

Austria – Slovenia

INTERREG IIIA

Community Initiative Programme

2000-2006

Based on Commission decision C(2001) 2043 of 6th August 2001,
revised by a Commission decision C(2002) 1703 of 26th July 2002 and
revised by a Commission decision C(2004) 4154 of 19th October 2004
revised by a Commission decision K (2005) 4971 of 5th December 2005

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1. INTRODUCTION

1.1 From an external to an internal INTERREG IIIA programme

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

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

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

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

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

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

In Slovenia the referendum on accession was held on 23rd March 2003 resulting in nearly 90% votes for accession.

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

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

- an International Seminar on „Interreg III and EU Enlargement Managing Transition 2004 – 2006“ on 1st October 2002 focused on strategic and operational questions with regard to the transformation of Phare CBC into Interreg and the new challenges for Interreg after accession. The event served as a platform for exploring different possible scenarios for the transition phase and it supported an exchange of views between the European Commission, the Member States and Candidate Countries concerned in this co-operation area.
- a Working meeting on the 2nd October 2002 to reconsider the main results of the seminar held the day before in the context of the Interreg programmes Austria-Czech Republic, Austria-Slovak Republic, Austria-Hungary and Austria-Slovenia and to prepare the next steps.

Following these meetings a Task Force (TF) has been established by the Joint Monitoring Committee at the beginning of 2003 giving its members the mandate to launch the Managing Transition process.

On the Slovene side, the TF was composed of representatives of the National Agency for Regional Development – central and regional offices, the Government Office for Structural Policy and Regional

Development, Ministry of Finance, National Fund and the Budget Supervisory Service as well as two representatives of Regional Development Agencies (RDA Koroška, RDA Podravje). The Austrian members of the TF were representatives of the Federal Chancellery, the Länder Carinthia and Styria and the Technical Secretariat. Representatives of the European Commission, DG Regio are highly welcome as observers.

The Task Force held five meetings:

29 January 2003, Maribor	Start-up activities, financial allocations, technical and legal needs for the implementation of the Interreg IIIA, documents to be amended, project pipeline, cross reference JPD, SPD, RDP
9 April 2003, Vienna	Management and implementation structures, revision needs of the JPD, Preparation of the Workshop on strategic project development
11 June 2003, Rakičan	Open issues of the Memorandum of Understanding, discussion of the proposal of the joint programme structures, financial management and control
4 September 2003, Vienna	First draft of CIP and MoU
3 December 2003, Bled	Revision needs of the Programme Complement and open issues of the MoU

Additionally, a workshop on strategic project development was held on April 2003 in Graz aiming at finding a common understanding on the strategic focus of Interreg IIIA and developing common strategic projects for the remaining programming period 2004 to 2006. A second workshop in October 2003 in Diex, Carinthia aimed at developing a common understanding on the project implementation process.

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

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

In Slovenia a team of experts has been contracted by NARD to assist preparation for full integration to the Interreg Community Initiative. The Kick off meeting was held on 18th July 2003 in Ljubljana where the overview of the situation was presented and an action plan was discussed and agreed for further elaboration of the CIP.

Various internal workshops have been organised in Slovenia with representatives of ministries and bodies involved in the setting up of the structures and organisation for programme implementation. Arrangements to consult wider partnership have also been made. Regional development agencies in Slovene border region have been informed on activities and additionally invited to comment the proposed structures and implementation arrangements. Also in Austria, representatives of the Länder Styria and Carinthia have been consulted on the changes and suggestions for the programme implementation.

1.2 The revised CIP

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

This amendment implies the establishment of relevant programme management and implementation structures in Slovenia assuring harmonised procedures with the existing structures in Austria. By overcoming the weaknesses imposed by different procedures of the Interreg IIIA and Phare CBC before accession, a new impulse will be given to strengthen the border regions cooperation. The fact that Slovenia has been granted relatively small funds in relation to the overall programme budget leads to imbalances of financial means available on both sides of the border.

Due to relatively short implementation period of this programme and limited financial resources, Slovenia decided to concentrate development efforts into key areas, following the Commission guidelines. The decision has been reached by taking in account the measures implemented in the period 2000-2003, mirror projects approved and future Interreg projects on the Austrian side, conformity of projects with the regional development programmes of the eligible NUTS III regions and complementarity to measures of the Single Programming Document. The most important criteria for setting 2004-2006 priorities was to complement priorities that were not sufficiently covered in 2000-2003. Therefore, in the period 2004-2006, the focus will be on the measures tourism, regional co-operation and sustainable spatial and environmental development. As Slovenia has an Objective 1 status it is entitled to 75% ERDF co-financing per project.

In the preparation of this CIP, the practical guide for preparing new and amending existing INTERREG III Community Initiative Programmes has been respected beside regulations concerning the Interreg IIIA Initiative. The Commission's proposal to minimise the need for amendment has been taken into account. The structure of the document has not been changed with the only exception of integration of the Preamble into Chapter 1 and exclusion of the Chapter on the Small Projects Fund. A special focus has been devoted to description of the structures and procedures for programme management and implementation and to provide the necessary amendments taking into account the activities in the period 2000-2003.

Thus the main changes in the given document are:

- Chapter 4: Cross-border activities
- Chapter 5.6: Correspondence with other EU Programmes and National Programmes
- Chapter 6: Inclusion of new priority 4 "Special Support for Border Regions"
- Chapter 7: Programme Indicators
- Chapter 9: Indicative Financing Plan
- Chapter 10: Programme Implementation Structures
- The Ex-ante Evaluation has been omitted as it relies on the JPD and not on the CIP.

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

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

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

While the differences between Phare and Interreg have been a handicap to the co-ordinated implementation of the Interreg and Phare CBC programmes in the past, the new phase sets a solid foundation to achieve a real cross-border impact. The programme partners agree that the implementation of genuine cross-border projects is one of the key objectives to be achieved in the Interreg IIIA programme Austria-Slovenia.

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

2. DESCRIPTION OF THE PROGRAMME AREA

Table 1: The Austrian/Slovenien border region – regional survey

	AUSTRIA (INTERREG Region)	SLOVENIA (INTERREG Region)	TOTAL
Common border			330 km
Areal in km ²	16 334	9 069	25 403
Inhabitants 1998 (A), 1997 (SLO)	1 393 803	972 790	2 366 593
Population 1991-1998 (A), 1990-1997 (SLO), in %	2.9	-1.28	
GDP/inh 1996 (A), 1996 (SLO) EU=100	127.3	67.4	
Dependent employees 1998 (A), Dec 1997 (SLO)	465 817	346 070	811 887
Manufacturing, total in %	36.9	37.7	
Services, total in %	62.7	28.8	
Hotels and Restaurants in % ¹⁾	7.5	not available	
Number of unemployed persons in 1998	42 799	75 573	118 372
Unemployment rate 1998 in %	7.7	8.9	
Overnight stays 1998 (Styria), 1996/97 (Carinthia)	16 942 103	41 144 ²⁾	

1) Share of services and total

2) 1998 in north western Slovenia

Sources: ÖSTAT; EUROSTAT; Hauptverband der Österr. Sozialversicherungsträger; Arbeitsmarktservice Österreich; Regional Report 1997; Statistical Yearbook of RS 1998, Statistical Office of RS

Map 1

Regional structure

INTERREG IIIA Austria - Slovenia



Graz Region name
 INTERREG area
 adjoining regions in accordance with Art. 10 of the INTERREG guidelines

— National Borders
 — Border NUTS II
 — Border NUTS III

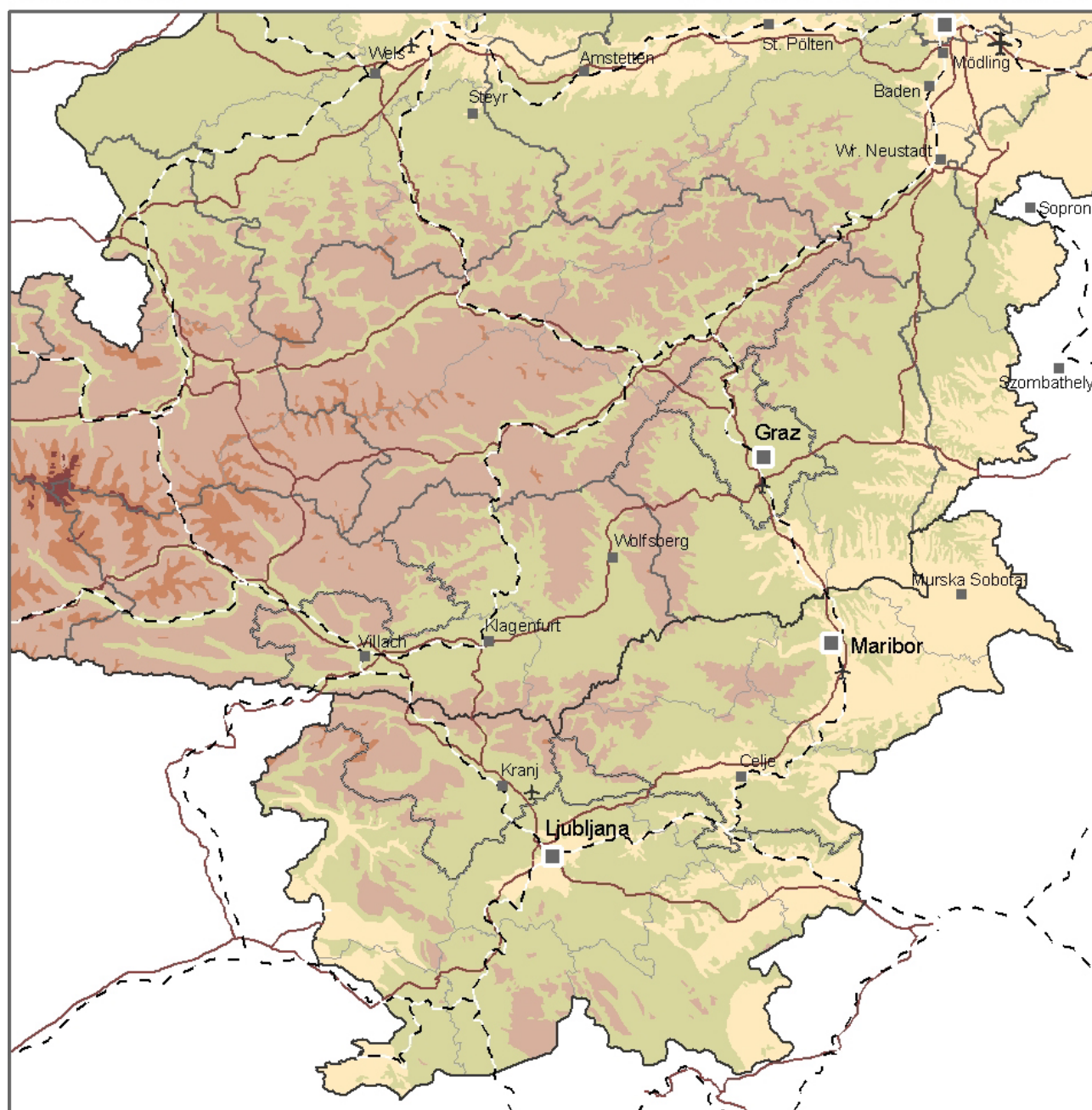


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Map 2

Infrastructure

INTERREG IIIA Austria - Slovenia



Cities (selection)

- 20.000 to under 100.000 inhabitants
- above 100.000 inhabitants

✈ ✈ Airport (major/other)

2500m Altitude
1000m

— National Borders

— Border NUTS II

— Border NUTS III

— Delimitation

Interreg IIIA

— Railway lines (selection)

— Roads (selection)



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2.1 Geographical features

Surrounding area and borders

The Austrian-Slovenian border area includes the NUTS III regions Oststeiermark, West and Südsteiermark, Unterkärnten and Klagenfurt-Villach on the Austrian side of the border; on the Slovenian side, the area is made up of the NUTS III regions Podravska, Pomurska, Savinjska, Gorenjska, municipality Kamnik¹ and Koroška. The NUTS III regions Graz and Oberkärnten are included in the programme planning work, because 20% of the funds may be earmarked for this region. In 1998, the entire programme region had a total of more than 2.3 million inhabitants.

Table 2: The Austrian/Slovenian INTERREG IIIA region

Regional unit Nuts III region	Area in km ²	Inhabitants 1998 (A), 1997 (SLO)	Density (inhab/km ²)
Oststeiermark	3 351	269 073	80
West- und Südsteiermark	2 223	190 918	86
Graz	1 228	369 721	301
Unterkärnten	3 374	161 093	48
Klagenfurt-Villach	2 028	270 084	133
Oberkärnten	4 130	132 914	32
AUSTRIA (INTERREG Region)	16 334	1 393 803	85
Podravska	2 170	320 072	148
Pomurska	1 337	125 957	94
Savinjska	2 384	256 965	108
Gorenjska	2 137	195 823	92
Koroška	1 041	73 973	71
Municipality Kamnik ²	266	26 310	73
SLOVENIA (INTERREG Region)	9 335	999 100	107
TOTAL	25 669	2 392 903	93

Source: ÖSTAT, Statistični urad Republike Slovenije

With the exception of the Graz region and the core area of Carinthia the major part of the region also forms part of Austria's Objective 2 area. Austria and Slovenia have **330 km of common borders**. At present, this border still constitutes an external EU border between a member state and a candidate country. As Slovenia becomes a member of the EU in 2004, this border will become a much less important internal border. To the east, the region borders Hungary), a neighbouring state of both Austria and Slovenia while Italy is the neighbouring country to the west. On the Austrian side, 95.5% of the Slovenian borderline extends in the south of the Länder Styria (145 km) and Carinthia (170 km) and only 4.5% (15 km) border Burgenland. For administrative reasons, Burgenland, rather than being directly involved in the INTERREG III Programme with Slovenia, especially with regard to trilateral aspects, participates in this programme within the context of the Hungarian programme.

Spatial structure

The western part of the Austrian/Slovenian border area falls into the category of an Alpine mountain region, the highest elevations being in the northwest of the Gorenjska region (Triglav Massif, 2,843 m). The alpine landscape changes towards the east, turning into hilly country with chains of long-drawn hills in the Styrian/Slovenian border area. The border region also encompasses two cross-border river systems – the Mura / Mur and the Drava / Drau together with their tributaries. The Sava flows on the Western side of Slovenia very close to the border. The Drava / Drau has been harnessed for hydro-electric power generation.

¹ A decision has been taken in Slovenia to expand the previous Phare border region with the inclusion of the territory of the municipality Kamnik.

² The municipality Kamnik belongs to the NUTS III region Osrednjeslovenska. Data for Municipality Kamnik for the year 2000.

The spatial structure offers a rich leisure-time and recreational potential (lake country, mountain hiking and climbing, winter sports, health tourism), the thermal springs are a special feature. The area is generally predisposed for tourism, both for day trips and overnight stays. The landscape is worth preserving, there are water resources and mainly high-land farming.

The Styrian Podravska and Pomurska regions, on the eastern part of the border, exhibit a broad spectrum of landscape and climatic features from low mountain ranges to intensively cultivated valley areas and richly structured hilly country extending, on the Slovene side, into the flat plain of south Podravska and the beginning of the Pannonian plain in Pomurska.

For most parts of the analysis the region is divided into two parts:

- The Styrian and northeastern Slovene border region (Podravska, Pomurska), and
- The Carinthian and northwestern Slovene border region (Koroška, Savinjska, Gorenjska)

2.2 Demography

Styria and North Eastern Slovene border region

The **Styrian border regions** have about 830,000 inhabitants, 44% of them living in the area around Graz. The general population trend of the 1990s was mostly dynamic, but to a significant extent, this growth trend was attributable to relatively high rates of in-migration early in the decade.

The **age structure** of the residential population boasts a relatively high share of young people mainly in the prevalently rural regions. Moreover, the level of education is perceptibly higher in the group of young people than in the population in general, which is due to the fact that the education and training infrastructure, as well as access to these facilities have been expanded considerably in the past few decades. The city of Graz, by contrast, has been exhibiting a definite tendency towards an ageing population, the main reason for this being a strong suburbanisation trend (out-migration to the outskirts).

The present **population forecasts** at the NUTS III and district level correspond largely to the duration of the programme period (2001 – 2006). The total number of inhabitants in the Styrian border area is expected to increase slightly from 830,000 to 837,000 inhabitants (7,000 persons or 0.9%) by 2006. This growth will concentrate on the Graz area, whereas the trend will remain stable or maybe even decline very slightly in the rural NUTS III regions Oststeiermark and West/Südsteiermark.

An analysis of the anticipated migration flows confirms the strong attraction which the Graz area holds, but also indicates structural weaknesses above all in the peripheral agricultural districts (Hartberg, Feldbach) and the old industrial district of Voitsberg.

The **Podravska / Pomurska border regions** of Slovenia have a total population of 446,000 of which 30 % live in and around Maribor. The population trend in the overall Podravska / Pomurska border region has been negative in recent years. The greatest decline has been in the predominantly rural area of Pomurska, which decreased 3.1 % in the period 1991-1997. This compares with a national population trend of 1.1 % in the same period. The population distribution is similar to that of Styria, with a major population centre at Maribor and smaller centres spread throughout the region.

The **age structure** of the residential population shows that an ageing population is apparent particularly among the population of Maribor, this is also true of Pomurje, where the lack of industrial employment opportunities is causing an out-migration from the region into more industrialised regions within Slovenia, particularly Ljubljana. Cross-border travel to work is also a factor in this area, particularly because of the proximity of Graz to Maribor and its surrounding region; this has been a trend since the early 1990s when major restructuring of traditional industries in Slovenia – due to the loss of long standing markets in greater Yugoslavia and other former Socialist countries, caused – high levels of redundancies and unemployment.

The **education level** among young people is higher than that of the older population because of greater opportunities for obtaining third level qualifications and because of the higher educational requirements of the newer industries being set up.

Population trends in the rural areas will inevitably be affected by a restructuring of agriculture in the coming years with consolidation of holdings and greater pressures for specialisation and economies of scale.

Carinthia and North Western Slovene border region

In the survey area of **Carinthia** the population is also concentrated in the core area, but less pronouncedly so than in Styria. The peripheral regions still exhibit a relatively favourable age structure by comparison to the Austrian average. Nonetheless, in line with the general trend, the share of the group of people aged over 60 is also set to experience a distinct rise in this region.

In the Land Carinthia, the **total population** figure is likely to remain roughly constant up until the end of the programme period, but strong shifts are underway within the Land itself. The peripheral regions are characterised by continuing out-migration. Whereas the group of people of working age will benefit from the in-migration trend in the core region of Carinthia, the currently still favourable age structure in the peripheral regions is set to worsen perceptibly. Hand in hand with the expected population shift from peripheral regions to the Carinthia central place, it will become more difficult to maintain the current infrastructure (social, health, education) available in the peripheral regions.

A negative factor for Carinthia as a business location is the trend of qualified population groups from all over Austria to move to the agglomerations of Vienna and Graz (brain drain).

In the **North Western Slovene** border region, the population spread is somewhat different from that in Carinthia, in that there are no large population centres such as Klagenfurt/Villach but the population is spread through such large towns as Kranj, Jesenice, Ravne na Koroškem, Slovenj Gradec, Dravograd and Velenje and in villages and small towns.

There has been less migration to the Austrian region in pursuit of work because of the physical obstacles of the high mountains in the border area and because there is less industrialisation in Carinthia than in Styria. In all three Slovene border regions, a major restructuring of industries is occurring (e.g. at the zinc mines in Koroška and heavy industries of Jesenice and Ravne na Koroškem); this causes major job shedding and, as a result, high unemployment and migration to centres like Kranj and Ljubljana as well as some cross-border migration to find employment in Southern Austria (though to a lesser degree than in the Eastern Border region).

The population growth has been very slight and below the Slovene average, except in the region of Gorenjska. Since it is a region with a little natural change in population and with low net migration in recent years, the western Slovene border area may be characterised as a region with a stable population trend. By comparison with other regions, the population is still quite young but the ageing index is very high in a majority of municipalities in the mountainous areas.

Table 3: **Population structure and population trend**

Regional unit Nuts III region	Population Growth/Decline 91-98 (A), 91-97 (SLO), in %	Share of people under age of 15, in %	Share of people over the age of 60, in %
Oststeiermark	2.4	20.2	18.8
West- and Südsteiermark	2.2	18.6	19.4
Graz	3.9	15.4	21.2
Unterkärnten	1.6	19.3	19.6
Klagenfurt-Villach	4.1	16.9	20.8
Oberkärnten	2.5	19.7	19.2
AUSTRIA (INTERREG region)	2.9	17.9	20.0
Podravska	-0.2	16.1	13.2
Pomurska	-3.1	16.5	14.5
Savinjska	0.6	17.6	12.4
Gorenjska	2.2	18.2	12.6
Koroška	0.2	18.0	11.5
SLOVENIA (PHARE CBC region)	1.1	17.0	13.2

Source: ÖSTAT, Statistični urad Republike Slovenije

2.3 Economic structure and economic developments

2.3.1 General economic structure

There are substantial differences between the basic economic structure on both sides of the border in that in the Austrian regions of Styria and Carinthia, the main industrial and economic activity is located in the population centres of Graz and Klagenfurt / Villach while Slovenia still displays the planned industrial dispersion common in Socialist economies, with several industrial locations such as Maribor, Jesenice, Tržič, Kranj, Velenje and Ravne na Koroškem. With the exception of the central spaces in extensive parts of the INTERREG region, the **level of economic activity** is sometimes substantially below the respective national averages. While the Carinthian central space is the region with the Land's highest GDP, it barely reaches the national average. Oststeiermark, Weststeiermark and Südsteiermark as well as Unterkärnten are all around or below 60% of the Austrian average.

All regions on the **Slovene side** are below the Slovenian average GDP and especially the Koroška, Podravska and Pomurska regions were far below in the last few years. In previous times, industries were spread through Jesenice (steel), Kranj (manufacturing and administration), Tržič (footware), Mežica (zinc and lead mining, battery production), Ravne na Koroškem (heavy steel mills and machine tools industries), Velenje (coal mining, construction, electro household equipment), Maribor (Manufacturing, mechanical engineering, chemicals, and furniture making) and Dravograd (wood processing). In the Eastern part of the Slovene border area in Eastern Podravska and in Pomurska, there are a few large enterprises of textile, food and industries but the main economic activity in this area is agriculture. Wine making is a major industry in this region and this also impacts favourably on the tourism activities. In the Western part of the Slovene border region, forestry has a good potential for exploitation and for serving a larger wood processing industry.

Companies in Podravska and Koroška regions were the worst hit by the loss of the markets in former Yugoslavia and in Eastern Europe, and, due to a lack of competitiveness, these old traditional industries were unable to find new markets.

Carinthia and the North Western Slovene Border Region

Throughout the nineties, economic growth in the **Carinthian** central space lagged significantly behind Graz, just as Unterkärnten and Oberkärnten trailed Oststeiermark. This was due primarily to the crisis in the construction and tourism industries. The manufacturing sector in Carinthia is still too weak to function as a driver of the entire economy – unlike the case in other Länder.

Despite its relatively weak economic performance when compared with other agglomerations, the Klagenfurt-Villach area is the key driving force behind the Land's economic development. About 60% of all dependent employees work in this core area (about 20% each are employed in Oberkärnten and Unterkärnten), most of which (about 70%) work in the service sector as in Graz. The most important industrial enterprises are concentrated in the core area, while the construction sector is relatively weak.

Unterkärnten has a mixed economic structure with a large share of agriculture. Manufacturing and construction predominate at the expense of the service sector, which is an indicator of economic backwardness. Tourism, another mainstay of the Carinthian economy, is also relatively insignificant in Unterkärnten compared with the Land as a whole, mainly because of a lack of winter-time facilities.

The three **Slovene northwestern regions** are amongst the most depressed in Slovenia, with declining old industries, many of which also had a very severe adverse impact on the surrounding environment in their regions.

The most important sector in the Slovene west border region is manufacturing industry. In 1997, the manufacturing-industry employed 65 % of the workers and produced 58 % of the total income and 67 % of gross value added. The service sector increased its share in the region's economy, but is quite weak, especially in the Koroška region. This sector employed 29 % of the workers and produced 37 % of the total income and 27 % of gross value added in 1997. Also quite important, especially in the Gorenjska and Savinjska regions (although less important in Koroška) is the construction sector. It employed 6 % of the workers and produced 5 % of the total income and 5 % of gross value added in 1997. There is potential for the development of additional wood processing because of the presence of extensive afforestation in the region.

The two most effected industrial towns are Jesenice in Gorenjska, near the tri-lateral border Slovenia/Austria/Italy, which was a centre for heavy engineering, and Ravne na Koroškem in Koroška which had heavy steel and machine tools industries and lead and zinc mining in Mežica. The traditional industries in Jesenice, Kranj, Tržič and Ravne have already suffered closures and down sizing with a resulting loss of employment and out-migration of many workers to find employment elsewhere. The other major industrial centre in the border region is Velenje, which is not only a coal mining centre but also the seat of a major household equipment and electronics company, Gorenje. There is also a coal-burning power station adjacent to the town.

The tourism sector is also quite strong (lakes, ski resorts, mountains) in the Gorenjska region while the Savinjska region is characterised by a high concentration of health spa tourism. In 1996, the six spas in the region (Topolšica, Dobrna, Zreče, Laško, Podčetrtek, Rogaška) registered 46.8 percent of all overnight stays at Slovenian natural health spas. The development of the tourism industry and the related service industries such as food and drink production and other tourism services is a welcome development.

Styria and the North Eastern Slovene Border Region

Graz's central location makes it **Styria's** key economic region, with a highly competitive industry, high-quality services, a substantial infrastructure supporting economic activity, and generally dynamic growth. About 40% of all jobs in Styria are located in the Graz region.

In the rural regions, the economy is more mixed, with a relatively large share of agriculture and forestry. The level of industrialisation is generally much lower, even though the Weiz-Gleisdorf area, Deutschlandsberg, Köflach-Voitsberg, and the area around Leibnitz and Fürstenfeld are industrial centres of regional significance. In the peripheral areas and along the border (especially in the Radkersburg district), industrial activity is still fairly modest, with many of the small and medium-sized enterprises operating at a much lower level of technology and skills than in the central area.

In parts of the regions, tourism has evolved into a significant and, highly dynamic economic factor. This applies particularly to the spa region of Süd-Oststeiermark.

Overall, the regions of **West- and Südsteiermark and Oststeiermark** recorded above-average employment growth during the past 10 years. Nevertheless, jobs are still in short supply in these areas, prompting many workers to commute, primarily to Graz. In addition, the rural districts around Graz also cultivate strong

economic relations with the Graz area, serving as a supplier base for local businesses.

The northeast Slovene region (Podravska and Pomurska) includes some of the most fertile land in Slovenia. Agriculture is an important economic activity there. The major industrial and administrative centre in this region is Maribor, which is traditionally a major industrial and economic centre. 30 % of the working population of the region are employed in Maribor mainly in the mechanical engineering and other manufacturing industries, services and trade. An important and growing part of the industrial sector are supply industries for the automotive industry in Graz. Previously car assembly was an important industry in Maribor but this was one of the sectors, which was first affected by the political and economic upheaval in the early 1990s. In Pomurska there is a large textile manufacturer (Mura) and food and beverage industries such as Pomurka and Radenska. The long-term prognosis for Mura is rather unfavourable, in line with the position of many other textile manufacturers in Europe, which have seen their manufacturing gravitate to lower cost locations in the Far East or to low-cost countries in Southern Europe.

Table 4: **Economic activity (GDP/inh. harmonised to EU standards)**

Territorial unit Nuts-III region	GDP/inh, 1996 (A), 1996 (SLO) National =100	Index EU=100
Oststeiermark	57.4	64.4
West- und Südsteiermark	60.6	68.1
Graz	111.4	125.1
Unterkärnten	60.8	68.2
Klagenfurt-Villach	96.3	108.1
Oberkärnten	70.3	78.9
AUSTRIA (total)	100.0	127.3
Podravska	84.7	56.9
Pomurska	74.6	50.3
Savinjska	94.3	63.5
Gorenjska	94.3	63.5
Koroška	94.3	63.5
SLOVENIA (total)	100.0	60.0
EU15		100.0

Source: EUROSTAT

Table 5: **Economic structure- break down of employment by economic sector**

	Employees 1998				
	Total	Manufacturing, total ¹⁾	Construction ¹⁾	Services, ¹⁾ total	Hotels and restau- rants (share of services in total)
	Shares in %				
Oststeiermark	56 783	48.8	14.8	49.9	8.2
West- and Südsteiermark	37 010	52.9	13.2	45.7	5.7
Graz	180 395	30.6	7.1	70.1	4.0
Unterkärnten	37 821	52.1	15.1	46.9	8.8
Klagenfurt-Villach	120 614	29.9	8.3	70.5	8.7
Oberkärnten	33 194	42.0	17.2	58.1	21.7
AUSTRIA (total)	465 817	36.9	9.1	62.7	7.5
Podravska	109 667	30.6	7.6	32.4	*
Pomurska	41 341	37.7	7.5	23.6	*
Savinjska	97 921	39.6	7.8	27.2	*
Gorenjska	70 317	42.5	7.2	28.6	*
Koroška	26 824	47.3	4.8	21.2	*
SLOVENIA (PHARE CBC Region)	346 070	37.7	7.3	28.2	*

* Data not available

1) Second job holders are included, for this reason the percentages do not add to 100 %

Source: Austria: Hauptverband der österreichischen Sozialversicherungsträger; Slovenia: Statistical Office of RS

2.3.2 Agriculture and Forestry

The natural preconditions, with regard to the potential for agricultural activities, are very similar on both sides of the border. The western part of the border is characterised by alpine mountains and valleys with little opportunity for extensive farming in either the Austrian and Slovene regions. There are extensive forestry plantations on both sides, which creates opportunities for wood processing. In the eastern regions, however, the mountains give away to rolling hills and more fertile land which makes possible the extensive cultivation of grape vines, fruit trees, wheat and corn, sugar beets and potatoes. Pig and cattle husbandry is also important in the eastern part of the border region. There is also growing involvement in organic farming on both sides of the border.

The farm structures on both sides of the border are fairly similar with a pre-disposition to small farms. There was no attempt to collectivize farmlands in Slovenia during the Socialist era, consequently the traditional farm structure of small family farms persists with many part-time farmers who also have jobs in local industries. The decline in industrial output and employment has also impacted part-time farmers and it encourages them to look more closely at having on-farm alternative or supplementary enterprises. Previous CBC Projects such as Joint Life Space were targeted at rural populations in order to strengthen them in identifying and implementing rural development projects including alternative farm enterprises.

Styria and the North Eastern Slovene Border area

In 1997 there were about 56,000 enterprises in agriculture and forestry in Styria. This number is, however, expected to decline further. Of these enterprises, around 40,000 are located in Weststeiermark, Oststeiermark and Südsteiermark.

In Styria, most agricultural businesses operate in locations enjoying favourable conditions (soil, climate), though many are heavily disadvantaged owing to their extremely small size. These businesses therefore concentrate on intensive farming and specialise in high-quality products (fruit, vegetables, wine).

139,000 hectares, i.e. 93% of the arable land under intensive cultivation in Styria, are situated in the area under review. Almost all (98%) of the land used for horticultural, fruit or vine crops (a total of 14,600 hectares) in Styria is also located in the target region. The share of non-productive land is negligible (below 10%) in Styria.

The very high share of part-time farming (60 – 70%) is attributable to the structural weakness with a prevalence of smallholdings (the average agricultural business in the target region cultivates only 6 hectares of land). Many businesses therefore specialise in hog feeding, chicken breeding, fruit growing, juice production, vegetables and viticulture, partly in combination with tourism.

However, where commodity products (maize, hogs, chickens, milk) are concerned, the farms are frequently exposed to sharp price fluctuations and a downward pressure on prices from saturated markets. Occasionally, these intensive forms of farming (arable farming, livestock farming) cause environmental problems (threatening in particular the quality of drinking water).

Mountain farms are found mainly in the mountainous areas of Koralpe (Deutschlandsberg district) and in the alpine parts of the Weiz district.

Primarily agricultural production and downstream processing are heavily affected by the continuing integration of (agricultural) markets. Facing an expectable increasing pressure on prices, the poor competitive position relative to the large agricultural producers of the EU area and a more favourable production environment for commodity products in the Central and East European countries, the need for adjustments will become more urgent in the future. The Südsteiermark, Weststeiermark and Oststeiermark regions will be hit particularly hard, but will also have good opportunities if alternative strategies are selected.

During the past 10 to 15 years, **new forms of marketing** (regional and local direct marketing, first efforts to create new regional branded products) have evolved which, in combination with **high-quality organic**

products, stand good chances of surviving in niche markets.

In the agricultural sector, direct business relations between the Styrian border region and Slovenia are still relatively insignificant. Opportunities for bilateral co-operation do exist, however, particularly with respect to an exchange of experiences.

Of particular interest in this context are the Silberberg school of viticulture (curricula, quality issues, fairs), and also issues relating to ecological farm management and organic agriculture.

The **Podravska and Pomurska** regions of Slovenia are the areas of the most intensive farming activities in Slovenia with extensive vine growing and wine production, as well as fruit growing and cultivation of sugar beets, corn, wheat and potatoes, although production of potatoes is now declining. Animal husbandry is also important especially pigs and cows. The cows are kept both for milk and meat; the former is most important in Pomurje, where there is significant production of milk products including cheeses, butter and yogurts (Pomurske mlekarne), while the latter is significant in Podravska where "Pohorje Beef" is a well recognized trade name and is in great demand. Pork and bacon products are also widely produced in the region. Wines from the region have an excellent reputation and are in great demand. Fruit is not processed in the region but is sent to Fructal in western Slovenia, where fruit juices and jams are produced.

The main market for fruit, vegetables, wines, milk and milk products and for meat products is in Slovenia and very little impact has been made, to date, on the adjoining markets in Austria, Hungary and Italy. Some exports of farm products are made to former Yugoslav republics such as Croatia, Macedonia and Bosnia.

There is relatively little forestry in the northeastern Slovene region and the processing of wood and wood products is neither a significant industry nor are there likely to be grounds for developing a sizeable industry in the near future.

In the Podravska and Pomurska region there are in total 210,000 hectares of agriculture land. In both regions there are 34,629 farm units, of which 26.3% (9,103) are full-time farms and 49.2% (17,041) are mixed farms, where at least one family member is employed outside farms.

Carinthia and the North Western Slovene Border Region

In 1997, in **Carinthia** there were about 25,000 agricultural and forestry businesses, employing a workforce of 43,000. Many of these businesses (one-third to 40%) are located in Unterkärnten. The share of part-time farming is on the rise (in 1997 about 60%). In 1997, 1,596 agricultural enterprises practised organic farming. 51% of the Land's territory are forests, 18% are used as mountain pastures and meadows, 10% as farmed grassland and 8% as arable land (Green Report 1998).

The Wolfsberg and Völkermarkt districts are located in the main production areas along the eastern edge of the Alps and in Carinthian Becken, in the area where the harsher alpine production conditions with a high share of grasslands and forests gradually become more moderate and encourage arable farming. The lowlands in the Lavant, Jaun and Drau valleys are dominated by arable farming (animal feed, maize), frequently combined with hog feeding. The lowlands and slopes of the Lavant and Jaun valleys have a long tradition of fruit growing. The Ferlach judicial district of the Klagenfurt Land district has both moderate production conditions along the Drau in the Rosental valley, and alpine conditions in the northern parts of the Karavanke mountain range. High-lying areas are characterised mainly by forests and grasslands with dairy and beef farming. Because of their topographical conditions, the Karavanke hardly have any grazing land or mountain pastures.

During the first programme planning period 1995-1999, cross-border co-operation between Carinthia and Slovenia was particularly successful in agriculture. Activities included the development of an effective communication network between organisations working in agriculture and forestry, co-operation in organic farming and in the development and marketing of special products (e.g. a local breed of sheep, beekeeping), and much more.

In the **northwestern Slovene border region**, agriculture is a less important economic activity because of the unfavourable climate and the physical configuration of the terrain which is mainly mountainous. Forestry is more important and wood processing is a significant industry in all parts of the region.

In this border region there are about 25,014 farm units of which 23% are full-time farms (5,746) and 51.5% part-time farms; the rest of the farms comprise those where all adult family members are employed outside farms or are over the age 64. Mountain pastures make up a significant portion of the grazing land and positive action has been taken to reinstate and maintain these pastures.

The farming of cattle is the most important agricultural activity although sheep are now also becoming significant. Research work is being carried on to promote the husbandry of native species of sheep such as Solčavsko-Jezerska breeds.

Alternative farm enterprises are being promoted in order to provide supplementary income to part time farmers, many of whom cannot now get industrial jobs because of the industrial decline. In Koroška, the processing of fruit, meat, milk on the farms is being supported. Other alternative farm activities include honey (mainly in Gorenjska) and deer farming (in Koroška and Savinjska). Farm tourism is also being promoted and is proving quite successful in all three regions.

2.3.3 Industry and SMEs

Styria and North Eastern Slovene Border Region

On the **Styrian** side, industrial activity is definitely concentrated on the **core region of Graz**. Companies pursuing activities in a number of technological growth segments like the automotive industry, electronics and electronic engineering and environmental engineering have become established in this area. The most well known and most successful cluster is the automotive cluster (AC Styria), which includes not only leading automotive companies like Magna, Steyr-Fahrzeugtechnik and Chrysler, but also numerous supply industries, research undertakings and high-performance SMEs. On the strength of its technological competence, the (wider) area of Graz has evolved into an internationally attractive business location in the past ten years with a growing number of settlements already extending into the more distant surroundings of the city.

In the **border regions** with their more **rural structure** (Weststeiermark and Südsteiermark, Oststeiermark) industry and commerce is focused on individual locations in the districts of Deutschlandsberg, Voitsberg, Weiz, Fürstenfeld and Leibnitz, with a strong sectoral bias on the metal-working and electronic engineering industries and an already considerable share of suppliers to the automotive industry.

In these areas, the structural transformation of industry is already more or less concluded; the predominantly low-wage and labour-intensive companies of the textile, clothing and footwear sectors have for the most part been relocated or closed down. The leading companies operating in this area are either subsidiaries of large groups (Siemens-Matsushita, Philips, Magna, Elektrolux,...) which are fully integrated in the European and global competitive context or suppliers to leading companies established in the area or the European automotive industry in general.

In 1998, the entire area featured **640 industrial undertakings**, almost half of whose operations were based in the area of Graz.

The employment structure reflects the dominating role of the Graz area as an industrial centre even more clearly: of a total of **44,600 people employed in industry** in the region as a whole, almost 30,600 or 69% work in the area of Graz. This figure also illustrates the leading role of the large industrial enterprises in quantitative terms.

In the past decade, the sector of small and medium-sized enterprises (SMEs) has experienced considerable technological progress especially in the area of Graz. Numerous, frequently technologically oriented start-ups add up to constitute today's technological strongholds of this area. In many cases, these new companies were triggered by one of the already established technology parks (Graz, Grambach, or Deutschlandsberg, Fehring, Fürstenfeld and Hartberg). The companies often form part of larger networks and/or co-operation projects involving numerous individual companies such as the AC Styria in the automotive sector, the Eco&Co network in the field of environmental engineering or Icon, the Industrial Construction Network.

Though there are the beginnings of successful development in the field of technology-oriented new

businesses it must be pointed out, that there are still broader areas which are not being integrated into this effects. Above all the most peripherally situated regions would need additional impetuses. Cross-border co-operation of business and technology parks will contribute to the expansion of markets, an increase in the number of outside suppliers, and a wider range of potential partners, thus improving the conditions for new businesses step by step. Cross-border networks established and operated by technology parks could have a driving function for improvement technological basis and entrepreneurial climate not only in the border regions, but also in central locations.

The trade and business in the rural areas exhibit a predominantly local or regional organisational structure with only a minor degree of involvement in the supra-regional competitive environment. With only a few exceptions, productivity rates attained in this sector are below the average rates and the technology level is still generally low.

In 1998, a total of 6,884 individual enterprises pursued activities in the **sector of trade and business**, with the area of Graz and the rural areas accounting for an equal share of 50% each. As regards employment in this sector (total 72,400), the Graz region again dominated, accounting for a share of almost 39,000 of the region's total workforce.

Generally speaking, the region has lost its former competitive advantage as a low-wage location due to the opening up of Eastern Europe and ongoing economic integration. This former strength has been substituted to a high, but not yet sufficient degree by a new, more technology-oriented structure.

As the EU expands eastward, Styria will also start losing its relative advantage of being the most south-eastern region of the core Community area, making it a communications hub between the countries of Central and Southeast Europe. At the same time, Styria will also begin shedding its image as a peripheral location and (re-)gain an increasingly attractive economic neighbouring region.

On a regional level, economic activity is likely to receive additional impulses from the continued focus on regional location policy, including the integration of networks on a supra-corporate level and the creation of further impulse centres with a clear focus on technology.

Overall, there are a large number of positive examples of economic co-operation at the company level between Styrian and Slovene companies. This co-operation often takes on the form of joint ventures. Moreover, there are a number of opportunities for frequent contacts between companies or the representatives of corporate interests (chambers of commerce) at fairs and other events, and continuous efforts are being made to expand these opportunities.

Currently, the greatest potential lies in the co-operation of the centres Graz and Maribor, each also including the urban hinterlands (Graz-Umgebung, Podravje). The opportunities along the "development and technology axis Graz – Maribor" are also continuously increasing (Unterpremstätten, Werndorf, Lebring, Kaindorf, Leibnitz), which will be to the benefit of the SMEs in the area of the Südsteiermark and Weststeiermark in the medium term. Possible approaches relate to the expansion of the supply industry, in the further upgrading of the region's leading enterprises and the stepped up development of cross-border networks.

The **northeastern Slovene border region**, encompassing Podravska and Pomurska, includes the traditional industrial capital of Slovenia, Maribor, which is still a major centre for industry and particularly mechanical engineering and other manufacturing industries. Ljubljana is now the fastest growing industrial centre in Slovenia and many of the new, high-technology firms are being located in or near the capital city. In the border region, however, Maribor is the catalyst for development of SMEs and micro-industries. The existence of the university in Maribor is also a major contributing factor in the generation of new businesses and in the introduction of new technologies in both new and existing enterprises.

The Podravska and Pomurska regions still have some labour-intensive, low-wage industries in the textile/clothing, processing and manufacturing sectors. The Mura clothing plant in Pomurska is a strategically important but also potentially threatened employer in the region. Since the region is mainly agricultural, the closure of this plant would have a very serious impact on the local community. The Nafta Oil Refinery in Lendava, is also a threatened industry because the price of its refined products cannot compete with larger

and more modern refineries in neighbouring countries. In this way, the situation on the Slovene side of the border differs from that on the Austrian side where the labour-intensive industries have already relocated to low-wage locations.

In this border region there are 5,264 companies (representing 14% of Slovenian companies), of which 79% are in the Maribor and Podravska regions and 21% are in Pomurje. In the region as a whole, 151 firms (2.8% of all firms) represent large companies, 272 (6 %) represent medium- size companies, and 4,841 (91.2%) belong to small companies. The share of manufacturing companies in both regions is approx. 40%, trade approx. 30%, and other 30%.

There has been a growth in SMEs in the high technology sectors in recent years and many of these were the result of cross-border co-operation between the principals and existing firms in Austria. This is the impact of the "Maribor – Graz – Axis" project and of the efforts of the Chambers of Commerce in both Maribor and Graz to create co-operative links between entrepreneurs and industries in both cities. The Styrian Technology Park near Maribor, another CBC project, is also a catalyst for the creation of new, high-technology industries in the region.

Wage levels in Slovenia are not low and therefore are not, conducive to the establishment and retention of low-wage, low-value added industries. The following table shows the comparative levels of "value added per employee" in the border regions with the average Slovene level at 100.

Table 6: **Proportionate level of value added per employee in Slovene border regions in 1998**

Region	% of national average	EUR
Pomurska	75	14,186
Podravska	85	16,129
Koroška	77	14,580
Gorenjska	90	17,125
Savinjska	92	17,551
Slovene National Average	100	18,984

Source: GZS – Chamber of Economy, SKEP, Jan. 2000

This table shows the position relating to the level of technology in the industries in the border regions and it highlights Pomurska and Koroška the two regions with the highest level of labour-intensive industries. In Pomurska the figures are somewhat distorted by the inclusion of Mura which employs a high proportion of all workers in that region. In Koroška the wage levels are lower than in other regions and, in particular, in the troubled outdated steel plants, the low level of efficiency due to outdated equipment, is a major factor in the resulting figures. The areas with the highest levels of SMEs are Gorenjska, Savinjska and Maribor min Podravska and it is significant that these are the areas with the highest levels of value added per employee.

Carinthia and the North Western Slovene Border region

Carinthia's survey area is characterised by its mixed economic structure with a pronounced concentration in the core area. The share of the services sector is predominant in the cities Klagenfurt and Villach, whereas industry prevails in the surroundings of these cities. Industrial activity focuses on the electrical and electronics sector (4,000 employees) with leading corporations in electronics and software (Siemens in Villach, Philips in Klagenfurt) and the chemical industry (1,500 employees) with its major representative Treibacher Werke.

About one third of all people employed in the secondary sector worked in the construction industry in 1997; in Unterkärnten, this share amounted to almost 50%. Engineering and metal working, sectors concentrated in Oberkärnten, accounted for 15% to 20% of secondary sector employment. Unterkärnten's industrial and commercial structure is characterised by a predominance of SMEs mainly belonging to the chemical industry, timber processing, shoe production and metal working. The largest enterprises established in this region are Treibacher Industrie AG, Knecht GmbH in St. Michael and Patria Papier & Zellstoff AG in St. Getraud. The innovation potential is not very large.

In Carinthia, positive developments are evident in the environmental engineering and the electronics sector.

According to economic forecasts up to 2005, the share of these economic sectors in total employment is in a position to rise in Austria (cf. forecast 1996). Shored up by innovative technologies and timber processing products, the traditionally strong construction industry is also likely to feature as an important growth engine for Carinthia's economic development.

In the **northwestern Slovene border region**, Gorenjska, Koroška and Savinjska are very different. Gorenjska has a growing industrial centre at Kranj, which has a number of strategically important industries such as ISKRA, an electronics and telecommunications firm, and SAVA, a motor tyre manufacturer. Its proximity to Ljubljana makes Kranj an attractive location for high technology SMEs and this is apparent from the figures in Table 6 above, which shows that Gorenjska has the highest level of value added per employee in all the border regions. ISKRA has not maintained its R & D facility and this may impact on the future success of the company and its products. In addition to Kranj there is Jesenice, which was a major location for primary steel production. This town and its steel works have suffered badly from the loss of the traditional markets in Yugoslavia and other countries of Eastern Europe but its strategic location at the Tri-lateral border between Slovenia, Austria and Italy creates opportunities for future development. In the meantime many jobs have been lost in the steel works and great efforts are being made by the local community and by the authorities in Ljubljana to rejuvenate the town and its industries. Development of the Jesenice business zone on the old industrial site was also supported by Phare CBC programme Austria-Slovenia.

Koroška was a major industrial location, particularly Ravne nad Koroškem, where the steel works of the Slovene Steelworks Company was located, and the lead and zinc mine in Mezica. The Slovene steel works once employed a total of 12,000 workers but now has less than 6,000. A difficult residual problem will remain if and when the steel works are restructured, as there is a large number of workers who have been injured in the mill and who are still on the payroll but have a limited working capability. The zinc mine in Mežica is now closed and has been converted into a tourist attraction. A total of 400 jobs were shed in this closure. The environmental damage resulting from the mining operations will take a long time to overcome. The relative remoteness of Koroška from the centre of Slovenia makes Koroška less attractive for industrialists than most other locations in Slovenia. The region does have an advantage in that access to Austria is easier than to Ljubljana, which gives opportunities for cross-border co-operation in industrial promotion and trade.

The industrial centre of Savinjska is Velenje, where the large employers include the coal mines employing 4,000 workers, Gorenje, a manufacturer of household equipment and electronic equipment which employs 4,500 workers, and the coal burning Power station, Šoštanj, which employs 630.

In urban areas, the services sector (banks, insurance companies, trade, consulting, tourism) has been showing a highly dynamic trend.

Some barriers for business start-ups in the Slovenian border region should be mentioned:

- underdeveloped entrepreneurial climate (low level of supporting business start-up infrastructure and information, revealing business opportunities)
- lack of entrepreneurial culture due to economic structure, where majority of population had been employed in traditional industry sector that provided stable social security
- few suitable premises for development of new businesses (e.g. business incubators, business zones)
- low level of incentives by government (and local authorities) in business start-up
- administrative/bureaucratic procedures in registration of new legal entities.

Concerning the **existing cross-border integration** of Slovenian **business and industry**, some promising beginnings can be observed in the co-operation among chambers of commerce, the presentation of businesses at trade fairs, and in established commercial links among SME (business co-operations, export of goods). Also in the industry sector some traditional linkages exist. The major character of these co-operative arrangements is that of a rather simple business relation (based on different wage level), while more complex relationships in the fields of research and development or in technology are not numerous.

There is still a lack of information (e.g. company profiles, company data bases), contractual know-how and cross-border management activities of mediation institutions.

Problems with **premises and locations** in the Slovenian border region can be summarized as

- unclear ownership of certain premises still not resolved due to recent privatization;
- industrial sites of traditional industry sector (e.g. steel-works) needs to be revitalized for start of new businesses;
- some companies are facing problem due to lack of suitable locations for extending businesses (e.g. at present, most of the existing business zones are occupied and municipalities can not offer space for new businesses in very short time);
- high investments required in order to properly equipped business zones, and
- the lack of joint services in existing business zones.

2.3.4 Tourism

Structure and development

Styria and northeastern Slovene border region

In **Styria**, the accommodations and hospitality sector accounts for an employment share of 6%, which is in line with the national average. The sector's high share in employment relative to the number of overnight stays illustrates the important role of excursion and short-distance recreational tourism in this region.

Overall, tourism is not highly developed in the survey region; at a rate of 4.8, the density of overnight stays (overnight stays in 1998 / inhabitants on 1 January 1999) is below both the Styrian (7.5) and the Austrian average (13.7). Triggered by the expansion of the tourist infrastructure along the thermal springs line, tourism has been taking a continuously positive trend throughout the Styrian thermal region. A positive trend, though accompanied by much lower increases in overnight stays, have been observed in the regions of Graz-Umgebung and Weststeiermark.

Table 7: **Overnight stays in 1989, 1998 and 1999 in Styrian INTERREG region**

Regional units	Overnight stays 1989	Overnight stays 1998	Overnight stays 1999
Steir.Thermenland	879 928	1 661 424	1 746 494
Graz –Umgebung	908 658	902 856	940 013
Oststeiermark (607 and 617)	1 089 606	878 212	890 199
Weststeiermark	262 858	303 812	303 442
Südsteirisches Weinland	264 386	238 649	246 686

Source: ÖSTAT. Tourism statistics

In 1998, the Graz-Umgebung, Oststeiermark and Weststeiermark and Südsteiermark regions had a capacity of about 38,191 beds, thereof an average of 15% in the 4/5* category. A large share of the high-quality accommodations is concentrated in the area of Styrian thermal springs. In some locations there is a severe shortage of leading medium to high-level enterprises.

In the 1998 tourism year a total of 3,984,953 overnight stays were recorded. Thus the number of overnight stays increased by 24% from 1988. However, the increase by almost 800,000 overnight stays are attributed exclusively to hotels and other accommodations facilities in connection with promotion of thermal spa tourism. With a share of two thirds of overnight stays, tourism concentrates on the summer half-year season.

The highest number of overnight stays was reported from the Styrian thermal spa region; Bad Waltersdorf (277,176 overnight stays) ranks first among the locations with more than 150,000 overnight stays (TY 1998), followed by Bad Radkersburg (254,788), Loipersdorf (250,536) and Blumau (177,897). The past two years witnessed a renewed increase of the number of visitors to the Styrian thermal spas by 10-15%. At a rate of 28.6%, accommodations capacity utilisation is above the Styrian average (25.2%) in the surveyed region. However, there are large regional discrepancies, with a 33% accommodations capacity utilisation in the region Oststeiermark compare to only 16.4% in the regions West- and Südsteiermark.

Points of specific attraction for excursion tourism are above all the spas and the vine-growing regions in the

southern and western Styria. The number of visitors to spas (Spa Loipersdorf, Parktherme, Bad Radkersburg, Health Spa Bad Waltersdorf) amounted to 2,690,000 in 1998, which translates into an average of 1,227 visitors a day. The ratio of day visitors to staying guests was at about 70:30.

The share of foreign visitors to the region Oststeiermark (only 11%) and the regions Weststeiermark and Südsteiermark (23%) is clearly below the general Styrian average for foreign tourists (32%). At a share of 46%, Graz and Graz-Umgebung attract the highest share of total foreign visitors coming to Styria.

Regional profiles of the individual Styrian regions with a certain cross-border impact are:

The Graz-Umgebung and Thermenland/Oststeiermark regions offer a clearly defined range of products and services in the field of city, congress and cultural tourism as well as in health and spa tourism, in addition to single local profiles in wine tourism and recreation tourism.

The areas of Südweststeiermark offer only certain highlights focusing on wine tourism, short-distance recreational and summer and winter vacationing.

The different concepts regarding supra-regional activities in the development of products and services and in marketing were strongly promoted within the context of a pilot project focusing on the Styria vine-growing country.

A cross-border approach to the implementation and marketing of related products and services is still at an early stage. Clearly defined and agreed marketing strategies for the above mentioned priorities in cross-border context are non-existent. Only the Mura-Drava borderland panorama trail and cycling area shows the very first beginnings of a cross-border bilingual foundation in information and marketing. In particular, in the area of wine tourism, competition is still stronger than acting in cross-border co-operation with regard to developing and marketing.

Important cross-border potentials and prospects in terms of image building and leisure-time infrastructure exist in the following areas:

- Cultural tourism in Graz and Maribor;
- Wine tourism and complementary activities in the field of regional culture; and
- Outdoor sports, mainly hiking, biking and riding.

In border region the structure with regard to organisation and marketing is characterised by too low a number of distribution units, too many levels of organisation and insufficient budgets – except tourism organisation of the city of Graz and of Thermenland. Between Graz and Maribor permanent cross-border co-operation has been established.

In the **northeastern Slovene border region**, there are a number of interesting tourism products including the Spa Centres at Moravske Toplice, Lendava, Radenci, Banovci, Terme Maribor and summer and winter activity vacations in the Pohorje Mountain range. In addition there is the Mura-Drava cycling path, the wine routes in both Podravska and Pomurska and associated farm tourism opportunities. There are also cultural tourism events such as the Lent Festival.

Tourism Information Centres have been developed under the CBC Programme and under an SME Development Programme, and a Tourism Information Centre has been established in Lendava.

In the 1998 tourism year there were a total of 660,000 overnight stays in the region. This was an increase from the previous year. In 1998, there were 3,734 beds in Pomurska, and 3,302 beds in Podravska. The number of visitors to the spas in Slovenia increased by 4% in 1997-1998. Winter sports are also an important tourism product in the Mariborsko Pohorje, where there were 25,294 overnights stays in 1998, accounting for 3.8% of all overnight stays in the region.

In Pomurje, in addition to the spas, there is the Goričko Nature Park and the many castles and other historic buildings to attract tourists. Each year the Lent Festival in Maribor attracts upwards of 100,000 visitors during its two week duration in June/July.

The wine route near Maribor, which connects with the wine route in southern Styria and the wine routes in Pomurje, is relatively new and has yet to make a major impact on tourist numbers. The number of visitors travelling the routes is growing each year and the prognosis is that such routes will prove to be successful products in the coming years.

Carinthia and the northwestern Slovene border region

At slightly over 13 million overnight stays (12% of all overnight stays in Austria) **Carinthia** is one of Austria's most important tourism regions. The attraction of the region is its natural landscape, the lakes and health resorts. In Unterkärnten and Klagenfurt-Villach summer tourism prevails for this reason, the average accommodations capacity per bed is rather poor at only approximately 50 days a year.

Despite the poor capacity utilisation ratio, tourism is very important in certain parts of Unterkärnten, especially in Völkermarkt. Klopeiner Lake and Turner Lake are of great significance in this regard. In the district of Wolfsberg, tourism plays a small role except for in a few municipalities. There are some signs of an upturn in short-term and sightseeing tourism (St. Paul), as well as winter tourism in the Koralpe and Petzen regions. The centres of attraction in the region of St. Veit are the Längsee lake and the health resort Althofen.

In Oberkärnten the winter sports regions of Naßfeld and Bad Kleinkirchheim help to balance the seasonal fluctuations, which is reflected in an improved capacity utilisation per bed. Roughly half of all overnight stays in the Land take place in the INTERREG IIIA region of Klagenfurt-Villach and Unterkärnten.

The traditional Carinthian tourism regions have been posting a decline in the number of overnight stays for several years now, despite the high tourism ratio, which is due not only to changes in demand patterns, but also to the slow adaptation of the infrastructure to changes.

Table 8: Overnight stays in 1989, 1998 and 1999 and capacity utilisation per bed in Carinthia

	Overnight stays 1989	Overnight stays 1998	Overnight stays 1999	Thereof in summer in %	Capacity utilisation per bed in days
Unterkärnten	2 307 798	1 736 027	1 810 886	86	56
Klagenfurt-Villach	6 789 589	4 719 096	4 660 811	87	60
Oberkärnten	8 401 027	6 737 456	6 612 774	69	79

Source: ÖSTAT, Tourism Statistics

The **northwestern Slovene border region** is one of the leading regions for tourism in Slovenia. It includes the Alpine mountain range with its winter and summer activity holidays as well as many attractive towns and villages. It is also the gateway to Slovenia for tourists from Austria, Italy and Germany.

Bled is one of Slovenia's traditional world famous tourism resorts and has been recognised as the national trade mark. Also, the ski resort of Kranjska Gora is one of the best known in southern Europe and is the setting for many international skiing. Ski jumping competitions have traditionally been organised in Planica. In the Summer, the mountain walks are a great attraction for walkers and mountain climbers.

In Savinjska and Koroška, there is a growing rural tourism industry which is linked to new developments in the production of farm products, crafts and various services connected to tourism.

In 1997-1998 the number of overnight stays increased by 9%. Comparing the number of beds in the three regions, Koroška in particular is far behind.

Table 9: Overnight stays in 1998 and capacity utilisation per bed in northwestern Slovenia

	Overnight stays 1998	Bed capacity
Gorenjska	1 234 372	20 722
Savinjska	980 018	7 890
Koroška	41 144	1 426

Source: Statistical Yearbook RS 1999

When comparing the number of tourist arrivals at mountain resorts in 1998, the highest number was reached in July (73,079) and August (106,808). These tourists mainly come from Italy, Germany and Austria. Altogether, foreign tourists represented 59 % of the overnight stays in mountain resorts in 1998. Tourist arrivals and overnight stays by type of tourism resort (in thousands) are as follows:

Table 10: **Visitors and overnight stays 1985-98 in northwestern Slovenia**

	1985	1990	1994	1996	1998
Visitors					
Health resorts	221.0	288.9	332.7	343.8	368.9
Mountain resorts	653.7	601.0	443.2	441.8	490.1
Overnight stays					
Health resorts	1 544.6	1 822.7	1 933.4	1 866.9	1 977.3
Mountain resorts	2 364.7	2 117.9	1 441.9	1 414.1	1 563.2

Source: Statistical Yearbook 1999, Statistični urad RS

Note: The table is not fully representative of the border region, while mountain and health resorts also exist in other parts of Slovenia.

In Slovenia, on the institutional level the tourism sector is served by National Tourism board, the tourism association of Slovenia and the chambers with their tourism associations. The Law on Tourism of 1999 defines different organizational structures, which are currently being set in place.

At the local level, tourism organizations are being established and active tourism associations exist, but at the regional level there is still a lack of significant associations for the marketing of regional tourism products.

It is a problem for the peripheral regions that national tourism promotional efforts focus nearly exclusively on the well known tourism destinations (e.g. Bled, Portoroz, Postojnska cave, Lipica, Ljubljana). But at the regional level neither structures are set in place nor attractive products are developed or integrated in regional terms.

Due to the very similar structures in landscape and climate conditions on both sides of the border, one should also mention the aspect of competition in developing cross-border projects. Wine roads, thermal spas, skiing resorts are also targeted at very similar tourism target groups.

2.3.5 Services

Styria and northeastern Slovene border region

The service sector in **Styria**, especially high-quality service functions, are the real strength behind the city of Graz. This applies to both the business services, commerce and trade, education and research, as well as to the health sector. As an example we would like to mention the banking and insurance sector, where out of the total number of 159 enterprises, 90 are located in the Graz region. These enterprises employ a total of 10,500 persons. Over 80%, or 8,500 are located in the Graz region. This illustrates that the city of Graz also plays a leading role in this context. At the same time though, we should not overlook the fact that in terms of cross-border functions (keyword: hub function of Graz) its full potential has not yet been exploited and Graz needs to substantially improve its positioning.

On the other hand, we would like to point out that all of the rural regions offer a basic range of banking, insurance and consulting services and are able to satisfy demand, a claim which also applies to school education and health facilities. Producer services (technical and business-related) are highly underrepresented in these sectors. This circumstance, in conjunction with the low share of available entrepreneurial functions at larger enterprises, results in inadequacies with respect to the requirements of modern production structures.

The dynamic development of the consumer goods sector in **Slovenia** over the past few years has made shopping tourism between Slovenia and Styria more selective. Slovene purchasing power has shifted to the Graz region, which offers shoppers a more specialised and higher-quality range of products. In this border region the main services centre is Maribor which provides all the necessary services to the surrounding area. All the Slovene banks and insurance companies are represented there, as are branches of Austrian

and other banks. There are also consultancy and advisory services which meet most of the region's needs, but for more specialised services it may be necessary to go to Ljubljana. The presence of the University in Maribor and of a branch in Kranj are additional services available in the region.

Carinthia and northwestern Slovene border region

The services sector in general, especially the high-quality services sector, is strongly concentrated in the central places in Carinthia. Nonetheless, the region does not have enough producer services. In Unterkärnten the entire service sector is very weak.

In **northwest Slovenia**, and particularly in Gorenjska, most services are readily available, with branches of all the main banks and insurance companies widespread throughout the region; this is particularly true of the main centres such as Kranj, Ravne na Koroškem, Slovenj Gradec and Velenje. There are very few branches of Austrian banks present but in the recent past it was not unusual for business people in the region to access bank loans in Carinthia through Austrian banks.

Accounting, auditing and business advisory services are available in main population centres, but very specialised support is available in Ljubljana. There has been a development of sales and service for computers, as well as software development and support and training courses in computer operation, in the region. The shopping situation has changed greatly in recent years due to the expansion of Slovene multiples in the region establishment of branches of Inter Spar as well as the establishment of a large new shopping centres in Slovenj Gradec, Ravne na Koroškem, Kranj and Jesenice. Fewer people from northwestern Slovenia shop in Austria now, except for special items such as clothes and certain consumer goods. On the other hand many Austrians come to Slovenia to buy gasoline, and for hairdressing and dining out – with such consumer decisions having been made on the basis of price and value.

There is a branch of the University of Maribor in Kranj and, in addition to providing courses on the campus, they also provide adult education, evening and other part-time courses in the main centres in the region. The impact of this is very significant in that it helps to increase the reservoir of skills which are dispersed throughout the region.

In the area of services for the elderly, there are certain black spots where the services are inadequate, but steps are now being taken to alleviate this shortcoming. There is adequate access to hospital services but the availability of Pharmacy services can be limited because of restricted opening hours outside the main population centres.

2.4 Labour market

2.4.1 Employment – patterns and trends

The divergent development trends within the Austrian-Slovenian border region are clearly reflected in the labour market. The upward employment trend in the **Styria** border section contrasts with the below-average growth rates and decreases in the number of dependent employees in the **Carinthian** border area.

Due to the commitment to full employment, all Slovene regions were characterised in the pre-transition period by very high rates of labour force participation, especially among women. With the transition to a market economy, employment opportunities declined and are now growing only very slowly. The reason is that the SME sector is not growing quickly enough to compensate the loss of jobs in traditional industries. This has resulted in the new situation of structural unemployment.

Table 11: Labour market in the Austrian-Slovenian border region

	Absolute 1998	Employees Change in %	
		1990-1998	1995-1998
Oststeiermark	56 783	17.8	8.4
West- und Südsteiermark	37 010	6.1	4.0
Graz	180 395	1.1	1.9
Unterkärnten	37 821	7.8	5.0
Klagenfurt-Villach	120 614		0.3
Oberkärnten	33 194		-0.8
AUSTRIA (INTERREG Region)	465 817	3.2	2.5
Podravska	109 667	- 6.3	- 0.9
Pomurska	41 341	5.8	- 2.6
Savinjska	97 921	- 0.8	- 3.3
Gorenjska	70 317	- 5.6	- 2.6
Koroška	26 824	0.5	- 0.2
SLOVENIA (INTERREG Region)	346 070	- 2.8	- 2.1

Source: Austria: Hauptverband der österreichischen Sozialversicherungsträger, Slovenia: Statistical Office of RS

2.4.2 Unemployment

The level of unemployment is at above-average levels in the border region of Austria-Slovenia in both the Styrian and in the Carinthian sections. The stronger the concentration in the individual districts in traditional industrial sectors and/or enterprises, the less favourable the situation on the labour market and the higher number of unemployed persons and unemployment rates.

In the second half of the 1980's (in 1987), **Slovenia** achieved the highest population activity employment rates ever. Adjustment of the Slovene economy to systematic changes since the late 1980's together with the re-orientation to more demanding European markets caused by the loss of Yugoslav markets, resulted in a substantially lower number of employees and active population.

The unemployment rate among the working age population in the border regions is the highest among Slovene regions and is already very critical and still slightly increasing in Podravska. The impact of the economic crisis in old industrial towns (Maribor, Celje) in the surrounding rural areas has been considerable. The commuters from economically weak agricultural areas were the first to lose their jobs. (The number of jobs in the industry in Maribor decreased by 20,000 in the last 13 years.)

The highest increase in unemployment in all three regions of the West Slovene border section was caused by the re-structuring in steel production. There are steel factories in each of these regions (Jesenice, Ravne, Štore). The number of employees in the system of Slovenian steel works gradually declined from 12,255 in year 1992 to 5,752 in September 1999. The unemployment rates in the Gorenjska and Koroška regions are still below the national average, partly because of the government's subsidies to the steelworks (especially in Ravne) and partly because many discouraged workers now work in Austria and no longer register as looking for work. The unemployment rate is rising also in other traditional industries, especially in the manufacturing of textiles, leather, footwear and in wood processing.

Table 12: Unemployment

	Unemployment rate In %	Number of unemployed	Change in the number of unemployed in %	
	1998	1998	1990-1998	1995-1998
Oststeiermark	7.3	7 396	35.9	4.5
West- und Südsteiermark	8.1	6 051	35.8	0.6
Graz	7.0	11 101	48.7	16.9
Unterkärnten	8.4	5 011	21.5	1.0
Klagenfurt-Villach	7.9	8 688	51.2	7.1
Oberkärnten	9.2	4 552	17.7	-0.5
AUSTRIA (INTERREG Region)	7.7	42 799	37.5	6.3
Podravska	12.8	30 611	173	- 2.2
Pomurska	10.1	10 818	168	20.3
Savinjska	9.2	15 498	212	17.9
Gorenjska	5.9	10 817	198	8.8
Koroška	[6.3]	7 829	359	13.7
SLOVENIA (INTERREG Region)	8.9	75 573	183	8.5

Source: Arbeitsmarktservice Österreich, Slovenian Labour Force Survey (LFS) – [...] less accurate estimate due to small sample size;
Employment Office of RS/Regional Offices

The labour market in Slovenia is strongly influenced by the consequences of the splitting up of Yugoslavia and the ensuing necessary structural adjustments. Employment declined in the industrial sector, especially in those enterprises that were mainly concentrated in the former Yugoslav domestic market. In the border regions this development affected primarily heavy industries, for example, in Jesenice. Since 1994, employment in production has been rising again. In many cases initial business conditions for Slovene enterprises were not always adverse. Slovene enterprises have been successful outside the country not only due to their broad range of products, but also due to the already existing and well-established market that extends beyond its borders (e.g. Gorenje, Slovenian paper industry). The steeply increasing number of small- and medium-sized enterprises are the main contributors to the steady progress achieved by the country, in particular since the end of 1980s.

In all regions where the tertiary sector is the mainstay of the regional economy (urban regions, tourism regions), the dynamic advance of the service sector is the driving force creating new jobs.

Table 13: Structure of unemployment

	Number of unemployed persons in 1998	Share of women	Share of long- term unemployed	Share of over- fifty-year-olds	Share of young people under 25
Oststeiermark	7 396	46.1	25.1	12.3	20.2
West- und Südsteiermark	6 051	48.0	28.6	14.1	19.5
Graz	11 101	47.3	35.3	18.4	14.9
Unterkärnten	5 011	46.3	18.3	12.2	18.8
Klagenfurt-Villach	8 688	47.1	23.3	16.0	16.1
Oberkärnten	4 552	44.6	10.9	12.3	19.4
AUSTRIA (INTERREG Region)	42 799	46.8	25.6	14.9	17.6
Podravska	19 000	48.9	56.6	46.2	24.9
Pomurska	6 800	42.2	60.7	36.7	34.1
Savinjska	11 600	49.2	53.2	44.2	28.5
Gorenjska	5 600	54.7	[46.2]	55.9	23.1
Koroška	[2 400]	52.1	[37.8]	40.5	30.4
SLOVENIA (INTERREG Region)	45 400	50.0		46.7	26.6

Source: Arbeitsmarktservice Österreich, Slovenian Labour Force Survey (LFS) [...] less accurate estimates due to small sample sizes

The different initial business conditions along the Slovene border region are reflected in the employment patterns. The industrial orientation is much stronger in the sections bordering Carinthia than in those

bordering Styria, where agriculture is still predominant in extensive areas. The unemployment rates and the income levels show an east-west disparity. The highest unemployment rates are posted in the old industrial regions (basic materials, mining).

With regard to typical groups of unemployed in the border region, almost 50% of the registered unemployed persons have only primary or secondary education. Therefore, the qualifications of the unemployed do not correspond to present and future needs on the labour market. On the other hand, in terms of vocational qualification supply, there are certain profiles already lacking on the market. Making use of the existing vocational training facilities in Austria could make sense in cross-border co-operation, especially in areas in which there is a shortage in the Slovene border region. On the other hand co-operation of the labour market institutions could solve short-term problems concerning special qualified personnel staff (by cross-border procurement).

2.4.3 Cross-border employment market

Assessment of the present situation

Although very little statistical material is available, it was possible to draw the following conclusions based on observations and the statements of experts:

The cross-border labour force exchange is currently taking place in only one direction: **from Slovenia to Austria**. The reasons are very obvious – much higher wage levels and available jobs.

The **restrictive regulations regarding access to the Austrian labour market** are keeping this exchange at a low level.

In Austria, Slovene workers are very often integrated in the **enterprises near the borders**, especially day commuters and mainly in construction and auxiliary industries, wood processing, forestry and tourism. Many enterprises have been able to improve their competitive position by employing Slovene workers (costs and capacity benefits).

A special case is the Slovene seasonal harvest workers employed in Styria in agriculture.

The central places are highly attractive for qualified workers (also those with language skills).

Job and income opportunities in Styria and Carinthia are a valuable chance for many regions affected by high unemployment and serious structural problems (officially and unofficially) such as Jesenice, Maribor and Murska Sobota to **reduce and temporarily overcome** social and economic difficulties.

At the **institutional level of labour market policy** virtually no co-operation projects of significance have been found to date. In addition to the strong pressure from this side that is yet to come (see existing restrictions), a high deficit still exists with respect to sharing information and mutual trust.

In Austria, labour market policy is provided by AMS, a labour market service organised at the federal, provincial (Styria and Carinthia) and regional levels. At the regional level, regional offices are established in each district, co-ordinated by the office at the provincial level. Both the offices at the Länder-level and in the districts could be (and in a few cases they in fact) actors in cross-border co-operation.

Slovenia labour market institutions are organised at the state, regional and local levels. As in Austria, active employment policy and advice in vocational matters are provided.

In Austria there is experience in special qualification strategies and instruments focussed on the concrete demand of companies, which promises a higher rate of success for the unemployed. Also the programmes of territorial employment agreements are promising instruments in the fields of regional labour market policy. In these areas, cross-border co-operation would make sense for information and exchange of experiences, as well as other respects.

There is a **great deal of concern** on both sides of the border regarding the period after the **labour market** is opened up after the EU's enlargement: a high supply of labour and strong pressure on wages are expected on the Austrian side, which would be caused by cheaper Slovenian workers (wages down to collective bargaining agreement levels, no supplementary benefits, high degree of flexibility), which in turn would trigger a strong **crowding-out mechanism** in the regional labour markets, especially in locations that are easily accessed. By contrast, the Slovenian border regions fear the **flight of qualified labour**, which would considerably hinder the development potential of their enterprises (existing and new ones).

2.5 Infrastructure

Of the European transport corridors defined in the Helsinki Agreement, corridors V, X and XA have direct links to the region. In the future, the regional transport routes must be oriented on the major international routes in order to achieve a harmonised transport network.

Roads

The **network of main transportation routes** is complete both in the Carinthian and Styrian border regions.

The main roads are:

- A2 Südautobahn (southbound motorway): Vienna – Graz – Klagenfurt – Villach – border-crossing Arnoldstein;
- A10 Tauernautobahn (Tauern motorway): Salzburg – Villach – continues to Arnoldstein or via the Karawankenautobahn (Karavanke motorway) (Slovenian border); and
- A9 Pyhrnautobahn (Pyhrn motorway): Liezen – St. Michael – Graz – border-crossing Spielfeld (Slovenian border).

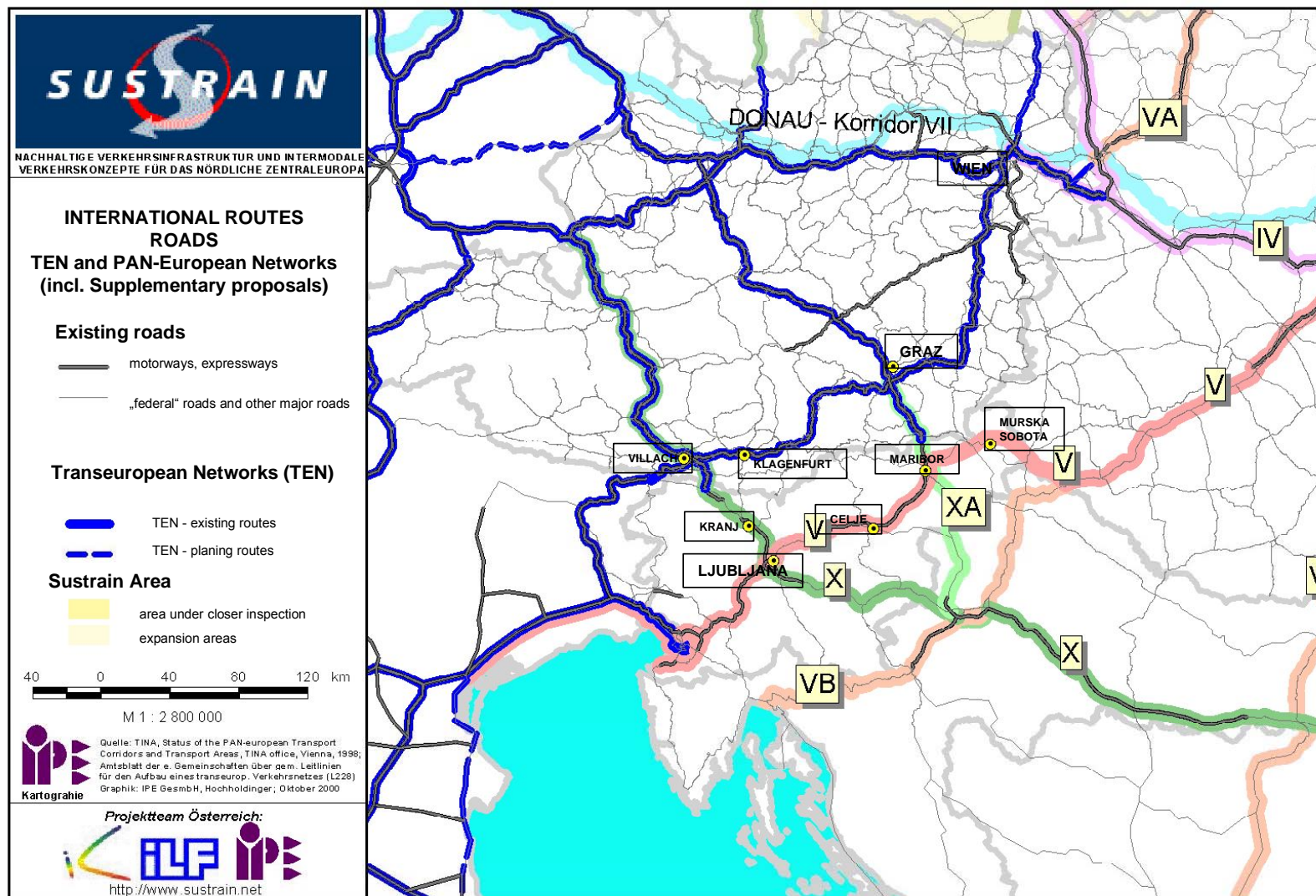
In Styria most of the objective region (Graz region and 8 districts) have direct access to a motorway network. The Graz region even boasts the intersection of the A2 and A9 motorways, which is a major transportation advantage. Even the rural districts have as a minimum good access to the central place of Graz or to the airport.

The **motorway section of the A9** from Graz via Spielfeld links Graz and Maribor in less than 60 minutes. This is the **main axis of the transportation infrastructure** and creates attractive options for many types of co-operation in which transportation plays a role (economic, labour market, shopping, culture tourism).

Moreover, in the regions of west and south Styria significant **inner-regional connection functions** are provided by the federal road, B76 Radlpaßbundesstraße (border-crossing Radl Pass) and the federal road B74 Sulmtalbundesstraße, which serve as links to the Graz central place, as well as B69 Grenzlandbundesstraße, which runs tangentially along the border.

The connection between the Carinthian central space and Gorenjska is made difficult by the topography of the Karavanke mountain range. The only motorway linkage here (E61) runs from Villach/St. Jakob to Jesenice through the Karavanke tunnel and is a toll road. In a market with a free movement of labour, this could make commuting a problem. The alternate route via Tarvis is not as significant for Gorenjska, although it does provide good access to the Julian Alps. Furthermore, there are good roadways over Wurzen and Loibl mountain passes.

Map 3: INTERNATIONAL ROUTES, ROADS, TEN and PAN-European Networks (incl. supplementary proposals)



There are links between Unterkärnten and the Upper Savinska area and Koroška via two smaller roads through Seeberg and Bleiburg leading to Ravne na Koroškem, as well as the crossing via the federal road Lavamünd. A bilateral border crossing was constructed at Pavličevo Sedlo between the Solčava Valley in Slovenia and Eisenkappel. This eliminated the need for a long round trip to cross the border in the centre of the border region.

On the regional level, deficits still exist with respect to road infrastructure (above all in the Slovenian border region) and, in particular to public transport in some border sections; moreover, road connections are missing between the neighbouring regions (e.g. between Southern Carinthia and the Slovenian Savinjska valley).

When comparing the state of road infrastructure in the Slovenian border regions with the overall Austrian level, it still shows a backlog in demand in many cases. On the one hand, this concerns important connecting roads from regional centres in the border area to the Austrian-Slovenian border-crossings. On the other hand, the connections of the border regions to the Slovenian core areas and central axes are often characterised by low technical comfort, low capacity and several bottlenecks (throughroads).

Due to the accessibility and quality of the locations in the Slovenian border regions, these setbacks are hardly reduced. This implies disadvantages that reduce the opportunities and the density of co-operation with the Austrian border regions.

Public transport and railway network

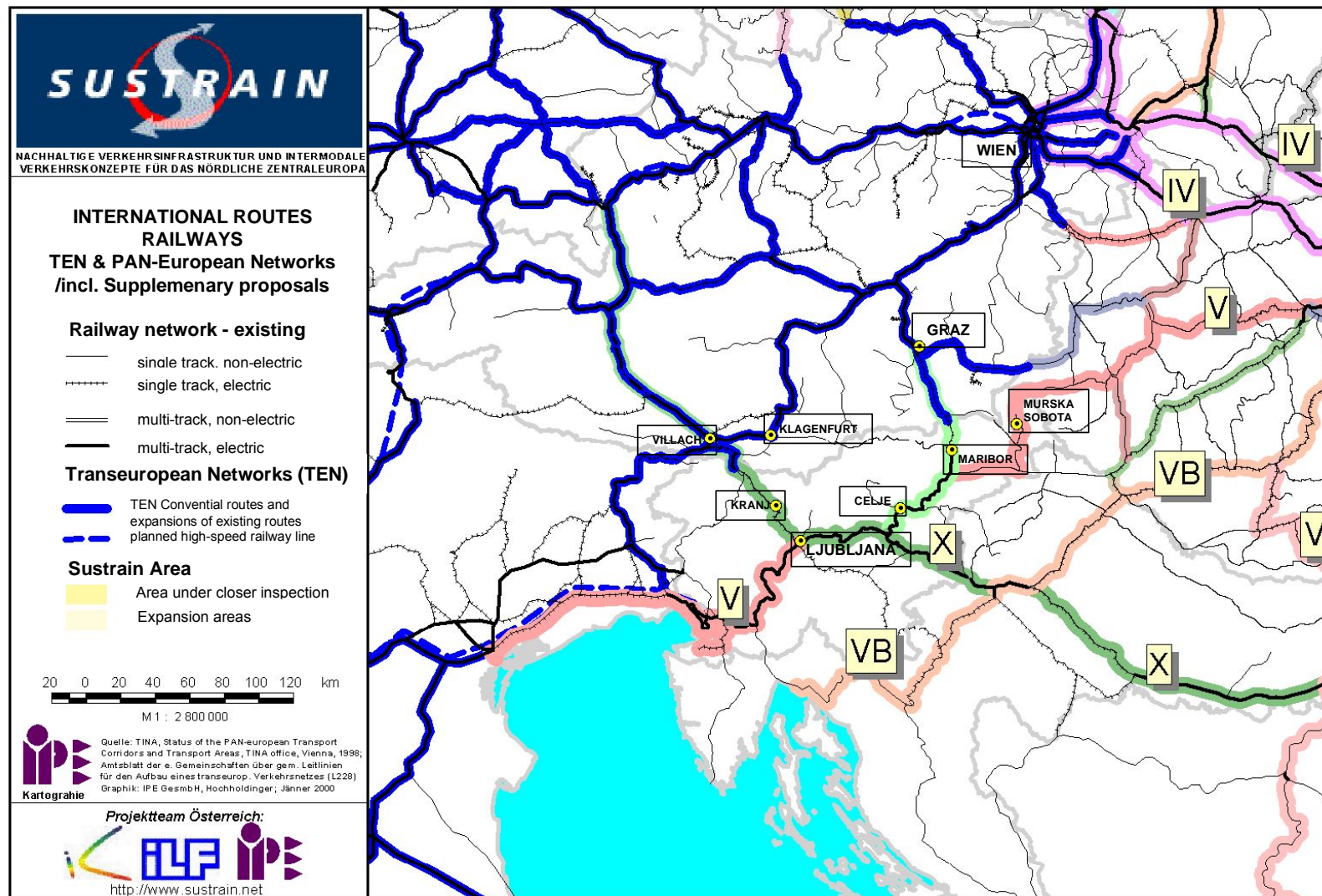
Among the most important supra-regional railway axes in the Austrian border regions are:

- Südbahn (southbound railway line): Vienna – Bruck an der Mur – Graz – Spielfeld (Slovenian border) or Bruck an der Mur – Klagenfurt – Villach – Tarvis (Italian border) or Jesenice (Slovenian border);
- Tauernbahn (Taurn railway line): Salzburg – St. Veit/Glan – Villach; and
- Pyhrnbahn: Linz – Selzthal – Bruck an der Mur – Graz – Spielfeld.

There is a backlog in demand in the area of railway networks:

The **Graz-Maribor route** has only a single **lane** and is increasingly operating at its capacity limit.

Map 4: INTERNATIONAL ROUTES, RAILWAYS, TEN and PAN-European Networks (incl. supplementary proposals)



In addition, the railway links in the region are usually **single-track railway lines**:

- Graz-Köflach (GKB)
- Graz-Deutschlandsberg-Wies (GKB)
- Spielfeld-Radkersburg (ÖBB); and
- Graz-Gleisdorf-(Weiz)-Feldbach-(Ungarn)-Fürstenfeld-Hartberg

There are two **large-scale projects** currently underway to connect the Länder of Styria and Carinthia to the core area of Vienna and to set up a direct connection between the Länder capital cities of Graz and Klagenfurt. The projects planned within the scope of the "New Südbahn" expansion programme, along with the Semmering basis tunnel and Koralm railway line, would link southern Austria to the core area of Vienna and also greatly improve connections within the Styria and Carinthia. The Koralm railway line, which is currently under construction, will also create an access link for the economically weak region of western and southern Styria to the supra-regional and international economic spaces.

The agglomeration of Graz has had a well-functioning **transportation tariff agreement** in place for some time now that covers extensive areas of the entire region under review. So far, it does not operate across the border.

On the whole, **public transport** is the main **weak spot** of the cross-border transportation network. This situation results in a growing volume of exclusively bilateral road traffic between Slovenia, and Styria and Carinthia, which in turn is creating an enormous strain on the traffic and environmental situation of the Graz region.

An important project in the programme's objective region has been started in the field of **freight traffic** that has elements pivotal for cross-border issues: the construction of a **freight terminal** south of Graz (Werndorf). This modern terminal is designed to become a major trans-shipment location for freight from the Slovenian port of Koper (via Ljubljana and Maribor). The area of Maribor will be the principle co-operation region at the local cross-border level.

The main railway axes in the Slovenian border region are the lines:

- Graz-Maribor-Celje-Ljubljana or Zagreb; and
- Villach-Ljubljana-Zagreb or Trieste/Koper.

Currently, the requirements of a modern railway infrastructure are only partially met. The technical standards are low and need improvement: narrow curve radius, same-level crossings, adverse inclines, etc. Work is already underway on existing lines and new lines are now in the planning stage (extension Maribor-Ljubljana-Koper; extension Villach-Ljubljana-Zagreb, extension Graz-Maribor-Zagreb, planning of a link between the Slovenian and the Hungarian railway routes from Ljubljana-Budapest).

In Slovenia, railways have always been of great importance for the transport of goods (industrial goods, trans-shipment at the port of Koper), however, regional passenger services enjoy only low and decreasing acceptance (i.e. there is a declining number of passengers).

Even between important centres in the directly neighbouring regions only a very poor supply of public transport links is available or in some cases nothing at all. The only ones available are:

- Klagenfurt-Ferlach-Kranj-Ljubljana;
- Graz-Leibnitz-Maribor; and
- Klagenfurt-Maribor.

as well as:

- Radkersburg-Murska Sobota;
- Deutschlandsberg-Dravograd; and
- Völkermarkt/Bleiburg-Ravne n.K.

Accessibility

The large central places and their outlying areas (NUTS III regions Graz and Villach-Klagenfurt) are much easier to reach by both rail and roads³ than the peripheral NUTS-3 region western and Styria, eastern Styrian and Unterkärnten. The quality of the accessibility by road is much better than by rail.

The future east-west transport infrastructure (rail and road) in northwest Slovenia with its new links to Hungary will of course also impact Styria and in particular the **southeastern area (Radkersburg)**. A **new locational quality** could emerge here through the larger area covered by the connections and access points.

The NUTS III region of Gorenjska in the three-country border area with Italy and Carinthia in the northwest of Slovenia has good connections to the Carinthian core area and the principle international motorway and railway network (Karavanke Tunnel, Wurzen Pass). Regional accessibility is also good in Podravska. Apart from a series of small border crossings, this region has a major motorway and railway connection between Graz and Maribor. The traffic junction of Maribor also has an airport, but international flights are handled via the airports in Graz and Ljubljana.

The lowest level of accessibility is given in the NUTS III region of Savinjska especially in the direction of Carinthia. The region of Koroška also has a rather low degree of accessibility due to its remote location far away from principle motorways and railway connections. Drautal is the only east-west connection by road and by rail in this region.

Border crossings

There are a total of 13 international roadway border crossings along the Austrian-Slovenian border and 16 further local border crossings. Due to the adverse topography, the Carinthian border section has 3 international border crossings that are over Alpine passes and one through Karavanke tunnel that charges a toll.

The Styrian border section has 7 international border crossings.

The main connection between Graz in southern Styria and the neighbouring regions in Slovenia is the A9 Pyhrnautobahn that travels across the high capacity border crossing of Spielfeld. The crossings at Sigheldorf-Gederovci and Radkersburg-Gornja Radgona are of additional importance for trilateral traffic with Hungary and cross-border health resort tourism in this context. Moreover, the local border traffic is relatively strong in comparison.

There are 3 international border crossings in railway traffic between Austria and Slovenia.

Within the Carinthian border region, the NUTS III region of Klagenfurt-Villach is a major hub for cross-border activity due to the junction of important motorway and railway connections (the motorways Tauern, Karavanke and Südbahn and the railway lines Tauern, Südbahn, and Karawanke) and the well-established transport infrastructure to Slovenia. In the NUTS III region of Unterkärnten by contrast there are no principal transport routes to Slovenia.

Air transport

The airports of Klagenfurt and Graz connect the Austrian border region and the international airline network.

The international airport of Graz is of central importance for the city of Graz (economy, industry, culture, science, congress city) for supra-regional connections. The airport locational infrastructure advantage for the entire Styrian border region (almost all parts of the region are in the catchment and reachable within 60 minutes). As a result of its vicinity, the Graz airport is also very important for parts of northwest Slovenia (Maribor region) in a cross-border context. The planned improvements to the infrastructure, as well as the direct link to the motorway and the connection to the Koralm section of the railway line will help to enhance its future importance for the link between Vienna and Ljubljana.

³ Accessibility of a centre from one's place of residence.

Telecommunications

Compared to other international and national areas, the infrastructure for many telecommunication applications is still lagging far behind in Styria and in particular in the INTERREG-assisted area, with the exception of Graz, with regard to the density and coverage of installed fibre-optic cables, the dissemination and use of ISDN and cable communication, as well as the dissemination of mobile communication. Furthermore, there is a strong need to catch up with regard to the general awareness of an evolving information society.

The level of activity regarding remote communication is relatively high, and gaps are observed in the area of producer services, as well as small and medium-sized enterprises. Deficiencies also exist in the case of major information services for customer-specific solutions.

In the INTERREG-assisted areas, a series of initiatives exist to promote telecommunications, and the need for action is great with respect to securing sustainability, the scope of performance of applications, content-positioning and in turning isolated projects to inter-regional ones.

Currently, cross-border activities involving telecommunications infrastructure and applications between Styria and Slovenia exist only sporadically. Within the scope of the current INTERREG IIIc project “Knowledge Management“, possible cross-border projects in the area of e-work, e-commerce, collaboration with the telecommunications initiatives and raising awareness are being considered.

Slovenia

Although the coverage with telephone connections in Slovenia is lower than the Western European standard (1997: approx. 33 connections per 100 inhabitants), the share of digital telephone connections (66%) is in line with this standard. While the fees for setting up a phone line connection are the highest in Europe, the basic fees are around European levels. Thus, local phone fees are cheaper than the European average, but phone calls outside of Slovenia are much more expensive than in EU countries. In Maribor ISDN lines had already been installed by 1997.

Apart from the state-owned telecommunications network, Slovenia also has private providers of telecommunications services. The main goal of Slovenia in this context is to complete the swift and efficient modernisation of existing organisations and to grant licences to further private providers. The density of phone connections will be increased to approximately 40% by the year 2000. Slovenia pursues a policy of progressive liberalisation. It is considered necessary to harmonise the disparities between connection fees for phone lines, the basic fees and the connection fees with standards in the countries of the EU.

2.6 Education, Research and Development

In the broader fields of **vocational oriented training** facilities there are three well established institutions, who are acting on provincial level and on regional level nearly in every district both in Carinthia and in Styria.

WIFI, BFI and LFI offer a wide range of courses in technical, business and also management fields including language skills as well as data processing. Courses for selected target groups are organised as well as for the individual needs of companies. Also these institutions could be promising actors in cross-border context.

Styria

In these context also the **vocational school in Arnfels** – specialised in car mechanics education – seems promising for cross-border co-operation. This institution offers highly specialised training modules in motor engineering and electronic control.

The place where high-quality vocational and professional education is available in the entire region is clearly in Graz:

- University
- Technical university

- Specialised colleges and courses of study (industrial design, automation technology, electronics, vehicle construction)

There are also at least 3 interesting places of education in the border region:

- HTL-Kaindorf (automation technology, informatics)
- Bad Gleichenberg (tourism)
- Silberberg (viticulture)

Research concentrates almost exclusively in Graz:

In addition to research activities at the university level with numerous industrial and environmental fields, among the private research institutions, the Forschungsunternehmen AVL (motor development) and the Steirische Forschungsgesellschaft Joanneum Research (focus on environment and energy) are worth mentioning.

Carinthia

In the area of specialised colleges the past few years have seen encouraging developments. Within the scope of the institution Technikum Kärnten course of study have been introduced that are geared largely towards the job specifications of the regional economy. The courses of study offered at the specialised colleges and the university of Klagenfurt display a clear positioning to meet international competition in education. The special features of the location, such as its place at the crossroads of three cultures, its economic strength in core areas of competence that will gain significance in the future such as microelectronics, environmental and energy technologies. Relationships between academic research and education on the one side, and business on the other, must be improved if actual demand is to be met. Approaches such as the Carinthian Tech Research in Villach are examples of how the potential in this field can be exploited internationally. The positive trend in the area of specialised colleges must be continued.

In Carinthia in the field of **vocational schools** promising cross-border initiatives with Slovenian partners have been carried out in the last period. Based on these experiences this line of co-operation with impact in education, but also in bilateral people to people contacts should continue.

There exist two agricultural schools in the programming area:

- Stögerhof near Villach (already involved in a cross-border educational project)
- Goldbrunnhof near Völkermarkt

Other vocational schools on a higher level in the border region are e.g. in Villach, St. Jakob, Ferlach, Krastowitz (for agriculture) or Tainach (also for agriculture).

Slovenia

Education and Training

Slovenia has a relatively well developed network of schools and other providers of education and training for young and adults in the border regions: on the primary level; general, technical and vocational (lower and upper) secondary levels and higher vocational, professional and university levels.

With regard to the support to the regional labour market development, some new important developments have occurred since 1995, in particular in the vocational education and training sub-system: these include the introduction of the dual system on the lower secondary vocational level, the development of new post-secondary vocational education programmes and the establishment of higher vocational colleges. The widening of the higher vocational colleges' network follows, among other professional criteria, the assessed support of the regional/local partners and the employment in prospective fields, such catering and tourism (Bled, Maribor), business secretarial (Slovenj Gradec, Maribor), commerce (Celje), food technology (Maribor), mechanical engineering (Celje), and construction (Celje). The reform process was supported by the PHARE Vocational Education and Training Reform Programme, which allowed the schools a wide range of EU partnership links and experience and introduced the 'Europeanisation' process in the area of

education and training. Very positive experience has also been gained through the PHARE Crossborder project of Co-operation among Vocational Schools in Austria and Slovenia.

Higher education, characterised by a binary structure comprising the university and professional type of studies, is presently concentrated in Maribor (after Ljubljana, the second most significant university centre in Slovenia). Both offer some of their programmes for adults also in other regional centres.

In the field of adult education and training, two main types of providers can be identified: institutions which provide education as their main activity (secondary school departments for adult education; community schools offering various courses more oriented towards the improvement of general knowledge, such as languages, ICT; education centres within enterprises; higher education institutions) and institutions which provide education as an additional (secondary) activity (associations, clubs and other non-governmental institutions).

The primary task in the implementation of measures targeting the unemployed is covered by the National Employment Office: in this context, it is worth mentioning the project called '5000', which is a joint education and employment initiative aiming at offering to the unemployed persons the possibility to achieve formal professional qualification in the regular educational programmes.

In general, the matching between the education and training offer and the labour market needs must be improved: in terms of content and diversity as well as in teaching methods, learning arrangements and environment. There is also not enough co-ordination between the different regional/local partners in dealing with questions related to the human resources development in the regions. Within the PHARE Vocational Education and Training Reform Programme (1994) pilot 'Regional councils' were initiated with this objective (in Gorenjska, Savinjska and Podravje), but they have not identified yet the most appropriate institutional arrangement and position in relation with other regional development structures in development. The same project offered support also to the elaboration of the new concept of 'inter-company or regional training centres (MIC)', initiated mainly to fight the rigidity of the education system – a criticism often expressed by the social partners.

The high percentage of structural unemployment, unemployment of youth (partly due to the relatively high school drop-out rates, in particular in VET) and low level of education and skills of the employed (in particular in the age group above 40) indicate and call for urgent and integrated regional actions in the area of human resources development, to raise the competitiveness and quality of life in the cross-border regions.

Research

The main research and development patterns in Slovenia show that basic research is strongly concentrated in major urban areas, and while R&D remains rather strong in some areas of basic research, the capacity for applied research is much more limited because of cuts in enterprise spending for this purpose, as well as the "internal brain drain" of academics. This is especially true for the western border region. In the past, R&D activities were organised mainly inside large industrial companies (elezarna Ravne, Gorenje Velenje, Iskra Kranj), but are being done away with for financial reasons. Researchers leave R&D to work in private sector jobs where they do not have suitable equipment and do not apply their skills. Therefore, the need for research and technology centres is very strong in all of the regions.

2.7 Culture

The culture of border regions is in many cases shaped by a rich variety. Examples of characteristic features of this cross-border region are that similar forms of cultural landscapes and elements of different traditions can be found on either side of the border, for example, the co-existence of old traditions alongside modern cultural ones in the alpine zones creates a multifaceted and attractive scenery.

The region's location at the crossroads of three languages and cultures creates an especially promising cultural potential. The variety of languages in the sub-regions, e.g. the Slovene-speaking minority in Carinthia, may serve as a bridging function for cultural exchange.

The programming region also contains due to its varied landscape (cities and alpine settlements, lake zones, vini-cultural areas and alpine zones) a broad range of cultural attractions. An important driver in the valuation of these attractions is tourism. Tourist centres and larger cities are characterised by significant concentrations of cultural attractions.

Special attention should be given to the city of Graz as the nominated cultural capital for 2003 that is committed to a series of cross-border approaches.

However, in the context of cross-border activities, the various cultural exchange processes taking place on a small scale have to be highlighted. There are numerous initiatives, some organised as associations, some headed by private actors. These initiatives contribute significantly to increasing the number of contacts with the neighbouring country and also broaden the base for cross-border collaboration.

2.8 Environment and Spatial Development

Environment

Austrian border region

The **Styrian border region** exhibits a great diversity of small-scale mixed uses, wide river valleys with valuable riverside meadows, long ridges devoted to fruit- and wine-growing, and alpine regions.

According to EU law, the Styrian border region includes the following **protected areas** and **proposed protected areas**:

- the local protected areas and large landscape protected areas of Koralpe-Pack-Radlpass, Sausal, Schlossberg, Murauen and Klösch, the western and eastern Graz hill country, Schöckel;
- the Pöllauer Tal nature park and the South Styrian Weinland nature park;
- the Leibnitzerfeld, Ehrenhausen, Mureck, Gosdorf, and Radkersburg water conservation areas;
- the Deutsch-Goritz and Sieldorf-Radkersburg mineral spring conservation areas;
- the protected areas in the region of Pöfing-Brunn subject to the Mining Act; and
- the large Natura 2000 areas of Dämmerkogel, the south-eastern Styrian hill country, and Styrian Joglland as well as smaller individual areas.

Spatial conflicts result in the valleys from the pronounced overlapping of supra-regional water management interests, intensive agricultural activity, gravel quarrying interests, and strong pressure from settlements and infrastructure (i.e. endangerment of groundwater, diminution of flood and retention surfaces, clearing of the landscape, despoliation and soil erosion). In particular the ecosystems of the Graz and Leibnitz areas are exhibiting signs of excessive strain.

The potential of bio-mass the border area in respect to renewable using of energy has been considered by a INTERREG II project in detail. Based on this proposals for implementation in the INTERREG III period have been carried out

Cross-border relationships and areas of mutual effort exist with regard to common environmental issues.

- Interdisciplinary, trans-border harmonisation of nature protection requirements, water management interests, and other exploitation possibilities in the area of Grenzmur/Mura. Within the framework of INTERREG IIA, the necessary analysis work was performed and developmental scenarios worked out; within the programme time periods to follow, these will elaborated in more detail and implemented according to the various models.
- The exploration and use of thermal and water management resources to be agreed upon at the trans-border level.

- Trans-border ideas and procedures in the area of research on cultural landscapes and specific implementation work, in particular in the wine-growing region, taking the Styrian-Slovenian region in particular as the model, and cross-border expansion of the South Styrian Weinland nature park.

The Carinthian border region possesses a high degree of potential with regard to landscape and space. This includes:

- the lakes of the Klagenfurt Becken region and the lower Carinthian lake landscape around the Klopeinersee;
- the mountain face and climbing areas in the Karavanke;
- marshland and extensive forestland;
- gorges, waterfalls, and caves; and
- Alpine ski areas (Dobratsch, border three-country border area, Hochobir, Petzen, and Koralpe).

In the mountain ranges and along the densely wooded ridges are also the water reservoirs of southern Carinthia. Extensive water protection and conservation areas are:

- Karavanke – Rosental, Dobratsch, Petzen – Jaunfeld, and Sattnitzberge.

The protected areas close to the border in the Karavanke and Petzen areas are part of a common water deposit. The protected areas extend across the border into Slovenia.

A series of landscape and nature protection areas points up the desirability of protecting the area along the border (Dobratsch, Bodental, Trögener Klamm, Steiner Alpen, moor landscapes, etc.). The Carinthian Environmental Administration Act and Environmental Protection Act regulate the protection of valuable landscapes.

In general, the Carinthian border region is characterised by overall intact environmental conditions. Problems for landscape protection in Carinthia consist in the overdevelopment of tourism in some places and in the increasing number of vacation homes and flats.

The Slovenian border region

Most of the Slovenian border area can be described as a mountainous region; the areas of highest elevation are the Gorenjska region in the northwest, the Karavanke in the north, and the extensive Triglav Massif (national park). To the east, the mountains turn into mostly hill country. The hills around Maribor make up part of the south Styrian-Slovenian wine-growing region.

Most of the border region constitutes a karst region — with an extensive system of subterranean caves and rivers — and is therefore extremely susceptible to erosion. The Slovenian border region possesses a great biological diversity in its plant and animal life. Numerous plant species are endemic, which means that their dispersal is limited to within the region. The area is one of the most heavily forested in Europe. The forests are threatened, on the one hand, by acid rain, which is caused by the sulphur dioxide emissions of some industrial plants, and on the other hand, by natural phenomena such as forest fires (which are a normal occurrence for karst), pests and diseases, which are in turn exacerbated mainly through poor forest management. The main causes of soil contamination include the effects of the densely populated urban settlement areas (i.e. land use, waste disposal sites, insufficient sewage disposal, and traffic pollution) and intensive agriculture and industry.

Slovenia has only a few protected areas and only one national park (Triglav National Park). The nature conservation strategy being drawn up for Slovenia includes a plan to expand protected areas to 20% of the surface area of the country. Most of the existing and planned national park space is located in border areas. Triglav National Park borders Austria and Italy to the west; Kamnisko-Savinjski Regijski Park lies on Austria's southern border; and Kozjanski Park, to the east, is at the Croatian border.

The most important river catchment areas along the Austrian border are the Drava and Sava rivers. Most of the water of the region flows into the Danube, with the remainder going to the Adriatic. The border area has more than ample water resources. Slovenia's average precipitation is 1500 mm, with 3000 mm in the

western part of the country and 800 mm in the east. In the area along the Austrian border there are numerous springs and groundwater deposits, which reveal cross-border linkages. The country's water system is characterised by mountain torrents and alluvial land, which results in a risk of over-flooding. Many of the rivers in the plains were regulated for reasons of flood protection. In particular, the border river Mur/Mura collects the mostly cleaned waste water from the Styrian and Slovenian area. Due to an ambitious sanitation programme it was possible to improve the water quality up to achieve quality class II, though there are still further points, which would require sanitation.

On the Slovenian side of the border, environmental stress is still given in the field of air pollution and waste dumps with little capacity left. Some waters still reveal the presence of organic and non-organic compounds in rivers and in drinking water resources. In mountain cottages located in protected water resources areas, waste water management is not adequate.

Therefore, the opportunities for cross-border co-operation are in joint waste management and the re-cycling of wastes, in the management of drinking water resources in the Karavanke and Alps.

Renewable energy also shows a great potential for cross-border co-operation, in particular with respect to biomass.

Spatial Development

The region's position in the Alpine Space (at least the western part of the programme region belongs to this Space) implies numerous spatial development problems. On the one hand, sub-regions with a massively declining population and the resulting socio-economic and settlement-related problems (i.e. problems in maintaining minimum infrastructural standards) sharply contrast the prospering areas (as far as population and settlement development are concerned) with limited space for settlement encroachment, which requires a higher commitment in the fields of spatial resource management. On the other hand, the topographical conditions in the border regions of Carinthia and Slovenia are impeding cross-border exchange; in the eastern part of the programme region the natural barriers are not as pronounced.

Hence, common strategies and efforts to find solutions to similar problems need to be supported. Currently, organisations such as the Alpen Adria Working Community (ARGE Alpen Adria) are trying to establish trans-national co-operation in the fields of spatial planning and development as well as in regional policies. At the micro-region level, the co-operation and exchange of experiences in the above mentioned fields of action is currently restricted to small-scale, fragmented efforts. Mainly municipalities located in close vicinity to each other who have fair levels of cross-border transportation infrastructure are engaged in such co-operations. A more comprehensive co-ordination of regional development strategies, e.g. in programmes for the economic promotion of peripheral alpine valleys or the co-operation between agglomerations is currently rather weak.

To date it has not been possible to implement the proposals of the project "mid-term cross-border development strategy" concerning regional development with regard to improving the common data base and the exchange of data and experiences.

From Slovenia's point of view, common cross-border spatial problems could be tackled in the fields of preservation of nature parks and in the planning of industrial sites, as well as regarding the protection of water resources and the management of rivers Drava and Mura, the preservation of the quality of the environment in the Karavanki and Savinski Alps (and as a consequence the quality of the source of water for much of the western border region on both sides), joint monitoring, research and inventory of natural resources.

In regard to structures and instruments, there are no regional spatial plans at the regional level due to the fact that regional structures are not in place yet. But municipalities are in the process of updating their spatial plans.

A special joint methodology and protection schemes for ground water resources are lacking as well as joint monitoring systems, databases on natural resources and the harmonisation of biotope cartography.

3. STRENGTHS AND WEAKNESSES

The analysis on the following pages presents a cross-border picture of the Austrian and Slovene border regions. It outlines the main regional strengths and weaknesses on both sides of the border. In line with the structure of this document it distinguishes between the Styria-Drava/Mura regions and the Carinthia-Alp regions. A brief summary highlights the major results for the Austrian and Slovene parts. The tables at the end of this section summarise the major issues in the following order:

- Strengths Styria – Drava/Mura (Eastern side of the border area)
- Weaknesses Styria – Drava/Mura (Eastern side of the border area)
- Strengths Carinthia – Alp (Western side of the border area)
- Weaknesses Carinthia – Alp (Western side of the border area)

The following section briefly reviews major issues in the border region.

Demographic structure and dynamics

In entire border region the rural parts on the Slovenian side as well as in Carinthia on the Austrian side suffered from continuous out-migration during the past decade. These unfavourable developments seem to be less marked in the Styrian parts. Especially the centre of Graz performed favourably in the first half of the 90ies.

Economic structure and trends

For Slovenia the importance of further industrial restructuring has to be highlighted. However there exists an obvious potential in the manufacturing industry on the Slovenian side where some companies have shown encouraging results and these industries can rely on a regional pool of skilled labour force. The services sector in the western part of the Slovenian border region is rather well developed but still offers a wide range of future perspectives in the areas of financial services, consulting and tourism. Public authorities strongly focus on tourism investments, including agro-tourism, to increase the level of attractiveness of the region.

Graz and to a lesser extent Klagenfurt-Villach are the dominant economic centres on the Austrian side. Especially Graz has developed its role in industrial clustering. Hence the axis Graz-Maribor might become an important driver in cross-border regional development. Both economic core areas, Graz and Klagenfurt-Villach offer a wide range of business and educational infrastructure, and the cities and their immediate hinterlands form important commuter catchment areas for the rural areas.

Developments in agriculture on both sides of the borders are closely interrelated to the future potentials in tourism. Out-migration with features of brain drain as well as potential threat to maintain the agricultural cultivation of the rich landscape is among the most pressing problems for the more remote and mountainous parts of the cross-border region. The conditions for agricultural production are more favourable in the eastern parts.

Human resources, labour market

On the Austrian side the generally high skill levels are one of the main regional assets. The analysis reveals on the one hand a highly qualified labour force though on the other hand a couple of regional imbalances and deficits exists. The highly-qualified labour forces commutes to the economic core areas, with diversified job offers, whereas job creation in the more rural parts is restricted to the development of tourism.

On the Slovenian side the skilled industrial labour force has to be pointed out. A distinctive regional pattern becomes visible with the western part (Gorenjska) being in a better position than Podravska and Pomurska regions. The latter regions are burdened by rather high levels of unemployment, a particular threat with regard to out-migration is the high youth unemployment. The educational facilities in these regions are not sufficiently developed.

Culture

A high cultural potential (old traditions in alpine zones, variety of languages with Slovenian-speaking minority in Carinthia, varied landscape) opens a wide range of possible initiatives and activities in culture. In part mutual reservations, prejudices and anxiety rooting in history exist which points to the need for active support to gradually diminish these mental barriers.

Infrastructure, public utilities

Communication networks are satisfactory, although for some Slovenian regions the accessibility of the economic core region of the country is insufficient and the number of cross-border links particularly in the western part is rather limited. The lack of proper connection between Celje and Ljubljana (under construction) is an impediment for the development of certain parts of the border region.

The major deficit lies in the public transportation links between the Austrian and Slovenian border areas, but also between the respective centres. The axis Graz-Maribor is well developed with regard to transport infrastructure, thus forming a kind of a trunk infrastructure in cross-border relations between Austrian and Slovenia. The density of border-crossings in the eastern part is considerably higher than in the western part, where the mountainous character impedes the development of dense networks.

Natural endowments, environment

On the Austrian side the environmental conditions are quite favourable, offering a wide range of various natural endowments. For Styria the role of the thermal spas as well as the traditional viniculture has to be highlighted, for Carinthia main assets are the lake zones and rich mountainous scenery.

On the Slovenian side the environment is relatively well preserved, except for the areas polluted by dense industrial activities. The level of water supply infrastructure, waste and waste water treatment needs to be improved.

The environment apart from its obvious role as an ecological base is the major regional asset for further development of tourism in the whole cross-border region. The rich and diverse landscape depends upon in part labour-intensive forms of cultivation in agriculture and forestry. Thus rural-urban migration is a serious threat for future development of agro-tourism.

For Austria as well as Slovenia future increasing road transportation on certain corridors is seen as a potential source of concern with regard to environmental protection.

Regional development institutions

On the Austrian side the EU-accession was an additional driver in the development of regional networks and regional management structures. Recent efforts include also the implementation of Euregios with Slovenia. For Carinthia the cross-border efforts in the course of the application for the Winter Olympics have formed a sound base for future initiatives. Additional efforts under the heading of LEADER have led to initial structures aimed at bottom-up initiatives in rural development. Still some efforts to strengthen the horizontal co-operation among the regional actors are needed.

In Slovenia regional or local development agencies and SME support centres promote regional or local development projects.. Law on Balanced Regional Development (OG RS No. 60/99)provides a framework for widely accepted regional development agencies, providing them with sustainable financial resources. Training needs were addressed to some extent in order to strengthen the operational capacity of these agencies. Authorities on regional level should prepare themselves with regard to administrative procedures and new administrative tasks in order to benefit from increasing financial support in the near future.

Table 14: Strengths Eastern Side

Sectors	Land Styria – Austria	Drava-Mura Region – Slovenia
Economic structure and trends	General Great differences between rural and peripheral areas and the region of Graz <ul style="list-style-type: none"> Highly developed urban economy in Graz Opportunities by enlargement of markets in vicinity 	General <ul style="list-style-type: none"> Favourable situation for freight and trade transit Murska Sobota plays a particularly important role in the Pomurje Region economy Pomurska region is predominately agricultural region with no traditional industry National and international projects
	Industry <ul style="list-style-type: none"> Successful leading sectors in automotive industries (AC Styria), microelectronics, machinery and vehicle construction and ecological sector with high international integration in the region of Graz Small-scale concentrations of competitive industries in some regional centres partly integrated with leading sectors in region of Graz Opportunities in promoting competitive key companies for technological networks with integrative effects into rural areas and upgrading of local industry and SMEs 	Industry <ul style="list-style-type: none"> Some successful manufacturing companies Most important sectors are: textile and textile products, food industry, beverages and tobacco, petroleum, manufacturing of metal, machinery and equipment Important role of the construction sector Know how and specific knowledge in the area of machine construction and projecting, experiences with former Yugoslav markets
	SME development <ul style="list-style-type: none"> Existing and development of SME-sector in certain segments of higher technologies (subcontractors to AC Styria and other industrial clusters) Existing and envisaged (within a short-term perspective) incubator centres, business parks and technology parks in Graz and rural areas Opportunities by creating cross-border networks for SME-co-operation 	SME development <ul style="list-style-type: none"> Domestic financial institutions Some business support institutions Already established technology park Available workforce which is highly flexible
	Services <ul style="list-style-type: none"> Basic services (eg. banks, tax advisers) in all regions Supply of services on a higher level (eg. marketing, consulting, R&D services) and specialised education facilitates primarily in Graz Opportunities for sectors with a strong orientation in human capital 	Services <ul style="list-style-type: none"> Quite well developed service sector in the Podravska region (banks, insurance companies, self-employment)
	Tourism <ul style="list-style-type: none"> In large parts attractive endowments with regard to landscape, natural and cultural resources Thermal spas as dynamic tourist centres in South eastern regions with fair use of capacity and high quality Thematic tourism roads (wine roads, castle roads, apple road...) Beginnings of regional and cross-border tourism infrastructure as cycling routes, hiking trails, horse riding Cross-border opportunities through complementary tourist infrastructure 	Tourism <ul style="list-style-type: none"> Quite well developed tourism with still unused potentials (eg. Drau/Drava) Natural, historical and cultural resources for tourism development Thermal spa region with stable tourist centres of moderate quality Maribor as a well known ski center Regional trade marks in tourism (spas, skiing, wine, historical heritage)

Table 14: **Strengths Eastern Side** (Continued)

Sectors	Land Styria – Austria	Drava-Mura Region – Slovenia
Economic structure and trends	Agriculture <ul style="list-style-type: none"> Favourable natural conditions for agricultural production (eg. wine) High productivity Partly successful specialists Broad range of agricultural products Opportunities in high quality food production and food processing 	Agriculture <ul style="list-style-type: none"> Favourable natural conditions for agriculture production (eg. wine) Opportunities in high quality food production and food processing Development of specific local home products trade marks
Infrastructure, Public sector services	<ul style="list-style-type: none"> High regional accessibility levels (motorways, airport) Good transport infrastructure between Graz and Maribor (motorway, railway) 7 international border crossings to Slovenia Well developed infrastructure in public health service and education system also on regional level Opportunities by improvement of cross-border public transport systems 	<ul style="list-style-type: none"> Well developed national infrastructure in Podravska (incl. airport) Good transport infrastructure between Graz and Maribor (motorway, railway) Opportunities by improvement of cross-border public transport systems Technical infrastructure generally adequate
Human resources, labour market	<ul style="list-style-type: none"> Specific skills in agricultural production and food processing High level of qualification and specialised labour markets in the region of Graz Highly specialised facilities of education and training Opportunities by cross-border co-operation of labour market institutions 	<ul style="list-style-type: none"> High level of industrial skills Knowledge of foreign languages University in Maribor Traditional craftsmanship skills
Natural resources, environment	<ul style="list-style-type: none"> Rich natural resources Still low level of environmental stress Opportunities in sustainable use of common natural heritage, preservation and marketing (nature parks) 	<ul style="list-style-type: none"> Rich natural resources Comparatively well-preserved environment Opportunities in sustainable use of common natural heritage, preservation and marketing
Regional development institutions	<ul style="list-style-type: none"> Three existing regional management structures In preparation: regional management in region of Graz In preparation: Euregio Styria – Slovenia 	<ul style="list-style-type: none"> Existence of support institutions for local and regional development Traditional exchanges across the border in Podravska Pomurska was eligible as one of the 3 priority regions for regional development in 2000-2002

Table 15: Weaknesses Eastern Side

Sectors	Land Styria – Austria	Drava-Mura Region – Slovenia
Economic structure and trends	General <ul style="list-style-type: none"> High importance of agriculture and low rate of industrialisation High shares of companies in low-tech segments Threats by increasing competition in low price sectors, labour intensive industries 	General <ul style="list-style-type: none"> Lacking competitiveness Important role of the grey economy Lack of export oriented companies Weak level of entrepreneurship
	Industry (rural areas) <ul style="list-style-type: none"> Low number of internationally competitive industrial companies Lack in R&D activities Low level of integration in the region 	Industry <ul style="list-style-type: none"> Lacking active restructuring efforts Industrial restructuring still underway, mainly in labour intensive branches Low labour productivity Low tech and labour intensive industry Low levels of business and managerial know-how
	SME development (rural areas) <ul style="list-style-type: none"> Lack of export oriented SMEs and services Few cross-border business networks Rate of new firm formation is comparatively low 	SME development <ul style="list-style-type: none"> Underdeveloped service and SME sector High administrative barriers for business start-ups Shortage of adequate business support institutions or information systems
	Services <ul style="list-style-type: none"> Low level of business oriented services in rural areas Comparatively low importance of financial management and financial services in Graz in cross-border context 	Services <ul style="list-style-type: none"> Low level of services, partly due to the low level of education Lack of services for local (rural areas) market demands
	Tourism <ul style="list-style-type: none"> Outside the tourist centres: low level of tourism and quality deficits Few packages offered, lacking offers with specialised profile Dependence on one season (outside spa region and winter sport areas) Low shares of foreign visitors Low rate of common cross-border activities (exchange and marketing) 	Tourism <ul style="list-style-type: none"> Lack of local / regional trade marks Lack of contacts between the actors Lack of adequate organisational structures Small size of present offer Dominance of day trip tourists Low shares of foreign visitors
	Agriculture <ul style="list-style-type: none"> Small farm sizes and high rate of part time farming In hilly areas: difficult conditions for cultivation Partly lacking competitiveness Problems with intensive farming 	Agriculture <ul style="list-style-type: none"> Low productivity (very small units) which means non competitive production Lack of marketing structures and skills High rate of part time farming

Table 15: **Weaknesses Eastern Side** (Continued)

Sectors	Land Styria – Austria	Drava-Mura Region – Slovenia
	<ul style="list-style-type: none"> Ageing farming population Ongoing drop outs Loss of traditional landscapes, loss of traditional forms of cultivation 	<ul style="list-style-type: none"> Lack of self-initiative among farmers Lacking integration in up- and downstream industries
Infrastructure, Public sector services	<p>Region of Graz:</p> <ul style="list-style-type: none"> Increasing problems due to growing commuter flows in road transport Low intensity of cross-border connections in public transport (Graz – Maribor) <p>Rural areas:</p> <ul style="list-style-type: none"> Only one rail connection across the border (restricted capacity due to single track railway line) Ongoing deterioration of public transport infrastructure 	<ul style="list-style-type: none"> Unfavourable local and regional infrastructure Unfavourable connection to the Centre in Pomurska Insufficient water supply Lack of sewage and waste treatment
Human resources, labour market	<p>Rural areas:</p> <ul style="list-style-type: none"> Comparatively low level of qualification and education High rate of commuters to Graz Low level of qualification facilities Low availability of highly skilled labour force Low level of foreign language skills in respect to neighbouring countries High seasonal unemployment Threats of replacement processes on local labour markets <p>Region of Graz:</p> <ul style="list-style-type: none"> Particular bottlenecks with regard to workers with specific skills 	<ul style="list-style-type: none"> High level of unemployment (particularly among the youth) Social exclusion of long term unemployed persons Low level of education Under-developed school system in Pomurska Lack of job opportunities in the border area Educational and training institutions not oriented towards modern market needs Absence of R&D institutions Discourage among population Traditional mentality in some regions which is an obstacle to new ideas Lack of business and managerial know how
Natural resources, environment	<ul style="list-style-type: none"> Mura river bed lowered, Lowering of water table Intensive farming operations threatens water quality Loss of cultivating through reduction of farming activities Increasing frequency in transport High level of water pollution on parts of Drava and Mura rivers 	<ul style="list-style-type: none"> Negative environmental impact from traditional industry and increasing traffic Poorly organised system for waste treatment High level of water pollution on parts of Drava and Mura rivers
Regional development	<ul style="list-style-type: none"> Low level of co-operation and severe gaps in communication between regional actors inside the region, between Graz and the rural areas and in cross-border context 	<ul style="list-style-type: none"> Low exploitation of public subsidies in the Maribor region Lack of willingness to collaborate among municipalities Lack of project management know-how among the institutions Lack of organisational core

Table 16: **Strengths Western Side**

Sectors	Land Carinthia – Austria	Alp Region – Slovenia
Economic structure and trends	<p>General</p> <ul style="list-style-type: none"> Attractive due to proximity to south and south-eastern markets Strong educational infrastructure, high potential of skilled workers Umbrella type strategy for Carinthia (comprising initiatives in the fields of tourism, agricultural products, 'business zone Carinthia' ('Wirtschaftsraum Kärnten')...) <p>Industry</p> <ul style="list-style-type: none"> Innovative technologies in the fields of electronics and software (Silicon Alps) Successful key companies <p>SME development</p> <ul style="list-style-type: none"> Developed structure of SME-support in technological and innovative sector by incubators, networks and technological parks Opportunities for SME-development by integration into Carinthian industrial clusters and enlargement of markets by cross-border co-operation <p>Services</p> <ul style="list-style-type: none"> Increasing employment in the service sector <p>Tourism</p> <ul style="list-style-type: none"> High tourist potential Clear strategic marketing concept for tourism on level of the state Innovative networks <p>Agriculture</p> <ul style="list-style-type: none"> Favourable natural conditions for diversification and specialisation Well-founded base in cross-border co-operation in agriculture 	<p>General</p> <ul style="list-style-type: none"> Relatively high level of entrepreneurship encouraged by a strong regional identity Proximity of Austrian markets <p>Industry</p> <ul style="list-style-type: none"> High level of manufacturing activities Successful key companies Important construction sector (in Gorenjska and Savinjska) <p>SME development</p> <ul style="list-style-type: none"> Some local support institutions have been established Availability of well equipped business sites <p>Services</p> <ul style="list-style-type: none"> The services sector is increasing, especially financial and tourism activities <p>Tourism</p> <ul style="list-style-type: none"> High tourist potential Ski resorts <p>Agriculture</p> <ul style="list-style-type: none"> Well preserved areas can represent opportunities for developing ecological products Favourable natural conditions for diversification and specialisation Traditional skills in production Some very successful farms in the Gorenjska region

Table 16: **Strengths Western Side** (Continued)

Sectors	Land Carinthia – Austria	Alp Region – Slovenia
Infrastructure, Public sector services	<ul style="list-style-type: none"> High attractiveness of the location due to highly developed transport links to the agglomerations of Upper Italy, Slovenia and Croatia High level of accessibility within the central parts 	<ul style="list-style-type: none"> Transport links (rail and road) between Gorenjska region and Ljubljana are well developed cross-border road links between Koroška region and Austria
Human resources, labour market	<ul style="list-style-type: none"> High percentage of persons, who have passed the „Abitur“ (high-school diploma) University Klagenfurt and other scientific institutions High qualification levels among the skilled workers Bilingual population in parts of the country (cultural variety) 	<ul style="list-style-type: none"> High percentage of economically active population Relatively low level of unemployment in the Gorenjska region, in general fair level of education among the labour force high skill levels among the employed in the industrial sector
Natural resources, environment	<ul style="list-style-type: none"> Great diversity of natural environment and rich natural endowments Generally low levels of pollution High share of domestic renewable energy resources in the total use (34 %) 	<ul style="list-style-type: none"> Great diversity of natural environment and rich natural endowments Generally low levels of pollution Well preserved environment in the Gorenjska and partly also in Koroška region
Regional development	<ul style="list-style-type: none"> Existing LEADER-structures in rural areas for promoting regional development and co-operation Recent initiatives to establish an EUREGIO in Carinthia „Senza confini“ / „brez mejah“ concept for trilateral co-operation based on Winter Olympics 	<ul style="list-style-type: none"> Existence of local development institutions Cooperation between municipalities, especially in Koroška Upper Savinjska area was eligible as one of the 3 priority regions for regional development in the period 2000-2003

Table 17: Weaknesses Western Side

Sectors	Land Carinthia- Austria	Alp Region – Slovenia
Economic structure and trends	General	General
	<ul style="list-style-type: none"> The economic centre Klagenfurt-Villach is economically weak compared to agglomerations of similar size 	<ul style="list-style-type: none"> Economic decline started in 1989 and accelerated after 1992 GDP per capita and other revenue indicators below Slovene average Predominance of often old or obsolete industry
	Industry	Industry
	<ul style="list-style-type: none"> Partly out-dated economic structures, especially in the secondary sector Comparatively low employment in industry 	<ul style="list-style-type: none"> Lack of competitiveness Some weakly performing and obsolete enterprises are in urgent need of restructuring Low labour productivity
	SME development	SME development
	<ul style="list-style-type: none"> Weak position of businesses with regard to equity capital Low levels of co-operation and communication with Slovenia, particularly among SMEs 	<ul style="list-style-type: none"> Lack of financial instruments Shortage of business support institutions or information systems Numerous administrative barriers
	Services	Services
	<ul style="list-style-type: none"> Poorly developed production-oriented services mainly due to the weak dynamics in the secondary sector) 	<ul style="list-style-type: none"> Share of the service sector and its competitiveness is below the national average
	Tourism	Tourism
	<ul style="list-style-type: none"> Only summer season in some regions (eg Wörther See) Existing infrastructure lacks experience and continuous development Missing marketing strategies tailored to regions with regard to special tourist activities Weaknesses of companies due to a lack of human resources (small company sizes, in part obsolete facilities, lacking attitude towards cooperation and innovation) High percentage of part-time tourist enterprises 	<ul style="list-style-type: none"> Lack of co-operation among health spas in the Upper Savinjska area Lack of regional or local trade marks for tourist products Lack of strategic vision for the development of supply facilities presently the range of offers is comparatively small Dominance of short trips (low number of overnight stays)
	Agriculture	Agriculture
	<ul style="list-style-type: none"> High tendency towards out-migration, especially in the Carinthian border zone to Slovenia Continuously decreasing agricultural population thus endangering the maintenance of various infrastructures as well as agricultural cultivation 	<ul style="list-style-type: none"> Agriculture has a very low share in the region's activity Small farm size and low productivity Deficits with regard to marketing structures and skills among farmers

Table 17: **Weaknesses Western Side** (Continued)

Sectors	Land Carinthia – Austria	Alp Region – Slovenia
Infrastructure, Public sector services	<ul style="list-style-type: none"> Missing high-capacity trunk infrastructure in the rail network Low international profile of the Klagenfurt airport Low levels of accessibility in the immediate border zones 	<ul style="list-style-type: none"> The Upper Savinjska area is poorly connected to Ljubljana and the building of the road to Ljubljana is constantly being delayed The Koroška region is badly connected to the centre region and to other regions Insufficient capacity and missing regional networks in rail transport Poor standards and maintenance in regional road networks Insufficient water supply Insufficient capacity of disposal infrastructure (waste water, waste)
Human resources, labour market	<ul style="list-style-type: none"> Low levels of co-operation between business sector and education Missing scientific institutions in the field of natural sciences Uneven distribution of skill levels within the whole region Insufficient supply with child care institutions Strategic instruments such as human resource management, vocational training and women promotion plans are scarcely used High rate of unemployment compared to the Austrian average (particularly because of seasonal unemployment) High rate of unemployed with low levels of qualification Low income of persons and households compared to the Austrian average 	<ul style="list-style-type: none"> Unskilled labour force in weakly performing companies Critical level of skills among the unemployed people High unemployment rate, especially among young and female population Lack of business and managerial know-how Gross wages below national average Low entrepreneurial culture Educational and training institutions are not oriented towards modern market needs, leading to gap of specific skills Lack of regional university faculties – only one in Kranj (Faculty for organisation of work) The problems culminate in Koroška region
Natural resources, environment	<ul style="list-style-type: none"> Contaminated industrial sites 	<ul style="list-style-type: none"> Some very polluted areas, mainly in the Upper Savinjska area High levels of water pollution on certain sections of Drava rivers The consequences of poor waste management in the past and particularly in the heavy polluting industry centres of Jesenice and Ravne na Koroškem are still presenting problems
Regional development	<ul style="list-style-type: none"> The partnership principle in co-operation and communication with Slovenia is underdeveloped Each sector has its own regional manager (tourism, agriculture, industry, regional development); insufficient communication and coordination between these sectoral regional managements; responsibilities of regional managers (from the department for regional development, A20) are not clearly defined and much less accepted No existing Euregios 	<ul style="list-style-type: none"> Lacking know-how in project-management on the local level

4. CROSS BORDER ACTIVITIES UNTIL 2003

4.1 The institutional framework and cross-border co-operation structures

Ever since 1989, when the borders were opened, border regions and their problems have been gaining prominence and have come into the focus of regional policy due to their prior long period of isolation. Very soon, co-operation with the neighbours on the other side of the border was reconsidered as a key opportunity for regional development. Some fields in which institutional cross-border co-operation projects exist reveal well established forms.

In the period of INTERREG II A / PHARE CBC, new forms of cross-border co-operation were initiated and existing ones were intensified and restructured based on existing contacts. Under the framework of these European Community border programmes, the co-operation between Austria and Slovenia started out on an excellent footing. Some new fields of co-operation were designed as bilateral working groups that followed the priorities of the programmes. These working groups, which focused on business co-operation, agriculture, tourism, environment and other topics, worked out detailed strategies and discussed further concrete bilateral projects to be funded by the border programmes. Most of these working groups expired after one or a few meetings, the results, if there were any depended significantly on the input of external coaching.

More success was achieved by co-operation projects between sectoral institutions, such as between the Chamber of Commerce in Styria and the Chamber of Commerce in Maribor. In this case, the periodical exchange of mutual advice for clients has been established. In Carinthia, cross-border co-operation in the agricultural sector has been successful under the leadership of the Chamber and other established institutions in the field of agriculture.

The activities of regional actors and other state and para-statal organisations, have ensured a considerable level of cross-border cooperation activities, much of which were of local and inter-communal nature

Based on these experiences, both the Länder of Styria and Carinthia intended to set up a more institutionalised framework for cross-border co-operation. The concepts of EUREGIOS have been elaborated by experts in co-operation with regional actors in the field of administration, regional representatives and regional development associations. The idea was to establish a networking structure on each side of the border, which is coached by professional management, and linked to a counterpart on the other side of the border.

The EUREGIO Styria was established with regard to an ongoing and consistent, professional working relationship and the implementation of EU guidelines for the creation of cross-border planning and implementation structures. This EUREGIO is to carry out key agendas within the framework of the implementation of the INTERREG III A operational programme, not the least through the cross-border co-ordination of projects. Based on the knowledge and partnerships won through the project co-ordination, the initiative for establishment of the Association for Development of Styria and North-East Slovenia providing a formal basis of the common structures was taken in 2002.

The members of this Association for Development of Styria and North-East-Slovenia are regional development agencies, which established a close co-operation with Slovene development agencies. In November 2002, a bilateral meeting was held in Austria, where RDAs of Koroška, Podravje, Pomurje and Savinjska signed a co-operation agreement with the four Styrian Regional Managements. An action plan with seven working topics was developed, which is the basis for operational field work. The topics for co-operation are: economy, agriculture, tourism, ecology, telecommunication, human resources, infrastructure. Each topic has one coordinator as well on Styrian as on Slovene side. The coordinator is responsible for all measures concerning the development of the topics. Also working groups have been established for all topics. One central office for support of members, work organisation and all networking activities has been established and is set up since March 2003.

In Carinthia, the initiative for establishment of a working group of seven development agencies in the border area emerged with the objective to prepare for the accession of Slovenia to EU in terms of co-ordination of

development interest in the Carinthian and Slovene border regions. The task to provide a formal basis for this process is carried out by the regional management Carnica Rosental. The initiative resulted in formal agreement on establishment of a working group "Cross-border co-operation of regional development agencies of Carinthia and Slovenia" in October 2002. Three Slovene and four Carinthian regional development agencies organised several workshops in order to strengthen co-operation in tourism and economic co-operation. One of the workshops focused on development of joint views regarding the measures of this CIP. In addition to continuous cooperation between regional managements thus made possible between Carinthia and Slovenia, another permanent cross-border working structure in the field of agriculture was established in the form of the project "Agrarkontakt". Similar structures are currently being developed for the economic sector.

In Slovenia, the regional structures have been established according to the Balanced Regional Development Act (OG RS No. 60/99). Regional Development Agencies (RDAs) have been set up in all statistical regions of Slovenia (NUTS III level). In this period, the RDAs have coordinated preparation of Regional Development Programmes, where cross-border cooperation is recognised as one of the key potentials for further socio-economic development. Operation of RDAs and their partners has assured a solid ground for more intensive cross border co-operation. The activities of the RDAs are co-ordinated by the NARD, which also assures a proper information flow.

A positive working atmosphere and a certain amount of networking on the administrative and consulting side provided a highly constructive foundation for the cross-border collaboration to implement the border programmes.

4.2 Experiences in cross-border co-operation and the quality of the working relationship

Experience gathered in cross-border co-operation until 2003 shows significant improvement of capacities of the regional and local structures in the context of preparation for the INTERREG period in Slovenia. Development of the regional institutional structures in Slovenia (setting up of the regional development agencies and preparation of the regional development programmes) contributed to intensification of cross-border partnerships. These institutions have gained valuable experience in creation of partnerships, joint project development and implementation. The project quality has improved significantly. This process also strengthened the absorption capacities of the border region.

Numerous contacts at local levels have developed into partnerships aiming at continuous cooperation. Especially the Phare Small Projects Fund has assisted such development.

4.3 Project examples from Interreg IIA/Phare CBC

Economical exploitation of old cooking oil according to the recycling principle

The company, Südsteirische Energie- und Eiweißherzeugungsgenossenschaft, operates a plant located in Mureck next to the border region at which old cooking oils and fats are transformed into eco-diesel fuel through an esterifying process. In order to operate more economically, the plant requires greater volumes of recyclable waste products. Within the scope of the project, the first steps were taken to set up a collection and delivery system jointly with the Slovenian neighbouring regions. The success achieved by the project has contributed to generating a lasting impact stimulating the current and future economic development of this peripheral border region.

Brillenschaf, an Alpine breed of sheep in the Karavanke mountain range

The Carinthian Brillenschaf breed of sheep was the most widespread and popular breed in the region of southern Carinthia/Friuli/Slovenia. Cross-breeding was used in an attempt to unify all mountain sheep breeds. Only by coincidence did small populations of the Carinthian Brillenschaf breed survive. The joint activities of the Association of Carinthian Brillenschaf breeders Alpen Adria and an Association in Jezersko have restored the standing of the Brillenschaf in agriculture. The main tasks accomplished were: to collect

data on the sheep population, to set up a central sheep breed book, to define common selection criteria, to organise an annual event for breed surveys, to organise breeder meetings and excursions as well as in the long-term perspective to do joint marketing. By organising events such as special sheep specialty markets, the economic viability of the breed is guaranteed.

Culture at the three-country border between Italy, Slovenia and Austria

The aim of this project is to network the cross-border cultural potential of Carinthia and Slovenia in the areas of agriculture and forestry, excursion tourism, culture, nature and environmental protection. Five Carinthian communities form the core group of the cooperation. The development of common projects and the establishment of personal friendships are the foundations on which peace in this historically difficult region can be ensured. For example, by setting up a cross-border cultural concept for the improvement of the quality of living of the population in the border area, as well as the improvement and exploitation for tourism of the region's culture.

The details are:

- a general improvement of cross-border cooperation
- the reduction of social, language and cultural barriers through cooperation projects and the promotion of joint projects, actions and events
- the improvement of the regional employment and income situation
- Establishment and expansion of cooperation networks

Panorama trail along the border

One of the activities of the project consisted in creating an attractive common cross-border long distance hiking trail along the Styrian-Slovenian border. The main focus of the project was in creating signs, making the basic infrastructure and points of attraction along the route more appealing and producing information and advertising materials. Within the scope of the project, some connecting paths were moved to more attractive areas and the work of plotting the trails was conducted jointly on Austrian and Slovenian territory. The long-term improvement of the border crossings was carried out within the scope of the extended Agreement on Tourism.

4.4 Project examples from Interreg IIIA/Phare CBC

Measures for the Lower Mur Valley Area

The starting points for this project consist of fundamental information relating to the importance of the riverside landscape along the border section of the river Mur, the needs of the region in terms of its cultural landscape and the impact of different ways of utilization on the riverside landscape system derived from an Interreg IIA project and the "Basic Water Management Plan for the Border Section of the River Mur". On this basis, individual measures will be developed and implemented, e.g. the mill canal of Spielfeld, funding of the Rinn system, the Grabenland brooks, and the riverside forest along the border section of the river Mur. One important aim of the project consists of ensuring the water supply for the entire region, e.g. by improving the ground water supply. At the same time, care will be taken to preserve an aesthetic appearance of this sustainably usable landscape. Additionally, strategies and cooperation measures for bilateral emergency water supply are to be developed. Ongoing monitoring will be performed to measure the success of the project.

Common Challenge

The opening of the economies of the countries of South Eastern Europe is changing the economic perspective of Styria and Slovenia and offers enormous new economic opportunities. The new markets will, in particular, offer small and medium-sized enterprises new chances to benefit from additional potentials as far as synergies are concerned. In the framework of Common Challenge, close cooperation between relevant institutions in the economic sector in Styria and Slovenia is to be established and utilized on a consistent basis. Model-type projects will be implemented in selected sectors to gain and exchange

interregional experience, and cross-border contacts and networks will be established. The resulting experience will be used to achieve progress in third markets such as the automotive sector in cooperation with strategic partners in Slovenia. The project is embedded into the RIST strategy (Regional Internationalisation Styria).

Natural Space Vellachtal – Logarska Dolina

The objective of the project consists of a joint cross-border presentation of the core offer of the two regions in the field of tourism. An extension and/or adaptation of the opportunities offered to tourists in the Trögerner Klamm gorge and the Obir stalactite cavern is intended to improve the tourist value of the future natural park region. In the course of the planning of the future cross-border natural park Karawanken, a feasibility study for the natural park will be performed as the first step towards long-term cross-border natural park development in the region.

Education – Consulting – Contact

The project is intended to strengthen the economy of the border regions and to promote economic cooperation with the EU candidate Slovenia. Local further training and specialized education measures will, in particular, be offered for the companies in the southern part of Carinthia and their employees. In the context of these measures, the participants will, for example, be made aware of the differences between the legal systems of Carinthia and Slovenia. This will facilitate cooperation between the target group, i.e. the small and medium-sized enterprises, and companies in Slovenia while at the same time supporting the companies in preparing for the eastward enlargement of the EU.

Jesenice Business Zone

The project aims to regenerate derelict land and buildings into a business zone of 25 hectares. Through the Phare CBC support, the basic infrastructure has been set up for the business zone: the old railway track was realigned to facilitate access to the zone, a new road was constructed, including three road crossings and two underpasses, also reconstruction of the sewage and water-supply system was implemented. At this stage, a part of the land can already be offered to potential business and negotiations with the interested companies are in progress.

Emerging EU

The project aims to increase the co-operation between regional development institutions in the frame of cross-border region seen as one single unit and to assist by restructuring of companies, adjusting to the Single Market rules and increasing internationalisation of businesses in border regions. The project consists of several components: reconstruction of a 940m² building in Maribor to serve as entrepreneurial and training centre, a new construction of 440m² of new facilities in Kranj and a service component (training of business consultants for business assessment, training courses for companies, a handbook for companies to do self-assessment on their readiness for the Single Market, analysis of co-operation potential among businesses in the border regions). While the reconstruction are to finished by October 2003, the works in Kranj are completed providing facilities for the regional development agency as well as the services have been successfully implemented and the co-operation among the Wirtschaftskammer Graz and the Chamber of Commerce and Industry Maribor has been ranked as highly successful.

Small Projects Fund

1 mio EUR was allocated for the Phare Small Projects Fund for the programming year 2000 and 2001 to encourage people-to-people actions in the cross-border region between Slovenia and Austria in the field of culture, human resource development, sports, and environment. There were 26 projects approved that are to be completed by the end of September 2003. 470.000 EUR of the Phare Funds in 2002 will be allocated for Small Projects Funds that are to be completed until 25 October 2005 and additional 465.000 EUR from the programming year 2003 are to be allocated.

Cross Border Region Goes Digital (Grant Scheme)

The overall objective of the Grant Scheme is to digitally literate cross-border region and to assure business climate and accelerate e-business. The immediate objective of the Grant Scheme is to accelerate the innovative business applications and digitalised support mechanisms for SMEs in the cross-border region.

Up to 49 projects will be co-financed and are to be completed by 30 September 2005.

Cross Border Biodiversity Conservation and Sustainable Development Grant Scheme

The overall objective of the Grant Scheme is to preserve biodiversity in the SLO/A border region and ensure sustainable development. The project purpose is to strengthen co-operation between Austria and Slovenia in fields of biological and landscape diversity protection, protected areas and Natura 2000 management. Project was approved by Phare Management Committee. The Financing Memorandum was signed in September 2003.

5. GENERAL PROGRAMME OBJECTIVES

5.1 Introduction

In the last programme period, the main focus was on further development of joint projects and the process of building up cross-border contacts and structures. The new programme is building on strategies for a common future development of the Austrian-Slovenian border region as defined in the CIP Slovenia-Austria.

The main resources used to develop the strategies were the following:

- The socio-economic analysis and the SWOT analysis of the Austrian-Slovene border region.
- National programmes and strategies on both sides of the border.
- The experiences from the Phare CBC-INTERREG programme 1995-1999 and 2000-2003.
- The INTERREG III guidelines
- The conclusions of the discussions of programming bodies, responsible authorities, experts and key persons at the regional level.

5.2 Challenges for regional development on the way to integrated border regions

The main challenge for the INTERREG III A process in the next few years is to help manage the economic and institutional efforts necessary to deal with effects of accession on the economy of the border regions and wisely take advantage of these. While the common objective remains the same, namely to attain the economic integration of the border region, the institutional and economic framework will change distinctly, at least for some sectors:

- While the flow of commercial trade with industrial products is already fairly deregulated, this free exchange will be expanded to retail trade, services, the cross-border activities of local businesses and construction. Existing restriction on buying and selling across-borders will be largely reduced or be fully eliminated.
- The exchange of labour across-borders will be considerably easier from the beginning, even if some regulations will be introduced to monitor and moderate cross-border labour market developments.
- The travel of persons and goods across-borders will eventually be fully deregulated, although a period of adaptation may be introduced for the immediate years after accession
- Financial transactions and the access to the respective real estate markets will be opened up similarly.

These changes in the economic and institutional framework expected will lead to a number of impacts on businesses and public institutions in the border regions. At the outset of a development into, generally, unknown territory, it seems essential to establish a **joint vision** of what to expect and what to do.

The strategies and measures taken in this joint programming effort are based on a joint vision of development perspectives, including an undiffused sight of the problems to be solved and of opportunities to be taken.

Some of expectations about the common development perspective in the Austrian-Slovenian cross-border region may be summarized as follows:

Economic development potential for border regions in view of the accession

- High growth potential through economic development in the accession countries, which lies clearly above the EU average.
- Potential to expand (regional) markets into the respective neighbouring country, leading to an enlargement of market areas and to other and new product demand.

- Cost benefits can be realised through integrated production (co-operation and chains of production across-borders), which at the regional level are now also accessible for very small enterprises.
- Networking, co-operation and integration allows growth in markets and quality also for SMEs in border regions; this strategy is valuable for businesses on both sides of the border, but with a different emphasis on market access and/or cost reduction.
- Integration and the utilisation of cost benefits and/or the use of the respective partners' know-how will lead to higher competitiveness in domestic and adjacent markets, making increased sales possible; this will allow for the developing of higher skills and advancements in economic performance also for small enterprises.
- Creation of larger, more integrated and varied regions of tourism that will become more competitive in an international context.

It shall not be overlooked, however, that a number of economic and social risks are also included in a developmental perspective towards the creation of integrated, open cross-border regions.

Risk factors for border regions through accession

- Retail trade: Loss of retail markets in a number of product groups and services to competitors from across the border; price increases and split service performance due to the predominance of customers from the neighbouring country.
- SMEs, construction and service industries for regional markets will be edged out of their markets through SMEs from the neighbouring country.
- Pressure on wage levels: substitution of the local labour force by employees from neighbouring countries, particularly in jobs with lower skill and language requirements.
- Brain-drain: the loss of dynamic and skilled manpower to the higher-paying economy.
- Cross-border commuting, increased traffic volumes, both in freight and passenger transport.
- Intensive tourist use of formerly protected (or untouched) landscapes and natural resources.
- Property and real estate: sales prices will not develop symmetrically, but according to purchasing powers, risk of losing control over high-quality property and businesses.

The balance between the development potentials and risk factors may vary between the individual regions at the border. It will also depend on the quality of the strategy and efforts undertaken to prepare for these changes, both in the minds of the people involved and in the legislation by the states and regional entities guiding the border regions into a joint future.

5.3 Strategy of INTERREG III A Community Initiative Programme

Given the opportunities and risks as outlined above, it seems essential to follow a **development strategy** that will

- allow a stable growth path on both sides of the border, with the clear emphasis on the catching-up process on the accession countries;
- be focused on the joint vision of an integrated regional economy, social cohesion and good neighbourly relations;
- provide an infrastructure which will make border-crossing easier and is oriented towards the spatial integration of the border regions;
- take into account protection of environment, natural resources and needs of the local (resident) population;
- help to build cross-border institutions for regional development and cultural exchange.

The INTERREG IIIA Community Initiative Programme provides an opportunity to develop, test and continually improve such a development strategy for border regions. A number of pilot projects can be started and experiences drawn from their implementation. Nevertheless, first-hand experience and conclusions from the piloting projects initiated through these programmes can be very useful in the formation of an overall set of policies of economic integration beyond the programmes themselves.

From the arguments above and taking into account the limited scope and resources of INTERREG III A Programme it seems necessary to select a set of appropriate measures and not try to cover the full range of potential regional development measures. It seems essential to focus on projects that will lead to a continuous process of cross-border exchange of views, experience and visions. This process shall lead to pilot projects that will have an impact on other projects and thus influence the mainstream of regional economic development on both sides of the border. Consequently, the new generation of INTERREG III A Programme shall be

- forward-looking, following a proactive approach towards regional economic and social integration,
- project-driven, with projects ranging from strategy development to physical investments,
- focused on networking and institution-building across-borders.

It is important to contribute through experience, through continuous adaptation of the development strategy and through communication of the best practice projects to a public awareness of the positive effects of a cross-border regional perspective. Acknowledging fears and risks is an important first step, actively dealing with them and trying to show ways to overcome such regional development obstacles seems to be the real challenge of the new INTERREG III generation.

The draft of such a joint INTERREG III development strategy is an ambitious process, involving a high degree of cross-border discussion. To implement such a genuine cross-border strategy is, of course, considerably more difficult than to aid a list of projects, which are simply located close to the border. But then the challenge is to prepare people, economies and institutions of border regions for the changes that will be brought about through the accession of neighbouring countries to a common market.

5.4 Strategic concept

The common objective will be to **develop an economically, socially and spiritually integrated border region** throughout the programming period.

The key issue for the period up to 2006 clearly will be

„To prepare the common border regions for the most effective utilisation of new opportunities brought by the accession of Slovenia to the European Union “. This overall objective is also dedicated to some **Community policies** such as social and economic cohesion in the special context of the **enlargement**. Due to this, the EU has granted border programmes additional funds.

In strategic terms it means that the programme has to focus on those fields of cross-border co-operation and potentials, which can either **promote integration** the best or are the hardest **affected by** it.

There can be no doubt that numerous potentials in **economic development** do exist. Mutual relations in supply and production, as well as catchment areas and markets are clearly signalling a significant tendency and logic for a cross-border integration that will lead to mutual benefits. This sector also comprises the highest numbers of actors with a strategic cross-border outlook. In addition, there are important potentials regarding added value, which should be exploited and strengthened.

In this context it must also be stressed that relatively strong core areas of development such as Graz, Maribor, Klagenfurt, Villach and Kranj should get actively involved in the cross-border project development processes. In these areas, the key sectors and actors should be mobilised and pilot projects developed, which can also integrate rural and peripheral regions hence improving the spatial distribution of benefits.

In addition, the necessary preconditions for development with regard to infrastructure, organisation and education have to be created. Socio-cultural barriers, which are a serious impediment and potential threat for cross-border co-operation, have to be reduced.

Moreover, the vision behind this strategy also includes the task of solving specific development problems due to the peripheral and isolated situation within the national economy in accordance with environmental protection and for the benefits of the local people.

In strategic terms, it should be kept in mind that the aim is to eliminate or significantly reduce those threats and risks, which will be brought about by increasing integration.

For this purpose the above mentioned objectives can only be implemented through a concept-based integrated programme, which implies that some strongly interrelated key areas, such as business, human resources, infrastructure and regional development, will be brought into line with a common objective and effective efforts for co-ordinated development will be launched.

The programme concentrates the funds on a limited number of strategically selected priorities with promising growth potentials and opportunities for development. Moreover, existing bottlenecks should be removed and feasible innovations should be realised:

- The main emphasis is to be placed on economic integration. In addition, human resources within the border regions should be further developed
- Spatial and infrastructure design should be brought into line with the sustainable use of existing natural potentials and with the efficient use of economic opportunities in accordance with the principles of sustainability.
- These forms of co-operation should be developed and implemented as a minimum within the framework of cross-border initiatives, which are adequate for managing the future issues of an increasingly integrated economy in an efficient and professional way.

As regards the different development levels and different problems resulting from the current situation, it is obvious that well-adjusted and selected measures have to be taken into account on each side of the border.

Current multi-annual projects, which were started in the previous period – (e.g. umbrella projects) should be continued and completed successfully, considering that they are still in line with the priorities of period. It is the key objective of this strategy to help the Austrian and Slovenian border regions in the process of adopting structures for their new role as neighbours within an integrated European market. With forthcoming progress towards liberalised business and trade relations, the conditions for successful co-operation among companies and institutions will steadily increase.

Regarding the background of these purposes, it has to be clearly stated that the cross-border effects and perspectives of measures and projects must become key criteria. These criteria should be applied mutually on both sides of the border. If that does not happen to an adequate extent, existing enlargement opportunities and integration cannot be exploited and unfavourable impacts will remain.

5.5 Correspondence with the Principles of the EU

Economic Competitiveness as a Pre-Condition for Economic Growth and Employment

The support for development of the regional economy (esp. SMEs) in the common border region in the direction of more competitiveness, dynamic development and job creation is a horizontal principle of the programme, with different weights in different priorities and measures. This is the main focus of priority 1 "Cross-border Economic Co-operation", where the development of common business sites and business infrastructure, the cross-border co-operation of enterprises (SMEs), the counselling of cross-border business activities and the common development of tourism and leisure will be supported and should lead to a successful common regional economy in the cross-border region in the future.

Priority 2 „Human Resources and Regional Co-operation“ highlights development of the qualification of employees and the unemployed, which plays an increasingly important role in a modern knowledge-oriented economy. This support covers development of regional labour markets within the context of enlargement and development and support of co-operation in the fields of education, training and science. Additionally, a powerful information technology is a pre-condition for a forward-looking regional economy.

The improvement of accessibility stated in priority 3 has the objective of dealing with the increasing transport flows and demands for mobility with respect to public transport and the upgrading of logistics under the principle of preservation of attractive living conditions in the common border area. Accessibility and cooperation in tourism is important in the border regions including the joint marketing of tourism products and a greater dissemination of joint information. To this end, modern technology is also necessary for the instantaneous exchange of information across and within the borders. This will inevitably involve further investments in the electronic media and the provision of up-to-date facilities at all locations.

Observance of the competition rules

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

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

Assistance going beyond this within the framework of competition related assistance guidelines or programmes is generally not envisaged. In such cases individual notification, approval and registration is required or assistance may be applied for in the frame of the scope of the four block exemptions quoted above. Assistance pursuant to Article 87, 88 of the EC Treaty is subject to the specific restrictions regarding the transportation sector. Aid to be granted to enterprises within the framework of the present programme will be granted exclusively in compliance with the de minimis provision of Commission Regulation (EC) of 12 January 2001 No 69/2001 on the application of Articles 87 and 88 of the EC Treaty to de minimis aid.

Projects relating to the agricultural sector are to take into account the Common Agricultural Policy and, in particular, the provisions of Regulation (EC) No 1257/99. Interventions by ERDF in such sector follow the same conditions put forward by the competent national authorities in their agriculture and rural development programming documents. Moreover, the community provisions on state aid within the agricultural sector and in particular the Community Guidelines for State Aid in the Agricultural Sector (2000/C28/02 OJ C 28, of 1 February 2000, p. 1 – 24) also apply in this case. This implies that only projects within the frame of approved state aids for the agricultural sector can be supported. New state aids have to be notified and approved by the Commission.

The above mentioned Community Guidelines do not apply for projects concerning diversification of agricultural activities pursuant to Article 33 of Regulation (EC) No 1257/99 which are not related to “Annex 1 of the Treaty”, like projects concerning rural tourism or the creation of craft activities. Within the framework of the present programme, these projects are supported only in the frame of the “de minimis rule” block exemption regulation.

Measures within the scope of application of Chapter 1-9 of Regulation (EC) No 1257/1999 have to comply with the eligibility criteria and the maximum rates of assistance pursuant to this Regulation and the Guidelines for the Agricultural Sector.

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

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

Sustainability

The principle of sustainability plays an important role in the new programme, especially regarding priority 3 “Sustainable Spatial Development”. The range of measures of this priority covers cross-border spatial development, nature and environmental protection, resource management and renewable energy. Sustainability is also a horizontal principle in all priorities of the new programme.

Several business fields that have the potential to become core areas of competence in the region (e.g. soft technologies, environmental technologies, renewable energies, soft tourism) are sustainability-oriented and supported in priority 1. Also the improvement of accessibility in priority 3 has the objective to deal with increasing transport flows and demands for mobility with respect to public transport and the upgrading of logistics under the principle of preservation of attractive living conditions in the common border region.

In Austria, the Federal Constitutional Act of 27 November 1984 regulates comprehensive environmental protection. This legislation states that the federal, Länder and municipal governments are committed to the preservation of the natural environment as the foundation of life for human beings and to protecting it against damaging influences. All of the legal entities mentioned above have competencies at their respective levels as assigned by the constitution, and are responsible for enforcing the appropriate environmental protection measures. This means that in Austria there is no uniform environmental protection legislation, but rather that the competencies for issuing the respective regulations are closely related to the respective fields of application (waste disposal legislation, water law, construction law, etc.). Therefore, regulations on the protection of the environment are to be found in the diverse federal and Länder laws and regulations.

The areas defined by the nature protection instrument Natura 2000 are respected by the programme administration and therefore, no negative effects are expected of the programme measures.

The authorities responsible for implementing the programme guarantee that the measures receiving funding under the present INTERREG PROGRAMME from the Structural Funds are in agreement with the territorial protection defined within the scope of Natura 2000, and that the protected areas pursuant to Directive 92/43/EC have not been contaminated before the presentation of the supplementary list of protected areas.

The measures taken to avoid such possible contaminations comprise the following:

- binding decrees issued by the authorities regarding compliance with the implementation of the FFH Directive into national law (Nature Protection Acts: **Carinthia**: Draft Revision of Dec 2000, **Styria**: published 20 June 2000)
- participation of the competent nature protection authorities in the selection and approval process
- pre-examination of the plans by applying adequate project and selection criteria
- the application of the procedural steps set out in Article 6 of the FFH Guideline for the avoidance of possible adverse impacts.

The regions covered by the INTERREG Programme (Austrian territory) comprise a list of NATURA 2000 areas of some 48,705 ha in **Carinthia**, of about 55,002 ha in **Styria**. In **Carinthia** 2,494 ha are areas protected under the Fauna-Flora-Habitat Directive **and** the Birds Directive, 44,698 ha areas subject to the Fauna-Flora-Habitat Directive and 1,513 ha subject to the Birds Directive. In **Styria**, 3,282 ha are protected under the Fauna-Flora-Habitat Directive **and** the Birds Directive and 733 ha under the Fauna-Flora-Habitat Directive and 50,987 ha subject to the Birds Directive.

Until 2000, **Carinthia** defined 8 special protection areas for birds (SPA) in the Objective 2 Regions in accordance with the prescribed deadline. These areas comprise about 4,007 ha, which corresponds to about 0,42 % of the territory of Carinthia. By designating the 5 large-scale SPAs (areas No: 2,9,10,12,20), the authorities endeavoured to meet the requirements of Article 4 of the Directive 79/409/EEC.

In 1998, **Styria** in accordance with the prescribed deadline designated 6 special protection areas for birds (SPA). These 4 areas comprise about 192,362 ha, which corresponds to about 11.74 % of the territory of Styria. By designating the 3 large-scale SPAs, the authorities endeavoured to meet the requirements of Article 4 of the Directive 79/409/EEC.

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

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

Participation of the environmental authorities of the participating regions in Austria and Slovenia to pursue the general objective of sustainable development and to implement the action fields of environmental and sustainability monitoring will take place pursuant to the provisions of Art. 8 of Council Regulation (EC) no. 1260/99 and will be treated in detail, as far as its institutional and operative components are concerned, in the Programme Complement, irrespective of competence issues and anticipating the decisions of the Monitoring Committee pursuant to Art. 35, paragraph 3, sub-paragraph a) of Council Regulation (EC) no. 1260/99 and beyond the scope of application of article 32, paragraph 3, subparagraph a of the same regulation.

Sustainable development is fundamentally enshrined in all basic strategic documents of Slovenia and is further developed in the National Environment Protection Action Programme for Slovenia, which together present driving forces of the development, based on principles of balanced economic, social and environmental aspects.

The protected areas cover 8% of the Slovenian territory. The share is expected to increase with the proclamation of the Goričko landscape park. Slovenia still has many areas with preserved biodiversity. These preserved areas shall be upgraded when they are integrated into the network of specifically protected areas – Natura 2000. The creation of the network of Special Protected Areas Natura 2000 on the national level is regulated with the Nature Conservation Act. The Natura 2000 areas in Slovenia shall be submitted to the European Commission by May 2004. After approval of the EC, these areas shall be defined with the government decree.

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

Gender Mainstreaming

Breaking down socio-economic gender disparities is a base line of this programme and is integrated in most of the measures. A very important step in this direction will be target group-oriented information and counselling as a part of the measures. Equality of opportunities is one of the generally applicable criteria of project selection of the programme. In Austria, a high potential for synergetic effects in the meaning of gender mainstreaming exists in the successful co-ordination with the objective 3 programme.

In Slovenia, the Act on Equal opportunities for Women and Men was adopted in June 2002. The new Employment Relations Act, entered into force in January 2003, ensures equal treatment of women and men in employment, training, vocational training, pay, working conditions and other employment related issues.

5.6 Correspondence with other EU Programmes and National Programmes

Austria

Pursuant to Article 3, paragraph 2 of regulation no. 1783/1999 “on the European Regional Development Fund” (Official Journal L 213 of 13.8.1999, p.1), the scope of this Programme also covers measures under regulation no. 1784/1999 “on the European Social Fund” (Official Journal L 213 of 13.8.1999, p.5) and regulation no. 1257/1999 “on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) (Official Journal L 160 of 26.6.1999, p.80).

Objective 2 programmes are implemented both in Styria and in Carinthia. They are focused on SME and industrial development, on establishment of technological based clusters and networks, on business start-ups and on the technological upgrading by R&D and innovation. The development of tourism and the upgrading of qualification structures oriented on competitiveness are also major priorities.

The INTERREG IIIA-Programme plays an important complementary role in the objective regions of the programme. The smooth harmonisation of the planning and implementation between the INTERREG IIIA programme and the objective region programmes is guaranteed by the mutual, active involvement of the assistance authorities in the respective programme preparation and implementation phases.

LEADER offers an approach for activating the endogenous potential of people in rural areas. The programmes cover agriculture, tourism and trade projects in the context of integrative networks. The approval process of Leader+ projects in the framework of transnational cooperation begins, pursuant to the Leader + Programme, with an examination determining whether or not the transnational cooperation applied for on both sides of the border relates exclusively to INTERREG areas. If applicable, and provided that the projects coincide with the objectives of the Programme and meet the requirements stipulated in the Programme Complement, funding under the INTERREG Programme is to be sought. If the officials responsible for granting INTERREG funding come to the conclusion that funding of the respective transnational activity under INTERREG is not possible or would not comply with the Programme, approval in the framework of Leader+ will be considered. A crucial co-ordination criterion between these programmes will be the cross-border strategy and intention (e.g. cross-border networking). In Austria's neighbouring countries, endogenous development is supported by pursuing a bottom-up strategy in the diverse areas. In this context, INTERREG III A is capable of providing assistance to help the cross-border networking of these types of initiatives.

Moreover, INTERREG projects involving the labour market and employment will have to be co-ordinated with the **Objective 3 programme** and the common initiative **EQUAL**.

The INTERREG region is also affected by the Programme for the Development of Rural Areas. It will be important to coordinate activities of both programmes and to undertake complementary measures. In principle, even in fields of action where ERDF and EAGGF pursue similar intentions, double subsidies from both funds are definitely excluded in the respective regulations. Intermediate bodies for the Programme for development of Rural Areas are integrated into the assessment of overlapping projects. Double-funding can be excluded.

INTERREG III has—even in these fields of action—the distinct role to assist cross-border networking activities and projects in a cross-border context. This could lead to various synergies between the programmes.

The strategies of the CIP are in line with the policy options of the **European Spatial Development Perspective (ESDP)**; in particular with the recommendation mentioned in Chapter 4.4 of the ESDP.

Slovenia

The following documents have been taken into account in preparing the Slovene inputs for the Interreg IIIA Austria-Slovenia 2000–2006:

- The National Development Plan 2001 – 2006
- The Single Programming Document (official draft 23.4.2003)
- The Regional Development Programmes of the border regions Gorenjska, Koroška, Savinjska, Podravje and Pomurje.
- The Rural Development Plan 2004-2006 (draft) (based on presentation of the Ministry of Agriculture, Forestry and Food in October (2003))
- Community Initiative Programme EQUAL 2004-2006 (draft December 2003)
- National Programme for the Development of the Labour Market and Employment up to 2006
- The National Spatial Development Programme
- Pre-accession instruments
- Applicable Slovene legislation

The National Development Plan (NDP) and the Single Programming Document (SPD)

The National Development Plan 2001-2006 is a document presenting the implementation of the Strategy of Economic Development of Slovenia (SEDS). The main objectives of the NDP are to further reduce the gap between levels of economic and social development in Slovenia and the EU and to mitigate the increasing internal imbalances in development within Slovenia. The NDP defines the following priorities: (1) Promotion of the corporate sector and competitiveness, (2) Knowledge, human resource development and employment, (3) Information society, infrastructure and the quality of living, (4) restructuring of agriculture and rural development and (5) Promotion of balanced regional development. The Single Programming Document (SPD) 2004-2006 is following the course of the SEDS strategic objectives and is closely linked to national and regional policies designed to strengthen Slovene competitive capacity. Its priorities are: (1) Promotion of productive sector and competitiveness, (2) Knowledge, human resource development and employment, (3) Restructuring of agriculture, forestry and fisheries and (4) Technical Assistance. Overview of the NDP and SPD priorities show coherence with priorities of this CIP. The Interreg IIIA programme will contribute to the objective of SPD of strengthening balanced regional development in the joint border region by promoting competitiveness, dynamic development and job creation. Since the Interreg III A programme focus in particular on cross border dimension of economic development, human resource development and labour market, a mutually synergetic, complementary effects with SPD priorities are expected. Measures in CIP and SPD do not overlap, since Interreg programme's actions are closely linked to the cross border dimension.

Priorities 1 and 2 of this CIP support the Priority 1 – Promotion of the productive sector and competitiveness and Priority 2 – Knowledge, human resource development and employment and Priority 3 – Restructuring of agriculture, forestry and fisheries of the SPD.

CIP was prepared in consistency with Slovenia's National Development Plan and SEDS.

According to The Balanced Regional Development Act (Official Gazette of the Republic of Slovenia 60/99), the Regional Development Agencies have developed a Regional Development Plan for the statistical region under their competence by establishing a wide partnership of regional/local stakeholders. **Regional Development Programmes** of Gorenjska, Koroška, Savinjska, Podravje and Pomurje regions recognise co-operation in the border region as an integral part of their strategies and objectives. The CIP is coherent with priorities and measures of the regional programmes.

The priorities of the **Rural Development Plan 2004-2006** of Slovenia are Sustainable development of agriculture and the countryside and Economic and social restructuring of the agriculture. There is no overlapping of the measures of the proposed programme with the measures of CIP.

Community Initiative Programme EQUAL for Slovenia 2004-2006

Slovenia is preparing the EQUAL Community Initiative 2004-2006. The selected areas shall complement the measures of the European Social Fund and shall focus on the search for innovative methods in the fight against discrimination on the labour market for those groups of people who are most distant from the open labour market and who need most help for integration into it. The priorities and measures proposed in the first draft are: employability, adaptability, equal opportunities and asylum seekers. The programme shall also complement the National Programme for the Development of the Labour Market up to 2006 and the measures of the Active Employment Policy. The CIP will not be focused directly on these issues but will contribute indirectly to the achievement of the objectives set in the scope of activities under Priority 1 and Priority 2.

National Programme for the Development of the Labour Market and Employment up to 2006

The employment policy of Slovenia is primarily focused to encouragement of active forms of increasing employment and solving the unemployment problems. Strategic objectives of development of the labour market and employment in Slovenia 2000-2006 are: improvement of the educational level of the active population, reducing of structural imbalances, ensuring inclusion of young unemployed in the programmes, reducing regional disparities on the labour market, increasing employment, further development of social partnership in the field of solving unemployment and increasing employment. The measures of the programme are: promoting active labour market policies, development of the culture of lifelong learning, improvement of the educational level and reducing structural imbalances of the labour market, reducing drop-out from the vocational, secondary and university, education, improvement of the state of young population on the labour market, development of the entrepreneurial culture, partnership in assuring sustainable development and job creation in the frame of local employment initiative as well as reducing the level of black economy. The objectives of this Interreg III Community Initiative Programme will contribute to the National Programme, esp. with the activities to be implemented under Priority 1 and Priority 2 – Measure 1 – Human Resource Development, labour market.

Pre-accession instruments

Slovenia has been a recipient of the pre-accession assistance to prepare for the membership in the EU. The pre-accession instrument PHARE was followed by ISPA and SAPARD, which have contributed to the preparation of Slovenia for an efficient use of resources from the Structural Funds and Cohesion Funds. Co-ordination with these programmes was assured already in the programming phase of this CIP.

Programming process for pre-accession instruments like Phare ESC, Phare CBC, SAPARD, ISPA is in the final phase. Financial memorandum for Phare CBC 2003 and Phare ESC were signed in September 2003. The implementation of Phare, ISPA, SAPARD will of course go beyond 2004, but the projects and activities to be financed are already defined. Double-financing of the INTERREG projects and other European Programmes, especially the phasing-out accession instruments shall be excluded.

The coordination between pre-accession instruments and Interreg will be assured in order to achieve synergies and prevent double financing through the central role of NARD (National Authority for Phare CBC and Interreg) and through the Interreg Committee composed from representatives from Governmental Office for Structural Policy and Regional Development, ministries, regional level, social and economic partners. The INTERREG Committee acts as a joint management body for all INTERREG programmes and strands in Slovenia and is performing strategic co-ordination.

Further on the compliance checks and double financing prevention will be assured through the ISNARD monitoring system checking programme implementation on the project level. ISNARD is a Central Monitoring system where all programme and SF interventions will be monitored and reported. If requested, the National Authority will report to the Monitoring Committee for Single Programming Document established by the Slovenian Government which will monitor all structural funds operations in Slovenia.

The same applies for the LIFE nature and environment Programme which will be implemented in coordination with Interreg III.

6. PRIORITIES AND MEASURES

The following illustration (Fig. 1) gives an overview of priorities and measures.

Figure 1: INTERREG III A Slovenia-Austria 2000-2006 – Priorities and measures

Economic Co-operation	Human Resources and Regional Co-operation	Sustainable Spatial Development	Special Support for Border Regions
PI/M1: Economic Development	P2/M1: Human Resources Development – Labour Market	P3/M1: Spatial Development and Transport	P4/M1: Support for Border Regions
P1/M2: Tourism	P2/M2: Regional Co-operation	P3/M2: Sustainable Spatial and Environmental Development	
P1/M3: Rural Development	P2/M3: Co-operation in Education and Cultural Affairs	P3/M3: Environment and Energy Management	
TECHNICAL ASSISTANCE			

Networking activities and small projects are supported in all measures and are therefore not mentioned in any of the following chapters.

The ERDF is to finance measures eligible for assistance according to Art. 3 par. 2 of Regulation (EC) No. 1783/1999 within the scope of the EAGFL (PI/M3, PV/M1 and M2) and of the ESF, and shall comply with all applicable provisions in implementing such projects.

6.1 Priority 1: Economic Co-operation

Objectives

According to the main objective of INTERREG Initiative **economic integration** (above all others) will be the key issue for the next years. Accordingly, the promotion of economic co-operation will be the core priority of the programme. This issue involves the biggest challenges and opportunities, but also the highest need for structural adjustment on both sides to ensure and assist increasing opportunities for the region.

In this context, development opportunities can be seen in all existing economic sectors – services, crafts and industry, tourism as well as agriculture and forestry. Cross-border co-operation helps to improve, develop and specialise own resources in connection with complementary supplies or needs. There are fields of co-operation in procurement, production and offering, marketing and distribution as well as in know how and technology, which should be used in the cross-border context.

Strategies

In the context of business development, special attention must be paid to technological potentials on both sides. This is an area which holds an enormous potential of high-quality synergies. Technologically strong enterprises, re-search and educational institutions are concentrated in towns and agglomerations on both sides of the border. Linking these cluster potentials as well as differentiated approaches in technology transfer and diffusion (e.g. for creation of locations and establishment of information networks) could have a positive impact also on economically weak (mostly rural) regions and help to create efficient ancillary industries in these regions.

Priority should be given to the development of common cross-border tourism products (integrated packages) as well as common promotion materials and information systems. Co-operation in tourism will cover cultural, environmentally-friendly activities (e.g. cycling, hiking, horseback riding), wellness and spa tourism, and winter sports in mountainous regions.

Cross-border co-operation agreements in the field of production, processing and distribution of high-quality agricultural products (including forestry) will open up new opportunities for rural areas.

Giving priority to the development of human resources and additional infrastructure measures should also help to achieve these objectives.

Measures

Three single measures, described in detail in the following chapters, should help to attain these objectives and strategies:

- Business development
- Tourism development
- Rural development

6.1.1 Measure 1: Economic development

Description

The measures in this field are focused on:

The promotion of business start-ups primarily in high-grade technological sectors is to be strengthened by a specific start-up infrastructure. This infrastructure will be organised in a cross-border context forming a cross-border network of existing and new technology parks on both sides of the border. In addition the technology parks will also offer services for enterprises in surrounding areas. Cooperation of enterprises and support institutions of the border regions aiming to improve enterprise competitiveness will be supported.

Possible co-operation in specific fields of technology and industry: automotive sector, vehicle production, electronics, environmental technologies, wood and wood processing, metal and metal processing and machinery and systems construction. Strategic cross-border clustering by creating a network of intensified enterprise cooperation in research, education & training and production-oriented services will help to stimulate important synergies in the entire area of the axis Graz – Maribor and the triangle Klagenfurt – Villach – Kranj and to improve existing initiatives. Especially the technology initiative "Silicon Alps" is to be mentioned here.

The implementation of a business-related cross-border database (companies, experts), the joint presentation of companies, networks and platforms to create a forum for border regions business partners to meet and development of cross-border ancillary industries will help to promote the integration of this economic area and to strengthen its competitiveness. The programme also addresses investment measures within the context of the co-operation projects of enterprises. With regard to sustainability, priority should be given to the revitalisation of existing sites, industrial buildings and plants. The measure will also support cross border cooperation among business zones, development and promotion of business zones and improvement of management of the business zones.

Objectives

The objective of this measure is the improvement of the economic environment for enterprises by co-operation and networking, by technology and infrastructure incentives above all in a cross-border context.

Beneficiaries

In particular:

Austria:

Ministries of Austria and the regional and local authorities, enterprises in the context of co-operation projects, institutions for economic development, technology parks, business parks, business incubators, chambers of commerce, research institutions, networks and cluster organisations, regional development agencies.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.1.2 Measure 2: Tourism**Description**

This measure involves the joint cross-border promotion and development of tourism in the following sectors:

The development of thermal spas in south eastern Styria and in North Eastern Slovenia has triggered a dynamic development in the tourist industry. These assets constitute a major driving force and potential for further complementary developments; hence, particular emphasis should be placed on developing the existing resources in thermal and wellness tourism.

The Graz – Maribor axis is likely to receive positive impulses thanks to Graz' nomination as world cultural heritage and the initiatives launched in the course of its role as cultural capital in the year 2003. On the Slovene side due attention should be paid to the importance of the Lent Festival in Maribor as a starting point for further actions. Regional and cross-border co-operation as well as co-ordinated marketing strategies should help to create a unique and competitive profile. An emphasis should be put on developments in the field of electronic marketing. In the Austrian programming area, related actions should focus on tourist facilities in the fields of cycling, hiking (trekking) tourism and horseback riding, in combination with local attractions and completed by winter sports activities in Carinthia. Networking activities should be centred around wine and events related to the winegrower's which can be seen as one of the main regional trade marks. Complementary products and services profiles should be developed in order to stimulate further development in the mountainous and lake region of southern Carinthia and North Western Slovenia. The tourist potential of Carinthia's and Gorenjska's lakes, the area of Karavanke, the Logarska Valley, ethnological characteristics of the country side and the offer of the town centres and in the field of cultural/business trips, should be considered as the basis on which to define the further approach directed at the gradual upgrading of these main offers and paralleled by increasing efforts towards cross-border integration and the involvement of complementary actors. Environmentally friendly recreational activities together with the development of cross-border nature and national parks can be seen as a promising basis for the development of mountainous border areas and the winegrowing districts.

Another major issue is the promotion of cross-border tourist infrastructure by defining concepts and formulating project-oriented approaches as well as by restructuring and re-defining tourist programmes grouped around major themes or headings and subsequently putting them together to competitive packages. Integrated packages should include natural and cultural potentials, organised outdoor activities, agricultural (including forestry) and craft products of the region and marketing strategies focussing on these local resources.

Finally the completion and modernisation of tourism infrastructure is a crucial issue. The issue here are especially regional needs in terms of training and qualification but also to investment needs. Such an approach should help to improve the currently weak supply of accommodation and catering, particularly in the peripheral micro-regions near the border.

Objectives

The overall objective of this measure is to develop the tourism industry in the two adjoining border regions with the aim of creating jobs and generating additional wealth. This implies the qualitative development and

upgrading of tourism in terms of expanding supply and improving marketing strategies as well as the development of integrated consumer-oriented supply of products and services in a cross-border context.

Beneficiaries

In particular:

Austria:

Authorities and tourist associations on state, regional and local level, tourism enterprises in context of co-operation projects, institutions for economic development, supra-regional and regional culture initiatives, operators of sport and recreation facilities, marketing associations and co-operations, cultural authorities on *Länder* and municipality level, regional development agencies.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.1.3 Measure 3: Rural development

Description

This measure aims at the preparation and implementation of a cross-border programme for innovative and supplementary activities centred around farming and forestry (including hunting) in the following areas:

- a programme of quality certification and common marketing of the region's wines,
- a joint programme for the development of high quality rural tourism including the production of high-quality food and wine products,
- the further development of bio-farming, specialised cultivation of crops and animals
- the reactivation of alpine pastures as well as the promotion of traditional pasture products such as special dairy products, wool, skins, herbs and honey
- the development of forestry with a view to downstream industries such as wood processing and energy generation (use of renewable energy).

Objectives

The objective of this measure is to further innovative rural developments by promoting structural adjustment and the diversification of the agricultural structures with regard to cross-border approaches in production, food processing and marketing through specific assistance. The measure should complement the LEADER-programme in respect of content and spatial aspects (cross-border networking).

The intention is to create better working conditions and higher income levels, thus providing an incentive to maintain family farm structures.

Beneficiaries

In particular:

Austria:

Chambers of agriculture and forestry, territorial authorities, interest groups in agriculture and forestry, co-operations of farmers, co-operations of enterprises in food-processing, regional development agencies.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.2 Priority 2: Human resources and regional co-operation

Objectives

There are huge disparities in the living standards and levels of economic development between regions within the EU and one of the objectives of the Structural Funds is to gradually diminish these imbalances and thus contribute to increased economic and social cohesion between the various regions. The least developed regions tend to be peripheral regions, which also, generally, have lower standards of public services and communications.

Some of the Styrian and Carinthian micro-regions along the border to Slovenia are rather peripheral and exhibit a comparatively low level of development. They are, however, further advanced in their development than the adjacent border regions in Slovenia and the programme aims to reduce the disparity between the two sides of the EU external border by promoting co-operation and generating economic activity.

The objective of the programme is to develop measures and instruments to cope with the challenges of increasingly integrated labour markets, their impacts and differing structures.

The development of cross-border perspectives and instruments in the field of labour market policies should also contribute to counterbalancing the higher unemployment levels in the border regions and help to move towards economic and social cohesion between Austrian and Slovenian border regions.

Social cohesion implies also due consideration of the quality of partnership, good neighbourhood and cross-border working structures in relevant fields. The objective of this priority is also to strengthen cooperation among regional development agencies and other development institutions in the programming area.

Strategies

This priority involves the set-up of cross-border networks dealing with labour-market issues and the exchange of information, which could be a basis for the further development of employment and training programmes and the development of human resources with special regard to vocational issues. This should increasingly lead to the joint use of facilities and services in the fields of education and training. It also implies the co-operation of institutions in the field of vocational training, schools on various levels and universities.

An additional task is to reduce the barriers which result from different languages, fears and reservations and impede fruitful co-operation – these efforts should go in parallel with the upgrading and deepening of specific skills. In greater detail, the actions should also include selected projects dealing with meetings and exchange programmes between schools and cultural institutions – the latter should be included only if the approaches are not restricted to cultural-historical issues.

Increased and intensified cross-border co-operation requires the establishment of adequate and professional planning and implementation structures, which permit joint project development and implementation on a covering regional, but also micro-regional levels. This type of organisational structures also provide a basin for cross-border co-operation between cities.

Measures

Three single measures, described in detail in the following chapters, should help to attain these objectives and strategies:

- Development of human resources, labour market
- Regional co-operation
- Co-operation in educational and cultural issues

6.2.1 Measure 1: Human resources development, labour market

Description

This measure should support the establishment of structures and foundations for a labour market with higher levels of integration. This includes e.g. building up and running cross-border (bilingual) data bases and monitoring systems for cross-border movements of the labour force. Furthermore information systems for vocational offers are to be created. Training and education on the environmental sector are included in this measure. Clarifications with regard to the mutual acknowledgement of professions and certificates as well as the co-operation of training institutes with development of new training opportunities should be strived. Development of innovative employment projects in the border regions should be supported. The measure has to be coordinated with the Community Initiative EQUAL.

Objectives

The objective of this measure is the provision of information concerning the labour market policies in the neighbouring countries and an increase in the management proficiency levels (in large, medium and small-sized companies), an improvement in the knowledge and skills of working and unemployed people in order to prepare them for professions in newly emerging types of services, promotion of innovative employment initiatives, ensuring the efficient transfer of knowledge to companies, including the introduction of modern human resource management methods.

The improvement of regional skills and qualification structures is a key element of human resource and labour market policy. It should contribute as a minimum to lowering the level of unemployment in border areas and increasing the competitiveness of regional economies.

Beneficiaries

In particular:

Austria:

Territorial authorities, labour market service, employment initiatives, vocational training institutions, institutions for economic development, co-operations of enterprises.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.2.2 Measure 2: Regional co-operation

Description

The establishment of co-operative structures that will facilitate the establishment of cross-border co-operation at the project level and sectoral issues must be developed and made operational by the actors involved within the framework of their specific competencies. These may be cross border tourist management structures, business platforms, co-operation between cities, common use of infrastructures and micro-regional co-operative structures, i.e. the neighbourly relations in the border areas should be embedded in multi-annual thematic work structures.

Multi-sectoral projects and pilots covering more than mere economic development are also part of this area of action. They should initiate a co-operation between different sectors and should have an initiative character for the regions development. In addition, the development of cross-border projects with effects on the regional economy should be supported (e.g. in the context of the Carinthian local and regional development).

Objectives

The strengthening of cross-border links at NUTS III level and also at the level of local community and on a project-by-project basis, which will guarantee the continuous development across the border and within the border.

Beneficiaries

In particular:

Austria:

Euregio associations, regional development associations and agencies, territorial authorities, sectoral co-operations (of enterprises), platforms and networks, interest groups associations, associations of local communities, towns and municipalities.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.2.3 Measure 3: Co-operation in educational and cultural affairs

Description

This measure involves the creation of networks of primary, secondary and vocational schools in Southern Austria and in Northern Slovenia and cultural exchanges. These actions could include competitions for the development of virtual or real travelling exhibitions, cross-border cultural information systems, local radio projects, exchanges between pupils and teachers, language courses, co-ordinated curricula concerning certain parts of modular educational systems, sports activities and the creation of supplementary third level qualifications such as language, culture, geography, history and (common) culture. Initiatives of the Slovene minority aiming at cultural exchange and providing a bridge among the border region population shall be supported. The provision of the necessary equipment to facilitate these exchanges must also be included in order to enable a comparable electronic exchange on both sides.

Objectives

This measure aims to contribute to improved neighbourly relations, improved mutual understanding and trust and also at a reduction of mutual distrust and reservations.

Beneficiaries

In particular:

Education authorities, schools, cultural associations, local sport associations, regional development agencies, municipalities.

6.3 Priority 3: Sustainable spatial development

Objectives

- Improvement of the environment and cross-border transport system
- Protection of the natural resources
- Improvement of co-operation in the field of spatial development activities

Strategies

The regions along the Austrian-Slovenian border exhibit a wide range of strongly inter-linked potentials with regard to their natural potentials and resources. In many cases it seems appropriate to develop common measures for the protection and the management, i.e. the careful and sustainable use of these potentials. The **co-operation in landscape and nature protection** should be supplemented by cross-border environmental initiatives.

The strategic approach focuses on the **protection and improvement of the environment** encompassing all environmental areas, i.e. water, air and soil with a focus on the use of energy. The approach includes both,

concrete measures for the improvement of the environment as well as information and improvement of legal standards in this respect.

As a balancing force with regard to potential conflicts between the protection of natural endowments and the improvement of the environment on the one hand, and the region's economic development resulting in various forms of land use on the other hand, the **spatial planning and development** as well as its data base should be jointly developed and co-ordinated. Sustainable cross-border spatial/regional planning and policies improves the natural resources and hence the preconditions for positive effects in the fields of agriculture, forestry and tourism but also for the development of business and industrial sites. Sustainable spatial development emphasises the relationship between urban and rural areas, the need for a good transport infrastructure and for the management of natural resources and for the conservation of the natural and cultural heritage of the region.

The **improvement of accessibility** between the centres Graz-Maribor and Klagenfurt-Kranj as well as within the peripheral regions on both sides of the border are basic requirements for an effective co-operation on all levels, but especially in the economic sphere. This implies primarily the completion and improvement of transport networks, which can be seen as a threefold challenge: a) from the viewpoint of cross-border regional development, i.e. the modernisation and extension of cross-border transport infrastructure, b) from the viewpoint of micro-regional development, i.e. the transport systems in the immediate (mountainous) border areas, c) from a transnational viewpoint, i.e. the future regional position in the context of an increasingly important transeuropean north-south corridor. Measures concerning the transport facilities should be planned and developed with due consideration of ecological issues; such actions should focus on public transport and improvements in the fields of logistics and organisation. This strategy should help the cross-border region to improve the integration into the expansion of the TEN and PEN.

An **improved supply in public transport** should help to shift a considerable part of the increasing volume of traffic to public transport. Therefore, positive effects in the ecological sphere may be expected, and at least additional pressures on the environment in the border region would be reduced. Cross-border co-operation and contacts are reserved nearly without exceptions for motorised group of people. In particular in the fields of education, qualification, culture and tourism this represents an important restriction. In addition, an attractive public transport system would include the no-motorised groups of the population in cross-border activities. Thus, it is particularly important to increase the frequency and quality of cross-border interactions which are to induce positive economic effects in the border regions (e.g. easier physical market access, enlarged labour markets, exchange of visitors).

Measures

Three single measures, described in detail in the following chapters, should help to fulfil these objectives and strategies:

- Spatial development and transport
- Sustainable development of natural endowments
- Environment and energy management

6.3.1 Measure 1: Spatial development and transport

Description

This field of action encompasses cross-border **strategies and concepts in the field of spatial planning**. The joint planning process should be stimulated in particular within the 'triangle' Klagenfurt – Villach – Kranj – Ljubljana and in the areas Völkermarkt / Wolfsberg / Bleiburg – Ravne / Dravograd / Slovenj Gradec / Velenje as well as for the central axis Graz – Maribor and the micro-regions Radkersburg, Deutschlandsberg.

A harmonised and comparable **data base** as well as planning materials are prerequisites for the coordinated development and last but not least for specific cross-border projects. Bilaterally adopted principles, visions and projects facilitate and shorten planning and decision-making processes hence increasing cross-border dynamics in development. Therefore, the measure encompasses the formation of respective databases, the

exchange of data and plans in regional development, studies (or experts' reports) concerning specific parts or aspects of regions, cross-border regional development programmes (concepts) especially the co-operation of cities on both sides of the border, or co-operation between cities and their bordering municipalities if these efforts include cross-border aspects.

Closely linked with spatial development are measures in the field of **transport**. In the pre-accession and accession phase of Slovenia, the transport flows will increase considerably hence making the need for specific assistance in cross-border areas obvious. Co-operation between the neighbouring countries is particularly important with respect to organisation and logistics for cross-border public passenger and freight transport. Measures in road transport should be restricted to the completion of missing network links in the immediate border area. Planning and development of large-scale infrastructure projects do not exclusively deal with transportation but include a co-operative infrastructure development in a broader sense, e.g. business-oriented infrastructure and development of certain locations, as far as these efforts are not part of priority 1, economic cohesion.

The process of catch-up in the field of **telecommunications** (cross-border network links) should also assist to prepare, put into operation and use sustainable cross-border information systems (databases, geographical information systems etc.).

Objectives

The overall objective is to initiate and promote specific jointly developed projects for sustainable spatial development including the preparation and improvement of the information base for decision-making within the framework of professional cross-border regional policy and to improve the transport and communications networks between the two sides of the border.

Beneficiaries

In particular:

Austria:

Territorial authorities, (regional) associations, committees, enterprises and authorities in the field of transport, tariff unions, providers of infrastructure, interest group associations, co-operation of enterprises, regional development agencies.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.3.2 Measure 2: Sustainable spatial and environmental development

Description

This measure involves the **conservation of bio-diversity and genetic resources** in the border region. This means conservation and protection of the natural heritage by providing assistance to a number of sensitive areas of considerable environmental value, particularly in the endangered ecosystem of Alpine areas and Drau/Drava, Mur/Mura rivers. The co-operation focuses on common water resources in particular the rivers Mur/Mura and Drau/Drava, and cross-border traditional landscapes such as the viniculture regions in Styria and Slovenia, cross-border systems of barrier woodlands or Alpine areas in the Karawanken/Karavanke mountains.

The measure also involves **management and awareness-raising with regard to natural resources**, cultural heritage and the development of appropriate and sustainable forms of tourism under the heading of nature parks and existing national parks in the programming area and may be seen as an important 'base for increasing cross-border co-operation and the tourist development of peripheral and Alpine regions. Possible areas of action are the development of joint criteria for economic activities in protected areas and joint demonstrator projects for sanitation of mountain cabins (sanitary equipment). Of special importance in this case are the partnership between the Hohe Tauern and Triglav National Park, and the partnership developing the Karawanken/Karavanke Nature Park.

Cross-border co-operation shows in particular the following key areas: joint research projects, studies and concepts for nature and landscape protection, the expansion of information systems and the general exchange of information. Additional measures for the implementation of public and private partnerships in nature protection as well as measures in the fields of preservation and management of cross-border protected areas could be also supported within this action. It also encompasses cross-border activities for the development and upgrading of nature parks and existing national parks in the fields of planning, game preservation and management, the implementation of study results, visitor information systems, visitor guidance or visitors' exchange programmes. Game management is also an important issue outside of protected areas.

In the fields of public relations and training activities, measures such as broader information initiatives concerning nature management (in journals, internet, advertisement, exhibitions) could be supported, but also initiatives and exchange programmes in training.

Objectives

The measure aims at the **protection, management and sustainable use of the natural resources** within the programming region (landscape, woods, natural and cultural heritage, diversity of flora and fauna) and closely interlinked with the development of tourism. The objective is to maintain traditional landscapes because the current retreat of agricultural cultivation is among the core problems of the whole region at the Slovene side.

Another objective is the **improvement of co-ordination of institutions** dealing with nature protection. An ongoing development of a coordinated park-management of e.g. Nationalpark Hohe Tauern and Triglav in the two protected areas should be supported. The actions should lead to increased exchange of information and experiences in the fields of nature and landscape protection between the countries involved.

Beneficiaries

In particular:

Austria:

Territorial authorities, (alpine) associations, committees, associations of forest owners, organisations for nature protection, managements of national parks (companies, associations, funds), communities of interest, cooperations, regional development agencies.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.3.3 Measure 3: Environment and energy management

Description

The general level of **environmental pollution** within the programming region is **rather low**. Punctual and linear pollution occur due to transport flows and its environmental impacts, punctual pollution and risks endangering groundwater resources and punctual negative impacts of tourist flows in alpine areas. To maintain traditional landscapes under the current retreat of agricultural cultivation is among the core problems of the whole region. In general, the protection of resources facing increasing risk levels from pollution refers to rather small parts such as Pomurska region, which is challenged by increasing transport volumes or Leibnitzerfeld with conflicting land use patterns.

Cross-border **environmental problems concentrated in certain hot spots**: in particular the ecosystems and hydrological systems of the border rivers Mur/Mura and Drau/Drava and linear pollution sources along cross-border transport links. Hot spots are also areas polluted by heavy industries or a few areas under stress through industrial use in Slovenia, especially in Ravne na Koroškem, Šoštanj Tri and Jesenice as well as the lead-mill Mezica. Other punctual hot spots occur along strongly polluted rivers and as risks for ground water resources due to agricultural practice and also in some places due to intensive activities in tourism.

Impacts of the current use of the river Mur/Mura for the generation of energy are reduced deposit volumes, lowering of the river bed and changes of the eco system. These factors are influencing the conditions for agricultural production, the water household as well as the potentials for recreation and further energetic use. Within the frame of INTERREG II comprehensive analysis and scenarios have been elaborated, under the current programme these proposals should be the base for further cross-border development and implementation.

Possible fields of action following the major river systems in the programme region include the preparation and implementation of measures in water management, integrated measures for an improvement of water quality, protection and management of eco-systems and habitats.

Additional major measures are the development of a common methodological approach and of a system for the protection of drinkable ground water resources in the alpine area, in particular in the Karawanken/Karavanke.

Further actions should cover the fields of **development and use of renewable energy resources, common waste water and waste management, water supply and general requirements of environmental protection**: i.e. to support studies, plans and concepts, monitoring systems, meetings and exchange of information but also investment projects addressing genuine cross-border issues. Negative impacts caused by cross-border transport flows should be addressed by actions under measure 1 of this priority. The measure comprises also activities and studies which aim at the prevention and reduction of air pollution. All in all, together an analysis of the environment and energy situation as well as the development for its improvement in the sense of sustainability can be supported.

Objectives

The overall objective of this key action is the **improvement of environmental quality** with focus on the hot spots described. This includes the preparation and implementation of water management (water supply, common waste water management, water quality of rivers, lakes and ground water), waste management, protection and management of littoral ecosystems and habitats, improvement of air quality, protection of the soil and the geothermal resources.

Another aim is the **development and use of renewable energy resources**, in connection with improvement of air quality. This refers to e.g. the further reduction of pollution stemming from Šoštanj electricity plant and individual heating system.

An important topic is the **sustainable development and structuring of the ecosystem 'habitat Mur/Mura'** and its use for tourism and energy supply in line with the principles of sustainability.

One of the main objectives is the **bilateral exchange of experiences** between the countries involved and in particular to assist Slovenia as an accession country in the gradual implementation and **adoption of EU environmental standards**.

Beneficiaries

In particular:

Austria:

Territorial authorities, water and waste management associations, energy supply companies, regional energy agencies, research institutions, committees, associations, communities of interest, cooperations and private actors.

Slovenia:

Non-profit legal persons established by public or private law for the purposes of public interest or specific purpose of meeting needs of general interest.

6.4 Priority 4: Special Support for Border Regions

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

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

Objectives

The financial resources are dedicated to supporting activities serving to ensure a smooth transition in the border regions and sustainable acceptance of the enlargement of the European Union by the general public. The new priority is intended to support environmentally favourable projects that are directly associated with the enlargement of the European Union and will improve the competitive strength of the border regions.

Strategies

Support will in particular be granted for:

- Activities to support those small and medium-sized enterprises that will be particularly affected by the enlargement of the EU so as to enhance cross-border economic cooperation.

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

- Expansion of cross-border traffic routes to ensure sustainable and environmentally friendly development of potentials in the fields of tourism and nature on both sides of the respective border.

These activities comprises cross-border projects in the field of traffic, especially to improve the utilization of potentials in the field of tourism and nature.

Establishing the region as a cycling region is one of the major objectives of the border regions in the field of tourism to attract bicycle tourism to the region, especially during the low season. Bicycle routes will allow agricultural and rural small and medium-sized enterprises to benefit from touristic infrastructure and will strengthen the economic infrastructure of rural border areas. Special attention will in this respect be given to traffic safety.

Creating, expanding and reactivating border crossing points is intended to reduce the barrier function of the border between the countries, especially in the context of small-scale cross-border activities, and to improve the framework conditions for cross-border tourism.

- Educational measures and intercultural cooperation, including measures to promote the integration of other cultural and language groups so as to reduce cultural and language barriers.

These activities include promotion of cultural exchange and intercultural cooperation (e.g. cross-border events, exhibitions) (e.g. joint events, exhibitions) and also cooperation projects involving minorities and

projects to improve minority language skills (e.g. in small and medium-sized enterprises).. (Further) development of cross-border organizational structures and cooperation networks as well as theme-specific networks (culture marketing, media platform) shall also be emphasized.

6.5 Technical Assistance

According to Article 23 of Regulation (EC) No. 1260/1999, technical assistance has the purpose of aiding the preparation, support, evaluation and control work involved in the programme and is subdivided by Rule 11 of Regulation (EC) No. 1685/2000 into two areas:

- TA-1: Administration, implementation, support and control activities (pursuant to Rule 11, par. 2)
- TA-2: Other activities within the scope of technical assistance (pursuant to Rule 11, par. 3)

The following activities are to be carried out within the scope of TA-1 in order to ensure the efficient administration of the programme:

- Activities in connection with the preparation, selection, evaluation and support of interventions and operations;
- Activities involving meetings of the Monitoring Committees and Steering Committees in connection with interventions;
- Examination and on-site checks of operations.

Within the scope of TA-2, the following activities are planned:

- The setting up and operation of an EDP-supported monitoring system for the administration, support and evaluation of the programmes (ongoing systematic recording of the material implementation of the programme using financial and other implementation indicators for each of the projects receiving assistance);
- Preparation of studies (e.g. for interim evaluations);
- Information and disclosure activities pursuant to Art. 46 of the Regulation No. 1260/1999.

Indicative distribution of funds earmarked for Technical Assistance 2000-2006 (in EUR 1,000)

	Total costs	ERDF co-financing	National co-financing
TA-1	2,245	1,216	1,029
TA-2	534	284	251
Sum	2,779	1,500	1,279

As Slovenia has to establish structures and system for implementation of Interreg in very short time and a lot of support to the development of Interreg projects in the border area is expected, it is proposed, that Slovenia will allocate 7% of funds to the priority TA. 5% for TA-1 and 2% for TA-2.

Beneficiaries

In particular:

Territorial authorities, NARD with the Regional Office Maribor

7. PROGRAMME INDICATORS

7.1 Introduction

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

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

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

The impact indicators have been developed starting out from the project level – as this approach best permits to accommodate the great variety of expected effects. Subsequently, the question arose of how this wide range of individual impacts at the level of measures, priorities and programmes could be aggregated. In a next step content summaries based on the project indicators were formulated at the measures and priorities levels. Therefore the (partly quantified) programme objectives for the thus created “aggregated” indicators are defined at the priorities and the overall programme levels (c.f. Section 7.3, below). Measure-specific objectives are laid down in the programme complement. In addition to the aggregated impact indicators, the output indicators are given at the programme or priorities level, which allows for improved structuring of the supported projects (a.o. size structure, see Table below).

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

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

Level	Output indicators	Impact indicators
<i>CIP:</i>		
Programme	X	Aggregated
Priorities	X	Aggregated
<i>Programme Complement:</i>		
Measures		X
Projects		X

7.2 Indicators for programme monitoring

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

- total number of direct beneficiaries, broken down by main target groups [e.g. enterprises, citizens, institutions],
- number of projects
- financial monitoring (exploitation of means, financial steps of implementation)
- an aggregate qualitative project-indicator, based on the classification of cross-border-cooperation-intensity on one hand and of expected cross-border-impacts on the other, thus forming a typology of 4 categories of projects (AA, AB, BA and BB-projects; cf. the following section on project selection).

The environmental field is included within the context of the mid-term evaluation of the programme, including

also the methodological further development of programme-relevant assessment/indicator systems and the harmonisation and concretisation of objectives of relevance for the implementation of environmental/sustainability requirements.

As the programme will only allow small scale infrastructure projects no significant impact on environmental indicators (e.g. on the reduction of CO₂ equivalents etc.) may be expected. The assessment of environmental relevance of projects will be achieved by a descriptive approach.

7.3 Indicators for objectives on programme and priority levels

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

- the limits to a sensible quantification of objectives are rather narrow in the context of cross-border programmes for methodological reasons⁴
- the quantification of indicators on programme and priority levels requires the completion of the programming process on the measure level (documented in the programme complement) and/or the agreement on indicators on project- and measure levels in the JMC (according to Council Regulation 1260/99, Article 35 (3), lit. b)

At the time of programme submission, therefore, the following section about indicators on programme and priority levels necessarily is preliminary and illustrative.

Indicators on programme level

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

- 20 to 30 %-share of AA-projects according to the aggregate qualitative project indicator size-distribution of projects:
- 5 %-share of large projects (total of public financial contribution above 300.000 €)
- 30 to 40 %-share of small projects (total of public financial contribution under 50.000 €)

Indicators on priority level

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

INTERREG:

- Priority 1: Economic cohesion
 Number of projects: 75
 share of SMEs affected by projects of total of SMEs in the project area:
 10 to 15 %-share of SMEs affected by projects of total of SMEs in the project area
 share of SMEs of participating enterprises: > 95 %
 Share of impact:
 50% leading to market integration and/or integration of production
 15% leading to transfer of knowledge and/or technologies
 35% partner search and creation of networks
- Priority 2: Human resources and regional cooperation
 Number of projects: 50

⁴ See the Commissions' Methodological Working Paper "Ex-ante Evaluation and Indicators for INTERREG (Strand A), section 1.4

Thereof: 6 -8 supported Euregios/CB-development organisations, (GEO)/regional managements
40 to 60 participating institutions in the fields of labour market and training
share of impacts:
45 % development of implementation structures, generating and expanding networks
15% projects preparing the integration of labour markets
40% projects providing qualifications/knowledge with specific relevance to the neighbouring region

▪ ***Priority 3: Sustainable spatial development***

Number of projects: 5 - 8
Thereof: 4 – 6 projects (studies) for strategic support
1 - 2 investment projects
Share of impact:
10 % improved CBC transportation links
15% improving CB-mobility, accessibility and intelligent traffic solutions and integrated use of information technology and communication infrastructure
40% improving spatial development and the environmental conditions
35% enhancing environmentally friendly technologies or technical infrastructures with relevance to the improvement of environmental conditions

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

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

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

In developing and implementing Interreg -projects several distinct steps or phases can be distinguished (reaching from e.g. search/screening phases to implementation) which will be described more closely in the programme complement. Each of these steps can be performed in a cross-border co-operative way or independently. The assessment will focus on the **cross-border quality of the steps in project development**, which will have to be demonstrated in the project application (see the following chapter on project selection).

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

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

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

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

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

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

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

8. PROJECT SELECTION

The joint project selection for the Interreg IIIA Austria – Slovenia Community Initiative Programme will be performed by the bodies indicated in section 10.1.2. The following outline contains the **methodological framework for the project selection criteria** to be applied in the joint selection process. These criteria – according to Council regulation 1260/99 (article 35 (3) lit. b) – will have to be approved or adapted by the JMC. These criteria have to be distinguished from **pre-assessment criteria**, the fulfillment of which will have to be checked by the Intermediate Bodies **before** they reach the joint selection process (cf. process description in chapter 10). The assessment of project applications based on criteria defined in the Programme Complement will be executed by the respective intermediate bodies and sent to JTS via Monitoring System. The JTS will prepare a joint proposal with recommendations for co-financing for the joint project selection at JSC. The project proposals will be approved by the JSC.

Database for the joint project selection process

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

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

Definition of standards

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

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

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

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

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

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

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

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

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

Project selection with an aggregated quality indicator

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

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

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

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

Leadpartnership

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

9. FINANCING PLAN

INTERREG IIIA Austria – Slovenia

Financing Table by Priorities

decommitment P4 2002

	INTERREG IIIA Austria – Slovenia Financing Table Austria/Slovenia total 2000–2006					PHARE-CBC SLOVENIA 2000–2003		
	Total Costs	ERDF	National Cofinancing total	Public Cofinancing total	Private Cofinancing	Total Costs	PHARE CBC	national
1. Economic Cooperation	25.721.511	13.743.633	11.977.878	5.857.878	6.120.000	7.900.000	5.110.000	2.800.000
2. Human Resources and Regional Cooperation	15.078.492	7.759.965	7.318.527	4.913.720	2.404.807	1.885.000	750000	1.135.000
3. Sustainable Spatial Development	18.417.078	9.571.149	8.845.929	8.343.929	502.000	2.495.000	1.860.000	635000
4. Special Support for Border Regions	1.700.010	850.005	850.005	641.005	209.000	0	0	0
Technical Assistance	2.779.440	1.500.080	1.279.360	1.279.360	0	441000	350000	91000
Small Project Funds (used for priority 1, 2 and 3)						2.541.000	1.930.000	611000
Total	63.696.531	33.424.832	30.271.699	21.035.892	9.235.807	15.262.000	10.000.000	5.272.000

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

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

in EURO		decommitment P4 2002			
2001					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	3.298.000	1.649.000	1.649.000	844.000	805.000
2. Human Resources and Regional Cooperation	1.990.000	995.000	995.000	995.000	0
3. Sustainable Spatial Development	2.520.000	1.260.000	1.260.000	1.260.000	0
4. Special Support for Border Regions	0	0	0	0	0
Technical Assistance	350.000	175.000	175.000	175.000	0
Total	8.158.000	4.079.000	4.079.000	3.274.000	805.000
2002					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	3.739.000	1.870.000	1.869.000	957.000	912.000
2. Human Resources and Regional Cooperation	2.256.000	1.128.000	1.128.000	1.128.000	0
3. Sustainable Spatial Development	2.858.000	1.429.000	1.429.000	1.429.000	0
4. Special Support for Border Regions	1.700.010	850.005	850.005	641.005	209.000
Technical Assistance	396.000	198.000	198.000	198.000	0
Total	10.949.010	5.475.005	5.474.005	4.353.005	1.121.000
2003					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	3.728.000	1.864.000	1.864.000	954.000	910.000
2. Human Resources and Regional Cooperation	2.250.000	1.125.000	1.125.000	1.125.000	0
3. Sustainable Spatial Development	2.850.000	1.425.000	1.425.000	1.425.000	0
4. Special Support for Border Regions	0	0	0	0	0
Technical Assistance	394.000	197.000	197.000	197.000	0
Total	9.222.000	4.611.000	4.611.000	3.701.000	910.000
2004					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	5.372.608	3.083.599	2.289.009	1.135.009	1.154.000
2. Human Resources and Regional Cooperation	2.795.239	1.496.943	1.298.296	715.038	583.258
3. Sustainable Spatial Development	3.545.933	1.936.141	1.609.792	1.585.506	24.286
4. Special Support for Border Regions	0	0	0	0	0
Technical Assistance	596.648	347.986	248.662	248.662	0
Total	12.310.428	6.864.669	5.445.759	3.684.215	1.761.544
2005					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	5.047.009	2.832.512	2.214.497	1.060.497	1.154.000
2. Human Resources and Regional Cooperation	2.871.453	1.512.978	1.358.475	488.742	869.733
3. Sustainable Spatial Development	3.423.045	1.838.436	1.584.609	1.554.813	29.796
4. Special Support for Border Regions	0	0	0	0	0
Technical Assistance	554.504	315.878	238.626	238.626	0
Total	11.896.011	6.499.804	5.396.207	3.342.678	2.053.529
2006					
current prizes	Total costs	ERDF	national	national cofinancing public. cofinancing	private cofinancing
1. Economic Cooperation	4.536.894	2.444.522	2.092.372	907.372	1.185.000
2. Human Resources and Regional Cooperation	2.915.800	1.502.044	1.413.756	461.940	951.816
3. Sustainable Spatial Development	3.220.100	1.682.572	1.537.528	1.089.610	447.918
4. Special Support for Border Regions	0	0	0	0	0
Technical Assistance	488.288	266.216	222.072	222.072	0
Total	11.161.082	5.895.354	5.265.728	2.680.994	2.584.734

INTERREG IIIA Austria - Slovenia 2000-2006 Financing Plan 2000-2006 total per Priority

in EURO					
decommitment P4 2002 national cofinancing					
P I: Economic Co-operation	Total costs	ERDF	total	public	private
2001	3.298.000	1.649.000	1.649.000	844.000	805.000
2002	3.739.000	1.870.000	1.869.000	957.000	912.000
2003	3.728.000	1.864.000	1.864.000	954.000	910.000
2004	5.372.608	3.083.599	2.289.009	1.135.009	1.154.000
2005	5.047.009	2.832.512	2.214.497	1.060.497	1.154.000
2006	4.536.894	2.444.522	2.092.372	907.372	1.185.000
Total	25.721.511	13.743.633	11.977.878	5.857.878	6.120.000
P II: Human Resources and Regional Cooperation	Total costs	ERDF	total	public	private
2001	1.990.000	995.000	995.000	995.000	0
2002	2.256.000	1.128.000	1.128.000	1.128.000	0
2003	2.250.000	1.125.000	1.125.000	1.125.000	0
2004	2.795.239	1.496.943	1.298.296	715.038	583.258
2005	2.871.453	1.512.978	1.358.475	488.742	869.733
2006	2.915.800	1.502.044	1.413.756	461.940	951.816
Total	15.078.492	7.759.965	7.318.527	4.913.720	2.404.807
P III: Sustainable Spatial Development	Total costs	ERDF	total	public	private
2001	2.520.000	1.260.000	1.260.000	1.260.000	0
2002	2.858.000	1.429.000	1.429.000	1.429.000	0
2003	2.850.000	1.425.000	1.425.000	1.425.000	0
2004	3.545.933	1.936.141	1.609.792	1.585.506	24.286
2005	3.423.045	1.838.436	1.584.609	1.554.813	29.796
2006	3.220.100	1.682.572	1.537.528	1.089.610	447.918
Total	18.417.078	9.571.149	8.845.929	8.343.929	502.000
P IV: Special Support for Border Regions	Total costs	ERDF	total	public	private
2002	1.700.010	850.005	850.005	641.005	209.000
Total	1.700.010	850.005	850.005	641.005	209.000
Technical Assistance	Total costs	ERDF	total	public	private
2001	350.000	175.000	175.000	175.000	0
2002	396.000	198.000	198.000	198.000	0
2003	394.000	197.000	197.000	197.000	0
2004	596.648	347.986	248.662	248.662	0
2005	554.504	315.878	238.626	238.626	0
2006	488.288	266.216	222.072	222.072	0
Total	2.779.440	1.500.080	1.279.360	1.279.360	0
Total	Total costs	ERDF	total	public	private
2001	8.158.000	4.079.000	4.079.000	3.274.000	805.000
2002	10.949.010	5.475.005	5.474.005	4.353.005	1.121.000
2003	9.222.000	4.611.000	4.611.000	3.701.000	910.000
2004	12.310.428	6.864.669	5.445.759	3.684.215	1.761.544
2005	11.896.011	6.499.804	5.396.207	3.342.678	2.053.529
2006	11.161.082	5.895.354	5.265.728	2.680.994	2.584.734
Total	63.696.531	33.424.832	30.271.699	21.035.892	9.235.807

10. JOINT IMPLEMENTATION STRUCTURES FOR THE INTERREG III A COMMUNITY INITIATIVE PROGRAMME AUSTRIA-SLOVENIA

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

- the National Agency for Regional Development (NARD) acting as National Authority for the INTERREG IIIA Community Initiative in Slovenia, and
- the Austrian Federal Chancellery

Managing structures for the programme implementation will be operating in close cooperation with the partners involved and will provide suitable framework for implementation of projects focusing to common goals and objectives of the border regions. Both, the Federal Chancellery and the National Authority will take all measures necessary to assure proper implementation of the programme on their sides of the border.

The NA shall fulfil the following tasks in co-operation with the MA:

- Drawing up of annual and final implementation reports
- Proposing necessary adjustments of the Programme Complement
- Proposing and deciding jointly on the use of technical assistance
- Collection of reliable financial and statistical information on programme implementation for the monitoring and evaluation
- Issuing and implementation of calls for project proposals in Slovenia
- Concluding subsidy contracts and ensuring correctness of operations financed under assistance in Slovenia
- Ensuring compliance with obligations concerning publicity and information
- Co-operation in the programme evaluation

The NA shall fulfil the following tasks in co-operation with the PA:

- Ensuring an efficient system of internal financial management and financial control
- Certifying claims for reimbursement including declaration of expenditure for Slovenia, which will be integrated by the PA in the certificate and statement of expenditure sent to the EC acc. to Art. 32(3) and (4) of Council Regulation (EC) No.1260/1999
- Preparing payment forecasts for Slovenia.

10.1 Organisational structures for the programme implementation (Functional organisation)

In order to meet the requirements envisaged by the regulations of the Structural Funds, the INTERREG guidelines and the Practical Guide for Preparing New, and amending Existing INTERREG III Community Initiative Programmes as result of Enlargement the Community orientations are to be considered. In accordance with this official guidelines:

- A Managing Authority has been designated with an overall responsibility for managing of the programme
- A National Authority has been designated by the government of Slovenia as the national counterpart of

the managing and paying authority in partner state⁵

- An intermediate body has been designated for the implementation of the programme in the Land Carinthia
- An intermediate body has been designated for the implementation of the programme in the Land Styria
- An intermediate body has been designated for the implementation of the programme in Slovenia

10.1.1 Administrative structures

Managing Authority

The Slovenian and Austrian programme partners agree that the responsibility of the Managing Authority (MA) within the meaning of Article 9 lit. n and Article 34 of the Council Regulation 1260/99 will be given to the

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

Phone: +43 1 531 15-2910
Fax: +43 1 531 15-2180
e-mail: iv4@bka.gv.at

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

National Agency for Regional Development (NARD)
Kotnikova 28, SI-1000Ljubljana

Phone: +386 1 478 3670
Fax: + 386 1 431 3360
e-mail: arr@gov.si

NARD has a twofold role, being responsible for the management of the implementation of Interreg programme in Slovenia and for the operative management on project level, thus being national counterpart of the MA and the intermediate body at the same time.

Joint Technical Secretariat (JTS)

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

ÖIR- Managementdienste GmbH
A-1010 Wien, Franz-Josefs-Kai 27

Phone: ++43 1 533 87 47 – 55
Fax: ++43 1 533 87 47 – 66
e-mail: interreg3@oir.at

A Slovene member of the Joint Technical Secretariat will be placed at NARD Regional Office in Maribor. He/she will fully cooperate in all JTS tasks. For this purpose facilities for work on a temporary basis will be provided also at the JTS office in Vienna.

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

- secretariat function for the Joint Monitoring Committee and the Joint Steering Committee including the

⁵ As per practical guide for preparing new, and amending existing Interreg III Community Initiative programmes as a result of enlargement.

preparation and mailing of the documentation for and the minutes of meetings [in two or more languages if required];

- drawing up reports on the programme implementation [in the agreed languages];
- receiving project applications and (if needed) clarification as to which Intermediate Body the projects is to be forwarded;
- preparation of decisions of the Joint Steering Committee in co-operation with the intermediate bodies (IBs, see below) in accordance with the procedure set out in 10.2.2, preparation of project documentation, assessment of project applications as to whether they are complete and meet the selection criteria defined in the Community Initiative Programme (CIP) or in the Programme Complement (PC) especially those related to the cross-border nature of the projects;
- preparation and making available of standardised forms for project applications and for project assessments for all INTERREG III A projects coordinated with the MA and the IBs;
- joint public relations work (most of all creation, maintenance and updating of a joint programme website) in agreement with the MA and the IBs
- administrative management of (external) tasks and services, e.g. interpreting services and translations as may be required, arising within the context of the mid-term evaluation and of the necessary publicity measures.

Central Monitoring System (CMS)

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

ERP Fund
Ungargasse 37, A-1030 Wien
Phone: +43 1 50175-0
Fax: +43 1 50175-0
e-mail: elfriede.kober@erp-fonds.at

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

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

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

Intermediate Bodies (IB)

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

AUSTRIA	SLOVENIA
<p>Amt der Steiermärkischen Landesregierung Abteilung 16 – Landes- und Gemeindeentwicklung Stempfergasse 7, A – 8010 Graz Phone: +43 316 877 2170 Fax: +43 316 877 3711 E-Mail: johann.klug@stmk.gv.at or a16@stmk.gv.at</p> <p>Amt der Kärntner Landesregierung Abteilung 20 – Landesplanung Wulfengasse 13 , A-9020 Klagenfurt Phone: +43 463 536 32061 Fax: +43 463 536 32007 E-mail: kurt.rakobitsch@ktn.gv.at</p>	<p>National Agency for Regional Development Kotnikova 28, SI-1000 Ljubljana Phone: +386 1 478 3670 Fax: + 386 1 431 3360 e-mail: arr@gov.si</p> <p>with its Regional Office Maribor Trubarjeva 11, SI-2000 Maribor Phone: +386 2 234 10 24 Fax: +386 2 234 10 50 E-mail: amna.potocnik@gov.si</p>

These authorities are responsible for:

- regional public relations work and consulting for parties seeking assistance with regard to the programme objectives and the terms and conditions attached to INTERREG assistance;
- acceptance of project applications; the Intermediate Bodies will register all project applications they receive into the Central Monitoring System (CMS)
- pre-assessment of project applications according to the criteria defined in PC; all registered projects will be presented to the Steering Committee;
- concluding subsidy contracts relating to ERDF funds on the basis of the resolutions passed by the Steering Committee;
- checks the project financial statements and reports that must be submitted by the final beneficiaries of the assistance (with regard to their meeting the terms and conditions laid down in the subsidy contract and the evidence provided with regard to costs eligible for assistance and any other financing the project may have received) as well as confirming the correctness of the financial statements in terms of content and compliance with accounting regulations.
- prompting the disbursement of ERDF funds by the PA to the final beneficiaries as well as demanding the repayment of ERDF funds if applicable.
- reporting to the project database.

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

ERDF Paying Authority (PA)

The function of a Paying Authority charged with the financial management of the ERDF funds within the meaning of Article 9, lit. o and Article 32 Council Regulation 1260/99 – in particular the execution of payments to the final beneficiaries, the reimbursement claims and the booking of in- and outgoing payments to the accounts, including the establishment of the settlement system required for these purposes within pursuant to Article 34 (1) lit. e Council Regulation 1260/99 – shall be carried out by the –

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

Phone: +43 1 531 15-2910
Fax: +43 1 531 15-2180
e-mail: iv4@bka.gv.at

The PA has contracted the operative functions of PA to -

ERP Fund
Ungargasse 37, A-1030 Wien

Phone: +43 1 50175-0
Fax: +43 1 50175-0
e-mail: elfriede.kober@erp-fonds.at

The ERDF programme account has been established by ERP Fund at
PSK account no: 90.022.421
named at ERP-Fonds, Österreich-Slowenien EFRE 2000-2006, Interreg III-A
SWIFT/BIC OPSKATWW
IBAN AT726000000090022421

According to Slovene national legislation, payments to single final beneficiary in Slovenia shall be pre-financed out of the national budget. To reimburse the Community assistance, the NARD shall prepare reimbursement claims and submit it to the PA. The PA shall execute payments on the account notified by NARD.

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

MA, PA and IBs shall co-operate to ensure efficient fund management and to warrant that the budget of funds advanced by the ERDF will not be exceeded nor ERDF funds forfeited. The final 5% tranche of the ERDF funds, which according to Article 32 (3), last sentence Council Regulation 1260/99 fall due for transfer from the EC only after final settlement of the programme accounts shall be pre-financed.

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

10.1.2 Bodies to support the programme implementation and the selection of projects

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

Monitoring Committee (MC)

The MC – which has been already established according to the provisions of Article 35 (1) of Council Regulation 1260/99 – shall continue to perform its tasks as described in Article 35 (3) Council Regulation 1260/99.

The composition of the MC is determined in accordance with the provisions of Article 8 of Council Regulation

1260/99 in co-operation with social partners and regional authorities responsible for labour market, equal treatment and environmental issues. The MC shall lay down internal rules taking into account the institutional, statutory and financial systems of the countries involved in the programme.

Pursuant to Art. 35 of Council Regulation 1260/99 the MC is responsible for the following tasks:

- It shall, in accordance with Art. 15 of Council Regulation 1260/99, confirm or adapt the Programme Complement, including material and financial indicators for providing support to the programme. Any adaptations done later shall require prior approval.
- It shall examine and approve within six months after the approval of the interventions, the selection criteria for the individual measures to be financed.
- It shall, on a regular basis, examine the progress achieved with respect to the specific intervention goals.
- It shall examine the results of the implementation, especially the achievement of the goals of the various measures, and conduct a half-time evaluation according to Art. 42 of Council Regulation 1260/99.
- It shall examine and approve the annual implementation report and the final report before these are sent to the Commission.
- It shall examine and approve all proposals for changing the content of the Commission's resolution on the participation in the fund.
- It may propose to the MA any adjustment or revision of the intervention that would speed up the achievement of the goals set out in Art. 1 or could improve the administration of the intervention with respect to the financial administration. Any changes to the interventions shall be carried out in accordance with Art. 34, par. 3.

Steering Committee (SC)

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

The SC shall lay down internal rules taking into account the institutional, statutory and financial systems of the countries involved in the programme. The projects shall be selected by agreement of all members entitled to vote. If no agreement can be reached among the voting members, the project shall be considered rejected.

10.1.3 Financial Control

First level control

In compliance with Art. 4 of Commission Regulation 438/2001 the IBs shall ensure for all projects co-financed by ERDF funds under the INTERREG III A Programme Austria – Slovenia that compliance with the terms and conditions for assistance under the programme as well as the correctness of financial statements settled with regard to expenses eligible for assistance and assistance funds to be granted is continuously ensured both in factual and accounting terms and, if necessary, checked on site. First level control will be organized by -

AUSTRIA	SLOVENIA
Amt der Steiermärkischen Landesregierung Abteilung 16 – Landes- und Gemeindeentwicklung Stempfergasse 7, A – 8010 Graz Phone: +43 316 877 2170 Fax: +43 316 877 3711 E-Mail: johann.klug@stmk.gv.at or a16@stmk.gv.at	National Agency for Regional Development Financial Control Department Kotnikova 28, SI-1000 Ljubljana Phone: +386 1 478 3670 Fax: +386 1 431 3360 E-mail: arr@gov.si
Amt der Kärntner Landesregierung Abteilung 20 – Landesplanung Wulfengasse 13, A-9020 Klagenfurt Phone: +43 463 536 32061 Fax: +43 463 536 32007 E-mail: kurt.rakobitsch@ktn.gv.at	

Second level financial control:

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

AUSTRIA	SLOVENIA
Federal Chancellery, Division IV/3 Phone: ++43-1-53115-2908 Fax: ++43-1-53115-4120 e-mail: iv3@bka.gv.at	Ministry of Finance, Budget Supervisory Office Phone: ++386-1-477 42 60 Fax: ++386-1-477 42 99 E-mail: jurij.milatovic@gov.si

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

10.2 Procedural regulations governing the programme implementation (Procedural organisation)

10.2.1 Co-ordination at the programme level

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

In addition to the provisions of Council Regulation 1260/99 with regard to the tasks of the MA and the PA, the following co-ordination procedures are agreed:

- a) As far as the following issues of programme-strategic importance are concerned, the MA shall become active in agreement with the IBs, NA as well as, in issues regarding programme financing, with the Slovenian and Austrian Ministry of Finance:
 - preparation of proposals for the Monitoring Committee decisions regarding amendments of the CIP or the Programme Complement;
 - preparation of and, if required, participation in the annual meetings with the European Commission pursuant to Article 34 (2) Council Regulation 1260/99;
 - preparation of the mid-term evaluation pursuant to Article 42 Council Regulation 1260/99;
- b) Data regarding the programme implementation shall be made available by the JTS and (on financial matters) by the PA – in the most suitable form afforded by the available technical facilities – to the MA, NA, the IBs, the Austrian and Slovenian Ministry of Finance as well as the competent authorities of the European Commission.
- c) The MA, the NA, the IBs and the Austrian and Slovenian Ministry of Finance shall be informed on a same-day basis about any payment applications submitted by the PA to the Commission. The PA shall inform the MA, NA and the IBs on a same-day basis on any incoming SF funds. In the case of a shortage of SF funds available on the programme account, the priorities of further payments to final beneficiaries shall be jointly agreed by the PA, MA, NA and the IBs. Moreover, IBs, PA and MA/NA shall inform each other and immediately with regard to any delay, implementation problems or irregularities occurring in the financial management of the programme, co-ordinate measures to eliminate such problems among each other and monitor their successful implementation.
- d) By end of March of each year the PA shall transfer directly to the Commission (in copy to the Austrian and Slovenian Ministry of Finance, NA as well as to the IBs) an estimate of payment applications expected for the current and the following calendar year. This estimate shall relate to eligible expenditure as a whole as well as to ERDF funds.

10.2.2 Administration of the programme at the project level

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

a) Information and consulting:

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

A communication and information plan shall be drafted in accordance with Commission Regulation 1159/2000 as part of the Programme Complement.

b) Submission of applications for ERDF co-financing

Applications (also in electronic form) for ERDF co-financing from the INTERREG IIIA programme Austria-Slovenia shall be submitted by the project owner to the IB concerned or to the JTS. After review, the IB will report the application to the Central Monitoring System.

Each complete application that fulfill the necessary formal requirements for co-funding will be reported by the IB to the CMS and will be registered automatically. Thus the information on all applications submitted is available via the CMS for the programme partners. In case of evidence that there are substantial reasons not to recommend a project for approval in the SC only a basic record of the project will be registered in the

CMS. Due to the fact that the JTS will get a list of all registered projects (including full application form) by the IB information in the CMS on all applications can be checked by the JTS. In addition detailed information on all project applications can be obtained through the JTS.

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

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

c) Assessment of applications

The IBs shall examine the applications according to administrative criteria, eligibility criteria and quality criteria. The applications have to be in compliance with EU and national legislation. Assessment will be based on criteria defined in the PC.

The IBs shall examine the applications according to the following criteria:

- administrative compliance
 - application was submitted in due time
 - application form is properly filled in and requested documents are attached
- eligibility compliance
 - secured financing, appropriateness of the ratio between own funds and public assistance (taking into account the possible ERDF co-financing as well as any other national public funds applied for, already granted
 - compliance with the specific INTERREG IIIA assistance requirements pursuant to the CIP and Programme Complement
 - compliance with ERDF assistance requirements pursuant to Council Regulation 1783/99 and the eligibility rules for Structural Funds co-financing pursuant to Commission Regulation 1145/2003
 - compliance with other relevant national and EU legislation and policies (State aid legislation, rules for the awarding of public procurement, environmental law, etc.)
- quality of the project application

The application will be assessed from the aspects of relevance, feasibility, sustainability, project costs and financial and operational capacity.

The results of the examination are forwarded to the JTS via the CMS. The JTS on its part examines the reports (project sheets) and screens it in particular with regard to internal coherence, aspects of cooperation and partnership and the indicators.

d) ERDF co-financing decisions

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

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

- The assistance requirements are fulfilled as defined by the minimum criteria of the INTERREG programme, the relevant assistance guidelines and other relevant national and Community legislation;
- The amount of the co-financing to be granted, taking into consideration the total amount of the subsidy, is commensurate with the content of the project and the financial capacity and/or needs of the project owner and – if applicable – complies with the provisions of EU state aid legislation (assistance ceilings, accumulation rules, notification requirements);
- The amount of the ERDF co-financing can be covered within the framework of the approved financial plan of the programme and does not exceed the respective funding ceilings pursuant to Art. 29 of Council Regulation 1260/99.

The SC may reach the decision to transfer co-financing decisions for a sufficient number of small-scale projects that are adequately defined as to type and cross-border quality to a responsible cross-border entity (e.g. EUREGIO) in the form of a disposition fund (DF) as long as the task of monitoring compliance with the ERDF co-financing requirements from the INTERREG III A Programme Austria-Slovenia are guaranteed and the procedure for reaching decisions takes place within the framework of cross-border decision-making structures.

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

e) ERDF subsidy contract

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

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

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

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

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

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

ERDF subsidy contracts to Slovene project owners will be issued in Slovene Tolar (SIT). They will be reported to the central monitoring system in Euro.

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

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

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

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

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

g) Payment of EU funds

AUSTRIA	SLOVENIA
<p>After examining a project's implementation and the financial statements, the IB will hand over to the PA the result of the control and a Certification of Expenditure (relating to all items mentioned in Article 9 Para. 2 lit. b of Commission Regulation 438/2001) and Payment Claim. On this basis the PA shall pay the ERDF funds to the account of the (Austrian) project owner. The project information provided in the (interim or final) financial statements as well as the payment executed by the PA shall be reported to the CMS.</p> <p>The ERDF funds for projects within the scope of a DF shall be pre-financed by the competent IB or the Euregio and shall be refunded by the PA on the basis of periodical (interim) financial statements (including reports to the CMS).</p>	<p>After 1st level control and on the spot checks NARD will issue the Payment Order for the payment of ERDF and national component out of the national budget. The payment to the final beneficiary will be executed from the national budget.</p> <p>Payments to Slovenian project owners will be executed in Slovenian national currency (SIT).</p> <p>Together with the Payment Order NARD will issue also the Certificate of Expenditure (relating to all items mentioned in Article 9 Para. 2 lit. b of Commission Regulation No. 438/2001) and Claim for Reimbursement (in SIT) which will be sent to the PA. Both, Certification of Expenditure and Claim for Reimbursement will also be reported to the CMS. The PA shall confirm the correctness of the data in the CMS. This is the basis for the PA to release the ERDF funds to the national budget of Slovenia. The PA shall execute the payment of the Community assistance to the account of the national budget notified by the NARD.</p>

On the basis of aggregated data from the CMS, especially regarding the confirmed expenditure actually paid, the PA will issue the Certificate and Statement of Expenditure and Application for Payment according to Annex II of the Commission Regulation No. 438/2001.

In case ERDF funds have to be reclaimed from a final beneficiary, the IB responsible for the project shall request repayment of the ERDF funds, organise the re-transfer to the programme account and report this to the CMS.

h) Cooperation with financial control

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

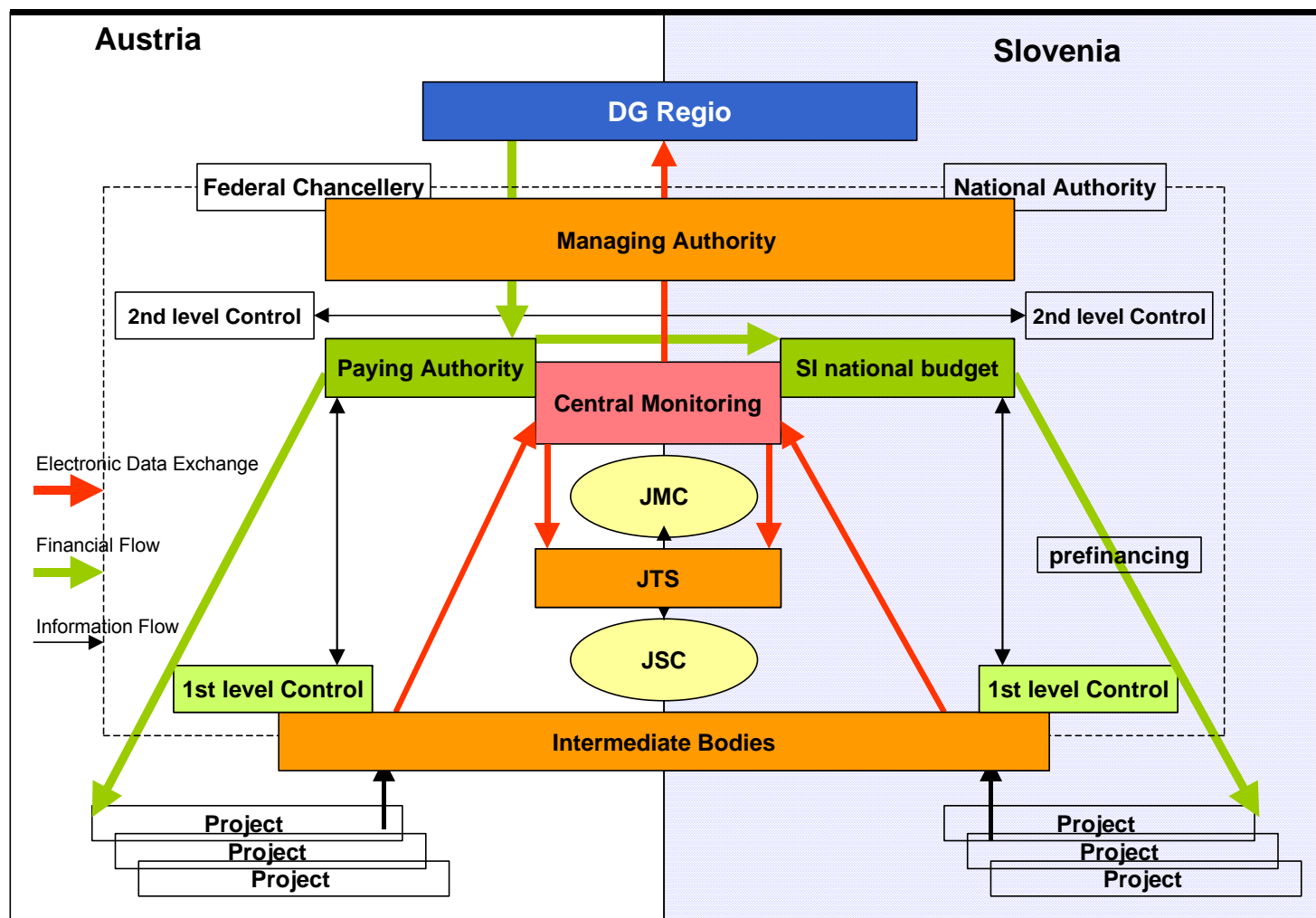
Figure 2: **Delineation of tasks and responsibilities of MA, NA, PA and IBs**

Tasks of the Managing Authority (MA) pursuant to Article 34 (1) of Regulation 1260/99:

Distribution among the individual programme implementation entities

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

Figure 3: Structure of Programme Management



10.3 Guidelines for EU co-financing

The individual authorisations of the Carinthian Land government and the INTERREG guidelines of the Land Styria shall apply to EU co-financing. In Slovenia national co-financing is ensured from the State Budget.

The provisions for compliance with the Community Policies have been laid down in section 5.4.

11. JOINT PROGRAMMING PROCESS

This chapter refers also to the programming process for the JPD INTERREG IIIA / PHARE CBC Austria-Slovenia. It was not revised for this CIP. The Managing Transition process is described in detail in the introduction of this document.

For the programme-period 2000 – 2006 the decrees of the European Commission regarding to both border programmes, INTERREG IIIA and PHARE CBC state the preparation of a **joint programme document** for the first time. From the beginning of the programming process, the two participating states have focussed on this aim.

In the following, an overview of the major common programming steps is given.

A **bilateral working** group has been established as a **joint committee**, in which the responsible authorities of both sides, the programme co-ordinating departments in co-operation with the experts in charge of the various tasks, have defined common specific contents and have planned the further working process.

The following **responsible authorities** have been involved in the joint process:

AUSTRIA:

- Federal Chancellery dep.IV/4 as programme co-ordinating authority
- Department 20 of land Carinthia, responsible co-ordination department
- Land and regional planning of land Styria, responsible co-ordination department

Technical support by experts of

- ARGE Stadt- und Regionalentwicklung, Graz (Wilhelm Schrenk, Richard Resch)
- ÖIR, Austrian Institute for Regional Studies and Spatial Planning, Vienna (Christof Schremmer, Petra Winkler)

SLOVENIA:

- Ministry for Economic Relations and Development
- National development agency, department PHARE CBC

Technical support by PHARE experts

- Erica Gerretsen-Phipps (until end of January 2000)
- Feargal Dempsey (from February 2000) and
- Nov`na razvoj, Ravne na Koroskem (Žare Tomšič, Julia Marošek)

Initiated by Federal Chancellery of Austrian Republic all partners of the external borders of Austria (Czech Republic, Slovakia, Hungaria and Slovenia) have been invited to Vienna for two multilateral consultations. These **multilateral meetings** of programme co-ordinators and experts of all the involved states were very useful and important for the co-ordination of the methodology, time schedules and information exchange.

November 17 th 1999	Start of the concrete work on the JPD, information and discussion of structure and process of the joint work of programming
March 6 th 2000	Discussion of the joint organisational structure and procedures for the implementing of the programme

The **bilateral working groups Austria – Slovenia** met four times in joint workshops:

October 20th 1999 in Graz (Austria)	Start-up workshop with exchange of ideas of programme co-ordinators, presentation of programme area, arrangement of joint programme planning including time schedule following the instructions of the commission
January 27th 2000 in Maribor (Slovenia)	Presentation and discussion of regional description and SWOT analysis plus decision on structure of priorities and measures
First expert draft of JPD (chapter 1 – 7) by March 3rd 2000	
March 13th 2000 in Klagenfurt (Austria)	Discussion of expert draft, presentation of ex ante evaluation regarding the recent draft by expert of ÖAR, discussion of a joint structure for future programme implementation
Second expert draft of JPD (chapter 1 – 10) by April 14th 2000 also considering the recommendations and proposals of the evaluation process	
May 9th 2000 in Kranj (Slovenia)	Finalisation of the draft and common revision , discussion of joint programme indicators and selection criteria, preparation of JCC

In addition to the bilateral working group, another expert meeting on January 11th 2000 in Maribor for the co-ordination of the contents of the programme structure was held. Moreover **many cross-border contacts** between single representatives of authorities and co-ordinators in order to prepare joint meetings and in particular at the expert level took place.

Furthermore, various **workshops** of the partners of the western (Carinthia – North-west-Slovenia) and eastern (Styria – North-east-Slovenia) part of the programme region with the participation of committed **regional** representatives have been carried out. The purpose was to exchange and co-ordinate visions and information on multi-annual indicative projects on regional level.

Several preparation and information meetings took place also at the domestic länder and regional levels.

Both ministries in Vienna and Ljubljana provided their comments on programme planning.

The **ex-ante-evaluation** was carried out by Richard Hummelbrunner and Bernhard Schausberger in close contact with the programming process and was presented and discussed within the third bilateral working group. The results and recommendations have been taken into consideration for the following revision of the programme, which has noticeably improved the quality.

On the technical level, an INTERREG – PHARE CBC **web-site** has been set up as an Internet-platform in order to support the information exchange (reports, dates, minutes). The joint cross-border working process has been conducted in English.

On June 5th 2000, the finalised and jointly accorded draft of the JPD was submitted to the **JCC in Maribor**.

Following the formal decision on the JCC, the länder governments of Carinthia and Styria – as well as the federal government of Austria will **take a decision** on the programme.

The clear intention to continue bilateral co-operation was stated for the preparation of the programme's implementation in the next few months.