



JRC SCIENCE FOR POLICY REPORT

RIO Country Report 2017: Austria

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Joint
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Executive Summary

Key findings

Despite tepid economic growth until early 2016, Austria remains a strong innovator country with 3.09% of GDP invested in R&D in 2016. The key role among "strong innovators" within the European Innovation Scoreboard was facilitated by a high level of investment in R&I and a strong level of human capital that exist within the Austrian economy, whereby 37% of enterprises in Austria provide ICT training to their personnel, compared to 22% in the EU (EIS, 2017). Economic growth prospects for Austria in 2018 are very promising, resulting in a declining unemployment rate (already in 2017), and good prospects for fiscal consolidation.

Challenges for R&I policy-making in Austria

Improve the relationship between innovation input and innovation output: Although Austria has the second highest GERD in % of GDP ratio in the EU, the aspired structural change of the economy towards a more knowledge-intensive, innovative and high-tech oriented economy progresses only slowly, which is partially caused by Austria's industrial structure, administrative and regulatory barriers, low entrepreneurship education and promotion, and applied R&D programmes which are still very engineering-driven but lacking innovation orientation. The ongoing investment in upgrading the Austrian broadband network is an important step in the right direction.

Further increase equity capital supply for start-ups and scale-ups: Whereas access to finance is not a short-term concern for Austrian SMEs in general, supply of equity finance for young companies is still scarce. The situation is improving though. The start-up package announced in 2016 represents the first main step towards implementation of the "Gründerland" strategy from 2015. One of the core points of the package is the reduction of auxiliary salary costs for three-years to relieve innovative start-ups from the high social contributions to their employees. There are indications that the strong increase in public Venture Capital (VC) is starting to leverage private equity, especially from foreign sources, while private VC contributions generating from Austria are still very low.

Increase funding for competitive basic research: The national university development plan lists strengthening of basic research as a systemic goal. The 'research billion' promised, among other issues, additional budget for basic research to the Austrian Science Fund (FWF). However, it is not clear, if the FWF's focus on supporting projects of single applicants in person is sufficient to substantially contribute to the expected profiling of universities. If the promised research billion is not realized, the current Austrian funding mix risks to overemphasis applied research funding at the expense of basic research.

Reform of the Financing of the Higher Education System: To improve the financial situation for universities, the student-professor ratios and to increase financial transparency, the introduction of a study-placed financing system, which includes access restrictions for certain studies, has been planned since a couple of years. In July 2017, a significant budget increase for the universities has been adopted by the national assembly to make the transition to the new study-placed financing system financially feasible, but the bill on the actual study place financing system still lacks approval by the parliament. The change of the financing system alone, however, can only be a basis for an improved profiling of Austrian universities, which is severely aggravated by the structural composition of the Austrian higher education system.

Main R&I developments in 2017

- Digital Roadmap for Austria
- Start-up package launched
- Trade license act liberalised
- National IP Strategy launched
- SSH Strategy published
- New performance agreement with the Austrian Academy of Sciences for the years 2018-2020 concluded

Smart Specialisation

The Austrian Smart Specialisation approach is based on the national RTI strategy supplemented by regional strategies at the level of the federal states ("Bundesländer"). The "Bund" (i.e. national bodies) accounts for roughly 90% of the public spending in RTI. The "Länder" (i.e. regional) funding is heterogeneous. However, with 5.2% of GRP, Styria was Europe's region with the highest research intensity in 2017. In 2016, a policy framework was presented seeking to establish a common understanding of the interaction of the national RTI Strategy with the regional economic and innovation strategies of the "Bundesländer". Today, all "Bundesländer" have RTI strategies, budgets for financial assistance schemes and agencies that support the implementation of the strategies in place. An increasing number of regional R&I strategies has been drafted according to the S3 model. The S3 approach, however, did not significantly differ with earlier policy-making processes, which were also based on an active role of stakeholder engagement. While the national RTI strategy does not – by exception of a general emphasis on grand challenges - outline thematic priorities, the regional strategies prioritise a combination of certain sectors, technology domains and scientific fields. Transnational value chains are partially taken into account, but financially hardly substantiated. All S3 strategy implementation processes have monitoring and reporting mechanisms in place, but they vary from region to region and summative analytical work is still missing.

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