

## **SOCIAL AND ECONOMIC ANALYSIS OF THE PROGRAMME AREA**

### **Eligible area and regional structure**

The core programme area includes the eligible NUTS III regions Oststeiermark, West- and Südsteiermark, Klagenfurt – Villach, Unterkärnten and Südburgenland on the Austrian side, and the NUTS III regions of Gorenjsko, Koroško, Savinjsko, Podravsko and Pomursko on the Slovene side. The NUTS III areas Graz, Obersteiermark Ost, Obersteiermark West and Oberkärnten in Austria and Osrednjeslovensko in Slovenia are included in the programme on the basis of Art 21 (1) of the regulation EC (ERDF), whereby expenditure incurred by implementing operations or parts of operations in the adjacent NUTS III areas may be financed from the ERDF up to a limit of 20% of the amount of its contribution to the operational programme.

Referring to Article 21 of the Council Regulation No 1080/2006 *“at project level, expenditure incurred by partners located outside the programme area may be eligible, if the project could hardly achieve its objectives without that partner’s participation.”* This option may be used by project partners from Vienna or other regions outside the programme area (e.g. adjacent regions of Italy or Hungary).

The experience from the past has shown that multilateral projects are of rising importance for regional development and territorial cohesion in the programme area comprising Austrian, Hungarian, Slovenian, Italian and Croatian border regions. Therefore the programme partners consider it important for the programme design and implementation to widen the scope of the cross-border programmes and to take care of the needs and opportunities of multilateral projects.

The law on balanced regional development that Slovenia introduced in 2005 gives foundation to the establishment of development regions and cohesion regions. A proposal of two cohesion regions is being negotiated. In view of the current programme area, the Gorenjsko and Osrednjeslovensko are to become part of the more developed West Slovenia, while Podravsko, Pomursko, Koroško and Savinjsko are to be included in the cohesion region East Slovenia.

Compared to the previous INTERREG IIIA period, the programme area as a whole has increased with the inclusion of the NUTS III regions Südburgenland, Obersteiermark Ost, Obersteiermark West and Osrednjeslovensko. Through the extension of the eligible territories, added value and higher level of cross-border cooperation will be achieved with the activities, which will have a broader impact on the development of the overall territory. It will be easier to fulfil the objectives related to the Lisbon strategy (research institutions, universities, etc., additional regional resources and competences). Because of the wider area more institutions will be able to act as lead partner; some of them have already declared interest to take part in the programme.

In the previous period, it was the municipality of Kamnik only that was included as an eligible area in Slovenia, while in this period we have decided to include the whole Osrednjeslovensko region (under 20 %), which has until now already been involved in the cross-border cooperation with Austria to some extent through particular institutions (universities, research institutions, etc.), by creating networks and bringing experiences and knowledge to the cross-border stakeholders. The new period will thus assure a more efficient implementation of the programme strategy.

The participation of the NUTS III region Oberkärnten in the upcoming objective 3 programme is necessary because this area was also eligible (under 20%) in the running period, and therefore several projects took the opportunity and established first contacts with partners in Slovenia. The continuation of these partnerships is necessary from the point of view of sustainability. In addition, due to geographical reasons it is essential for Oberkärnten to encourage trilateral projects with Friuli-Venezia Giulia and Veneto, and in this case some key actors have their seat in the NUTS III region Oberkärnten.

There is also a clear need for the Styrian regions (Graz, Obersteiermark Ost, Obersteiermark West) to be included in those areas. In Steiermark, the need to extend the programme area is evident so as to secure the needed institutional resources for project development and implementation. With participations of the

above mentioned regions in the programme, it will be easier to fulfil objectives related to Lisbon strategy because of cooperation of the research institutions, universities and additional regional resources and competences.

The current overall population of the programme area is more than 3,240,000 people, covering the area of 35,523 km<sup>2</sup>. In Slovenia, which is characterised as a “border country”, the programme covers around 57 % of its territory and 73 % of the entire population. On the Austrian side, 100 % of the population of Kärnten and 93% of Steiermark is included, with additional 35 % of the population of Burgenland.

**Table 2: List of eligible regions**

<b>NUTS III area</b>	<b>Area in km2</b>
Oststeiermark	3,351
West- and Südsteiermark	2,223
Graz	1,228
Obersteiermark Ost	3,255
Obersteiermark West	3,059
Unterkärnten	3,374
Klagenfurt-Villach	2,028
Oberkärnten	4,130
Südburgenland	1,251
<b>AUSTRIA</b>	<b>23,899</b>
Gorenjsko	2,137
Koroško	1,041
Savinjsko	2,384
Podravsko	2,170
Pomursko	1,338
Osrednjeslovensko	2,555
<b>SLOVENIA</b>	<b>11,624</b>
<b>TOTAL</b>	<b>35,523</b>








Source: AT: Statistik Austria; SI: Statistical Office of the Republic of Slovenia (SORS), calculations of the Institute for Macroeconomic Analysis and Development (IMAD).

The length of the Slovene-Austrian border is 330 km, 170 km of which on the Austrian side belong to Kärnten, 145 km to Steiermark, and only 15 km to Burgenland. With the accession of Slovenia to the EU on 1 May 2004, the border became an internal border, thus providing a new impulse for the regions' cooperation.

## General map of the programme area

### Objective 3 Austria - Slovenia



<b>Programme area</b>	<b>Administrative boundaries</b>	<b>Draft:</b>
<ul style="list-style-type: none"> <li> Core programme area in line with article 7(1) of the general Structural Funds regulation</li> <li> Extended programme area in line with article 21(1) ERDF regulation</li> </ul>	<ul style="list-style-type: none"> <li> NUTS 0</li> <li> NUTS 1</li> <li> NUTS 2</li> <li> NUTS 3</li> <li> Cities</li> </ul>	OIR-Managementdienste GmbH

### Spatial structure

The programme area stretches from the Alpine mountain regions in the west and north to the hilly country with chains of long-drawn hills in the Burgenland-Styrian-Slovene border at the east. The most part of the region Pomursko, a part of Podravska, and the region of Südburgenland form the Pannonian plain.

The area encompasses two cross-border river systems, the Mura/Mur and Drava/Drau, while on the Slovene side the Sava river is an important river basin. The programme area, in particular the Alpine regions, is also characterised by numerous lakes. The eastern part of the area is rich with thermal springs and the land is most intensively cultivated.

The programme area is characterised by high density of woods, especially in the western part, with the forest-overgrown territory even increasing due to the decrease in agricultural production; the wood coverage in the eastern part is much lower and the share of agricultural land is higher.

The core areas are represented by the capitals of the partner regions and the agglomerations along the high-ranged transport routes:

- Kranj – Ljubljana – Celje – Maribor in Slovenia,
- the area of Graz with the Upper Styrian industrial towns Kapfenberg and Leoben in Steiermark,
- the Carinthian core area between the pole cities of Villach and Klagenfurt.

These core areas cover the majority of population, industry and SMEs, administration and services, centres of education, research and knowledge, as well as the major capacities for transport and logistics.

Around the transport routes a series of rural and/or Alpine regions are located, which are, however, rather characterised by their predominant agricultural, forestry or tourism structures.

## **Social and economic framework conditions**

The structure and development of the programme area is fully embedded in a wider context, both at the European and even global level.

The expansion of the EU territory in 2004 has led to a dramatic increase of economic disparities in the Community. From a historical perspective, this constitutes a major challenge for the EU regional policy. The growing competition for business investments between regions inside and outside the EU is an indicator for the importance of this policy field, with strong implications to the regarded programme area.

Key developments beyond the EU borders also have a strong impact on the cooperation area. They intensify the process of competition of enterprises and regions, and represent a major framework for the development strategies applied within the EU:

- The circle of industrialised countries in the world has increased. Additionally to the triad Europe–North America–Japan that dominated the world economy for four decades in the past, new dominating economies are emerging, among them China, India and Brazil, which are rapidly catching up to the big players. On the one hand, this represents new market opportunities, but on the other hand it also introduces new competitors on the global market.
- The strong economic growth of the Asiatic threshold countries additionally caused a significant shortage and rise in prices of resources and energy.

The globalisation as such represents a far reaching extension of business interactions and networks for the enterprise sector. Even SMEs are forced to take the international economic space into consideration and are thus permanently faced with pressure of growth and innovation, with international networking and competition. In addition, the public sector has to reorganise in order to facilitate the competitiveness of enterprises and upgrade the attractiveness of locations and regions.

Other related factors will also strongly influence the future development in the cooperation area of Austria and Slovenia.

- A growing share of old-aged population and a reducing number of young people will have consequences not only for the patterns of consumption and public service needs, but also for the behavioural aspects within the labour force, such as readiness for mobility and innovation.
- Population growth will increasingly depend on international migration, particularly focused on cities, which will intensify the challenges of integrating a multi-ethnic society.

- Technological innovations and growing complexities of the economy and of the society as a whole contribute to the critical importance of information processing, communication skills and knowledge management. These skills will increasingly become decisive for economic opportunities and social participation.

A large number of people and companies, but also the education system, the public administration and the regional policy are not yet sufficiently prepared to meet these challenges.

## Demography

The overall population of the programme area is 3,250,000 inhabitants. The population structure among the participating regions differs.

In Slovenia, the population change in the period 1991-2002 is negative in all programme NUTS III regions with the exception of the Osrednjeslovensko and Gorenjsko. The reason is the decrease in natural increase and immigration. The population decreased mostly in the least developed Pomursko region. Osrednjeslovensko, on the other hand, has the highest share of net migration, as people move to the region in search of better job opportunities. In Austria, the negative change in the same period has been recorded in Südburgenland and Oststeiermark and strongly in Obersteiermark West and Obersteiermark Ost, while the highest increase was in Graz and in Klagenfurt-Villach.

**Table 3: Population of the programme area**

NUTS III area	Inhabitants	Population density	Ageing index
	AT: 1.1.2005 SI: 30.6.2006	AT: 1.1. 2005 SI: 30.06.2006	AT: 2006 SI: 30.6.2006
Oststeiermark	268,627	80	108.26
West and Südsteiermark	190,966	86	112.09
Graz	376,512	307	113.30
Obersteiermark Ost	172,267	53	167.25
Obersteiermark West	107,492	35	128.71
Unterkärnten	157,277	47	116.71
Klagenfurt-Villach	271,435	134	121.68
Oberkärnten	131,179	32	114.44
Südburgenland	97,514	70	146.23
<b>AUSTRIA</b>	<b>1,773,269</b>	<b>74</b>	<b>121.17</b>
Gorenjsko	199,626	93.4	104.9
Koroško	73,729	70.9	101.6
Savinjsko	258,684	10.5	101.4
Podravsko	319,530	147.2	121.0
Pomursko	122,198	91.4	117.0
Osrednjeslovensko	502,100	196.5	108.4
<b>SLOVENIA</b>	<b>1,475,876</b>	<b>99.1</b>	<b>112.4</b>
<b>TOTAL</b>	<b>3,249,136</b>		

Source: AT: Statistik Austria 2006, Update of OEROK Population Forecast 2001-2031, own calculations; SI: Statistical Office of the Republic of Slovenia (SORS), own calculations; calculations of the Institute of Macroeconomic Analysis and Development (IMAD).

Ageing of the population (increase of the population aged 64+) and a decrease in young population (age 0-14) is another characteristic of the Slovene programme area. In 2006, the ageing index for Slovenia and all named regions exceeded 100, while in Gorenjsko, Savinjsko and Koroško it was still below 100. In Austria, in particular in the industrial regions of Obersteiermark Ost and Obersteiermark West, as well as in Südburgenland, the ageing process has been developing rapidly. In the long run, the ageing process will represent a decrease in the birth rate and number of inhabitants, resulting in shortage of work force and consumers, thus effecting the regions' economic growth and potential on both sides.

Moreover, the population density differs noticeably. Osrednjeslovensko with the capital city of Ljubljana has the highest density, which is two times the Slovene average; the regions of Savinjsko and Podravsko are above average as well, while the lowest population density has been recorded in the Koroško region. In Austria, the highest density is characteristic of the region Klagenfurt-Villach and Graz, while the lowest has been calculated for Oberkärnten. Except for Klagenfurt-Villach and Graz, all other regions are below the Austrian average.