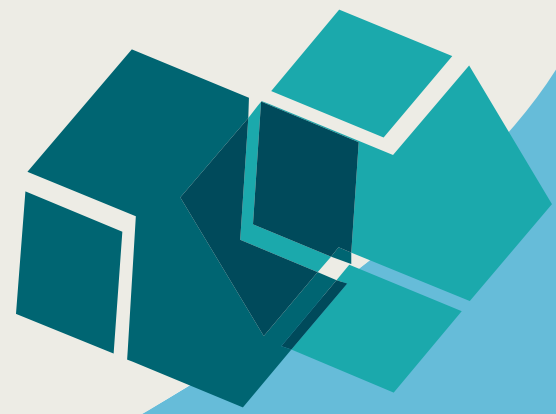




Working Paper Series GRINCOH

Growth-Innovation-Competitiveness
Fostering Cohesion in Central and Eastern Europe



Serie 8
Cohesion and its Dimensions

Paper No. 8.02.01

Cohesion Policy Lessons From Earlier EU/EC Enlargements. Austria Case Study Report

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2013

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Please cite as:

Kah S., (2013), 'Cohesion Policy Lessons From Earlier EU/EC Enlargements. Austria Case Study Report', GRINCOH Working Paper Series, Paper No. 8.02.01

Cohesion Policy Lessons From Earlier EU/EC Enlargements. Austria Case Study Report

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1 Introduction

Structural Funds play an important role in Austria, in spite of its comparatively modest amount of funding. This is not least due to the fact that Austria has no major national regional policy instruments, although there is some support for business in areas with structural problems. The limited character of traditional regional policy instruments is partly the result of the comparatively small scale of interregional economic disparities.

In Austria, domestic and Cohesion policies are implemented in an integrated way via domestic aid schemes. Structural Funds are implemented by established agencies and institutions, most of which are located at the level of the *Länder*, the federal states. In *Länder* with larger programmes, the ERDF programmes fund up to half of the budgets of regional development agencies. Whilst ERDF programmes have been managed at the level of the nine *Länder* since Austria's EU accession in 1995, the 2007-2013 programme period saw the introduction of a joint national ESF programme for Regional Competitiveness and Employment objective regions. Most *Länder* fall under this objective; only Burgenland has fallen under the least-developed category in all three programme periods.

National and sub-national levels work closely together to deliver Structural Funds. Although large parts of their implementation take place at *Land* level, the Austrian audit and certifying authorities and a number of intermediate bodies are located at the national level. Therefore, an important feature of Austrian regional policy concerns the coordination activities of the Austrian Conference on Spatial Planning (*Österreichische Raumordnungskonferenz, ÖROK*), which also acts as the main Austrian mediator with the European Commission.

2 Economic Development in Austria

2.1 Macroeconomic Development

From an EU perspective, Austria shows above-average performance in many indicators. GDP per capita (in PPS), employment rates and disposable household income (in PPS) per head are comparatively high, while unemployment rates are low (see Table 1) (Kah 2012).

Table 1. GDP, Unemployment, Employment and Disposable Household Income in Austria and the EU27

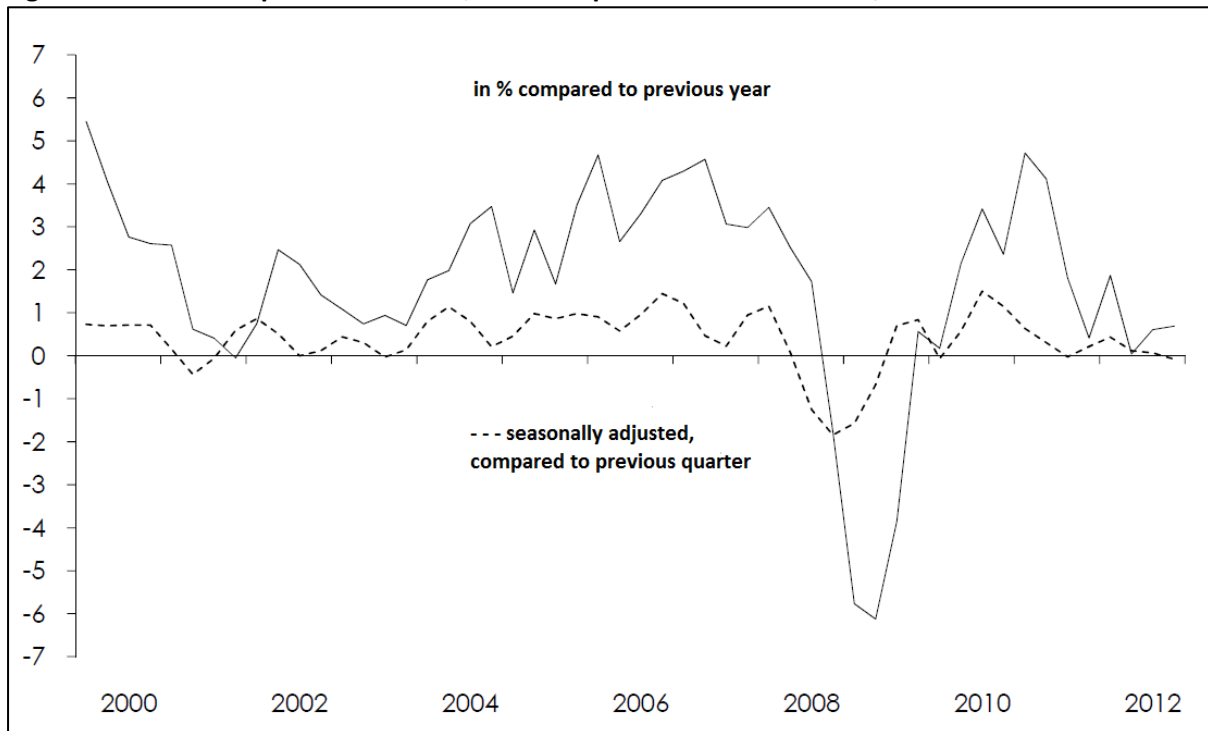
	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP(PPS) per head									
EU27	19,800	20,500	20,700	21,700	22,500	23,700	25,000	25,000	23,500
Austria	24,900	26,000	26,500	27,700	28,200	29,800	30,900	31,100	29,300
Unemployment rates									
EU27	8.4	9.0	9.1	9.2	8.9	8.2	7.2	7.0	8.9
Austria	3.6	4.0	4.3	4.9	5.2	4.7	4.4	3.8	4.8
Employment rates									
EU27	50.0	50.1	50.9	51.1	51.7	52.6	53.3	53.7	52.5
Austria	56.5	56.6	56.9	55.7	56.3	57.3	58.3	58.8	58.4
Disposable household income (PPS) per head									
EU25	12,828.2	13,192.0	13,268.4	13,669.1	14,155.9	14,656.1	15,212.7	na	na
Austria	15,096.9	15,554.0	16,042.5	16,666.0	17,604.8	18,469.5	19,210.2	19,220.1	18,430.8

Source: Eurostat (2013)

Figure 1 shows the development of Austria's GDP since the year 2000. With the exception of 2001 and (especially) 2008-2009 there was continuous, albeit modest growth. Looking at the most recent economic development data, Austria's GDP contracted in the fourth quarter of 2012 by 0.1 percent in real terms compared to the previous quarter. There have been negative impacts resulting from

the supply side, especially from the manufacturing sector. Nevertheless, for the full year 2012, there was a GDP growth of 0.8 percent (WIFO 2013).

Figure 1. GDP Development in Austria, In % Compared To Previous Year/Quarter



Source: Austrian Institute of Economic Research (WIFO 2013)

2.2 Regional Economic Development

Regional disparities in Austria are generally less significant than they are in many other EU Member States. The economic integration of Central and Eastern Europe marked a turning point in large-scale development patterns in Austria. The former east-west gradient has weakened over the past 20 years, and the previously lagging east (in particular, the *Länder* of Burgenland, Lower Austria and Vienna) has experienced sound economic growth. Growth has been especially concentrated in urban areas, i.e. Vienna, Graz, Linz, Salzburg and Innsbruck and the Rheintal in Vorarlberg. Southern parts of Austria (i.e. Carinthia and the southern regions of Styria and Burgenland) have had difficulties in participating in the comparatively robust development found elsewhere, lacking access to the main development axes and often adjoining weak cross-border areas. Over time, development patterns and problems have become more diverse. Important areas facing specific challenges comprise less-favoured areas, urban areas, mountainous areas and border regions (Kah 2012).

Levels of GDP per capita are relatively similar across all *Länder* (see Table 2, data from 2009), with the exception of Burgenland (€22,200), which still lags well behind the national average of €32,900. At the other end of the scale, the city-state and capital Vienna is clearly ahead with €42,600. Looking at the other *Länder*, it can be seen that those with below average GDP per capita are all located in the east of Austria. Looking at R&D expenditure as a share of GDP, Styria (4.32 percent) reported the highest share of all *Länder* in 2009. Only Vienna (3.54 percent) and Tyrol (2.79 percent) were also above the national average of 2.72 percent. The *Länder* with the lowest R&D rates are Burgenland (0.71 percent), Salzburg (1.38 percent) and Lower Austria (1.53 percent). However, it should be

noted that differences in the R&D rate also reflect the higher presence of major research institutions in some parts of Austria (Kah 2012).

Table 2. Economic Disparities between Austrian *Länder*

Land	GDP per capita, €, 2009	Unemployment rate, %, 2011	R&D expenditure, % of GDP, 2009
Burgenland	22,200	3.6	0.71
Carinthia	27,400	3.5	2.46
Lower Austria	27,000	4.2	1.53
Salzburg	37,500	2.5	1.38
Styria	28,500	3.3	4.32
Tyrol	34,600	2.5	2.79
Upper Austria	32,800	3.2	2.59
Vienna	42,600	7.1	3.54
Vorarlberg	34,700	3.6	1.60
Austria	32,900	4.2	2.72

Source: Statistik Austria (25 May 2012)¹

3 Structural Funds Programmes in Austria

3.1 Structural Funds 1995-1999

In the lead up to Austria's first Cohesion policy period (1995-1999), negotiations over funding resulted in 1,623 million ECU for Austria, 90 percent of which fell under the Structural Funds. The remaining nine percent were reserved for Community Initiatives, with one percent for Action Programmes. 25 percent was provided by the ERDF, 37 percent by the ESF and 38 percent by the EAGGF. There was one programme under Objective 1 (Burgenland), four programmes under Objective 2 (Styria, Lower Austria, Upper Austria, Vorarlberg), a national programme each under Objectives 3 and 4, two national programmes under Objective 5a and seven programmes at *Land*-level under Objective 5b (all *Länder* except Burgenland and Vienna) (Gruber 2009).

Table 3. Structural Funds Support in Austria, 1995-1999

Objective	Funding, ECU million
Objective 1	166
Objective 2	101
Objective 3 and 4	395
Objective 5a	388
Objective 5b	411
Total	1,461

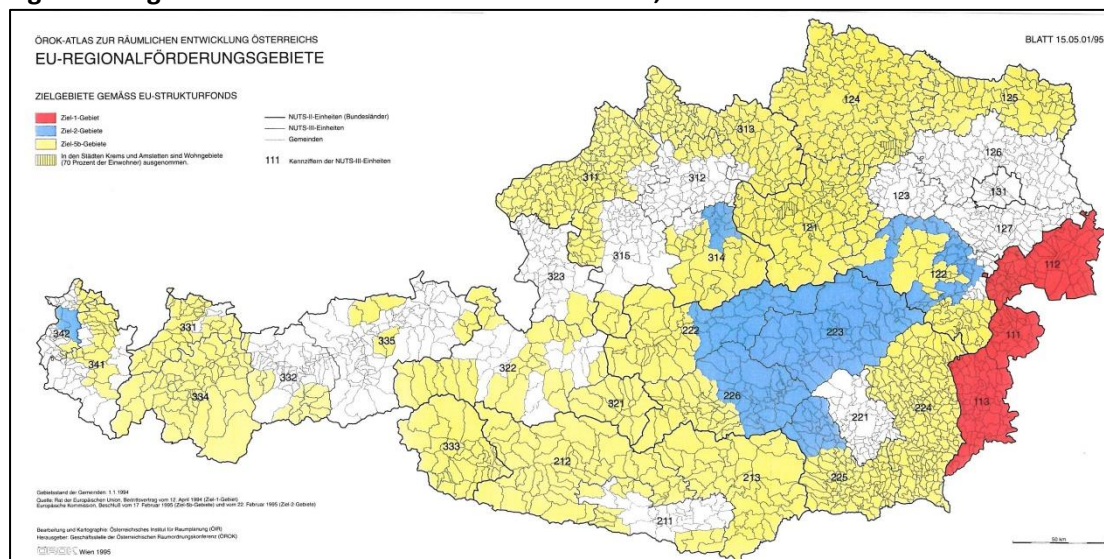
Source: ÖROK

Of the €680 million of funding that was allocated according to spatial criteria, almost a quarter went to Burgenland (Objective 1). Styria (21 percent), Lower Austria (20 percent) and Upper Austria (16 percent) also received large proportions. Carinthia, Tyrol, Salzburg and Vorarlberg shared the remaining fifth of the total funds, while Vienna was not spatially targeted (ÖIR 2003, p.16).

¹

http://www.statistik.at/web_de/services/wirtschaftsatlas_oesterreich/oesterreich_und_seine_bundeslaender/024104.html (accessed 20 March 2013).

Figure 2. Eligible Areas for Structural Funds in Austria, 1995-1999



Source: ÖROK²

The Austrian Conference on Spatial Planning (*Österreichische Raumordnungskonferenz, ÖROK*), originally set up in 1971, was used as a coordination platform during Austria's EU accession phase. This role was continually extended over the subsequent three programme periods. ÖROK also played a vital role in developing the concept of eligible areas and acted as secretariat for the monitoring committees for most programmes in 1995-1999 (and in subsequent periods).

3.2 Structural Funds 2000-2006

In the 2000-2006 programme period, Austria received a total of €1,827 million (1999 prices) from the Structural Funds.

Table 4. Structural Funds Support in Austria, 2000-2006

Objective	Funding, € million
Objective 1	261
Objective 2	680
Objective 3	528
INTERREG IIIA	142
INTERREG IIIB	30
INTERREG IIIC	11
LEADER+	71
EQUAL	96
URBAN II	8
Community Initiatives	358
Total	1,827

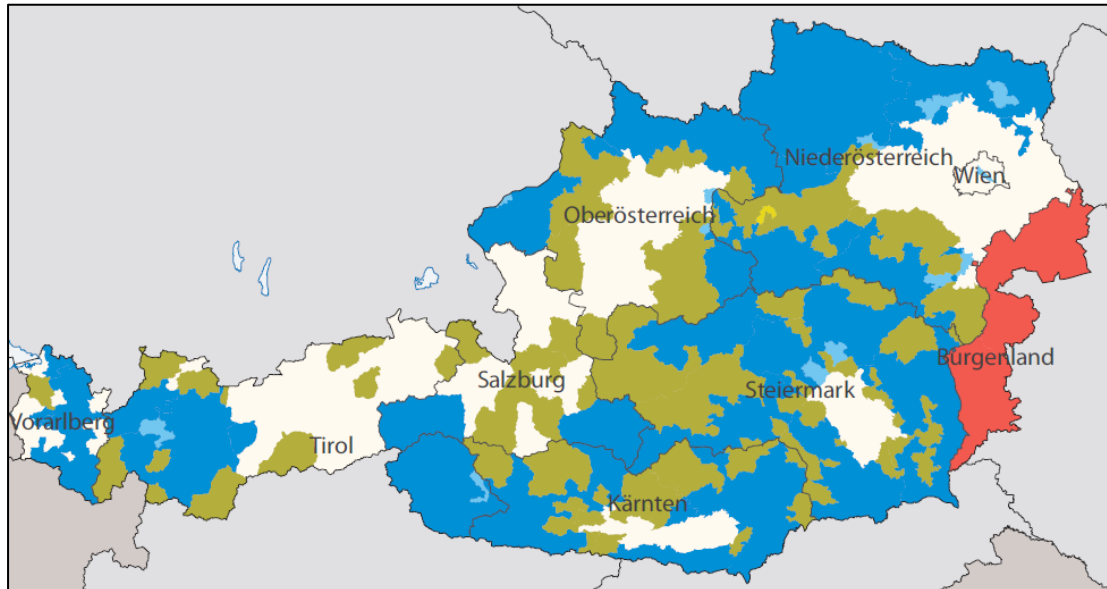
Source: ÖROK (2013)³

² <http://www.oerok.gv.at/eu-regionalpolitik/eu-strukturfonds-in-oesterreich-1995-1999/foerderfaehige-regionen.html> (accessed 20 March 2013).

³ <http://www.oerok.gv.at/eu-regionalpolitik/eu-strukturfonds-in-oesterreich-2000-2006/foerderfaehige-regionen.html> (accessed 20 March 2013).

In comparison with 1995-1999, funding increased by 13 percent. Since regional eligibility under Objective 2 was reduced by about a third in terms of population, the funding intensity per capita increased by 61 percent in the remaining Objective 2 regions. As in 1995-1999, there was one programme under Objective 1 for Burgenland, while there were eight Objective 2 programmes for the remaining *Länder*. In addition to this, there was one national programme under Objective 3 and a national EAGGF programme.

Figure 3. Eligible Areas for Structural Funds in Austria, 2000-2006



Source: European Commission Inforegio Factsheet Austria (October 2006, p.2)

3.3 Structural Funds 2007-2013

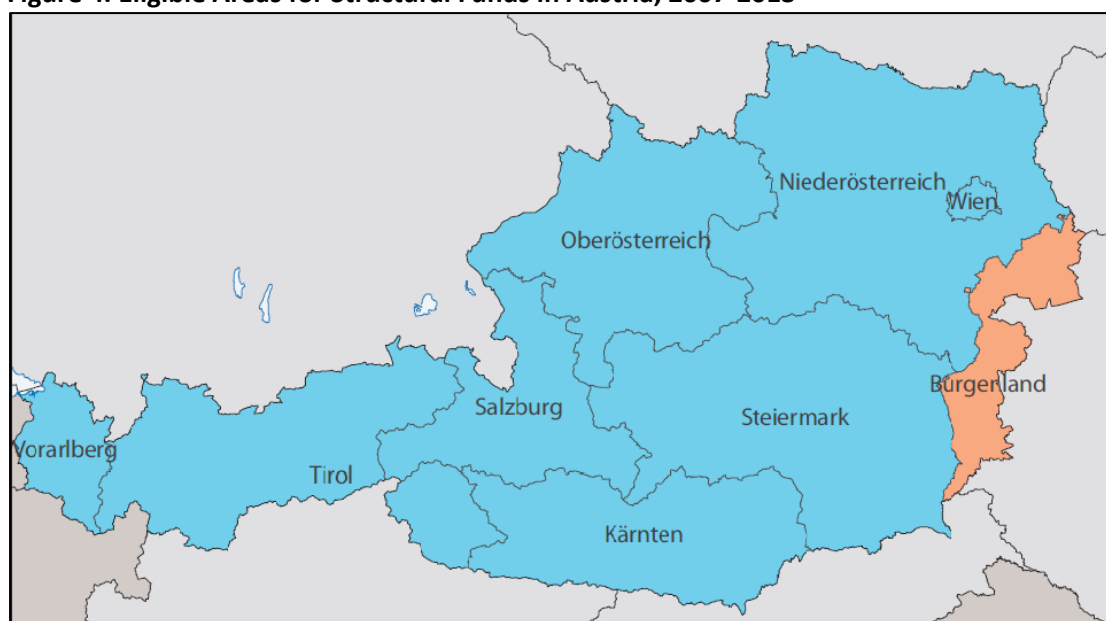
In 2007-2013, under the ERDF, there has been one phasing-out Convergence programme (Burgenland), eight RCE programmes (one for each of the other *Länder*) and several territorial cooperation programmes. Annual ERDF funding in the current programme period amounts to an average of €151 million per *Land*, which is relatively limited when compared to annual domestic funding. The latter consists of: AWS assistance (€233 million), *Land*-level economic development support (€1 billion), research funding by the Austrian Research Promotion Agency (*Österreichische Forschungsförderungsgesellschaft*, FFG) (€424 million) and *Land* budgets for RTDI (€370 million) (EPRC and EUROREG 2010, p.7). The focus of the ESF is on the adaptability of workers and enterprises, reducing unemployment and promoting social inclusion. ‘Territorial Employment Pacts’ are an Austrian specificity, which are co-financed by the ESF and serve as coordination tools between labour market policies and economic policies. Total ESF funding for Austria amounts to an annual average of €67 million, of which €16 million goes to the Convergence region of Burgenland. With €55 per capita, ESF funding in Austria is amongst the lowest in the EU (Kah 2012).

Table 5. Structural Funds in Austria, 2007-2013 (€ In Constant 2004 Prices)

Programme	Fund	€ million	% of total
Convergence/Phasing Out Burgenland	ERDF	111.6	8.6
Convergence/Phasing Out Burgenland	ESF	46.5	3.6
Total Convergence/Phasing Out		158.1	12.2
RCE Carinthia	ERDF	59.8	4.6
RCE Lower Austria	ERDF	129.2	10.0
RCE Salzburg	ERDF	12.3	0.9
RCE Styria	ERDF	137.6	10.6
RCE Tyrol	ERDF	30.9	2.4
RCE Upper Austria	ERDF	84.8	6.5
RCE Vienna	ERDF	22.3	1.7
RCE Vorarlberg	ERDF	15.7	1.2
RCE Employment Austria	ESF	419.0	32.3
Total RCE		911.6	70.3
ETC	ERDF	227.6	17.5
Total		1,297.3	100.0

Source: EPRC calculations based on European Commission data (2013)

Figure 4. Eligible Areas for Structural Funds in Austria, 2007-2013



Source: European Commission Inforegio Factsheet Austria (October 2006, p.2)

3.4 Changing Priorities and Focus

Over time, the priorities and thematic foci of Austrian Structural Funds programmes changed significantly. The weight of innovation-related measures and support to businesses, especially SMEs, increased steadily, while initially well-funded themes such as tourism decreased in importance. In the Objective 1 region of Burgenland, for instance, enterprise support increased significantly in importance over successive programme periods and is now by far the most dominant thematic axis (Gruber *et al.* 2013).

In the 1995-1999 period, the ERDF had three priorities. Programmes focused on strengthening the competitiveness of industry, especially SMEs; on developing high-quality tourism to raise regional added value; and on realising endogenous potential.

In 2000-2006, ERDF funding had a stronger focus on enterprise, tourism and innovation, which accounted for around 80 percent of support (Mayerhofer *et al.* 2009). The eight Objective 2 programmes focused on support for individual companies - primarily in manufacturing though also in tourism - reflecting the considerable importance of these two sectors in Austria. The largest amounts of funding went into the enterprise environment (66 percent) and territorial policy including tourism (22 percent). Other areas included environment and energy (five percent), human resources (four percent) and transport and telecommunications (one percent) (Applica, Ismeri, wiiw 2008). At the same time, the ESF aimed to develop labour market potential through qualifications and employment support measures (ÖROK 2002).

In the current (2007-2013) period, Austrian ERDF programmes have been based on a homogenous strategy in spite of different economic starting points between the *Länder*. The programmes are mainly based on the first two priorities of the Austrian NSRF 'STRAT.AT', which focus on the regional knowledge base and innovation and the development of attractive regions and competitive locations. The *Land*-level programmes are based largely on a set of three thematic strands: (i) to strengthen regional strong points and (further) develop regional areas of advantage; (ii) to enlarge the regional innovation base; and (iii) to support initiatives for endogenous development. In accordance with the different circumstances in each *Land*, there are also complementary measures in each programme that target specific regional challenges (ÖROK 2012). Nevertheless, the ERDF programmes have strong thematic concentration. The earmarking rate, describing the share of interventions falling under thematic codes which directly support the Lisbon strategy, stands at 88 percent, which is amongst the highest in the EU. Additionally, almost half of Austria's total Cohesion policy allocation (c. €600 million) is invested in R&D, which is again one of the highest rates in the EU and is almost twice the average of 25 percent. This R&D allocation is used for research and development centres, SME networks, and to boost innovation in eco- and renewable energy technologies. €192 million has been used to promote entrepreneurship and a further €19 million has been invested in ICT products, services and applications. About €210 million has been invested in building a skilled and adaptable workforce, by raising levels of skills and qualifications, and over €300 million has been allocated to tackle the consequences of demographic change. Only €8 million has been invested in transport infrastructure, whilst environmental measures, mitigating climate change effects, renewable energies and energy efficiency account for almost €100 million (European Commission 2011). Finally, it has to be noted that there is a strong business orientation, which means that the share of ERDF funds allocated to the business environment stands at above 80 percent.

Looking ahead into the 2014-2020 programme period, further concentration of funds is envisaged in the light of strict ring-fencing requirements for more developed regions and, to a lesser extent, transition regions, into which Burgenland will fall.

4 Impacts

In the 1995-1999 programme period, Austria carried out evaluations of its four Objective 2 programmes and its seven Objective 5b programmes (ÖROK 2002). Yet there was no domestic evaluation of the Objective 1 programme for Burgenland. Instead, there were national reports as part of an EU-wide evaluation of support in the context of Objective 1 (Stumm 2002).

For the 2000-2006 period, the European Commission carried out Member State-level evaluations as part of a working package looking at coordination, analysis and synthesis (Applica, Ismeri, wiiw

2008). There was no domestic ex-post evaluation, but a major study commissioned by ÖROK in 2009 looked back at the overall impact of Cohesion policy between EU accession in 1995 until 2007 (ÖROK 2009). As part of this, a pilot study on regional convergence looked specifically at the quantitative impacts of the Structural Funds (Mayerhofer *et al.* 2009).

Finally, in the current 2007-2013 programme period, the 2012 Strategic Report looked at implementation up until the end of 2011. In this, the evaluators and Austrian programme managers drew positive conclusions regarding attainment of the agreed objectives of the 2007-2013 programme period (ÖROK 2012).

4.1 Economic Impacts

The impact of the Structural Funds on Austria's business environment in the 1995-1999 programme period is difficult to measure because of limited data availability. However, a positive impact on the quality of business locations has been registered. This was directly achieved through the creation of business-related infrastructure (e.g. industrial estates) and, less directly, through measures which aimed to increase the wider quality of life in Austrian regions (e.g. tourism investment and environmental protection measures) (ÖROK 2002, p.171).

In the 2000-2006 period, Objective 2 ERDF programmes focused on the modernisation, expansion and structural improvement of companies (in tourism as well as in manufacturing). They were especially effective in modernising and expanding manufacturing; especially medium and high tech industries. The aim was to increase firm competitiveness, particularly for SMEs. This was supplemented by improving advisory services, stimulating start-ups and attracting new companies as well as supporting links between businesses and research centres and upgrading workforce skills. This also had the greatest effect on employment, through the creation of some 20,000 jobs created plus around 77,000 safeguarded. At the same time, the Objective 1 Burgenland programme created around 2,600 new jobs and safeguarded a similar number (c. 2,800) (Applica, Ismeri, wiiw 2008).

Over the course of the current period (2007-2013), the implementation of programmes has been affected by the financial and economic crisis, although Austria proved to be comparatively resilient. Nonetheless, the contraction of investment activity resulted in longer and smaller projects, delays in payments and a shift in the focus of projects to less risky investments (ÖROK 2012). Table 6 provides an overview of the main outputs and results of the Austrian ERDF and ESF programmes, up until the end of 2011. The common result indicators are above expectations. About 7,700 new jobs are planned or have already been created, around ten percent of which are R&D jobs. Targets for additional renewable energy generation have already been surpassed (133 percent) and the contribution to reducing greenhouse gas emissions is progressing according to plan. 92% of the planned €3.5 billion of investment has already been reached. Almost one quarter of enterprise investment has been made in the tourism sector (in which levels of investment activity remained high even during the crisis). Firms are the main beneficiaries in Austria and more than 70 percent of funds are made available directly to companies. SMEs receive almost 55 percent of enterprise funding, and thus large companies continue to play a key role.

Table 6. Core Indicator Targets and Achievements until 31 December 2011

Category	Indicator	Target	Performance	% of target
Outputs	Total no. of projects	4,300	7,339	171
	... thereof cooperation projects incl. R&D	501	456	91
	... thereof start-ups	342	73	21
	... thereof R&D projects	798	269	34
Results	Total no. of jobs (FTE)	6,876	7,719	112
	... thereof R&D jobs	862	764	89
	Investment volume (€ million)	3,750	3,468	92
	Additional renewable energy capacity (MW)	105	140	133
	Reduction of greenhouse gas emissions (t)	296,900	200,269	67

Source: ÖROK (2012, p.24)

4.2 RTDI, Knowledge Economy And Networking

In the 1995-1999 programme period, RTDI was not emphasised in the Austrian Objective 2 and 5b programmes. However, there was support for firm networks, to foster innovation. In several *Länder*, funds were used to set up technology, start-up and innovation centres (ÖROK 2002).

In the 2000-2006 period, Objective 2 programmes increased their efforts in RTDI. They were especially effective in developing regional innovation systems (technology and competence centres, clusters, increasing access to broadband) (Applica, Ismeri, wiiw 2008, p.22).

In the 2007-2013 programme period, the importance of funding for RTDI and the knowledge economy increased further. Under the heading ‘technology transfer and cooperation networks’, ERDF programmes have provided support to regional clusters; one of the most widely used measures in regional innovation policy in the context of enhanced competitiveness and structural adjustment. By mid-2011, 260 soft projects had been approved, with 1,900 companies participating in technology transfer. In 2009, an evaluation of cluster development in Austria (not specifically focused on ERDF supported clusters) identified positive effects on the national economy and on regional innovation performance (Clement *et al.* 2009). However, the lack of a national cluster strategy supporting coordinated cluster development has been noted as a major challenge. Different approaches to clusters and networks are adopted in different ERDF programmes. Amongst the most prominent examples are impulse centres in Styria and so-called ‘Technopoles’ in Lower Austria. An evaluation of the ERDF-funded Technopoles in Lower Austria from 2011 draws positive conclusions and states that Technopoles strengthen regional value-added chains and networks, support structural change in the Lower Austrian economy and support the creation of a knowledge intensive economy (Helmenstein 2011).

However, the implementation of innovation support is challenging, and diverging levels of implementation have been observed between multi-enterprise projects and single enterprise R&D projects. While funding for multi-enterprise projects has been exhausted either fully or to a large extent (e.g. research, technology and development infrastructure; research, technology and development projects at research centres), single enterprise R&D projects are far below average. This is not due to a lack of research projects in firms, but rather due to the high administrative requirements linked to demanding ERDF accounting procedures. This results in enterprise-based R&D projects being funded solely through national funds outside of Cohesion policy (ÖROK 2012, p.22).

4.3 Employment

The ERDF programmes for 1995-1999 supported the creation of more than 18,000 jobs. About 70 percent of these were created in industry. Industrial firms in receipt of ERDF funding were able to increase their number of employees by 15 percent. For tourism sector firms, this figure was 25 percent (ÖROK 2002).

The 2000-2006 ERDF programmes achieved substantial effects on direct employment, creating around 25,400 jobs and safeguarding some 80,000 more, mostly in manufacturing (see Table 7). The new jobs created were to a large extent in growing and technology-oriented industries, such as chemicals, metal processing and the automotive sector (Applica, Ismeri, wiiw 2008). A review of the period 1995 to 2007 concluded that less developed regions had been able to improve their relative position in terms of employment and the labour market thanks to Structural Funds support (ÖROK 2009).

Table 7. Employment Effects of the 2000-2006 ERDF Programmes

Intervention area	Projects	New jobs	Safeguarded jobs
Objective 1 (Burgenland)			
Support for large firms	18	800	928
Support for SMEs and craft businesses	50	769	945
Tourism	72	889	719
Innovation and technology transfer, R&D jobs	58	132	204
Total	198	5,590	2,796
Objective 2			
Support for large firms	259	9,662	41,867
Support for SMEs and craft businesses	1,219	7,307	25,428
Tourism	450	2,110	5,034
Research projects, R&D jobs	67	117	289
Innovation and technology transfer, R&D jobs	694	779	4,034
Other	18	53	49
Total	2,707	20,028	76,701
TOTAL Objective 1 & 2	2,905	25,618	79,497

Source: Applica, Ismeri, wiiw (2008, p.28)

Looking beyond the ERDF, the ESF also initiated some major policy innovations, according to a review carried out in 2009. These include, for instance, the development of a preventative labour market policy, qualification and consulting schemes addressing enterprises more directly and an increased focus on people outside of the labour market. It also led to the inclusion of new actors into the labour market. This more focused approach created an independent profile for the ESF programmes, which made the added value of European support more visible. Finally, additional measures in regional development programmes and, from the 2000-2006 period onwards, the Territorial Employment Pacts (TEPs, see Box 1) made it possible to embed labour market policies into regional networks (ÖROK 2009, p.7-8).

In the current (2007-2013) programme period, about 7,700 new jobs were either planned or had already been created with the help of ERDF funding as of the end of 2011. About ten percent of these have been R&D jobs (see Table 6). In terms of the ESF, the national and the Phasing-Out Burgenland programmes focus on preventative and active labour market policy, persons distant from the labour market and active aging. One of the main elements is TEP support (see Box), continued from 2000-2006. Of €412 million allocated, €343 million had been paid out as of the end

of 2011. The funds have been used to provide consulting services to 6,860 enterprises and 399 qualification providers. Overall, qualification and employment measures supported almost 460,000 participants, with very good performance in reaching prioritised groups such as women, older persons and marginalised groups (ÖROK 2012).

Box 1. Territorial Employment Pacts in Austria

Geographical scale: Territorial Employment Pacts (TEPs) are established in all nine Austrian *Länder*. Additionally, some TEPs have been set up at local level (NUTS 3).

Rationale: The Austrian labour market and national employment policy are confronted with particular challenges that cannot be addressed by individual institutions acting alone. These include the concentration of unemployment within certain groups, gender segregation in the labour market and strong unexpected growth of unemployment caused by external shocks. The TEPs provide the institutional framework to combine labour market policies with other policies and, hence, support the implementation of the NRP at regional level.

Objectives: TEPs are contracted at the regional level to better link employment policy with other policies and thereby improve the local and regional employment situation. The specific aims of the TEPs are: to identify problems, ideas and objectives for all regional actors engaged in the field of employment; to allocate funds for an integrated strategy; to co-ordinate and better integrate employment measures; and to implement these measures.

Functions: The TEPs develop regional strategies with respect to employment policies. They identify local and regional labour market policy needs, develop ideas and strategies and implement measures according to their objectives. All partners are involved in designing, agreeing upon and implementing work programmes.

Instruments: The TEPs use a large variety of measures and instruments to address regional and local labour market needs, such as labour foundations (*Arbeitsstiftungen*), qualification and training measures, social enterprise, counselling facilities, and support for business start-ups.

Funding: TEP measures are funded by the financial contributions of contracting partners, which amounted to approx. €800 million in 2008. For the regional and local co-ordination of each TEP, additional funding of approx. €200,000 p.a. is provided by the OP Employment Austria 2007-2013 (co-financed by the ESF and the Federal Ministry of Labour, Social Affairs and Consumer Protection, at 46 percent and 54 percent respectively). TEPs lead to positive results in terms of improving co-operation and partnership working, as well as more effective policy implementation. The 2005 evaluation of the Austrian ESF Programme shows that the TEPs have increased the efficiency and effectiveness of the regional approach to active labour market policy, supporting the integration of unemployed persons into the labour market and raising employability. In addition, the partnership approach has indirectly affected the way a number of policies are carried out in the region. Mainstreaming equal opportunities in the design of policies is an additional result.

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Source: <http://www.forumpartnerships.zsi.at/attach/austria.pdf>

4.4 Environmental Impacts and Sustainable Development

In the 1995-1999 programme period, the environment and sustainable development were not targeted by ERDF programmes. These themes were covered by programmes under the European Agricultural Guarantee Fund (EAGF).

In 2000-2006, the Objective 1 programme in Burgenland invested about four percent (€19.8 million) of its funding in renewable energy (e.g. wind farms) and increasing the supply of drinking water. In Objective 2 programmes, five percent (€53.2 million) of the funds went into renewable energy (e.g. biomass), energy efficiency and the improvement of sewage systems (in Vienna, Tyrol, Upper Austria and Styria).

Over the 2007-2013 programme period, environmental projects have been supported by €38 million of ERDF funds (until the end of 2011). Climate-related investments helped to create 140,000 MW in additional generation capacity from renewable energy sources. This exceeds the targets by more than 30 percent; the contribution to the reduction of greenhouse emissions of around 200,000 tons is in line with plans (ÖROK 2012, p.5).

4.5 Cohesion

At the time of EU accession, expectations for Cohesion policy to effectively contribute to Austrian territorial cohesion were high. European Structural Funds were expected to mobilise significantly more domestic funding for regional policy, thereby increasing the relative importance of the policy area. But most importantly, the increased funding would enable regional policy to be more effective in reaching its goals, i.e. it would accelerate structural change in disadvantaged areas and reduce disparities in development levels across Austria (ÖIR 2003, p.17).

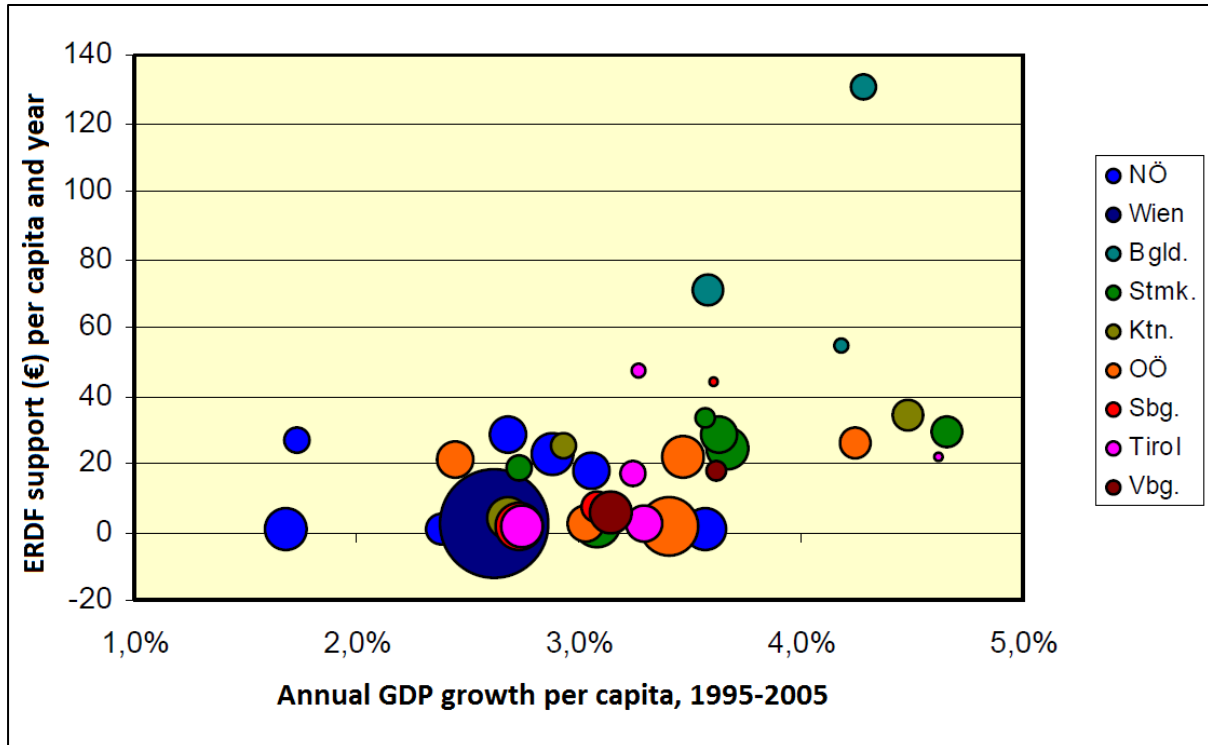
In 2003, experts remained uncertain as to whether the growing weight of regional policy had actually resulted in higher achievements in terms of reducing disparities. There was agreement in principle, but the structural change objective of programmes is not only difficult to assess; structural effects have also been overestimated (ÖIR 2003, p.18).

In the 2000-2006 period, Burgenland (an Objective 1 region) showed clear evidence of convergence in GDP per capita with the Austrian average, continuing the trend which originated in the mid-1990s. No reduction in intra-regional disparities, however, was apparent. Yet, investment was concentrated in the less prosperous south of Burgenland, mainly going towards supporting businesses, including tourism, and strengthening infrastructure, while support for RTDI went mainly to the north where there is higher density of R&D-oriented firms (Applica, Ismeri, wiiw 2008, p.21). In addition, most of the Objective 2 areas also showed a rate of GDP and employment growth above the Austrian average over the programming period, though how much of this is attributable to Objective 2 intervention remains unclear. There are some indications, however, that Objective 2 programmes contributed to the modernisation of industry, including the tourism sector, by helping to fund business-related infrastructure and advisory services, research and technology centres, the

expansion of broadband networks and improvements in the environment, as well as encouraging the development of clusters (Applica, Ismeri, wiiw 2008, p.5).

These results, from an ex-post evaluation run by the Commission, were confirmed by a major review carried out on behalf of the Austrian ÖROK in 2009. It drew cautiously positive conclusions regarding the impacts of Structural Funds support between 1995 and 2007. It outlined some encouraging findings and showed that progress had been achieved in employment and the labour market. The regions which received funding in the first and second Structural Funds programme periods developed more successfully than those regions without funding. Furthermore, growth disparities in employment trends have lessened since Austria's accession to the EU (Mayerhofer *et al.* 2009). One of the reasons for this good performance is believed to be the creation of regional intermediary facilities and decentralised structures, which reduced institutional deficits at the regional level. The study concluded that regions receiving financial assistance improved their relative position mainly in terms of employment and labour market, thereby reducing the gap between more and less developed regions (ÖROK 2009, p.7). In terms of small-scale disparities, convergence by weaker regions is visible, but statistically not significant. Differences in economic development levels, labour productivity and unemployment did not worsen, although this would have been in line with wider polarisation trends in Europe at the time. Whilst disparities in unemployment decreased clearly and economic development levels also converged to a measurable extent, convergence in labour productivity levels is not yet measurable. Burgenland (Objective 1) was especially able to catch up with the rest of Austria with regard to its labour market and growth rate, which is significantly higher than the Austrian average (ÖROK 2009, p.107-109).

Figure 5. ERDF Support and GDP Growth in Austrian Regions 1995-2005



Source: Adapted from Federal Chancellery (2010)

In terms of regional GDP, positive development effects have been registered in supported regions in terms of employment and the labour market. Such regions have tended to differ from those which

did not receive any support (Gruber 2009, p.37). There was especially clear evidence of significant catching up in Burgenland. Growth in GDP per capita was above the Austrian average, as was productivity growth. As Figure 5 shows, those regions with higher ERDF support per capita (e.g. the Burgenland regions in the upper right corner) tended to grow more strongly than those with lower levels of support.

There are no results yet with regard to the impact of the 2007-2013 programmes on cohesion.

4.6 Community Added Value

At the time of EU accession, Cohesion policy was expected to have a significant impact on the efficiency of Austrian regional policy. The necessary adjustment of domestic structures and processes to align with the Structural Funds system would entail a long-needed clarification of responsibilities, simplification of the overly complex funding environment and a boost for methodological innovation (ÖIR 2003, p.17). After the experiences of the first programme period (1995-1999), there was a clear consensus amongst experts that the Structural Funds had a high level of additionality, at least in the case of the ERDF. Austrian funding agencies, acting as intermediate bodies for Structural Funds delivery, usually had their budgets significantly increased and regional policy experienced heightened importance.

Experts also agreed on the fact that at the same time there was only little innovation in terms of approaches to programme design and management. Integration into Cohesion policy was deliberately done mainly by using existing funding bodies. Given the complexity of the task and time pressures, necessary fundamental changes to the Austrian funding system have been postponed. This was also reflected in programme design, as the pressure to attain rapid financial absorption meant that funding bodies would rely largely on traditional measures. This was especially the case in Objective 2 and 5b programmes, which were perceived as mainstream regional policy. Yet, it has been recognised that the regional Community Initiatives (INTERREG, LEADER, URBAN) represent an innovative approach to the design of regional policy. Experts also agreed that the Objective 1 programme for Burgenland represented a qualitative leap in Austrian regional policy in terms of availability of funds, political commitment of the *Land* government and cooperation between the federal and *Land*-level (ÖIR 2003, p.18).

After the 2000-2006 programme period, the ex-post evaluation of the Austrian programmes commissioned by the European Commission identified a number of elements of added value in Cohesion policy. Amongst these were:

- multi-year programmes with clear objectives and certainty of finance, enabling forward planning;
- improved coordination between the national and regional level and the development of institutional networks for multi-level governance;
- the establishment of decentralised structures for mobilising involvement in the regions (regional management offices, LEADER action groups, Euroregions);
- professional implementation of the programmes (monitoring, reporting, controlling);
- increased importance of evaluations (although there were still no ex-post evaluations in Austria);

- the establishment of inter-regional networks to exchange information and experiences; and
- the exchange of experiences at EU level between Member States and regions.

On the other hand, the complicated bureaucratic structure, high administrative costs in implementation and the deterrent effect on SMEs and innovative projects reduced the added value of the funding and had negative effects on the generation of projects (Applica, Ismeri, wiiw 2008, p.22-23). Although Austrian Structural Fund administration is considered to be efficient, the mid-term evaluations for the 2000-2006 programme period highlighted the administrative complexity of procedures. It is, therefore, essential in the future to simplify procedures and increase flexibility in implementation (Applica, Ismeri, wiiw 2008, p.4).

The review of Cohesion policy for 1995-2007 carried out in 2009 identified a series of wider positive impacts, including (Gruber 2009, p.37):

- regional capacity building (incentives for increased organisational capacity in regions, the addition of new actors for multi-level governance);
- the increased profile of regional policy;
- reduced resistance against bottom-up approaches to regional development;
- new thematic initiatives (especially in the fields of environment, equal opportunities, R&D and innovation);
- the improved management of regional development funding (standardisation, transparency, professionalisation); and
- an improved policy cycle (strategic long-term planning, monitoring and evaluation).

On a more critical note, evaluators highlighted a tension between Austria's traditionally flexible and informal domestic approaches to policy-making and the more rigid and formal Structural Funds implementation framework (Huber 2007). Nevertheless, this also provided an opportunity to implement a more structured approach to regional policy and a standardisation of implementation procedures (Zumbusch and Pech 2009).

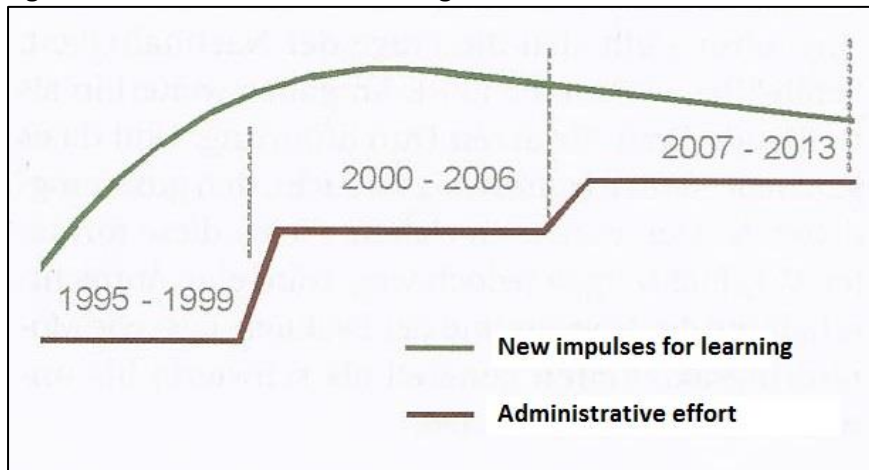
5 Conclusions

Over the past 18 years, Austria has been successful in integrating the Structural Funds implementation regime into domestic delivery structures. Absorption figures have usually been above average and Austrian *Länder* are often amongst the first to have their programmes approved or closed. Yet, the incentive system for regional policy is fragmented and in addition to the federal and *Land* levels, the regional and local levels are important players in policy delivery. Hence, multi-level governance is a vital issue for regional policy-makers and the role of ÖROK is growing in importance.

Increasingly, there are concerns about complex and demanding administrative procedures. As Figure 6 illustrates, there have been continuously fewer new initiatives for policy learning, while it is felt that administrative requirements have increased with every new programme period. However, this is not only due to European implementation rules, as a large share of the regulatory density is created internally within Austria. Overall, documentation and audit are particularly felt to have

increased in terms of both volume and depth. There is widespread insecurity among Austrian actors over financial aid and audit rules, which is aggravated by protracted and often inconclusive communication with EU bodies. The consequences, particularly for ERDF programmes, may include the temporary standstill of funding activities and risk-averse project selection concentrating on financial rather than physical performance (ÖROK 2012).

Figure 6. New Initiatives for Learning and Administrative Effort over Time



Source: Adapted from Zumbusch and Pech (2009, p.209)

Nevertheless, the Structural Funds are a very important means for the *Länder* to support the regional economy and innovation policy (ÖROK 2012). Evaluations of past programme periods and the recent Strategic Report provide some evidence about the positive impact. Yet, most evaluations still focus mainly on implementation processes and the wider added value of the Structural Funds and less on the actual impact on economic performance, the labour market, the environment, etc. The ‘performance turn’ in the forthcoming 2014-2020 programme period is likely to change this, as requirements to monitor the development of compulsory indicators and to report on set targets will increase significantly.

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