

Investment Promotion in Austria

The Austrian Investment Promotion Scheme and the focus of investment promotion activities are consistent with the requirements of EU competition law.

Investment promotion activities focus on:

- Regional aid
- Promotion of small and medium-sized enterprises
- Promoting technology
- Environmental promotion
- Providing aid for initial and ongoing professional training

The most important investment promotion instruments are grants, loans with an interest rate below the market rate, interest subsidies and the assumption of liability.

As EU competition law in each case specifies the maximum aid intensity, the quality of aid provided through the different investment promotion instruments needs to be expressed in terms of the comparable net present value. When putting together investment promotion packages it is therefore important to always ensure that the overall net present value of the package is consistent with the maximum net present value permitted under competition law.

Professional advice in matters regarding investment promotion is recommended, especially for the purpose of identifying the promotional focus of investment or technology-related measures and for structuring an optimum investment promotion package.

The main focal areas and key aid initiatives of the Austrian Investment Promotion Scheme for businesses – with the exception of the leisure and tourism industry – are outlined below.

Regional aid

Resources from the EU's Structural Fund (i.e. European Fund for Regional Development) are available precisely for investment-related measures. Funds can also be provided via the national operational programmes which were set up in consultation with the EU.

Grants for projects in regional aid areas are also available from the Ministry of Economics and Labour. The Ministry's Labour Market Promotion Programme supports investments such as the setting up of new business establishments, expansion investments, and investments involving major changes of a product or far-reaching production-related changes. This aid by the Republic of Austria is supplemented by grants of an equal amount from the respective federal province. The following are the key eligibility criteria for such aid: the significance of the project for the labour market, the creation and/or protection of jobs through the project, and investments by a small or medium-sized company. Projects of large companies may also be eligible for aid in a national regional aid area.

These grants can be supplemented by a low-interest loan provided under the ERP Regional Programme. Such loans of the Austrian ERP Fund are made available to the Austrian economy as trust funds via trust banks.

It is usually also the trust bank which undertakes to act as guarantor and payer in favour of the ERP Fund, therefore guaranteeing the repayment of Fund monies.

The low-interest loans are generally granted with a view to supporting technologically sophisticated in-

vestment projects with structural improvement effects and growth effects in old industrial areas and peripheral regions. They are also available to companies with a business establishment in Austria which undertake investments in a national regional aid area.

Costs which qualify for support are in particular investments in technical equipment. In the case of small and medium-sized companies, the building occupancy expenses associated with such investments can also be included in the project volume eligible for support. When submitting an application for an ERP regional loan one should ensure that the project volume presented for consideration corresponds to the annual depreciation charge of the company that is carrying out the project.

In the case of regional aid it is important to note that applications for funding should be submitted to the office of the relevant aid agency in a timely manner before a project is launched.

Promotion of medium-sized businesses

A classic investment promotion instrument in this field is the "Business Dynamic Programme" developed by Austria Wirtschaftsservice (aws), the investment promotion bank of the Republic of Austria. Under this investment promotion initiative, grants of up to 15% of the amount to be invested can be granted for innovative investments of small and medium-sized companies. aws also guarantees up to 80% of the amount of investment loans granted to a business. The aforementioned grants are provided on the condition that the projects submitted for consideration meet at least one of the following criteria: production / supply of innovative or higher quality products / services or application / employment of new technologies. Measures associated with the development of cluster formations or supra-company cooperation can also be considered for eligibility.

Medium-sized companies also have access to funds from the ERP SME Programme for low-cost invest-

ment financing. Such funds are available for modernisation or expansion projects, product innovations and innovative procedures, and for investments undertaken in conjunction with the founding of a new company or the relocation of a business. The aid is provided in the form of ERP Fund monies with interest charged at a rate well below the general market rate, and which are made available to SMEs via the ERP trust banks. As with other ERP programmes, the trust banks are normally required to give an undertaking in favour of the ERP Fund that they will act as guarantor and payer.

The aws has developed a "Double Equity Guarantee Fund" to facilitate the financing of the set-up and start-up phases of SMEs. An important eligibility criteria permitting aws to act as guarantor for a maximum 80% of the facility is that the business was founded or acquired no more than 5 years ago. The equity contributed by the partners must be available to the business for a minimum period of ten years, the return on the equity must be profit-linked, and in the case of insolvency the equity is subordinate to other debt.

The Young Entrepreneur Promotion Programme was launched to encourage young entrepreneurs to take a first step toward economic independence. The programme focuses on promoting the founding of new businesses and on the acquisition of economically independent small businesses through investment premiums and the assumption of liability for up to 80% of the amount of the investment loans.

Promotion of technology

A notable investment promotion instrument available under the Austrian Investment Promotion Scheme is the "SEED Financing for High-Tech Companies". This helps to fund the establishment of innovative high-tech companies with mezzanine loans (profit-linked, repayable loans) provided by aws. Usual bank security is not required for this purpose. Costs normally covered by this programme are the setting-up

expenses and the costs for opening up new markets, personnel expenses and fees for external consultants.

The "High-Tech Double Equity Guarantee Fund" of aws is the follow-up investment promotion instrument to seed financing. Under this programme, aws acts as guarantor for up to 80% of the amount of unsecured bank loans in respect of the portion guaranteed by aws to facilitate the financing of high-tech SMEs by doubling the private equity capital.

The programmes offered by the Austrian Research Promotion Agency (FFG) provide funding to partially cover the costs for particularly innovative projects (significant product innovations and/or innovative procedures). Persons or companies eligible to apply for aid are SMEs and large corporates, joint research institutions, scientific institutions and individual researchers. The cost structure of such technology projects is generally characterised by personnel expenses (internal project team which solves any problems), patent and licence costs, and costs for external expert opinions and studies. FFG funding is based on a mix of grants and low-interest loans. Alternatively, or in addition, innovative projects can be funded through ERP Technology Programmes. Like the "Regional" and "SME" programmes mentioned above, the funds are administered in a fiduciary capacity by the ERP trust banks.

Environmental promotion

The objective of corporate environmental promotion in Austria is to protect the environment by avoiding or reducing harmful substances generated by climate-relevant gases, all types of air pollution, noise or waste.

The focus here is on supporting the investment measures of companies aimed at using renewable energy, on the efficient use of energy, and on projects which help reduce hazardous waste, air emissions or the noise level at the workplace. Funding is provided in the form of a non-repayable grant.

Initial and ongoing corporate training

This area of investment promotion also has substantial access to EU funds, provided by the European Social Fund (ESF). EU funding is supplemented by national funds of the Republic of Austria. All the funds available for training purposes are granted via the operational programme "Employment Austria 2007 to 2012". The grants are in particular earmarked for the following purposes: adaptability of employees, fighting unemployment, work integration of people with disabilities, integration of people with little or no contact to the labour market, and lifelong learning.