

# National Reform Programme 2022

Austria

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# 1 Introduction

In 2022, the European Semester resumes its broad economic and employment policy coordination in a simplified form, with the European Commission presenting streamlined country reports and proposing country-specific recommendations for 2022 as part of its Spring package.

Implementation of the national recovery and resilience plans will be on the top of the next few years' agenda. Outcomes will be measured in terms of the progress achieved by Member States in implementing agreed reform and investments projects by 2026. Given these developments, the 2022 European Semester required substantial adaptation. The main focus of the European Semester in the coming years will be the implementation of recovery and resilience plans (RRPs), as these are fully in line with the EU's strategy of achieving competitive sustainability. The recovery and resilience plans will contribute towards Member States implementing a number of existing country-specific recommendations. The European Semester, with its broader scope, will complement the implementation of the RRPs and provide a key basis for the Commission in identifying new relevant economic, employment and social policy challenges.

In 2022, the European Semester and RRP implementation processes will be closely integrated, the aim being to avoid overlaps in order to simplify work. For this reason, Member State reporting obligations are being streamlined, and the national reform programmes published in April 2022 include the bi-annual reporting under the Recovery and Resilience Facility (RRF). The Commission relies on established databases to monitor progress in RRP implementation as well as overall progress in implementing earlier country-specific recommendations, so no further reporting will be required. Consequently, the 2022 National Reform Programme (NRP) comes in a new streamlined format.

The priorities for competitive sustainability in line with the European Green Deal, as outlined in the Commission's Annual Sustainable Growth Survey 2022, are structured around four dimensions – environmental sustainability, productivity, fairness, and macroeconomic stability – and play an important role in the 2022 European Semester process. Providing orientation for structural reforms, investments and responsible fiscal policy in the Member States, they are not only closely interlinked and mutually reinforcing,

but also aligned with the priorities of the Recovery and Resilience Facility and the Agenda 2030 Sustainable Development Goals.

In July 2021, the Austrian Recovery and Resilience Plan (nRRP) received a positive assessment from the Commission and was approved by the ECOFIN Council. The nRRP focuses on forward-looking investments and reforms. It features components for sustainable recovery, digital recovery, knowledge-based recovery and just recovery, reflecting the six pillars defined for the application of the RRF: green transition; digital transformation; smart sustainable and inclusive growth and employment; social and territorial cohesion; health and resilience; policies for the next generation, children and youth, including education and skills.

The 2022 NRP addresses selected reforms and investments Austria has undertaken under the nRRP and the European Semester to meet the challenges described in the country-specific recommendations for 2019 and 2020 (EUR-Lex, 2019; EUR-Lex, 2020). The measures taken aim to implement the common goals set by the federal government: tax relief for citizens, above all families; fighting climate change and meeting climate goals; sustainable and competitive location for doing business; safeguarding social security and fighting poverty; providing the best possible education for all and overcoming current challenges in a socially responsible manner; ensuring sustainable finances; and reducing the debt ratio, with the necessary investments in climate protection and future development being ensured separately.

In the next few years, public sector spending will specifically target the reduction in greenhouse gas emissions and achieving climate neutrality by 2040, with measures for building renovation efforts, sustainable mobility, biodiversity, digitalisation in terms of broadband capacity expansion as well as digitalisation in education, research and development. Reforms concern, amongst others, the eco-social tax reform, the Renewable Expansion Act [*Erneuerbaren-Ausbau-Gesetz*, EAG], the introduction of national emissions trading, the Austrian soil strategy, the Austrian biodiversity strategy, sustainable public procurement, or the reform of the health sector with a new long-term care insurance scheme.

The Austrian federal government enacted wide-ranging temporary support measures to cope with the Covid-19 crisis. These measures are described in more detail in the 2022 Stability Programme.

The NRP is based on two European Commission databases set up for the purpose of monitoring Member States' progress. Measures taken by the federal government to implement earlier country-specific recommendations are entered into the CeSaR database, which was established in 2019 (see Annex 1). An additional database called FENIX was set up to monitor the progress of RRP implementation (see Annex 2). An overview of the 2019 and 2020 country-specific recommendations is provided in Annex 3. Annex 4 includes the joint statement, dating from 31 March 2022, of the "social partners" with the Austrian Federal Chamber of Labour (BAK), the Austrian Trade Union Federation (ÖGB), the Austrian Federal Economic Chamber (WKÖ) and the Austrian Chamber of Agriculture (LKÖ) presenting their activities for the period 2021/2022.

## 2 Macroeconomic context and impact of structural reforms

After the economic downturn caused by the pandemic in 2020, Austria's GDP recovered in the following year. According to preliminary calculations by Statistics Austria dating from early March 2022, GDP for 2021 as a whole is expected to have grown by 4.5% compared to 2020. Covid infections and the corresponding countermeasures put a significant damper on the recovery in the second half of 2021. At year-end 2021, Austria's economic output was slightly below the 2019 level from before the start of the Covid-19 pandemic (Statistics Austria, 2022). The strong recovery initially predicted for 2022 by WIFO, the Austrian Institute of Economic Research, had to be revised downward in light of Russia's war of aggression against Ukraine, which also affects the Austrian economy. The vast upside potential in tourism is expected to be the most important driver of economic activity (WIFO, 2022). Economic development as well as macroeconomic and budgetary forecasts in compliance with EU requirements are shown in the Austrian Stability Programme 2021-2025 (Federal Ministry of Finance, 2022).

The years 2021 and 2022 saw the launch of several structural measures that will have a substantial impact on macroeconomic development over the next few years. Below is a selection of measures and their anticipated effects in terms of distribution of resources, employment and environment. Chapter 3 provides more details on the specific measures.

The most prominent element is what is referred to as the eco-social tax reform, which was adopted in January 2022. It not only comes with reductions in, above all, personal income tax, but also introduces a new system of CO<sub>2</sub> pricing. In the aggregate, the volume of tax relief in the period 2022-2025 is set to add up to EUR 18 billion. A study conducted by ECO Austria on behalf of the Federal Ministry of Finance on the macroeconomic and fiscal effects of the eco-social tax reform anticipates GDP growth in a range from 0.49 percentage points in 2022 to 0.97 percentage points in 2025 as compared to a no-reform scenario. At the same time this measure is expected to create more than 30,000 additional jobs by 2025. The analysis conducted by ECO Austria illustrates the growth-inducing effects of the tax cuts. Job growth will be 0.9% higher than in the base scenario without tax reliefs, which corresponds to an increase by about 40,000 heads. What is more, the rise would be highest among low-skilled workers. The labour market participation rate rises noticeably by 0.3

percentage points, while the unemployment rate falls markedly by 0.4 percentage points. Private consumption and real investment both grow by about 3%, which implies the tax cuts also boost local added value. According to the simulation, real GDP will grow by over 1% more over the medium term than in the base scenario, which translates into a EUR 5 billion plus in economic output in 2025 (ECO Austria, 2021).

In its analysis of the distribution effects of the first and the second part of the eco-social tax reform, the Austrian Parliament's Budget Office has come to the following conclusions: in 2022, disposable household income will rise most significantly in the first seven income deciles, with deciles three to seven experiencing the most relief by 2025 through the cut in personal income tax and the family bonus. The CO<sub>2</sub> pricing scheme and the climate bonus will impose a heavier burden on higher-income earners, as such households tend, on average, to have a larger carbon footprint and will therefore be more strongly affected by CO<sub>2</sub> pricing. The increases in both family bonus and supplementary child benefit (*Kindermehrbetrag*) ensure that families will see greater benefits from the tax reform. The fact that men benefit more from the tax relief initiative in absolute terms (61% of the tax relief volume) is due to the reduction in income tax rates in the second and third tax brackets (Austrian Parliament, 2022b).

The nRRP 2020-2026 provides for funding in the amount of EUR 4.5 billion for its four components: sustainable recovery, digital recovery, knowledge-based recovery and just recovery (BKA, 2021a). The amount ultimately available for Austria will depend on economic development in 2020/2021 and will not be determined with final effect until June 2022. The Commission expects NextGenerationEU (the Recovery and Resilience Facility accounts for about 90% of this stimulus package) to generate additional GDP growth in a range of 0.4 to 0.7 percentage points by 2026, which could turn out markedly higher once structural reforms show their effects. A substantial portion of such additional growth will be achieved through cross-border spillover effects. The Commission commends the large share of measures aimed at supporting climate goals and promoting digital transformation (European Commission, 2021). According to a study conducted by IHS (Institute for Advanced Studies Vienna) in April 2021, the measures under the plan will raise long-term GDP by 1.21% or EUR 6.5 billion (in 2021 prices) over 20 years as compared to a scenario with no recovery plan. At the same time, the budget deficit is expected to decline by 0.56% and employment to rise by 0.61%. In addition, IHS underlines indirect effects of green investments arising from environmental impacts on well-being and economic productivity. Even with assumptions on the conservative side, the measure for the roll-out of broadband connections to households (2.A.2) is a key engine of long-term effects. Proceeding on the



premise that access to digital infrastructure drives constant technological progress, growth effects can be expected in particular in rural regions and regions with poor infrastructure (IHS, 2021).

The Renewable Expansion Act [*Erneuerbaren-Ausbau-Gesetz*, EAG], which was adopted in July 2021, created the legal and organisational framework for implementing Austria's key energy and climate policy goals (100% electricity from renewable sources by 2030, nationwide, in energy balance terms, and climate neutrality by 2040). Key aspects include the introduction of market premiums to promote electricity generation from hydropower, wind, PV, biomass and biogas, as well as investment grants for the construction and expansion of PV systems, electricity storage facilities and wind power plants. Environmental impacts are taken into account in detail in the impact assessment of the legislative package. The plans to increase renewable energy capacities by 27 terawatt hours (TWh) by 2030 should thus result in annual carbon savings of 0.9 million tons, while ramping-up national renewable gas production by 5 TWh per year by 2030 is expected to save 0.72 tons of carbon dioxide per year (BMK, 2021a).

The Austrian Railways (ÖBB) master plan 2022-2027, which was adopted in November 2021, provides for capital expenditure in the amount of EUR 18.2 billion for public-interest rail infrastructure. Continuing the 5% annual capital expenditure increase approved in the 2021-2026 master plan is intended to contribute to the implementation of the National Energy And Climate Plan (NEKP). The studies cited in the impact assessment for the master plan expect as many as 266,631 additional jobs to be created in the period 2022-2027 and greenhouse gas emissions to decline by as much as 1.25 million tons. Annual added value in the period 2022-2025 is anticipated to come to between EUR 3.55 billion for 2022 and EUR 4.43 billion for 2025 (BMK, 2021b).

### 3 Key policy response to major economic, employment and social developments and challenges

The economic policy priorities set out in the Annual Sustainable Growth Survey 2022, with their continued focus on competitive sustainability in conformity with the European Green Deal, continue to apply in respect of achieving the EU goal of a gradual transformation towards a sustainable, resilient and inclusive economic model.

The four dimensions of competitive sustainability, i.e. environmental sustainability, productivity, fairness, and macroeconomic stability, play an important role in the European Semester framework, providing orientation for structural reforms, investments and responsible fiscal policy in the Member States.

The NRP addresses selected reforms and investments Austria has undertaken to meet the challenges described in the country-specific recommendations for 2019 and 2020 (EUR-Lex, 2019; EUR-Lex, 2020). These reforms and investments refer to both measures agreed under the nRRP and measures outside the nRRP.

At EUR 4.5 billion, the aggregate volume of nRRP measures exceeds the figure of EUR 3.46 billion expected to be due to Austria based on the European Commission's forecast dating from autumn 2020. Part of the nRRP measures is subject to co-financing and builds on existing instruments to ensure the nRRP will be implemented effectively, in full and in good time. The following is a presentation of selected reforms and investments which Austria is implementing within the scope of the country-specific recommendations.

## 3.1 Environmental sustainability

### Reducing greenhouse gas emissions and achieving climate neutrality

Achieving a sustainable reduction in greenhouse gas emissions with a view to meeting the ambitious climate goals of both the European Union and Austria requires structural change. The measures aiming at environmental sustainability constitute a key contribution towards climate neutrality while also addressing other challenges such as reduced greenhouse gas emissions, less energy poverty, job creation, climate-friendly mobility, circular economy, prevention of waste, and preservation of biodiversity. They take account of the country-specific recommendations to focus investment-related economic policy on sustainability (country-specific recommendation 3 of 2019) and of country-specific recommendation 3 of 2020, which builds on the former, to step up investment in the green transition (EUR-Lex, 2019; EUR-Lex, 2020).

The Renewable Expansion Act (Annex 1, CSR 2020.3 Subpart 7, Entry 3; Annex 2, 1.D.1) defines the framework and the funding mechanisms for generating electricity from renewable sources. From 2030, 100% of Austria's total electricity consumption (nationwide, in energy balance terms) is to come from renewable sources. The Act will also make a major contribution towards achieving climate neutrality by 2040. The Act aims to raise annual electricity generation from renewables by 27 TWh, compared to the volume produced in 2020, with 11 TWh coming from PV, 10 TWh from wind, 5 TWh from hydropower, and 1 TWh from biomass, in compliance with strict ecological criteria. Moreover, it is to provide secure investment conditions for existing and future renewable gas production facilities, raising the share of renewable gas produced in Austria in the overall volume of gas sold in Austria by 5 TWh by 2030. The Renewable Heat Act [*Erneuerbaren Wärme-Gesetz*] (Annex 2, 1.A.1), which governs the gradual replacement of fossil fuel-based heating systems, is scheduled to enter into force in 2022. An intermediate goal is to provide, by year-end 2022 and in consultation with the states and the social NGOs participating in the project, training for energy advisors tasked to assist low-income households affected by energy poverty.

Key investments under the nRRP include what is called the renovation initiative (*Sanierungsoffensive*), with capital expenditure on measures to promote the replacement of oil and gas heating systems and to combat energy poverty (Annex 2, 1.A.2 and 1.A.3), the transformation of industry towards climate neutrality (Annex 2, 1.D.2), climate-friendly town centres (Annex 2, 4.B.3), as well as investments in sustainable mobility, including the

construction of new railway lines, electrification of regional railway lines, and financial support for zero-emission buses, utility vehicles and infrastructure (Annex 2, 1.B.3, 1.B.4 and 1.B.5). By the end of 2021, 6,360 projects for replacing heating systems had been carried out.

National funding is provided to promote the replacement of oil and gas heating systems with climate-friendly heating systems in existing buildings. The same applies to measures to combat energy poverty, the aim being to contribute to reducing energy consumption in buildings while at the same time providing support for a fair and just transition. Subsidising the thermal renovation of the flats of low-income households threatened by energy poverty will cut energy costs in the long term. The year 2022 will see the conditions and priorities for funding thermal renovation of residential buildings for low-income households take on shape. The aim is a reduction by at least 30% in the primary energy use of such buildings, with at least 1,000 thermally upgraded homes set as the target to reach by the end of 2023.

Transformation of industrial activities towards climate neutrality is the heading under which support is intended to be provided above all for transformative projects which have a flagship and piloting function, while also requiring a high level of capital expenditure and subsidies. Given the amount of funding needed, the rules on state aids, and the non-eligibility of ETS facilities, these projects had previously been excluded from the national environmental grant scheme [*Umweltförderung*]. In future, they will qualify for funding under the nRRP, complementing the support available from the EU Innovation Fund.

With a view to the challenges involved in sustainable mobility, the Government Programme already included plans for promoting rail transport. Including measures to build new rail lines and electrify regional lines, investments in sustainable mobility account for the second-largest item in the nRRP, at EUR 542.6 million (Annex 2, 1.B.5). The federal government has approved a major investment package to boost public transport, with an aggregate investment volume coming to about EUR 18.2 billion for the period 2022-2027. Main objectives include continuing and expanding capital expenditure in TEN-T corridors, regional railway lines, the electrification of railway lines and shifting freight transport to rail in an effort to build capacities for a modal shift and thus reduce CO<sub>2</sub> emissions caused by traffic, which is a climate policy imperative (Annex 1, CSR 2020.3 Subpart 6, Entry 5). The 2030 Mobility Master Plan (Annex 2, 1.B.1) describes the mobility transition needed for the climate-neutral 2040 mobility system of the future, pointing the way towards avoiding, shifting and improving transport and significantly raising the share of foot and bicycle traffic, public means of transport, and shared mobility. The plan thus is a binding directive for

action designed to inform strategic planning for all modes of transport. The specific strategies and implementation programmes under the 2030 Mobility Master Plan are being developed on a step-by-step basis. October 2021, for instance, saw the launch of what is referred to as the Climate Ticket (Annex 2, 1.B.2). Another key milestone is 100% zero-emission for newly registered passenger cars. An annual monitoring system has been set up to assess progress in implementation, with the data being published in Environment Agency Austria's nowcasting report.

The nRRP also includes a number of measures addressing topics such as the circular economy, prevention of waste, and preservation of biodiversity, such as the funding for deposit return systems in retailing, the promotion of the repairing of electrical and electronic equipment, and the establishment of a biodiversity fund (Annex 2, 1.C.3, 1.C.5, 1.C.2). A Technical Support Instrument (TSI) project is dedicated to preparing a comprehensive resources balance under the 2030 Resources Master Plan in an effort to improve and boost the sustainable use of raw materials.

Spatial development measures also have a key role to play when it comes to achieving climate neutrality and preserving biodiversity. A topic of particular importance in Austria is land take, which, at about 11 ha/day (3-year average 2018-2020), is progressing at a high level. Apart from the loss of valuable agriculturally used land, this leads to open countryside being fragmented, increasing flood risk, the development of heat islands, as well as to high costs for additional infrastructure. For this reason, the Government Programme provided for a nationwide soil strategy to be developed, with the aim of reducing land take to 2.5 ha/day net by 2030. Given the highly diverse planning systems in place at different levels, the federal and state governments, the associations of local government entities as well as the economic and social partners, united at the Austrian Conference on Spatial Planning [*Österreichische Raumordnungskonferenz ÖROK*], pledged to jointly develop a soil strategy for Austria by the end of 2022. Issues to be covered include, among others, the establishment of a nationwide harmonised database and uniform data collection methods, the development of a uniform monitoring system, the design of a target system with quantitative national targets, the development of state-specific targets aligned with federal targets, and an action plan setting out concrete steps and milestones for implementation by 2030 (Annex 2, 4.B.1).

Other reforms coming under the heading of sustainability concern public procurement, which in Austria accounts for about EUR 46 billion per year or 12% of GDP. A key measure is the National Action Plan for Sustainable Public Procurement, which sets out binding

criteria for public procurement procedures conducted by federal ministries and downstream departments as well as certain public sector contracting authorities. The 2021 plan update not only aims to strengthen environmental and climate protection aspects, but also to contribute to reaching national health targets and boosting the regional economy (Annex 1, CSR 2021.1 Subpart 3, Entry 5). To ramp-up the use of clean and energy-efficient vehicles in road traffic, the Road Vehicle Procurement Act [*Straßenfahrzeug-Beschaffungsgesetz*] sets out minimum targets for public sector contracting authorities and procurement agencies when it comes to buying or using clean road vehicles (BKA, 2021d; BMK, 2022; Annex 1 CSR 2020.3 Subpart 6, Entry 8).

## **Taxation structure reorientation towards relief and sustainable growth**

The eco-social tax reform implemented two key elements of the Government Programme: reducing the tax burden for private individuals and businesses and making a major contribution to a transition towards a climate-friendly society. The eco-social tax reform constitutes one of the most comprehensive changes to Austria's taxation structure in recent decades. In addition to significant tax relief, the reform introduces annually rising CO<sub>2</sub> pricing that will gradually achieve true-cost pricing for climate-damaging emissions in a socially responsible manner. The Austrian 2022 Stability Programme provides the details of the eco-social tax reform, while the NRP addresses selected measures.

The eco-social tax reform meets the 2020 country-specific recommendation of making the tax mix more efficient and more supportive to inclusive and sustainable growth (EUR-Lex, 2020; Annex 1, CSR 2020.3 Subpart 7, Entry 4). The entry into force of the eco-social tax reform in 2022 is a reform covered by the Austrian nRRP (Annex 1, CSR 2020.3 Subpart 7, Entry 4; Annex 2, 4.D.5).

In a bid to reduce the tax burden of both private individuals and businesses, the tax rate in the first bracket of payroll and income tax was reduced already in 2020, with negative income tax being raised in parallel. The eco-social tax reform, which was agreed in the Government Programme and entered into force in 2022, continues to reduce the tax burden, contributes to strengthening Austria's position as a business location for the long term and provides incentives for environmentally friendly behaviour. Overall, the package realises the largest tax relief seen in the history of the Second Republic, setting Austria's course for the future in terms of sustainability, economic stimulus, employment and innovation. A special focus has been placed on reducing greenhouse gas emissions, making

the changes socially viable, taking account of regional disparities and ensuring Austria's international competitiveness. In terms of volume, the tax relief will come to about EUR 18 billion by 2025 (BKA, 2021b).

A major step in the context of the ecological transition has been the introduction of national trading in emission allowances (Annex 1, CSR 2020.3, Subpart 7, Entry 5). This means that from 1 July 2022, CO2 pricing will touch upon areas not covered by European emissions trading. In its introductory stage, the national trading system for emission allowances will relate to circumstances relevant under energy-related taxes (mineral oil tax, natural gas levy, coal levy), making it possible to introduce CO2 pricing efficiently and at low administrative cost.

Making the climate bonus scheme regional (Annex 1, CSR 2020.3 Subpart 5, Entry 27) takes people's real-life situations into account. CO2 pricing proceeds will be redistributed to the citizens on a regional basis, staggered depending on where people live and what access they have to public transport (BKA, 2021b).

## 3.2 Productivity

### **Challenges include the digital transformation as well as research and development**

Reforms and investments for promoting digitalisation and innovation are the most important levers Austria can employ to boost growth in productivity. The nRRP includes comprehensive measures that make an effective contribution to the digital transformation and to coping with the challenges arising in the process. For Austria to remain competitive in the future, it is crucial that the measures taken in research and development bear fruit in the form of scientific excellence and innovative results. Environmental and energy research and a focus on the energy transition, the mobility transition and the circular economy help Austria prepare for the challenges arising in the context of the green transition.

Investment in infrastructure to make broadband and high-speed internet available in rural areas is a key challenge addressed in the 2020 country-specific recommendations (EUR-Lex, 2020). At 39% in 2020, Austria's coverage with Gigabit capable broadband networks was

particularly low as compared to the EU average of 59% (Publications Office of the European Union, 2022). Since effective digital access is a key element of the digital transformation, implementing nationwide coverage with high-speed internet has a high priority. The relevant nRRP measures, such as the set-up of Platform Internet Infrastructure Austria 2030 [*Plattform Internetinfrastruktur Austria 2030 (PIA)*] (Annex 2, 2.A.1), the widespread availability of gigabit-capable access networks and creation of new symmetric new gigabit connections (Annex 2, 2.A.2), provide for efficient and affordable broadband communication structures throughout the country, ensuring in particular the digital inclusion of rural regions. In line with the target agreed for 2022, broadband access will be offered for 46% of households. At a volume of some EUR 900 million, this measure is one of the largest investments under the nRRP. Within the scope of the nRRP reform, a common platform was established in 2021 to coordinate the stakeholders in a bid to develop, by 2023, a legal, regulatory and technical framework for broadband coverage expansion.

nRRP resources are also to be used to accelerate the digitalisation of the federal administration, funding projects with effects across policy areas. Aims include forging ahead with IT consolidation at the federal level, providing more services for citizens and businesses, and implementing projects to speed up, and increase the efficiency of, procedures. The milestone for 2021 has been reached (Annex 2, 2.C.2).

Knowledge of, and the skills needed to research, develop and use, new quantum technologies contribute to strengthening Austria's and Europe's technological sovereignty and to securing Austria's position as a business location. The aim of the Quantum Austria Funding Initiative agreed in the nRRP is to promote excellency in forward-looking basic and advanced research and to secure Austria's position among those EU countries which successfully harness the potential of quantum sciences to develop innovative products and services. Quantum Austria is embedded in Austria's RTI Strategy 2030 (Annex 1, CSR 2020.3 Subpart 5, Entry 24; CSR 2019.3 Subpart 1, Entry 16) and supports the strategy's goals, from excellent and cooperative research to the expansion of digital infrastructures. The strategic development of high-quality research infrastructures is a key field of activity under the RTI Strategy 2030 and the Austrian University Development Plan. Calls are held to allow the establishment and expansion of high-quality (digital) research infrastructure and thus the expansion of research and service facilities at Austrian universities. The calls for (digital) research infrastructures at universities complements Quantum Austria. The Artificial Intelligence: Mission Austria 2030 strategy (AIM AT 2030) is an initiative by the federal government to create the necessary conditions for a safe, human-centric and socially acceptable use of artificial intelligence (AI) in a bid to further strengthen Austria's position



as a business, research and innovation hub. Its strategic goals include positioning Austria as an internationally recognised research and innovation location for AI and using AI to strengthen Austria's competitiveness as a business location and to advance climate protection. With appropriate conditions in place, artificial intelligence is expected to help master the major challenges society is faced with, first among them the climate crisis, and to contribute substantially to achieving climate neutrality by 2040 (Annex 1, CSR 2020.3 Subpart 5, Entry 17; CSR 2019.3 Subpart 2, Entry 11). The Institute of Science and Technology Austria (IST-A) is a multi-disciplinary research institution dedicated to cutting-edge research in physics, mathematics, computer and life sciences. The federal government, as the prime funding party, and the State of Lower Austria, where the institute is located, have secured the financial support needed to further expand the institute until 2036, within the scope of a long-term development concept (Annex 1 CSR 2020.3 Subpart 5, Entry 5).

### **Competitive industrial base, digitalisation and greening of businesses, corporate environment**

Strengthening Austria's position as a business location for forward-looking technologies, speeding up the digitalisation and greening of businesses, and reducing regulatory barriers will be crucial factors in raising productivity and ensuring competitiveness for the long haul. These challenges are addressed in country-specific recommendation 3 (2019) as well as in country-specific recommendation 3 (2020) (EUR-Lex, 2019; EUR-Lex, 2020).

The purpose of the 2040 Business Location Strategy is to drive the transformation of Austria as a business location with the aim to successfully navigate the digital transformation and the green transition and to strengthen the competitiveness of Austrian businesses and their ability to seize future opportunities. The goal is to support those forward-looking fields of activity where Austria can play a pioneering role internationally, which will also help strengthen Austria's position as a business location and drive decarbonisation. The strategy is designed to help not only safeguard jobs and business activity in Austria, but also to drive expansion in both areas, while at the same time making a significant contribution to protecting the climate and the environment. Policymakers, representatives of business and academia, and the social partners came together in May 2021 to agree on a framework for this strategy. Innovation frontrunners, leading experts, social partners and stakeholder groups will work out goals and specific measures in line with other political objectives (e.g. RTI strategy, climate and energy policy, labour market and education policy). Accompanied

by interactive online consultations involving several hundred stakeholders and a New Ideas for a Location Strategy contest, to name but one of the measures envisaged, the process draws on diversified sources. The 2040 Location Strategy will be presented in 2022 (Annex 1, CSR 2019.3 Subpart 4, Entry 15).

One cornerstone of the nRRP is the promotion of strategic innovation based on Austrian businesses participating in cross-border projects under the Important Projects of Common European Interest (IPCEI) scheme. So far, Austria has joined two IPCEIs, the IPCEI European Battery Innovation in January 2021, and the IPCEI on Microelectronics in March 2021 (Annex 1, CSR 2020.3 Subpart 5, Entry 2). The nRRP now also provides for Austrian businesses to take part in IPCEI projects in the fields of hydrogen (Annex 2, 3.D.2) and, once again, microelectronics (Annex 2, 3.D.1).

The IPCEI Microelectronics and Connectivity (or Microelectronics II) has two aims: to boost areas of microelectronics which are already considered European strong points (such as power semiconductors, sensors, process technologies), and to specifically promote fields where Europe is now still depending on imports (such as innovative network/microelectronics technologies). The IPCEI Hydrogen (IPCEI Hydrogen Industry and IPCEI Hydrogen Technology) is set to establish a national and European hydrogen ecosystem that is to significantly contribute to Austria and the EU reaching their climate goals. nRRP funding is provided for projects along the entire renewable hydrogen value chain, which encompasses the production, storage and application of hydrogen. While the IPCEI Hydrogen Industry is geared towards decarbonising industrial production, the IPCEI Hydrogen Technology addresses technology development, for instance in the field of mobility (with a focus on heavy goods traffic, shipping, and aviation). The 2021 milestones for these measures have already been reached. 66% each of the selected projects are scheduled to start by 2024.

The nRRP funding for ecological and digital investment in businesses provides incentives for businesses to invest in the ecological and digital transformation and to focus on forward-looking topics. The purpose of such funding is to improve competitiveness and provide important growth and job creation stimuli for Austria as a business location. Funding is available for new investments in the digitalisation of business models and processes, e-commerce, the introduction or upgrading of IT or cybersecurity measures. Under the heading of ecological investment, funding is provided for the thermal renovation of buildings, energy saving measures, the generation of renewable energy, or charging stations. The milestones for 2021 have been reached (Annex 2, 2.D.2, 2.D.3).

nRRP funding is also used to drive the digitalisation of small and medium-sized enterprises, as these often lack the required know-how as well as time and money to implement digitalisation projects. The milestones for 2021 have been reached (Annex 2, 2.D.1). At least 15,300 digitalisation projects are scheduled to be completed by 2023. Alongside its many positive aspects, increasing digitalisation also comes with risks in the form of greater exposure to cybercrime. SMEs are among those disproportionately affected by such crime. The SME.Cybersecurity initiative is designed to assist SMEs with putting IT security solutions in place. Starting in April 2022, projects with a volume from EUR 2,000 to EUR 50,000 will qualify for implementation support in an amount of up to 40% of the costs eligible for funding (maximum grant amount: EUR 20,000). The amount budgeted for this purpose is EUR 2.3 million. The Qualification Initiative is a comprehensive measure offering financial support for acquiring and expanding skill sets focused on digitalisation and innovation for businesses and their staff. The Digital Skills Vouchers scheme provides funding for continued professional development aimed at raising digital skill levels among employees. Innovation Camps provide support for upskilling employees in key areas such as the energy and mobility transition, green tech/green material, or life sciences and biotech by offering customised cooperative training projects. Digital Pro Bootcamps are designed to boost advanced digitalisation skills in a bid to address the lack of skilled IT personnel, by training ambitious IT staff to become “Digital Professionals”. These measures contribute to implementing country-specific recommendation 3 (2019 and 2020).

With a view to reducing regulatory barriers, the nRRP provides for key deregulation measures, such as the Once Only principle, or official information clarifying that photovoltaic systems and recharging points for electric motor vehicles are exempted from authorisation requirements under commercial operations authorisation law. These reforms contribute to addressing the country-specific recommendation for stimulating company growth and reducing regulatory barriers in the service sector (Country-Specific Recommendation 3 of 2019) (EUR-Lex, 2019).

The Once Only principle refers to data having to be made available and collected once only and not several times over. This allows the public administration to reuse and share data, in compliance with statutory provisions and data protection rules, which reduces the burden on both businesses and the public administration. The milestones for 2021 have been reached by means of the amendment of the Business Service Portal Act [*Unternehmensserviceportalgesetz*], which incorporated the Once Only principle in the said Act (Annex 2. 2.C.1). The Start-up Package [*Gründerpaket*] offers sustainable support to growth-oriented start-ups. A new legal form, which is to become available in 2022, is to

cater especially to the needs of start-ups and innovative SMEs (Annex 1, 1, CSR 2020.3 Subpart 1, Entry 2; Annex 2, 4.D.8). The Grace Period Act [*Grace-Period-Gesetz*], which is to reduce hurdles in transferring businesses, is also scheduled to be adopted in 2022. The decree which clarifies that photovoltaic systems and recharging points for electric motor vehicles are exempted from authorisation requirements under commercial operations authorisation law was issued in March 2021 (Annex 1, CSR 2019.3 Subpart 4, Entry 14; Annex 2, 4.D.11).

### 3.3 Fairness

#### **Employment, qualifications, social challenges**

Proactive labour market measures continue to be crucial for reducing structural unemployment. Measures to help people re-enter the labour market are key to ensuring an inclusive economic recovery. At the same time, the changes expected to affect the labour market require an increased focus on reskilling and upskilling, which also entails adaptations in the education sector. The measures and programmes implemented address country-specific recommendation 2 (2019): Support full-time employment among women, including by improving childcare services; boost labour market outcomes for the low skilled; raise the levels of basic skills for disadvantaged groups, including people with a migrant background (EUR-Lex, 2019).

With a view to overcoming the effects of the pandemic and to implementing the requirements defined under the European Semester and the guidelines under the European Pillar of Social Rights, Austria is currently relying, as it has done in the past, on a mix of tried-and-tested measures and programmes and new and innovative initiatives. In line with Article 148 of the TFEU, the 2022 Joint Employment Report by the Commission and the Council presents the employment situation in the Union and the implementation of the Employment Guidelines. The report provides an annual overview of key employment and social policy developments in the EU, and of recent policy measures undertaken by the Member States in line with the Guidelines for the Employment Policies of the Member States. The 2022 Joint Employment Report has a stronger focus on the implementation of the European Pillar of Social Rights (Joint Employment Report 2022).

Austria scores relatively high on the scoreboard of the European Pillar of Social Rights. The measures taken to reduce poverty and social marginalisation are generally effective, and income inequality is below the EU average. The relatively low availability of early childhood education and care services is being tackled within the scope of the nRRP measure for the expansion of early childhood education and care.

Implementation of the nRRP labour market policy projects, the Education Bonus, and the funding of reskilling and upskilling measures have reached an advanced stage. More than 46,000 persons benefited from the Education Bonus scheme. The target had been to reach out to 40,000 persons by the end of 2021. The Education Bonus provides better incentives and conditions for taking part in organised training or qualification programmes. Reskilling and upskilling measures have also been implemented to an extent far beyond what had been initially planned, so that the target mark of 94,000 participants was nearly reached as early as in February 2022 (Annex 1, CSR 2020.1 Subpart 1, Entry 13; Annex 2, 3.B.1, 3.B.2).

Since October 2020 the Corona Job Programme (Annex 1, CSR 2020.1 Subpart 1, Entry 42) has been funding training and professional development in particular in future-oriented fields such as care/social jobs, metal industry, environment/sustainability, and digitalisation, with a special focus being placed on promoting women. The emphasis is on on-the-job upskilling in cooperation with businesses looking to recruit someone for a specific job. Equipped with an additional budget of EUR 700 million, the initial goal of the Job Initiative had been to provide training measures to 100,000 persons by the end of 2021. However, the figures show that this goal has already been clearly surpassed. More than 202,000 persons have benefited from the training and professional development programmes offered under the Job Initiative. Success monitoring undertaken to document progress shows that the Job Initiative is having the desired effects. After six months, the rate of persons in employment is slightly more than half (52%). The initiative also helped to fill demand for labour in STEM fields as well as in care and nursing. The nRRP provides support for reskilling and upskilling measures (Annex 2, 3.B.2).

The Springboard [*Sprungbrett*] programme is the largest employment initiative since 1945. Its aim is to reduce the number of the net long-term unemployed from about 150,000, as recorded in April 2021, to pre-crisis levels of approximately 100,000. In the period July 2021 to December 2022, tried-and-test employment support instruments, first and foremost among them wage subsidies for returners and non-profit temp agency services, were massively ramped up and underwent quality development in a bid to create new opportunities on the labour market. As of 31 January 2022, employment opportunities were

created for nearly 21,400 persons, which corresponds to roughly 40% of the target figure. More than EUR 124 million have been spent on the programme so far (Annex 1, CSR 2020.1 Subpart 1, Entry 15; CSR 2019.2 Subpart 3, Entry 3).

During the COVID crisis, short-time work was, and still is, the most important instrument for stabilising employment and preventing unemployment. Between March 2020 and 15 February 2022, a total of 1.31 million workers from some 120,000 businesses received subsidies amounting to EUR 9.34 billion. Under the umbrella of unemployment insurance, various initiatives were launched to address the effects of the crisis on the unemployed, not least several increases in unemployment benefits (Annex 1, CSR 2020.1 Subpart 1, Entry 46, CSR 2020.3 Subpart 2, Entry 8).

To prevent the COVID crisis turning into a social crisis, the government took swift action to make social security systems better able to cope with poverty and crises. Shortly after the COVID-19 pandemic began, resources from the Family Hardship Fund [*Familienhärtefonds*] were made available for children in households receiving social assistance or means-tested minimum income support (Annex 1, CSR 2020.1 Subpart 1, Entry 4). In 2021, this initiative was expanded, with a new federal act being adopted to combat the consequences of pandemic poverty (COVID-19 Poverty Act [*COVID-19-Gesetz-Armut*]). In addition to further funding for one-off payments, this Act also provided for energy cost subsidies to relieve the burden on households receiving social assistance or means-tested minimum income support during the COVID-19 crisis (Annex 1, CSR 2020.1, Subpart 1, Entry 31 and Entry 33). To help cushion the sustained rise in the prices of goods and basic supplies, in particular for heating, further funding has been approved for 2022 to balance these price hikes for the target group mentioned above (Annex 1, CSR 2020.1 Subpart 1, Entry 3). Since the start of the COVID-19 pandemic, direct financial aid in the form of one-off payments to those households amounted to a total of EUR 91 million. Funding will also be provided in 2022 to continue the relevant measures (support to prevent homelessness and evictions, among others) (Annex 1, CSR 2020.1 Subpart 1 Entry 2, Entry 16). Implementing the recommendations of the European Child Guarantee is aimed at combating poverty, with a particular focus on children in need. For this purpose, an inclusive stakeholder process will be organised to develop a National Action Plan (NAP Child Guarantee) (Annex 1, CSR 2020.1 Subpart 1 Entry 64).

Socially disadvantaged families and their children are being assisted through the Programme for Counteracting Material Deprivation which funds school starter packages as well as through nRRP reforms and investments for the roll-out of the Early Childhood Intervention

Programme (early aid) measures (, 4.A.4). Starting in 2022, the existing Mother Child Pass scheme will go digital, creating an accessible documentation and communication platform providing easier access to medical examination results (, 4.A.3). The new electronic Parent Child Pass is another step on the way towards digitalising health care.

To ensure the sustainable participation of persons with disabilities, both in the workplace and in society at large, the government takes targeted measures in particular to mitigate the effects of the COVID-19 pandemic on persons with disabilities. Austria has an excellent, coordinated system in place to support persons with disabilities as well as businesses employing persons with disabilities. The Ministry of Social Affairs provides pay subsidies, which range from inclusion subsidies to pay subsidies based on the extent of disability at a specific workplace to job safeguarding subsidies designed to secure threatened jobs. Youth coaching (*Jugendcoaching*), FitforEducation (*AusbildungsFit*) and vocational training assistance are measures designed to assist adolescents at risk of marginalisation and young adults with disabilities to navigate the transitions between school, vocational training, and work. Work assistance and job coaching are tried-and-tested offers to help people find and keep a job. These measures are designed to assist persons with disabilities throughout all stages of work life, from applying for a job to getting started at work to resolving conflicts that may arise at the workplace (Annex 1, CSR.2019.2 Subpart 4 Entry 2). Given the effects of the COVID-19 pandemic, these offers not only need to be honed to make them even more efficient, but also expanded and developed in line with demand. This is why the Austrian federal government has made additional funding available, permitting a renewed increase in the amounts invested in improving participation in employment in 2022. Some EUR 265 million from the Compensatory Tax Fund [*Ausgleichstaxfonds*] are intended to be allocated in 2022 to projects and individuals, while about EUR 51 million will go to inclusive companies. This constitutes an increase in spending of about EUR 28 million or 10% compared to 2021. In addition, plans include measures with a specific focus on women with disabilities or on strengthening mental health.

To strengthen the rights of persons with disabilities and to implement the UN Convention on the Rights of Persons with Disabilities, Austria has a National Action Plan on Disability (NAP Disability) in place since 2012. The Government Programme provides for a revised NAP Disability for the period 2022-2030, jointly prepared by the federal and state governments in cooperation with associations representing persons with disabilities in line with the principle of participation. The NAP Disability, which is the national-level counterpart of the EU strategy for the rights of persons with disabilities 2021-2030, is scheduled to be finalised by a resolution of the Council of Ministers in the first half of 2022.

## **Strategies for the next generation, children and youth, including with respect to education and skill sets**

The main challenges in this area are safeguarding equal opportunities in education, assisting learners in catching up on learning loss caused by the pandemic, and expanding the range of early childhood education and care services available in Austria. The reforms and investments contemplated address the challenges mentioned in the country-specific recommendations to raise the levels of basic skills for disadvantaged groups, including people with a migrant background, to expand early childhood education and care services, and to ensure equal opportunities in education (country-specific recommendation 2 of 2019 and country-specific recommendation 2 of 2020; EUR-Lex, 2019; EUR-Lex, 2020).

The nRRP investment in the remedial education package helped counteract learning deficits and learning loss caused by the pandemic. This measure was designed to benefit principally all learners in general education primary and secondary level I (compulsory schooling), in general education secondary level II, and in vocational education secondary level I and II. With a view to preventing existing inequalities in educational achievements from growing further, a special focus was placed on disadvantaged learners. The investment consisted in a comprehensive package of supplementary classes and a set of individualised support measures. The measure was implemented until 31 March 2022 (Annex 2, 3.C.2).

Against the backdrop of the continuing pandemic and its ever more conspicuous effects on children and young people, the learning support package was extended in January 2022 to last until the end of the 2022 summer term. It is in particular schools with an increased demand for support that benefit from the supplementary classes. School-based social work is also being expanded in cooperation with the federal states. The 2022 federal budget provides a new legal basis for doubling the amount of school-based social work, which is co-financed by the states. Where states intend to increase services under the package, the federal government will bear the full costs in 2022, on the basis of individual agreements (Annex 1, CSR 2020.2 Subpart 1, Entry 14; CSR 2019.2 Subpart 4, Entry 22).

Combined with investment 2.B.2 Provision of digital end-user devices to pupils, reform measure 2.B.1 Fair and equal access of all pupils of secondary level I to basic digital competence contributes to improving equal opportunities in education. Making digital devices available to learners creates the conditions, both in terms of teaching methodology and technology, for digitally supported teaching and learning in Austria. By the end of 2023, all learners of secondary level I are supposed to have fair and equal access to basic digital



skills. This measure is part and parcel of the Digital School programme. The 8-Point Plan for Digital Learning sets out specific goals for the next development steps needed to roll out digitally supported teaching and learning as well as innovative teaching and learning formats all over Austria. A project launched under the EU Technical Support Instrument (TSI) in 2021 also contributes to its implementation.

nRRP investments in increasing the offer of early childhood education and care services (3.C.3) will help raise the share of children in childcare and the number of places offered in early childhood education and care facilities with a view to achieving the Barcelona target for children under the age of three (33% access to childcare). The offer of early childhood education and care services, in particular for children under the age of three, has been expanded, and opening hours for facilities for children aged three to six have been extended to make it easier to balance work and family life.

To help meet the strong demand for skilled staff in early childhood education and care, the federal government plans to make qualifications in this field of work more attractive and to harmonise quality criteria, in consultation with the states. The key objectives are to improve working conditions so as to win new target groups for working in this area (men, persons with a migrant background, persons with disabilities). In 2022, a project funded under the Technical Support Instrument will help prepare this reform.

Negotiations are under way concerning a new agreement under Article 15a of the Austrian Federal Constitutional Act between the federal and state governments on early childhood education and care. The new agreement is expected to enter into force as of the 2022/23 pre-school year (Annex 1, CSR 2020.2 Subpart 1, Entry 13; CSR 2019.2 Subpart 4, Entry 21).

The purpose of the National Financial Literacy Strategy for Austria presented in autumn 2021 (Annex 2, 4.D.7) is to boost the financial skills of all citizens, in particular those of adolescents and young adults, women, working adults, small and micro entrepreneurs and (potential) retail investors. The strategy comprises an action plan with 41 measures to be implemented in the period 2021-2026. Implementation of the action plan is supported within the scope of a TSI-funded project for setting up a nationwide online financial education portal (as a communication, information and awareness-raising instrument under the National Financial Literacy Strategy).

Youth Entrepreneurship Week is designed to develop and strengthen an entrepreneurial mindset. Young people get the opportunity to devote time and energy to the topic of

entrepreneurship, to work on their own ideas, to build first prototypes and present them to a jury at the end of the week. In 2021, 55 Youth Entrepreneurship Weeks were hosted at 69 schools all over Austria, with 1,800 young people participating. In 2022, the Youth Entrepreneurship Week initiative is to be continued and enhanced (country-specific recommendation 3 of 2019 and 2020).

### **3.4 Macroeconomic stability**

#### **Fiscal sustainability risks: pensions, health, and long-term care system**

The measures agreed in the nRRP strengthen the sustainability of the pension, healthcare and long-term care system against the backdrop of demographic trends, address country-specific recommendation 2019.1 (EUR-Lex, 2019) and improve the resilience of the health system by strengthening primary care, as set out in CSR 2020.1 Subpart 2 (Annex 1).

Combating old-age poverty and ensuring sustainable financing for the pension system by closing the gap between statutory and effective retirement age are key goals under the Government Programme 2020-2024.

In Austria, child-raising is, in the majority of cases, the responsibility of women, with the result that career trajectories are in most cases interrupted and, over the long term, the lack of contribution credits results in financial challenges for women in retirement. The vast majority of people affected by old-age poverty are women.

Reform measures such as an increase in effective retirement age (Annex 2, 4.D.2) and automatic pension splitting (Annex 2, 4.D.3) are designed to raise women's future pensions and to reduce the gender gap. These reforms address the country-specific recommendation in regard of the sustainability of the pension system (Country-Specific Recommendation 1 of 2019) (EUR-Lex, 2019). In an effort to raise the effective retirement age, deduction-free early retirement is replaced by the Early Starter Bonus (*Frühstarterbonus*), under which those eligible receive a supplement of up to EUR 840 per year (14 times EUR 60) for periods worked between the ages of 15 and 20. The Early Starter Bonus is limited to EUR 60 being added on top of the monthly pension benefit amount and forms an integral part of the pension benefit from the date the pension application is approved.

To qualify, applicants must have acquired at least 25 contribution years based on employment, at least 12 months of which were worked prior to the first of the month after the date the person in question turned 20, which also provides an incentive to return to work after childcare. Automatic pension splitting (Annex 2, 4.D.3) will involve adding up the contribution basis of both parents and then crediting each of their pension accounts with 50%. Voluntary pension splitting is also planned to be an option for any other kind of partnership than marriage. Implementation is scheduled to be completed by 2022.

Measures to strengthen and modernize the health sector focus on easy access to health and long-term care services. An efficient use of secondary healthcare resources will reduce the burden on hospital capacities in the long run.

The nRRP includes agreements on reforms and investments to promote primary care and make it more attractive. Primary health care is to ensure ongoing local care on the one hand and to ease the burden on outpatient clinics on the other hand. A platform for primary health care is planned to be established by the end of 2022, with activities being launched to provide support to those planning to set up a primary care centre. The goal is to fund at least 50 projects relating to primary care by the end of 2023 (Annex 2, 4.A.1, 4.A.2), and at least 170 projects by the end of 2026. In the past few years, support for the setting up of a primary care centre also included funding for advisory services, training and communication measures as well as website development under the Technical Support Instrument or its predecessor, the Structural Reform Support programme. Measures in the health sector strengthen public health and primary care.

Given the increasing challenges in long-term care, the nRRP includes far-reaching reforms aimed at driving an in-depth reform to develop care provision (Annex 2, 4.B.2). In consultation with the states, the focus is to be placed on people in need of care as well as on their relatives and other people involved. Three milestones were defined in the nRRP in respect of this reform. The key elements of the long-term care reform should be reflected in the Fiscal Equalisation Act [*Finanzausgleichsgesetz*] as from 2024. Community nursing is not only the first milestone in this reform, but also a separate investment under the nRRP, which contributes significantly to community-based, easy-access and demand-driven care. A number of community nursing pilot projects have been launched already (Annex 2, 4.B.4).

## Fiscal equalisation

By explicitly providing support to municipalities whose budgets are limited, the Austrian system of fiscal equalisation [*Finanzausgleich*] makes a major contribution to territorial cohesion. Because of the pandemic, a new fiscal equalisation package had to be postponed. Together with the states, the federal government decided to extend the currently applicable fiscal equalisation scheme for another two years until the end of 2023. The National Council adopted the corresponding legislative measures early in 2022 (Federal Law Gazette I No. 9/2022). The aim of this measure is to continue to enable federal, state and local government entities to combine forces in responding to the COVID-19 crisis. Along with the extension of the fiscal equalisation period by two years, the Article 15a agreements between the federal government and the states on the organisation and funding of the health system, on health system objectives management, on the promotion of educational measures in basic education, and on educational measures for the retaking of compulsory school leaving exams for the period 2018-2021 were adapted as well (Annex 1, CSR 2020.1 Subpart 1, Entry 67; CSR 2019.1. Subpart 1, Entry 10).

# 4 UN Sustainable Development Goals (SDGs)

In an effort to implement the Sustainable Development Goals (SDGs) in Austria, the all-of-government coordination of the Agenda 2030 has undergone a total overhaul over the past few years, with the focus of the work remaining on a mainstreaming approach and an interlinked strategic collaboration with all stakeholders. Through its key action areas (ecological change, fairness, digital transformation, productivity, as well as macroeconomic stability) the nRRP measures link up to the SDGs.

Austria's clear commitment to the global sustainability goals was reaffirmed in the Government Programme 2020-2024, which makes several references to the Agenda 2030 and its principles, as well as to Austria's first Voluntary National Review Report on the Implementation of the Sustainable Development Goals (VNR), which was presented in the context of the United Nations High-level Political Forum on Sustainable Development on 15 July 2020. The report was very well received, both in Austria and internationally, and provided an impetus for further implementation steps.

An SDG indicator set developed by Statistics Austria provides information on specific trends in SDG implementation in Austria, showing that Austria is highly successful in achieving many of these goals, for instance:

- Austria leads the way in the EU when it comes to area under organic farming;
- Austria clearly exceeds the EU average for lifelong learning;
- as much as a third of the energy consumed in Austria comes from renewable energy sources;
- industrial CO<sub>2</sub> emissions by gross value added have been significantly reduced since 2010.

These trends are confirmed by international rankings. For several years now, Austria has been constantly among the top 10 in the Sustainable Development Report compiled by Bertelsmann Stiftung and by the Sustainable Development Solutions Network. As in the preceding year, the European SDG Index (Europe Sustainable Development Report) lists

Austria in fourth place out of a total of 34 countries. The trend analysis shows that there is still need for further action in some areas, such as:

- women continue to shoulder more unpaid work than men;
- energy consumption, greenhouse gas emissions from transport, and land take for buildings, transport and for purposes of recreation and mining have been rising since 2010.

In implementing the SDGs at the national level, Austria is currently placing a focus on further strengthening the targeted coordination of SDG implementation while mainstreaming stakeholder participation, including civil society, academia, and the private sector. The Inter-Ministerial Working Group for the Implementation of the Agenda 2030 for Sustainable Development (IMAG 2030), which is a platform for dialogue with representatives of the states and other stakeholders, has been strengthened, and a steering group has been set up to coordinate activities. At the end of September 2021, a first SDG Dialogue Forum was held to address four specific thematic areas covered in the VNR, and a second one is scheduled for autumn 2022.

### **SDG reporting: Description of the most important forward-looking measures**

Under the eco-social tax reform, Austria introduced CO<sub>2</sub> pricing, complemented by a Regional Climate Bonus to cushion adverse effects (see chapter 3). This is a key contribution in particular to implementing SDG 13 (climate action) and SDG 7 (affordable and clean energy). Climate protection measures are thus supplemented by a fiscal element, in addition to financial support under the national environmental grant scheme or the Climate and Energy Fund. Moreover, the national environmental grant scheme has new resources at its disposal to focus on new priorities such as the circular economy, land recycling, or the preservation and promotion of biodiversity, alongside existing ones such as grants for replacing fossil fuel-based heating systems with climate-friendly ones or for the thermal renovation of buildings.

To support families, the federal government has introduced the Family Hardship Fund and raised the child supplement, thus mitigating poverty threats to families with (several) children (SDG1, no poverty). At the same time, financial support for families has been increased by stocking up aid under the Family Bonus Plus scheme. Against the backdrop of the COVID-19 pandemic, a number of measures have been taken, in line with SDG 1, to try

and combat poverty caused by the pandemic, above all the Federal Act to Combat the Consequences of Pandemic Poverty (see Chapter 3).

The Renewable Expansion Act creates both the legal and organisational framework and the stable, long-term investment climate needed to transition Austria's electricity generation to 100% from renewable sources (nationwide, in energy balance terms) by 2030 and make Austria climate-neutral by 2040 (contribution towards SDG 7).

The Action Plan for Sustainable Public Procurement (see Chapter 3) defines binding criteria for public procurement processes (conducted by federal ministries and downstream departments as well as certain public sector contracting authorities), setting out verifiable and reasonable ecological core criteria for 16 procurement groups. This is not only a contribution to a climate-friendly public administration (SDG 13), but also to the implementation of several other SDGs (SDG 12, responsible consumption and production, SDG 3, good health and well-being), as the entire product life cycle, with due consideration of conserving resources, as well as the health of both workers and consumers are taken into account.

The amendment of the Waste Management Act 2002 [*Abfallwirtschaftsgesetz*] Circular Economy Package constitutes another contribution to the implementation of SDG 12. The amendment provides a legal framework for raising collection rates for plastic beverage packaging and for offering reusable packaging in food retailing.

In the education sector, the learning support package, the expansion of early childhood education and care services, and the provision of digital devices are key contributions to the implementation of SDG 4 (quality education). Providing digital equipment is a basis for fair and equal access to digital skills. Teachers are offered continued professional development to prepare for the effective use of digital technologies/devices and digital educational media, with a view to digitally inclusive teaching methods. Another item high on the federal government's agenda is more reskilling and upskilling measures to improve worker qualifications (Education Bonus).

A contribution to SDG 5 (gender equality) is the Early Starter Bonus, which puts a premium on very early pension contribution months, i.e. accrued before a person's twentieth birthday, when it comes to computing pension benefits. Quite generally, the Austrian Recovery and Resilience Plan accorded great importance to gender equality (as well as to

social cohesion) as a cross-sectional issue across all four components, always assessing the impacts of each measure on gender equality.

To promote SDG 8 (decent work and economic growth), the federal government set up an Environment and Transport Foundation with a budget of EUR 20 million (BKA, 2021c) to create training opportunities for green jobs and in public transport in a bid to better meet the demand for skilled workers.

With respect to SDG 9 (industry, innovation and infrastructure), key steps have been taken to decarbonise industry on the way to achieving climate neutrality by 2040 (e.g. renovation initiative, measures for economic transformation, measures to combat energy poverty, as well as investments and reforms designed to gradually decarbonise public transport; see Chapter 3). Alongside measures for digitalisation (cf. Chapter 3.2), research, technology and innovation is an important pillar of a knowledge-based economy. This is why a Digital Action Plan and an Austrian RTI Strategy have been developed with a 2030 horizon.

Finally, component 4 of the Austrian Recovery and Resilience Plan, a just recovery, strengthens SDG 16 (peace, justice and strong institutions). The measures taken in respect of health care and long-term care increase social cohesion as well as opportunities for women on the labour market, with the expansion of primary care and the roll-out of the Early Childhood Intervention Programme (early aid) to families in challenging life situations just a few of the examples provided in the nRRP.



## 5 EU funds

The following chapter focuses on the EU funds being used in Austria, with a focus on the complementary effects and/or demarcation between these instruments in terms of implementation. Priority will be accorded to the funds under the Partnership Agreement.

The Partnership Agreement with Austria 2021-2027 (Austrian PA) basically covers the programmes co-financed under the ERDF (European Regional Development Fund), ESF+ (European Social Fund Plus), EMFAF (European Maritime, Fisheries and Aquaculture Fund) and JTF (Just Transitions Fund).

For these programmes, some EUR 1.07 billion in EU funding will be available for the period 2021-2027, co-financed by Austrian public-sector funding (from the federal and state governments) and, where applicable, Austrian private-sector funding.

Table 1: EU funding 2021-2027 for the EU funds included in the Austrian PA funding tables (in EUR at current prices)

EU fund	EU funding 2021-2027
ERDF	521,395,768
ESF+	409,668,103
EMFAF	6,718,094
JTF	135,769,268
<b>Total</b>	<b>1,073,551,233</b>

Source: Information provided by the bodies responsible for the funds

The table below provides an overview of the four corresponding Austrian EU fund programmes, which are contained in the Austrian PA, and lists the relevant administrative authority:

Table 2: Overview of the four Austrian EU fund programmes under the Austrian PA

4 programmes (thereof 2 multi-fund programmes)	EU fund	Administrative authority
IGJ/ERDF & JTF 2021-2027: Investments in jobs, growth & the shift to a low-carbon economy in Austria	ERDF & JTF	ÖROK office
ESF+ programme Employment Austria & JTF 2021-2027	ERDF & JTF	Federal Ministry of Labour (BMA)
ESF+ Programme for Counteracting Material Deprivation 2021-2027	ESF+	Federal Ministry of Social Affairs, Health, Care and Consumer Protection (BMSGPK)
EMFAF Programme Austria 2021- 2027	EMFAF	Federal Ministry of Agriculture, Regions & Tourism (BMLRT)

In terms of content, the programmes generally address the following four (out of a total of five) cohesion policy objectives:

- a smarter Europe – for competitiveness, digital transition, entrepreneurship and innovation
- a greener, low-carbon transitioning towards a net zero carbon economy
- a more social and inclusive Europe – implementation of the principles under the European Pillar of Social Rights
- a Europe closer to citizens by fostering sustainable and integrated development
- The JTF supports the specific objective of enabling regions and people to address the social, economic and environmental impacts of the transition towards a climate-neutral economy.

At the date of this report, work on the Austrian PA and on programming is well advanced. The Austrian PA was officially submitted to the European Commission on 29 July 2021. A revised version taking into account the European Commission’s opinion of September 2021 was officially transmitted on 9 March. The Austrian EMFAF programme was officially submitted to the European Commission for approval on 30 August 2021, and the IGJ/ERDF & JTF programme on 21 September 2021. The ESF+ Employment & JTF and the ESF+ Combating Poverty programmes are currently undergoing informal reconciliation with the European Commission, Directorate-General for Employment, with official submission scheduled for the first half of 2022.

The Austrian PA addresses complementarities and synergies with what is referred to as the Home Funds<sup>1</sup>, the EAFRD (European Agricultural Fund for Rural Development) and other Union instruments such as the Austrian Recovery and Resilience Plan 2020-2026 (nRRP) or the Horizon Europe research framework programme.

Under the Austrian constitution, the responsibility for coordinating EU cohesion policy and fisheries policy instruments as well as the relevant national sectional and regional policies generally lies with both the federal government and the state governments, which is why the competent bodies are involved in ongoing coordination activities to ensure above all that the funding activities complement one another. Austria's approach is to concentrate fund interventions on their respective target groups and territorial priorities. As a consequence, there is only very limited potential for overlap in a few areas.

The Programme for Rural Development 2014-2020 (RD 14-20), which was extended by two more years, and Austria's CAP Strategy Plan 2023 – 2027 (CSP 23-27) are co-financed by the European Agricultural Fund for Rural Development (EAFRD). The funding measures under the RD Programme and the CSP apply both to agricultural and non-agricultural issues and contribute significantly to rural development. The Community-Led Local Development (CLLD)/LEADER approach will support local-level developments across multiple sectors and funds. Model regions where the CLLD approach will be used on a multi-fund basis are located in Tyrol and Carinthia. The demarcation of potential overlaps and synergies between the EU funds are outlined in the Austrian PA.

There are complementarities in respect of the digitalisation and greening of businesses between the Austrian Recovery and Resilience Plan 2020-2026 (nRRP) and the IGJ/ERDF & JTF programme. The funding bodies involved handle any need for demarcation at project level. The easy-access approach to SME digitalisation funding provided for in the nRRP can prepare the ground for ERDF projects. The nRRP component on transformation towards climate neutrality provides support for large-scale transformative projects undertaken by businesses (incl. large-scale enterprises and ETS enterprises) under the national environmental grant scheme. The JTF focuses on ecological innovation and diversification and supports businesses making investments which are embedded in long-term transformation strategies for pro-actively cushioning negative effects of the transformation. The nRRP component on reskilling and upskilling focuses on measures to

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<sup>1</sup> These include the Asylum, Migration and Integration Fund (AMIF), the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF).

improve the prospects of unemployed persons on the labour market, especially in future-oriented areas such as IT, care and environment. When designing the programmes, the Federal Ministry of Labour takes coordination measures to ensure complementarity with the ESF+ in terms of contents. ESF+ measures in similar areas address a wider target group as well as a broader range of topics. The nRRP is also an instrument for driving the reform of the health system as suggested in the country-specific recommendations. There are complementarities with the EAFRD as well, in the context of planned measures for the greening and digitalisation of businesses or the use of renewable energies in rural areas. Here, too, the funding bodies involved take care of the demarcation between the EU funding instruments nRRP and ERDF, which are complementary in these fields, thus excluding any duplication of funding. A continuous high-level exchange in terms of contents and strategy about the EU funds under shared management and their links to other relevant instruments is provided, inter alia, within the framework of the Austrian Conference on Spatial Planning (ÖROK), more specifically by the competent ÖROK Regional Economy Subcommittee.

With respect to the recommendations addressed to Austria for 2019 and 2020 under the European Semester, Austria can expect contributions from the EU funds under the Austrian PA, for specific programmes and limited in amount, for the planned ESF measures in the field of education and for the measures planned under the ERDF and the EMFAF (EUR-Lex, 2019; EUR-Lex, 2020). The latter can be attributed to policy objectives 1 (A smarter Europe – for competitiveness, digital transition, entrepreneurship and innovation) and 2 (A greener, carbon-free Europe) and are expected to contribute to strengthening Austria's position as a business location and the competitiveness of small and medium-sized enterprises, as well as to research and innovation, and to the green and digital transformations. The investments planned within the scope of the JTF in the respective programmes also fall within this range of envisaged measures. Finally, Austria also plans to use the REACT-EU resources available to it in 2021 and 2022 for crisis intervention purposes. These resources make it possible to offer targeted forward-looking support for businesses and for human resources development under the programmes of the EU Cohesion Policy 2014-2020, which will contribute to reaching the goals set out in the recommendations.

In the context of EU funds, it is also necessary to mention the EU's Innovation Fund, which assists projects and businesses in Austria with applications with a view to driving decarbonisation. The nRRP measure for transforming industry towards climate neutrality is designed to help obtain financing from the fund by providing co-financing at national level.



## 6 Institutional aspects

The National Reform Programme 2021 was adopted by the Austrian Council of Ministers on 30 April 2021 and submitted to the National Council for deliberation in accordance with the rules of procedure. The Budget Committee deliberated on the National Reform Programme as well as on the Austrian Recovery and Resilience Plan, in a public session held on 14 June 2021 and acknowledged the programmes with a majority of the votes cast.

Within their respective spheres of responsibility, the state and local governments contribute to implementing the country-specific recommendations for 2019 and 2020 (EUR-Lex, 2019, EUR-Lex, 2020). Collaboration between the various layers of government in early childhood education and care as well as in the health sector is governed by so-called Article 15a agreements, which are used to regulate competences across the different levels of federal and state government. A key aspect of health-sector policy is to systematically continue strengthening the sustainability of the healthcare system by way of coordinated objectives management. The year 2021 will see work start on the reform of the long-time care system based on the same model. By expanding the offer of high-quality early childhood education and care, the states and local communities support the aim of improving women's labour market participation and overcoming educational disadvantages. Apart from an increase in public transport capacities, research and development, innovation, digitalisation, and boosting of competitiveness count among the central topics addressed at regional and local level. With a view to taking state interests into account, numerous measures have been included in the National Recovery and Resilience Plan, in particular measures to support investment and education, which notably serve the interest of social and territorial cohesion.

The social partners, the states and non-governmental organisations were invited to comment on the NRP before its adoption. Numerous initiatives at federal and state level reflect the contribution made by the Austrian social partners, whose expertise has helped to find swift and problem-focused solutions, in particular against the backdrop of the pandemic. Examples include release from work for members of at-risk groups or a legal claim to extra leave of absence for childcare. The applicability of the Apprentice Bonus [*Lehrlingsbonus*] was extended, and the Corona Labour Foundation [*Corona Arbeitsstiftung*] was established as a key contribution to upskilling and to combating the shortage of skilled labour. Labour market measures supported by the social partners are part of the nRRP. In a

joint statement dating from 31 March 2022, the Austrian Federal Chamber of Labour (BAK), the Austrian Trade Union Federation (ÖGB), the Austrian Federal Economic Chamber (WKÖ) and the Austrian Chamber of Agriculture (LKÖ) presented their activities for the period 2021/2022 (see Annex 4). The Austrian Trade Union Federation, the Austrian Economic Chamber, the Vienna Chamber of Labour and the City of Vienna submitted individual contributions to the NRP.

Communicating the nRRP is crucial for it to become a success. The purpose of providing information about the opportunities and effects connected with the nRRP is to raise the visibility of EU funding in Austria, thereby strengthening the trust of citizens in the European Union.

The key element in this communication strategy is the website [www.eu-aufbauplan.at](http://www.eu-aufbauplan.at). Designed by the Federal Chancellery, it is the official single web space for the nRRP. Launched on 24 September 2021, the website is subject to ongoing enhancement and updating. The tagline used is the phrase “Wir bauen auf Europa” The target group includes, on the one hand, the federal ministries, contact points and implementing bodies in Austria which are entrusted with implementing the nRRP, as well as the European institutions, and, on the other hand, the interested public, more specifically businesses, interest groups and the media. The website contents can be broken down as follows:

#### Service:

- A list of the federal ministries, contact points and implementing bodies
- The Austrian Economic Chamber’s Recover MAP tool for businesses that plan to invest abroad and need information on business opportunities and on the recovery plans of other EU Member States
- Frequently Asked Questions on the nRRP and a collection of links (to official documents, legal bases, websites and other sources)

#### Information/Public Relations:

- General information on the nRRP (history, priorities, etc.)
- Information on progress as recorded on the EU Recovery and Resilience Scoreboard
- Illustration of the nRRP through specific flagship projects at the macro and micro levels: the selection of flagship projects ties in with the nRRP priorities (forward-looking investments and reforms covering the policy areas sustainable recovery, digital recovery, knowledge-based recovery and just recovery). Using short textual descriptions, photos and videos, the website presents projects of interest to a large

group of potential beneficiaries (private households, businesses, rural regions, persons disadvantaged on the labour market, etc.).

- News and press releases

The federal ministries, contact points and implementing bodies as well as other government entities and organisations/institutions and/or the European Commission (Representation in Austria) coordinate and implement further communication measures (in accordance with Article 34 of Regulation (EU) 2021/241). This applies, for instance, to communication via social media channels or the (joint) preparation of communication materials (videos, leaflets). When appropriate, events and initiatives intended to draw media coverage are organised, such as press conferences, press briefings after Council of Minister meetings, or on-site visits to nRRP projects.

All recipients of Union funding are encouraged to acknowledge the origin of such funding by providing coherent, effective and proportionate targeted information (in accordance with Article 34 of Regulation (EU) 2021/241). Publicity obligations for nRRP projects include displaying the emblem of the Union and an appropriate funding statement that reads 'funded by the European Union – NextGenerationEU' on communication materials such as project websites, information folders, etc.

In its efforts to include all relevant stakeholders in the European Semester process, the Austrian federal government is in regular contact with representatives of the various levels of government, the social partners, and civil society.

In addition, the various ministries also have measures in place to involve civil society. In accordance with Austria's standards for public participation, the government strives to launch participation processes as early as possible to make the best possible use of existing leeway and scope for action. Here, too, the progress in digitalisation presents key opportunities for fostering public participation tailored to specific objectives and target groups. A green book prepared as guidance for fostering public participation and open government provides the basis for developing practical guidelines in a participative process (BMKOES, 2020). Currently, work is underway on a user-friendly handbook providing practical guidance on the basis of the contextual embedding of participation processes along the policy cycle as proposed in the green book. This practical guidance handbook is designed to help public administration managers and staff to implement participation projects by outlining methodical approaches, guiding principles and decision trees. This is



to serve as a framework for structurally integrating participation processes along the different stages of policymaking.

To cope with the major social challenges of our times, it is crucial for the public administration to collaborate with experts from different fields. Accordingly, the implementation of the nRRP also calls for an innovative administration approach. Numerous initiatives and projects are taking place at all public administration levels to address the topic of public sector innovation. The projects and activities of GovLabAustria ([www.govlabaustria.gv.at](http://www.govlabaustria.gv.at)), a compact study course on Innovation, and the School of Data Public Services provide a new impetus for innovation in the Austrian federal administration. The Austrian Administration Award [*Österreichischer Verwaltungspreis*] ([verwaltungspreis.gv.at](http://verwaltungspreis.gv.at)) creates incentives for the leaders and team members of many future-oriented projects and promotes knowledge transfer across different levels of government, while the Innovate Conference for innovation management in the public sector brings together experts from a variety of fields to discuss current topics of public administration and promotes collaborative knowledge sharing. The quality management tool Common Assessment Framework (CAF) and the accompanying guidelines support administrative organisations in efficiently and effectively addressing many of the topics mentioned in the country report (ecological sustainability, inclusion, digitalisation, etc.).

The Austrian School of Government project was launched to ensure stability and professionalism in public sector administration at the highest level, also going forward. The aim of the Austrian School of Government is to provide the foundations for a professional, pro-active and transparent public administration. In exploring organisational possibilities, existing demand, and potential cooperation formats, the focus is on the tertiary education sector, where promising newly created university-level CPD options (BA Professional and BA Continuing Education) are available.

The major social challenges of our time also impact the manner in which public administration organisations can, and must, provide their services. For this reason, the Future of Work project aims to identify the health, organisational, legal and technical challenges and potentials which mobile forms of work hold for Austria's federal administration system. With a view to future ways to organise work, the mobile and forward-looking model to be defined should meet the requirements of the organisation just as much as the requirements of the staff and managers to ensure that service delivery will be sustainable, efficient and effective. In this context, adequate transformation processes for a productive and sustainable future of work in the federal public administration are

being explored in what is called a real lab (trans-disciplinary experimentation space). In this real lab, as many heterogeneous stakeholders as possible assess the effects of different working models under scientific supervision, gathering evidence, within the scope of their experiences, in implementing transformation processes for different work arrangements. The project results will be made available to the federal administration and to the general public in the form of user-friendly practical guidelines.

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## Abbreviations

AI	Artificial Intelligence
AMIF	Asylum, Migration and Integration Fund
Austrian PA	Partnership Agreement with Austria 2021-2027
BA	Bachelor of Arts
BAK	Bundesarbeiterkammer (Austrian Federal Chamber of Labour)
BKA	Bundeskanzleramt (Federal Chancellery)
BMA	Bundesministerium für Arbeit (Federal Ministry of Labour)
BMF	Bundesministerium für Finanzen (Federal Ministry of Finance)
BMKOES	Bundesministerium für Kunst, Kultur, öffentlichen Dienst und Sport (Federal Ministry for Arts, Culture, Civil Service and Sport)
BMLRT	Bundesministerium für Landwirtschaft, Regionen und Tourismus (Federal Ministry of Agriculture, Regions and Tourism)
BMSGKP	Bundesministerium für Soziales, Gesundheit, Pflege und Konsumentenschutz (Federal Ministry of Social Affairs, Health, Care and Consumer Protection)
BMVI	Border Management and Visa Instrument
bn	billion
B-VG	Bundes-Verfassungsgesetz (Federal Constitutional Act)
CAF	Common Assessment Framework
CAP	Common Agricultural Policy
CeSar	Country-Specific-Recommendations Database
CLLD	Community-Led Local Development
CO2	Carbon dioxide
CSP	CAP Strategy Plan
CSR	Country Specific Recommendations
e.g.	exempli gratia (for example)
EAFRD	European Agricultural Fund for Rural Development
EMFAF	European Maritime, Fisheries and Aquaculture Fund
ERDF	European Regional Development Fund
ESF	European Social Fund

etc.	et cetera
EU	European Union
GDP	Gross Domestic Product
GHG	Greenhouse Gases
ha	Hectare
IJG	Investment for Jobs and Growth
IPCEI	Important Projects of Common European Interest
ISF	Internal Security Fund
IST-A	Institute of Science and Technology Austria
JTF	Just Transition Fund
LKÖ	Landwirtschaftskammer Österreich (Austrian Chamber of Agriculture)
m	million
MRV	Ministerratsvortrag (bill of law submitted to the Council of Ministers for approval)
naBe	Action plan for sustainable public procurement
NAP	National Action Plan
NEKP	Nationaler Energie- und Klimaplan (National Energy and Climate Plan)
NGEU	Next Generation EU
NRP	National Reform Programme
ÖGB	Österreichischer Gewerkschaftsbund (Austrian Trade Union Federation)
ÖROK	Österreichische Raumordnungskonferenz (Austrian Conference on Spatial Planning)
RD	Rural Development
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
REG	Regulation
RTI	Research, Technology and Innovation
SDGs	Goals of the Agenda 2030 for Sustainable Development
STEM	Science, Technology, Engineering and Mathematics
TFEU	Treaty on the Functioning of the European Union
TSI	Technical Support Instrument
TWh	Terawatt hours

UN	United Nations
VNR	Voluntary National Review on SDG implementation
WKÖ	Wirtschaftskammer Österreich (Austrian Federal Economic Chamber)



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