Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas

Second Intermediate Report

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The views expressed are those of the consultant and do not represent the official views of the European Commission.

3. Analytis of the five selected mountainous regions

3.1 Steiermark

1. Identification

1.1. Identification of NUTS2 area and corresponding NUTS3 region(s)

Nuts code	Region name	NUTS level
AT22	**Steiermark**	2
AT221	Graz	3
AT222	Liezen	3
AT223	Östliche Obersteiermark	3
AT225	West- und Südsteiermark	3
AT226	Westliche Obersteiermark	3

Source: Eurostat, 2011.

1.2. Identification of relevant programmes supported by ERDF or Cohesion funds:

Steiermark is divided in 17 districts and integrates six NUTS3 regions. However, according to Monfort (2009, Annex 2) and the tentative list of NUTS3 regions in the Terms of References by the European Commission (2010), Oststeiermark (Eurostat NUTS code: AT224) is not defined as a mountainous region and, hence, will be excluded in this report. Austria receives regional support (ERDF) and benefits from the national ESF support.

Regional Development Programmes for Steiermark[25]

For the period 2007-13 the European Commission approved a regional development programme for the Austrian federal state of Steiermark: the Operational Programme "Regional competitiveness Steiermark 2007-2013". This programme involves Community support for Steiermark within the framework of "Regional competitiveness and employment" objective ("phasing out" regions not included). The total public budget of the programme is around 310.1 million Euros and thereof the Community assistance through the ERDF amounts to 155.1 million Euros (approximately 10.61% of the total EU money invested in Austria under Cohesion policy 2007-2013).

While considering solely the ERDF fraction of the programme 2000-06, the commitments in the subsequent period decreased by approximately 25% (155.10 = 75%). Comparing the

[25] http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=AT&gv_reg=ALL&gv_PGM=1194&gv_defL=9&LAN=7#tab

Objective 2 programme (ERDF + ESF) with the current OP 2007-13, one can observe a decrease of 31% (155.10 = 69%).

2. Regional features and Domestic Policy Responses

2.1. Main characteristics of NUTS 2 and NUTS3 regions

The region, with its capital Graz, comprises an area of 16.382 km2, which is approximately 1/5 of Austria and the second largest of nine Austrian regions. High mountains and steep slopes mainly characterize the topography of Upper Steiermark. Upper and Lower Austria, in the East by Burgenland and by Slovenia, in the South by Slovenia and in the West by Carinthia and Salzburg provinces, border it in the North. Steiermark displays a great variety of landscape forms.
Steiermark is classified according to the definition of the EU Commission as a mountainous region: its diversity in topography corresponds to a difference in altitude of no less than 2,800m/9,000ft between the Dachstein massif and the lowest point of the province in Bad Radkersburg. However, often ignored, the region incorporates 54% of forest area. This variety of landscape also produces a corresponding diversity of climate. Ore mining and processing are major elements in the economy of Steiermark. Forestry and upland pastoral farming in the north and fruit production in the south serve mainly to supply local needs. Another source of revenue is the salt mines. The substantial tourist and holiday trade also makes a considerable contribution to the economy in Steiermark.

2.2. Position, trends and dynamics

The population of Steiermark (1.2 million people) represents around 14.49% of Austrians total population and has experienced an increase of approx. 1.66% during the last period 2000-2007. Yet its population density in 2007 showed only average values (72.8 per km2) with regard to the national average (97.2.).

Demographics

Nuts code	Region name	Total Population (M)		Incr. (%)	Population density (per km2)		Incr. (%)
		2000	2007		2000	2007	
	EU27	n. a.	n. a.	n. a.	112,3	115,5	3%
AT	Austria	8,00	8,28	3,39	97,2	n. a.	n. a.
AT22	Steiermark	1,18	1,20	1,66	72,8	n. a.	n. a.
AT221	Graz	n. a.	0,08	n. a.	293,5	n. a.	n. a.
AT222	Liezen	n. a.	0,17	n. a.	25,4	n. a.	n. a.
AT223	Oestliche Obersteiermark	n. a.	0,17	n. a.	54,6	n. a.	n. a.
AT225	West- und Suedsteiermark	n. a.	0,19	n.a.	86,5	n. a.	n. a.
AT226	Westliche Obersteiermark	n.a.	0,11	n.a.	85,8	n.a.	n.a.

Source: Eurostat, 2011.

Compared to other regions with specific geographic features, mountainous regions underperform as their relative GDP per capita index declined by 1.3 percentage points between 2000 and 2006. Moreover, the difference in economic performance within this territorial category, measured by GDP per capita, is quite marked (please see Table 11 in Annex). Evidently, Steiermark lags behind the national average: in 2007, Austria displayed a GDP of 32.600 versus 28.100 of Steiermark. However for the 2000-2007 period, the total growth of the region it could present 33.8% compared to the national average of 31.5%.

Description of Economy

Nuts code	Region name	GDP at current market prices		Total Growth 99-07 (%)
		2000	2007	
	EU27	19100	24900	n.a.
AT	Austria	25900	32600	31,5
AT22	Steiermark	21900	28100	33,8
AT221	Graz	31400	37900	25,9
AT222	Liezen	20000	25900	34,9
AT223	Oestliche Obersteiermark	19100	28700	56
AT225	West- und Suedsteiermark	16200	21300	38,3
AT226	Westliche Obersteiermark	18900	23200	28,9

Source: Eurostat, 2011.

In terms of similarities to other areas, on average, unemployment rates in mountainous terrains are higher than the EU27 average. In 2007, the figure was 8.2 per cent compared to the European average of 7.5 per cent. Mountainous areas display high share of employment in the agriculture sector. This fact is certainly based on the farming environment; however, it links the income of a high population share to the environment, which is characterised by volatile climate changes. Interestingly, mountainous regions have the highest share of employment in the industry sector, even higher than the EU27 average.

On the other hand, despite mountains being tourist attractions, the employment in the service sector is the lowest compared to other regions with specific geographic features and EU27 average. Steiermark presents until 2007, similar regional and national unemployment rates (4.4% and 3.7%), yet under the EU average (7.2%).

Unemployment

Nuts code	Region name	Unemployment rate in % (15 or over years)		Incr. (%)
		2000	2007	
	EU27	9	7.2	-20%
AT	Austria	3,5	4,4	21%
AT22	Steiermark	3,2	3,7	14%
AT221	Graz	3	4,1	27%
AT222	Liezen	4,3	3,6	-19%
AT223	Oestliche Obersteiermark	3,4	3,5	3%
AT225	West- und Suedsteiermark	3,2	4	20%
AT226	Westliche Obersteiermark	3,3	3,6	8%

Source: Eurostat, 2011.

The employment trend for 2000-2007 followed a similar pattern at state, regional and province level. The Agriculture and Fishing sector decreased by around 15%, services increased by 10% for Steiermark. Both Graz (AT221) and West- and Suedsteiermark enjoyed, for the service sector, a larger increase than the region (increase of 12%). This may be explained, partially, by the fact that Graz, despite being a special geographical area, is the capital of Steiermark and West- und Suedsteiermark benefit from wine growing/ culture, a border position (Slovenia) as well as a flatter position in term of topological definition.

Employment by economic activity, at NUTS levels 1, 2 and 3 ('000)

		Employment					
		Agriculture, fishing			Services		
Nuts code	Region name	2000	2007	Incr.	2000	2007	Incr.
	EU27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a
AT	Austria	311,6	272,7	-14%	2616,7	2899,8	10%
AT22	Steiermark	67,6	58,5	-16%	341,2	380,3	10%
AT221	Graz	8,3	7,2	-15%	166,4	189,1	12%
AT222	Liezen	4,2	3,9	-8%	22,3	23,5	5%
AT223	Oestliche Obersteiermark	4,3	4	-8%	40,4	42,7	5%
AT225	West- und Suedsteiermark	14,7	12,8	-15%	34,8	39,4	12%
AT226	Westliche Obersteiermark	5,6	5,1	-10%	24,3	25,5	5%

Source: Eurostat, 2011.

All in all, according to Eurostat data (NUTS2 level, 2011) mountainous regions show great diversity in economic performance: presenting GDP p.c. between 25% of EU27 average up to 78% above EU27 average; unemployment rates range from 21.6% to 2.2%.Tourism in Steiermark, defined as number of bed-places in Hotels and similar establishments, increased by 2% during the same period at a different rate as the national average (-3%). Yet, there seem to be major differences within the region of Graz at 8% and Liezen (2%) – both very well known tourist destinations.

Tourism

		Tourism (Nr. of bed-places*)		
Nuts code	Region name	2000	2007	Incr.
	EU27	10639232	11715177	10%
AT	Austria	588213	573726	-3%
AT22	Steiermark	53923	55190	2%
AT221	Graz	6743	7366	8%
AT222	Liezen	17841	17408	-2%
AT223	Oestliche Obersteiermark	5375	5474	2%
AT225	West- und Suedsteiermark	4523	4809	6%
AT226	Westliche Obersteiermark	5062	5384	6%

** Hotels and similar establishments*

Source: Eurostat, 2011.

Finally, worth noting is the outstanding promotion on the information society and new technologies within the region for 2007-2010 when the percentage of households having broadband Internet access increased by 50%.

ICT: Households that have Broadband Internet access at home

		Households that have Broadband Internet access at home (%)		
Nuts code	Region name	2007	2010	Variation 00-07 (%)
	EU27	n.a.	n.a.	n.a.
AT	Austria	46	64	39%
AT22	Steiermark	42	63	50%

Source: Eurostat, 2011.

2.3. Domestic Policy Responses

What characterises policy responses in Steiermark is the strong focus on innovation. This issue is fostered by the unique asset of research facilities at the Montan University in Leoben, TU Graz, Christian Doppler Laboratories, Joanneum Research and technology transfer agencies (TTZ Leoben).

In the case of Steiermark, an industrial cluster policy has been proven to be successful. The region developed, supported and expanded its regional source of growth and used ERDF to foster endogenous growth via financial allocation to its comparative advantage: In Steiermark an automotive cluster exists which is related to an older metal and materials cluster; University research and other research institutions (such as technology centres, technology transfer agencies and incubators) are also part of the cluster. "The manner in which clusters are integrated into wider regional and national innovation system is important for their long-term capability to adjust to new conditions and to innovate. Steiermark is an example of the latter with its metals and materials cluster, which seems to have been successfully restructured through support of the wider regional innovation system" (Tödtling & Mariussen, 2001). However, the concept of clustering is something that is hard to develop if the mountainous territory is sparsely populated (Ederveen, Gorter, De Mooij, & Nahuis, 2003).

Concerning the role of policy, it is apparent that public actors have been quite important for the transformation of this cluster. In the past this occurred through the state-owned industry and the system of social partnership. At present, policy emphasis has shifted more towards encouraging innovation and technology, both at the federal and Land level, with an emphasis on infrastructural improvement. Up to now, however, only the first steps ('Sondierungsprojekt') have been taken towards a cluster policy in materials and metal.

According to a paper of the Joanneum Research in Graz (Pretterhofer-Mörtlbauer, 1990), Steiermarks position as being a border region has a strong impact in presenting a successful case of innovation through co-operation. Less rigid Austrian borders let to development on the local level. However, in 1990 the author acknowledges the need of INTERREG II A as the suitable instrument to foster innovation through cross-border cooperation, creation of networks, contacts and exchanges also on the regional level. Additional funds in Austria show improvements in this regard. The European Territorial Cooperation (ETZ)[26] [27] includes: ETZ-Bilateral programmes such as Austria –Slovenia and Austria – Hungary cross border cooperation[28] [29], ETZ-transnational programmes such as CENTRAL-

http://www.raumplanung.steiermark.at/cms/dokumente/10983071_8272227/df042c11/ETZ%202010-2020.pdf; http://www.raumplanung.steiermark.at/cms/ziel/8272227/DE/

27 DE: "Europäische Territoriale Zusammenarbeit" = European Territorial Cooperation

28 AT-SI: EU supports approx. 67 mil. Euros; http://www.si-at.eu/start_de/

29 AT-HU : EU supports approx. 82.2 mil. Euros ; http://www.sk-at.eu/at-hu/

EUROPE, SOUTH-EAST EUROPE and ALPINE SPACE[30] [31] [32] and ETZ-networking programmes.[33] [34] [35]

3. ERDF programme priorities and fields of intervention

For the period of 2000-2006 Steiermark was eligible under Objective 2. The programme represented a well-balanced strategic document suitable for dealing with the special requirements of the region and containing not only classical instruments of economic policy but also innovative elements in the fields of telecommunications, risk capital and human resources. The Objective 2 programme contributed to achieving the sustained development of the core economic sectors and the attendant areas of strength in the regional economy towards international competitiveness and hence creating durable job opportunities and improved living conditions in the region.

Of all eight Objective 2 regions in Austria, Steiermark was the region with the highest population and it received the highest portion of ERDF funding. In 2000-2006, 'Objective 2 regions' in Austria, Steiermark (33.12 %) accounts for by far the largest share ahead of Lower Austria (24.86 %), Upper Austria (15.14 %) and Carinthia (12.86 %). All other federal provinces accounted for a share of below 10 %. In Steiermark, the funds for Objective 2 come from the ERDF (European Regional Development Fund) and the ESF (European Social Fund).

In 2000-2006, the Plan was structured around five main axes:

1. Promotion of the production and service sector
2. Promotion of competitive sites and preparation for the information society
3. Promotion of the development potential of integrated regional development, tourism and culture
4. Promotion of employment and human resources
5. Technical assistance for the implementation of the programme.

The first three axes of the above-mentioned operational programme address the specific geographic features as sources for economic retardation. They include key points for changing the growth situation in Steiermark. Some of them are: inter-business research and innovation, networking, consulting and knowledge transfer; preparation for the information society; consulting services for SMEs, commercial tourism infrastructure; promotion of cultural projects and initiatives and the creation and improvement of infrastructure in the cultural sector; promotion of regional development models and

[30] Central-Europe : originated from INTERREG III B programme 2000-06, EU supports approx. 231 mil. Euros ; http://www.central2013.eu/
[31] South-East Europe : originated from INTERREG III B programme 2000-06, EU supports approx. 194 mil. Euros ; http://www.southeast-europe.net/hu/
[32] Alpine Space : continuation from former programming period , EU supports approx. 91 mil. Euros ; http://www.alpine-space.eu/
[33] INTERREG IV C and five URBACT II projects with Steiermark participation;
[34] INTERREG IV C : EU supports approx. 300 mil. Euros ; http://www.interreg4c.eu/
[35] URBACT II : EU supports approx. 53 mil. Euros ; http://www.urbact.eu/

concepts: regional management, regional supervision and regional initiatives, environment promotion.

The total EU budget allocation for Steiermark's regional operational programme for the 2000-2006 period was almost 224.589 million Euros. The contribution came from different funds, namely the ERDF 204.711 million Euros and ESF 19.877 million Euros.

In terms of the main fields of intervention, the Table below provides a summary of the main categories. The SWECO analysis concludes a high level of funding commitment in productive environment (83.3%), allocated to SMEs and RTDI. Different to other regions, Steiermark does not show a focus on infrastructure but more on the expansion and diffusion of knowledge. Except for Liezen (AT222) with around 80%, the other three regions allocated approximately 90% to the productive environment. Additionally, Liezen is the only region, which invested around 16% in infrastructure.

Comparison of ERDF and CF commitments by fields of intervention, 2000-2006

Territorial level (Nuts)	EU	EU	AT	AT22	AT222	AT223	AT225	AT226
Name		Mountains	Austria	Steiermark	Liezen	Östliche Obersteierm ark	West- und Südsteiermar k	Westliche Obersteierm ark
Region eligibility	Obj. 2	Obj. 2		Obj. 2	Obj. 2	Obj. 2	Obj. 2	Obj. 2
Fields of intervention SGF		M			M-	M-	M-	M-
11 Agriculture	0,2%	0,0%		0,0%				
12 Forestry	0,1%	0,0%		0,0%				
13 Promoting the adaptation and the development of rural areas	2,5%	2,1%		0,0%				
14 Fisheries	0,0%	0,0%		0,0%				
15 Assisting large business organisations	5,1%	12,9%	18,8%	22,0%	37,2%	18,2%	16,4%	20,0%
16 Assisting SMEs and the craft sector	31,2%	18,2%	30,2%	27,2%	22,0%	23,7%	31,1%	41,0%
17 Tourism	10,2%	15,9%	24,0%	7,1%	14,5%	0,2%	7,9%	15,8%
18 Research, technological development and innovation (RTDI)	10,1%	10,0%	13,8%	27,0%	5,6%	48,6%	34,9%	13,8%
21 Labour market policy	0,1%			0,0%				
22 Social inclusion	0,7%	0,1%		0,0%				
23 Developing education and vocational training	1,4%	0,6%		0,0%				
24 Workforce flexibility, entrepreneurial activity, innovation, ICT	0,4%	0,6%		0,0%				
25 Positive labour market actions for women	0,1%			0,0%				
31 Transport infrastructure	7,7%	6,0%	0,3%	0,0%				
32 Telecommunication infrastructure and information society	2,9%	3,0%	1,7%	1,3%	1,4%	0,7%	1,7%	2,2%
33 Energy infrastructure	0,8%	1,9%	3,1%	2,1%	0,5%	6,4%	0,6%	3,2%
34 Environmental infrastructure	5,2%	10,6%	4,5%	12,5%	13,4%	2,2%	7,4%	4,1%
35 Planning and rehabilitation	17,0%	14,6%	2,5%	0,0%				
36 Social and public health infrastructure	1,9%	1,1%	0,1%	0,0%				
41 Technical Assistance and innovative actions	2,3%	2,2%	1,0%	0,7%	5,4%			
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Total 1 Productive environment	*59,5%*	*59,1%*	*86,8%*	*83,3%*	*79,4%*	*90,7%*	*90,3%*	*90,5%*
Total 2 Human ressources	*2,7%*	*1,3%*		*0,0%*				
Total 3 Basic infrastucture	*35,6%*	*37,4%*	*12,2%*	*16,0%*	*15,2%*	*9,3%*	*9,7%*	*9,5%*
Total 4 Technical Assistance	*2,3%*	*2,2%*	*1,0%*	*0,7%*	*5,4%*			

Source: Sweco, 2008.

For the current period of 2007-2013, the Regional Competitiveness and Employment programme, has the following three priority axes[36]:

P1: strengthening innovation and knowledge based economy
P2: Strengthen the attractiveness of regions and locations
P3: Governance and technical assistance

Contrary to the period 2000-2006, the whole territory of Steiermark, including the city of Graz, will benefit from the programme, which was the first regional programme in all 27 EU member countries to be approved early in May 2007. As in the preceding Objective 2 programme, there are several areas, which must be addressed in project applications in order to be eligible for subsidy.

In each priority axis there are several areas of intervention:

P1:
- External Research and development for university and non-university sectors
- R & D in companies: for companies, shared research institutions and individual researchers
- Strengthening the innovation system actors, including business infrastructure for promoters of clusters, networks, impulse centres
- Know-how acquisition and knowledge management for innovation

P2:
Promotion in disadvantages regions: for flagship projects and quality improvements in tourism
Integrated sustainable spatial development for developing regional model projects and cooperation's
Environmental investments for environmental measures, reduced consumption of resources and improved energy efficiency
Urban plus – development of urban surroundings: development measures for the area to the south of Graz

P3:
Governance
Technical assistance

Both axes address the specific geographical features of the region. However, the second pillar aims at objectives supporting the economic handicap due to the geographic position of the region and tries to establish a dynamic exchange/ network between city and region.

Priority axis 1 "Strengthening the innovation- and knowledge-based economy" comprises six fields of action (FA), while four fields of action fall under priority axis 2 "Enhancing the attractiveness of regions and business locations". Priority axis 1 corresponds to the European Lisbon goals such as competitiveness and employment, while Priority axis 2 corresponds to the goals of Goteborg such as sustainability and furthering endogenous potential.

[36] http://www.innovation-steiermark.at/en/subsidised_areas/subsidies.php

The budget allocation of the programmes are summarised in the table below:

Total budget allocation

			EU Contribution (EuroM)	
Period	**Programme**	**Progr. type**	**ERDF**	**ESF**
2000-06	Objective 2 Programme/ Phasing out	Regional	**204,711**	19,877
	Promotion of the production and service sectors	Regional		
	Competitive locations and information society	Regional		
	Integrated regional development, tourism and culture	Regional		
	Employment and workforce potential	Regional		
		Total	**224,589**	
2007-13	Operational Programme "Regional Competitiveness and Employment objective - ERDF"	Regional	**155,10**	
	Strengthen the innovation and knowledge-based economy	Regional	132,30	
	Strengthen the attractiveness of the regions and sites	Regional	19,90	
	Governance and Technical assistance	Regional	2,75	
07-13	Operational Programme Austria (ESF)	Total/ National	**472,27**	

Source: European Commission, 2011.

In the current period (2007-13) 155.10 million Euros ERDF contributions were allocated to Steiermark as. In regard to the financial allocation by priority for the period 2007-13, around 50% of the financial resources were allocated to Innovation and R&D, followed by approx. 30% dedicated to entrepreneurial projects. An evident gap can be identified in OP Budget allocation to the Information society. In the first place, this fact might seem surprising, since mountainous regions suffer from the lack of ICT and its distribution should be supported in order to decrease the 'distance' between mountainous terrains and other areas However, the fact can be explained since 50% of the households and enterprises in Steiermark are supplied with broadband access. Next to ICT, 4% are allocated both to Renewal energy and Urban and Rural regeneration, which supports one of the main assets in mountainous regions: the nature/ environment.

Allocation by priority

AT22 2007AT162PO007 - OP Steiermark EFRE EC decision C(2009)7603 - 06/10/2009	OP Budget (EU amounts)	% of total
A. Innovation & RTD (1-4; 7; 9)	77.413.162	50%
B. Entrepreneurship (6-7; 8)	44.755.005	29%
C. Information society (10-15)	7.055.306	5%
E2. Energy - Renewable (39-43)	4.838.891	3%
H. Urban and rural regeneration (61)	6.063.477	4%
I. Increasing the adaptability of workers and firms (62-64)	9.450.000	6%

M1. Mobilisation for reforms in the fields of employment and inclusion (80)	2.731.973	2%
M2. Strengthening institutional capacity (at nat., reg. and local level) (81)	1.377.020	1%
M4. Technical assistance (85-86)	1.377.020	1%
Grand Total	**155.061.854**	**100%**

Source: European Commission, 2011.

In summary, in line with domestic policy, the focus of ERDF in both programming periods has been on innovation, the knowledge economy and entrepreneurship. This marks the region out as quite distinct when compared to the majority of other regions with specific territorial features.

4. ERDF strategies and relevance

In the region Steiermark the ERDF and CF Operational Programmes (OPs) diagnose/deal with geographical specificities and their consequences in several priorities, including

- *"Integrated and sustainable spatial development"* is concentrated on regional development and supports regions in developing strategies and projects;
- The action field *"Tourism in disadvantaged areas"* supports tourism infrastructure projects in areas with geographical or natural handicaps (e.g. former EU external border);
- The action field named *"Urban plus"* is centred on specific urban development of the city of Graz and its surroundings in the south of Graz.

Steiermark is the most innovative region in Austria and belongs to the top-15 innovative regions in EU. Moreover, ERDF has a clear focus to further enhance innovation capabilities in the region. Indeed, the 2007-13 OP focues firmly on innovation even more than the previous programme; the aim is that with an investment of around 1 million Euros, Steiermark is supposed to finance 1000 projects in order to create 1.800 jobs out of which 250 should be allocated in the area of research and development. The abandonment of "territorial" zoning and the introduction of the "earmarking" process between the two respective programming periods have facilitated this process. Indeed, the elimination of zoning has benefitted the NUTS 2 region due to the possible integration of important key players of the region in the funding program. In the OP 2007-13 it is stated that the zoning strategy did not fit to an innovative region such as Steiermark and its regional policy focus, which relies on the interaction of various actors in the region as whole. Cluster practices were financed by national funds. It is stated that it retarded growth potential inside the region. While extending the eligibility of ERDF to the whole regional territory could favour horizontal actions, it may overlook intra-regional disparities (a concern raised by stakeholders in the Steiermark region). To prevent this, the Steiermark OP set out spatially differentiated development targets for the 'technological and economic space' in urban and in rural areas. This may in turn result in a dilution of the innovative thrust of the OP[37].

[37] DG Regio, Regional Innovation governance: http://ec.europa.eu/regional_policy/sources/docgener/focus/2010_02_innovation_governance.pdf

On the other hand, whilst extending the eligibility of ERDF to the whole regional territory favours horizontal actions, it may overlook intra-regional disparities (a concern raised by stakeholders in the Steiermark region). To prevent this, the Steiermark OP sets out spatially differentiated development targets for the 'technological and economic space' in urban and in rural areas. This may in turn result in a dilution of the innovative thrust of the OP[38].

5. Quantitative results of the ERDF programme

For the 2000-06 period, the Tables below provide a summary of the main indicators[39] per Field of Intervention. It is important to bear in mind that the information provides a snapshot of achievements made up to 2006. However, the data does not reflect the final situation at the end of the programme in 2008. Regarding Assistance to SMEs and craft & large business organisation the results obtained were fairly good with achivements higher than targets in the fields of attracting new companies, modernising existing companies and Set-up / reinforcement of innovative business parks. On the other hand, the performance was slightly less good in the fields of encouraging innovative business start-ups, improving the structure of SMEs, networking, advisory and transfer of know-how; Regional development plans, regional management and regional initiatives and Business advisory services to SMEs. Regarding RTDI investments, again the scenario was fairly positive with some indicators being achieved. Again this reflects the point made earlier that an important focus of ERDF was helping to encourage the region's innovation system and cluster development policy.

[38] DG Regio, Regional Innovation governance: http://ec.europa.eu/regional_policy/sources/docgener/focus/2010_02_innovation_governance.pdf

[39] Color code:
- Dark red: less than 66% of target is achieved
- Light red: Between 66% and 90% of target achieved
- Light green: Between 90% and 110% of target achieved
- Dark green: More than 110% of target achieved

Assisting SMEs and the craft sector & assisting large business organizations

Measure	Theme	Type of indicator	Indicator	Unit	Year target	Target value	Achieved value	Year achieved
Attracting new companies	Investment in physical capital (plant and equipment, co-financing of state aids)	Impact	No of created jobs	Number	2008	150	236	2006
		Result	Amount of private investment costs	Euro	2008	17168957	50320130	2006
		Output	No of projects	No. of projects	2008	5	9	2006
		Result	Amount of total investment costs	Euro	2008	22891942	61709682	2006
Encouraging innovative business start-ups	Investment in physical capital (plant and equipment, co-financing of state aids)	Output	No of projects	No. of projects	2008	190	77	2006
		Result	Amount of total investment costs	Euro	2008	3735166	9457564	2006
		Impact	No of created jobs	Number	2008	150	141	2006
		Result	Amount of private investment costs	Euro	2008	10301374	7036667	2006
	Financial engineering	Output	No of projects	Number	2008	15	1	2006
		Result	Amount of total investment costs	Euro	2008	1526129	1249471	2006
		Result	Amount of private investment costs	Euro	2008	1144597	937103	2006
Modernise existing companies	Investment in physical capital (plant and equipment, co-financing of state aids)	Output	No of projects	No. of projects	2008	90	105	2006
		Result	Amount of private investment costs	Euro	2008	203370767	541493551	2006
		Result	Amount of total investment costs	Euro	2008	271161020	647858482	2006
		Impact	No of created jobs	Number	2008	900	2263	2006
Improve the structure of	Investment in physical capital (plant and equipment,	Impact	No of created jobs	Number	2008	280	772	2006

SMEs	co-financing of state aids)	Output	No of projects	No. of projects	2008	250	333	2006
		Result	Amount of private investment costs	Euro	2008	109283982	85248757	2006
		Result	Amount of total investment costs	Euro	2008	134918500	99229461	2006
Environment-related support	Environment-friendly technologies, clean and economical energy technologies	Output	No of projects	No. of projects	2008	300	123	2006
		Result	Amount of private investment costs	Euro	2008	69128376	3979441	2006
		Result	Amount of total investment costs	Euro	2008	89777114	5738888	2006
Set-up / reinforcement of innovative business parks	Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)	Result	Amount of private investment costs	Euro	2008	9467999	29091390	2006
		Output	No of projects	No. of projects	2008	10	31	2006
		Result	Amount of total investment costs	Euro	2008	31966966	61325796	2006
Networking, advisory and transfer of know-how	Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)	Result	Amount of total investment costs	Euro	2008	1846497	2138899	2006
		Result	Amount of private investment costs	Euro	2008	923249	597060	2006
		Output	No of projects	No. of projects	2008	10	8	2006
	Business advisory services (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management technology)	Result	Amount of total investment costs	Euro	2008	5539491	9400818	2006
		Output	No of projects	No. of projects	2008	150	266	2006
		Result	Amount of private investment	Euro	2008	2769745	5318014	2006

			costs					
Preparing for the information society	Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)	Result	Amount of private investment costs	Euro	2008	2543550	674384	2006
		Output	No of projects	No. of projects	2008	200	31	2006
		Result	Amount of total investment costs	Euro	2008	10174197	4118978	2006
Business advisory services to SMEs	Business advisory services (information, business planning, consultancy services, marketing, management, design, internationalisation, exporting, environmental management technology)	Output	No of projects	No. of projects	2008	3700	5595	2006
		Result	Amount of private investment costs	Euro	2008	3834219	3022541	2006
		Result	Amount of total investment costs	Euro	2008	9585544	7220952	2006
Regional development plans, regional management, regional initiatives	Shared business services (business estates, incubator units, stimulation, promotional services, networking, conferences, trade fairs)	Output	No of projects	No. of projects	2008	150	150	2006
		Result	Amount of total investment costs	Euro	2008	8247203	7240552	2006
		Result	Amount of private investment costs	Euro	2008	900579	785709	2006

Source: ADE, 2008.

Research, technological development and innovation (RTDI)

Measure	Theme	Type of indicator	Indicator	Unit	Year target	Target value	Achieved value	Year achieved
Research and development infrastructures	RTDI Infrastructure	Result	Amount of total investment costs	Euro	2008	5384692	6247493	2006
		Output	No of projects	No. of projects	2008	40	20	2006
		Result	Amount of private investment costs	Euro	2008	1076939	533810	2006
	Research projects based in universities and research institutes	Impact	No of created R&D-jobs	R&D-jobs	2008	20	30	2006
		Output	No of projects	No. of projects	2008	60	44	2006
		Result	Amount of private investment costs	Euro	2008	1615408	1144819	2006

		Result	Amount of total investment costs	Euro	2008	8077039	11916850	2006
		Impact	No of newly developed products / processes	Number	2008	n.a.	39	2006
Research, development and innovation in companies	Innovation and technology transfers, establishment of networks and partnerships between businesses and/or research institutes	Impact	No of created R&D-jobs	R&D-jobs	2008	200	108	2006
		Result	Amount of private investment costs	Euro	2008	107128042	153939550	2006
		Impact	No of newly developed products / processes	Number	n.a.	n.a.	215	2006
		Result	Amount of total investment costs	Euro	2008	178546740	234608828	2006
		Output	No of projects	No. of projects	2008	670	308	2006
Networking, advisory and transfer of know-how	Business advisory services (including internationalisation, exporting and environmental management, purchase of technology)	Result	Amount of total investment costs	Euro	2008	11078982	2548322	2006
		Output	No of projects	No. of projects	2008	15	56	2006
		Result	Amount of private investment costs	Euro	2008	5539490	1459635	2006

Source: ADE, 2008.

6. ERDF Governance and complementarities with other sources of funding

With regard to ERDF project decision and implementation in Steiermark the funding bodies at regional or national level make decisions on the projects in question and the Managing Authority acts at the regional level. These principals as well as the administrative and monitoring systems have not changed between the two programming periods. However, the Austrian government decided to reduce the number of implementing bodies compared to the last funding period to gain efficiency.

The delivery to entrepreneurial beneficiaries was concentrated in the Steiermark Society for Business Promotion, which manages 63% of the OP funds. This is a limited company fully owned by the State, which holds 75% of a subsidiary firm, the other 25% being held by different banks. It also implements national funding schemes. Steiermark as well as other regions asked external consultants to help them in the design of the programme: ex-ante evaluators proposed modifications to the programmes and consultants supported the regions in the consultation processes on the design phase of the OPs.

In Steiermark, given that the ERDF strategy is embedded in a regionally designed economic/business development strategy, the OP and the regional economic/business strategy (or its updated version) were developed at the same time, which allowed a fruitful cross fertilisation (case between the Austrian national strategy and the Steiermark OP).

Moreover, although companies and research institutions were not directly involved in the preparation of the OP, they were consulted during the preparation of the current and previous ERDF regional strategies.

ERDF plays a important role compared to other funding sources in the region. However, it is not the only EU financial support that Steiermark receives. Additionally, the region participated in CIVITAS initiatives. Austria also receives funds from INTERREG given its geographical location bordering Slovenia plus it receives ESF as well. In addition, Steiermark also benefits from its own domestic regional funding through the Directive for Integrated Regional Development, which is combined with the ERDF funding from the Regional Competitiveness programme. Moreover, there is also coordination between EU, national and regional funds for rural development (RDP) with the ERDF Regional Competitiveness programme in Steiermark[40] [41].

7. Conclusion

Steiermark's focus in using ERDF during both programming periods has been to encourage the development of its regional innovation system. This is borne out in another case study on the region[51], which concluded that the respective ERDF measures contributed to a shift towards new innovation driven regional specialisations. All in all the activities funded under the ERDF programme resulted in a positive effect in areas such as collaboration pattern of firms. They may advocate beneficial outcome "at regional level in terms of an improved production system, flexible business environmental and stronger intra business relations. In addition ERDF funding is to be seen as an increasingly important source of funding for fostering structural change in the region further on". The case study report closes by stating, "ERDF accented the regional strategies and contributed positively to changing in sectoral specialisation, modernisation of production process and improve the innovation capacity of Steiermark's companies.

According to Bachtler & Wren (2006) major questions on spending and policy direction will always be determined mainly by political factors. As before mentioned, mountainous regions often coincide with being on borders which means they are on the margins of national economic and political systems, hindering development in the past and present. However, the current OP seems to be tailor made for Steiermark's political and economic needs. It supports the weak areas and builds on long-term growth. Authorities are aware of the fact, that the region has grown and advanced in the last years and that it is currently the challenge to continue and prolong the sources of growth. Steiermark tries to spread its network and to represent an open minded region. It is very active in any kind of cooperation helping it to further develop. Additionally, the region seems to have found its source of growth (innovation and research, clustered industries). The region benefits

40 Evidence retrieved from Managing Authority questionnaire

41 Final Report, Annex 2: There is special emphasis regarding the axis 3 support of non-agricultural micro-businesses, which is limited to certain especially rural areas in order to reach a concentration of RDP resources on small regions in great need of development, and to reach a schematic demarcation from Austrian structural fund programmes. http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=24D00C5A-D95C-5715-F863-AE87504ABC17

51 http://ec.europa.eu/regional_policy/sources/docgener/evaluation/pdf/expost2006/wp4_cs_styria.pdf; http://www.innovation-steiermark.at/de/projekte/projekte_details.php?j=33

strongly from Graz as a source of exchange and uses its resources adequately. It seems to be a very flexible environment, in which knowledge exchange is one of the main priorities. All in all, it seems in Steiermark that it is a region where ERDF interventions were or could be relevant in turning their geographical handicaps into a development asset.

In conclusion, Steiermark delivers a very interesting case study. It constitutes an example of high flexibility at the regional level, adequate fund management as well as successful expansion of industrial clusters. Certainly, the region did not manage to catch up with the European average. Nevertheless, Steiermark presents a tailored regional model that gives an idea aboutthe outcome of case-by-case ERDF allocations to regions with specific geographic features.