

# Executive Summary

The evaluation is focusing on specific environmental measures within Austrian ERDF programmes “Regional Competitiveness” and “Convergence – Phasing-out”, which are managed by Kommunalkredit Public Consulting (KPC) as funding agency. The aim was to identify the essential impacts of these measures and to assess their contribution for achieving the objectives of the ERDF-programmes as well as the strategic objectives of the Austrian National Strategic Reference Framework (STRAT.AT). Furthermore, a systems-analysis was carried out that to investigate the system of environmental funding in Austria, focussing on the interaction between ERDF-programmes and other national or regional funding schemes.

The data was mainly taken from ATMOS, Austria’s central monitoring system, as well as from KPC’s internal database. In addition, interviews with key actors (Federal Ministry of Agriculture, Forestry, Environment and Water Management, KPC, Managing Authorities, European Commission) and project-holders were conducted and analysed.

## **Implementation of environmental measures co-financed by the ERDF**

Up to September 2010, 105 projects were approved comprising 21.7 Mio. Euro ERDF-funds (commitments). The number of projects in the different regional programmes varies between 27 in Upper Austria and 4 in Burgenland.

ERDF commitments have already reached 68 % of the total volume, which is a remarkably high percentage when considering the programmes’ lifetime. Only in Lower Austria and Burgenland substantial amounts of ERDF-funds remain to be committed. In Vorarlberg additional funds were reallocated to the environmental measure. The average amount of funding per project exceeds the planned values by far. There is a general tendency towards “bigger” projects with higher amounts of subsidy.

Concerning the defined result indicators, the intended target values were even surpassed in some cases. The capacity of renewable energy additionally

installed was double the target value (123.9 MW). Regarding the reduction of greenhouse gases the programmes are well on target, reaching 46 % (151.9 kt/a) of the overall planned values, even though they are slightly behind concerning financial implementation.

## **Impacts of ERDF-co-financed environmental measures**

‘Process Monitoring of Impacts’ (PMI) was employed as method for the impact-analysis. PMI defines logic models of interventions (projects, fields of activities, programmes) and shifts the focus of monitoring activities towards the observation of these models, where emphasis is placed on the observation of processes that should lead to the desired impacts. Processes are defined as impact-chains (Output-Result-Impact), where outputs are linked to results by deriving assumptions about how/by whom outputs should be used in order to produce desired effects. The monitoring shifts the focus on factors that can directly be influenced by activities (projects), thus placing emphasis on results. Process Monitoring of Impacts leads to the establishment of a comprehensive Management Information System, which structures programmes and their intervention logic along impact diagrams and adjusts existing monitoring elements and procedures in order to observe the implementation of these models.

The impact analysis identified nine different project types within environmental measures co-financed by the ERDF, each displaying distinct impact mechanisms and therefore contributing differently to the achievement of the various programme objectives.

Through an impact model plausible and traceable contributions of the environmental ERDF-measures to the STRAT.AT-objectives could be demonstrated. The causal interrelations became clear and comprehensible. Since not all project-types have yet been funded and implemented, not all objectives were addressed to the same extent up to now. The emphasis of the environmental measures, and thus the highest contribution of ERDF-measures, was

placed on projects in the context of energy efficiency and renewable energy, reflecting the main focus of Austrian and international Climate Policy.

- A major contribution can be expected towards achieving the obligations from the Kyoto-protocol, which is also defined as an objective within the Community Strategic Guidelines and the STRAT.AT. This field of impact is mainly addressed by extensive funding of investments supporting the use of renewable energy in companies, which lead to substituting fossil fuels and furthermore reducing greenhouse gas emissions.
- An equally high contribution can be expected towards the increase of energy efficiency, which is equally contained as an objective within the Community Strategic Guidelines and as a global objective of the STRAT.AT. A large part of the funding went towards investments for energy efficiency, reducing energy consumption as well as the overall input of resources in companies. This lead in turn to an increase in resource productivity and a step towards decoupling economic growth and resource consumption.
- A focus on renewable energy and energy efficiency could be observed in all regional programmes, with some Länder emphasizing renewable energy (Tyrol, Salzburg) or energy efficiency (Burgenland, Vorarlberg, Upper Austria). In Styria and Lower Austria these two project-types are weighted almost equally. Apart from these two funding areas, the only other noteworthy funding could be found in Lower Austria (1.4 Mio. Euro).
- Other specific objectives are addressed only in a rather selective way. ERDF-funding of particularly innovative projects in energy- and eco-technologies is rare. This is due to the low demand of companies concerning demonstration-/pilot projects, but also because of the higher risk of project failure. Hence, the contribution of the environmental ERDF-measures to the STRAT.AT objective of increased innovation-rates in energy- and eco-technologies is rather low. In this context, the ERDF-programmes are estimated to have only limited capacity as instrument for boosting innovations. There are other funding-schemes besides Structural Funds programmes which are better suited for the flexible implementation of such kind of projects.

Generally, there is a tendency towards projects with higher financial volumes, which are commonly implemented by larger companies. There is no evidence for a focus on SMEs. Several explanations can be given for this tendency: The conditions for

ERDF-funding can be met more easily by larger companies. For small companies it is often difficult to comply with these guidelines and specifications. The 5 % funding bonus for ERDF-projects seems not to be an adequate incentive, especially for “small” projects with low financial volumes. Furthermore, the new guidelines for environmental support in Austria allow for smaller projects involving standard technologies, to be submitted after implementation. These projects are supported with a lump sum paid after approval, which is customer friendly and easier to administrate. However, this procedure for smaller projects is not in line with ERDF-provisions, thus ruling out ERDF-co-financing. In addition, smaller biomass-projects are funded by the European Agricultural Fund for Rural Development (EAFRD).

In addition to ecologic impacts, ERDF-co-financed environmental measures also have considerable effects for enhancing the competitiveness of companies and regions, mainly by retaining or establishing value added chains within the regions. Eco-technologies have a particularly high share of domestic production and the decentralisation of energy production raises the demand for regional/local suppliers and service providers, in the areas of construction and operation of plants. Imported commodities are substituted by regional energy sources, cash flow stays within the region – primarily for construction and maintenance of plants – which raises regional value added. The strengthening of companies finally leads to safeguard jobs within the regions.

### **Experience gained with ‘Process Monitoring of Impacts’**

The main value-added of the method is plausibly connecting outputs and expected results via assumptions (on the use of outputs, i. e. outcomes). But this requires additional work, since these assumptions have to be elaborated and verified. For the latter monitoring data can be used and/or additional information must be collected. When applied in ex-ante or on-going evaluations, the actual achievement of results cannot be captured, but requires a combination with other approaches, e. g. result indicators. In the framework of the current assignment a combination of impact diagrams and indicators (from the national monitoring system ATMOS) was tested. This has revealed that several indicators could be directly integrated.

A core challenge for future applications (i. e. in the new programming period) is to already take their function for observing impact paths into account when defining indicators. And to use existing routines for gathering information for the verification

of assumptions and impact diagrams. A better alignment of these processes can drastically reduce the workload for applying the method. Furthermore it is important to regard impact diagrams as temporary models, which need to continuously adapted to changes and new developments. As a consequence, deviations (from the original plan) should not be seen as undesirable per se, but as an important information source and opportunity for learning.

### **Systems-analysis of ERDF-co-financed environmental measures**

The analysis showed that the system of actors for environmental support in Austria has developed during two decades and is quite sophisticated. It was capable to smoothly integrate ERDF-funding as an “external impulse” into already existing structures and routines. The long tradition for cooperation lead to formal as well as informal networks, based on mutual trust, which have the ability to act non-bureaucratic and flexible. However, such structures are highly dependent on personal relations and contribute to the emergence of “insiders and outsiders”, and for the latter the system is not transparent.

→ The Implementation of national environmental support schemes is done by a small number of closely connected individuals, often even within

the same organisation. This allows for smooth and efficient coordination of funding activities. The involved actors do not see the necessity of any additional coordination efforts. This is also true for the ERDF-funding activities. The topics of funding are hardly ever overlapping.

→ Room for improvement is seen with regard to strategic coordination, especially during the implementation of funding schemes. Even though the various measures are put under a common strategic framework during the programming phase, certain rationality during implementation of the programmes seems to be opposed to more strategically oriented management of the programmes. Valuable efforts in this direction are made by the Austrian Conference on Spatial Planning, which role as co-ordinating body is highly appreciated and acknowledged as being unique.

→ The interaction of various environmental support programmes/instruments in Austria (e. g. “Environmental Support in Austria”, “Climate and Energy Fund”, “klima:aktiv”, ERDF-funding”) implicates that different logics of action coincide, which causes different strategies of project selection to occur. KPC performs the task of a clearinghouse very well, nevertheless there is scope for improvement. Mainly to remain focused on strategic environmental objectives during the implementation of the funding schemes.