	-/-	-/-	-/-
34	Electricity (TEN-E)	-/-	-/-	-/-	-/-
35	Natural gas	-/-	-/-	-/-	-/-
36	Natural gas (TEN-E)	-/-	-/-	-/-	-/-
37	Mineral oil products	-/-	-/-	-/-	-/-
38	Mineral oil products (TEN-E)	-/-	-/-	-/-	-/-
39	Renewable energies: wind	-/-	-/-	-/-	-/-
40	Renewable energies: solar	802,500	0.45	-/-	-/-
41	Renewable energies: biomass	2,206,875	1.25	-/-	-/-
42	Renewable energy; hydroelectric, geothermal and other	-/-	-/-	-/-	-/-
43	Energy efficiency, cogeneration, energy management	601,876	0.34	246,131	1.17
44	Management of household and industrial waste	-/-	-/-	-/-	-/-
45	Management and distribution of water (drink water)	-/-	-/-	-/-	-/-
46	Water treatment (waste water)	-/-	-/-	-/-	-/-
47	Air quality	-/-	-/-	-/-	-/-
48	Integrated prevention and monitoring of environmental pollution	-/-	-/-	-/-	-/-
49	Adaptation to climate change and alleviation of its effects	-/-	-/-	-/-	-/-
50	Rehabilitation of industrial sites and contaminated land	-/-	-/-	-/-	-/-
51	Promotion of biodiversity and nature protection (including Natura 2000)	-/-	-/-	-/-	-/-
52	Promotion of clean urban transport	-/-	-/-	-/-	-/-
53	Risk prevention	-/-	-/-	-/-	-/-
54	Other environmental and risk prevention measures	-/-	-/-	-/-	-/-
55	Promotion of natural assets	-/-	-/-	-/-	-/-
56	Protection and development of natural heritage	-/-	-/-	-/-	-/-
57	Other assistance to improve tourist services	3,209,100	1.81	766,527	3.65
58	Protection and preservation of the cultural heritage	-/-	-/-	-/-	-/-
59	Development of cultural infrastructure	4,553,500	2.57	472,215	2.25
60	Improvement of cultural services	4,553,500	2.57	1,725,000	8.22
61	Integrated projects for urban and rural regeneration	-/-	-/-	-/-	-/-
62	Development of life-long learning systems and strategies in firms; training and services for employees ...	7,906,275	4.46	730,852	3.48

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
63	Design and dissemination of innovative and more productive ways of organising work	-/-	-/-	-/-	-/-
64	Development of special services for employment, training and support in connection with restructuring of sectors ...	-/-	-/-	-/-	-/-
65	Modernisation and strengthening labour market institutions	-/-	-/-	-/-	-/-
66	Implementation of active and preventative activities on labour market	31,703,400	17.89	6,068,564	28.91
67	Measures encouraging active ageing and prolonging working lives	-/-	-/-	-/-	-/-
68	Support for self-employment and business start-ups	-/-	-/-	-/-	-/-
69	Measures to improve access to employment and increase sustainable participation and progress of women ...	2,362,500	1.33	203,412	0.97
70	Specific action to increase migrants' participation in employment ...	-/-	-/-	-/-	-/-
71	Pathways to integration and re-entry into employment for disadvantaged people ...	3,919,725	2.21	-/-	-/-
72	Design, introduction and implementing of reforms in education and training systems ...	187,500	0.11	-/-	-/-
73	Measures to increase participation in education and training throughout post-graduate studies ...	3,150,000	1.78	192,082	0.92
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	412,500	0.23	-/-	-/-
75	Education infrastructure	398,400	0.22	-/-	-/-
76	Health infrastructure	-/-	-/-	-/-	-/-
77	Child care infrastructure	-/-	-/-	-/-	-/-
78	Housing infrastructure	-/-	-/-	-/-	-/-
79	Other social infrastructure	-/-	-/-	-/-	-/-
80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders	412,500	0.23	-/-	-/-
81	Mechanisms for improving good policy and Programme design, monitoring and evaluation ...	1,350,000	0.76	-/-	-/-
82	Compensation for additional costs based on accessibility deficits and territorial fragmentation	-/-	-/-	-/-	-/-
83	Specific initiatives to compensate for additional costs due to market size	-/-	-/-	-/-	-/-
84	Promote compensation of additional costs due to climatic conditions and difficult terrain	-/-	-/-	-/-	-/-

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
85	Preparation, implementation, monitoring and inspection	3,964,674	2.24	21,143	0.10
86	Evaluation and studies; information and communication	3,122,003	1.76	2,800,603	13.34
<b>Total</b>		<b>177,166,965</b>		<b>20,991,305</b>	

From Annex

= Earmarked Convergence and Competitiveness

= Earmarked Convergence only

Tab. 15: Commitments for selected projects by priority theme objective "Regional Competitiveness and Employment" Austria

Code	Priority Theme Description	Community-amount – Allocated in OP – Euro	of total allocated	Community amount Allocated to selected operations – Euro	of total allocated
1	R&TD activities in research centres	42,718,095	4.16	24,260,792	10.73
2	R&TD infrastructure and centres of competence in a specific technology	20,246,634	1.97	10,323,689	4.56
3	Technology transfer and improvement of cooperation networks ...	37,394,043	3.64	16,132,606	7.13
4	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	76,870,533	7.48	2,820,218	1.25
5	Advanced support services for firms and groups of firms	43,585,380	4.24	6,399,860	2.83
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)	27,801,483	2.71	1,645,642	0.73
7	Investment in firms directly linked to research and innovation (...)	97,534,175	9.49	41,045,655	18.15
8	Other investment in firms	69,734,659	6.79	32,630,036	14.43
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs	15,163,774	1.48	1,367,043	0.60
10	Telephone infrastructures (incl. broadband networks)	501,000	0.05	-/-	-/-
11	Information and communication technologies (...)	3,153,449	0.31	-/-	-/-
12	Information and communication technologies (TEN-ICT)	-/-	-/-	-/-	-/-
13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion etc.)	-/-	-/-	-/-	-/-
14	Services and applications for SMEs (e-commerce, education and training, networking etc.)	5,561,631	0.54	180,000	0.08
15	Other measures for improving access to and efficient use of ICT by SMEs	6,659,006	0.65	-/-	-/-
16	Railways	-/-	-/-	-/-	-/-
17	Railways (TEN-T)	-/-	-/-	-/-	-/-
18	Rolling materials	-/-	-/-	-/-	-/-
19	Rolling materials (TEN-T)	-/-	-/-	-/-	-/-
20	Motorways	-/-	-/-	-/-	-/-
21	Motorways (TEN-T)	-/-	-/-	-/-	-/-
22	National roads	-/-	-/-	-/-	-/-
23	Regional/local roads	-/-	-/-	-/-	-/-
24	Cycle tracks	-/-	-/-	-/-	-/-
25	Urban transport	-/-	-/-	-/-	-/-
26	Multimodal transport	1,100,000	0.11	-/-	-/-
27	Multimodal transport (TEN-T)	-/-	-/-	-/-	-/-
28	Intelligent transport systems	1,458,808	0.14	154,888	0.07
29	Airports	-/-	-/-	-/-	-/-
30	Ports	2,800,000	0.27	-/-	-/-
31	Inland waterways	-/-	-/-	-/-	-/-
32	Inland waterways (TEN-T)	-/-	-/-	-/-	-/-

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
33	Electricity	-/-	-/-	-/-	-/-
34	Electricity (TEN-E)	-/-	-/-	-/-	-/-
35	Natural gas	-/-	-/-	-/-	-/-
36	Natural gas (TEN-E)	-/-	-/-	-/-	-/-
37	Mineral oil products	-/-	-/-	-/-	-/-
38	Mineral oil products (TEN-E)	-/-	-/-	-/-	-/-
39	Renewable energies: wind	65,000	0.01	-/-	-/-
40	Renewable energies: solar	5,836,129	0.57	114,392	0.05
41	Renewable energies: biomass	15,001,904	1.46	6,330,378	2.80
42	Renewable energy; hydroelectric, geothermal and other	325,000	0.03	124,707	0.06
43	Energy efficiency, cogeneration, energy management	5,354,138	0.52	2,195,986	0.97
44	Management of household and industrial waste	-/-	-/-	-/-	-/-
45	Management and distribution of water (drink water)	-/-	-/-	-/-	-/-
46	Water treatment (waste water)	-/-	-/-	-/-	-/-
47	Air quality	-/-	-/-	-/-	-/-
48	Integrated prevention and monitoring of environmental pollution	-/-	-/-	-/-	-/-
49	Adaptation to climate change and alleviation of its effects	-/-	-/-	-/-	-/-
50	Rehabilitation of industrial sites and contaminated land	-/-	-/-	-/-	-/-
51	Promotion of biodiversity and nature protection (including Natura 2000)	-/-	-/-	-/-	-/-
52	Promotion of clean urban transport	-/-	-/-	-/-	-/-
53	Risk prevention	9,074,950	0.88	3,346,804	1.48
54	Other environmental and risk prevention measures	-/-	-/-	-/-	-/-
55	Promotion of natural assets	175,000	0.02	275,426	0.12
56	Protection and development of natural heritage	2,000,000	0.19	-/-	-/-
57	Other assistance to improve tourist services	5,812,129	0.57	1,644,022	0.73
58	Protection and preservation of the cultural heritage	-/-	-/-	-/-	-/-
59	Development of cultural infrastructure	1,950,000	0.19	-/-	-/-
60	Improvement of cultural services	1,050,000	0.10	-/-	-/-
61	Integrated projects for urban and rural regeneration	20,790,930	2.02	3,084,906	1.36
62	Development of life-long learning systems and strategies in firms; training and services for employees ...	142,984,000	13.92	16,931,396	7.49
63	Design and dissemination of innovative and more productive ways of organising work	-/-	-/-	-/-	-/-
64	Development of special services for employment, training and support in connection with restructuring of sectors ...	-/-	-/-	-/-	-/-
65	Modernisation and strengthening labour market institutions	-/-	-/-	-/-	-/-

Code	Priority Theme Description	Community-Allocated in OP - Euro	of total allocated	Community amount Allocated to selected - operations - Euro	of total allocated
66	Implementation of active and preventative activities on labour market	133,534,000	13.00	35,174,096	15.55
67	Measures encouraging active ageing and prolonging working lives	-/-	-/-	-/-	-/-
68	Support for self-employment and business start-ups	150,000	0.01	-/-	-/-
69	Measures to improve access to employment and increase sustainable participation and progress of women ...	1,247,053	0.12	-/-	-/-
70	Specific action to increase migrants' participation in employment ...	547,053	0.05	-/-	-/-
71	Pathways to integration and re-entry into employment for disadvantaged people ...	128,206,105	12.48	4,624,871	2.04
72	Design, introduction and implementing of reforms in education and training systems ...	-/-	-/-	-/-	-/-
73	Measures to increase participation in education and training throughout post-graduate studies ...	56,118,000	5.46	5,640,409	2.49
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...	-/-	-/-	-/-	-/-
75	Education infrastructure	-/-	-/-	-/-	-/-
76	Health infrastructure	-/-	-/-	-/-	-/-
77	Child care infrastructure	-/-	-/-	-/-	-/-
78	Housing infrastructure	-/-	-/-	-/-	-/-
79	Other social infrastructure	-/-	-/-	-/-	-/-
80	Promoting the partnerships, pacts and initiatives through the networking of relevant stakeholders	17,327,973	1.69	4,558,753	2.02
81	Mechanisms for improving good policy and Programme design, monitoring and evaluation ...	3,817,251	0.37	1,448,870	0.64
82	Compensation for additional costs based on accessibility deficits and territorial fragmentation	-/-	-/-	-/-	-/-
83	Specific initiatives to compensate for additional costs due to market size	-/-	-/-	-/-	-/-
84	Promote compensation of additional costs due to climatic conditions and difficult terrain	-/-	-/-	-/-	-/-
85	Preparation, implementation, monitoring and inspection	14,940,994	1.45	3,452,263	1.53
86	Evaluation and studies; information and communication	8,721,342	0.85	256,538	0.11
	<b>Total</b>	<b>1,027,311,621</b>		<b>226,164,247</b>	

From Annex

 = Earmarked Convergence and Competitiveness

 = Earmarked Convergence only

## E REACTION TO THE "EUROPEAN RECOVERY PLAN"

The following section describes an assessment of the initiatives of the "European Recovery Plan"<sup>56</sup> in Austria. Questions are based on the guidelines which are discussed as part of the COCOF (Coordination Committee for the funds pursuant to Article 103 of the General Fund Regulation (EC) No. 1083/2006)). First a short overview:

- The additional funds provided through the "European Recovery Plan" in the amount of EUR 46 million will be used in the EAFRD. EUR 15 million of these funds will be used for the development of broadband networks in rural areas.
- The initiatives in the area of financing ("advances" etc.) are not used in Austria, or are supported with national funds. The same applies to the content of the options in the area of energy efficiency or newer financing forms, which are used as part of the "crisis packages".
- The principles of taking into account indirect costs on the basis of "flat rates" and "standard scales of unit costs" are to be implemented. This is viewed as a significant assisting factor in funding programmes with a high degree of labour intensity, as is the case for innovation and R&D projects.

### Financing:

1. Are advances made under Cohesion Policy (2007–2009) being used to pre-finance operations? To public authorities? To enterprises? To enterprises or other economic operators?	No – pre-financing is carried out via national funds
2. Is expenditure incurred on major projects being declared while submissions to the Commission are pending?	No – not relevant
3. Are advances under state aid schemes to SMEs paid and declared to the Commission for reimbursement?	No, prefinancing is carried out via national funds
4. Is frontloading of planned investment over the period 2007–2013 being implemented?	No – there are no plans to utilise the option
5. Is the use of flexibility in the existing programmes to modulate the rate of the EU contribution to projects (up to 100 % of the eligible costs) being used?	No – there are no plans to utilise the option

### Simplification of categories of eligible expenditure: Are your authorities using or planning to use

6. Indirect costs declared on a flat-rate basis?	Yes. The intention is to use the principle of taking into account indirect costs on a flat rate basis for up to 20% of direct project costs. A recommendation for use with EFRE projects with personnel costs is available. Direct personnel costs are to be used as the basis for calculating the overhead surcharge. An empirical analyses concerning a concrete definition of the overhead surcharge is in preparation (as at 9 July 2009). Once results are available, there are plans to utilise the European Commission's offer to coordinate the method. Finally, it will also be adopted into the national eligibility criteria.
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56 EC (2008), A European Economic Recovery Plan, Communication from the Commission to the European Council, COM(2008) 800 final, Brussels, 26. 11. 2008

7. Flat-rate costs calculated by application of standard scales of unit cost?	Yes. The principle of "standard scales of unit costs" is to be used. To this end, a recommendation for advisory projects has been prepared, whereby a coupling as covered by the regulation with the principle of indirect costs on a flat rate basis is to occur. In addition, other application options e. g. as part of lump-sum personnel costs are also being reviewed. For the latter, it is expected that administrative requirements can be minimised for project types which are strategically promoted by the EU level (e. g. innovation, R&D), but where an application of the principle of "expenditure actually incurred" only has insufficient suitability.
8. Lump sums to cover all or part of the costs of an operation	At this time we have not received any recommendations for the use of the "lump sum" principle.

**If use has been made of these categories of expenditure, please provide:**

- Information on types of operations where the use of these categories of expenditure is made.	Focus: labour cost intensive projects in the areas R&D, innovation and advisory projects
- Information on the (estimated) amount paid out by the beneficiaries and included in payment claims sent to the managing authority;	No data available at this time. Changes must be defined in more detail and integrated into the system.

**Enlarging or adjusting the priorities of OPs**

9. What measures under the four priority areas outlined in the Communication (people, business, infrastructure and energy; research and innovation) are being accelerated or adjusted? Are other adjustments necessary to the initially planned measures? What is the likely impact of these actions? Higher numbers of beneficiaries that anticipated? New needs identified?	With regard to the Operational Programmes Burgenland, Upper Austria, Styria and Vienna, managing authorities have recommended adjustments, which were approved by the Monitoring Committees. The corresponding applications for changes were officially forwarded to the European Commission in June/July 2009, via SFC. However, the adjustments can be described as rather minor overall, since they contain additions and adjustments to individual activities, without any changes to the programme strategies.
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**In particular**

10. Are OPs being amended to open the scope of actions to energy efficiency and renewable energies in housing? If yes, what amount has been (will be) allocated to these measures? What kinds of operations are concerned?	No, no change in programmes. Energy efficiency can be funded in many programmes already; an expansion to "energies in housing" is not carried out. In this vein there are national funding programmes which were also expanded in reaction to the crisis.
11. Are JEREMIE-type access to finance instruments to benefit SMEs being accelerated or expanded? What is the expected total financial volume? And the EU co-financing?	No, JEREMIE is not applied in Austria. National initiatives include instruments for loans, participations (e. g. VC), liabilities, and guarantees. Some <i>Länder</i> also intend to allocate regional participation funds with cohesion funds, which however is not connected to the crisis.
12. Have capacity building priorities to reinforce within public authorities their ability to plan, implement, monitor and control OPs been modified or reinforced?	Because of the well functioning administrative structures in Austria, and the integration of the management of cohesion funds through general funding bodies both at the federal and <i>Länder</i> level, there are no plans for specific reactions as part of the Recovery Packages.

**Simplifying the national/regional implementation mechanisms**

13. What national measures have been taken to accelerate the implementation of OPs?	→ Initiatives are mainly focused on an active and intensive communication performance in the regions, and potential project carriers (including SME Road shows, e. g. in Burgenland), which were already provided for as part of the programme marketing during the start phase.
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	<ul style="list-style-type: none"> <li>→ Additional project calls are taking place in some programmes, or a strengthening of resources for active project development.</li> <li>→ As mentioned under 2.a, national eligibility rules are being changed to be able to take into account flat rates.</li> <li>→ As part of one implemented project "Governance Check" initiatives to simplify overall management were discussed and defined (e. g. internal task force to define a (more efficient) process to change for MCS changes)</li> </ul>
14. Is it necessary to simplify provisions in the adopted Programmes through formal modification to speed up deliver mechanisms?	No, not in the programmes, other simplifications of the entire system of cohesion funds are viewed as necessary however.
<b>Use of possibilities under the Temporary state aid framework:</b>	
Is it planned to use Cohesion Policy funds to finance:	
15. Schemes implementing the "Compatible limited amount of aid" up to Euro 500 000 following Commission state aid approval?	Yes, is being implemented
16. State guarantees for loans at a reduced premium?	No, not with cohesion funds. Guarantees are implemented through national instruments and financing. These instruments were significantly expanded in response to the economic crisis.
17. Loans interest funds, in particular for the production of green products (meeting environmental protection standards early or going beyond such standards)?	No, not by using cohesion funds. Loans and interest support is carried out through national instruments and financing.
<b>Public Procurement</b>	
Within Operational Programmes, is use being made of accelerated public procurement procedures, reducing the overall time limit of the procedure from 87 days to 30 days?	Not relevant



## F FEDERAL INITIATIVES IN RESPONSE TO THE CRISIS

Tab. 13: Budgetary effects of federal stabilisation measures  
(Contributions in EUR million)

	2008	2009	2010	2011	2012	2013
<b>NR resolutions, 24 Sep 08</b>	<b>623</b>	<b>1,062</b>	<b>1,149</b>	<b>1,375</b>	<b>1,606</b>	<b>1,753</b>
Abolition of tuition fees		157	157	157	157	157
13 <sup>th</sup> Family support	250	250	250	250	250	250
Increase in nursing allowance		127	135	143	151	159
Higher pension adjustments 2009 (3.4% instead of 3.2%)	53	53	53	53	53	
Earlier pension increases	130					
Energy cost allowance (one-time)	50					
One-time payments to pensioners 2008	193					
Extension of "Hackler" (heavy worker) provision				150	300	360
Cancellation of waiting period for first pension increase	43	88	136	186	238	
Expansion in contribution periods for "Hackler" provision		24	27	27	28	32
VAT decrease for medication		270	289	309	331	354
Tax exemptions		138	150	150	150	150
<b>Economic recovery package I</b>		<b>105</b>	<b>105</b>	<b>75</b>	<b>75</b>	<b>75</b>
Continuation of globalisation offensive		25	25	25	25	25
Allocation of funds for medium-sized businesses at aws		40	40			
Investment initiatives OEBB (Austrian National Railway)		10	20	30	30	30
Communication area (broadband)		10				
Increase in premiums for building society savings		20	20	20	20	20
<b>Economic recovery package II</b>		<b>250</b>	<b>448</b>	<b>423</b>	<b>173</b>	<b>73</b>
Earlier depreciation (gross)			250	350	100	0
Regional offensive		75	75			
Obligatory kindergarten year as of fall 2009		25	73	73	73	73
Additional R&D funds		50	50			
Thermic restructuring		100				
<b>Tax reform 2009</b>		<b>2,135</b>	<b>2,858</b>	<b>3,000</b>	<b>3,060</b>	<b>3,060</b>
Decrease in rate		1,900	2,300	2,300	2,300	2,300
Relief for families with children		235	488	510	510	510
Profit exemption		0	0	110	150	150
Deduction of donations		0	70	80	100	100
<b>Labour market package I (employment promotion law)</b>		<b>220</b>	<b>220</b>			
<b>Labour market package II</b>		<b>23</b>	<b>110</b>	<b>121</b>	<b>104</b>	<b>93</b>
"Lemon premium" (federal portion)		23				
<b>Anti-price increase package (spring 2008)</b>	<b>179</b>	<b>338</b>	<b>308</b>	<b>308</b>	<b>308</b>	<b>308</b>
Decrease in incidental wage costs (UIC contributions)	144	288	288	288	288	288
Increase in kilometre allowance and lump-sum amount for commuters	35	50	20	20	20	20
<b>Total</b>	<b>802</b>	<b>4,156</b>	<b>5,198</b>	<b>5,302</b>	<b>5,326</b>	<b>5,362</b>
<b>Financial stabilisation package</b>						
Expenses (participation capital etc.)	900	10,300	500			
Earnings (liability fee, dividends)		-170	-755	-720	-690	-660
<b>Total</b>	<b>900</b>	<b>10,130</b>	<b>-255</b>	<b>-720</b>	<b>-690</b>	<b>-660</b>

Source: NRP for growth and employment, implementation report 2009



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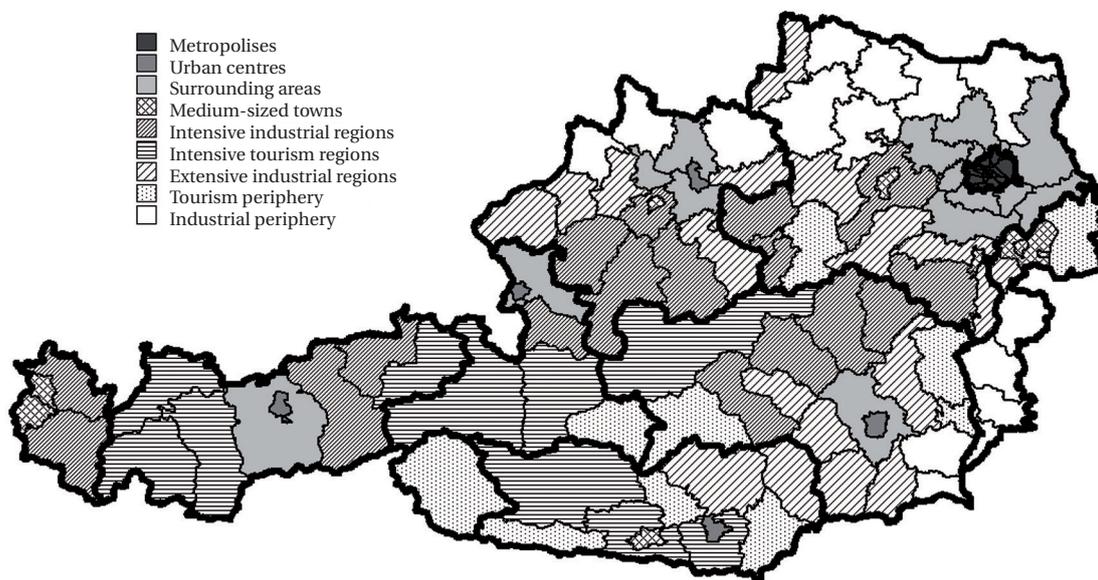
## H ABBREVIATION INDEX AND TERMINOLOGY

<b>Regulation (EC) No 1083/2006</b>	Regulation (EC) No 1083/2006 of the Council from 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999
<b>AMS</b>	Public Employment Service Austria (Arbeitsmarktservice)
<b>BRP</b>	Gross Regional Product
<b>cross-financing</b>	Under certain conditions, there is a possibility to finance activities out of ERDF and ESF, which fall into the intervention area of the other fund ("cross financing") – however this can only be done to a maximum level of 10 % of community participation at the priority axis level. (Legal basis: Article 34 Paragraph 2 of Regulation (EC) No 1083/2006). <sup>57</sup>
<b>ERDF</b>	European Regional Development Fund
<b>EIS</b>	European Innovation Scoreboard. Annually updated and EU-operated monitoring System for RTDI indicators for individual EU Member States, and selected states outside of Europe (e. g. USA, Japan)
<b>EAFRD</b>	European Agricultural Fund for Rural Development
<b>ESF</b>	European Social Fund
<b>ETC</b>	European Territorial Cooperation
<b>EU-15</b>	Austria, Belgium, Germany, Greece, Spain, France (including Monaco and overseas departments), Ireland, Italy (without San Marino, Vatican), Luxembourg, Netherlands, Portugal, Finland, Denmark, Sweden, UK (without Guernsey, Jersey, Isle of Man)
<b>EU-27</b>	EU-15 + CEEC-5 + Estonia, Latvia, Lithuania, Malta, Cyprus, Bulgaria, Romania
<b>European Recovery Plan</b>	A European Economic Recovery Plan, Communication from the Commission to the European Council, COM(2008) 800 final, Brussels, 26. 11. 2008
<b>Eurozone 15</b>	Austria, Belgium, Germany, Greece, Spain, France (including Monaco and overseas departments), Ireland, Italy (without San Marino, Vatican), Luxembourg, Netherlands, Portugal, Finland, Malta, Cyprus, Slovenia
<b>IPCC</b>	Intergovernmental Panel on Climate Change (UN)
<b>ISCED</b>	The International Standard Classification of Education was developed by UNESCO for the purpose classifying and characterising school types and systems. It differentiates between several levels.
<b>CEEC-5</b>	Poland, Slovakia, Slovenia, Czech Republic, Hungary
<b>CEEC-19</b>	CEEC-5 + Albania, Bosnia-Herzegovina, Bulgaria, Estonia, Croatia, Latvia, Lithuania, Moldavia, Macedonia, Romania, Russia, Serbia Montenegro, Ukraine, Belarus
<b>n+2-rule</b>	In general, this rule prescribes that funds provided as part of a programme must be spent before the end of the second year following the provision of funds ("n" is the year funds are made available) (legal basis: Article 93 of Regulation (EC) No 1083/2006).
<b>STRAT.AT</b>	Austrian National Strategic Reference Framework 2007–2013
<b>NRP</b>	National Reform Programme for Growth and Employment (as per agreement at the European Council of June 2005 in Brussels)
<b>OeNB</b>	Austrian National Bank
<b>ÖROK</b>	Austrian Conference on Spatial Planning

<sup>57</sup> Regulation (EC) No 1083/2006 of the Council from 11 July 2006 laying down general provisions on the European Fund for Regional Development, the European Social Fund and the Cohesion Fund

<b>PhO</b>	Phasing-Out
<b>Principle of proportionality</b>	Principle of an appropriate relationship between the overall amount of expenses for an Operational Programme and the administrative and financial resources used for implementation purposes, in particular in the area of indicators, evaluation and management and control systems and mechanisms (legal basis: Article 13 of Regulation (EC) No 1083/2006)
<b>RCE-ERDF</b>	Operational ERDF programmes for objective "Regional Competitiveness and Employment" 2007–2013
<b>TEP</b>	Territorial Employment Pacts
<b>Thematic codes</b>	Obligatory classification of fund interventions into specified thematic areas, which in turn are summarised into groups, such as "RTD, Innovation and Entrepreneurship", "Energy", "Environment and Risks Prevention", "Human resources", etc.). In addition, interventions are also classified by the form of finance, territory type and economic activity (legal basis: Annex II Part A of Regulation (EC) No 1828/2006 <sup>58</sup> )
<b>VC Funds</b>	Venture Capital Funds
<b>WIFO system</b>	The classification of Austria's regions as developed by WIFO differentiates between the main groups (i) rural regions: extensive industrial regions, industrial periphery, tourism periphery; (ii) human capital-intensive regions: urban centres, metropolis, medium-sized towns, surroundings; (iii) capital-intensive regions: intensive industrial regions, intensive tourism regions

Fig. 12: WIFO classification of Austrian regions



Source: WIFO – Regional differentiation, G. Palme

58 Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund

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