



FMA VISIT TO VIENNA IN CONTEXT OF THE AUSTRIAN PRESIDENCY

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I. AUSTRIA

1.HISTORY

2.CULTURE

I. Austria

1. History¹

The Middle Ages

When the Babenbergs, a Bavarian noble family, were entrusted with the administration of the region in 976, Austria was still rather sparsely populated. With a clear sense of purpose the Babenbergs expanded their power in the centuries that followed, and with skillful marital policies they became one of the empire's leading families. In 1156, Austria was elevated to the status of a duchy and was granted important privileges. By the time the last male Babenberg died in the mid-13th century, the dynasty had significantly expanded their dominion.

Following the brief interregnum of the Přemysl ruler Otakar II, the Habsburgs, whose origins lay in Swabia, were enfeoffed with the Duchy of Austria in 1282. With great skill and sense of purpose they constantly expanded their sphere of influence, acquiring the duchies of Styria, Carinthia and Tyrol through contracts of succession and adding Gorizia and Istria (with Trieste) to the areas under their control. Duke Albert V, who had married the daughter of Emperor Sigismund, himself became the first Habsburg to wear the imperial crown, following the death of his father-in-law in 1437.

Modern Age

Over the centuries that followed Albert's successors wore the crown of the Holy Roman Empire with only short interruptions. The House of Habsburg used skilful marital policies to expand its territory, adding Burgundy and the Netherlands, and also ruling Spain. In 1522, the Habsburg dynasty was divided into a Spanish and an Austrian line, and the latter also acquired Bohemia and Hungary when the last Jagiellonian king died in 1526. The 16th and 17th centuries were marked by conflict with the Ottoman Empire, whose vast armies advanced through Austria and were beaten off at the gates of Vienna twice. Having successfully pushed back the Ottoman expansion, Austria acquired additional territories, emerging as a great European power.

In the second half of the 18th century, Empress Maria Theresa and her son Joseph II introduced sweeping reforms that provided the basis for a modern administrative government. The changes brought about on the map of Europe by the French Revolution and the subsequent Napoleonic Wars led to the dissolution of the Holy Roman Empire, and in 1806 Emperor Francis II renounced the Roman imperial crown. Two years earlier he had followed the lead of Napoleon and declared Austria an empire.

After suffering a number of crushing defeats in the course of the formation of the Italian state, the Habsburgs were forced to make concessions to a rising wave of nationalism. In 1867, Emperor Francis Joseph approved the establishment of the Dual Monarchy of Austria-Hungary. This multinational state collapsed after the First World War, not least because of the drive for independence among its numerous nationalities.

¹ <http://www.austria.org/history/>

20th Century

As the surviving state of the former Dual Monarchy, Austria was proclaimed a republic in 1918, but it was difficult for this small nation to find its place in the new European order. In 1938 the country fell prey to the pressure of aggression by Hitler's Germany and the unstable domestic political situation.

Until the signing of the Austrian State Treaty in 1955, the independent Republic of Austria, which had been set up in 1945 with the help of the Allied Forces, remained occupied by the four great powers: France, Great Britain, the Soviet Union and the United States. In 1955, the Austrian Parliament passed a constitutional law to guarantee permanent Austrian neutrality, and in the same year the country became a member of the United Nations.

Over the decades that followed, Austria became a valued and important member of the European project, initially as a member of EFTA. Following many years of efforts to promote the European integration, Austria became a member of the European Union on 1 January 1995. It held the Presidency of the EU Council in 1998 and again in 2006.

2. Culture^{2 3}

Austrian culture has been greatly influenced not only by the Habsburg imperial family, but also by its neighbours. Being a land-locked country, Austria is bordered by the Czech Republic, Germany, Hungary, Slovakia, Slovenia, Italy, Switzerland, and Liechtenstein. This means that Austrians are open to a diverse range of cultures, religions, and languages.

Music

When nearly 150,000 people gather each year to hear the Vienna Philharmonic's open-air Concert for Europe, the audience is as diverse as Europe itself. The grounds of Schönbrunn Palace become a meeting place where visitors to Vienna, locals and music lovers alike are drawn together to enjoy the tunes of world-famous composers. These luminaries also include Austrians such as Mozart, Haydn, Liszt and Mahler, who undoubtedly would have felt right at home in this ethnic mix. After all, it was through their travels and contact with other cultures that they developed their distinctive musical style.

Wolfgang Amadeus Mozart was only six years old when he and his family embarked on what at the time was truly a "grand tour". The Mozarts travelled through countless cities in Germany and Belgium on their way to Paris and London, where the child genius delighted listeners with his virtuosity as a pianist.

Even for a composer so tied to his roots as Joseph Haydn was, travel and European cultural exchange were vital to the continued development of his style. When Haydn, who spent nearly his entire adult life in the service of the Princes Esterházy, received an offer in 1791 to visit England and conduct his new symphonies there, he accepted immediately. His friend Mozart expressed concern that Haydn didn't even speak English, but the latter replied, "My language is understood all over the world!" Today the influence of Austria's great musicians can still be felt. This country has become a meeting

² <https://www.iexplore.com/articles/travel-guides/europe/austria/history-and-culture>

³ <http://www.austria.org/population/>

place for music lovers from all over the world who come here to attend festivals and visit the places these famed composers lived and worked in order to better understand their sublime music.

Architecture

The scene at the building site of Salzburg Cathedral in 1620 must have resembled a kind of Tower of Babel: there were local labourers, soldiers from all over Europe who had been separated from their units, and at the very centre an Italian master builder who directed the entire project with great élan. Santino Solari was evidently a very busy man at that time. He not only oversaw the rebuilding of the cathedral in Salzburg, but was also charged with renovating the entire fortifications of the city. In the ensuing decades, many other Italian architects followed Solari's lead and came here to lend Austria the Baroque splendour for which it is still famous today. In Vienna, Filiberto Lucchese worked on the church at Am Hof and on the Leopold Wing of the Hofburg, Carlo Antonio Carlone rebuilt Upper Austria's St. Florian Monastery as a Baroque masterpiece, and Domenico Martinelli infused the Liechtenstein Garden Palace with splendour and dignity.

With the advent of Viennese Classicism and the magnificent buildings commissioned by Empress Maria Theresa, Austrian architecture spread to the crown lands. Austria's influence became even more significant in the second half of the nineteenth century. In the entire empire, now Austria-Hungary, the cities had begun to expand. Bit by bit, the city walls were razed, boulevards, plazas and squares were built and new districts were made accessible to meet the housing needs of a growing urban population. And the model for this development was Vienna, where the splendour of the imperial capital was manifested in the Ringstrasse and its grand buildings.

An artistic style that originated in Vienna and came to have a considerable influence on Europe and even America was Jugendstil (1890–1910). Today, the floral style of Viennese Jugendstil can still be seen on some of the residential buildings lining the city's Naschmarkt and on the Secession building with its characteristic gold dome.

Austria has experienced a remarkable architectural awakening in the past twenty years, and visitors can experience this as well when they visit futuristic buildings such as the Kunsthaus Graz, the Lentos Museum and Ars Electronica Center in Linz, and the hypermodern government district in St. Pölten. Austria's westernmost province has become a centre for innovation as well as the source of a new style of wood architecture in Vorarlberg that has spread all over Europe, one that aims for a symbiosis with the surrounding landscape, with the history of the region, and with the identity of the region's inhabitants. After all: "People do not exist to serve architecture – architecture exists to serve people".

II. AUSTRIAS'S EU PRESIDENCY 2018

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- 2. PRIORITY DOSSIERS UNDER THE AUSTRIAN EU COUNCIL PRESIDENCY**
- 3. AUSTRIAN PRESIDENCY PRIORITIES DISCUSSED IN PARLIAMENTARY COMMITTEES**

Programme of the Austrian Presidency

Presidency of the Council of the European Union
1 July – 31 December 2018



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Programme of the Austrian Presidency

Presidency of the Council of the European Union
1 July – 31 December 2018



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Priorities of the Austrian EU Presidency

Austria will take over the Presidency of the Council of the European Union on 1 July 2018, in a time of great challenges and upheavals, both on the European continent and beyond. 2018, a year in which Austria commemorates not only the so-called “Anschluss” in 1938, but also the revolution of 1848 and the end of the First World War in 1918, is a reminder that Europe has already weathered numerous crises and witnessed profound political change. However, the painful lessons of the past have taught us that Europe not only managed to survive its darkest hours, but ultimately emerged from them stronger and united.

Long-lasting peace, along with freedom and growing prosperity in all EU Member States, are major achievements of the European integration and must be preserved. Today, however, Europe faces new challenges which no country will be able to address on its own. Globalisation leads to intensified economic competition and the consequences of armed conflicts in neighbouring regions and global migration flows are becoming increasingly difficult to cope with. Climate protection is an increasingly pressing issue, and the threats of terrorism and radicalisation are on the rise. These issues need to be addressed rapidly, if Europe wants to safeguard its achievements, values and the European way of life – and thereby maintain the support of its citizens and remain a global power. The Austrian Presidency considers it both its duty and its ambition to contribute to finding solutions to these major challenges.

Also within the European Union itself, the Austrian Presidency will encounter a very demanding environment. The EU will be concerned with two important topics during the Austrian Presidency which will be decisive for the future: on the one hand, the conclusion of the negotiations on the withdrawal of the United Kingdom from the European Union (Brexit), and, on the other hand, the negotiations on the Multi-annual Financial Framework post 2020 following the presentation of the respective proposals of the European Commission in May and June 2018.

Concerning the complex Brexit negotiations, the Withdrawal Agreement and the terms on the transition period as well as the Political Declaration on the framework for future EU-UK relations associated with the Withdrawal Agreement have to be finalised by autumn 2018. This is necessary to ensure the United Kingdom's orderly withdrawal from the European Union on 30 March 2019. In this context, Austria will focus on maintaining the unity of the EU-27, and on laying the foundations for a positive and successful relationship with the UK after its withdrawal.

The Multiannual Financial Framework post 2020 will have to respond to several new challenges and priorities, as well as to the fact that the UK will no longer be paying contributions. Negotiations will be conducted intensively under the Austrian Presidency. In this respect, it will be crucial that the budgeted resources lead to gains in efficiency and provide a clear European added value for the EU to benefit as a whole.

In addition, the Austrian Presidency takes place shortly before to the European Parliament elections in May 2019. There is therefore the expectation that EU legislative proposals will be taken forward as much as possible or brought to a conclusion during this period. Austria views its role during the forthcoming Council Presidency as that of an honest broker and will use its best efforts to find common solutions. There is no doubt that a Presidency can only make progress if it can count on the unity of the EU and its Member States. In order to overcome the challenges it faces, the EU must ensure that all EU Member States pursue a joint approach. Given its geographic location in the heart of the EU, its obligation of neutrality and in line with its traditional role as bridge builder, Austria will endeavour to contribute to the unity within the EU during its Council Presidency.

A Europe that protects

In recent years, the EU has had to deal with several crises that have shaken citizens' confidence in the European Union as a Union that guarantees peace and security. Austria will therefore choose the following motto for its Presidency: A Europe that protects.

This is in accordance with EU citizens' expectations. Austria's efforts will be aimed at strengthening the European Union, helping it to get closer to its citizens and re-establishing trust – citizens' trust in the EU's capacity to act, mutual trust among the Member States, and trust in the EU as a reliable and stabilising force in the world.

In order to achieve this objective, Austria's approach will be based on enhancing the principle of subsidiarity. The European Union should focus on big issues which require a joint solution and take a step back when it comes to smaller issues where Member States or regions are in a better position to take decisions. This approach aims at taking seriously the motto of the European Union, "United in Diversity" as well as the ongoing debate on the future of Europe, in particular the scenario "Doing less more efficiently". As often shown in the past, the EU's strength derives also from the diversity of its Member States and regions. Only if there is sufficient room for finding local solutions to smaller issues, will it be possible to credibly promote unity in the face of big issues. In this context, Austria will place a strong emphasis on the involvement of EU citizens in issues concerning the future development of the European Union.

In light of the big challenges mentioned above, the EU is in a position to provide an indispensable added value for its citizens and its Member States. To that effect, the Austrian Presidency will prioritise the role of the European Union as a Europe that protects, in particular concerning three priority areas: security and migration, maintaining competitiveness through digitalisation, and stability in the neighbourhood.

1. Security and the fight against illegal migration

The consequences of Europe's largest migration crisis since the Second World War and the concerns of citizens about further uncontrolled migratory flows have highlighted the importance of a joint approach in the fight against illegal migration and of securing the EU's ability to act. At the centre of these efforts are the reform of the Common European Asylum System as well as the re-focussing and strengthening of the European Border and Coast Guard Agency FRONTEX, in order to guarantee the efficient protection of the EU's external borders. Moreover, the aim is to work more closely with third countries in order to ensure effective return policies and to provide assistance to those in need of protection before they enter the EU while, on the other hand, preventing those not in need of protection from setting off on the dangerous crossing to Europe. The Heads of State or Government will deal with these issues at their informal summit held in Salzburg on 20 September 2018.

As organised crime in a globalised and converging world is operating in an increasingly connected way, the Austrian Presidency will advocate efficient cooperation of and information exchange between the security authorities of individual Member States as well as the interoperability of the relevant large databases. Furthermore, joint efforts are needed also at European level to combat terror threats and radicalisation of all kinds.

2. Securing prosperity and competitiveness through digitalisation

The EU maintains its position as the world's leading trade power and largest internal market. However, Europe's share of global GDP and its economic power are in decline. To sustainably secure its prosperity and competitiveness, it is essential that the EU consistently avoids overregulation and makes progress in the fields of innovation and digitalisation. In addition, many EU citizens are concerned about the effects digitalisation may have on the economy and their personal lives. A considerable share of growth in the EU can already be attributed to the digital economy. With an intelligent policy of digital transformation, it will be possible to safeguard the competitiveness and sustainability of the European economy also in the future. Completing the Digital Single Market, modernising public administration on a broad scale and renewing industrial policy will improve framework conditions for digital business models and services.

For the digital economy to develop its full potential and to benefit everybody, a modern and balanced regulatory framework is required. National public budgets need to be protected from harmful tax competition and tax avoidance, and fair conditions of competition must be guaranteed for all companies. The Austrian Presidency aims at continuing the EU's work on the taxation of the digital economy in order to ensure that profits are taxed in the country in which they are generated.

3. Stability in the European neighbourhood – EU perspective of the Western Balkans/ South Eastern Europe

A European Union that offers its citizens stability, peace and security is only possible in a stable and secure neighbourhood. To this end, during its Presidency, Austria will focus on promoting strong relationships between the EU and its neighbours.

In this context, the Western Balkan/South Eastern European countries take centre stage. In terms of economic and security policy, this region belongs to Europe and proved to be a reliable partner during the migration crisis. Furthermore, we are also linked by a common historical and cultural heritage. It is in the interest of Austria's and Europe's economy and security that the future of the Western Balkans/ South Eastern Europe lies within the European Union. Building on the work of the Bulgarian Presidency and the European Commission's Enlargement Strategy presented on 6 February 2018, the Austrian Presidency will, along with its European partners, advocate for developing a concrete EU perspective for all Western Balkan/South Eastern European states based on clear criteria relating to their individual performance and work on achieving measurable progress.



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General Affairs Council

We want a strong Europe, trusted by our citizens



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Austria's Presidency of the Council of the European Union comes at a turbulent time in the European integration process, a time of both opportunities and challenges. In this context, it is essential to ensure cross-cutting political coherence in the work performed at EU level. The General Affairs Council has a key role to play in this effort.

During Austria's Presidency, the negotiations about the United Kingdom's withdrawal from the European Union are to be completed and those on the future Multiannual Financial Framework to be intensified, so new programmes can start on schedule on 1 January 2021. Recent years have shown that we need a Europe people can identify with, which offers them security and in which they can put their trust. The European Union's strength derives from the diversity of its Member States and regions. At the same time, the European Union is based on common rules and values which need to be adhered to and strengthened while taking into account the principle of subsidiarity.

The Task force on Subsidiarity, Proportionality and "Doing less more efficiently", which was established by the President of the European Commission and also includes representatives of the national parliaments of the trio partners and the Committee of the Regions, will present its recommendations on how to better apply the principles of subsidiarity and proportionality in July 2018. The Austrian Presidency will focus its efforts on an approach towards more subsidiarity – the pivotal question in this respect is where specifically more or less Europe is needed. We need stronger cooperation on major issues, such as security and defence policy, migration, the protection of the EU's external borders, as well as digitalisation. At the same time, however, the European Union should take a step back on smaller issues where the regions or Member States are in a better position to take decisions themselves. In the course of its Presidency, Austria will hold a high-level conference on subsidiarity which will address these questions. Moreover, Citizens' Consultations will be organised throughout the Member States to discuss the future development of the European Union, and finalising the revision of the European Citizens' Initiative will improve citizens' opportunities to participate at EU level.

In the second half of 2018, the European Council will, under the Leaders' Agenda, address the following topics: Internal security, migration (follow-up to the informal meeting of the Heads of State or Government on 20 September 2018), future trade policy, Multiannual Financial Framework and the Single Market.

Bringing the six accession candidates from South Eastern Europe closer to the EU in the framework of the enlargement process is a strategic investment in peace, democracy, prosperity, security and stability in Europe. It is thus in the interest of both the EU and the region and serves as a transformative power and driving force for reforms. Based on the strategy presented by the European Commission in February 2018 ("A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"), the annual country reports, the corresponding Council conclusions as well as the results of the EU-Western Balkans Summit on 17 May 2018 in Sofia, the Austrian Presidency will focus on achieving concrete progress in the accession process of the Western Balkan countries. This includes, in particular, implementing the Stabilisation and Association Agreement, stepping up the pace of the ongoing accession negotiations with Serbia and Montenegro, as well as promoting further integration measures to be taken by the other Western Balkan countries.

The Austrian Presidency will see intensive negotiations on the Multiannual Financial Framework post 2020, with the objective to advance the negotiations as much as possible.

Furthermore, the Austrian Presidency will devote its attention to the European Semester and, together with Romania, which will take over the Presidency from Austria, present the roadmap for the 2019 European Semester.

The annual rule of law dialogue held among Member States since 2015 will also take place during Austria's Presidency in 2018.

The interinstitutional agreement on better law-making, which entered into force in April 2016, aims at making the EU legislative process more transparent, more effective and more focused on currently relevant central policy areas. It entails adjustments to the entire policymaking cycle, from consultations and impact assessments to the adoption, implementation and evaluation of EU legislation. The ongoing implementation measures undertaken jointly by the European Parliament and the European Commission will continue during the Austrian Presidency, and Austria will present the Council with a report on the current status.

Also, the enshrinement of the Agenda 2030 goals in the relevant strategy and institutions, as well as their implementation by EU institutions and Member States will be discussed during the Austrian Presidency.

The relationship between Switzerland and the EU is characterised by close cooperation and strong economic ties. Negotiations with Switzerland on an institutional framework agreement could possibly be completed during Austria's Presidency. This would consolidate the existing, complex relations and prepare the ground for Switzerland's potential participation in other sectors of the Single Market.

In the context of the next Multiannual Financial Framework, cohesion policy is up for renegotiation for the period after 2020. Important aspects in the reorientation of the cohesion policy (its funding sources being the ERDF, the Cohesion Fund and the ESF+) are differentiation, proportionality, simplification, and increased results orientation. The Austrian Presidency will strive for quick and efficient progress on this negotiation package.

Brexit presents an unprecedented political, economic and legal challenge for the European Union. The final stage of the withdrawal negotiations will take place during the Austrian Presidency. The negotiations must be completed by October 2018 so they can be approved by the European Parliament and the United Kingdom before the two-year negotiation period under Article 50 TEU expires. Therefore, the General Affairs Council (Article 50) will devote its attention to the negotiations on the UK's withdrawal from the EU and prepare the meetings of the European Council (Article 50). Austria's objective in this context will be to maintain the unity of the EU 27. The Withdrawal Agreement must provide for strong guarantees and controls as well as protections for the citizens' rights. Our goal is a constructive and forward-looking relationship with the United Kingdom, which requires a level playing field and a reasonable balance between rights and obligations.





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Foreign Affairs Council

The Union as a strong global actor



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During its Presidency, Austria will work for a coherent external presence and support the High Representative of the Union for Foreign Affairs and Security Policy in fulfilling her tasks.

Austria's main priorities in foreign affairs and security policy will be increasing security and stability in the immediate neighbourhood, for example by promoting the European perspective in South Eastern European states, further developing the Eastern Partnership, strengthening the Common Security and Defence Policy (CSDP), and dealing with the challenges posed by irregular migration. Furthermore, emphasis will be placed on reinforcing the relations between the EU and Asia, and promoting effective and rules-based multilateralism.

Common Foreign and Security Policy

Fostering international cooperation

One of the priorities will be the promotion of effective multilateralism and a rules-based global order, to which the EU Global Strategy (EUGS) accords high implementation priority. In the current geopolitical situation, it is important to present a resolute and coherent European approach on the international stage, based on international law. With a view to maintaining peace and security and addressing global challenges, it is necessary to implement commitments to multilateralism in terms of both actions and solutions. During its Presidency, Austria will use its best efforts to consolidate the EU's leading role in promoting effective multilateralism, as well as to foster multilateral topics and processes. For example, Austria will endeavour to contribute its expertise on disarmament, non-proliferation of weapons of mass destruction and arms control.

Furthermore, it is necessary to improve the situation in Ukraine and to contribute to solving current conflicts in Syria, Libya and other countries in the Mediterranean region. These challenges can only be met in close cooperation with the EU's partners, among them the United Nations (UN), the Organisation for Security and Co-operation in Europe (OSCE) and the Council of Europe (CoE). In order to be effective, the foreign and security policy needs to be better communicated, so as to convey the EU's actions and resolutions in a comprehensible manner to EU citizens and partner countries alike. Hence, during its Presidency Austria will devote special attention to improving the EU's strategic communication in this area.

The Union as a reliable partner

With the EU's and other partners' support, the Eastern Partnership region is to become an area of security and prosperity. During the Austrian Presidency, a meeting of the foreign ministers of the Eastern Partnership will be held to evaluate progress and discuss further steps. The crisis in Ukraine will require particular attention. As Russia plays a key role for security and stability in Europe and the world, Austria's goal will be to continue to pursue EU-Russia relations based on the five guiding principles already defined as well as to strengthen the EU-Russia dialogue.

Sustainable stabilisation in the South Eastern European region is crucial for security in Europe as a whole and represents a further goal to be achieved in cooperation with other international actors. Furthermore, the Austrian Presidency will endeavour to increase the EU's cooperation with South Eastern European states in certain policy areas. The further inclusion of South Eastern European states in CSDP missions and operations will be actively supported.

The EU will have to continue dealing with crises in surrounding regions. In addition to areas of conflict in Syria, Libya and Yemen, attention must also be paid to other countries affected by these crises, such as Lebanon for example. Another topical foreign policy issue is Iran, which deserves close attention not least with a view to the Joint Comprehensive Plan of Action (JCPOA) and the Middle East Peace Process (Israel/Palestine). The EU must face all of these challenges with a proactive and unified approach.

As for relations with African countries, dealing with crises and supporting economic development will remain key priorities. Furthermore, Austria will promote the implementation of the resolutions passed at the 5th African Union - European Union Summit in November 2017.

A particular focus during the Austrian Presidency will lie on the Asian region. The Asia-Europe Meeting (ASEM) will be organised in Brussels, where Heads of State or Government will discuss the future political and economic cooperation of their countries. The foreign ministers of the ASEAN Member States will meet with their colleagues from the EU to talk about opportunities for cooperation between the EU and the emerging global region of South-East Asia. The Austrian Presidency will also endeavor to achieve a contribution by the EU to solve the crisis on the North Korean peninsula.

Topics of the continued transatlantic dialogue with the strategic partner USA include the Middle East and South Eastern Europe, as well as global issues such as the CSDP, the fight against terrorism, cybersecurity, or energy. Also, a foreign ministers conference with the Community of Latin American and Caribbean States (CELAC) is envisaged to be held during the Austrian Presidency. The Foreign Affairs Council is likely to also have to deal with the political crisis in Venezuela in the second half of 2018.

External aspects of migration

With a view to an effective migration control, Austria will also place a focus on external aspects of migration during its Presidency. This means close and cooperative partnerships of the EU with relevant countries of origin and transit. Comprehensive cooperation with those countries concerning the political stabilisation and the promotion of economic and social development, human rights and good governance is essential in order to achieve effective cooperation regarding curbing illegal migration, including fight against human trafficking, creation of sustainable protection capacities in the relevant regions as well as securing return, readmission and reintegration.

Specific measures include the consistent implementation of the Malta Declaration and of the efforts undertaken by the Joint EU-AU-UN Task Force, the targeted expansion of cooperation models and migration dialogues with priority countries of origin (inter alia, the Partnership Framework with Ethiopia, Nigeria, Mali, Niger and Senegal), the second assessment of the Joint Valetta Action Plan in autumn 2018, and the coordination of EU positions prior to the Budapest Process conference of ministers with countries located along the Silk Road.

Security and defence

Given the current geopolitical situation, the EU finds itself constantly faced with new and ever more complex challenges and threats. These require a broad-based approach and strong commitment to security and defence that encompasses the whole spectrum of military and non-military capacities, with a particular emphasis on prevention. Furthermore, internal and external as well as military and non-military aspects need to be better interconnected.

In response to the deteriorating security environment, the EU has, since 2013, been stepping up its security and defence efforts. There are three main strands of work, each broken down into numerous tasks: implementation of the EUGS with respect to security and defence, implementation of the European Defence Action Plan (EDAP), and implementation of the EU-NATO Joint Declaration.

Overall, Austria will devote special attention to the following topics: maintaining the political dynamics in security and defence, addressing the financing of CSDP missions and operations and capacity building in partner countries, keeping up a strategic dialogue on the further development of CSDP missions and operations in accordance with European interests, protection of the EU's external borders, dealing with migration issues, including the causes of migration, prevention and combating of radicalisation and violent extremism as well as organised crime, and promotion of effective multilateralism, in particular by intensifying partnerships with relevant international organisations such as the United Nations System and the OSCE, as well as protection of civilians. Austria will also place a particular emphasis on improving security in South Eastern Europe and a stronger inclusion of this region.

With a view to strengthening the EU's strategic autonomy and realising the EU's ambitions, Austria will fulfil its role in strengthening the integrated and competitive European Defence Technological and Industrial Base (EDTIB). In this respect, it is also important to ensure fair cross-border market access in particular for small and medium-sized enterprises. After the establishment of an inclusive and ambitious Permanent Structured Cooperation (PESCO), the goal now is to quickly develop governance structures and to implement the first set of projects. In a first phase, Austria itself participates in four projects and will contribute to the development of new PESCO projects. With respect to cybersecurity, Austria will strive for European approaches to ease international tensions in this area and to find global partners willing to join in efforts to keep the internet open and secure while also respecting fundamental human rights. This also entails advancing necessary skills and instruments in cybersecurity under the CSDP and PESCO. To be able to deal with hybrid threats, Austria will work on developing a nationwide approach with a strong emphasis on resilience.

A close-knit cooperation between the EU and its Member States is crucial for coping with the challenges posed by terrorism, violent extremism and political Islam. Given that potential threats have moved from outside the EU's external borders into the heart of the European Union, stepped-up efforts to fight the root causes of radicalism and violent extremism within the EU have taken on special importance. Cooperation with third countries, especially with the southern and eastern neighbourhood of the EU, should be enhanced.

Based on the experience gained during Austria's OSCE Chairmanship in 2017, where combating terrorism was a priority issue, the Austrian Presidency will contribute towards consistently implementing the conclusions adopted by the European Council in June 2017.

The ties between organised crime and terrorism must be addressed not only within the EU, under a criminal law perspective, but also require increased attention within international cooperation activities. In the spirit of strengthening multilateralism, Austria will aspire to an intensified cooperation with the newly established United Nations Office of Counter-Terrorism in New York and the United Nations Office on Drugs and Crime (UNODC) in Vienna. The most important topics will be the implementation of the new EU Policy Cycle, the more efficient use of Europol's financial resources, and a debate on the coordination of priorities.

Development cooperation

In response to the issue of migration, the Austrian Presidency intends to place a strong emphasis on linking humanitarian aid with long-term development policy measures in a bid to provide economic perspectives in the countries of origin, in particular for young people. In this context, a closer link with the willingness of third countries to cooperate in the readmission of asylum seekers whose applications were rejected will be sought.

In the area of development cooperation, Austria will devote special attention to the topic of gender equality and development. Guided by the report on the implementation of the EU Gender Action Plan 2016–2020, Austria will place a strong emphasis on issues such as women and education, women and health, women's political and economic participation, women's role in conflict and crisis situations, as well as combating violence against women and girls.

With respect to sustainable energy, Austria will strive for the use of renewable energy sources and the increase of energy efficiency.

As a cross-cutting topic, the principles of efficiency and effectiveness are to be introduced in all aspects of development cooperation.

The revision of the EU external financing instruments in the context of the Multi-annual Financial Framework post 2020 will also be dealt with during the Austrian Presidency. Austria will advocate enhanced responsiveness, transparency and results orientation.

As the Cotonou Agreement expires in 2020, negotiations on a renewal of the partnership with the African, Caribbean and Pacific Group of States will begin in 2018. Austria will work for a coordinated EU position in this context.

The development policy aspect of the EU External Investment Plan (EIP), which was established to encourage private investment, above all in Africa, will continue to be a subject of consultations.

Trade

Being an open and export-oriented economy, Austria supports an active EU trade policy based on the EU “Trade for All” strategy, which it considers to be a key factor in sustainable economic development and the creation of high-quality jobs. An effective and transparent trade policy requires partnerships among equals, concerning both new and traditional alliances. In light of current developments, the Austrian Presidency will therefore support a strong and unified EU approach with regards to the strategic advancement of our trade relations.

One of the goals of the Austrian Presidency is to strengthen the EU’s position as a global economic player. Negotiating up-to-date and well-balanced free trade and investment agreements and working in the context of the World Trade Organisation (WTO) should contribute to developing fair rules for international trade from which all members of society stand to benefit. In this context, the pertinent activities of the Organisation for Economic Co-operation and Development (OECD) shall be given particular consideration. Inclusiveness and transparency are crucial characteristics of such negotiations. All future negotiation processes, whether at European or national level, will have to safeguard the interests of EU citizens in the best possible way.

Special attention in this respect should also be paid to including well-balanced investment provisions in EU agreements that take public regulatory concerns into account. Therefore, the Austrian Presidency will actively support the EU’s efforts to develop an innovative, multilateral approach to investments, taking into account the OECD Guidelines for Multinational Enterprises.

Important legislative dossiers concern the framework for screening of foreign direct investments into the EU as well as the control of trade in dual-use items. In particular with respect to screening foreign direct investments into the EU, the Austrian Presidency will strive to achieve greatest possible progress. Similarly, progress is envisaged to be made on the legislative processes concerning the access of third-country goods and services to the EU’s internal market for public procurement, as well as on the Horizontal Safeguard Regulation.

3



Economic and Financial Affairs Council

A stable and strong euro area and fair and efficient taxation



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The Austrian Presidency takes place in continuously favourable economic conditions which reflect the outcome of the manifold and determined reform efforts undertaken in the past years. In 2018 and 2019, the EU economy is expected to grow by more than 2% each year, with both internal demand as well as exports continuing to grow at a robust pace. At the same time, labour markets will further improve and unemployment rates are set to decline.

In spite of considerable progress achieved in addressing macro-economic and structural weaknesses as well as strengthening the architecture of the Economic and Monetary Union (EMU), some major challenges persist. There are still too many people without a job, and public and private debt levels in some Member States remain a matter of concern. Despite the overall decline of non-performing loans (NPLs), many banks still have double-digit NPL ratios.

The economic expansion provides an additional window of opportunity for strengthening the region's resilience. Further measures are required, both at EU and at Member State level, to boost growth, employment and investment and to make Europe's economy more sustainable, more productive and more competitive. The Austrian Presidency will advance the negotiations on the implementation of the EU reform agenda, and aims at reaching concrete results or at least significant progress in all relevant policy areas.

Completing the Banking Union and developing a Capital Markets Union

With respect to the Banking Union, the Austrian Presidency will focus on further risk reduction measures, as progress in this area is a prerequisite for resuming discussions on further risk sharing measures. This concerns in particular the establishment of a European Deposit Insurance System (EDIS) as well as the introduction of a common backstop to the Single Resolution Fund provided by the European Stability Mechanism (ESM). First and foremost, Austria will strive for an agreement on the Banking Package (risk reduction measures) presented by the European Commission in November 2016, which already addresses a number of important objectives outlined in the ECOFIN roadmap of June 2016 on risk reduction measures. In particular, liabilities for tax payers shall be precluded. In addition, particular attention will be paid to the European Commission's proposals for further reducing non-performing loans stocks as well as other legacy assets and preventing the accumulation of new NPLs.

Also with respect to the numerous other topics related to financial services, Austria will do its best to achieve significant progress and finalise dossiers. We will also ensure an appropriate follow-up to the Commission's FinTech Action Plan (and the respective conclusions of the ECOFIN Council), with a particular focus on opportunities and risks of virtual assets and on regulatory and supervisory measures that may become necessary in this context. Finally, the Austrian Presidency will also advance the building of a Capital Markets Union, thus contributing to innovation and competitiveness, employment and growth.

Deepening and strengthening economic policy coordination

The economic and financial crisis has been used to fundamentally reform economic, fiscal and financial governance rules. Today, the European Union is better prepared than ever regarding crisis prevention and resolution. However, to further strengthen credibility and trust, better compliance with governance rules, notably with the Stability and Growth Pact, is needed. With a view to further strengthening the EMU, we should concentrate on policy measures with real and visible added value to the EU in terms of stability, resilience and convergence. Against this backdrop, the Austrian Presidency is determined to continue the debate based on the Commission's proposals of December 2017 and spring 2018 and the results achieved by the Bulgarian Presidency.

Improving efficiency and fairness in taxation

Efficient, fair and transparent tax systems are essential for the sustainability of public finances. Together with the quality of public spending, they are a key determinant for growth and jobs. We have to protect our public budgets against harmful tax competition, tax fraud and tax evasion and to modernise tax rules in view of globalisation and new technologies. We need to take strong and unequivocal positions vis-à-vis our international partners, especially when it comes to taxation of the digital economy. The Austrian Presidency will attach particular importance to this issue in a bid to advance the negotiations and to outline potential solutions in light of the developments at G-20, OECD (Organisation for Economic Co-operation and Development) and EU level. We will also continue to work on the European Commission's proposal for the introduction of a common corporate tax base. In the field of indirect taxation, we plan to achieve progress on the numerous European Commission proposals for modernising VAT in order to continue strengthening the Single Market, and to be able to efficiently fight fraud and ensure a close cooperation between tax administrations.

Provision of financial resources – 2019 EU budget

The Austrian Presidency will ensure that the implementation of the budget for 2018 and the budget for 2019 will adhere to the principles of sound and efficient financial management. The budget for 2019 will be prepared with due consideration of the guidelines adopted by the ECOFIN Council in February 2018, which call, among other things, for prudent budgeting and sufficient margins to deal with unforeseen circumstances. We will also take all the necessary steps to reach an agreement with the European Parliament.

The debate on the financing of the EU budget will also involve negotiations on the future own resources decision.

Justice and Home Affairs Council

A Union that protects freedom and justice



Justice

The Austrian Presidency strives to implement the three levels of the area of freedom, security and justice on a comprehensive basis. All measures in this respect must be in conformity with fundamental rights, also with a view to fully satisfying the criterion of rule of law, one of the values laid down in Article 2 TEU. Against this backdrop, Austria strongly supports the European Commission's initiatives for the sustainable protection of the rule of law in the European Union and its neighbouring countries.

Criminal justice

While the increasing threat of terrorism has brought the European dimension of criminal activities to the fore, it has always been there. Judicial cooperation is indispensable to ensure that firm and efficient measures can be taken against cross-border crime. This requires a coordinated approach by national law enforcement authorities and mutual recognition of court judgments and decisions. Judicial systems which fully comply with rule-of-law standards form the basis for mutual recognition and trust. What is more, it will soon be possible for the European Public Prosecutor's Office (EPPO) to investigate criminal offences against the EU's financial interests. Following completion of the work on the Regulation establishing the European Public Prosecutor's Office, Austria will strive to finalise the accompanying measures for preparing the EPPO to take up operations and provide for an evaluation of its activities in a foreseeable future.

The organisation of Eurojust, the agency that has been highly successful in prosecuting cross-border crime, is to become even more efficient once the revision of its legal framework has been completed, if possible under the Austrian Presidency.

An amendment of the existing framework decision on the European Criminal Records Information System (ECRIS) is to extend the exchange of information on national criminal records to include third-country nationals sentenced by the courts of a Member State. Should this work not be completed during the Bulgarian Presidency, achieving this goal will be high on the agenda of the Austrian Presidency. In this context, a focus will be placed on the topic "Detention in country of origin".

Improving the legal framework for judicial cooperation on criminal matters encompasses, in particular, a more efficient fight against terrorist crime, measures to combat money laundering, fraud and counterfeiting of non-cash means of payment as well as more efficient ways to freeze and seize criminally obtained assets.

A more comprehensive set of instruments is to be created for law enforcement authorities in a bid to better accommodate the changes caused by the continuing advances in communications technology. A key aspect in this respect is speeding up and streamlining cross-border access to evidence obtained from telecommunication service providers. The Austrian Presidency will therefore actively support all efforts

to fight internet crime and strive to advance proposals for a Regulation on a European Production Order and a European Preservation Order on electronic evidence in criminal matters, as well as for a Directive laying down harmonised rules on the appointment of legal representatives for the purpose of gathering evidence in criminal proceedings. In this context, the use of e-Justice solutions in cross-border judicial cooperation in criminal matters also appears to be particularly important.

e-Justice

As a pioneer in the forward-looking use of electronic solutions in the justice system (e-Justice), Austria is particularly invested in taking the ongoing e-CODEX project (e-Justice Communication via Online Data Exchange) into regular operation at the European eu-LISA agency, and in quickly advancing an expected proposal for a Regulation providing fundamental provisions on the use of e-Justice.

Civil law

The Austrian Presidency will devote great efforts to those dossiers of civil law which contribute to the completion of the Digital Single Market. We will at the same time try to advance the work on the proposed legislation on judicial cooperation in civil matters, with a view to contributing to improving the efficiency of judicial systems and cross-border judicial cooperation.

The draft Directive on certain aspects concerning contracts for the supply of digital content will, for the first time, create a pertinent body of rules at European level and thus boost electronic commerce on the European market. Austria will strive to achieve significant progress in the negotiations on this dossier. Austria will also endeavour to further develop the proposal for a Directive on certain aspects concerning contracts for the online and other distance sales of goods.

Access to justice, mutual recognition of court decisions and a convergence of national procedural law will be fostered by legislative acts under the judicial cooperation in civil matters, offering a wide range of assistance to people and businesses finding themselves before a court in another EU Member State. This will also help families with an international background to find arrangements that are as clear and forward-looking as possible on complex matters such as those arising in divorce proceedings or in disputes over custody rights. For these reasons, Austria is very much interested in completing the work on the revision of the Brussels IIa Regulation, which is to provide for even more efficient handling of cases of child abduction in future.

In an effort to offer businesses struggling with economic difficulties access to preventive restructuring measures as soon as possible, Austria will also strive to advance and – if possible – complete work on the current proposal for a Directive on insolvency law.

In addition, work on the revision of the European Service Regulation and the European Evidence Regulation will be advanced. Finally, the Austrian Presidency will strive to achieve substantial progress as regards the law applicable to the third-party effects of assignments of claims.

Data protection

Following the entry into force of the data protection package for EU Member States, which consists of the General Data Protection Regulation and the Directive for data protection in law enforcement, further legislative acts are envisaged to complete the updated EU data protection regime: Unless this goal is achieved already by the Bulgarian Presidency, Austria will endeavour to complete the negotiations on the Regulation on Data Protection by EU institutions, as well as the work on modernising the Council of Europe Convention No. 108 on Data Protection, including the technical provisions on its entry into force, in particular with a view to a potential future accession of the EU to the Convention. Once a draft has been submitted, it is also envisaged to advance the negotiations on a Council decision on data protection provisions for CSDP missions and operations.

External dimension

Aware of the importance of the export of rule-of-law standards, Austria will also focus on the external dimension of justice and home affairs matters and, in particular, on a dialogue with those countries that are immediate or close neighbours of the EU, with continued special attention to the Western Balkans.

Home affairs

The largest migration crisis in Europe since the Second World War and people's fears of further uncontrolled migration have caused a loss in trust in the European Union's capacity to act and show resilience in a crisis. Add to this increasing extremist and terrorist activities and new threats in crime, not least due to the use of modern technology. As a result, ensuring security in the digital world has become a special challenge. The Austrian Presidency will aspire to contribute to a Union that is resilient and future-proof in matters of internal security and aligned with the concerns of citizens. We will place a focus on asylum and migration issues, on protecting the external borders, on fighting radicalisation, terrorism and organised crime, on cooperation between security authorities, on digital security, and on promoting and protecting European values.



Protection of the EU's external borders

Strengthening both external and internal security and ensuring the freedom of movement within the Schengen Area requires resilient protection of the EU's external borders and efficient entry and exit controls. The core element here is to support Member States through the reinforcement of the European Border and Coast Guard Agency FRONTEX, including the adaptation of its mandate to the new requirements. Measures ensuring sustainable controls and closing of illegal migration routes, in particular those across the Eastern and Central Mediterranean, preventing illegal immigration and human trafficking as well as dismantling illegal immigration networks have to be continued and reinforced.

In addition, the Austrian Presidency will pursue a number of other projects in this context. These include the completion and implementation of the three Regulations for the strengthening and improvement of the Schengen Information System (SIS) and the revision of the Schengen Borders Code so as to be able to introduce and maintain internal border controls for a longer period of time in the event of serious threats to internal security. The implementation of the Regulation establishing an Entry/Exit System (EES) and a European Travel Information and Authorization System (ETIAS) for monitoring travel by third-country nationals from and into the EU also needs to be advanced.

Asylum and migration

Based on a clear distinction between refugees and migrants, the core element of a functioning Europe-wide solution to current migration issues must be the creation of a resilient and strict asylum and migration system to prevent uncontrolled migration and reduce migratory pressure on EU Member States.

The Austrian Presidency intends to make a contribution towards this end by advancing the negotiations on the reform of the Common European Asylum System. In addition, measures aimed at establishing a resilient asylum policy must be developed. We need a system change in order to prevent that human traffickers continue to decide who will be received in the EU Member States.

Austria will also advocate a strengthening of the common return policy, with suitable incentives in the cooperation with third countries, but also increasingly by applying the principle "Less for Less" (i. e. links to visa or economic policy and concerted restrictive measures). In addition, the Union must put the cooperation with relevant countries of origin and transit onto a firm footing under the European migration partnership framework and, based on a comprehensive approach, increase targeted efforts in third countries.

What is more, respect among migrants and people who have been granted asylum or subsidiary protection in the EU Member States for democratic values as well as universal human and civil rights, which helped shape Europe as it is today, is an indispensable prerequisite for a successful migration and asylum policy.

Fight against radicalisation and terrorism

With a view to promoting a secure and positive environment for people living together, the Union must pursue a proactive, comprehensive and integrated approach towards preventing and fighting extremism and terrorism and supporting de-radicalisation. Repeated acts of violence in recent years underline the need for a common and holistic approach.

For this reason, the Austrian Presidency will work towards a number of measures to curb tendencies towards radicalisation at an early stage. This includes promoting and protecting fundamental rights and European values, increased efforts to communicate the rules for peaceful and secure co-existence as well as reinforced measures against antisemitism. The EU Radicalisation Awareness Network (RAN) is to be further developed and strengthened. Likewise, it is planned to launch a serious debate on strategies against political Islam and for fostering European-style Islam, not least at the conference of ministers on the topic of “Values – Rule of Law – Security” to be held in Vienna in November 2018.

Effective cooperation between justice and home affairs agencies, as well as with the Member States’ authorities and other partners is essential for preventing terrorist and extremist attacks. For this reason, Austria advocates the improvement of information sharing and cooperation between all stakeholders. Existing special units are to be reinforced, for instance through the ATLAS network, which comprises special police force intervention units. Security and stability in our neighbouring countries contribute to the internal security of the EU, which is why partnerships in this field are to be developed and implemented with the Western Balkan countries as well as with countries in North Africa.

Fight against organised crime

To achieve noticeable progress in fighting organised crime, it is necessary to strengthen the cooperation between police forces and increase the efficiency of existing instruments. In this context, the Austrian Presidency will focus on implementing the EU Policy Cycle for organised and serious international crime 2018–2021. Special importance will be attached to the priorities it defines on illegal migration, trafficking in human beings and facilitation of illegal immigration, in particular as regards the identification of victims of human trafficking and fighting facilitation of illegal immigration along the Silk Road. In addition, measures on cross-cutting priorities such as financial crime, asset recovery and money laundering, document fraud and issues such as cybercrime, drugs, organised

property crime, tax fraud and MTIC fraud, firearms and environmental crime are to be implemented.

Given the current security situation, combating links between organised crime and terrorism, specifically financing of terrorism, firearms trafficking and document fraud also takes top priority. Another positive contribution to security can be expected from promoting networks for cooperation between the police and the public (community policing); in this context, the Presidency will present the Austrian approach to this issue (“Gemeinsam.Sicher”).

We want to foster integrity in the public administration as well as in other areas of government and EU activity and contribute to stronger cooperation between the competent authorities when it comes to preventing and combating corruption.

The Austrian Presidency’s focus on stability in the EU’s neighbouring countries and in the Western Balkans also involves familiarising these countries with EU security standards. A comprehensive approach based on partnerships for security, migration and development will be discussed at the ministerial conference on “Security and Migration – Promoting Partnership and Resilience” taking place in September 2018 in Vienna. A significant goal in this context is stepping-up Prüm cooperation in the Western Balkans.

Exchange of information

Experience from recent years has shown again and again that a smooth exchange of information between security authorities is essential to the security of European Union citizens. Improving the functions of existing large-scale IT systems and the interoperability of relevant databases is to ensure better networking between, and capability to act of, security authorities in their fight against illegal migration, organised crime, extremism and terrorism.

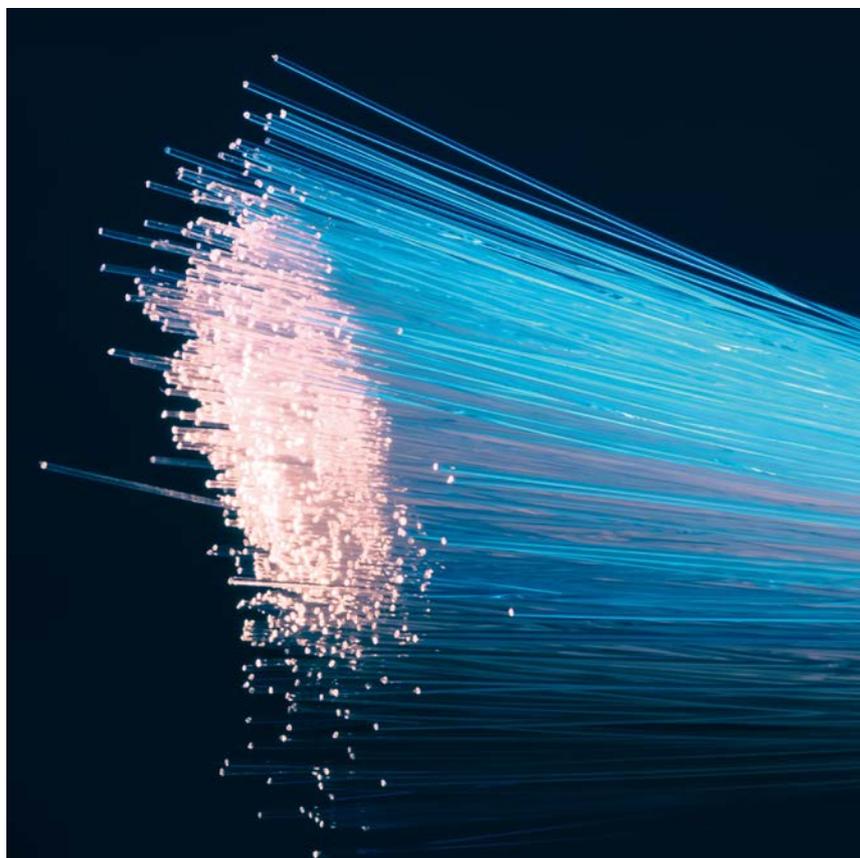
For this reason, the Austrian Presidency will work hard to achieve a prompt finalisation of the proposal on the interoperability of EU information systems for borders and security.

Digital security

To make digitalisation work, it is necessary to ensure digital security in all areas, transparency in data handling, and technological sovereignty. The risks inherent in digitalisation must be minimised, and critical infrastructures need to be protected. Being dependent on non-European security technologies makes us vulnerable, a problem we need to find sustainable solutions for. Austria will strive for a global approach to freedom and security in the digital world which takes account of all relevant products and services and builds on work already undertaken in respect of network and information security.

Dialogue and cooperation between the ministers represented on the Justice and Home Affairs Council and the internet industry will be needed to improve cyber security. The EU Internet Forum is to provide a platform for intensifying such efforts. The Commission Recommendation on measures to effectively tackle illegal content online is to be fully implemented.

Overall, Austria will contribute towards implementing a resilient and future-proof security union that is aligned with citizen concerns, and towards revising the internal security strategy in line with these requirements by fostering the above-mentioned projects as well as by including subsequent Presidencies, the Commission, the European Parliament, the EU agencies, the European External Action Service and outside experts into a medium-term discussion process (“Vienna Process”).





Employment, Social Policy,
Health and Consumer Affairs Council

A Union to benefit everyone



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Digitalisation means change on all levels – in business and at work, in health systems, for social models and also with respect to the social fabric. Securing the sustainability of social protection systems, in particular with respect to healthcare, still poses major challenges for many Member States.

The initiatives proposed by the Commission in the health and social sectors provide the framework for further endeavours which will also be promoted under the Austrian Presidency.

Employment and social policy

Fair working conditions for everyone

Digitalisation in the workplace will be one major theme of the Austrian Presidency. New modes of work that arise due to digitalisation require a shared understanding and common rules within the Single Market to avoid distortion of competition. Building on the work of the trio partners, the Austrian Presidency will direct its focus on platform-based working, in particular on work and employment conditions as well as social and labour law. In this context, challenges, experiences and best-practice models relating to labour market effects, working conditions and social protection will be discussed together with European social partners and (socio-political) NGOs in an informal setting. The key results of this debate will be considered in the Council's deliberations.

Moreover, the Austrian Presidency will continue the negotiations on the Directive on transparent and predictable working conditions in the European Union and on the new Employment Guidelines.

Under the Austrian Presidency, the Council will also continue work on the existing initiatives on equal treatment and non-discrimination, and the initiative for work-life balance.

Mobility, health and safety at the workplace and accessibility

Based on the progress made under the Bulgarian Presidency, the Austrian Presidency will continue the negotiations on the revision of the Regulation on the coordination of social security systems. The proposals submitted by the Commission, such as on better access to social protection for the self-employed and people in atypical employment forms, will also be negotiated.

Changes in modes of work, employment structures and the organisation of work lead to new health risks for workers. Cancer is the most common work-related reason of death in the EU. The Austrian Presidency aims to complete the negotiations on the amendment of the Carcinogens and Mutagens Directive (second and third batches).

A well-functioning Single Market has to be beneficial for everyone, also for people with disabilities. The Austrian Presidency will thus endeavour to conclude the negotiations on the European Accessibility Act.

Health and consumer protection

The objective assessment of innovations with respect to drugs and medical engineering becomes increasingly important when it comes to decisions on the application of new therapies. Therefore, Austria will continue the work started by the Bulgarian Presidency on the Regulation on Health Technology Assessment, with the aim of preparing a progress report.

In December 2017, the Commission presented a roadmap for a strengthened cooperation against vaccine preventable diseases, providing for a proposal for a Council Recommendation. The Austrian Presidency strives for the adoption of this Recommendation.

In October 2018, the Eighth Conference of the Parties to the WHO Framework Convention on Tobacco Control will take place in Geneva. It is the aim of the Austrian Presidency to prepare a common EU position on the issues under negotiation at the conference.

Women and gender equality

Two main goals are at the centre of the Austrian Presidency's objectives with regard to women and gender equality. The first goal is to promote an open and future-oriented dialogue on gender equality. Second, we wish to advance the strengthening and institutionalisation of the discourse on gender equality on the EU political agenda. The focus will be on the topics of youth and gender equality, on which draft Council conclusions will be prepared. Based on this topic, the Beijing Declaration and Platform for Action will be reviewed with respect to "The Girl Child", and new aspects of gender equality will be worked on in the context of digitalisation. The European Institute for Gender Equality will prepare a study on this issue. In addition, a stronger focus will be placed on combating violence against women and girls.

Competitiveness Council

A Union for jobs, growth and competitiveness



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Sustainably maintaining Europe's position as a business location requires a coordinated economic policy aimed at making our enterprises more competitive. On the one hand, this means preserving and expanding traditional industrial sectors and, on the other hand, creating an economic environment that is open for new sectors, encourages innovative business models and fosters research and development.

For this to work properly, a regulatory framework is needed which anticipates new circumstances, such as digitalisation, and which highlights the true added value of EU regulations – in line with the subsidiarity principle. Conditions should be designed in such a way that the opportunities arising from digitalisation can be seized as best possible.

Small and medium-sized enterprises (SMEs), start-ups and scale-ups are to take centre stage during the Austrian Presidency, with an environment offering legal certainty while at the same time promoting growth and innovation to help them become more competitive. Initiatives to develop innovation and professional skills will be further promoted. Austria will also encourage the improvement of conditions for digital services and digitalisation in enterprises, also with a view to the realisation of a Digital Single Market. Under the trio presidency, Austria will continue the efforts undertaken to implement the Digital Single Market strategy, focusing, in particular, on finalising the dossiers on platform-to-business trading (P2B) and on strengthening the competition authorities of the Member States (ECN+).

The Austrian Presidency intends to promote artificial intelligence as a field with the potential for a reindustrialisation of Europe, and plans to stimulate developments in this respect in close cooperation with the relevant stakeholders.

Better regulation

Not least in view of the current debate on subsidiarity, the Austrian Presidency will continue the Better Regulation Agenda using the existing tools and initiatives as a basis.

Single Market

Another priority is to further develop and deepen the Single Market and to remove bureaucratic hurdles. Austria will continue constructive negotiations on the Single Market Programme, the goods, services and compliance packages as well as on the 'New Deal for Consumers' package.

As for the Digital Single Market, the Austrian Presidency will work on finalising the proposed legislation on the establishment of a Single Digital Gateway, depending on the progress already achieved by the Bulgarian Presidency. This dossier is deemed key in enabling users to significantly reduce administrative burdens within the EU Single Market and provides first steps towards the implementation of the "Once Only" principle.

Moreover, Austria will continue the reforms of copyright and company law, not least to also meet the increasing challenges of digitalisation in these areas of legislation. The aim is to complete the work on the Directive on copyright in the Digital Single Market and the Regulation laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes. The efforts for further digitalisation in company law matters and for a simplification of cross-border restructuring measures will be continued.

Industry

The Austrian Presidency will place industry as a key engine of growth, employment and innovation in Europe into the centre of activities. Against the backdrop of the current digital transformation, Austria will strive for a holistic approach towards EU industrial policy, which will, in close coordination with other policy areas such as climate and energy, promote new energy technologies but also take into account the needs of energy-intensive industries.

It has to be our common goal to boost industrial competitiveness for the EU as a whole, leveraging the opportunities that come with digitalisation and strengthening Europe's position as a business location. Based on the accomplishments of the trio partners Estonia and Bulgaria as well as on the Industrial Policy Strategy presented by the Commission, the Austrian Presidency will work towards improving mainstreaming and monitoring of industrial competitiveness.

Targeted promotion of innovation, such as with respect to Industry 4.0, through RTI funding and demand-side measures will be another priority contributing to strengthening Europe's international competitiveness.

Small and medium-sized enterprises

Small and medium-sized enterprises contribute significantly to the creation of jobs, innovation and growth. Therefore Austria commits itself to the systematic application of the “Think Small First” principle and will ensure that this principle will be applied in all policy areas, in particular when establishing new regulations to help European start-ups and SMEs to develop their full potential and to grow. The continuation of COSME as part of the Single Market Programme is to help SMEs in gaining access to the Single Market. For the programme to be successful, it will be crucial to focus on the specific needs of SMEs.

Unitary Patent and Unified Patent Court

Work on the Unitary Patent is more or less completed, but there are still a few adjustments to be made to the legal texts. Austria has always supported the reform of the patent system in Europe with the aim to establish unitary patent protection and a corresponding Unified Patent Court and will, during its Presidency, endeavour to complete respective work and take all measures required for the system to be implemented as smoothly as possible.

Space

Space technology, data and services are main drivers of growth and innovation and ensure Europe’s security and independency. This is why the Austrian Presidency will strive to ensure infrastructure continuity as well as sustainable future-oriented services, in particular with respect to the space programmes Copernicus (Earth observation) and Galileo/EGNOS (satellite navigation). In view of challenges such as climate change and sustainable development, as well as migration and security, it is necessary to provide additional services and to ensure an adequate level of security for both infrastructure and services. The Austrian Presidency will strive to achieve quick and efficient progress on the negotiations on the future EU space programmes. Furthermore, Austria’s Presidency will focus its efforts on promoting cooperation with other programmes and EU policy areas, as well as on ensuring efficient and effective governance of the space sector as a whole.

Research

Setting the course for the future

It is research and innovation that fuel the dynamic development of our societies. The second semester of 2018 will provide a chance to set the course for the future.

This includes first and foremost the negotiations on Horizon Europe, the world's largest and most successful research programme. The ninth edition of the programme will continue well-established funding instruments but will also provide new impetus, be it with respect to the European Innovation Council or developments towards stronger mission orientation of research and innovation. The Austrian Presidency will strive for quick and efficient progress on this negotiation package.

Moreover, the Austrian Presidency aims for Council conclusions on the European Research Area, which is to give prominence above all to activities that hold out the promise of major progress towards a Single Market for Knowledge, such as the European Open Science Cloud.

Demand will have to play an even stronger role in research and innovation. The challenges of digitalisation or climate change, for instance, are major factors in driving demand for research. The United Nations Sustainable Development Goals provide an important reference framework for the demand for research and innovation. The Austrian Presidency sees research and innovation as a generic policy area that has to be put to work for all sectoral policies.



**Move towards
sustainable, fair,
competitive and
safe transport systems**

**Facilitate secure
connectivity and
digital public services**

**Towards an
Energy Union**

Transport

Move towards sustainable, fair, competitive and safe transport systems

The Austrian Presidency aims to further develop transport systems that contribute to balanced competition, ensure a fair standard of working and social conditions, increase the safety of transport and contribute to a sustainable and climate-friendly approach to mobility. Considering that an effective modern infrastructure constitutes the basis for an innovative and efficient mobility system, Austria will also attach great importance to the revision of the Trans-European Transport Network and the infrastructure financing rules.

In the area of land transport, Austria will therefore continue the work on the dossiers of the mobility packages. Depending on the progress achieved during the Bulgarian Presidency, Austria will work on the European Commission's proposals on market access and access to professions, driving times and rest periods, tachographs, controls of social legislation, the posting of workers in the transport sector, and hired vehicles, and, together with the European Parliament, it will strive to find solutions which take into account the needs of both European citizens and businesses. Furthermore, the Commission's proposals for the revision of transport infrastructure cost, the European Electronic Toll Service (EETS), the promotion of clean and eco-friendly road transport vehicles and combined transport can greatly contribute to energy-efficient and low-emission mobility. Therefore, debates on these proposals will constitute a key priority for the Austrian Presidency. Although there are no concrete dossiers pending, Austria will work on increasing efficiency in the area of rail freight transport on an informal basis.

Concerning the Commission's proposals aimed at improving road safety in Europe, such as the revision of the Directive on road infrastructure safety management and the General Safety Regulation, Austria intends to achieve significant progress in the negotiations with a view to rapidly improving road safety.

With respect to air transport, the Austrian Presidency will pursue the goal of strengthening Europe's competitive position and will, in particular, advance the work on the Regulation on safeguarding competition in air transport. Further work on agreements with third countries will also constitute an important measure in this respect. As for rail transport, Austria will attach great importance to the negotiations on passenger rights. In the area of inland waterway transport, Austria will emphasise in Council conclusions the potential of this mode of transport as well as the necessity to continue the respective EU programmes, especially NAIADES. With respect to maritime transport, Austria will use its best efforts to reach an agreement on the Directive on port reception facilities. Furthermore, Austria will try to make

good progress regarding the proposals on the establishment of a European Maritime Single Window environment and the seafarer training/the recognition of certificates as well as support the important work in the framework of the International Maritime Organisation (IMO).

Telecommunications

Facilitate secure connectivity and digital public services

Following in the footsteps of our trio partners Estonia and Bulgaria, the Austrian Presidency will give priority to the dossiers on the development of a Digital Single Market. The goal will be to come up with well-balanced and forward-looking compromises which will help to promote growth and competition for the benefit of both European citizens and the economy.

Depending on the progress made during the Bulgarian Presidency, the Austrian Presidency intends to finalise the negotiations on the revision of the legal framework for telecommunications, in particular, the Directive establishing the European Electronic Communications Code and the Regulation establishing the Body of European Regulators for Electronic Communications (BEREC).

The Austrian Presidency will also advocate future-proof data protection provisions in the digital sector, including, in particular, work on the Regulation on Privacy and Electronic Communications. In this respect, it is important to ensure strong privacy protection in electronic communications while also taking into account development opportunities for innovative services. With a view to implementing the 5G Action Plan and establishing a European Gigabit Society, the Austrian Presidency will advocate the extension of broadband and mobile network coverage. Depending on the progress achieved during the Bulgarian Presidency, Austria will also use its best efforts to see the finalisation of the proposal for a Regulation on a framework for the free flow of non-personal data. Negotiations on the revised Directive on the re-use of public sector information, and on the sectoral legislative proposals within the scope of the Multiannual Financial Framework (i.e., Connecting Europe Facility, Digital Europe) will be pushed forward under the Austrian Presidency. In the context of reviewing the eGovernment Action Plan, Austria will strive to accelerate the pace of modernisation in Member States' public administrations, for instance by introducing eGovernment services.

The Austrian Presidency also expects finalisation of the Cybersecurity Act, which provides for a new mandate for an EU Cybersecurity Agency (formerly ENISA) and the creation of a cybersecurity certification framework.

Energy

Towards an Energy Union

In the context of the Paris Agreement on climate change, the European Commission presented, in 2016, the “Clean Energy for All Europeans” legislative proposals, which constitute probably the most extensive package of measures in the history of EU energy policy and aim at providing an effective legal framework for an affordable, competitive, sustainable and secure energy supply for the future. Ambitious energy policy targets have been set for the period until 2030. New rules on the electricity market are designed to strengthen the position of EU citizens and help address energy transition challenges.

The Austrian Presidency is dedicated to continuing the work of our trio partners, Estonia and Bulgaria, and will therefore use its best efforts to bring about the successful completion of all legislative proposals on which work is still pending. As the individual proposals are all interconnected, it will be necessary to find overarching solutions. Given the ambitious targets set at national, international and European level, Austria will endeavour to make an active contribution towards bringing about the Energy Union and achieving an integrated energy and climate policy.

The key is for all of Europe to make a concerted effort towards a more sustainable and efficient supply and use of energy. In this respect, Austria will strive to finalise the negotiations on the Energy Efficiency Directive, unless this will already have been achieved during the Bulgarian Presidency.

The increased use of renewable energy sources on competitive electricity markets, as well as efficient heating and cooling markets play a key role in ensuring a sustainable energy future. This requires solutions which take the regional character of the EU's energy system into account. Austria will endeavour to bring the negotiations on the Renewable Energy Directive to a close, unless this will already have been achieved during the Bulgarian Presidency.

The Regulation on the Governance of the Energy Union is to be finalised in order to efficiently implement the climate and energy targets while at the same time ensuring streamlined processes and simplified reporting and adhering to the principles of subsidiarity, proportionality and balance, unless this will already have been achieved during the Bulgarian Presidency.

Topics such as the integration of renewable energy sources, active consumers, digitalisation, and regional approaches play a crucial role with a view to deepening the internal electricity market. The Austrian Presidency will focus its efforts on developing viable compromises with respect to both the Directive and the Regulation in the course of the trilogue negotiations. Furthermore, the proposal for a Regulation on the Agency for Cooperation between EU Energy Regulators (ACER) will also need

to be finalised during Austria's Presidency. The negotiations on the proposal for a Regulation on risk preparedness in the electricity sector are to produce suitable and reasonable rules.

Continuing the work done so far by its trio partners, Austria will keep up the debate triggered by the Commission's efforts towards amending the Directive concerning common rules for the internal market in natural gas.

Energy industry and energy technology

With a view to ensuring a sustainable future for business and industry, it is crucial to work towards fair competition also where energy and climate are concerned. Security of supply, affordability and competitiveness need to be kept in mind as well. It is also intended to devote attention to issues relevant for the industry. The focus here will be on aspects such as development and market transition of new technologies, stepping-up security of supply based on flexibility and energy storage solutions, and leveraging the potential of digitalisation and smart grid technologies for the energy transition.



Agriculture and Fisheries Council

Ensuring food security and vitality of rural areas



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With respect to agriculture, the priority of the Austrian Presidency is to negotiate the proposals made by the European Commission on the modernisation and simplification of the Common Agricultural Policy (CAP) after 2020.

Not only is the CAP the EU's most long-standing and best-integrated policy area, but it is also considered to be of global strategic importance. This sector is all the more important as it supplies us with safe, high-quality and affordable food. To maintain this status, it is crucial to safeguard a multifunctional EU-wide agriculture, as well as to strengthen and promote the development of vital rural areas, in particular in disadvantaged and mountainous regions. The starting point of the discussions on the future of the CAP will be the legislative proposals presented by the Commission based on the Communication on "The Future of Food and Farming".

Based on the Commission's proposal on unfair trade practices, a strong emphasis will be placed on improving the position of agricultural producers, who are currently considered the weakest party in the entire food supply chain.

In addition, the Austrian Presidency will devote its attention to improving Europe's supply with vegetable protein, implementing the Bio-economy Strategy in the agriculture and forestry sectors, and working on the dossiers on veterinary and phytosanitary matters, forestry and fisheries.

Agriculture

Discussions and negotiations on the Common Agricultural Policy after 2020 as well as on the Commission's proposal on the food supply chain will dominate the work of the Austrian Presidency in this sector. The Presidency's goal is to find the right balance between tried and tested measures and new, innovative approaches, and to safeguard the CAP as a common strategic policy which grants the Member States more flexibility thanks to a stronger emphasis on subsidiarity.

In the context of the proposal on the food supply chain, Austria will take up the baton from the Bulgarian Presidency and focus on strengthening the position of agricultural producers in the food supply chain. Key issues will be unfair trade practices along the supply chain and the sustainable strengthening of weaker business partners.

Building on the progress achieved by the Estonian and Bulgarian Presidencies, Austria will continue the negotiations with the European Parliament on the Regulation on Spirit Drinks with the aim of finalisation.

At the start of the Austrian Presidency, the members of the United Nations Food and Agriculture Organisation (FAO) will set out their priorities for forestry for the next two years. In addition, it is planned to sound out possibilities for resuming the negotiations on a legally binding agreement on forests in Europe. Other relevant dossiers include a review of the EU Forest Strategy and of EU activities on deforestation, the EU FLEGT Action Plan (Forest Law Enforcement, Governance and Trade), and the United Nations Forest Forum (UNFF).

In the area of plant health, 2018 will see more work on the new Plant Health and Controls Regulation, as more than 20 delegated or implementing acts will have to be finalised in 2019. Preparations for the 2020 United Nations International Year of Plant Health will pick up the pace during the Austrian Presidency.

On consumer protection, veterinary matters, and animal welfare, work on the legislative proposals already presented, such as the veterinary medicinal products and medicated feeds package, will be continued.

To ensure a high level of both consumer protection and animal health, it is important to continue work on the implementing acts and delegated acts for the implementation of the Regulations on animal health and official controls adopted in 2016 and 2017. In this context, better networking among Member States on food safety will be key.

Furthermore, in an effort to strengthen citizens' trust in EU food policy, Austria will vigorously proceed with the consultations on the Commission's proposal on transparency and sustainability of the EU risk assessment in the food chain, and focus its efforts on increasing the transparency of authorisation procedures followed by the European Food Safety Authority (EFSA).

Fisheries

The Common Fisheries Policy provides that catches for a number of commercial fishing stocks, which are defined in terms of total allowable catches (TACs) allocated to Member States (quotas), be determined on a regular basis. For this reason, the negotiations on 2019 catch limits for the Baltic Sea, the Black Sea and the North Sea/the Atlantic will be predominant in the Presidency's work in this area. In addition, we will conclude two-year TACs and quotas for deep-sea species and three-year autonomous tariff quotas for certain fishery products.

Multi-annual plans are another key element of the Common Fisheries Policy. The Austrian Presidency will therefore continue to work, among other things, on the proposal on the Western Mediterranean Sea and the proposal on Western Waters.

The Austrian Presidency will attempt to advance discussions on the proposed amendment of the Official Controls Regulation and the proposal for the European Maritime and Fisheries Fund after 2020.

With respect to the external dimension of the Common Fisheries Policy, the Austrian Presidency will see further work on developing the common position of the Council on annual meetings of multilateral organisations and regional fisheries management organisations. Austria will also prepare the negotiations on sustainable fisheries partnership agreements, such as with Cape Verde and Madagascar. Finally, it will be necessary to develop EU positions for the negotiations with the coastal states and on the northern agreements with Norway and the Faroe Islands.

Environment Council

A Union of sustainability and forward-looking climate policy



During the Austrian Presidency, active climate protection will constitute a priority in environmental policy. This is why Austria will endeavour to promote healthy mobility and transport systems with low greenhouse gas emissions.

At the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP24) in Katowice, Poland in December 2018, Austria, in its capacity as EU negotiator, will represent Europe's climate policy interests.

In line with the trio presidency's programme, the Austrian Presidency will continue the work on the circular economy, with a special focus on eco-innovative initiatives. Key goals include a healthy environment, the efficient use of resources, eco-friendly and sustainable growth, and measures for a non-toxic environment.

Climate agreement

The 2015 Paris Agreement marks a breakthrough in global climate policy. In implementing the agreement, the Austrian Presidency will present Council conclusions at the Environment Council in October for the 24th Conference of the Parties to the United Nations Framework Convention on Climate Change. These conclusions will spell out the EU's key political statements on the individual themes under negotiation at the COP24. The focus in this respect will be placed on the technical implementation of the Paris Agreement.

CO2 standards for vehicles

The Joint Declaration on the EU's legislative priorities for 2018–2019 mentions the further reduction of CO2 emissions of passenger cars and vans as one of the priority areas. With a view to attaining the climate goals, Austria will continue the work started by the Bulgarian Presidency and work towards completing the negotiations. This will contribute to the attainment of the EU targets for 2030, among them an at least 40 % cut in greenhouse gas emissions compared with 1990. In addition, the proposal on the introduction of standards for HGV CO2 emissions constitutes an implementation measure of the 2016 EU Strategy for Low-Emission Mobility, which

provides for a 60 % emissions reduction goal in the transport sector to be reached by 2050.

Single-use plastics

For years Austria has been working at reducing plastics and microplastics and advocating an ambitious strategy for plastics. The Austrian Presidency will attach great importance to stepping up activities against plastic pollution in inland waters and oceans and to stopping the use of microplastics in various product groups. Therefore, the proposal on single-use plastics will receive special attention during the Austrian Presidency.

Biodiversity

In October, the Austrian Presidency will present the Council with conclusions on the orientation of the future global biodiversity policy after 2020, which encompass the mandate of the European Union for the negotiations at the 14th Conference of the Parties to the Convention on Biological Diversity and the meetings of the Parties to the two Protocols to the Convention (CBD COP14).

Revision of the POP Regulation

Based on the international Stockholm Convention, the Regulation on persistent organic pollutants (POPs) sets out measures against particularly toxic and long-lasting chemicals. The Austrian Presidency aspires to complete the revision of the Regulation, which provides for adjustments with respect to the Treaty of Lisbon and the definitions in EU chemicals and waste legislation, as well as for an adaptation of the monitoring system.

LIFE Regulation

With respect to the negotiations on the LIFE programme, which aims at promoting environment, climate and sustainable energy projects for the period between 2021 and 2027, the Austrian Presidency will strive to achieve quick and efficient progress.

10



Education, Youth, Culture and Sport Council

A Europe that moves (us)



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Education

The central theme of the Austrian Presidency in education and higher education will be the future of the EU cooperation on education. Apart from discussions on what will come after the Strategic Framework – Education & Training 2020 (ET 2020), a key role will be accorded to the conclusions of the European Council of 14 December 2017, and the Commission’s Communication “Strengthening European Identity through Education and Culture”, which defines the target of creating a European Education Area.

A key dossier under the Austrian Presidency will be the successor programme to Erasmus+. The EU education programme is pivotal for the strategic cooperation on education, as well as for student and teacher mobility and cooperation projects. The Austrian Presidency will start negotiations within Council and work towards reaching an agreement on key parts of the programme.

The Presidency will strive to achieve a consensus on the proposal for a Council Recommendation on the mutual recognition of higher education and school leaving diplomas/study periods abroad, and to start negotiations on the proposal for a Council Recommendation on boosting language learning.

Youth

One of the key issues in this area will be the negotiations on the proposal for a new EU Youth Strategy after 2019. A concrete work plan is to be agreed for the first implementation phase from 2019 to 2020.

Quick and efficient progress is envisaged on the European Solidarity Corps follow-up initiative after 2021. With respect to the successor programme of Erasmus+, a contribution concerning the area of youth will be prepared.

The Austrian Presidency will present a proposal for conclusions on the role of youth work for young migrants and refugees, which builds on the work of the European Commission expert group currently working on this topic.

The EU Youth Report, which will be published by the European Commission in the next months, will likewise be discussed and result in the preparation of a Joint Statement of the Council and the Commission, as in 2015.

Culture and audio-visual media

In the area of culture, key topics will be the revision of the European Agenda for Culture of 2007 and the adoption of the new Work Plan for Culture as of 2019 in an effort to lay the foundations for further cultural cooperation at EU level and to define the strategic framework and the priorities and methods for the years ahead. Far-reaching progress should be achieved on the Commission proposal for the new Creative Europe programme as of 2021. The Austrian Presidency will devote itself to an extensive debate on, and adoption of, Council conclusions on opportunities and challenges in the cultural, media and creative sectors in the digital age. In implementing the European Year of Cultural Heritage 2018, special attention will be paid to sustainability. In addition, the work of the Friends of the Presidency group (FoP) on international cultural relations is to be continued.

With respect to the Audiovisual Media Services Directive, the Austrian Presidency will promote exchanges between the Member States and the Commission on implementation issues and thus contribute to rapidly establishing conditions of fair competition. The question of how to deal with large platforms will be a priority for Austria in all areas affected.

Sport

In the area of sport, the Austrian Presidency will highlight the diverse economic dimensions of sport and present the Council with a proposal for conclusions on this topic. In addition to sport's already known contributions to economic added value and employment, such dimensions include the regional economic importance of sport, its role as a driving force for innovation, the quantifiable effects of physical activity on health, and raising awareness for the significance of volunteer work from a macroeconomic perspective. Another key aspect is sport and physical activity at the workplace and what they contribute to preventive occupational healthcare.

With respect to the successor programme of Erasmus+, a contribution concerning the area of sport will be prepared.

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Priority Dossiers under the Austrian EU Council Presidency

Introduction

Austria will hold the EU Council Presidency from July to December 2018. Its presidency comes at the end of the Trio Presidency composed of Estonia, Bulgaria and Austria. The last time Austria held the Council Presidency was in 2006.

Austria has a federal system of government with the Chancellor, Sebastian Kurz, as head of government, a Vice-Chancellor and federal ministers. Chancellor Kurz has been in office since December 2017. The President and the government together form the executive branch in Austrian politics. The current government is a coalition government composed of the Austrian People's Party (ÖVP) and the Freedom Party of Austria (FPÖ).

Austria has a bicameral parliamentary legislature consisting of two chambers: the National Council (Nationalrat) and the Federal Council (Bundesrat). The former currently has 183 members elected through proportional representation in a general election, while the Bundesrat has 61 members elected indirectly through provincial diets.

PART A: POLITICAL PRIORITIES OF THE AUSTRIAN PRESIDENCY

This note looks at the Austrian Presidency's priorities, with those dossiers which figure in the Joint Declaration agreed to by the three institutions as priorities for 2018 until May 2019 marked with an asterisk (*).

A EUROPE THAT PROTECTS is the motto Austria has chosen for its Presidency. Austria considers that there have been several crises in recent years that have given rise to mistrust in the EU amongst European citizens. This mistrust needs to be addressed.

To this end, the Austrian Presidency has announced three main priorities for its term in office: **security, competitiveness and stability**. On security, it intends to focus on the fight against illegal migration, by securing Europe's external borders, and on the reform of the Common European Asylum System. On competitiveness, it will work on matters related to the digital single market, specifically digitalisation. On stability, it has announced its intention to work towards EU accession of the Western Balkan countries.

A number of ongoing complex and challenging dossiers will also feature prominently during the second half of 2018, such as Brexit, the interinstitutional negotiations of a new Multiannual Financial Framework (MFF) 2021-2027 and the reform of the EU.

Subsidiarity is another key element for the Austrian Presidency. The idea is that the scope of action of the EU would be re-defined via a 'Subsidiarity Pact', whereby tasks, which are better handled at Member State level, would be carried out at this level, thus taking decisions closer to the citizens. In the light of the upcoming European Parliament elections, this proposal may well find support amongst some Member States. The Austrian Presidency plans to hold a high-level conference in Bregenz, Austria on 15-16 November 2018, the conclusions of which would serve as substantial input to the European Council meeting in December 2018.

As part of the six-month roadmap, Austria will host several key events; most significant amongst these is the special summit on security, in Salzburg on 20 September 2018, and the EU-Asia conference on 23 and 24 November 2018. On the special summit on security, the Austrian Presidency position is that instead of fighting over the distribution of refugees, the EU must implement and improve external border protection. While Member States that are particularly under stress due to migratory flows should receive more support, it is also necessary to strengthen the mandate of Frontex as a way of combating illegal migration.

1. MIGRATION AND SECURITY

The reform of the Common European Asylum System is at the centre of efforts to address European citizens' concerns with regard to uncontrolled migratory flows. Parliament and Council have not yet reached an agreement on a number of legislative files. It is hoped that these legislative proposals will be concluded under the Austrian Presidency.

On Asylum, the Dublin System (2016/0133 COD)* on international protection is the most problematic. This legislative proposal is politically sensitive given that it is linked to the infringement procedures brought against Poland, Hungary and the Czech Republic for non-compliance with relocation obligations. Progress on this matter is key to progress on the following related legislative proposals:

- European Union Agency for Asylum* (2016/0131 COD),
- Eurodac (2016/0137 COD)* which deals with the EU asylum fingerprint database,
- Standards for the Reception of applicants for international protection* (2016/0222 COD),
- Standards for the Qualification of third-country nationals* (2016/0223 COD),
- Common procedure for international protection in the Union* (2016/0224 COD),
- Union Resettlement Framework* (2016/0225 COD).

Member States considering these files, which are part of the asylum package, have indicated a need to have a position on the Dublin system and related files first before reaching an agreement on any other proposal individually.

A partial provisional agreement was reached in the month of June on the files relating to International Protection, Qualifications and the Union Resettlement Framework, with the exception of the cross-references to other migration files, in particular the Dublin Regulation and the Asylum Procedure Regulation, which currently have not been negotiated. The European Council which took place on 28 and 29 June 2018 discussed the issue of migration and asylum, particularly in the light of the recent migrant humanitarian crisis in the Mediterranean.

On security, the Austrian Presidency will also focus on the need for efficient cooperation on and information exchange between the security authorities of individual Member States, as a way to combat organised crime in a globalised world. To this end, the following legislative files are expected to feature prominently:

- European Criminal Records Information System (ECRIS)* (2016/0002 COD),
- Interoperability between EU information systems in the field of borders and visa* (2017/0351 COD),

- Interoperability between the EU information systems in the field of police and judicial cooperation, asylum and migration* (2017/0352 COD).

On the Security Union package, the European Commission announced the following proposals in April 2018:

- Cross-border access of law enforcement authorities to electronic evidence* (2018/0108 COD),
- Cross-border access to and use of financial data by law enforcement authorities* (2018/0105 COD),
- Appointment of legal representatives for the purpose of gathering evidence in criminal proceedings* (2018/0107 COD).

Progress on these files is expected to commence in the LIBE committee during the Austrian Presidency. A first exchange of views on the Security Union package took place in the LIBE committee with Commissioner Julian King.

2. DIGITALISATION

The Austrian Presidency intends to focus on reinforcing Europe's economic performance and share of world GDP by avoiding over-regulation and seeking progress in innovation and digitalisation.

To this end, it views the completion of the Digital Single Market as crucial, together with the modernisation of the public sector as well as the renewal of industrial policy. The following ongoing legislative projects will likely be considered a priority:

- Cybersecurity Act* (2017/0225 COD),
- Contracts for the supply of digital content*(2015/0287 COD),
- Contracts for the online and other distance sales of goods*(2015/0288(COD),
- Promoting fairness and transparency for business users of online intermediation services*(2018/0112 COD),
- Copyright in the Digital Single Market*(2016/0280 COD),
- Online transmissions of broadcasting organisations and re-transmissions of television and radio programmes (CabSat)*(2016/0284 COD).

On the digital content file (2015/0287 COD), substantive progress has been made and work is expected to continue under the Austrian Presidency. On all other proposals, work is ongoing, often with serious divergences between the two co-legislators.

Finally, on questions of privacy, the e-privacy proposal on respect for private life and the protection of personal data in electronic communication* (2017/0003COD), is proving to be a very complex file. Council may adopt a general approach in summer and hence this could be taken up under the Austrian Presidency.

Concerning the digital economy, the Austrian Presidency will seek to develop further the protection of national public budgets from harmful tax competition and tax avoidance, while guaranteeing fair conditions of competition for all companies. The following consultation files are pertinent in this regard:

- Common system of a digital services tax on revenues resulting from the provision of certain digital services (2018/0073 CNS),
- Corporate taxation of a significant digital presence (2018/0072 CNS).

3. STABILITY IN THE NEIGHBOURHOOD

In line with the European Commission's Enlargement Strategy, published on 6 February 2018, the Austrian Presidency takes the view that stability and security for EU citizens is only possible in a stable and secure neighbourhood. In this light, the Western Balkans/south-eastern European states are essential actors and partners; hence the Austrian Presidency will advocate the development of a concrete EU perspective for this region.

PART B: OTHER JOINT DECLARATION FILES

The Presidents of the European Parliament, Council and Commission agreed on the Joint Declaration on the EU's Legislative Priorities for 2018-2019, in which they commit to give priority treatment in the legislative process to a series of initiatives in key policy areas.

The following is an overview of all legislative initiatives which are currently being discussed in Parliament, or which are in the negotiation process with the Council. Those proposals forming part of the Austrian Presidency priorities, mentioned in part A of this paper, are not repeated here.

I. JOBS, GROWTH AND INVESTMENT

The comprehensive proposal for the future of the Multiannual Financial Framework 2021-2027, including proposals for the next generation of programmes* (2018/0166 APP and 2018/0136 COD) together with 37 sectoral programmes, Erasmus+ and Horizon Europe proposals in particular, will feature prominently during the Austrian Presidency. The European Commission has called on Parliament to prioritise work on the MFF proposals and programmes with the hope of reaching an agreement before the European Parliament elections in May 2019. The Conference of Presidents has established an indicative calendar under which the finalisation of the MFF regulation would be feasible during the current legislature.

The following ongoing proposed legislation under this chapter is also expected to be dealt with during the Austrian Presidency.

On the package on the Deepening of EMU:

- Structural reform support programme 2017-2020 * (2017/0334 COD),
- EDRF, ESF, Cohesion Fund, EAFRD and EMFF: support to structural reforms in Member States* (2017/0336 COD),
- Framework for the development of EU Sovereign Bond-backed Securities (SBBS)* (2018/0171 COD) adopted by the European Commission on 23 May and linked to EMU;
- and lastly, linked to the first two files mentioned above, the European Monetary Fund (2017/0333 APP), and Strengthening Fiscal Responsibility and medium-term budgetary orientation in the Member States (2017/0333 CNS).

On the package on Banking Reform:

- European Deposit Insurance Scheme (EDIS)* (2015/0270 COD)
- Capital Requirements Regulation reform* (2016/0360 A+B COD),
- Loss-absorbing and re-capitalisation capacity (SRMR)* (2016/0361 COD) – to amend the Single Resolution Mechanism Regulation,
- Loss-absorbing and re-capitalisation capacity (BRRD)* (2016/0362 COD) – to amend the Bank Recovery and Resolution Directive,
- Exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures* (2016/0364 COD).

On a number of the banking reform proposals, a mandate from plenary is scheduled during the July session, opening the way for the possibility of negotiations under the Austrian Presidency.

Other files related to jobs, growth and investment:

- Recovery and resolution of central counter-parties* (2016/0365 COD),
- Credit servicers, credit purchasers and the recovery of collateral* (2018/0063 COD),
- Minimum loss coverage for non-performing exposures* (2018/0060 COD),
- Screening of foreign direct investments * (2017/0224 COD).

II. THE SOCIAL DIMENSION OF THE EUROPEAN UNION

On the coordination of social security systems* (2016/0397 COD), aiming to update EU rules on coordinating social security provisions of EU citizens, a general approach at Council level has been reached and the EMPL committee hopes to have an agreement under the Austrian Presidency, by the end of 2018.

Two other legislative proposals under this chapter are expected to come under the Austrian Presidency – one on the protection of workers from the risks related to exposure to carcinogens or mutagens* (2017/0004 COD), and the other on accessibility requirements for products and services* (2015/0278 COD).

III. ENERGY AND CLIMATE CHANGE

While a number of legislative proposals from the Clean Energy package were concluded, a number must still be negotiated during the Austrian Presidency. These are:

- Common rules for the internal market in electricity (Directive)* (2016/0380 COD),
- Common rules for the internal market in electricity (Regulation)* (2016/0379 COD),
- European Agency for the Cooperation of Energy Regulators* (2016/0378 COD),
- Risk-preparedness in the electricity sector* (2016/0377 COD).

It is to be noted that work on most of these legislative files is progressing well and is expected to continue during the Austrian Presidency.

The mobility package adopted by the European Commission in May 2017 is moving at a slower pace than hoped, with several of the files not achieving compromises workable for both co-legislators. These are the following:

- Charging of heavy goods vehicles (Eurovignette)* (2017/0114 COD),
- Use of vehicles hired without drivers* (2017/0113 COD),
- Interoperability of electronic road toll systems* (2017/0128 COD),
- Amending Regulation (EC) No 1071/2009 and Regulation (EC) No 1072/2009 with a view to adapting them to developments in the sector (cabotage)* (2017/0123 COD),
- Clean and energy-efficient road transport vehicles* (2017/0291 COD),
- Combined transport of goods between Member States* (2017/0290 COD),
- International market for coach and bus services* (2017/0288 COD),
- Emission performance standards for new passenger cars and for new light commercial vehicles*(2017/0293 COD).

IV. INTERINSTITUTIONAL MATTERS

The European Citizens' Initiative* (2017/0220 COD), which aims to make the Initiative less burdensome and more user-friendly for organisers and supporters, was voted in the AFCO committee on 20 June 2018 and a plenary mandate is expected from the July plenary. On the Council side, a general approach was adopted on 26 June 2018.

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Austrian Presidency priorities discussed in committees

Industry, research and energy: digitalisation, clean energy package, Horizon Europe

Capitalising on the potential of the digital economy and finalising the Clean energy package are among the main priorities outlined by Education, Science and Research Minister Heinz Faßmann, Economic and Digital Affairs Minister Margaret Schramböck and Transport Minister Norbert Hofer to MEPs on Tuesday. The Presidency will work to reduce red tape, while pushing the discussion on the Horizon Europe programme for 2021-2027. On energy, the Presidency will facilitate negotiations on the revision of the European electricity market and promote innovative technology to move towards a clean energy system.

MEPs urged the ministers to reach a common position on the revision of the Gas directive, since the EP is ready to begin negotiations. On the overhaul of the internal electricity market, MEPs invited the Presidency to focus on capacity and energy poverty.

Constitutional affairs: European Citizen Initiative, Transparency Register, Right of Inquiry

Among the top priorities are the commitment to reach an agreement on the European Citizen's Initiative, the ongoing work on the Transparency Register and the Right of Inquiry, as well as continuing with the inter-institutional agreement on better law-making, according to EU, Arts, Culture and Media Minister Gernot Blümel, on Wednesday. He also stressed the importance of unity among the 27 member states, in light of Brexit.

MEPs appreciated the forthcoming efforts and the goal set for the European Citizen's Initiative. They also discussed the Transparency Register, Brexit, the MFF, "disembarkment platforms", digital taxation, EU citizens' trust in the European Union and the Right of Inquiry, particularly highlighting the need to reach an agreement on the latter.

Economic and Monetary Affairs: Banking Union, Capital Markets, EMU, taxation

Finance Minister Hartwig Loger told MEPs on Wednesday that the Presidency wants to pursue efforts to complete the Banking Union and the Capital Markets Union, and is seeking to reduce risk across the continent as well as reducing the stock of Non-Performing Loans. The Presidency would also like to develop a deeper Economic and Monetary Union by establishing a common backstop for the Single Resolution Fund, provided in the form of the European Stability Mechanism.

A third objective is to formulate a fairer tax system at European level, with particular focus on digital tax proposals, modernising VAT systems, and working on a Common Consolidated Corporate Tax Base.

Fisheries: multiannual plans, technical measures, MFF, control regulation

Plenipotentiary Minister Thomas Oberreiter said, on Wednesday, that the Presidency's ambition is to achieve progress on proposals for multiannual plans in Western European waters, the Western Mediterranean and the Adriatic as well as the so-called technical measures, which would create the right conditions for a modern and effective fisheries system. Progress is expected as well on the MFF.

MEPs warned the Presidency that reducing funds for fisheries could put certain projects under threat. They also stressed the importance of the fight against plastic pollution in oceans and the proliferation of waste in general.

Transport and Tourism: Mobility Package, Connecting Europe Facility, rail passenger rights

The Presidency is carefully analysing developments in EU governments' positions to find common solutions in the discussions on the Mobility Package proposals on road transport sector reform, said Transport, Innovation and Technology Minister Norbert Hofer on Tuesday.

MEPs quizzed Mr Hofer on the Presidency's position on funding for the Connecting Europe Facility and the proposal to create the European Labour Authority. In relation to ongoing reform of the road haulage sector, some MEPs asked what the Presidency aims to do to improve drivers' working conditions, while others stressed that it is important to ensure that the reform does not fragment the market and that SMEs are not overburdened. MEPs also asked for details about the Presidency's intentions on automated driving, the Brenner Pass and the rail passenger rights proposal.

Regional Development: subsidiarity, simplification, efficiency to guide structural funding reform

Parliament's ambition of reaching an early agreement on the Multi Financial Framework (MFF or long-term budget) and post-2020 structural funding rules requires MEPs to be highly flexible and willing to compromise, according to Family Minister Juliane Bogner-Strauß, on Wednesday. MEPs asked the Presidency to reconsider inviting Regional Development Committee MEPs to the dedicated informal General Affairs Council meeting scheduled for the end of November.

The minister also outlined that effective implementation through simplification and control mechanisms rank high on the Presidency's agenda.

Culture and Education: cultural heritage, quality education, mobility, copyright

Protecting common European heritage, including the European content on big online platforms, as well as protecting the rights of artists are at the core of the Presidency, Culture Minister Gernot Blümel said on Wednesday. Efforts will be made to have a new Creative Europe programme to support innovation and digitalisation of the culture sector, he added.

The new Erasmus+ programme will be the main priority, Education Minister Heinz Faßmann said, also on Wednesday, with recognition of diplomas also a very important point on the agenda. Minister Juliane Bogner-Strauß said the Presidency would try to increase the rate of successful applications for the Solidarity Corps programme. The economic dimension of sport, as well as sport in the workplace, will top the agenda too, Civil Service and Sport Minister Hans-Christian Strache said on Wednesday.

Culture Committee MEPs called on ministers to fight for more funding for Erasmus+ and asked for support to truly protect artists' rights and remunerate them fairly, during negotiations on new European rules on copyright.

Budgetary affairs: invitation to appear declined

The Austrian Presidency has declined the Budget Committee's invitation to explain their priorities on the negotiation of the annual budget for 2019 or the Multiannual Financial Framework 2021-2027, the EU's long-term budget.

Employment and Social Affairs: coordination of Social Securities, work-life balance, European Labour Authority

Labour, Social Affairs, Health and Consumer Protection Minister Beate Hartinger-Klein said on Wednesday that the Presidency would like to make progress on coordinating social security systems and on inter-institutional negotiations on work-life balance and health risks in the workplace.

Moreover, the minister said they will pursue agreements on establishing a European Labour Authority and look forward to future negotiations on the European Social Fund Plus.

Development

Development MEPs insisted that the Presidency should not make the provision of humanitarian aid contingent on its migration policy. At the debate on Wednesday with Europe, Integration and Foreign Affairs Minister Karin Kneissl, MEPs pointed out the importance of reaching an agreement in Council on the EU's partnership with African, Caribbean and Pacific countries. They also asked for the sustainable development goals to be prioritised, including healthy food, clean water and sanitation, as well as making progress on Parliament's recent call to lift the minimum age limit for marriage to 18 throughout the European Union.

Naming combatting extreme poverty as the number one goal, the minister mentioned food crises, forced displacement, sexual and gender-based violence among other priorities she expects the Presidency to focus on in the humanitarian field.

Internal market and consumer protection: digital, free movement, accessibility

The goods package, which aims to enhance market surveillance, mutual recognition and to tackle unsafe products in the internal market, the New Deal for Consumers, the proposal on online platforms and the ongoing negotiations on digital contracts and on the European Accessibility Act were among the topics discussed with Digital and Economic Affairs Minister Margarete Schramböck on Wednesday.

MEPs highlighted how important free movement is to the internal market, stressing that the area without internal borders is key to achieving more jobs, growth and competitiveness. If there is one thing that people appreciate about the EU, it is the internal market, they said, also asking the Austrian Presidency to focus in particular on SMEs and start-ups.

Legal affairs: security, copyright, insolvency, subsidiarity and a connected digital single market

Enhanced police cross-border cooperation and evidence exchange, ongoing negotiations on profitable businesses and insolvency rules, as well as advancing with the update of copyright rules are key priorities of the Presidency, said Constitutional Affairs Minister Dr Josef Moser, on Monday.

MEPs also called on the Presidency to work on female representation on boards, open and efficient EU governance, e-privacy, subsidiarity principles and whistle-blower protection.

Agriculture and rural development: CAP reform, international trade, veterinary medicines

Post-2020 EU farm policy reform and outlawing unfair trading practices in the food supply chain are among top Presidency priorities, Women, Families and Youth Minister Juliane Bogner-Strauss told MEPs on Monday. The Presidency, she added, will also focus on ongoing trade talks with non-EU countries, the bio-economy strategy, proteins' supply in the EU as well as veterinary medicines and medicated feed laws.

MEPs insisted that the future EU farm policy should remain truly common, well-funded and made simpler and fairer. Many members also called for sensitive EU agricultural sectors to be protected during international trade talks.

Civil Liberties, Justice and Home Affairs: security, asylum, Poland, e-privacy

Reinforcing security to make sure EU citizens feel protected will be a key priority, said Interior Minister Herbert Kickl on Tuesday. He also welcomed the “paradigm shift” in the EU migration and asylum policy, resulting from the latest European Council.

MEPs demanded clarification on the plans to establish “regional disembarkation platforms” outside of the EU, raising concerns regarding EU values and respect of international conventions. They also reminded the Minister that the reform of the Common European Asylum System should be treated as a package, urging him to work towards an agreement on the review of the Dublin Regulation.

Asked about the Article 7 procedure against Poland, Justice Minister Josef Moser said, also on Tuesday, that the issue will be discussed in the next Justice and Home Affairs Council, hinting that several member states are in favour of pursuing dialogue with Warsaw. Moser also replied to questions on the new e-privacy legislation, admitting there are “conflicting interests” in the Council, with some countries thinking the proposal “is not mature”.

International Trade: Russia, US tariffs, trade negotiations

MEPs questioned Digital and Economic Affairs Minister Margarete Schramböck on Tuesday about the Presidency’s position on continued application of sanctions against Russia, the planned response to US tariffs on European steel and aluminium products as well as the possible tariffs on cars and car parts.

When asked about long-standing trade talks with Mercosur countries which still continue after 20 years, Minister Schramböck said the Presidency supports ongoing trade agreements. MEPs finally called for progress to be achieved also on negotiations on foreign direct investment screening and the export of civilian and military dual use products.

Women’s Rights and Gender Equality: raising awareness among young Europeans

On Tuesday, Juliane Bogner-Strauß, Federal Minister within the Chancellery for Women, Families and Youth, told Women’s Rights MEPs that gender equality was at the top of Presidency’s priorities. A conference on the future of gender equality will be held in Vienna in October, with a focus on youth, as well as smaller events in schools throughout Europe. Among the other priorities of the Austrian Presidency: the opportunities of digitalisation for young girls and boys, gender mainstreaming, work-life balance and the implementation of the Istanbul Convention on preventing and combatting violence against women.

MEPs welcomed the organisation of this conference on gender equality and urged Austria to encourage the 10 member states that still have not done so to ratify the Istanbul Convention.

Foreign Affairs: Western Balkans

Increasing the stability in the European neighbourhood, driving the EU perspective for South Eastern European states and strengthening EU-Asia relations are amongst Presidency's priorities, Integration and Foreign Affairs Minister Karin Kneissl, told the Foreign Affairs Committee on Tuesday afternoon.

Foreign Affairs Committee MEPs welcomed the minister's focus on the Western Balkans, while several of them urged her not to weaken the EU's focus on the Eastern Partnership, war in Eastern Ukraine and Russia's aggressive policy. Commenting on migration, Ms Kneissl stressed that it needs to be addressed by a different set of tools, as the current ones were designed to deal with hundreds, not thousands, of refugees.

III. POLITICS IN AUSTRIA

1. POLITICAL SYSTEM

2. RECENT POLITICAL CONTEXT

III. Politics in Austria

1. Political System⁴

Austria is a parliamentary republic, founded on democratic principles and the separation of powers. The highest state representative is the Federal President, whose term of office lasts for 6 years. The two parliamentary chambers are the National Assembly (lower house) and the Federal Council (upper house) and these are the legislative bodies. The Federal Chancellor is the head of the Federal Government.⁵

The National Assembly is the main legislative body. The preparation and implementation of legislation takes place in the Federal Government or in the Provincial Governments. Legislative tasks are carried out at federal level by the National Assembly in conjunction with the Federal Council.

The Federal Council represents the interests of the provinces in Parliament. Provincial Assemblies (Landtage) represent the interests of citizens in the individual provinces. Each federal province is administered by a Provincial Government, which is headed by a Provincial Governor (Landeshauptmann) elected by the respective Provincial Assembly.

The administration of justice in Austria proceeds from the federal level. Court judgments and decisions are pronounced and published in the name of the Republic. Judges are independent in the exercise of their office. Proceedings in courts of civil and criminal law are verbal and public. The final court of appeal for civil and criminal proceedings is the Supreme Court.

The judiciary is separate from the executive at all levels of jurisdiction. The police, as an executive agency, are subject to the Republic of Austria.

As in other countries, there are four levels of judicial authority in Austria: district courts (Bezirksgericht); regional courts (Landesgericht); Higher Regional Court (Oberlandesgericht); Supreme Court (Oberster Gerichtshof).

The Administrative Court (Verwaltungsgericht) deals with disputes in connection with decisions taken by the administrative authorities. The Constitutional Court (Verfassungsgericht) deals with actions against federal, provincial, regional or municipal authorities.

2. Recent political context

Five parties are currently represented in the National Council: The two ruling parties are the Austrian People's Party and the Austrian Freedom Party. The other parliamentary parties are Austrian Social Democratic Party, NEOS and PILZ.

Distribution of Mandates

ÖVP (Austrian People's Party)	58 Mandates
SPÖ (Social Democratic Party of Austria)	52 Mandates
FPÖ (Austrian Freedom Party)	51 Mandates
NEOS	10 Mandates
PILZ	8 Mandates

⁴ <http://www.publicseminar.org/2018/05/austrian-politics/>

⁵ <https://www.advantageaustria.org/international/zentral/business-guide-oesterreich/zahlen-und-fakten/auf-einen-blick/politisches-system.en.html>

Austria is currently ruled by a grand coalition of the People's Party and the Freedom Party. In line with the constitution, the next general election is due in 2022.

Ever since World War Two, Austria has almost always been governed by a coalition between centre-right Christian conservatives and centre-left social democrats. However, this changed after the latest elections held in 2017. Austria's previous coalition government collapsed in May 2017 after months of deadlock over policy disputes between the SPÖ and ÖVP, which had jointly governed in a "grand coalition" for the last decade.⁶

After the elections Austria's political landscape had changed. The leader of the conservative party, Sebastian Kurz claimed a victory for his ÖVP and built a coalition with the right-wing FPÖ. Already from 2000 to 2006 Austria had a "black and blue" (the parties' colors) coalition between centre-right and far right. Back then, the EU announced sanctions against Austria for a short while, and the government had to sneak to its inauguration through an underground tunnel to avoid the masses of protesters outside. Demonstrations peaked at somewhere between 150,000 and 300,000 participants shortly thereafter — in a country of 8 million — and thousands continued to demonstrate every Thursday for months.⁷

This time, only 5,000 people took to the streets of Vienna on inauguration day, followed by around 10,000 in January. In Austria as in other European countries, far-right parties serving in governments does not provoke nearly the same amount of shock it once did.

Austria's chancellor Kurz rose to prominence during the refugee crisis by pushing for the closure of the so-called Balkan route, once the preferred path for refugees traveling from Turkey to Northern Europe. Austria, like Germany, took in a large number of refugees during the crisis but the influx led to a political backlash amid concerns over whether the country could cope with the burden.

⁶ <https://www.theguardian.com/world/2017/oct/24/austrias-far-right-freedom-party-invited-to-enter-coalition-talks-sebastian-kurz-ovp-fpo-europe>

IV. POLITICAL ACTORS

1. THE AUSTRIAN PRESIDENT

2. THE CABINET OF AUSTRIA

3. POLITICAL PARTIES

**4. OSCE/ODIHR ELECTION ASSESSMENT MISSION
FINAL REPORT**

IV. Political Actors

1. The Austrian President

President of Austria⁸

First name: *Alexander*

Surname: *van der Bellen*

Date of birth: 18 January 1944

Place of birth: Vienna, Austria

Nationality: Austrian



Van der Bellen's mother is a native Estonian, and his father is a native Russian with Dutch ancestors. After repeatedly fleeing from the Soviets, his family found a new home in Austria, first in Vienna and then in Tyrol.

As a member of the Green Party, he served as Federal Spokesperson from 1997 to 2008, as well as the Chairman of the Greens' Parliamentary Group from 1999 to 2008. He was a member of the National Council (the Austrian House of Representatives) from 1994 to 2012, and a member of the Vienna State Parliament and Vienna City Council from 2012 to 2015. He was appointed a full professor in Economics at the University of Vienna, and served as Deputy Dean and then Dean of the University of Vienna School of Social and Economic Sciences.

Dr. Alexander Van der Bellen was inaugurated as the Federal President of the Republic of Austria on January 26, 2017.

2. Chancellor of Austria⁹

First name: *Sebastian*

Surname: *Kurz*

Date of birth: 27 August 1986

Place of birth: Vienna, Austria

Nationality: Austrian



On December 18th, 2017, Sebastian Kurz was sworn in as Federal Chancellor of Austria by President Alexander Van der Bellen.

⁸ <http://www.bundespraesident.at/alexander-van-der-bellen/>

⁹ <https://www.federal-chancellery.gv.at/curriculum-vitae-sebastian-kurz>

Sebastian Kurz was born on August 27th, 1986 in Vienna. From November 2010 until April 2011 he acted as member of the Vienna City Council. On April 21st, 2011, he was appointed as State Secretary for Integration at the Federal Ministry for the Interior.

On December 16th, 2013, Sebastian Kurz was sworn in as Austrian Federal Minister for European and International Affairs (from March 1st, 2014, Federal Minister for Europe, Integration and Foreign Affairs). In 2014, he was Chairman of the Committee of Ministers of the Council of Europe and in 2017 he acted as Chairman-in-Office of the OSCE during the Austrian Chairmanship.

2. The Cabinet of Austria¹⁰

Several ministries compose the Austrian Government:

Vice-Chancellor, Federal Minister for the Civil Service and Sport: Heinz-Christian Strache (FPÖ)

Federal Minister within the Federal Chancellery for the EU, Arts, Culture and Media: Gernot Blümel (ÖVP)

Federal Minister within the Federal Chancellery for Women, Families and Youth: Juliane Bogner-Strauss (ÖVP)

Federal Minister for Education, Science and Research: Heinz Fassmann (ÖVP)

Federal Minister for Labour, Social Affairs, Health and Consumer Protection: Beate Hartinger (FPÖ)

Federal Minister for Transport, Innovation and Technology: Norbert Hofer (FPÖ)

Federal Minister for the Interior: Herbert Kickl (FPÖ)

Federal Minister for Europe, Integration and Foreign Affairs: Karin Kneissl (indépendante, nommée sur proposition du FPÖ)

Federal Minister for Sustainability and Tourism: Elisabeth Köstinger (ÖVP)

Federal Minister for Defence: Mario Kunasek (FPÖ)

Federal Minister for Finance: Hartwig Löger (ÖVP)

Federal Minister for Constitutional Affairs, Reforms, Deregulation and Justice: Josef Moser (ÖVP)

Federal Minister for Digital and Economic Affairs: Margarete Schramböck (ÖVP)

¹⁰ <https://www.federal-chancellery.gv.at/ministers-and-state-secretaries>

3. Political Parties¹¹

Die neue Volkspartei

Austrian People's Party (Österreichische Volkspartei, ÖVP): The Austrian People's Party was founded on 17th April 1945. It aimed at acting as a socially progressive and modern party that is not exclusively bound to any class or religious denomination. Being successful with this policy the ÖVP was the strongest political force and main governing party from 1945 to 1970. In 1970 the ÖVP lost the elections and was being in opposition until the forming of a grand coalition with the Social Democracy Party (SPÖ) in 1986. From 2000 to early 2007, the ÖVP under Chancellor Wolfgang Schüssel led a coalition government with the Freedom Party (FPÖ / BZÖ). From January 2007 to December 2017 ÖVP was again in a coalition government with SPÖ. Following the clear victory of Sebastian Kurz in the 2017 elections (31.5%), he successfully led negotiations to form a new coalition government with FPÖ.



Freedom Party of Austria (Freiheitliche Partei Österreichs, FPÖ)¹²: The Freedom Party of Austria (Freiheitliche Partei Österreichs--FPÖ) was founded in 1956 by Anton Reinthaller, who had served in the Seyss-Inquart national socialist government formed in collaboration with Hitler after the Anschluss in 1938. Anticlerical and pro-German, the FPÖ was the party of persons who were uncomfortable with the domination of Austrian politics by the "red-black" (socialist-clerical) coalition governments of the SPÖ and ÖVP. The party had liberal and nationalist wings, which frequently disagreed over strategy. Although the FPÖ was not an extremist party, it attracted many former Nazis with its philosophy that Austrians should think of themselves as belonging to a greater German cultural community. In the parliament elections in 2017 the FPÖ won 26% of the votes and now governs the country in a coalition with the ÖVP.



The Greens - The Green Alternative (Die Grünen):¹³ A major catalyst in the birth of the Green movement in Austria was the narrow defeat of the November 5, 1978, national referendum on nuclear energy. The victory of the antinuclear forces encouraged environmental activists to run in local elections, and in 1982 two national Green parties were formed. In the preparation of the 2017 elections founding member Peter Pilz decided to leave the Greens and form his own party. His party was able to enter the parliament for the first time with 4.4% of the votes. The Green party however experienced a disastrous evening after the recent party split, and found itself on the verge of failing to meet the 4% hurdle for entering parliament for the first time in 38 years.

¹¹ <http://www.austria.org/political-parties/>

¹² <http://countrystudies.us/austria/120.htm>

¹³ <https://www.theguardian.com/world/2017/oct/15/sebastian-kurz-on-track-to-become-austrias-next-leader-projections-show>



The new Austria and Liberal Forum (*Das Neue Österreich und Liberales Forum - NEOS*)¹⁴: The NEOS party was formed in 2012 as a liberal answer to the well-established parties that ruled Austria for more than a decade. They support more direct democracy, businesses and innovation and are strongly pro-European. The NEOS party first ran in the 2013 national elections in Austria and were able to enter the parliament with 5%. At the 2017 elections they succeeded again and got 5.3%.



Social Democratic Party of Austria (*Sozialdemokratische Partei Österreichs, SPÖ*): The Social Democratic Party of Austria (*Sozialdemokratische Partei Österreichs--SPO*), until 1991 known as the Socialist Party of Austria (*Sozialistische Partei Österreichs--SPO*), has its roots in the original Social Democratic Workers' Party (*Sozialdemokratische Arbeiterpartei--SDAP*), founded in 1889. The party was most successful between 1970 and 1995 when it ruled the country with an absolute majority or leading a grand coalition together with the ÖVP. However, over the last decade the SPÖ was struggling to repeat similar election results and was gradually losing votes. Especially, in the 2017 elections the party only won 27% of the votes and was defeated by the ÖVP. It is only the 4th time since the Second World War that the SPÖ is in opposition.

¹⁴ <https://www.aldeparty.eu/news/neos-offers-new-perspective-austria>



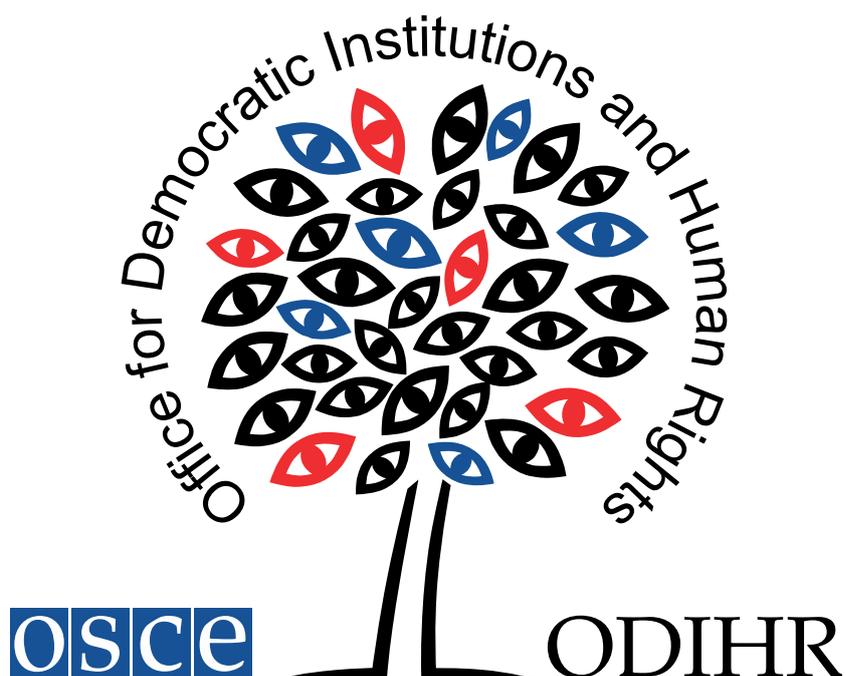
Office for Democratic Institutions and Human Rights

REPUBLIC OF AUSTRIA

EARLY PARLIAMENTARY ELECTIONS

15 October 2017

OSCE/ODIHR Election Assessment Mission Final Report



Warsaw
7 February 2018

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REPUBLIC OF AUSTRIA
EARLY PARLIAMENTARY ELECTIONS
15 October 2017

OSCE/ODIHR Election Assessment Mission Report¹

I. EXECUTIVE SUMMARY

Following an invitation from the Austrian Federal Ministry for Europe, Integration, and Foreign Affairs and based on the recommendation of a Needs Assessment Mission, the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) deployed an Election Assessment Mission (EAM) for the early parliamentary elections held on 15 October 2017.

The elections reflected Austria's vibrant democracy. The campaign was lively, with civil and political freedoms fully respected. The media provided extensive and varied coverage that enabled voters to make an informed choice. Although aspects of election-related legislation could be improved, the election was effectively administered and enjoyed a high level of public confidence.

The legal framework provides a generally sound basis for the conduct of democratic elections. However, a number of previous OSCE/ODIHR recommendations remain to be addressed, including with regard to citizen observation, the composition of election boards, candidate registration procedures, campaign finance rules, and pre-electoral complaints and appeals. Many OSCE/ODIHR EAM interlocutors raised concerns over restricted access to information from public authorities, including about meetings of the election administration, which diminished the transparency of aspects of the elections.

The elections were administered in an efficient and professional manner. The public retains a high level of confidence in the election authorities. Austria's five-tiered election administration is made up at all levels of political party nominees on the basis of the last parliamentary election results. In many cases, candidates served as members of election boards, which could lead to a conflict of interest.

Citizens aged 16 or older are entitled to vote. Voter registration is passive except for citizens residing abroad who must actively register. The voter lists, compiled at local levels, included about 6.4 million citizens. Voters could challenge the inaccuracies and omissions in the voter lists to the municipalities and further to the Federal Administrative Court, but only a few did so. Political parties expressed high confidence in the accuracy of the voter register.

In total, some 4,000 candidates were registered in a largely inclusive manner to contest 183 parliamentary seats. Campaigning parties could present lists of candidates at the regional, province, and national levels. Contestants had to collect a certain number of support signatures from voters across all nine provinces or signatures from three members of parliament (MPs) to appear on the ballot. Several non-parliamentary parties complained that the signature collection process was unduly arduous. While MPs may support multiple lists of candidates, voters may support only one.

The campaign was vigorous, with a range of political contestants offering voters a broad and genuine choice, although the non-parliamentary parties were barely visible. Parties and candidates could campaign freely, and the civil and political rights of citizens were respected. Campaigning is largely

¹ The English version of this report is the only official document. An unofficial translation is available in German.

unregulated and continues through election day. The media and political contestants drew considerable attention to what they dubbed “dirty campaigning” – including the use of false Facebook pages intended to mislead voters and other malfeasance – which led to three criminal cases. Social media played a substantial role.

The legal framework for campaign finance does not provide effective oversight. Campaigning parties and third parties are not required to file campaign finance reports. All political parties are required to file annual income and expenditure reports, which include campaign finance, but these provide late and incomplete transparency and there is no penalty for failure to file a report. There is no requirement for parties to disclose income sources before election day, but several parties did so voluntarily. Campaign expenditure for parties is limited to EUR 7 million. Although parliamentary parties enjoy substantial levels of public funding, the Court of Audit does not have the power to audit their accounts. The sanctions for violating campaign finance rules are not dissuasive.

The media environment is diverse and lively. Both print and broadcast media provided extensive and varied coverage, offering wide-ranging political information for voters. Media coverage of the elections is largely unregulated. Defamation and libel are criminal offenses. An abundance of television debates gave leading contestants extensive opportunities to present their positions and provided ample information to the public. At the same time, smaller parties were often dissatisfied with the amount of coverage they received. Several OSCE/ODIHR EAM media interlocutors complained that state secrecy provisions hinder their access to information.

The Constitutional Court acts as the sole judicial instance for most election complaints, which can be filed only after final election results have been announced. One such complaint was filed for these elections. If the court finds that the alleged infraction could have affected the results, it can require the election be repeated in part or in whole. Campaigning parties, but not citizens, can appeal election results. Although there were very few complaints, the system may not provide a timely or effective remedy for complaints that do not rise to the level of requiring a cancellation of the election results.

There are no special measures in the law to promote women candidates or promote gender-balanced representation on election boards. Several parties have adopted internal policies to ensure balanced gender representation among candidates. In the new National Council, 34 per cent of members are women. Only a few of the parties tackled gender-related socio-economic and labour policies in their campaigns. Women candidates did not enjoy significant visibility in the campaign.

In line with the OSCE/ODIHR’s methodology, the EAM did not observe election day proceedings in a systematic or comprehensive manner, but visited a limited number of polling stations on election day and observed counting. Overall, the polling stations visited were well prepared and polling station boards organized the electoral process efficiently. Official results were announced on 31 October. No citizen observers were allowed to observe voting or counting, at odds with OSCE commitments.

This report offers a number of recommendations to support efforts to bring elections in Austria further in line with OSCE commitments and other international obligations and standards for democratic elections. Priority recommendations relate to citizens’ right of access to information on all aspects of elections, effective oversight of political finance and campaign expenditures, effective remedies with regards to electoral violations, and preventing of conflicts of interest in election administration. The OSCE/ODIHR stands ready to assist the authorities to improve the electoral process and to address the recommendations contained in this and previous reports.

II. INTRODUCTION AND ACKNOWLEDGEMENTS

Following an invitation from the Austrian Federal Ministry for Europe, Integration, and Foreign Affairs (MFA) to observe the early parliamentary elections and based on the recommendation of a Needs Assessment Mission conducted from 23 to 25 August 2017, the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) deployed an Election Assessment Mission (EAM) from 29 September to 20 October.² The OSCE/ODIHR EAM was led by Peter Eicher and consisted of six experts from six OSCE participating States. The EAM was based in Vienna and also made visits to the provinces of Burgenland, Lower Austria, and Upper Austria.

The electoral process was assessed for compliance with OSCE commitments, other international obligations and standards for democratic elections, and with national legislation. In line with the OSCE/ODIHR's methodology, the EAM did not observe election day proceedings in a systematic or comprehensive manner, but visited a limited number of polling stations.

The OSCE/ODIHR EAM wishes to thank the Austrian Federal Ministry for Europe, Integration, and Foreign Affairs (MFA) and Federal Ministry of Interior (MoI) for their co-operation and assistance, as well as to express gratitude to representatives of other public institutions, political parties, media, civil society, and other interlocutors for sharing their views.

III. BACKGROUND

Austria is a federal parliamentary republic consisting of nine provinces. Legislative powers are vested in a bicameral parliament composed of the 183-member National Council (*Nationalrat*, lower chamber), directly elected for a five-year term, and the 61-member Federal Council (*Bundesrat*, upper chamber), indirectly elected by the provincial legislatures. The Chancellor, usually leader of the largest parliamentary party, is the head of the government, appointed by the president following the parliamentary elections. Before these elections, some 31 per cent of members of both chambers of parliament were women, including the president of the National Council and the vice-president of the Federal Council, as were 3 out of 14 ministers.

Following the 2013 parliamentary elections, six political parties were represented in the National Council with the Social Democratic Party (SPO) and the Austrian People's Party (OVP) forming a "grand coalition".³ On 14 July 2017, as a consequence of a stalemate between the coalition partners, the federal government, in agreement with the National Council, called early parliamentary elections for 15 October. All parliamentary parties were in favour of the decision.

The run up to the early elections was framed by a number of key events, including the 2015 migration crisis, the 2016 presidential election that had to be re-run, the 2016 resignation of the chancellor (SPO) and the 2017 resignation of the vice-chancellor (OVP) due to internal party turmoil, and conflicts between the coalition partners. Christian Kern and Sebastian Kurz were nominated as the new leading candidates of the SPO and OVP respectively, with OVP rebranded as "List Sebastian Kurz – the New Peoples' Party" for these elections.

² See all [previous OSCE/ODIHR reports on Austria](#).

³ The six parliamentary parties were the SPO (52 seats), the OVP (47 seats), the Freedom Party (FPÖ, 40 seats), the Greens (24 seats), Team Stronach (11 seats), and the New Austria and Liberal Forum (NEOS, 9 seats).

IV. ELECTORAL SYSTEM

The 183 members of the National Council are elected for a five-year term through a party list proportional representation system with preferential voting. The country is divided into nine constituencies that correspond to provinces (*Länder*), which are in turn divided into 39 regional constituencies (*Regionalwahlkreise*). The number of seats assigned to each constituency is proportional to its population as determined at the last census, and ranges from one to nine.⁴

Seats are allocated to candidate lists that receive at least 4 per cent of the valid votes nationwide and those that gained a direct mandate at regional level. First, direct mandates at regional level are allotted to regional candidate lists using a mathematical formula *sui generis*.⁵ Province lists are then allocated seats according to the Hare method. Finally, federal candidate lists are allocated the remaining seats using the d'Hondt system. Mandates won at each stage are subtracted from seat allocation at the following stage, in order to enhance overall proportionality.

Using a single ballot paper, voters mark their choice of candidate list and may cast three preferential votes within the list: one each for their preferred candidates at federal, provincial, and regional level. Preferential votes are taken into account only for candidates that receive minimum percentage of votes out of the total number of votes that the list gained.⁶ Notably, no candidates were elected through a preferential vote at these elections.

V. LEGAL FRAMEWORK

Overall, the legal framework provides a sound basis for the conduct of democratic elections. The elections are primarily regulated by the 1929 Constitution (last amended in 2016), the 1992 Parliamentary Election Act (last amended in 2016) and by several other laws.⁷ In addition, the case law of the Constitutional Court as well as guidelines of the MoI contributed to the legal framework of these elections. Austria is a party to the major international and regional instruments related to the holding of democratic elections.⁸

⁴ The numbers of MPs elected per province are as follows: Burgenland - 7 MPs from 2 constituencies; Carinthia - 13 MPs from 4 constituencies; Lower Austria - 37 MPs from 7 constituencies; Upper Austria - 32 MPs from 5 constituencies; Salzburg - 11 MPs from 3 constituencies; Styria - 27 MPs from 4 constituencies; Tyrol - 15 MPs from 5 constituencies; Vorarlberg - 8 MPs from 2 constituencies, and Vienna - 33 MPs from 9 constituencies.

⁵ The number of seats allocated to a candidate list entitled in a regional constituency is defined as the quotient of the corresponding valid votes for the list in the province and the electoral regional quota. The latter is defined as the total number of all valid votes cast in the constituency divided by the number of seats allocated to the respective constituency.

⁶ According to the law, the candidates need to obtain 7 per cent of preferential votes in the federal list, 10 per cent in the provincial list, and 14 per cent in the regional list to alter the order of the corresponding candidate list.

⁷ Other relevant laws include the 1947 Prohibition Act, the 1953 Constitutional Court Act, the 1973 Act on the Electoral Register, the 1974 Penal Code, the 2012 Federal Act on Financing of Political Parties (FPPA), and the 2012 Federal Support of Political Parties Act (PPA).

⁸ Including the 1966 International Covenant on Civil and Political Rights (ICCPR), 1965 International Convention on the Elimination of All Forms of Racial Discrimination, 1979 Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), 2003 UN Convention against Corruption (UNCAC), 2006 UN Convention on the Rights of Persons with Disabilities (CRPD), and 1950 European Convention on Human Rights. Austria is also a member of the Council of Europe's European Commission for Democracy through Law (Venice Commission) and Group of States against Corruption (GRECO).

There have been a number of changes to the electoral legal framework since the last parliamentary elections, most of which have been of a technical nature.⁹ Additional electoral reform was initiated in 2017 with cross-party support, including consideration of prior OSCE/ODIHR recommendations and initiatives of the MoI and civil society; however, this was not completed due to the calling of early elections. A number of OSCE/ODIHR recommendations remain to be addressed, including in regard to the composition of election boards, the transparency of Federal Election Board (FEB) meetings, the openness of the electoral process to citizen observers, strengthened campaign finance rules and an expanded scope for pre-electoral complaints and appeals. It was widely anticipated that reform efforts would be re-started following these elections and some OSCE/ODIHR EAM interlocutors suggested that the law could benefit from harmonization and simplification to avoid dense and difficult text and outdated formulations.

The legal framework should be reviewed to address existing gaps and ambiguities as well as past and present OSCE/ODIHR recommendations. Reform should be undertaken well in advance of the next elections and involve open consultation with all stakeholders.

Austria is a party to international treaties encompassing the right of access to information.¹⁰ The Constitution, however, does not explicitly guarantee the freedom of access to information¹¹ and, in practice, acts regulating public authorities' duty to impart information have not always guaranteed that the right of access to information is respected.¹² The lack of legal guarantees or effective practices to ensure citizens can receive information of public interest from state institutions negatively affected the transparency of many aspects of the electoral process. Notably, decisions and minutes of election boards were not made public and polling station results were not posted or otherwise made available to the public. Decisions of the Independent Political Parties Transparency Panel (IPPTP) were frequently not made public. OSCE/ODIHR EAM media interlocutors raised concerns that they were often denied access to official documents, impeding their ability to report fully and accurately on elections and related political issues. Civil society interlocutors raised concerns that lack of access to official information undermined their ability to observe and analyse the electoral process.

The authorities should take steps to ensure citizens' right of access to information on all aspects of elections are in line with Austria's international obligations, by ensuring guarantees in law are clear and comprehensive and proactively putting relevant information into the public domain and providing easy, effective, quick, and practical access to such information.

⁹ Including refined voting procedures, clarified scope of duties of regional electoral authorities, amended model of the voting card.

¹⁰ [2011 UN General Assembly resolution 66/163](#), in particular, reiterates that "transparency is a fundamental basis for free and fair elections, which contribute to the accountability of Governments to their citizens, which, in turn, is an underpinning of democratic societies". In addition, according to the Article 13.1(b) of the UNCAC, State parties ensure "that the public has effective access to information". See also articles 7.3 and 10 of the UNCAC.

¹¹ Article 20 (3) of the Constitution obliges State officials to maintain confidentiality under broadly defined circumstances.

¹² See, for example, the European Court of Human Rights judgement in [Österreichische Vereinigung zur Erhaltung v. Austria](#), 28 November 2013. There was a draft for a freedom of information act proposed to the parliament in 2015, but it has never been put for a vote.

VI. ELECTION ADMINISTRATION

The election administration has five levels, reflecting the governance structure. It comprises the FEB, 9 Province Election Boards (PEBs), 111 District Election Boards (DEBs), 2,100 Municipal Election Boards (MEBs), and some 10,000 Polling Station Boards (PSBs).

The FEB is responsible for supervising the work of lower election boards, registering federal candidate lists, and announcing final election results. The law provides that the FEB can review and annul decisions of lower-level election authorities; there were no such cases during these elections. The PEBs are in charge of registering province and regional candidate lists, counting votes cast with voting cards, and compiling election results. The DEBs count postal votes and compile election results of subordinate boards. The MEBs certify candidate support documentation, oversee voter registration, produce voter lists, and compile the results from polling stations and mobile election boards. The PSBs conduct voting and counting on election day; in small municipalities, MEBs carry out the tasks of the PSBs.

Election board members at all levels are appointed by political parties on the basis of the results of the last parliamentary elections, using the d'Hondt formula to determine how many members of each political party serve on each board. Parties can recall any member they have appointed at any stage of the process.¹³ All parties competing in elections have the right to nominate observers to all boards.

The FEB is composed of 17 members; 15 nominated by the parliamentary political parties,¹⁴ and two judges appointed by the Minister of Justice and the President of the Administrative Supreme Court respectively. The Minister of Interior serves as the FEB chair. The PEBs, DEBs, and MEBs are composed of nine members and a chair each. The chairs are the heads of the respective local government (governors, heads of districts, and mayors). The PSBs consist of three members and a chair appointed by the mayor from the municipal administration. Members of all boards are appointed for five years term.

Political parties informed the OSCE/ODIHR EAM that they faced difficulties in identifying a sufficient number of citizens willing to serve as polling staff, especially in the light of the criminal proceedings opened against some poll workers as a consequence of unintended procedural errors during the 2016 presidential election.¹⁵ Many OSCE/ODIHR EAM interlocutors confirmed that it is not rare for the PSBs to consist of only one or two members on election day. The law allows for the possibility of the PSBs made up of members of only one party.

Elected officials and candidates can and frequently do serve as election board members. In these elections, two FEB members were sitting MPs and eight FEB members competed as candidates. According to the MoI, a large number of candidates were serving on lower-level election boards, including at polling station level. Nevertheless, almost all OSCE/ODIHR EAM interlocutors expressed full confidence in the work of all levels of the election administration.

¹³ Section 77 of the Explanatory Report of the 2002 Venice Commission Code of Good Practice in Electoral Matters states that “bodies that appoint members to electoral commissions should not be free to recall them, as it casts doubt on their independence. Discretionary recall is unacceptable”.

¹⁴ For these elections, the FEB was composed of five SPO, four OVP, three FPO, two Greens and one NEOS representatives. All members of the FEB have their deputies.

¹⁵ Criminal investigations regarding abuse of public office and false certifications of the results following from procedural errors during the 2016 presidential election were still pending during these elections.

To safeguard the impartiality of the election administration and prevent conflicts of interest, candidates and sitting MPs could be restricted from serving on election boards and steps could be explored to ensure that polling station boards are composed of members from more than one political party.

The law does not provide measures to promote gender-balanced representation on election boards and gender disaggregated data is not systematically collected. Only 4 of the 17 members of the FEB as well as 16 out of 81 members of the PEBs are women.¹⁶

Measures should be considered to promote women's participation on election boards, including leadership positions. For example, political parties could be requested to nominate a minimum percentage of each gender to election boards. In addition, gender disaggregated data should be compiled and published on election board membership at each level.

Election board sessions are held as needed. For these elections, the FEB met three times before election day. The meetings are not open to public and minutes of meetings are not published.¹⁷

To enhance transparency, the authorities should publicize the minutes and decisions of election boards at all levels. Consideration could also be given to opening election boards meetings to the public.

Civil servants at each level of government provide assistance to their respective election boards. The MoI plays a significant role, acting as the secretariat for the FEB. The MoI takes the lead on organizational and technical preparations, including producing election materials, guidelines and training manuals for electoral authorities, and voter education materials. The MFA informs citizens abroad about postal voting. Municipal authorities maintain voter registers and provide operational support for most election day activities.

VII. VOTER REGISTRATION AND VOTING ARRANGEMENTS

All Austrian citizens 16 years or older as of election day have the right to vote, unless their suffrage rights have been suspended by an individual court decision on limited grounds.¹⁸ Positively, there are no restrictions based on disability.

Voter registration is passive. Voters are automatically included in the voter lists by municipal authorities according to their place of main residence, except citizens living abroad who have to register actively. On 15 August, voter lists were displayed for public scrutiny for 10 days to allow

¹⁶ No data is available on the composition of the lower-level boards. Paragraph 40.13 of the 1991 OSCE Moscow Document commits participating States to “ensure the collection and analysis of data to assess adequately, monitor and improve the situation of women”. See also Article 7(b) of the CEDAW. Paragraph 26 of the 1997 General Recommendation 23 on CEDAW by the UN Committee on the Elimination of Discrimination Against Women (CEDAW Committee) provides that “states parties have a responsibility, where it is within their control [...] to appoint women to senior decision- making roles”.

¹⁷ Paragraph 19 of the 2011 CCPR General Comment No. 34 to the ICCPR states that: “To give effect to the right of access to information, States parties should proactively put in the public domain Government information of public interest. States parties should make every effort to ensure easy, prompt, effective and practical access to such information”.

¹⁸ Citizens may be disenfranchised if convicted of a criminal offence under the Prohibition Act, imprisoned for more than one year for an offence against the state, army, and supreme state bodies, for electoral fraud, or if imprisoned for more than five years for any crime.

voters to request corrections of mistakes to the MEBs. Final voter lists were closed on 8 September and, according to the MoI, contained a total of 6,400,993 persons (3,307,645 women and 3,093,348 men) entitled to vote. All OSCE/ODIHR EAM interlocutors expressed full confidence in the accuracy and inclusiveness of the voter registration system.

In January 2018, in line with a prior OSCE/ODIHR recommendation, a new centralized voter register will become operational. While the quality of the data is expected to improve by easing the removal of duplicate entries, the introduction of the centralized voter register will not change the way voter lists are produced by municipalities.

Voting takes place in polling stations assigned to voters based on their place of main residence. The law also provides for mobile polling teams for voters with mobility difficulties. Voters residing abroad, travelling on election day, or wishing to cast their vote in a polling station other than their assigned one could apply for a voting card. In addition, voting cards are used by voters in special voting stations in hospitals, health care centres, nurseries, jails, and detention centres.

Voters could apply for a voting card either online, until four days before election day, or in person, until two days before election day. Once issued, voters could cast a ballot only with the voting card. Voters sending their ballot by mail are further required to accompany the ballot with an affidavit attesting that their vote was made personally, confidentially, and without influence. Postal ballots must be returned by 17.00 on election day by mail to the competent DEB. During working hours, postal ballots can be dropped off in-person or by a person of trust to any PSB or DEB in the country.

For these elections, a record high number of 889,193 voting cards were issued, representing almost 14 per cent of registered voters, including 59,283 issued to voters living abroad.¹⁹ Election boards received in total 795,763 voting cards, with only 5,157 of those found later as invalid. The majority of OSCE/ODIHR EAM interlocutors noted efficient administering of the alternative voting methods and expressed full confidence in the system.

VIII. CANDIDATE REGISTRATION

Eligible voters over 18 years could stand for elections. It is the duty of the PEB to assess whether a candidate meets the eligibility criteria, which includes a check of criminal records.²⁰

Each campaigning party could present lists of candidates at a regional, provincial, and/or federal level. The provincial candidate list had to be supported by either three MPs or by a specified number of signatures from registered voters.²¹ MPs could support multiple lists of candidates, whereas

¹⁹ In the 2013 parliamentary elections, some 574,000 voters cast a postal vote. In the first round of the 2016 presidential election, some 543,000 cast a postal vote; the number rose to 760,000 in the second round.

²⁰ Section 41 of the Parliamentary Election Act excludes persons from standing after receiving a prison sentence of at least six months or a conditional prison sentence of more than one year for an intentional crime. The exclusion remains in force for six months after the prison sentence has been completed or, in the case of a conditional sentence, for six months after the date of the sentence ruling. The exclusion from the right to stand for elections is not required to be expressly mentioned in the criminal ruling. In addition, under the Prohibition Act, persons can be barred from candidacy for acts in support of National Socialism, justification of the Nazi genocide, crimes against humanity or ideology. The Constitutional Court determined that this should be taken into account during the registration of candidates and political parties.

²¹ In total 2,600 signatures are needed to register lists in all nine provinces, with a minimum of 100 support signatures in Burgenland and Vorarlberg, 200 in Carinthia, Salzburg, and Tyrol, 400 in Upper Austria and Styria, and 500 in Lower Austria and Vienna.

registered voters could support only one list.²² For nominations to be registered, campaigning parties had to provide a set of documents on the candidates, ensure the validity of the supporting documents and pay EUR 435 per provincial candidate list.²³ A number of smaller parties were unable to gather the required support signatures. In total, 10 campaigning parties were registered at the federal level and 6 more at provincial level in a largely inclusive manner, with a total of some 4,000 candidates.

A registered voter who wished to support a provincial list of candidates had to show valid identification and sign a specific form, which had to be personally handed in at the municipal office of her or his main residence.²⁴ This could be done between 25 July and 18 August. To avoid multiple endorsements, a mark was made next to voter's name on the voter list. Several OSCE/ODIHR EAM interlocutors, in particular non-parliamentary political parties, described the procedures as unduly burdensome and asserted that bureaucratic obstacles occasionally prevented them from collecting the required support signatures.²⁵ Interlocutors also expressed concerns that having local authorities note the voter's political preference had a dissuasive and intimidating effect, especially in small communities.

Changing the procedure for collecting signatures, including allowing voters to give their signature outside of their home municipality and for more than one list of candidates, could be considered.

Although there are no legal requirements to promote women candidates, several parties adopted internal policies, such as the zippered list system, to ensure balanced gender representation among candidates. Three out of ten campaigning parties at the federal level were led by women, but none of these parties won a seat in the National Council. Overall, 63 women (34 per cent) were elected in these elections, contributing to a better gender balance than in the previous National Council.

IX. ELECTION CAMPAIGN

The political campaign is largely unregulated. Campaigning may begin at any time and continue up to and on election day. Contestants must notify the authorities 48 hours before holding a public assembly. No one is permitted to make public statements or engage in activities that violate the Prohibition Act. All contestants were able to conduct their campaigns freely; fundamental freedoms of association, assembly, and expression were respected.

The main contestants were the parties represented in the parliament: the FPO, Greens, NEOS, OVP, SPO, as well as List Peter Pilz, a split-off faction of the Greens.²⁶ The campaign was dynamic. The wide range of contestants offered a broad and genuine choice to the electorate. The prevalent themes were migration, integration, and socio-economic issues, including taxation, social benefits, and education.

²² Paragraph 77 of the 2010 OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation recommends that “in order to enhance pluralism and freedom of association, legislation should not limit a citizen to signing a supporting list for only one party”.

²³ The total amount for all nine provinces is EUR 3,915; this is to partially cover the cost of printing the ballots.

²⁴ Unlike for presidential elections, non-resident citizens may not support parliamentary candidate lists from abroad.

²⁵ Paragraph 17 of the 1996 CCPR General Comment No. 25 to the ICCPR states that “If a candidate is required to have a minimum number of signatures this requirement should not be unreasonable and should not act as a barrier to candidacy”.

²⁶ The only parliamentary party that did not contest the elections was Team Stronach.

The main methods of campaigning were appearances on televised debates, advertisements in the print media, billboards and posters, as well as traditional outreach methods such as canvassing in the streets with distribution of leaflets and other party paraphernalia. Bigger parties also conducted door-to-door campaigning. The non-parliamentary parties ran low-cost campaigns and were barely visible due to lack of finance and scarce media coverage as the public discourse and media focused mainly on parliamentary parties. According to all OSCE/ODIHR EAM interlocutors, online and social media played a significant role in the campaign.

The discourse between the two erstwhile coalition partners, SPO and OVP, became increasingly confrontational following the exposure of three fake Facebook pages including anti-Semitic and xenophobic content. Two of the Facebook pages were directed against the OVP leader and one against the SPO frontrunner with the aim of discrediting them. Following a series of mutual accusations concerning the alleged perpetrators, two criminal cases for defamation were filed by the SPO with the prosecutor.²⁷ The climate became more adversarial as another criminal case for bribery was filed by the SPO with the prosecutor.²⁸

In relation to these cases, the OVP leader Mr. Kurz called for the introduction of specific criminal provisions against “dirty campaigning” as it was dubbed by the media. SPO leader Mr. Kern called it the “biggest political scandal” in Austria’s history. While “dirty campaigning”, including defamation, is not regarded as a new phenomenon in Austria, all OSCE/ODIHR EAM interlocutors acknowledged that in this campaign it reached unprecedented heights, in particular due to the extensive reach of social media. Concentration of the political discourse on this topic, at times, distracted voters from the debate on policy issues and party programmes.

Gender equality was not a predominant topic in the campaign and, when present, focused mainly on family issues. Only a few parties tackled gender-related socio-economic and labour policies. Some of the parliamentary parties were supportive of introducing special incentives, such as augmented public funding for parties with a higher number of women on their lists, to increase the number of women in the parliament. Media attention was almost exclusively concentrated on leaders of the main political parties, all of which were men except the leader of the Greens. Women candidates did not enjoy significant visibility in the campaign. Positively, the party programmes of several of the major campaigning parties included sections for the enhancement of opportunities for persons with disabilities.

X. CAMPAIGN FINANCE

A. FUNDING SOURCES AND CAMPAIGN EXPENDITURE

Political party and campaign financing is regulated by the FPPA and the PPA. Considerable public funding is provided to political parties that are represented in the parliament and have formed a club with a minimum of five members.²⁹ Other parties that do not reach the 4 per cent threshold to enter parliament but receive at least 1 per cent of the vote, are granted a one-time subsidy of EUR 2.5 per

²⁷ The prosecutor office informed the OSCE/ODIHR EAM that suspects in both cases were identified and were under investigation. In addition to known suspects, both investigations were also led against unknown perpetrators who might have abetted the two known suspects.

²⁸ The SPO filed a case for bribery against the spokesperson of Mr. Kurz, who allegedly offered EUR 100,000 to a SPO-affiliated person in exchange for insider party information. The case was closed shortly after the elections, as the prosecutor did not find grounds to pursue a criminal investigation.

²⁹ A parliamentary faction (club) can be created within one month after the first parliamentary session after elections. The financing of the clubs is regulated by the 1985 Club Financing Act.

vote obtained. Annually, all parties combined receive around EUR 30 million in public federal funding, which may be used for campaigning.³⁰ In addition, according to available voluntary financial disclosures, the parties reportedly raised at least EUR 3.4 million in private donations for this campaign.³¹ The FPPA limits each campaigning party to EUR 7 million in campaign expenditure.³²

Political parties are not allowed to accept donations from state entities, party-backed academies, and parliamentary party clubs. While there are limits to foreign, anonymous, and cash donations, there is no limit for other private donations.³³ Loans are not subject to any restrictions in amount or source, creating a possibility that they could remain unpaid or be discharged without payment.³⁴

Some OSCE/ODIHR EAM interlocutors raised concerns that the campaign expenditure ceiling could be circumvented through third parties engaging in campaign activities for or against a contestant. The fact that third parties are not obliged to file financial reports or disclose sources of funding and expenditures, undermines the transparency of campaign finance and the effectiveness of ceilings.³⁵

Consideration should be given to regulating third party financing and loans, including disclosure requirements consistent with guarantees of freedom of expression and association.

B. DISCLOSURE AND REPORTING

While the FPPA requires annual reports on political party financing to be submitted to the Court of Audit by 30 September of the following calendar year,³⁶ there is no reporting requirement specifically on election campaign finance.³⁷ Political parties are simply required to file a statement that they did not exceed the campaign expenditure ceiling, without supporting documents. Reporting requirements apply only to political parties, while parliamentary clubs and subsidiary organizations are exempt. The parties' general financial reports are likely to be published on the Court of Audit's website only in the first half of 2019. The sole timely disclosure requirement applies to donations where a single transaction exceeds EUR 50,000, which have to be reported immediately to the Court of Audit and are then published on its website. Positively, some parties voluntarily published all their contributions on their party websites.

³⁰ See report of the Austrian Federal Chancellery at [Party and Academy Funding](#).

³¹ Out of the EUR 3.4 million, more than EUR 2.1 million were [reportedly](#) raised by the OVP.

³² Article 4 of the FPPA provides that "every political party may expend a maximum of EUR 7 million for election campaigning between the qualifying date for the election and the day of the election". The qualifying cut-off date for these elections was 25 July.

³³ Anonymous donations exceeding EUR 1,000, foreign and cash donations over EUR 2,500 and any donations from public bodies or entities with at least 25 per cent of state participation are prohibited.

³⁴ Paragraph 171 of the 2010 OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation states: "Legislation may allow parties and candidates to take out loans to finance their campaign... It is important that rules on transparency deal consistently with such resources".

³⁵ Article 7.3 of the 2003 UNCAC provides that States should "consider taking appropriate legislative and administrative measures [...] to enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties".

³⁶ All donations exceeding EUR 3,500 annually must be reported in the annual financial reports, disclosing the donor's name and address. Similarly, revenues from sponsorship exceeding EUR 12,000 and all advertisements in party-controlled media above EUR 3,500 have to be reported in the annual report.

³⁷ Paragraph 200 of the 2010 OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation recommends that "reports on campaign financing should be turned into the proper authorities within a period of no more than 30 days after the elections".

The law does not provide any reporting details or empower the Court of Audit to provide a mandatory template. The absence of detailed and comprehensive financial reports makes it unfeasible to verify parties' compliance with the FPPA. In addition, the absence of timely reports on election contributions and expenditures prevents voters from taking this into consideration when making their decision for whom to cast their vote.

Requiring a pre-election campaign finance report providing preliminary details of income and expenditures of campaigning parties would enhance transparency and enable voters to make more fully informed choices. The subsequent annual party reports could then include comprehensive and itemized financial statements. Consideration could be given to expanding annual reporting requirements to parliamentary clubs and other organizations affiliated with political parties.

C. OVERSIGHT AND SANCTIONS

The Court of Audit is the financial oversight body, while the IPPTP is responsible for deciding on and imposing sanctions upon notification from the Court of Audit or claims from any citizen. IPPTP decisions can be appealed to the Federal Administrative Court. As last instance, constitutional challenges can be addressed to the Constitutional Court and administrative challenges to the Supreme Administrative Court.

The oversight mandate of the Court of Audit is limited by the FPPA to certification of the annual reports on the basis of the information submitted, without the power to verify whether these statements are complete and accurate.³⁸ The oversight body is therefore not able to obtain a full picture of a party's finances, including access to accounts and supporting documents, resulting in an ineffective control mechanism. This oversight mechanism is not in line with international standards and good practice.³⁹

To ensure effective oversight of political finance and campaign expenditures, the Court of Audit should be empowered to audit political parties' accounts on the same basis as other institutions receiving public funds, and should be provided the necessary resources to carry out these duties.

Sanctions for non-compliance with the FPPA may reach a maximum of EUR 100,000 depending on the severity of the offence. In case of exceeding the expenditure limit, parties can be fined up to 20 per cent of the excess amount spent. The failure to disclose a donation or the acceptance of a banned donation can be fined up to EUR 20,000. There are no penalties concerning in-kind contributions, since there are no provisions to determine or document their value.

Since 2013, the IPPTP has imposed sanctions in just four cases. It dismissed, for lack of evidence, four notifications on potential violations submitted by the Court of Audit, as well as several

³⁸ Meanwhile, the Court has a competence to inquire additional information and effectively verify the financial transactions of all public funded institutions without limitations.

³⁹ Article 14 (b) of the [2003 Council of Europe's Committee of Ministers Recommendation Rec\(2003\)4](#) on common rules against corruption in the funding of political parties and electoral campaigns stipulates that "The independent monitoring should include supervision over the accounts of political parties and the expenses involved in election campaigns as well as their presentation and publication". Paragraphs 189 and 214 of the 2010 OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulation state that "Public funding of political parties must be accompanied by supervision of the parties' accounts" and that "the regulatory authority should be given the power to monitor accounts and conduct audits of financial reports submitted by parties". In its successive reports on Transparency of Party Funding in Austria, GRECO reiterated the need to ensure an effective control mechanism.

complaints by political parties and citizens. The IPPTP received no complaints regarding the 2017 elections.

The current regime of sanctions is not effective in deterring violations or enforcing the law. The most obvious omission is the absence of sanctions for late or non-submission of annual financial reports from parties receiving public funds. The Court of Audit and the IPPTP have highlighted shortcomings in the scope of the FPPA,⁴⁰ which points to the need for revisions.⁴¹

Consideration should be given to amending the law to provide for proportionate, effective and dissuasive sanctions for violations of campaign finance provisions, based on a clear and adequate list of irregularities that apply to all electoral contestants and third parties.

XI. MEDIA

A. MEDIA ENVIRONMENT AND LEGAL FRAMEWORK

Austria has a diverse media environment, which facilitates freedom of expression and offers citizens a wide range of views. The public Austrian Broadcasting Corporation (ORF) maintains a dominant position in the market with four nationwide channels and nine provincial studios. The German media corporation *ProSiebenSat.1 Media* owns the most popular nationwide private broadcasters, PULS 4 and ATV.⁴²

The print media are divided along quality lines with three tabloid newspapers, *Kronen Zeitung*, *Heute*, and *Österreich*, dominating the market with a combined daily circulation of some 1,900,000 copies. A number of quality broadsheets have significantly lower national circulation, between 60,000 and 200,000 copies each, and provide more in-depth analysis and investigatory stories. Regional daily newspapers also enjoy considerable circulation. The internet is accessible to 84.6 per cent of the population⁴³ and the most popular online media are subsidiaries of traditional broadcasters and newspapers.

The activities of broadcast and print media are regulated by the 1981 Federal Act on the Press and other News Media, 1984 Federal Act on ORF, and the 2001 Audiovisual Media Services Act. The legal framework obliges media outlets to comply with principles of editorial independence, objectivity and diversity of opinions, but does not provide any specific regulations for election campaign coverage. Although the ORF is not legally restricted from airing paid political advertisements, this practice is prohibited by internal regulations.

Defamation, libel, insult, and slander have not been decriminalized and are punishable with a fine or imprisonment from 3 up to 12 months, but they are rarely applied against media.⁴⁴ Instead, media

⁴⁰ See [Court of Audit Report 2015/10](#) and [IPPTP Guiding Principles for Information to the Public](#) (in German).

⁴¹ According to the Article 16 of the 2003 Council of Europe's Committee of Ministers Recommendation Rec(2003)4 "States should require the infringement of rules concerning the funding of political parties and electoral campaigns to be subject to effective, proportionate, and dissuasive sanctions".

⁴² According to [TELETEST](#), in 2016, the average market share of ORF 1 and ORF 2 accounted for 11.7 and 21.2 per cent respectively, whereas that of PULS 4 and ATV accounted for 3.1 and 2.4 per cent respectively.

⁴³ As of March 2017, according to the [InternetWorldStats](#).

⁴⁴ According to the Paragraph 47 of the 2011 CCPR General Comment No. 34 to the ICCPR "States parties should consider the decriminalization of defamation and, in any case, the application of the criminal law should only be countenanced in the most serious of cases and imprisonment is never an appropriate penalty".

outlets and journalists may be prosecuted for such offenses under the Media Act, with fines up to EUR 50,000.

Criminal provisions for defamation, libel, insult, and slander should be repealed in favour of civil remedies designed to restore the reputation harmed.

The Constitution does not explicitly guarantee the freedom of information. The majority of journalists who met with the OSCE/ODIHR EAM noted that restricted access to information, due to the constitutional confidentiality clause, severely limits their ability to report, investigate, and verify stories of public interest regarding the activities of state institutions.⁴⁵

The ORF is overseen by a 35-member supervisory board, 24 of whom are nominated by either parliamentary parties, the federal or the regional governments, raising concerns among OSCE/ODIHR EAM interlocutors about its independence from political influence. The supervisory board gathers quarterly, appoints and dismisses the Director General of the ORF as well as the heads of the regional studios and decides upon the budgets.⁴⁶

The independent Austrian Communications Authority, *KommAustria*, oversees the compliance of electronic media with legislation. The supervision during the campaign was complaint-based and no internal media monitoring was conducted. *KommAustria* informed the OSCE/ODIHR EAM that it did not receive any election-related complaints.

The self-regulatory body for the print media is the *Presserat*, which reviews complaints against members and non-members alike, but has no sanctioning power. Complainants must pledge not to take their cases to court. The *Presserat* reviewed three election-related complaints, and concluded that *Die Ganze Woche* magazine violated professional standards by publishing political advertisements that were not clearly identified as such. Two other complaints against *Österreich* and *Der Standard* newspapers regarding the tone of coverage of the SPO and OVP leaders were dismissed. The *Presserat* did not conduct systematic media monitoring of the campaign and reviewed complaints on case-by-case basis.

B. COVERAGE OF THE ELECTION CAMPAIGN

The media covered the campaign extensively, providing citizens with access to differing political views and enabling them to make an informed choice.

The parliamentary parties received daily coverage in both public and private broadcasting media in various formats, including news programmes, dozens of TV debates, current affairs programmes, and political talk shows. In particular, the ORF organized over 35 election-related TV programmes, aired mostly during prime time.⁴⁷ However, the majority of them were focused on parties with club status in the parliament, effectively excluding non-parliamentary parties and newly created candidate lists from participation in the debates.⁴⁸ As an example, List Peter Pilz was excluded from TV debates on the ORF, while it was able to participate in the debates on private TV stations. The ORF justified the

⁴⁵ Article 8.10 of the [PACE Resolution 1636 \(2008\)](#) “Indicators for media in a democracy” highlight, that “privacy and state secrecy laws must not unduly restrict information”. See also *Legal Framework*.

⁴⁶ Current Director General of the ORF Alexander Wrabetz, a long-standing member of the SPO, temporarily suspended his membership in the party when he was appointed as Director General.

⁴⁷ According to [derStandard](#), approximately 1.2 million viewers (every fifth voter) watched the last debate televised by the public broadcaster on 12 October.

⁴⁸ ORF organized only one debate between smaller parties, which was aired on a Sunday outside of prime-time.

exclusion of the non-parliamentary and factionless parties from election programmes by referring to an ORF decision made in 1994 and applied since to all parliamentary elections.⁴⁹

Recognizing that public broadcasters have a responsibility to ensure a broad and balanced coverage of elections, ORF's current policy could be reviewed with the aim of providing equitable access for all campaigning parties to debates and other election-related programming.

Paid advertisements by the contesting parties in the print media were outnumbered by advertisements placed by national and local government bodies, indirectly benefitting the party associated with the institution. OSCE/ODIHR EAM interlocutors raised concerns over lack of transparency on allocating the state contracts to different media and alleged that such contracts influenced the editorial policies of the media.⁵⁰

XII. CITIZEN AND INTERNATIONAL OBSERVATION

The Parliamentary Election Act allows for election observation by party representatives and international OSCE observers. However, there is no provision for citizen observers. Although a majority of OSCE/ODIHR EAM interlocutors did not see significant value in permitting non-partisan citizen observation, the absence of a provision allowing for such observers is at odds with OSCE commitments and limits the active participation of citizens to engage in the democratic process, enhance electoral integrity, and promote accountability in government and among political contestants.⁵¹ The Austrian citizen election observation organization, *wahlbeobachtung.org*, was denied accreditation by the MoI on 16 August on the grounds of a Constitutional Court ruling stating that those not explicitly allowed at polling stations are not permitted to attend.

The election law should be amended to allow for citizen observation, in line with paragraph 8 of the 1990 OSCE Copenhagen Document.

XIII. COMPLAINTS AND APPEALS

The procedures for filing complaints and appeals are regulated primarily in the Parliamentary Election Act, the Administrative Court Proceedings Act, and the Constitutional Court Act. The judiciary enjoys a high level of public confidence.

The Constitutional Court is the highest judicial authority for the interpretation of the electoral legal framework. However, there are limitations to the availability of effective remedies through Constitutional Court challenges. Only representatives of campaigning parties and candidates who were denied participation in the elections can challenge the election results before the Constitutional Court. Ordinary citizens and voters cannot avail themselves of this remedy, which is at odds with a

⁴⁹ In 2015, the Federal Administrative Court [concluded](#) that this approach does not violate the rules of objectivity, nor the requirement to provide adequate coverage of the political parties.

⁵⁰ According to the [monitoring of six national newspapers conducted by Dossier](#), a website specializing in investigative journalism, between September 1 and October 12, the combined total gross value of print advertisements of government institutions was twice as large as that of all paid political advertisements of all election contestants combined.

⁵¹ Paragraph 8 of the 1990 OSCE Copenhagen Document provides that “the participating States consider that the presence of observers, both foreign and domestic, can enhance the electoral process for States in which elections are taking place”. See also preamble of [Declaration of Global Principles for Non-Partisan Election Observation and Monitoring by Citizen Organizations](#).

prior OSCE/ODIHR recommendation.⁵² Furthermore, challenges can only be brought after the announcement of the final results by the FEB.⁵³ If the Constitutional Court finds any unlawfulness that may have affected the result of the elections, it can require repeating the elections, in whole or in part.⁵⁴ A challenge must be filed within four weeks after the official publication of the results, but there is no deadline for adjudication since Constitutional Court proceedings are not governed by any explicit timeframes for parliamentary elections.

The EU Withdrawal Party petitioned the Constitutional Court to review the lawfulness of the elections citing numerous alleged procedural errors and unlawful practices. The Court informed the OSCE/ODIHR EAM that the case would be dealt with in March 2018 at the earliest.

The only type of dispute decided before election day regards voter registration. Requests for amendments of the voter lists can be made to the resident municipality, which has to decide within six days after the end of the public viewing of the voter lists. In line with a previous OSCE/ODIHR recommendation, an appeal may now be lodged to the Federal Administrative Court within two days of the municipality's decision. The Court then has to decide on the case within four days. For these elections, the Federal Administrative Court dealt with six such appeals, meeting the prescribed timeframe. A ruling of the Federal Administrative Court could be further appealed to the Supreme Administrative Court or the Constitutional Court depending on the subject-matter of the case, but no such appeals were made for these elections.

The right to an effective remedy in election-related disputes can often require an expedited, impartial, and preferably judicial procedure for deciding on cases which do not necessarily call for a resolution by the highest judicial authority of a country or rise to the level of requiring cancellation of the election results.⁵⁵

In line with previous OSCE/ODIHR recommendations, and to ensure that effective remedies are available to all citizens, steps should be considered to enable more types of electoral disputes to be resolved by a judicial body before election day, including disputes regarding candidates' right to stand for elections.

As to other election-related complaints or appeals, two criminal cases regarding defamation and one criminal case regarding bribery were initiated during the pre-election period (See *Election Campaign*). One campaigning party, List Peter Pilz, filed a challenge to the Constitutional Court regarding the alleged different treatment of campaigning parties in the parliament; the case is still pending consideration.

⁵² Section 3.3.f of the 2002 Venice Commission Code of Good Practice in Electoral Matters recommends that “all candidates and all voters registered in the constituency concerned must be entitled to appeal. A reasonable quorum may be imposed for appeals by voters on the results of elections”.

⁵³ Section 95 of the 2002 Venice Commission Code of Good Practice in Electoral Matters recommends: “Appeal proceedings should be as brief as possible, in any case concerning decisions to be taken before the election”.

⁵⁴ If the Constitutional Court orders repeat elections, this must be done within 100 days of the delivery of its ruling.

⁵⁵ Article 13 of the ECHR and article 2(3) of the ICCPR set out the right to an effective remedy. Paragraph 20 of the 1996 CCPR General Comment No. 25 to the ICCPR provides that “There should be [...] access to judicial review or other equivalent process so that electors have confidence in the security of the ballot and the counting of the votes”. Paragraph 5.10 of the 1990 OSCE Copenhagen Document states: “...everyone will have an effective means of redress against administrative decisions, so as to guarantee respect for fundamental rights and ensure legal integrity”.

XIV. ELECTION DAY AND POST-ELECTION DEVELOPMENTS

In accordance with the OSCE/ODIHR methodology, the EAM did not observe election day proceedings in a systematic and comprehensive manner, but visited a limited number of polling stations in two provinces, and observed counting of voting cards on 16 and 19 October.

The voting process in polling stations visited by the OSCE/ODIHR EAM was orderly and procedures were mostly followed. The opening hours of polling stations vary across Austria with hours of voting decided by local authorities. According to the MoI, polls opened between 6.00 and 12.30, and closed between 8.20 and 17.00 in various parts of the country.⁵⁶ Some ballot boxes at the polling stations visited by the OSCE/ODIHR EAM did not have tamper-evident locks or seals. No record of the voting cards (postal ballots) received was kept by polling staff, and, in some cases, the voting cards received were not placed in a secure place. Polling station results were not publicly posted.

Additional safeguards on election day could be considered, including a requirement to use tamper evident seals on ballot boxes and for polling stations to secure and record the voting cards (postal ballots) they receive.

The Parliamentary Election Act stipulates that, if possible, at least one polling station in every municipality (every district in Vienna) should be accessible to persons with disabilities. Positively, in practice, a higher number of polling stations visited by the OSCE/ODIHR EAM were accessible. In addition, all polling stations visited by the OSCE/ODIHR EAM had templates for use by voters with visual impairments. Nonetheless, groups representing persons with disabilities informed the OSCE/ODIHR EAM about insufficiencies in electoral, civic, and voter education materials, as well as the absence of political party programmes in easy-to-read formats. In most instances, visual media did not include subtitles, audio descriptions, or sign language interpretation.⁵⁷

Measures could be considered to enhance access for voters with different disabilities to all stages of electoral process, including campaign materials.

Counting took place on three days. On 15 October, immediately after polling stations closed, the PSBs counted regular votes and votes cast with voting cards within the same constituency. The results were communicated to the MEBs. The Minister of Interior announced these partial election results on 15 October in the evening.

By 17.00 on election day, 798,974 postal ballots arrived in the relevant boards.. Several OSCE/ODIHR EAM interlocutors expressed concerns that the possibility for late requests for sending voting cards abroad significantly challenges a timely return of postal ballots. Often, such ballots arrive after election day.

Consideration could be given to extend sufficiently the electoral calendar to ensure that postal votes from abroad arrive in time.

⁵⁶

By law, each municipal authority may determine the opening hours of polling stations within their territory.

⁵⁷

Article 21 of the CRPD sets out the right of access to information for persons with disabilities. Article 29 (a) of the CRPD obliges States to “ensure that persons with disabilities can effectively and fully participate in political and public life on equal basis with others [...] *inter alia*, by ensuring that voting procedures, facilities and materials are appropriate, accessible and easy to understand and use”.

On 16 October, DEBs counted 758,424 valid postal ballots. Another 37,339 voting cards cast by voters outside their assigned constituencies were counted on 19 October by the respective PEBs. Counting observed by the OSCE/ODIHR EAM was organized in a systematic and professional manner. Nevertheless, in particular at DEB and PEB level, the process was lengthy given the large number of voting cards and the need to count preferential votes at three levels. Votes counted after election day represented around 16 per cent of the total number of valid votes. The FEB declared the official results on 31 October 2017.

XV. RECOMMENDATIONS

These recommendations, as contained throughout the text, are offered with a view to further enhance the conduct of elections in Austria and to support efforts to bring them fully in line with OSCE commitments and other international obligations and standards for democratic elections. These recommendations should be read in conjunction with past OSCE/ODIHR recommendations that remain to be addressed. The OSCE/ODIHR stands ready to assist the authorities of Austria to further improve the electoral process and to address the recommendations contained in this and previous reports.⁵⁸

A. PRIORITY RECOMMENDATIONS

1. The authorities should take steps to ensure citizens' right of access to information on all aspects of elections are in line with Austria's international obligations, by ensuring guarantees in law are clear and comprehensive and proactively putting relevant information into the public domain and providing easy, effective, quick, and practical access to such information.
2. To ensure effective oversight of political finance and campaign expenditures, the Court of Audit should be empowered to audit political parties' accounts on the same basis as other institutions receiving public funds, and should be provided the necessary resources to carry out these duties.
3. In line with previous OSCE/ODIHR recommendations, and to ensure that effective remedies are available to all citizens, steps should be considered to enable more types of electoral disputes to be resolved by a judicial body before election day, including disputes regarding candidates' right to stand for elections.
4. To safeguard the impartiality of the election administration and prevent conflicts of interest, candidates and sitting MPs could be restricted from serving on election boards and steps could be explored to ensure that polling station boards are composed of members from more than one political party.

⁵⁸ In paragraph 25 of the 1999 OSCE Istanbul Document, OSCE participating States committed themselves "to follow up promptly the ODIHR's election assessment and recommendations".

B. OTHER RECOMMENDATIONS

Legal Framework

5. The legal framework should be reviewed to address existing gaps and ambiguities as well as past and present OSCE/ODIHR recommendations. Reform should be undertaken well in advance of the next elections and involve open consultation with all stakeholders.

Election Administration

6. Measures should be considered to promote women's participation on election boards, including leadership positions. For example, political parties could be requested to nominate a minimum percentage of each gender to election boards. In addition, gender disaggregated data should be compiled and published on election board membership at each level.
7. To enhance transparency, the authorities should publicize the minutes and decisions of election boards at all levels. Consideration could also be given to opening election boards meetings to the public.

Candidate Registration

8. Changing the procedure for collecting signatures, including allowing voters to give their signature outside of their home municipality and for more than one list of candidates, could be considered.

Campaign Finance

9. Consideration should be given to regulating third party financing and loans, including disclosure requirements consistent with guarantees of freedom of expression and association.
10. Requiring a pre-election campaign finance report providing preliminary details of income and expenditures of campaigning parties would enhance transparency and enable voters to make more fully informed choices. The subsequent annual party reports could then include comprehensive and itemized financial statements. Consideration could be given to expanding annual reporting requirements to parliamentary clubs and other organizations affiliated with political parties.
11. Consideration should be given to amending the law to provide for proportionate, effective and dissuasive sanctions for violations of campaign finance provisions, based on a clear and adequate list of irregularities that apply to all electoral contestants and third parties.

Media

12. Recognizing that public broadcasters have a responsibility to ensure a broad and balanced coverage of elections, ORF's current policy could be reviewed with the aim of providing equitable access for all campaigning parties to debates and other election-related programming.
13. Criminal provisions for defamation, libel, insult, and slander should be repealed in favour of civil remedies designed to restore the reputation harmed.

Citizen Observation

14. The election law should be amended to allow for citizen observation, in line with paragraph 8 of the 1990 OSCE Copenhagen Document.

Election day

15. Additional safeguards on election day could be considered, including a requirement to use tamper evident seals on ballot boxes and for polling stations to secure and record the voting cards (postal ballots) they receive.
16. Measures could be considered to enhance access for voters with different disabilities to all stages of electoral process, including campaign materials.
17. Consideration could be given to extend sufficiently the electoral calendar to ensure that postal votes from abroad arrive in time.

ANNEX: FINAL RESULTS

Final results were published by the Ministry of Interior as follows:⁵⁹

	Amount	Percentage
Total number of registered voters	6,400,993	100
Total number of votes cast (turnout)	5,120,881	80.0
Total number of valid votes	5,069,929	99.0
Total number of invalid votes	50,952	1.0

Distribution of valid votes to the political parties and allocation of seats:

Campaigning Party	Votes received	Percentage	Number of seats
List Sebastian Kurz – the New People’s Party	1,595,526	31.47	62
Social Democratic Party of Austria	1,361,746	26.86	52
Freedom Party of Austria	1,316,442	25.97	51
NEOS – The New Austria	268,518	5.30	10
List Peter Pilz	223,543	4.41	8
The Greens – The Green Alternative	192,638	3.80	-
List Roland Dueringer - GILT	48,234	0.95	-
Communist Party of Austria	39,689	0.78	-
The Whites	9,167	0.18	-
Free List of Austria	8,889	0.18	-
New Movement for Future	2,724	0.05	-
Homeless in the Politics	761	0.02	-
Socialist Left Party	713	0.01	-
EU Withdrawal Party	693	0.01	-
Christian Party of Austria	425	0.01	-
Men’s Party of Austria	221	0.00	-
TOTAL	5,069,929	100.0	183

⁵⁹ Final results as [published by the Ministry of Interior](#).

ABOUT THE OSCE/ODIHR

The Office for Democratic Institutions and Human Rights (OSCE/ODIHR) is the OSCE's principal institution to assist participating States "to ensure full respect for human rights and fundamental freedoms, to abide by the rule of law, to promote principles of democracy and (...) to build, strengthen and protect democratic institutions, as well as promote tolerance throughout society" (1992 Helsinki Summit Document). This is referred to as the OSCE human dimension.

The OSCE/ODIHR, based in Warsaw (Poland) was created as the Office for Free Elections at the 1990 Paris Summit and started operating in May 1991. One year later, the name of the Office was changed to reflect an expanded mandate to include human rights and democratization. Today it employs over 130 staff.

The OSCE/ODIHR is the lead agency in Europe in the field of **election observation**. Every year, it co-ordinates and organizes the deployment of thousands of observers to assess whether elections in the OSCE region are conducted in line with OSCE commitments, other international obligations and standards for democratic elections and with national legislation. Its unique methodology provides an in-depth insight into the electoral process in its entirety. Through assistance projects, the OSCE/ODIHR helps participating States to improve their electoral framework.

The Office's **democratization** activities include: rule of law, legislative support, democratic governance, migration and freedom of movement, and gender equality. The OSCE/ODIHR implements a number of targeted assistance programmes annually, seeking to develop democratic structures.

The OSCE/ODIHR also assists participating States' in fulfilling their obligations to promote and protect **human rights** and fundamental freedoms consistent with OSCE human dimension commitments. This is achieved by working with a variety of partners to foster collaboration, build capacity and provide expertise in thematic areas including human rights in the fight against terrorism, enhancing the human rights protection of trafficked persons, human rights education and training, human rights monitoring and reporting, and women's human rights and security.

Within the field of **tolerance** and **non-discrimination**, the OSCE/ODIHR provides support to the participating States in strengthening their response to hate crimes and incidents of racism, xenophobia, anti-Semitism and other forms of intolerance. The OSCE/ODIHR's activities related to tolerance and non-discrimination are focused on the following areas: legislation; law enforcement training; monitoring, reporting on, and following up on responses to hate-motivated crimes and incidents; as well as educational activities to promote tolerance, respect, and mutual understanding.

The OSCE/ODIHR provides advice to participating States on their policies on **Roma and Sinti**. It promotes capacity-building and networking among Roma and Sinti communities, and encourages the participation of Roma and Sinti representatives in policy-making bodies.

All OSCE/ODIHR activities are carried out in close co-ordination and co-operation with OSCE participating States, OSCE institutions and field operations, as well as with other international organizations.

More information is available on the ODIHR website (www.osce.org/odihr).

V. ECONOMY IN AUSTRIA

**1. COMMISSION COUNTRY REPORT AUSTRIA
2018**

2. STANDARD EURO BAROMETER 84 - AUSTRIA



Brussels, 7.3.2018
SWD(2018) 218 final

COMMISSION STAFF WORKING DOCUMENT

Country Report Austria 2018

Accompanying the document

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT, THE COUNCIL, THE EUROPEAN CENTRAL BANK AND THE
EUROGROUP**

**2018 European Semester: Assessment of progress on structural reforms, prevention and
correction of macroeconomic imbalances, and results of in-depth reviews under
Regulation (EU) No 1176/2011**

{ COM(2018) 120 final }

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EXECUTIVE SUMMARY

Austria's strong economic performance offers a window of opportunity to improve potential growth and address remaining challenges. The sound economic outlook provides a supportive environment to further strengthen public finances, social outcomes, and innovation. Austria could also benefit from further measures to improve the sustainability of healthcare and pension expenditures and to enhance labour market and educational outcomes for specific groups where vulnerabilities still exist. Together with additional efforts to reduce restrictive regulations, this could help to boost productivity and potential growth, making Austria more resilient to future challenges ⁽¹⁾.

The Austrian economy is growing robustly, supported by strong private consumption and investment. After several years of subdued progress, GDP growth accelerated to 1.5 % in 2016 and is expected to have doubled to around 3 % in 2017. The 2016 tax reform triggered a pick-up in private consumption that also acted as a boost to investment, strengthening domestic demand in 2017. On the back of improved developments in neighbouring countries and in world trade, investment also benefitted from markedly increasing exports, reversing in 2017 the trend of falling export market shares since the financial crisis in 2008. At the same time, the strong private consumption and investment growth increased imports, leading to only a marginal contribution by the external sector to GDP growth. For 2018 and 2019, the economic outlook remains favourable. GDP growth is expected to be broadly unchanged, driven mainly by stable domestic demand despite a slightly decreasing contribution from investment. The unemployment rate decreased from 6.0 % in 2016 to 5.5 % in 2017. The upswing phase is also reflected in higher headline and core inflation, which remained above the euro area average in 2017.

Good economic conditions and the fade out of bank support costs are expected to benefit

⁽¹⁾ This report assesses Austria's economy in the light of the European Commission's Annual Growth Survey published on 22 November 2017. In the survey, the Commission calls on EU Member States to implement reforms to make the European economy more productive, resilient and inclusive. In so doing, Member States should focus their efforts on the three elements of the virtuous triangle of economic policy — boosting investment, pursuing structural reforms and ensuring responsible fiscal policies.

public finances in a no-policy-change scenario. After widening in 2016 due to the tax relief, headline deficit is expected to improve progressively at unchanged policies, with revenues benefiting from strong employment and consumption growth. Following the financial crisis Austria's government debt increased significantly, peaking at 84.3 % of GDP in 2015, due to the impact of support measures for the banking sector. Government debt declined to 83.6 % of GDP in 2016 and is expected to continue decreasing to below 74 % of GDP in 2019, helped by the divestment of impaired assets from asset management companies.

Austria has made some progress in addressing the 2017 country-specific recommendations. With regard to ensuring financial sustainability, some progress was made on healthcare but no progress was made on the pension system. Limited progress was made towards reforming fiscal relations between the various levels of government. Austria has made some progress in improving the labour market participation of women, but childcare provision is still below the targets for the under 3 years old and regional differences persist. Limited progress has been made in improving the educational achievements of disadvantaged young people. Some progress was made in reducing investment barriers in the services sector.

Regarding progress in reaching the national targets under the Europe 2020 strategy, Austria has already reached its targets on tertiary education attainment and limiting early school leaving. It is on track to meet the employment and the renewable energy targets. However, more effort is needed to raise research and development expenditure, cut greenhouse gas emissions, decrease energy consumption and reduce poverty and social exclusion.

Austria performs relatively well on the indicators of the Social Scoreboard supporting the European Pillar of Social Rights. Austria has robust policies to facilitate labour market access and to ensure fair working conditions. Policies to reduce poverty and social exclusion risks are generally effective. Austria has well developed institutional social dialogue mechanisms.

Key structural issues analysed in this report, which point to particular challenges for Austria's economy, are the following:

- **Austria's fiscal framework provides only weak incentives to improve cost efficiency.** In 2016 the different levels of government agreed on several initiatives that could improve the quality of public spending at subnational level. These include spending reviews, more task-oriented financing, benchmark systems, a reform of subnational competencies and discussions on increasing tax autonomy at subnational level. While these initiatives are promising, their effectiveness depends on being implemented in full. Currently, the spending powers of municipal and federal state governments remain far greater than their revenue-raising responsibilities, giving them little incentive to contain costs.
- **The overall tax burden on labour is comparatively large, while more growth-friendly sources of revenue are underused.** Despite the 2016 tax reform, the burden on labour remains high and is set to increase as tax brackets are not indexed to inflation. This is especially true for low-income earners with adverse effects on labour supply incentives. Social security contributions represent a relatively large share of the tax wedge. Conversely, revenues from recurrent property taxes are significantly below the EU average due to the outdated tax base.
- **The projections for medium- and long-term pension and healthcare expenditures point to a challenge for fiscal sustainability.** Current pension expenditure is comparatively high and is expected to rise further as life expectancy increases while the statutory retirement age remains fixed. Closing the gap between the effective and statutory retirement ages would reduce public spending, but the potential savings are lower than for measures affecting the statutory retirement age. For the healthcare sector, the main driver of the high expenditure is an over-sized hospital sector, which is the result of a fragmented financial and organisational structure. There are efficiency gains to be made both at the system level, by shifting services to the less costly outpatient sector, and within the hospital sector itself by improving the use of public procurement. In this context, implementing the ongoing reform aimed at strengthening primary healthcare in full could contribute to reduce the size of the hospital sector. Enforcing expenditure ceilings may also help containing the projected spending increase.
- **Banking sector resilience continues to improve, but some pockets of vulnerability still warrant monitoring.** The capitalisation of Austrian banks increased substantially in 2016 but profitability in the domestic market remains under pressure. Foreign-currency loans granted by banks on the local market have further declined but are still a matter of concern. The asset quality and profitability of subsidiaries in central, eastern and south-eastern Europe continue to improve, whereas the exposure of Austrian banks to several markets has declined following the restructuring of UniCredit. Despite several challenges over recent years, Austrian insurance companies have managed to adjust relatively well to the low interest rates. The winding-down of the asset management companies is proceeding better than expected and overall risks are limited.
- **House prices have grown considerably in recent years but overall risks to financial stability seem contained.** Prices have risen particularly strongly in the Vienna region, where some overvaluation can be observed. Housing investment has been subdued in recent years compared to the relatively strong population growth, but picked up in 2017. Nevertheless, the price increases do not appear to be credit-driven as the level of household mortgages remains relatively low. Furthermore, the rental market and social housing play a strong role in Austria, so that the house price increase mainly affects wealthier households as well as tenants in the private urban rental market. The macro-prudential toolkit has been strengthened and can be activated to contain potential risks from real estate.
- **Austria's labour market performance is improving but challenges for specific groups remain.** Over several years, immigration and overall increasing labour market participation

led to a rapid expansion of the labour force that outpaced strong employment growth, causing moderate increases in the unemployment rate. In 2017 the unemployment rate started to fall on the back of a further acceleration in employment growth. Austria has reached a high employment rate of 75.3 % in Q3 of 2017, thus meeting the Europe 2020 target. Wage increases were moderate, improving Austria's competitive position. The high proportion of women in part-time work and the high gender pay gap remain issues of concern. This is partly due to the still comparatively scarce and uneven provision of childcare for children below 3 years. The labour market integration of people with a migrant background including refugees is also a policy challenge. So is the digital transformation of the economy.

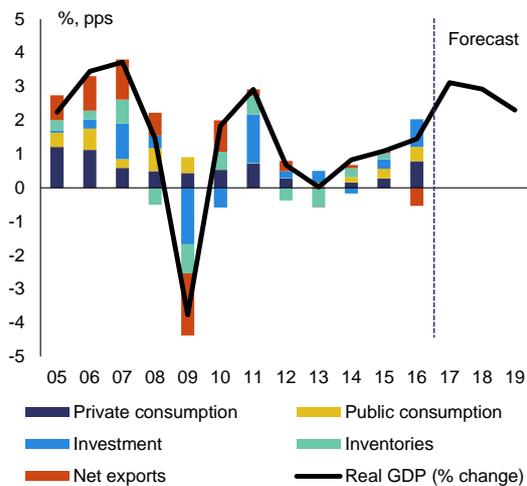
- **Overall, social indicators reflect the good economic conditions, but vulnerabilities for certain groups still exist.** The number of people at risk of poverty and social exclusion has continued to decline. By contrast, in-work poverty is rising, especially among foreign workers. In addition, while benefit adequacy has been overall favourable, the cuts in means-tested minimum income implemented in several federal states may put larger families at risk of poverty. The risk of poverty and social exclusion for women above 65 years is higher than for men, also due to a gender gap in pensions. Wealth inequality is particularly high.
- **Learning outcomes of disadvantaged students have not improved.** New reforms in education were introduced but their impact has yet to materialise. The second package of the reform agenda has increased schools' autonomy, the regional coordination of schools and the availability of all-day schools. Nevertheless, recent national and international testing both point to a comparatively weak performance by Austrian students. Students' educational outcomes also continue to depend heavily on their socio-economic background and on whether they have a migrant background. At the same time, Austria's tertiary education attainment rate has reached the national and Europe 2020 target. Several policy initiatives have been launched to help
- integrate refugees and people with a migrant background into the education system, as well as to encourage adult learning and improve digital education.
- **Restrictive regulation in Austria's services markets hampers productivity and discourages innovation and investment.** Austria has high access barriers and restrictive rules on the exercise of key trades and professions. These include specific shareholding requirements, extensive reserved activities and interdisciplinary restrictions. High regulatory burdens also bear on the retail and tourism sectors. These barriers, burdens and restrictions are limiting investment, job creation and innovation in the services sector itself. They also affect other parts of the economy for which competitive and innovative services are a crucial input.
- **Stagnating productivity requires a strong focus on boosting innovation results and supporting innovative businesses.** Austria is investing heavily in research and innovation but has not yet managed to overcome the stagnation in total factor productivity. Strengthening science-business links and supporting knowledge-intensive sectors remain therefore important. Austria's eco-system for starting and, even more so, for scaling-up innovative businesses remains a policy challenge. Apart from regulatory barriers, the lack of later stage funding options, such as venture capital, play a role, as well as skill shortages in some professions.
- **Austria faces a challenge in spreading digital technologies including broadband and business models among small and medium-sized enterprises (SMEs).** Austria is well-advanced in digitalising its public administrations and larger companies are well placed to exploit the opportunities of the digital economy. SMEs, the backbone of the Austrian economy, and micro-enterprises, are lagging behind. Austria has only started to address this issue with initiatives supporting digitalization of SMEs. High-speed connectivity in rural areas is also an issue. Austria's national digitalization strategy still lacks monitoring and systematic performance review tools.

1. ECONOMIC SITUATION AND OUTLOOK

GDP growth

Austria's economy is growing robustly and has entered an upswing cycle. In 2016, GDP grew by 1.5 % and is expected to have doubled to around 3 % in 2017. Stable demand from private consumption and strong investment are supporting GDP growth. According to the European Commission 2018 winter interim forecast (European Commission, 2018a), they are expected to continue doing so in the coming years, although the contribution from investment is expected to slightly decrease (Graph 1.1). Austria's exports increased markedly in 2017, benefiting from the acceleration in overall world trade and good conditions in neighbouring countries. However, as imports have also increased on the back of strong private consumption and investment, net trade is contributing only marginally to economic growth.

Graph 1.1: GDP growth and contributions



(1) Winter forecast 2018 for real GDP growth, otherwise Autumn forecast 2017

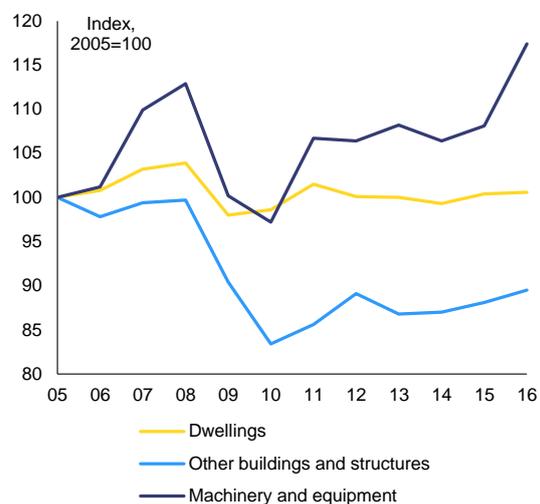
Source: European Commission

Investment

Investment is contributing strongly to GDP growth. In 2016, investment increased by 3.7 %, ending a period of subdued investment since 2012. After years of postponing investment, companies cleared their investment backlog and acquisitions in machinery and equipment grew particularly strongly with an increase of 8.6 % (Graph 1.2). In 2017, investment growth further accelerated, reflecting the overall economic upswing. The

better economic climate is also felt in the construction sector. Residential housing and non-residential construction investment have both grown noticeably in 2017 after several years of subdued growth. Thanks to strong exports and imports, investment in machinery and equipment continued its solid growth in 2017. Austria now faces the challenges of ensuring that investment makes a sustained contribution to growth and of channelling it to the uses that increase productivity most.

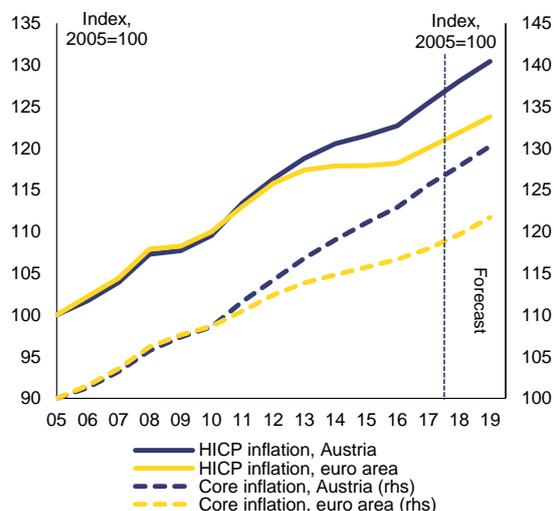
Graph 1.2: Investment by asset



Source: Eurostat

Inflation

Austria's inflation rate has reached 2.2 % in 2017 and remains above the euro area average of 1.5 %. The strengthening of the economy can be felt in robust headline and core inflation, which have both reached 2.2 % in 2017. Increasing rents and the thriving tourism sector are contributing to continuously rising service prices (e.g., for hotels and restaurants). The new government programme announces a reduction of the VAT rate from currently 13 to 10 % for hotel accommodations, which may counteract the price development in the tourism sector. So far, Austria's inflation rate remains above the euro area average for headline and core inflation, continuing the trend seen since 2012. Based on higher inflation, wages can also be expected to rise more strongly in the coming years (Graph 1.3).

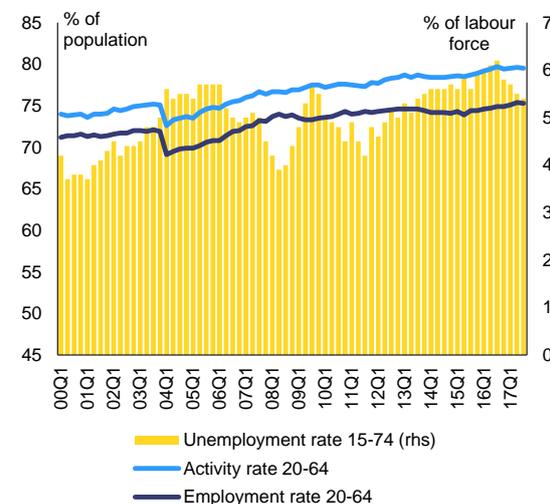
Graph 1.3: **Headline and core inflation**

Source: Eurostat and European Commission

Labour market

On the back of solid economic growth, employment is growing faster than the labour force. The strong economic activity aided a rise in employment of 1.2 % in 2016 that exceeded growth in the labour force. Consequently, the unemployment rate is reversing its trend and dropping for the first time in several years. From 6.0 % in 2016, the unemployment rate has dropped to 5.5 % in 2017 and is expected to remain around that level (European Commission, 2017a). The youth unemployment rate (15-24 years) increased for several years but declined in 2017 to 9.7 %, below the EU average of 18.7 %. Despite the ageing of the population, the labour supply increased, mainly driven by increasing labour market participation of women, older workers and workers with migrant background. However, the long-term unemployment rate continues to increase (to 1.9 % in 2016), partly due to restrictions on early retirements.

Wages are responding to the favourable developments on the labour market. Nominal compensation per employee increased by 2.4 % in 2016 and is expected to grow by 2.3 % annually between 2017 and 2019 as inflation rises (European Commission, 2017a). Coupled with solid productivity gains, this will improve Austria's competitive position.

Graph 1.4: **Labour market outcomes — Austria**

(1) Activity rate and Employment rate(% of population), total, ages 20-64

(2) Unemployment rate (% of labour force), total, ages 15-74

Source: Eurostat

Despite the recent improvements, the labour market potential of older workers, the low skilled, women and people with a migrant background remains underused. The rate of female part-time employment, at 47.9 % in 2016, is one of the highest in the EU and well above the EU average of 31.4 %. However, the employment rate of women is considerably lower when expressed in full time equivalent. The gender pay gap of 21.7 % in 2015 remained persistently high, and above the EU average of 16.3 %, mainly due to the high proportion of women in part-time work and to low pay. The labour market integration of people with a disadvantaged socio-economic background and/or a migrant background remains a challenge. This is especially the case for women from non-EU countries. The employment rate of older workers is improving but at 49.8 % (2016) still below the EU average of 55.3 %.

Social developments

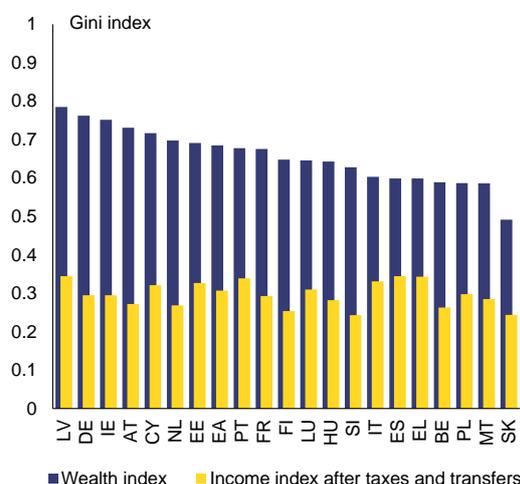
Income inequality remains low but opportunities are not equal. In 2016, the richest 20 % of households in Austria had an income 4.1 times greater than that of the poorest 20 %. This ratio has remained broadly stable over time and is below the EU average of 5.2. This is the combined result of a progressive income tax regime and a high level of spending on social protection which is effective in reducing high market income

inequality. Indeed, market incomes (i.e. before the effect of taxes and social transfers) are more unevenly distributed in Austria than in most EU countries. Educational inequalities linked to socio-economic status suggest social mobility remains low, particularly for children with a migrant background⁽²⁾ (see also Section 3.3).

Wealth inequality is high. The Gini coefficient⁽³⁾ on net wealth (assets minus liabilities) was 0.73 in 2014, among the highest in the euro area, according to the ECB's Household Financial and Consumption Survey (Graph 1.5). A key driver is the low rate of house ownership at the lower wealth deciles and the comparatively strong concentration of wealth from self-employed businesses at the top of the wealth distribution. The median net wealth of households who owned their own homes was EUR 300 600 in 2014. By contrast, that of tenants —about 45.0 % of the Austrian population —was only EUR 12 000. The persistent rise in house prices might increase wealth inequality, while the lack of capital acquisition (inheritance or gift) tax and low recurrent property taxation provide no policy instrument to curb its growth.

Overall, the social situation continues to improve. The proportion of the population at risk of poverty or social exclusion decreased for a third consecutive year in 2016. This was due to a further reduction in the already low level of severe material deprivation (which measures absolute poverty) to 3.0 %, well below the EU average of 7.5 %. However, in-work poverty is rising, and foreign workers are particularly affected. Foreign nationals also face an increasing risk of relative poverty, although the poverty risk for their children has fallen (see Section 3.3 on social policy).

Graph 1.5: **Gini index of wealth (2014) and income inequality (2016)**



Source: ECB, Eurostat

Productivity

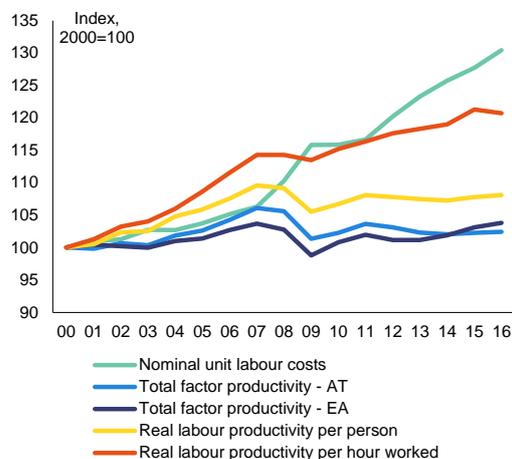
Labour productivity in Austria remains high while total factor productivity is stagnating.

Real labour productivity per person increased again in 2016 as in the year before, but it still lags behind its pre-crisis level. However, productivity per hour worked declined in 2016 for the first time since 2009. This is in line with the average annual hours worked per person, which have increased in 2016 for the first time in 5 years. Austria's total factor productivity dropped markedly during the financial crisis and has not yet recovered, stagnating at below pre-crisis level. This is in contrast with the euro area overall, where total factor productivity was also hit during the crisis but has been steadily growing since 2013 and has already surpassed its pre-crisis level.

⁽²⁾ In 2015, the difference between PISA scores in science for 15-year-olds which is explained by socio-economic and/or migrant background was one of the highest in the EU, and has not diminished from the PISA test in 2006.

⁽³⁾ The Gini coefficient takes values between 0 and 1 and is a measure of equal or unequal distribution, with higher values indicating a higher degree of inequality.

Graph 1.6: Labour productivity



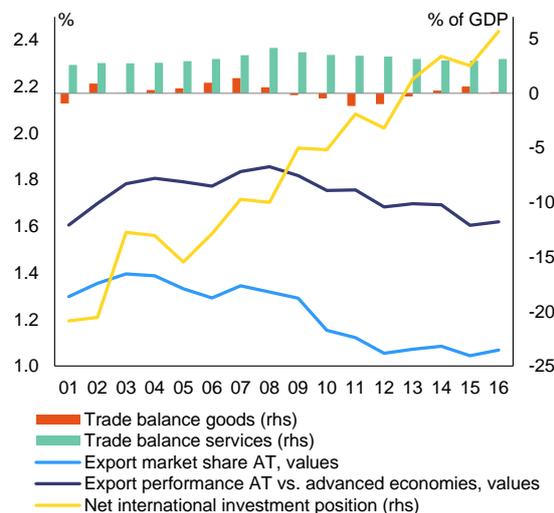
Source: Eurostat, European Commission

External position

The stable development of Austrian exports is contributing to a positive current account balance. In 2016, the current account surplus stood at 2.3 % of GDP, reaching a level similar to recent years. For many years Austria has had a positive trade balance, aided particularly by its tourism industry. 2016 goods exports, at EUR 128.9 billion, are more than twice as high as services exports, at EUR 55.7 billion. However, almost all of the trade surplus of EUR 11.9 billion derives from services (EUR 11.5 billion) and only a marginal share from goods (EUR 0.4 billion). This has been the trend for many years, and in 2009-2013 goods imports surpassed exports, thereby reducing the trade balance (Graph 1.7). Besides tourism, business services for companies are also contributing more and more to Austria's service exports. In 2017, exports overall increased markedly and Austria managed to increase its market share after a steady decline since 2007. The 5-year percentage change of Austria's export market share, that had been violating the MIP scoreboard threshold of -6 % for many years since 2009, surpassed the threshold in 2016 (with -4 %) and turned positive in 2017, thanks to base effects and world trade developments. The positive contribution of households and corporations to Austria's net international investment position has outweighed the government's negative contribution in recent years. As a result, Austria's net international investment position has been

positive since 2013 and continued to improve to 5.7 % of GDP in 2016 from 2.5 % in 2015.

Graph 1.7: Trade balance and export market share



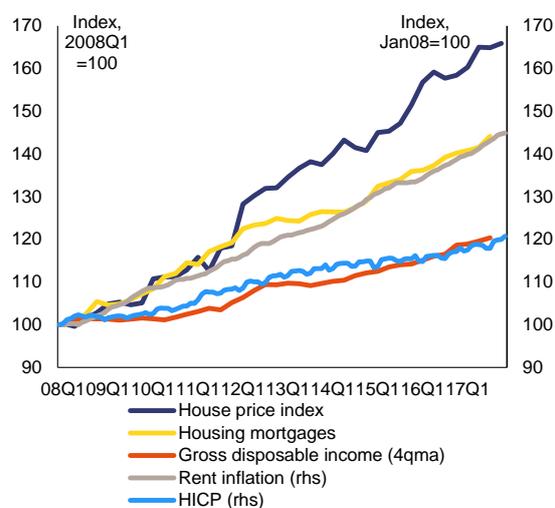
Source: European Commission

Housing market

House prices accelerated strongly in 2015-2016 but have since returned to more moderate growth. Since their peak in Q1-2016, when nominal house prices increased by 13.4 % year-on-year, increases have slowed to 4.9 % in Q3-2017. The strong increase in 2016 led to a warning by the European Systemic Risk Board in December 2016 and the indicator for deflated house prices has been above the MIP scoreboard threshold for the first time for Austria. The increase in house prices does not appear to be driven by mortgage lending. Although growth in housing loans has accelerated in recent years (they increased by 4.0 % in 2016), it is still below 2009 levels and the mortgage-to-GDP ratio (at 28.6 %) is low by European standards (EA 37.5 %). Increased housing demand due to the increased inflow of refugees in 2015-2016, on top of continuously strong migration from EU and non-EU neighbouring countries, has not been met yet by sufficient supply, although housing investment is increasing. Nevertheless, a sizeable share of the population is hardly affected by increasing house prices. This is because the overall home ownership rate of 55.0 % is low (compared to the EU average of 69.3 %) and house price increases are concentrated on the higher segments of the market. According to the Austrian National Bank, house prices are overvalued by

roughly 20 % in the capital region of Vienna which accounts for approximately 40 % of total residential value. In the rest of the country, however, house prices are in line with the values explained by fundamental indicators. As roughly 80 % of Vienna's population rent their home, overvaluation risks are somewhat mitigated (see also Sections 3.2 and 3.4).

Graph 1.8: House prices and rental costs



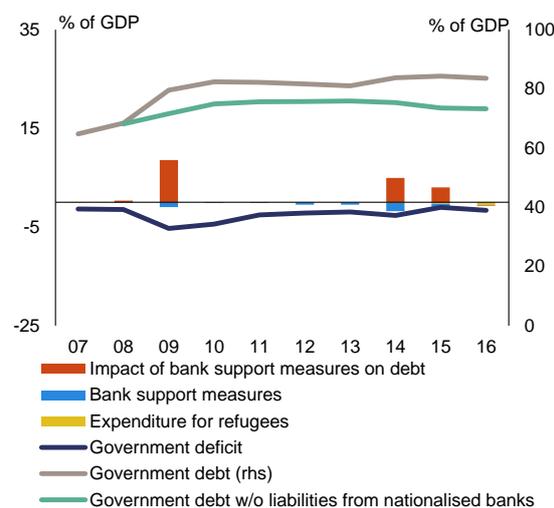
Source: ECB, Statistics Austria, Oenb, Eurostat

Public finances

Austria's public finances are expected to improve but government debt remains relatively high. The headline deficit widened to -1.6 % of GDP in 2016 due to the tax reform, but is expected to progressively improve to -0.6 % in 2019 in a no-policy-change scenario, supported by economic growth. At the same time, the structural budget balance is expected to hover around 1 % of GDP. Austria's fiscal structure has traditionally been characterised by relatively high levels of both revenues and expenditures (49.1 % of GDP and 50.7 % of GDP respectively in 2016, versus an EU average of 44.7 % and 46.3 %). The high spending rate mainly reflects the importance of the welfare state, with pensions and healthcare playing a particularly significant role in the government's budget. Government debt increased sharply in the aftermath of the crisis, due to government support for the financial sector, which also caused several peaks in the government deficit. After peaking in 2015, government debt declined to 83.6 % of GDP in 2016. It is expected

to continue declining rapidly, supported by good economic conditions and the divestment of impaired assets from nationalised 'bad' banks.

Graph 1.9: General government debt and deficit

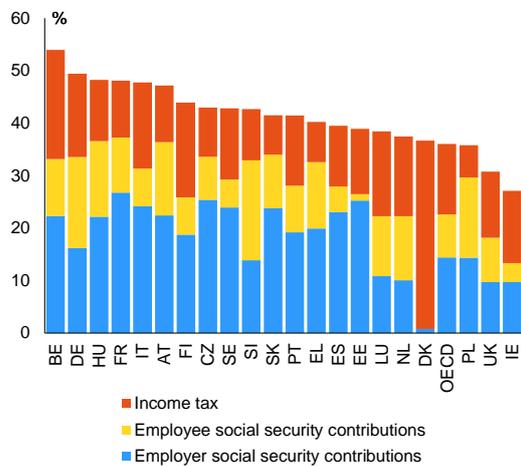


Source: European Commission

The tax wedge on labour is particularly high, especially for low-income earners, mainly due to social security contributions. Austria's historically good record on revenue collection is due to a sound economic structure, good tax compliance and an overall high level of taxation. The latter weighs mainly on labour, with comparatively high revenues from social security contributions and income taxes paid by households. As a result, the tax wedge⁽⁴⁾ on labour is particularly high despite the significant cut implemented in 2016 (Graph 1.10). A comparatively high share of the tax wedge is represented by social security contributions, reflecting the importance of social security on the spending side. As the progressivity of the tax wedge across income categories is rather limited, the burden is also heavy for low-income earners, who are considered particularly responsive to work incentives (Bargain et al., 2014).

⁽⁴⁾ The tax wedge on labour represents the difference between the total labour cost of employing a worker and the worker's net earnings. It is defined as personal income tax and employer and employee social contributions (net of family benefits) as a percentage of total labour costs (the wage and employer social contributions).

Graph 1.10: Tax wedge (% of labour costs, 2016)



(1) Tax wedge as % of labour costs for a single person at 100% of the average wage in the private sector, no children
Source: OECD

Pensions and healthcare

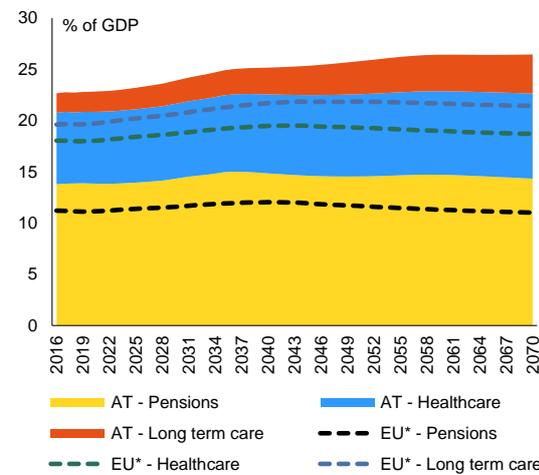
The projections of the 2018 Ageing Report for medium- and long-term pension and healthcare expenditures still point to a medium risk for fiscal sustainability. The equilibrium between high revenues and expenditures has proven successful in providing good levels of public services. However, it could be particularly vulnerable to population ageing, which will further increase social spending in a context of already high fiscal pressure. The projections of the 2018 Ageing Report point to a further increase in pension and healthcare expenditures between 2016 and 2070 (European Commission, 2018b). Compared to the projections of the 2015 Ageing Report, total expenditure is starting from a lower base in 2016 than previously forecast (European Commission, 2015a). However, the trajectory is slightly worse for pension expenditure, mainly due to the deteriorating demographic projections. Overall, the risk for long-term sustainability remains medium.

Education and skills

Implementation of Austria's education reform agenda has so far not translated into improved education outcomes. Austria's poor education outcomes, with about 25 % of 14-year-olds not fully reaching the minimum required basic skills in national testing, might restrict the skills available

for future economic growth. The low number of graduates in STEM fields like ICT and engineering, in particular with PhDs, could limit the scope for innovation in Austria. Young people with a migrant background continue to do worse than their peers and education outcomes in general continue to be strongly related to the socio-economic background of parents.

Graph 1.11: 2018 Ageing report - expenditure projections



* weighted average
Source: European Commission

Digitalisation

Austria's progress with the digital transformation of its economy is mixed and small and medium-sized enterprises in particular are lagging behind. Austria is doing well on some aspects of digitalisation, such as e-government and digital skills. However, it ranks below or merely in line with the EU average on others, such as e-commerce, e-procurement and the deployment of high-speed broadband in rural areas. Furthermore, Austria's economy is characterised by a particularly large SME sector and only relatively few large companies. While these larger firms are readily adopting digital technologies and business models, Austrian SMEs are lagging behind, creating a 'digital divide'. This is especially problematic in the case of technologies that bring particular benefits to SMEs (e.g. cloud computing with its low upfront expenditure and easy scalability). Proper implementation of Austria's national strategy for the digital future is thus paramount.

Table 1.1: Key economic and financial indicators — Austria

	2004-07	2008-12	2013-14	2015	2016	forecast		
						2017	2018	2019
Real GDP (y-o-y)	3,0	0,6	0,4	1,1	1,5	3,1	2,9	2,3
Potential growth (y-o-y)	2,1	1,0	0,9	1,1	1,7	1,8	2,1	2,0
Private consumption (y-o-y)	1,9	0,9	0,1	0,5	1,5	.	.	.
Public consumption (y-o-y)	2,1	1,2	0,8	1,5	2,1	.	.	.
Gross fixed capital formation (y-o-y)	1,7	-0,2	0,4	1,2	3,7	.	.	.
Exports of goods and services (y-o-y)	7,6	1,2	1,8	3,1	1,9	.	.	.
Imports of goods and services (y-o-y)	6,2	1,3	1,8	3,1	3,1	.	.	.
Contribution to GDP growth:								
Domestic demand (y-o-y)	1,9	0,7	0,3	0,8	2,0	.	.	.
Inventories (y-o-y)	0,4	-0,1	-0,1	0,2	0,0	.	.	.
Net exports (y-o-y)	0,9	0,0	0,0	0,1	-0,5	.	.	.
Contribution to potential GDP growth:								
Total Labour (hours) (y-o-y)	0,3	0,0	0,1	0,3	0,8	0,7	0,9	0,7
Capital accumulation (y-o-y)	0,7	0,5	0,5	0,5	0,5	0,6	0,6	0,6
Total factor productivity (y-o-y)	1,1	0,5	0,3	0,4	0,4	0,5	0,6	0,7
Output gap	0,4	-0,3	-0,8	-0,8	-1,0	-0,2	0,1	0,4
Unemployment rate	5,3	4,7	5,5	5,7	6,0	5,6	5,5	5,4
GDP deflator (y-o-y)	2,1	1,7	1,8	2,3	1,1	1,8	1,6	1,7
Harmonised index of consumer prices (HICP, y-o-y)	2,0	2,3	1,8	0,8	1,0	2,2	2,1	1,9
Nominal compensation per employee (y-o-y)	2,5	2,2	2,0	2,1	2,4	2,3	2,3	2,3
Labour productivity (real, person employed, y-o-y)	1,7	-0,4	-0,2	0,5	0,2	.	.	.
Unit labour costs (ULC, whole economy, y-o-y)	0,9	2,5	2,3	1,6	2,1	1,2	1,2	1,1
Real unit labour costs (y-o-y)	-1,2	0,8	0,5	-0,7	1,0	-0,6	-0,3	-0,6
Real effective exchange rate (ULC, y-o-y)	0,1	-0,1	2,5	-1,7	1,3	0,7	0,9	-0,7
Real effective exchange rate (HICP, y-o-y)	-0,3	-0,7	1,9	-1,9	1,7	0,6	1,4	.
Savings rate of households (net saving as percentage of net disposable income)	11,2	10,0	7,0	6,9	7,9	.	.	.
Private credit flow, consolidated (% of GDP)	5,9	2,2	0,9	2,3	3,2	.	.	.
Private sector debt, consolidated (% of GDP)	123,1	129,7	126,0	123,9	124,0	.	.	.
of which household debt, consolidated (% of GDP)	50,9	53,1	51,1	50,9	51,3	.	.	.
of which non-financial corporate debt, consolidated (% of GDP)	72,2	76,6	74,9	73,0	72,7	.	.	.
Gross non-performing debt (% of total debt instruments and total loans and advances) (2)	.	3,4	5,2	5,5	4,2	.	.	.
Corporations, net lending (+) or net borrowing (-) (% of GDP)	0,0	1,9	2,2	0,5	0,9	0,7	1,3	1,8
Corporations, gross operating surplus (% of GDP)	26,9	25,3	23,9	24,2	23,5	24,3	25,1	25,8
Households, net lending (+) or net borrowing (-) (% of GDP)	5,2	4,0	2,2	2,1	2,8	2,3	2,2	2,1
Deflated house price index (y-o-y)	0,7	2,9	2,2	3,4	7,2	.	.	.
Residential investment (% of GDP)	4,4	4,3	4,3	4,3	4,2	.	.	.
Current account balance (% of GDP), balance of payments	2,9	2,6	2,2	1,9	2,1	2,2	2,9	3,7
Trade balance (% of GDP), balance of payments	3,8	3,2	3,1	3,6	3,2	.	.	.
Terms of trade of goods and services (y-o-y)	-0,7	-0,7	0,5	1,0	0,5	0,0	0,0	0,1
Capital account balance (% of GDP)	-0,1	-0,1	-0,1	-0,5	-0,2	.	.	.
Net international investment position (% of GDP)	-12,8	-5,1	2,3	2,5	5,7	.	.	.
Net marketable external debt (% of GDP) (1)	-9,8	-11,3	-11,5	-11,2	-8,5	.	.	.
Gross marketable external debt (% of GDP) (1)	175,9	193,7	178,8	167,2	159,4	.	.	.
Export performance vs. advanced countries (% change over 5 years)	14,7	-2,8	-10,9	-7,7	-6,7	.	.	.
Export market share, goods and services (y-o-y)	-0,5	-4,7	1,5	-3,7	2,9	.	.	.
Net FDI flows (% of GDP)	1,4	2,8	0,9	1,7	0,4	.	.	.
General government balance (% of GDP)	-2,8	-3,2	-2,3	-1,0	-1,6	-1,0	-0,9	-0,6
Structural budget balance (% of GDP)	.	-2,5	-1,2	-0,3	-1,0	-0,9	-1,0	-0,9
General government gross debt (% of GDP)	66,2	78,8	82,4	84,3	83,6	78,6	76,2	73,4
Tax-to-GDP ratio (%)	42,2	42,2	43,5	43,8	42,9	42,7	42,3	42,1
Tax rate for a single person earning the average wage (%)	33,2	33,3	34,5	35,0	31,9	.	.	.
Tax rate for a single person earning 50% of the average wage (%)	21,3	21,5	22,9	23,3	20,9	.	.	.

(1) NIIP excluding direct investment and portfolio equity shares.

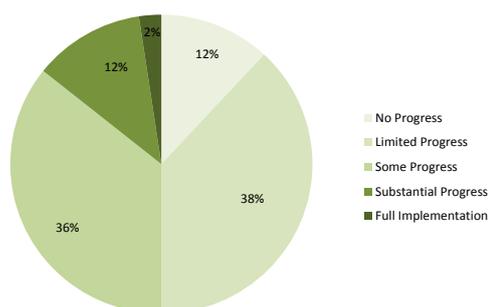
(2) Domestic banking groups and stand-alone banks, EU and non-EU foreign-controlled subsidiaries and EU and non-EU foreign-controlled branches.

Source: Eurostat and ECB as of 30 Jan 2018, where available; European Commission for forecast figures (Winter forecast 2018 for real GDP and HICP, Autumn forecast 2017 otherwise)

2. PROGRESS WITH COUNTRY-SPECIFIC RECOMMENDATIONS

Progress with implementing the recommendations addressed to Austria in 2017⁽⁵⁾ has to be seen in a longer-term perspective since the introduction of the European Semester in 2011. Looking at the multi-annual assessment of the implementation of the CSRs since these were first adopted, 50 % of all the CSRs addressed to Austria have recorded at least ‘some progress’. 50 % of these CSRs recorded ‘limited’ or ‘no progress’ (see Graph 2.1). Substantial progress has been achieved in the consolidation of public finances and the stabilisation of the financial sector, while full implementation has been achieved in the transposition of the Service Directive.

Graph 2.1: Overall multiannual implementation of 2011-2017 CSRs to date



* The overall assessment of the country-specific recommendations related to fiscal policy excludes compliance with the Stability and Growth Pact.

** 2011-2012: Different CSR assessment categories.

*** The multiannual CSR assessment looks at the implementation since the CSRs were first adopted until the 2018 Country Report.

Source: European Commission

Over the last 6 years, Austria has undertaken important reforms related to the country-specific recommendations without, however, sustainably resolving the underlying issues.

In recent years, several measures have been taken to improve the Austrian fiscal framework. Since 2012, the Austrian Stability Pact provides quantitative budget targets and ceilings for all levels of government, with the aim to encourage fiscal discipline. Between 2015 and 2019, accounting rules for subnational

governments are being progressively harmonised, which will improve the coordination and monitoring of their finances. The 2017 Financial Equalisation Law contributed to simplifying financial relations among the different layers of government, reducing the number of intergovernmental transfers and marginally increasing the amount of revenues that federal states can potentially raise through autonomous taxes. Nevertheless, the fiscal framework remains overly complex, and the misalignment between spending powers and revenue raising responsibilities is still substantial. In these areas, the agreement between the different layers of government underlying the financial equalisation law contains far more ambitious initiatives that still need to be implemented.

The 2016 tax reform substantially reduced taxes on labour, including for low income earners.

The reform redesigned tax brackets for personal income taxes and increased several targeted tax allowances. Non-wage labour costs of employers have also been reduced, in particular by reducing their contributions to the Family Burden Equalisation Fund. Nevertheless, the burden on labour still remains comparatively high, especially for low income earners.

Since 2014, action has been taken to increase the effective retirement age.

The 2014 pension reform introduced several financial incentives to retire later and significantly restricted access to early retirement. More recently, individual pension accounts showing personal pension entitlements are being developed, with the aim to increase transparency and provide incentives to longer working lives. However, a fiscal sustainability challenge remains in light of the expected evolution of the effective retirement age and the current provisions on statutory retirement age.

Austria has made positive steps towards increasing the efficiency in the healthcare sector but underlying challenges remain.

In 2013, ceilings for healthcare expenditure growth were introduced up to 2016, as well as specific targets for in-patient hospital consolidation (such as number of bed days per resident, length of stay and overall discharge rates), and for the availability of outpatient multidisciplinary primary care settings. These were positive measures, although the chosen

⁽⁵⁾ For the assessment of other reforms implemented in the past, see in particular Section 3.

targets were not overly ambitious. The 2017 Financial Equalisation Law has set tighter expenditure ceilings until 2021 and reduced incentives to treat outpatient cases as inpatient, thereby discouraging hospital excess capacity. Outpatient multidisciplinary primary care is also being strengthened, with the aim to shift services away from the hospital sector. While these measures have the potential to improve efficiency and deserve thorough implementation, the general overlap of competencies in the healthcare sector remains to be addressed.

Government intervention played an important role in stabilising the banking sector, although public finances faced significant costs.

Following the financial crisis, the government nationalised and proceeded to orderly wind-down three systemic banks. In order to cover part of the public costs, a stability fee (bank tax) for credit institutions was temporarily introduced. Although government accounts faced important costs, the negative consequences of disorderly bankruptcies for the banking sector were prevented.

Austria has partially improved labour market outcomes for women.

While female employment has increased since 2011, most of the increase has been in part-time employment. Austria addresses the low take-up of child care for children below 3 years. Only some progress was achieved so far, with the Barcelona targets of 33 % coverage not yet reached, and uneven coverage between the Länder. The harmonisation of pensionable age for men and women has been foreseen to start in 2024 but this time frame is not ambitious. Despite the recent tax reform, the personal income tax system still includes unfavourable elements to women's higher take-up of employment. The gender pay gap remains high.

Austria's policy response on education did so far not lead to improved outcomes.

International testing shows that the performance of disadvantaged students and those with migrant background has deteriorated. In the area of higher education, strategic planning has improved and the number of drop outs has been reduced.

Austria has made efforts to improve competition and investment in the services sector, but the overall level of regulation remains high. Austria's efforts have focused

notably on administrative simplification (such as the introduction of an electronic trade register). This reduces compliance costs and mitigates some of the negative effects of regulation but it does not resolve the underlying issue of restrictiveness. Since 2015, Austria has tabled various measures to facilitate business creation in the services sector and adopted a revision of the Trade Licence Act (*Gewerbeordnung*) in July 2017. Austria also participated actively in the mutual evaluation of professional regulation at EU level. The action plan it presented as part of this exercise was however unambitious and has not yet resulted in a systematic attempt to remove administrative and regulatory obstacles across professions and trades.

Overall, Austria has made some⁽⁶⁾ progress in addressing the 2017 country-specific recommendations (CSRs).

Limited progress was made on CSR1 in addressing the sustainability of the pension and healthcare system together with streamlining the fiscal framework. CSR 1 is closely related to the euro area recommendation (EAR) 2 regarding the pursuance of effective national fiscal frameworks and growth-friendly fiscal consolidation. Overall, some progress was made on CSR2. Some progress was made in improving the labour market participation of women, while limited progress was made in improving the educational achievements of disadvantaged young people, both of which are also reflected by EAR3. Some progress was made in reducing barriers to investment in the services sector, which is related to EAR1.

⁽⁶⁾ Information on the level of progress and actions taken to address the policy advice in each respective subpart of a CSR is presented in the Overview Table in the Annex. This overall assessment does not include an assessment of compliance with the Stability and Growth Pact.

Table 2.1: Summary table on 2017 CSR assessment

Austria	Overall assessment of progress with 2017 CSRs: Some progress*
<p>CSR 1: <i>Ensure the sustainability of the healthcare system and of the pension system. Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities.</i></p>	<p>Limited progress</p> <ul style="list-style-type: none"> • Some progress in improving the sustainability of the healthcare sector, including by improving public procurement practices. • No progress on ensuring the financial sustainability of the pension system. • Limited progress on reforming fiscal relations between the various layers of government.
<p>CSR 2: <i>Improve labour market outcomes for women through inter alia, the provision of full-time care services. Improve the educational achievements of disadvantaged young people, in particular those from a migrant background. Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth.</i></p>	<p>Some progress</p> <ul style="list-style-type: none"> • Some progress in improving labour market outcomes for women. • Limited progress in improving child care services. • Limited progress in improving the educational achievements of disadvantaged young people, in particular those from a migrant background. • Some progress in reducing administrative and regulatory barriers, easing market entry and facilitating growth in the services sector.

*This overall assessment of CSR1 does not include an assessment of compliance with the Stability and Growth Pact.

Source: European Commission

ESI Funds are important in addressing key challenges to inclusive growth and convergence in Austria, notably by boosting social inclusion, supporting the employability of women thus improving their participation in the labour market

and enhancing cooperation between SMEs and research institutions. The nation-wide Smart Specialisation Strategy improves federal-regional coordination.

Box 2.1: Tangible results delivered through EU support to structural change in Austria

Austria is a beneficiary of European Structural and Investment Funds (ESI Funds) support and can receive up to EUR 4.9 billion until 2020. This represents around 3% of public investment ⁽¹⁾ annually over the period 2014-2018. By 31 December 2017, an estimated EUR 2 billion (42 % of the total) was allocated to projects on the ground. This is helping 105 enterprises to cooperate with research institutions; it is contributing to the creation of more than 2000 new direct jobs in firms and is supplying jobs to nearly 600 researchers. Allocated funds are also contributing to boosting the development of rural areas by supporting investments and improving environmental standards and broadband coverage. Out of the EU financing, EUR 3 million will be invested through financial instruments.

ESI Funds help address structural policy challenges and implement country-specific recommendations. Investments in research and development in the private sector are stimulated, among others, by providing grants for the development of new products, by setting-up living labs or by facilitating and stimulating cooperation between SMEs and research institutions. The European Social Fund (ESF) also invests in coaching, training and working opportunities for people with a distance to the labour market, which in turn helps enhance the overall labour market participation. Furthermore, specific measures are supported which improve the job prospects of older workers. Austria also uses ESF investment for different social policies addressing social inclusion measures, especially for minorities and migrants, the employability of women, older workers and workers with migrant background. ESF supports also the implementation of the EU 2020 country specific recommendations by assisting measures improving the employability of women, older workers and workers with migrant background.

Various reforms were undertaken already as precondition for ESI Funds support ⁽²⁾. Austria developed a nation-wide Smart Specialisation Strategy for research and innovation, which helps focus the resources and efforts on product specialisation with a strong market potential. Furthermore, Austria improved already with the help of the ERDF the coordination between the regional and Federal levels through the national wide Smart Specialisation Strategy.

Austria is advancing the take up of the European Fund for Strategic Investments (EFSI). As of December 2017, overall financing volume of operations approved under the EFSI amounted to EUR 931 million, which is expected to trigger total private and public investment of EUR 2.8 billion. More specifically, 9 projects have been approved so far under the Infrastructure and Innovation Window (including 1 multi-country project), amounting to EUR 822 million in EIB financing under the EFSI. This is expected to trigger nearly EUR 2.3 billion in investments. Under the SME Window, 4 agreements with financial intermediaries have been approved so far. European Investment Fund financing enabled by the EFSI amounts to EUR 109 million, which is expected to mobilise more than EUR 452 million in total investment. Over 1 000 smaller companies or start-ups will benefit from this support. Transport ranks first in terms of volume approved, followed by energy, SMEs and RDI. In terms of operations however, energy ranks first.

Funding under Horizon 2020, the Connecting Europe Facility and other directly managed EU funds is additional to the ESI Funds. By the end of 2017, Austria has signed agreements for EUR 755 million for projects under the Connecting Europe Facility.

<http://cohesiondata.ec.europa.eu/countries/AT>

⁽¹⁾ Public investment is defined as gross fixed capital formation + investment grants + national expenditure on agriculture and fisheries

⁽²⁾ Before programmes are adopted, Member States are required to comply with a number of so-called ex-ante conditionalities, which aim at improving conditions for the majority of public investments areas

3. REFORM PRIORITIES

3.1. PUBLIC FINANCES AND TAXATION

Fiscal framework

Austria's fiscal framework still suffers from a strong misalignment between spending powers and revenue-raising responsibilities across the different levels of government. The fiscal framework is particularly complex and gives subnational governments weak incentives to contain costs as their spending powers are disproportionately higher than their revenues from autonomous taxes (European Commission, 2016a; European Commission, 2017b). In 2016, subnational governments (the federal states and municipalities) raised revenues from own taxes amounting to 2 % of GDP (OECD Fiscal Decentralisation Database), while their overall expenditure amounted to 17.7 % of GDP. The 2017 Financial Equalisation Law, which regulates the financial agreements between the different levels of government up to 2021, has done little to address this issue. The new government programme published in December 2017 announces a comprehensive reform of the fiscal framework aimed at pooling expenditure and revenue raising competences across levels of government (BKA, 2017).

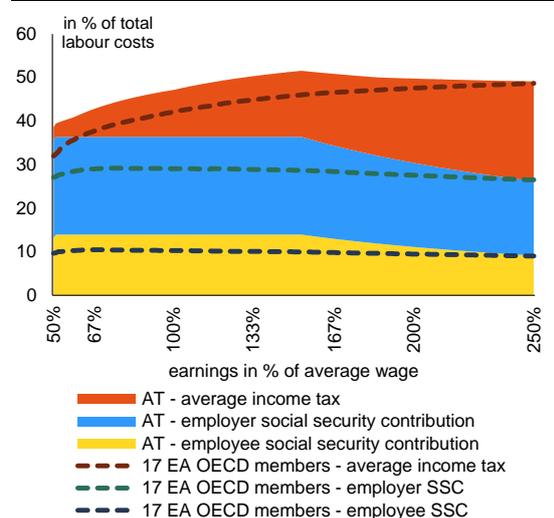
The agreement ratified between the different levels of government contains several initiatives that could improve the efficiency and quality of public spending. These include regular spending reviews, more task-oriented financing, benchmark systems at the subnational level, as well as the commitment to agree on a general reform of subnational competencies by the end of 2018. In addition, several working groups have been set up to prepare proposals for increasing tax autonomy at the subnational level, including through property taxes. While these measures are promising, their effectiveness hinges upon their thorough implementation. A pilot project increasing the task-orientation in the allocation of child-care funds should start in January 2018, but is at risk of being delayed.

Taxation

Austria's tax wedge remains one of the highest in the EU, in particular for low-income earners.

The 2016 tax reform has reduced the tax wedge on labour (European Commission, 2017b). However, with 47.1 % (2016) it remains relatively high compared to an EU average of 42.8 % for a single earner with average wage (OECD Taxing wages Database). The tax wedge for low-income earners – a group considered to be particularly responsive to work incentives – remains especially high, at 42.8 % compared to 36.8 % in the EU (OECD Taxing Wages Database). Furthermore, without the tax brackets being indexed to inflation, the tax wedge on labour will continue increasing as nominal wage increases due to inflation push tax payers into higher tax brackets ('fiscal drag'). While there were some policy discussions in Austria on indexing the two lowest income tax brackets to inflation, no such measure was adopted in 2017. The new government announced to tackle this issue within the context of a broader reform of the personal income tax system.

Graph 3.1.1: Composition of tax wedge on labour



- (1) 17 euro area (EA) OECD members: simple average of euro area countries excluding Cyprus and Malta
- (2) Average income tax includes central and local income taxes as well as family benefits
- (3) Social security contributions do not include contributions to private pension funds

Source: OECD, 2016

Social security contributions represent the largest part of the tax wedge on labour, while their impact is regressive across income categories. More than 90 % of the tax wedge for low-income earners is due to social contributions.

With 77 %, this share is also relatively high for average income earners. Discussions are under way on streamlining the social security system to make it more efficient, which could allow contributions to be reduced without affecting benefits. As individual social contributions are based on flat rates and capped at maximum amounts, their share in total labour costs is constant up to roughly 150 % of the average income and regressive thereafter (see Graph 3.1.1). In combination with the progressive schedule of personal income taxes, this generates a relatively flat profile of the tax wedge across income categories.

Austria has potential scope to shift revenues to taxes that are less distortive to growth, such as property and environmental taxes. Revenues from recurrent property taxes are particularly low in Austria, at 0.2 % of GDP compared to an EU average of 1.6 % (2015). This is mainly due to the outdated tax base (European Commission, 2017b). A EUROMOD simulation performed by the European Commission's Joint Research Centre shows that updating the tax base for property taxes and using the additional revenues for reducing labour taxes would have a limited impact on the income distribution and positive effects on labour supply and economic growth (see Box 3.1.1).⁽⁷⁾ Environmental taxes generate revenues of 2.4 % of GDP, in line with the EU. There nevertheless remains potential to shift the tax burden away from labour (European Commission, 2015b). In addition, tax advantages on company cars in Austria lead to estimated revenue losses of EUR 558 million per year (Harding, 2014).

Long-term sustainability of public finances

Based on the 2018 Ageing Report and the Commission 2017 autumn forecast, Austria's fiscal sustainability still faces a medium risk in the medium and long term. Based on debt sustainability analysis by Commission staff, Austria's public debt is projected to decrease by

⁽⁷⁾ EUROMOD simulates individuals' and households' benefit entitlements and tax liabilities (including social security contributions) according to the rules in place in each Member State. Simulations are based on representative survey data from the European Statistics on Income and Living Conditions (EU-SILC).

about 17 percentage points of GDP between 2017 and 2028 in a no-policy-change scenario, but to remain slightly above the Treaty reference value of 60 % of GDP (European Commission, 2018c). To reach the 60 % debt-to-GDP ratio by 2032, a cumulative gradual improvement of 0.1 % of GDP in the structural primary balance over 5 years would be necessary (starting from 2020). By 2060, a fiscal adjustment of 3.2 % of GDP would be required to ensure the stabilisation of public debt over the long-term, mainly due to the strong projected growth in age-related spending (3.6 % of GDP between 2016 and 2070).

Pensions

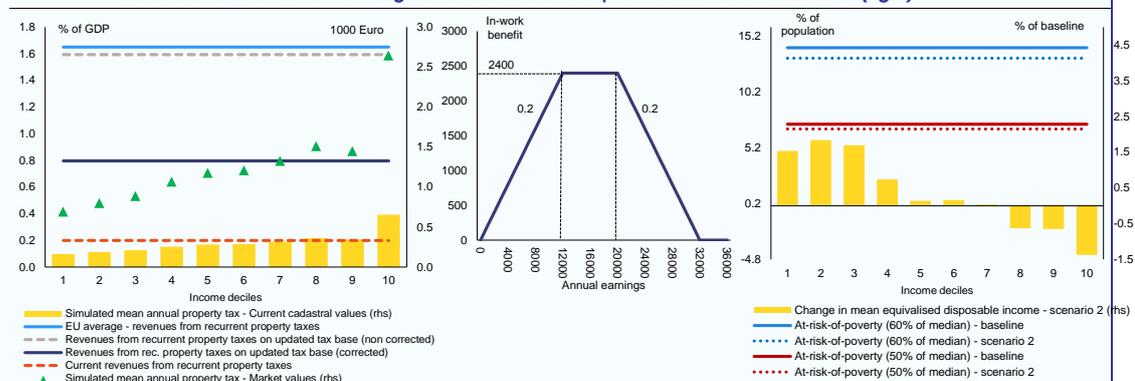
Austria's public expenditure on pensions is comparatively high and is projected to increase further in the medium and long term. At 13.8 % of GDP, public spending on pensions in Austria is among the highest in the EU (the EU average was 11.2 % of GDP in 2016; European Commission, 2018b). Based on the projections of the 2018 Ageing Report the expected increase in pension expenditure is also above the EU average. In particular, spending is projected to increase by 1.1 % of GDP between 2016 and 2040 – when most of the baby-boomer generation will be in retirement – and by 0.5 % of GDP by 2070 (the respective EU averages are 0.8 % and -0.2 % of GDP). These estimates are slightly more pessimistic than those in the 2015 Ageing Report (European Commission, 2015a) and they still point to a medium risk to fiscal sustainability. Current pension costs are reflected in relatively high social contribution rates, which represent the main part of the tax wedge on labour (see Section 3.1 on Taxation). The future increase in spending will reduce the fiscal space for other public areas, or alternatively increase government debt.

The rising number of pensioners is projected to put pressure on pension expenditure. Increasing life expectancy and low birth rates in Austria are projected to significantly increase the number of people aged over 65 for each person between 15 and 64 years old (the 'dependency ratio'). This number is expected to rise from 0.3 in 2016 to 0.5 in 2070 (European Commission, 2018b). If the statutory retirement age remains fixed at 65 years, ceteris paribus, this implies an increasing number of pensioners and rising pension expenditure.

Box 3.1.1: Shifting taxes from labour to property

The European Commission's Joint Research Centre (JRC) simulated a tax shift from labour to property by updating the tax base of recurrent property taxes to reflect properties' market values, and using the additional revenue for a reduction of labour taxes. To this end, the European Statistics on Income and Living Conditions (EU-SILC), which provides the input database for the microsimulation model EUROMOD, has been enriched with information on current property market values from the Household Finance and Consumption Survey (HFCS) ⁽¹⁾. The baseline scenario, which reflects tax-benefit rules in place in 2016 reproduces the current situation of outdated cadastral values ⁽²⁾. Current market values are then used as the taxable base, and the additional fiscal space is used to lower labour taxes in two alternative reform scenarios: (1) an across-the-board reduction in social security contributions by 16 pp and (2) the introduction of a targeted in-work benefit benefiting the middle and low income earners ⁽³⁾.

Graph 1: Budgetary effects of updating the tax base for property taxes (left), in-work benefit design (centre) and distributional effects of using the additional fiscal space for the in-work benefit (right)



Source: European Commission, Joint Research Centre, based on the EUROMOD model.

Based on the EUROMOD simulations, directly updating the tax base of recurrent property taxes to reflect market values and proportionally adjusting the tax brackets would bring Austrian revenues in line with the EU average. In 2015, revenues from recurrent property taxes in Austria amounted to 0.2% of GDP (EUR 650 million, source Statistik Austria, property tax of non-agricultural real estate and land) while the EU average was 1.6% of GDP, which would correspond to EUR 5.7 billion in the case of Austria. Based on the EUROMOD simulations, using market values as an up-to-date taxable base and adapting the property tax brackets by the same factor summarising the difference between cadastral and market values (see footnote 2) would increase revenues by 1.4% of GDP, to EUR 5.5 billion, i.e., close to the EU average.

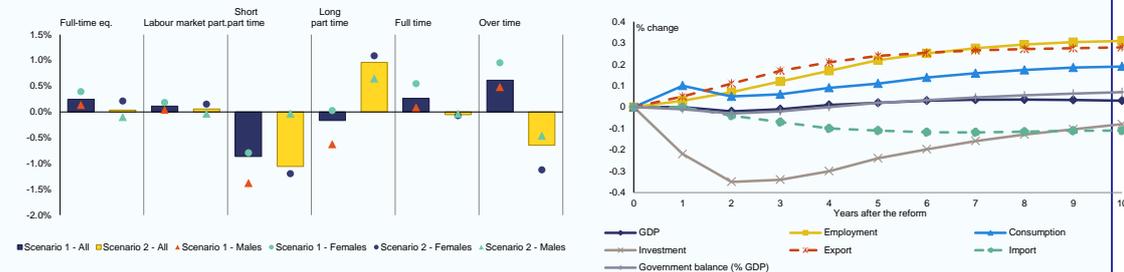
Updating the taxable base would provide additional fiscal space amounting to 0.6% of GDP (EUR 2 billion). Austrian municipalities can multiply cadastral values by a fixed factor in order to partly correct the tax base for the outdated valuation of properties. In practice, almost all municipalities apply the highest multiplier of 500 to cadastral values. When updating the tax base to market values, the municipal multiplier is halved in order to avoid a double revaluation of the tax base. Considering this correction, potential revenues from recurrent property taxes amount to 0.8% of GDP (EUR 2.7 billion) instead of the current 0.2% of GDP. This fiscal space is used in two budget-neutral scenarios that reduce labour taxes.

A targeted use of the additional revenues has slight redistributive effects and reduces the at-risk-of-poverty rate. An across-the-board reduction of social contributions (reform scenario 1) has barely any statistically significant effect on disposable income across deciles, as the higher property tax liability at the top of the distribution is broadly offset by the higher reduction in social contributions in absolute terms. The more targeted in-work benefit (reform scenario 2) tends to redistribute income from higher to lower deciles, but the impact on the Gini coefficient for disposable income is negligible. Reform scenario 2 would lower the at-risk-of-poverty from 14.2% to 13.2% with the poverty line set at 60% of median equivalised

disposable income.

Shifting taxes from labour to property positively affects work incentives in both reform scenarios. In both reform scenarios, the average participation rate and full-time equivalent are higher than in the baseline scenario when considering the entire sample, although for reform scenario 2 the difference is very small. In reform scenario 1 (reduction of social contributions) the increase in labour market participation and average full-time equivalent is higher, which is due to a shift from short and long part-time to full-time employment and over time, especially for women. Overall, in reform scenario 2 (in-work benefit) short part-time and over time decrease while long part-time is incentivised, which holds especially for women. Full-time work remains roughly stable for both men and women.

Graph 2: **Labour supply (left) and growth effects (right)**



(1) Average values are calculated for all households subject to behavioural changes. Short part time and long part time: weekly hours intervals [1-15] and [16-32]. Full time and Over time: weekly hours intervals [33-42] and [43-60]. Full-time equivalent is measured in terms of population working full time.

Source: European Commission, Joint Research Centre, EUROMOD (left) and QUEST model simulations (right)

Shifting taxes from social security contributions to property leads to an increase in employment, exports and consumption, while reducing housing investment. The macroeconomic effects of reform scenario 1 have been analysed using the Commission's QUEST model⁽⁴⁾. The reduction in social contributions decreases the implicit tax rate on employees, leading to an increase in employment over the ten years following the reform (0.3 %). The tax shift also increases competitiveness, leading to higher net exports. On the other hand, higher taxes on housing incentivise homeowners to substitute housing investment with consumption. Over ten years, the effects on GDP and on government balance are positive, but moderate.

(1) The statistical matching between EU-SILC and HFCS is performed by Eurostat: <http://ec.europa.eu/eurostat/web/experimental-statistics/income-consumption-and-wealth>. See Lamarche (2017) for an extensive description of the methodology to estimate the joint distribution of income, consumption, and wealth (http://ec.europa.eu/eurostat/documents/7894008/8074103/income_methodological_note.pdf). The present analysis uses 2014 EU-SILC data and the second wave of HFCS for Austria.

(2) As EU-SILC does not contain information on the current cadastral values of households' properties, these have been approximated based on the matched information on current market values. In particular, the current market value of an immovable property (household main residence or other real estate property) as matched from the HFCS are multiplied with a factor that captures the difference between cadastral and market values at an aggregate level:

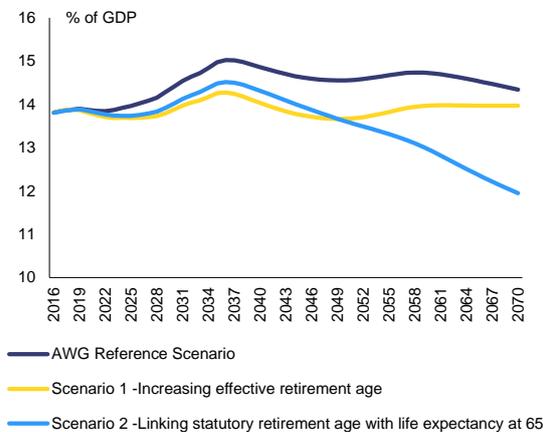
$$\text{imputed cadastral value}_k^{\text{HH}} = \text{matched market value}_k^{\text{HH}} * \frac{\text{approx. total cadastral value}_k}{\text{total current market value}_k}, \quad \text{with } k = \text{main residence, other property}$$

The total cadastral value is approximated by dividing the actual total tax base by an average tax rate that takes into account the current tax schedule for both types of property, ensuring macro-validation of the simulated revenues.

(3) The in-work benefit amounts to 0.2% of annual earnings, up to a maximum of EUR 2 400 per year and declining for annual earnings above EUR 20 000. This leads to a phase-in until annual earnings of EUR 12 000, a plateau until EUR 20 000 per year and a phase out until EUR 32 000 per year. Eligibility conditions are hours worked (25 per week or more) and age (16 years or older).

(4) See Ratto et al. (2009) for an introduction into the model and Varga and in 't Veld (2014) for a recent application. Barrios et al. (2017) present a framework of analysis for the dynamic scoring of tax reforms in the EU, which links EUROMOD and QUEST. Barrios et al. (2017) also present the labour supply model used in the analysis.

Graph 3.1.2: Pension expenditure – long term projections



Source: European Commission

Following past reforms, the effective retirement age is increasing. The government has implemented several reforms of the pension system since 2014, significantly reducing access to early retirement schemes and most notably reducing access to invalidity pensions. As a result, the effective retirement age has increased since 2014, reaching 60 years and 4 months in 2016 (BMASK, 2017). The partial retirement opportunity (*Teil-Pension*) allows employees to remain in part-time work while receiving part of their pension. Financial support by the state makes it possible to reduce working time by 50 % while receiving 75 % of their salary.

Closing the gap between the effective and the statutory retirement age can only partially improve pension sustainability. As pension entitlements are linked to the statutory retirement age, savings from increasing the effective retirement age are partly offset by higher benefits once workers decide to retire. Accordingly, after having decreased since the 2014 reforms, federal transfers to the pension system are projected to rise again in the coming years. A simulation by European Commission staff, based on the projections of the 2018 Ageing Report, shows that increasing the effective retirement age to 65.3 years for men and 64.5 years for women by 2040 (equivalent to a 5 percentage point increase in the participation rate of workers between 55-74 years old), would only marginally improve the long-term fiscal sustainability⁽⁸⁾. In fact, total pension

⁽⁸⁾ A scenario with the employment rate of older workers (55-74) being 5 percentage points higher compared with the

expenditure would amount to 14 % of GDP⁽⁹⁾, around 0.4 % of GDP lower than in the baseline scenario in 2070, still pointing to a medium sustainability risk. On the contrary, linking the statutory retirement age to changes in life expectancy would reduce expenditure by 2.3 % GDP by 2070 as compared to the baseline, which would bring the classification of Austria's long-term fiscal sustainability to low risk (see Graph 3.1.2) ⁽¹⁰⁾.

Austrian women still have one of the earliest statutory retirement ages in the EU. The government plans to start harmonising the statutory retirement ages for women and men (currently 60 and 65 years, respectively) by 2024 and to finalise the process by 2033. This contributes to lower pension adequacy for women aged over 65 (see Section 3.3).

Healthcare

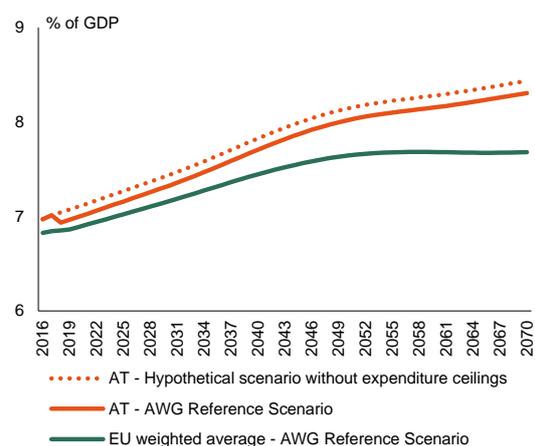
Based on the 2018 Ageing Report, public healthcare expenditure is projected to increase significantly in the medium and long term, thus posing a medium risk to fiscal sustainability. Public spending on healthcare is currently among the highest in the EU, at 7 % of GDP against an EU average of 6.8 % in 2016 (European Commission, 2018b). Expenditure is projected to increase by 0.7 % of GDP by 2040, and by 1.3 % of GDP by 2070 (the respective EU averages are 0.6 % and 0.9 % of GDP). The new ceilings for healthcare expenditure laid down in the 2017 Financial Equalisation Law, as incorporated in the Ageing Report projections, play a role in containing the spending increase (see Graph 3.1.3).

baseline projection is introduced linearly over the period 2018-2030 and remains 5 percentage points higher thereafter. The higher employment rate of this group is assumed to be achieved through a reduction of the inactive population.

⁽⁹⁾ This includes expenditure on the '*Ausgleichszulage*' (Equalising Allowance) and '*Rehabilitationsgeld*' benefits.
⁽¹⁰⁾ Retirement ages are shifted year-over-year in line with change in life expectancy at current retirement ages. Statutory retirement age is projected to rise by 5.2 years for men and 4.9 for women over 2016-70, which is assumed to correspond to higher participation rates with no effects on unemployment. Around one third of the expenditure decline stems from the denominator effect (enhanced GDP growth), whereas two thirds are due to the numerator effect (decreased pension spending) (European Commission, 2018b).

Extending implementation of these ceilings into the next years could further contribute to improve fiscal sustainability.

Graph 3.1.3: Long term projections for healthcare expenditure



Source: European Commission

A thorough implementation of the ongoing reform of outpatient healthcare could make efficiency gains possible in the medium term.

Overall, the Austrian healthcare system ensures broad access to good-quality services, as shown by the very low level of self-reported unmet healthcare needs. Nevertheless, mainly due to the incentives embedded in the fiscal framework, together with free choice of provider and no gatekeeping, the system relies heavily on the hospital sector, while less costly outpatient services are underused (OECD and EOHSP 2017). As part of the agreement on the 2017 Financial Equalisation Law, the different levels of government and the social security funds agreed to strengthen the provision of outpatient services, in order to shift services away from the hospital sector. To this end, 75 primary healthcare centres and networks will be created by 2021. While the reform is currently progressing, it is important for its success that new contractual agreements between general practitioners and social security funds will ensure the right incentives for all parties.

The high number of healthcare insurance funds points to potential efficiency gains. Austria has 18 health insurance funds, to which individuals are assigned based on their region and occupational status. While contributions are broadly

harmonised, benefits and the services provided vary across funds. Governance and administration costs for healthcare are comparatively high in Austria: 0.4 % of GDP compared to an EU average of 0.2 % in 2014. The new government programme announces a reduction to at most five social insurance funds. This could help improve the cost-efficiency, transparency and equity of the system.

Austria's health sector has room for savings and quality improvements from more effective procurement, such as more EU-wide tendering.

Austria's health sector is confronted with demographic change, increasingly complex products and higher market concentration for some inputs. In this context, EU-wide procurement could offer lower prices, higher quality and greater innovation. The modest value of health-related tenders published EU-wide by the Austrian health sector (0.23 % of GDP, compared to an EU average of 0.62 %) indicates scope for improvements in this area⁽¹⁾. Fast adoption and implementation of the pending public procurement reform law as well as increased awareness among tendering authorities would be ways to increase EU-wide tendering. Austria's public hospitals aggregate their tenders at the level of the federal states (*Länder*), and are increasingly tendering cross-regionally. Cross-border joint procurement projects are however limited. Extending cross-regional and cross-border tendering could achieve volume savings for commoditised inputs and amortise costly expertise for complex products. Finally, a further move away from price as the sole award criterion (still 51 % of EU-wide tenders in 2016) could raise quality and promote innovation.

Current efforts in preventive healthcare are relevant for the fiscal sustainability challenge.

Although expenditure on preventive healthcare in Austria is at the EU average of 0.2 % of GDP in 2014, the number of healthy life years is relatively low. Together with long-term spending projections, this underlines the importance of improving the health status of the population. In this regard, the revocation of the smoking ban as announced in the new government programme would be a missed opportunity to reduce the incidence of life-style related health risk-factors.

⁽¹⁾ The total amount is EUR 0.78 billion compared for example to Sweden's EUR 3.59 billion for a population of similar size.

3.2. FINANCIAL SECTOR

Banking sector and insurance sector

The overall health of Austria's banking sector has continued to improve. The banking sector substantially increased its capital ratios in 2016 due to retained profits and several banks' restructuring activities. Capital adequacy (including the capitalisation of subsidiaries in central, eastern and south-east Europe - CESEE)⁽¹²⁾ strengthened further and reached 18.5 % at the end of June 2017, up from 18.2 % in 2016. Due to their traditional business model, and notwithstanding the increase in 2016, Austrian banks continue to have lower leverage ratios than their European peers. The liquidity position of banks has remained adequate. Intra-group liquidity transfers to the CESEE countries have declined further as efforts to increase the funding sources of subsidiaries in their host countries have paid off. Thanks to the favourable macroeconomic conditions, the formation of new non-performing loans in Austria has slowed: the non-performing loan ratio declined to 4.1 % at the end of June 2017 from 5.1 % in 2016 (ECB, Supervisory Banking Statistics).

Notwithstanding measures taken so far, achieving further efficiency gains to support profitability remains a priority. The profitability of Austrian banks on the local market remained robust in 2016 and increased in the first half of 2017 against the same period of the previous year. It was supported by a significant reduction in the cost of risk. However, this positive trend hides a weakening of underlying operating profits as low interest rates and increasing operating expenses continue to take their toll. Banks have stepped up their adjustment efforts but some of these have yet to bear fruit. Improving bank profitability still requires a sustainable increase in operating efficiency. The cost-to-income ratio for operations on the local market deteriorated in 2016: it

increased to 74.5 % from 62.8 % in 2015 and remained above the EU average of roughly 60 %. Meanwhile, the Austrian banking sector still has scope to further reduce the total number of branches in order to move closer to the EU average.

Foreign-currency loans granted by banks on the local market have further declined. The decrease in foreign-currency loans, in particular Swiss franc-denominated loans, is the outcome of supervisory measures to curb foreign exchange lending adopted by the banking supervisors since 2008. In June 2017, a revised version of the Financial Market Authority's minimum standards for risk management and granting of foreign currency and repayment vehicle loans entered into force. The revised standards expand the obligations of credit institutions to provide sufficient information to borrowers. They also include new requirements aimed at improving market transparency and a new chapter on risk provisions to be made by banks. At the end of September 2017, the outstanding stock of foreign currency loans granted by Austrian banks declined by 67 % as compared to October 2008 (when the Financial Market Authority first recommended banks refrain from granting foreign currency loans to unhedged borrowers). The share of foreign currency loans to households in total loans has continued to decrease and stood at 15 % at the end of September 2017. Roughly 80 % of the outstanding foreign-currency loans to Austrian households will mature from 2021 onwards.

The asset quality and profitability of subsidiaries in CESEE has continued to improve. At the end of June 2017, the total exposure of Austrian banks to CESEE countries stood at EUR 209.9 billion, up from EUR 193 billion in 2016⁽¹³⁾. The most important host markets for Austrian banks with international operations are the Czech Republic, Slovakia, Romania, Croatia and Poland. The restructuring of the UniCredit Group in 2016 led to a significant change in the geographical risk profile of the Austrian banking sector as its exposure to several

⁽¹²⁾ The CESEE (central, eastern and south-east Europe) region includes Turkey and the following sub-regions: i) central and eastern Europe, consisting of the Czech Republic, Hungary, Poland, Slovakia and Slovenia; ii) south-east Europe, consisting of Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Kosovo, FYI Macedonia, Montenegro, Romania and Serbia; iii) the Baltic region, consisting of Estonia, Latvia and Lithuania, and Russia, Ukraine and other countries in the Commonwealth of Independent States group.

⁽¹³⁾ The comparability of end-June 2017 data with earlier figures is limited due to recent methodological changes to data collection.

markets (for instance, Turkey, Russia and Croatia) declined. As of October 2016, the total assets of the subsidiaries of Austrian banks in CESEE countries decreased by roughly 40 % compared to the situation before the restructuring of UniCredit. Asset quality has continued to improve in most of the markets in the CESEE region, partly due to efforts made by banks to clean up their balance sheets. Furthermore, profitability has also increased thanks to lower impairment charges for credit risk. Overall, despite the improved outlook even in more challenging markets (for instance, Ukraine), remaining risks warrant further close oversight.

The insurance sector has faced several headwinds in recent years. Low interest rates, increases in life expectancy, climate change and digitalisation are some of the main challenges faced by insurance companies in recent years. Total gross written premiums in Austria fell 1.9 % in 2016 from the previous year, mainly due to the decline in such premiums for life insurance. The life insurance business has contracted on the back of the low interest rates, the low expected rate of return and the change in the tax treatment of new life insurance contracts following the 2016 tax reform. Insurance companies have taken measures to adjust to the low interest rates by changing their product portfolios and improving operational efficiency, including through mergers. Overall, Austrian insurance companies have been better placed to cope with the challenges posed by low interest rates than those in several peer countries as the share of guaranteed products in their portfolios has been lower. Austrian insurance companies with international operations have been significantly exposed to CESEE countries, which make a high contribution to their gross written premiums. Developments in these host markets therefore also warrant close oversight.

Nationalised banks

The liabilities of ‘financial defeasance vehicles’ set up in the aftermath of the crisis still account for a significant share of government debt. Between 2009 and 2015, the non-viable (winding-down) segments of three banks — Kommunalkredit, Hypo Alpe Adria and Volksbanken — were included in government accounts as corresponding financial defeasance vehicles (KA Finanz, HETA and Immigon). This

had a significant impact on public finances (European Commission, 2016a). Over time the assets of these three vehicles are being divested, which will partly reduce public costs. At the end of 2016, liabilities from the three financial defeasance vehicles classified as part of government debt amounted to 6.1 % of GDP, while the overall impact on debt from the support to the financial sector was 9.4 % of GDP.

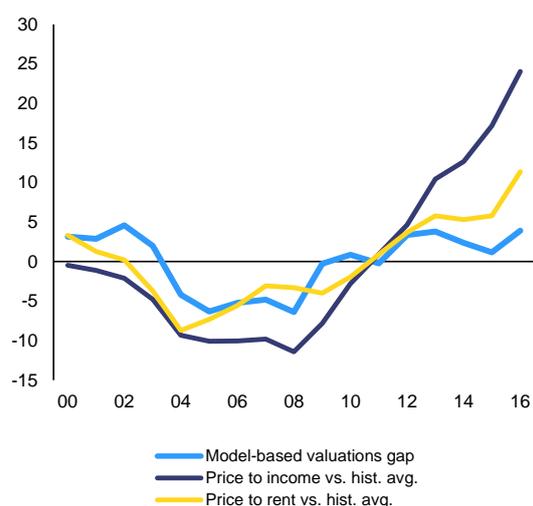
The winding-down of the three public financial defeasance vehicles is proceeding, with limited overall risks. As the recoveries from the winding-down of the HETA assets have been higher than expected, in May 2017 the Financial Market Authority reduced the haircut on HETA’s debt from 54 % to 35.6 %, resulting in a recovery rate of 64.4 %. In July 2017, interim payments amounting to EUR 5.4 billion took place due to high cash reserves, despite the initial plan to wait for the complete resolution. The winding-down is also proceeding faster than planned and is expected to be concluded by 2020 instead of 2024, with most assets expected to be divested by 2018. While divestments are on track to meet these targets, some delay cannot be excluded as the remaining assets are less attractive than the ones already sold. KA Finanz returned its banking licence in September 2017, becoming a winding-down vehicle owned by the Republic of Austria. The decision was taken in order to reduce funding costs — as short- and medium-term market funding has been replaced by public long-term funding — and regulatory requirements, in particular on capitalisation. The conversion into an asset management company will also considerably shorten the time needed for winding down KA Finanz’s assets. This is now expected to be completed by 2026 instead of 2040 as previously planned. No consequences for public finances are expected, as all KA Finanz’s assets and liabilities were already included in government debt. The winding-down of Immigon is proceeding according to plan and is expected to be completed by mid-2018.

Housing market

House prices in Austria have grown robustly over the last decade including during the crisis years. Between 2005 and 2016 nominal house prices grew on average 5.0 % annually. Rental prices followed a similar path, increasing by 3.3 %

per year. Having increased by 7.2 % in 2016, deflated house prices were above the 6.0 % threshold of the MIP scoreboard for the first time. In 2016, the European Systemic Risk Board also indicated that house price developments in Austria required closer monitoring. The price-to-rent and price-to-income ratios have increased noticeably over the last decade, by 1.7 % and 2.7 % annually. Especially the price-to-income ratio departs increasingly from its long-term average since 2012 (Graph 3.2.1). This illustrates the decreasing affordability of housing and particularly of house ownership. However, quarterly house price data in 2017 point to a slowdown in house price inflation, back to levels below the scoreboard threshold.

Graph 3.2.1: **Relative price developments and valuation gap**



(1) Overvaluation gap estimated as an average of the price/income, price/rent and fundamental model valuation gaps. Long-term values are computed over 1995-2016.

Source: European Commission

The increase of house prices differs across regions. House price increases have been much more pronounced in the capital region of Vienna (6.8 % on average between 2005 and 2016) than elsewhere (4.4 %). However, the impact on the population is mitigated by the fact that about 80 % of households in Vienna live in rented housing compared with 50 % in the rest of the country. In addition, social housing, which is home to about 40 % of all households that rent, and strict rental regulations play an important role in providing affordable housing in Austria. In line with these national characteristics, the recent house price increases mainly affect households with enough

income to afford buying a home as well as tenants in the private urban rental market (see also Section 3.4).

There seem to be no indications of excessive credit growth and risks to financial stability. Between 2005 and 2016, housing mortgages rose on average 4.6 % annually. Rising credit flows reflect the increased transaction values due to house price increases. Lending to households for housing purposes has been supported by the favourable financing conditions, with lending standards remaining broadly unchanged in recent years. Changes in investment strategies towards real estate as a reaction to the low interest rates might have created additional housing demand and contributed to price increases. Overvaluation, measured as the overall price gap exceeding the long-term average and not being explained by fundamental data, has increased since 2010 and stood at 3.9 % in 2016 (see Graph 3.2.1). A similar indicator by the Austrian National Bank specifies that overvaluation is about 20 % in Vienna but negligible in the rest of the country. The risks of a credit-driven house price bubble thus appear contained.

The macro-prudential toolkit has been strengthened to contain potential risks from real estate financing. The Austrian authorities have stepped up their efforts to finalise the legal framework for introducing macro-prudential tools to contain potential risks from financing of both commercial and residential real estate following the warning issued by the European Systemic Risk Board in 2016. The macro-prudential toolbox includes the possibility of imposing limits on loan-to-value ratios, debt service-to-income ratios and debt-to-income ratios, as well as maturities limits and minimum amortisation requirements. These tools can be applied individually or jointly, but only to the flow of new loans. The tools are not yet activated as the Financial Market Stability Board has assessed that current developments do not warrant this. However, credit institutions will be subject to enhanced reporting requirements on real estate financing from mid-2018 onwards.

Private sector debt

In 2016 private sector debt remained roughly flat for a second year in a row, at 124 % of GDP. On the back of the increase in nominal

GDP, the share of private sector debt as % of GDP declined steadily from 2010 to 2015 and remained broadly stable in 2016 below the macroeconomic scoreboard threshold. The indebtedness of non-financial corporations declined slightly in 2016 from the previous year to 72.7 % of GDP. Meanwhile, household debt increased to 51.3 % in 2016, up from 50.9 % in 2015.

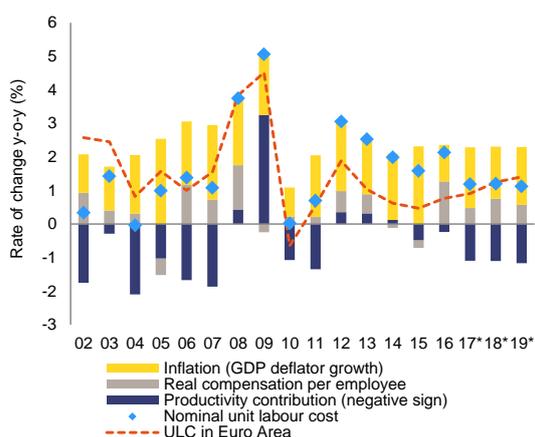
Despite increasing further, private sector credit flow remained below the macroeconomic scoreboard threshold of 12 %. Spurred by favourable financing conditions, private sector credit flow (as % of GDP) edged up to 3.2 % at the end of 2016 from 2.3 % in 2015. The breakdown of private credit flow shows that the credit flow to households (as % of GDP) continued the upward trend seen since 2012, as it rose to 1.2 % at the end of 2016. Meanwhile, the credit flow to non-

financial corporations, which has gained further momentum since 2014, increased to 2.1 % of GDP at the end of 2016, up from 1.6 % in the previous year. The credit rise was more marked for households than for corporates, for which internal resources have been the main source of financing. Low interest rates have supported the debt-servicing capacity of non-financial corporates, which remain exposed to interest rate risk due to their high proportion of loans with variable interest rates. Household lending gained further momentum in 2017, driven mainly by mortgage credit. Meanwhile, the share of loans with variable interest rates (traditionally high in Austria and above international standards) and of foreign currency loans in total loans has continued to decline. This has reduced the exposure of households to interest rate and currency risks.

3.3. LABOUR MARKET, EDUCATION AND SOCIAL POLICIES

Austria's labour market performance is improving but some structural challenges persist. Thanks to strong economic growth, employment is growing faster than the labour force supply. After 6 years of continued increases, unemployment therefore started to decline in 2017 and is expected to remain low. It still shows strong regional differences, however. The employment rate has risen to a record high of 75.3 % (Q3-2017). Despite population ageing the labour supply increased, mainly driven by rising numbers of women, older people and people with a migrant background either in work or seeking a job.

Graph 3.3.1: Trends in labour costs and its components



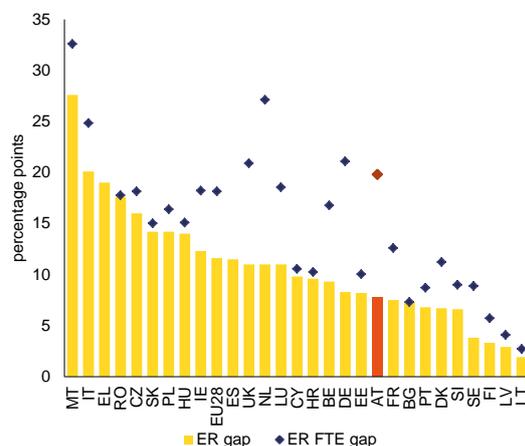
Source: European Commission

Wages are growing in line with the performance of the labour market. Nominal compensation per employee increased by 2.4 % in 2016 and is expected grow by 2.3 % annually between 2017 and 2019. Coupled with solid productivity gains, this has resulted in a fall in the nominal unit labour cost, thus improving Austria's competitive position. As inflation picked up, real wage growth slowed, from 1.3 % in 2016 to 0.5 % in 2017.

Immigration and the increased numbers of women and older people working or seeking a job led to a faster expansion of Austria's labour

force than in peer countries. Over the past decade Austria has experienced increased inflows of people mainly from new EU Member States. Recently, however, these have been surpassed by non-EU migrants due to an increased number of people seeking protection (OECD, 2017a). The proportion of women working has also increased over the past 10 years to 70.9 %, above the EU average of 65.3 %. Similarly, the employment rate of older workers increased from 33 % in 2006 to 49.2 % in 2016, but it is still below the EU-28 average of 55.3 %. Once out of the labour market, it is more difficult for older workers to return. The additional labour supply is positive as it is partially mitigating the drop in the workforce caused by the ageing of the population. Nonetheless, absorbing the additional labour supply in the labour market remains one of the challenges. The 'employment bonus', a subsidy aimed at creating new jobs, was introduced in July 2017 but has seen limited take-up and was phased out end of January 2018.

Graph 3.3.2: Gaps in employment rate (20-64) and between male and female full-time equivalent employment rate, 2016



Source: Eurostat

Box 3.3.1: Monitoring performance in the light of the European Pillar of Social Rights

The European Pillar of Social Rights, proclaimed on 17 November 2017 by the European Parliament, the Council and the European Commission, sets out 20 principles and rights to benefit citizens in the EU. In light of the legacy of the crisis and changes in our societies driven by population ageing, digitalisation and new ways of working, the Pillar serves as a compass for a renewed process of convergence towards better working and living conditions.

Austria performs relatively well on the indicators of the Social Scoreboard⁽¹⁾ supporting the European Pillar of Social Rights. They reflect Austria's focus on active labour market policies and a strong positive impact of social transfers on reducing poverty risks. The strong involvement of social partners in high-level decision-making, characterised by minimum government intervention, contributes to fair working conditions and a good functioning of social dialogue.

AUSTRIA		
Equal opportunities and access to the labour market	Early leavers from education and training (% of population aged 18-24)	Better than average
	Gender employment gap	Better than average
	Income quintile ratio (S80/S20)	Better than average
	At risk of poverty or social exclusion (in %)	Better than average
	Youth NEET (% of total population aged 15-24)	Good but to monitor
Dynamic labour markets and fair working conditions	Employment rate (% population aged 20-64)	Better than average
	Unemployment rate (% population aged 15-74)	Good but to monitor
	GDHI per capita growth	To watch
Social protection and inclusion	Impact of social transfers (other than pensions) on poverty reduction	Best performers
	Children aged less than 3 years in formal childcare	Better than average
	Self-reported unmet need for medical care	Better than average
	Individuals' level of digital skills	Better than average

Member States are classified according to a statistical methodology agreed with the EMCO and SPC Committees. The methodology looks jointly at levels and changes of the indicators in comparison with the respective EU averages and classifies Member States in seven categories (from "best performers" to "critical situations"). For instance, a country can be flagged as "better than average" if the level of the indicator is close to EU average but it is improving fast. For methodological details, please consult the draft Joint Employment Report 2018, COM (2017) 674 final. NEET: neither in employment nor in education or training; GDHI: gross disposable household income.

A high share of part-time employment of women coincides with a fairly large pay gap.

The gender employment gap is relatively low but it widens significantly if full time equivalents are taken into account. The high share of part time employment of women hampers the full use of their labour market potential which would be crucial in the context of an ageing population to sustain the welfare system. There is a strong gender segmentation of the labour market and the gender related part-time employment is among the highest in the EU.

Social transfers (other than pensions) have a strong impact on poverty reduction. Cash family benefits have a very strong impact on reducing the at-risk-of poverty rate. This type of benefits reduces the at-risk-of poverty rate of families with children by approximately 8 to 23 pps depending on the given family constellation. Benefits dedicated to families and children especially reduce the at-risk-of-poverty rates of households with young children (at the age up to 6 years). Family allowances and parental leave benefits compensate to a considerable degree for the lower income deriving from lower employment rates of parents.

⁽¹⁾ The Social Scoreboard includes 14 headline indicators, of which 12 are currently used to compare Member States performance. The indicators "participants in active labour market policies per 100 persons wanting to work" and "compensation of employees per hour worked (in EUR)" are not used due to technical concerns by Member States. Possible alternatives will be discussed in the relevant Committees. Abbreviation: GDHI – gross disposable household income.

The high share of part-time employment of women indicates a still significant untapped labour potential. The gender differences in Austria's employment rates are relatively low at 7.8 %, compared with an EU-28 average of 11.6 % in 2016. However, this is not the case when considering the full-time equivalent employment rates (see Graph 3.3.2). Women's part-time

employment is among the highest in the EU at 47.9 %, compared with the EU-28 average of 31.4 % in 2016. This reflects the division between women who do paid and unpaid work. There is a gender gap of 17 percentage points in the time spent in unpaid care work per week, putting Austria in the 25th place in 2015 (Bergmann and Sorger, 2017). This does not only hurt women's

income and career prospects but also reduces the adequacy of their pensions.

Austria's gender pay gap of 21.7 % in 2015 is wider than the EU average of 16.3 %, mainly due to the high proportion of women in part-time work and on low pay. The gap remains persistently high despite a slight reduction in recent years. It is driven by gender segmentation in the labour market, with women working in economic sectors that offer comparatively low pay for the same level of qualification. In 2013, women were proportionally more often in low-wage employment in all branches, and even among female full-time earners the percentage of low-wage earners is high (Geisberger, 2012). The strong influence of traditional gender roles and the undervaluation of women's work and skills also play a key role (Bergmann and Sorger, 2017). Part-time work is often associated with lower earnings per hour and this combination contributes to Austria's wide gender gap in pensions (see Section 3.1. on pensions). Despite a reduction of 5 pp compared to 2015, the low wage trap for second earners⁽¹⁴⁾ is still 6 pp above the EU average. Moreover, the tax reform of 2015 and 2016 benefitted men more than women (Rechnungshof, 2017).

Although significantly increasing over the past ten years, the rate of formal childcare remains below the targets. The proportion of children aged below 3 attending formal childcare has substantially increased, from 10.8 % in 2006 to 25.4 % in 2016. However, it remains below the EU Barcelona target of 33 % participation in early childhood education and care (ECEC). Progress is hampered by the institutional set-up and by the lack of a framework to improve quality⁽¹⁵⁾. On opening hours and availability during public and school holidays, there are substantial differences between Vienna and the federal provinces (Baier and Kaindl, 2011; Fink 2013). In Vienna, 44.3 % of 0-2 year-olds were in childcare in 2016 while the figure for Styria was 14.2 %. Parental leave for fathers was introduced in 1990 but take-up has

⁽¹⁴⁾ The low wage trap is defined as the rate at which taxes are increased and benefits withdrawn as earnings rise due to increased work productivity. Example: principle earner (100 % wage), second earner: increase from 33 to 67 %.

⁽¹⁵⁾ This could involve raising the level of staff qualifications and introducing compulsory quality criteria for all stakeholders.

been low (estimations range from 0.6 % to 2 %). Austria supports expanding ECEC for children below the ages of 3-4 by giving the federal provinces incentives to improve their institutional childcare e.g., through co-financing the start-up costs of new childcare places⁽¹⁶⁾.

People with a migrant background find it harder to get work. Around 21 % of Austria's workforce in 2016 had a migrant background. In 2016, the employment rate of non-EU born persons was 17.1 pp lower than that of EU-born nationals. The lower number of people with a migrant background who are in work or seeking a job is mainly due to their qualification levels and correlates with their country of origin. Their labour market performance is influenced by their reasons for migrating, their education level and their socioeconomic background. The increase of the unemployment rate of foreign born (from non-EU 28) from 2010 to 2016 was much higher (10.3 % to 14.3 %) than the increase of unemployment of Austrian nationals (4.1 % to 4.7 %) for the same period. The employment situation of native-born with foreign born parents (i.e. second-generation) is also unfavourable⁽¹⁷⁾.

Getting refugees into work will remain a challenge, particularly for women. Austria has made considerable efforts to accommodate and integrate refugees⁽¹⁸⁾. More asylum seekers and refugees want to work but a number of factors including their low qualification levels and insufficient German language skills as well as institutional barriers hinder this. Of the 9 523 refugees recognised between 2015 and mid-2016, 15.2 % were in employment by the end of 2016. 66.8 % were registered at Public Employment Service Austria (AMS) and 18 % were outside the labour force (AMS, 2017). The Integration Act "Integrationsjahrgesetz" adopted in June 2017 obliges refugees and beneficiaries of subsidiary protection to a one year labour market integration

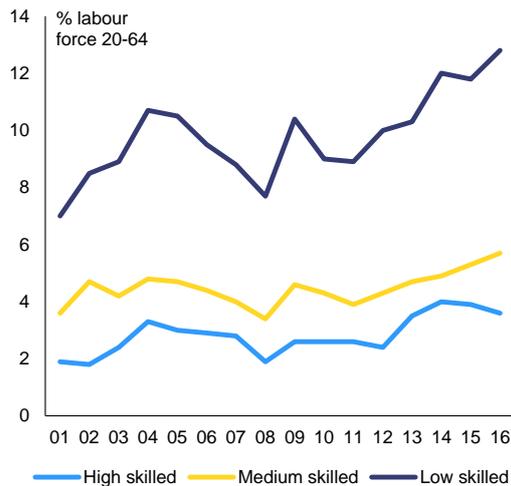
⁽¹⁶⁾ Its goal is to improve ECEC-coverage rate for children in the age below 3 years. It also aims to expand the opening hours of existing institutions and to close regional gaps in access to childcare for children aged over 3

⁽¹⁷⁾ In 2014, native born with foreign born parents had lower employment rate (59.2%) by around 14.4 % points than native-born without a migrant background (73.6%).

⁽¹⁸⁾ In June 2017, the government adopted the Integration Act (*Integrationsjahrgesetz*), a package of measures to find work for refugees and asylum seekers who are likely to be granted asylum.

programme implemented by the public employment service. Asylum seekers with a high likelihood of being granted asylum also have access to these measures.

Graph 3.3.3: **Unemployment rate by educational attainment**



Source: Eurostat

Low-skilled workers have been hit particularly hard by unemployment. People with only compulsory education are particularly affected by unemployment. At 13.1 % (Q2-2017), the unemployment rate for low-qualified workers is more than twice Austria's overall unemployment rate of 6.1 %⁽¹⁹⁾. In 2016 almost half (46.8 %) of those registered as unemployed had completed only the compulsory school level (*Pflichtschulabschluss*); 51.2 % of this group were long-term unemployed (AMS, 2016). Active labour market policies remain crucial to upskill these workers and help them find new jobs.

The digital transformation of the Austrian economy will lead to widespread changes in job profiles and qualification requirements.

Forecasts for Austria predict a significant increase in automation of routine tasks in the production sector and in business administration functions. In Austria, these changes will not necessarily lead to job losses. They will however significantly alter

qualification profiles, putting pressure on low-skilled and elderly workers. AMS regularly identifies professions that will be particularly impacted by digitalisation and tailors its advice services accordingly. Basic digital skills will become an essential requirement of all jobs. In 2017 around 33 % of Austrians aged 16-74 did not have basic digital skills, putting them at a disadvantage in the jobs market. Adapting to technological change may require people in all segments of the labour market to upskill through continued adult education. The relevance of Austria's 'dual' vocational education system will thus increase in the future (Hausegger et al., 2016). Moreover, the share of companies reporting difficulties in finding ICT specialists is significantly higher in Austria (60 %) than the EU average (40 %) according to the European Digital Scoreboard.

Austria is well placed to adapt its labour market institutions to digitalisation.

Digitalisation will have profound effects on careers and working patterns. While crowd-working is still a minor phenomenon in absolute terms, numbers are rising (Huws and Joyce, 2016). Specific digitalisation challenges arise, such as protection of employees' data and striking the right balance between work and private life. Austria has acknowledged the need to prepare labour market institutions for the digital economy and is working on modernising employee protection, including for non-traditional forms of employment (teleworking, freelancing, crowd-working). Austria can build on the existing coverage of independents in the social security system to cover freelancers and crowd-workers as well. Implementation of the corresponding measures under Austria's national digitalization strategy is still pending.

Social policy and inclusion

The overall social situation reflects the good economic conditions.

In 2016 the number of people at risk of poverty or social exclusion fell for the third consecutive year. The improvement was driven by a decline in severe material deprivation, which measures absolute poverty, and by a fall in the number of households with low work intensity. Austria's real gross disposable household income per capita stagnated following the crisis but 2016 data suggest household income has increased, in

⁽¹⁹⁾ According to Public Employment Service Austria, the unemployment rate in 2016 of people with only compulsory education (*Pflichtschulabschluss*) is three to five times higher than that of groups with higher levels of education (AMS, 2016).

line with the improved overall economic conditions.

By contrast, in-work poverty is rising, particularly among foreign workers. While improved labour market conditions and falling unemployment have been broadly beneficial, the increase in in-work poverty raises questions over the quality of job creation. In 2016 Austria's rate of in-work poverty increased slightly from 7.9 % to 8.3 %. This overall increase was driven solely by a rise in in-work poverty among (both EU and non-EU) foreign nationals, from 21.7 % to 24.8 % whilst for Austrians the rate of in-work poverty remained stable at a relatively low 5.4 %. The social partners agreed in 2017 on a monthly gross minimum wage of EUR 1 500 for all sectors, to be implemented nationally by 2020.

Austria's welfare system, though robust, might not sufficiently protect certain groups against poverty. The poverty gap remains significantly below the EU average. The means-tested minimum income (*Bedarfsorientierte Mindestsicherung*) provides support for poor citizens in need and for persons who are granted asylum as well as for those under subsidiary protection. The benchmarking exercise⁽²⁰⁾ shows that in Austria the minimum income benefits are somewhat below the national poverty threshold, still more generous than in most EU member states. However, the legislation is currently set at state ("Länder") level, which creates variations within the country. The new Government envisages establishing a federal framework with upper ceilings regardless of family composition, thus potentially increasing poverty risks for larger families. The Land of Upper-Austria introduced such a cap of 1.500 Euro per month for a family with 2 or more children already.

Income inequality remains low, but both wealth and opportunity are unequally spread. The S80/S20, which measures the distribution of income, remained low at 4.1 in 2016, compared to an EU average of 5.2. This is largely due to the redistributive effects of taxes and benefits. In contrast, the continued rise in house prices might increase wealth inequality due to the unequal

ownership of property assets. The opportunities for young people from a disadvantaged background are also relatively poor, as evidenced by the strong link between the 2015 PISA results and socioeconomic background.

The system of long-term care faces challenges in funding and staffing which may complicate access for patients. In 2018, the provisions for personal and family contributions to long-term care from an individual's wealth (*Pflegeregress*) will be abolished. There are no clear estimates of the projected impact of this measure on demand, or of its overall financial cost. In the face of demographic trends and staff shortages, the current system is already under pressure and increased demand may cause capacity constraints (Grossmann and Schuster, 2017). Based on the projections of the 2018 Ageing Report and without considering any additional impact on demand from the new measures, total expenditure for long-term care is already expected to increase from 1.9 % of GDP in 2016 to 2.6 % in 2040 and 3.8 % in 2070 (European Commission, 2018b). Furthermore, it is unclear how these changes to the existing funding model, which will mean the system is no longer progressive, will affect the already high level of inequality in the distribution of wealth (Firgo, 2017)

Austria faces a particular challenge to provide adequate pensions for women over 65. The pension system features relatively high aggregate replacement ratios. This ensures adequate pensions, reducing old age poverty risks. A means-tested equalisation supplement (*Ausgleichszulage*) for contributions above 30 years also reduces this risk. Nevertheless, the risk of poverty for women over 65 remains higher than that for men. Shorter working lives, career interruptions due to care responsibilities, part-time work, and the high gender pay gap lead to lower contributions and thus to lower pension benefits for. Austria's gender gap in pensions for 65-74 year-olds was 40.5 % in 2016, above the EU average.

Austria's social protection for employees and the self-employed performs well. Austria has one of the highest coverage rates of unemployment benefits for the short term unemployed but

(20) According to the results of the benchmarking exercise in the area of minimum income carried out by the Social Protection Committee, see Draft Joint Employment Report.

maximum duration of benefits is rather low⁽²¹⁾. However, employees or self-employed with gross monthly earnings below EUR 425.70 (*Geringfügig Beschäftigte*), a majority of whom women, are not covered by unemployment insurance⁽²²⁾. They can opt into other strands of social insurance, i.e. sickness, maternity, pensions and invalidity schemes. National data show that the number of people employed under such conditions has increased steadily (from 148 278 in 1996 to 273 093 in 2008 and 341 735 in 2015) while the number of marginal freelance contracts has declined (European Commission, 2017c).

Education and skills

Austria made progress on its education reform but performance in basic skills remains below EU average. The second package⁽²³⁾, adopted in mid-2017, gives schools more autonomy and clearer responsibilities and will allow administrative clustering of several schools. Schools are to determine also class and group size and school heads will be allowed to select their teachers. The law foresees that within model regions, parents and teachers may vote with simple majority to convert a school into a comprehensive school for pupils aged 10-14⁽²⁴⁾. Federal authorities will nominate the directors of the newly created (still hybrid) regional ‘education directorates’ (*Bildungsdirektionen*) in agreement with the regional governor. The proportion of pupils in all-day schooling improved from 23.13 % in 2016/2017 to 24.36 % in 2017/2018. However, the more comprehensive type, called *verschränkte Form*, still accounts for only 18 % of pupils in all-day schooling at general compulsory schools.

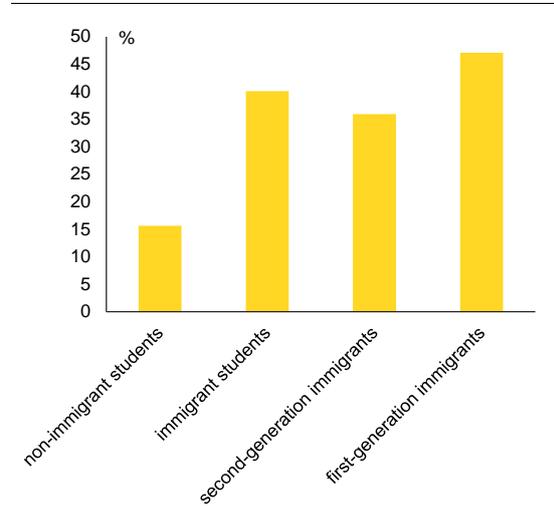
⁽²¹⁾ According to the results of the benchmarking exercise in the area of Unemployment benefits of the EMCO, see Draft Joint Employment report.

⁽²²⁾ Approximately half of the marginally employed (*Geringfügig Beschäftigte*) are subject to compulsory social insurance as they are at the same time either in a regular job or recipients of unemployment benefits or of a pension.

⁽²³⁾ The first implementation package, adopted in 2016, introduced a better transition between the last compulsory year of early childhood education and the first 2 years of primary school.

⁽²⁴⁾ Vorarlberg, is in the process of doing so and can provide important evidence for further nationwide reform.

Graph 3.3.4: Science — Percentage of low performers in Austria by immigrant background



Source: OECD

Overall, performance in basic skills remains below EU average. A wide performance gap remains between students with and without migrant background. National testing in 2016 confirmed that many pupils lack basic skills in German. 38 % of 10 year-olds in 2015 and 45 % of 14 year-olds in 2016 did not reach the basic level or did so only partially as measured by the Federal Institute for Education studies (BIFIE, 2016 and 2017). Comparing the 2012 and 2015 PISA results, the proportion of low achievers increased in all three core areas surveyed, i.e. mathematics, reading and science (European Commission, 2017b). Native born pupils outperform first generation migrants by 82 PISA score points (translating into almost 3 years of school). PISA indicates weaker science performance among students who do not speak the language of instruction at home. Recent international testing (PIRLS) confirmed a widening gap in reading for those with weak socio-economic or migrant background (Wallner-Paschon et al., 2017). National testing confirms this trend and shows a major difference between listening and reading⁽²⁵⁾. Many students with a migrant background attend non-academic lower secondary schools (NMS) where up to 59 % do not reach or only partially

⁽²⁵⁾ According to Wallner-Paschon et al. (2017), for reading, young people with a migrant background trail with 75 score points, compared to 477 points for young people without a migrant background; for listening the scores are 96 and 423, respectively. Accounting for social background reduces the disadvantage to 48 and 68 points, respectively.

reach the minimum level in reading, whilst this is essential in preparing for work. The new Government announced to strengthen policies on early tracking and separation, including for special education, and wants to introduce an education result obligation until 18 years for all.

Various policy and legal initiatives seek to help young people with a migrant background, including recognised refugees and people under ‘subsidiary protection’ to integrate into Austrian society. These include measures to reduce early school leaving like the recently adopted Education and Training Act (*Ausbildungspflichtgesetz*). This expands the framework for upgrading the skills of disadvantaged young people. Since July 2017 all young people aged up to 18 are obliged to be in education, training or employment. The Integration Act of June 2017 makes it compulsory for migrants to attend courses in language, culture and values. Austria has pledged to pay special attention to the transition from nursery school to primary school. The new Government aims at reinforcing German support in schools, and introducing in case of lacking language skills a second year of compulsory early childhood and care (ECEC). The quality of the latter should be improved through a common framework on quality indicators, including smaller groups, higher standards for initial and continued training as well as of management.

In line with the 2016 Council Recommendation on Upskilling Pathways, Austria is implementing its Adult Education Initiative. This enables adults who lack basic skills or never graduated from lower secondary education to continue and finish their education free of charge. Since many of those with a migrant background and most recognised refugees opt for professional training, vocational education and training (VET)⁽²⁶⁾ is crucial to their integration. Initiatives and programmes integrate refugees into formal VET by assessing and validating their skills and qualifications gained abroad. An essential aspect is to support young refugees in gaining an apprenticeship diploma and help them choose the appropriate occupation.

⁽²⁶⁾ A current challenge is the regional mismatch in apprenticeship-based vocational education and training

Austria’s tertiary educational attainment rate is 40.1%, reaching both the national and Europe 2020 targets. The number of students and graduates has continually increased over the last decade. However, resources and teaching staff have not kept pace (European Commission 2016a and 2017b). The intended move to capacity-based financing has not been finalised. Such a ‘fully managed’ system of access to higher education is planned to be linked to a relative increase of available resources to improve quality and effectiveness by, among other things, boosting the student-teacher ratio to levels comparable to the international average. This measure has not been adopted but figures among the priorities of the new government. Having adopted a national strategy ‘on the social dimension in higher education’⁽²⁷⁾ allows mitigating rising inequality, also through such a reform. Study grants have already been increased and the range of recipients enlarged⁽²⁸⁾.

Austria is expected to increase the use of digital technology in higher education. This is important for both teaching and publishing⁽²⁹⁾. Higher education structural funds (*Hochschulraumstrukturmittel*) will be invested in a new ‘e-infrastructure’ and in developing a national infrastructure for creating, discovering and sharing open educational resources. Austria has a lower number of graduates in some fields of science, technology, engineering, and mathematics (STEM), particularly at PhD level, limiting the scope for innovation. The project “*Zukunft Hochschule*” addressed this with a particular focus on ICT graduates. Austria has the second biggest gender gap in STEM graduates. For ICT, the share of women among recent graduates is only 17 %, among the lowest in Europe.

Austria has also launched its digital education strategy ‘School 4.0 — let’s get digital’. Digital skills will be introduced into the curriculum of

⁽²⁷⁾ <https://wissenschaft.bmwf.gv.at/bmwf/studium/nationale-strategie-zur-sozialen-dimension/>

⁽²⁸⁾ The strategy is the first comprehensive document aimed at improving access to higher education for less-represented groups. It sets quantitative goals up until 2025. The paper identifies three broad goals: more integrative access; preventing dropout and improving results; and optimal framework conditions for policy steering.

⁽²⁹⁾ Performance-based financing agreements with higher education institutions will provide incentives for increasing digital learning and teaching programmes. Licensing educational content for open use should help it spread to other users.

primary and lower secondary schools in 2018/2019. Digital training for teachers is also compulsory for new teachers with 6 points from the European Credit Transfer and Accumulation System. They have to complete a modular training within 3 years of beginning their career, but it remains optional for other teachers. A virtual pedagogical institute will support this. The strategy also has a hardware component that is not yet financed. By 2021, all schools will have broadband and WLAN access, compared to 96 % of federal and 78 % of compulsory schools today.

3.4. INVESTMENT

General investment situation

Investment grew strongly in 2017 but did not improve the stagnating total factor productivity. Austria's total factor productivity has been stagnating in recent years, against the overall trend in the EU of slightly rising TFP (see Graph 1.6). Overcoming this stagnation requires productivity enhancing investments, notably in innovation and digitalization. Total investment in Austria increased by 3.7 % in 2016. This strong investment growth was the main contributor to the economic upswing, ahead of private consumption and exports also in 2017. However, investment growth is expected to slow down from 2018 onwards (to 2.7 % in 2018 and 2.4 % in 2019) which will also dampen GDP growth. Strong investment in equipment drove investment growth in 2016 and 2017 as firms worked through a backlog of necessary replacements. For 2018, investment in business expansion is expected to be on par with replacements (WKÖ, 2017a). This type of investment contributes strongly to growth, productivity and employment.

Strong housing demand is keeping up pressure on building supply. The population grew on average by 0.6 % yearly from 2010 to 2016, faster than the EU average of 0.2 % per year. The number of households increased by 40 170 on average per year between 2010 and 2016 due to migration and a trend towards more single-person households. Thus, together with depreciation, housing demand can be estimated at approximately 56 780 dwellings per year. This is broadly in line with the average number of completed dwellings. However, stronger housing demand due to the refugee crisis since 2015 has outpaced supply in the last 3 years, contributing to the overall upward pressure on house prices. Housing construction has grown at a subdued level in the last decade and only picked up in 2017. Nevertheless, the number of completed dwellings per 1 000 people at 5.6 units demonstrates that Austria comes from one of the highest rates in the EU (the average of 16 comparable EU countries is 3.0). Along with institutional changes in the region's housing market schemes since 2005, this may also explain the weak growth rate of housing investment as the overall number of units completed is already high. The population increase has been particularly strong in Vienna, averaging 1.4 % a year between 2010 and 2017, and peaking at 2.0 % in 2016

during the refugee crisis. This was also reflected in stronger price pressures than in the rest of the country (see Section 3.2) despite the fact that the number of completed dwellings has almost doubled from 4 173 units in 2010 to 8 061 units in 2016 in Vienna compared to an increase of 32 % in the rest of the country.

Services sector

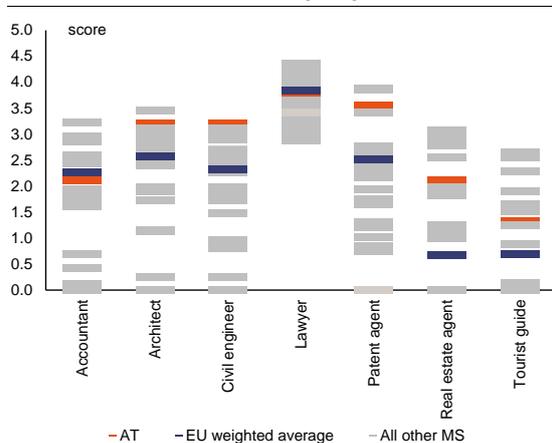
Reform of Austria's services sector regulation would strongly benefit productivity and competitiveness throughout the Austrian economy. High levels of regulation in Austria's services sector result in less competition and innovation and therefore less productivity in the services sector itself (European Commission, 2017b). This directly affects 50 % of GDP produced by the services sector and 45 % of employment in the overall services sector. The high level of regulation has gone hand in hand with declining wage-adjusted labour productivity and negative levels of allocative efficiency in this area. Restrictive regulation also limits employment and contributes to wage inequalities, impacting the 22 % of the Austrian labour force who work in regulated professions. Low competitive pressure in business services are furthermore evidenced by below average churn rates and above average gross operating rates in sectors such as legal, accounting, architectural and engineering activities. Around 35 % of the value created by Austrian manufacturing is created by service inputs so that services sector regulation also harms Austrian manufacturing industries.

Austria has revised only some aspects of its service sector regulation. In July 2017, Austria adopted a revision of the trade licence act (*Gewerbeordnung*) which removed access requirements for 19 trades (*Teilgewerbe*) and expanded the scope of activities which can be exercised under each trade licence (*Nebenrechte*)⁽³⁰⁾. Administrative fees for all trade law procedures, including the notification of a new trade business were dropped. A planned one-stop

⁽³⁰⁾ Activities related to (regulated or free) trades can be provided to up to 30 % of annual turnover; in the case of regulated trades, they must however not exceed 15 % of the provision of services per contract and be "economically complementary" to the actual activity from within the original trade (*wirtschaftlich sinnvolle Ergänzung der eigenen Tätigkeit*).

shop, including permits for which the regions (*Länder*) are competent, was not implemented however. This reform also reduced only marginally the high number of trades for which professional qualification is required⁽³¹⁾. The new government has therefore announced a further revision of the trade licence act to be implemented by July 2020 (BKA, 2017). As regards liberal professions serving the business sector, Austria merely revised the law on economic trustees (*Wirtschaftstreuhandberufsgesetz*) notably by simplifying educational requirements.

Graph 3.4.1: **Regulatory restrictiveness in key professions in Austria and the EU (2016)**



Source: European Commission

Regulatory barriers in Austria's business service sector are still among the highest in the EU. In key business services, such as legal, patent agent, architectural and engineering services, Austrian regulation is restrictive. Except in the case of lawyers and accountants, it is significantly more restrictive than the EU average and at or near the highest level of restrictiveness for civil engineers and architects (Graph 3.4.1). Restrictions on interdisciplinary firms between regulated professions affect architects, engineers and patent/trademark agents. Shareholding, company form or exclusivity requirements exist in Austria notably for architects, engineers and patent/trademark agents. Particularly wide-ranging reserved activities exist for architects, engineers, accountants, tax advisers, patent/trademark agents and tourist guides. Austria has so far not used the

⁽³¹⁾ Two regulated professions were liberalised, job brokerage (*Arbeitsvermittlung*) and production of cosmetic articles (*Erzeugung von kosmetischen Artikeln*).

mutual evaluation of regulated professions and the reform analysis of January 2017 to lower regulatory barriers (European Commission, 2016a). Previously announced intentions of allowing interdisciplinary companies among traders and liberal professions have also not been implemented.

Low market dynamics and high prices point to a relatively weak performance of the Austrian retail sector. According to Eurostat, the retail sector is characterized by low churn rates and wage-adjusted productivity below the EU average. Food prices are the third highest in the EU. The overall restrictiveness of the regulatory framework positions Austria around the average of EU Member States. Nevertheless, some issues can be identified that contribute to the sector's suboptimal performance. They particularly concern regulations affecting the daily operations of retailers such as restrictions on sales promotions and shop opening hours, as well as complex retail establishment procedures.

Austria's tourism sector is doing well but is impacted by regulatory and fiscal burdens. Austria has a large tourism industry which is doing well in general terms. However, tight profit margins are a challenge. Furthermore, skill and labour supply shortages exist for some tourism professions. More broadly, tourism in Austria is heavily impacted by new online business models. Austria is reacting with a policy initiative as regards digitalization (*Tourismus-Digitalisierungsstrategie*). The new government programme 2017-2022 furthermore foresees an overall tourism strategy with annual monitoring. The programme focuses on addressing labour shortages and on reducing regulatory and financial burden. A first specific measure announced is a reduction of VAT on accommodation from 13 % to 10 % (BKA, 2017).

Business environment and access to finance

Austria has managed to improve its business environment, notably for start-ups, and plans further reductions of the regulatory and tax burden. Austria's business environment has traditionally been difficult for those starting a business. In recent years, start-up numbers have however increased strongly with a peak in 2016 (WKÖ, 2017b). This is partly due to the cyclical

upswing but also reflects the success of the structural reforms undertaken in the implementation of the start-up strategy. In particular the combination of direct and indirect financial support with administrative and regulatory simplification has resulted in a genuinely improved start-up environment. Among the regulatory improvements adopted in 2017, Austria has notably facilitated setting up limited liability companies by abolishing the requirement of a notary act for one-person limited liability companies⁽³²⁾. The government programme for 2017-2022 puts particular emphasis on further reducing the regulatory and tax burden on companies as key instruments to further improve the business environment (BKA, 2017). This includes a reduction in the corporate tax (second highest in the EU) as well as a host of measures to reduce the regulatory and administrative burden imposed in particular on SME.

While start-up numbers are continuously increasing and survival rates are high, scaling up remains a problem for Austrian firms.

Rising start-up numbers combined with a high survival rate point to a strong environment for business creation. The same positive assessment cannot yet be made for the later phases in firms' life-cycle. The share of high-growth firms among active companies with at least 10 employees is 6.5 % in 2015 and thus considerably below the EU average of 9.9 %. This lack of high-growth firms partly explains Austria's stagnating total factor productivity, as company productivity is highly correlated with firm size. Furthermore, start-ups making the transition to become bigger firms create a disproportionately higher number of new jobs. A lack of later-stage financing options (see below) is a key obstacle, while firms also cite the high regulatory and tax burden as well as a lack of skilled labour in certain areas (not least as regards digital skills, see section 3.3) as important barriers to company growth. Several programmes try to target the skills issue, such as "R&D Competences for Industry" through which the Austrian Research Promotion Agency (FFG) funds training for employees of SMEs. The lack of national rules and

⁽³²⁾ Austria's complex and costly procedures for starting limited liability companies are a reason for its relatively low ranking in international scoreboards, such as the World Bank's "Cost of doing business" ranking.

procedures governing transfers of registered company offices can also create regulatory burden.

Despite the high levels of investment in R&D, Austria's share of knowledge-intensive sectors in the economy is still relatively low.

Austria is lagging behind the EU's innovation leaders⁽³³⁾ on the share of knowledge intensive sectors in its economy. This might also explain its comparatively weaker performance in innovation output. In 2016, value added in high-tech knowledge intensive services was 3.5 % of total value added, well below the EU average of 5 % (2014). In high-tech (HT) manufacturing sectors too, at 1.69 % in 2016 Austria only ranks just above the EU average of 1.67 % (2014). Austria's strength still lies in the medium-high-tech (MHT) manufacturing sector (accounting for 6.5 % of total value added in 2016 vs an EU average of 5.7 % in 2014)⁽³⁴⁾. Business enterprise research and development intensity in these sectors is high - the third highest for both, HT and MHT. While the efforts undertaken take time to be reflected in the corresponding structural indicators, maintaining high investment levels is important to increase Austria's share in these sectors and help it catch-up with the innovation leaders.

Austria has not yet managed to create the vibrant "ecosystem" of innovative companies found in comparable Member States.

With only 2.9 % of its employment in fast-growing firms in innovative sectors⁽³⁵⁾ in 2014 (compared with the 4.8 % EU average), Austria's economy lags behind most other EU Member States. This can be partly explained by the structure of its economy and the resilience of existing companies. However, Austria has not yet been able to create an ecosystem for

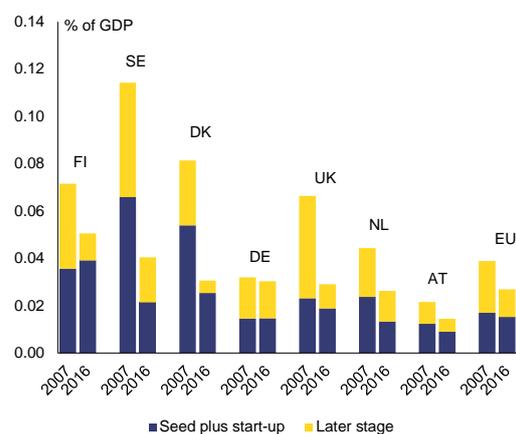
⁽³³⁾ "Innovation leaders" are countries with a performance at least 20 % above the EU average in the European Innovation Scoreboard (EIS). In the 2017 EIS, these are Sweden, Denmark, Finland, the Netherlands, the United Kingdom, and Germany. Austria is closely behind this group with a summary innovation index of 119 % of the EU average.

⁽³⁴⁾ Austria ranks highly in the automotive sector, but also in the transport and tourism sectors. The latter two are not captured here as they are not considered as knowledge-intensive sectors.

⁽³⁵⁾ Number of employees in high-growth enterprises in 50 % most innovative sectors, as a share of total employment for enterprises with 10 or more employees. High growth enterprises are defined as firms with an average annual growth in employees greater than 10 % a year, over a three-year period, and with 10 or more employees at the beginning of the observation period.

highly innovative start-ups that is as vibrant as those of the innovation leaders ⁽³⁶⁾. Finding the right policy mix to both support the innovativeness of its strong MHT manufacturing sector and to create the right incentives for HT manufacturing and HT knowledge-intensive services sectors to flourish is therefore crucial. Recent initiatives to take advantage of Austria's relative strength in specific sectors, include its "Strategy for the future for life sciences and pharmaceuticals in Austria" (2016), "Innovative Vienna 2020" (2015) and the "Global Incubator Network". Several international start-up accelerators and incubators have established themselves in Vienna.

Graph 3.4.2: Venture capital as % of GDP



Source: European Commission

Austria's equity financing culture remains underdeveloped which limits company growth and poses a resilience risk. Austria's firms traditionally rely on bank credit for most of their financing needs. This puts them at risk in the event of a future crisis. Venture capital financing in Austria amounted to 0.014 % of GDP which is lower than the EU average of 0.027 % and also lower than in the five Member States which are innovation leaders (see Graph 3.4.2). Venture capital for later stage funding constituted only 38 % of all venture capital in 2016. The public sector accounts for a high share of venture capital investment. The start-up package of policy measures adopted in 2016 provides financial support and regulatory improvements for start-ups,

⁽³⁶⁾ London, Berlin, Stockholm and Amsterdam are among the world's top 20 start-up ecosystems in 2017 according to the Global Startup Ecosystem Report 2017 (Startup Genome, 2017).

with an overall investment volume of EUR 185 million over three years. This includes a risk capital bonus to seed and pre-seed investments.

Public capital markets and FinTech innovation offer yet unexploited funding opportunities for Austrian firms. Public capital markets can play a pivotal role in helping start-ups and high-growth companies to scale up and expand. High administrative burden caused by regulation, low and even decreasing research on listed SMEs and thus insufficient visibility of listed companies for potential investors form bottlenecks in Austria. This hampers access to capital markets for SMEs and mid-caps. The creation of an ecosystem that fosters equity as well as better financial education would tap sources of investments that so far are underused. The 2015 law on alternative financing created a tailor-made regulatory environment for crowd-funding (see Box 3.5.1). Recent developments in FinTech, such as cryptocurrencies/initial coin offerings and artificial intelligence based applications, could further extend the scope of alternative forms of funding.

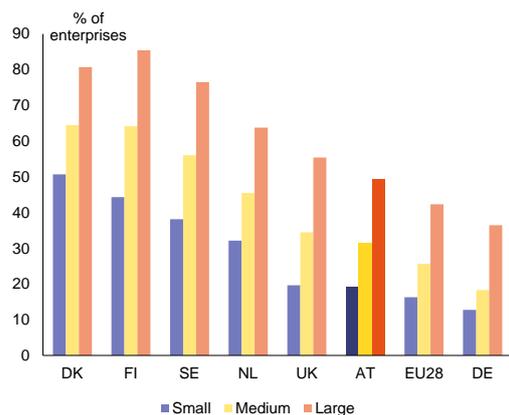
Digital transformation

While larger Austrian companies are well advanced in adopting digital technologies and business models, most small and very small firms are struggling. Overall, Austria is performing well. On average it ranks slightly above other Member States in terms of businesses using digital technology (European Commission 2017d). Austrian businesses are ahead of their European peers in the use of e-invoicing but they have been relatively slow to move to electronic selling, especially SMEs. Both the relatively low number of SMEs selling online (15 %) and the similarly low share of turnover (6 %) show that this sales channel remains underdeveloped⁽³⁷⁾. However, when they sell online, Austrian companies are quick to do business across borders – more than 10 % do so. Cloud computing is another area where Austrian businesses are behind the EU average, despite the advantages that cloud computing offers (such as low upfront investment costs and easy scalability) in particular to (very) small businesses (OECD, 2017). Austria has created the initiative "KMU Digital" to support SME in their digitalization efforts. Austria adopted

⁽³⁷⁾ The Austrian tourism sector is an exception to this rule.

a comprehensive digitalization strategy in January 2017 and has implemented some of the announced actions. Monitoring and benchmarks are missing however.

Graph 3.4.3: Enterprises with high levels of digital intensity by size (2016)



Source: European Commission

Concerns over security and privacy hinder some aspects of digital transformation. Austrian firms and the Austrian public have an overall positive view on digitalization. Furthermore, they do not necessarily face digital security incidents more often than those in other Member States. Cyber crime has however been on the rise recently (31 % from 2015 to 2016). Austria is also among those Member States where businesses and the public have the greatest concerns over security and privacy. Around 52 % of the Austrian public are, for example, bothered that their online activities are being recorded to provide tailored advertising. Slightly more than 20 % of individuals said they would not use cloud computing due to concerns over security and privacy (compared to an EU average of around 13 %). For businesses, the risk of security breaches discouraged more than 40 % of Austrian firms from using cloud computing (far more than in most other OECD countries). Policy initiatives such as "*KMU digital*" therefore also offer advice services to SME regarding privacy and security. The Austrian government plans to adopt an overall digital security strategy, to review its legal rules and to strengthen the digital security institutional framework (BKA, 2017).

Public administration

Austria has one of the lowest publication rates for public procurement contracts advertised at EU level and also ranks low on joint procurement between public authorities. In 2015, the share of public contracts for works, goods and services (including utilities and defence) published by the Austrian tendering authorities under EU procurement legislation was only 2.2 % of GDP. This is a slight reduction of 0.1 pp. from 2014 and is only around half the EU average of 4.16 %. Contract notices from Austrian tendering authorities are not always complete. This was for example the case for the 11 % of notices in 2017 (down from 32 % in 2016) where the contract volume was not indicated. Furthermore, in 2017 Austria used central purchasing bodies on joint procurement among public authorities for only 5 % of tenders. This represented no improvement over the 2011 value and was markedly below the EU average of 8 % (European Commission, 2017e).

Austria scores highly in providing e-government services to businesses and citizens but there is some delay in rolling out e-procurement. Austria continues to improve its offer of digital (online) public services and in particular their mobile accessibility. More than (98 %) of the most-used public services are available online. Austria's aim is to have a one-stop shop platform available and to reduce the need for people and business to actively interact with public authorities or use public services. For instance certain tax claims will be automatically handled for the user. Austria also intends to introduce one nation-wide usable "digital identity" managed by a central system which would give users an overview of which data is available and how and by whom it can be used (BKA, 2017). In contrast to this leadership in general e-government, Austria has not yet adopted the pending legislative proposal that would modernize the e-procurement rules. Individual tendering authorities have begun to introduce e-procurement systems, choosing among a small number of technical solutions with some differences between them. Austrian authorities are aware of the risk that these differences could lead to additional burden for tenderers and are monitoring the situation.

Box 3.4.1: Investment challenges and reforms in Austria

Section 1. Macroeconomic perspective

Investment in Austria (see also Section 1) held up fairly well throughout the financial crisis. Compared to the EU average the decline was less severe and the recovery quicker. Since the end of 2015 investment activity by the corporate sector has picked up. This is partly due to replacement needs, but also it is supported by increased consumption triggered by the 2016 tax reform and a general upswing in the economy. Since 2017, construction investment, including that in housing, grew noticeably. With accelerating economic growth the investment climate has also improved. The availability of bank credit does not act as a macroeconomic constraint on investment but equity funding remains underdeveloped. Strong housing demand in Austria due to continuing migration and a growing population calls for higher public and private investment in dwellings. Available building space, especially in the capital region, as well as the availability of fiscal space might act as limiting factors for increased investment in social housing.

Section 2. Assessment of barriers to investment and ongoing reforms

Public administration/ Business environment	Regulatory/ administrative burden	CSR	Financial Sector / Taxation	Taxation	
	Public administration			Access to finance	
	Public procurement /PPPs		R&D&I	Cooperation btw academia, research and business	
	Judicial system			Financing of R&D&I	
	Insolvency framework		Sector specific regulation	Business services / Regulated professions	CSR
	Competition and regulatory framework			Retail	
Labour market/ Education	EPL & framework for labour contracts			Construction	
	Wages & wage setting			Digital Economy / Telecom	
	Education			Energy	
			Transport		

Legend:

	No barrier to investment identified		Some progress
CSR	Investment barriers that are also subject to a CSR		Substantial progress
	No progress		Fully addressed
	Limited progress		

Barriers to investment in Austria exist but are relatively modest overall, as the European Commission's assessment confirms (European Commission, 2015c). Some reforms have been adopted in the area of regulated professions and administrative simplification (see Section 3.4). Continued efforts and further reform measures to reduce the tax wedge, improve the business environment and better meet consumption and housing demand will help strengthen overall investment in Austria.

Main barriers to investment and priority actions underway:

1. The overall tax wedge remains high despite the recent tax reform, as a large part consists of social security contributions that remained broadly unchanged. Additionally, without the tax brackets being indexed to inflation, the tax wedge on labour will continue increasing (see Sections 3.1). Reducing the tax wedge on labour and shifting taxation to more growth-friendly sources like property or environmental taxes, can incentivise investment activities.
2. The high degree of regulation of the services sector constitutes a barrier to investment and competition in services but also for manufacturing firms which depend on services inputs. While the 2017 reform of the trade licence act and the reforms to reduce administrative burden bring some improvements, the regulatory level remains high and continues to hinder market entry and business development (see Section 3.4).
3. The start-up environment has improved while scaling-up remains an issue and Austria has not yet established the vibrant ecosystem for innovative enterprises seen in other Member States. Business creation and company growth, notably of innovative firms, are key triggers of investment, job creation and productivity increases (see Section 3.4).

3.5. SECTORAL POLICIES

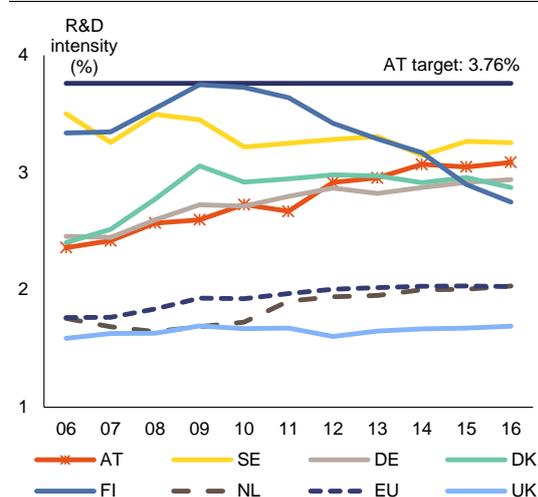
Research and innovation

Austria is a strong innovator, with a solid public commitment to support research and innovation. In 2011, Austria set itself the ambitious goal of becoming an innovation leader in the EU by 2020. It has undertaken considerable efforts in the past decade to improve the performance of its research and innovation system, with a performance increase relative to the EU of 9 % since 2010. (European Commission, 2017f) This makes it the 7th strongest innovator in the EU, right behind the EU's innovation leaders. With an R&D intensity of 3.09 % of GDP in 2016, it ranks second in the EU ⁽³⁸⁾ just behind Sweden (3.25 %). Austria has the goal of raising the private sector contribution to overall R&D spending to two thirds, preferably to 70 %. To achieve this goal, Austria recently increased its indirect support for private R&D by raising the research tax premium from 12 % to 14 % from 1 January 2018. An evaluation of the tax premium conducted in 2017 confirmed its benefits in attracting national and international private investments (BMWFW and BMVIT, 2017). Austria ranks top in the EU with regard to direct and indirect public support for business enterprise R&D (BERD) expenditures, with total public support for BERD at 0.4 % of GDP in 2015. Despite these efforts and the significant performance improvements, Austria will only reach its self-set 2020 R&D intensity target of 3.76 % if R&D intensity grows at a rate of 5.1 % per annum over the period 2016-2020.

Austria has a solid research and science base, but there is room to increase its scientific excellence. Austria's universities rank well below the innovation leaders and other strong innovators in international university rankings ⁽³⁹⁾. The country performs strongly in scientific output, with 11.5 % of the top 10 % most cited scientific publications worldwide and ranking sixth in the EU (EU average of 11.1 % for 2014 values). However, Austria performs less well on the top 1 % most cited publications, an indicator of scientific excellence. In late 2016, the "Research

Billion" initiative was adopted, with the aim of providing EUR 700 million in public funding and EUR 500 million in private funding for research and innovation in 2017-2021. Its implementation will depend on the new government. The "Future of Universities" project was launched in spring 2016 to ensure the strategic development of the Austrian university system. It identifies several areas of action to boost the university system and to prepare the first steps towards capacity-based university funding.

Graph 3.5.1: Austria's R&D intensity in comparison to innovation leaders



(1) Denmark: Break in series between 2007 and the previous years; Netherlands: Breaks in series between 2011 and the previous years and between 2012 and the previous years; United Kingdom: Break in series between 2011 and the previous years.

Source: European Commission

Stronger science-business links would ensure a better translation of Austria's R&D investments into innovation output. Supporting knowledge transfers and science-business cooperation remains important for Austria, as well as promoting an entrepreneurial spirit within and outside the higher education system. Various public initiatives have been launched in the past decades. They include the "Academia plus Business (AplusB) centers", the "Competence Centres for Excellent Technologies (COMET)", the "Christian Doppler Laboratories" as well as the "FFG Bridge programme". More recent initiatives include Spin-off Fellowships (September 2017) to support university spin-offs and the 2017 intellectual property strategy, which aims at supporting the translation of scientific output into innovation.

⁽³⁸⁾ When the data is adjusted for the structural composition of countries, Austria ranks highest in the EU according to the OECD Science, Technology and Industry Scoreboard 2017.

⁽³⁹⁾ No Austrian university is listed within the top 150 in the Academic Ranking of World Universities 2017 (Shanghai ranking) or within the World University Ranking (Times Higher Education).

However, it remains a challenge to convert the current strengths of Austria's public science base into solutions that tackle the current needs of Austrian businesses. Austria is aiming at addressing these issues in the future post-2020 RTI strategy (BKA, 2017).

Since 2011, Austria has tabled a multitude of initiatives and programmes and has started to evaluate their overall effectiveness. Austria adopted its national strategy for research, technological development and innovation in 2011 (*'Der Weg zum Innovation Leader'*). Since then, 90 % of the measures formulated have been or are in the process of being realised. Recent measures are the "Open Innovation Strategy" (2016), the "Intellectual Property-Strategy" (2017), and the "Creative Industries Strategy for Austria" (2016) and the "Life Science Strategy" (2016). In recent years, a clear evaluation culture has been established. Evaluations were performed, for example, on the AplusB centers, the research tax premium, the *Austria Wirtschaftsservice* and the *Forschungsförderungsgesellschaft*. Nonetheless, ex-post evaluation in Austria can be difficult because data availability from different sources is restricted or data cannot be linked due to privacy issues (BMWFV and BMVIT, 2017) Finally, Austria has commissioned the OECD to perform a review of its innovation system which will be used to develop the post-2020 Research, Technology and Innovation (RTI) strategy. The results of the review are expected in end-2018 (ibid.).

Network industries and infrastructure

Austria continues to have problems in ensuring next-generation broadband coverage in rural areas, in particular for public institutions such as schools. In 2017, 90 % of all Austrian households were covered by a high-speed broadband (next-generation access) network, which is above the EU average. While Austria increased the coverage of high-speed broadband in rural areas to 45 % in 2017, a 'digital divide' between urban and rural areas remains, in particular as regards connections for public institutions such as schools. To this end, Austria in 2017 continued to implement the *Breitband Austria 2020*, a funding scheme financed by

spectrum revenues (*Breitbandmilliarde*). There are also regional-level initiatives to roll out high-speed infrastructure, for instance in Lower Austria. By 2025, Austria's ambitious aim is to have nationwide coverage of gigabit connections and a nation-rolling-out of mobile 5G infrastructure. This may be financed by revenues from further spectrum auctions (starting in 2018 for 5G).

Energy, climate change and environment

Austria is on track to meet only one of the three Europe 2020 targets on energy and climate change. Austria is well on track towards its 2020 target on renewable energy. It is also implementing measures under the Energy Efficiency Law to achieve the 2020 energy efficiency target but has recently shown growing final and primary energy consumption. Furthermore, according to its own projections, Austria will fall 2 percentage points short of meeting its 2020 emission reduction target for greenhouse gases in the sectors not covered by the EU Emission Trading System. Transport is the sector with the highest emissions in Austria and transport emissions are not decreasing.

Swift implementation of planned projects and active regional cooperation remain crucial as regards Austria's electricity and gas networks. Progress on the high-tension 380-kV ring in Austria, a crucial project with significant benefits on neighbouring countries, depends on the legal review of its environmental impact assessment. The implementation of increased cross-border capacities in particular with Germany, Italy and Switzerland is on track. The current national arrangements for managing congestion and defining bidding-zones in central Europe do not necessarily reflect actual congestion accurately. This is leading to increasing limitations on cross-border flows of electricity. While the bilateral agreement between Germany and Austria on an interim solution for this problem is a positive step, further discussions with neighbouring countries are needed for the agreement to be implemented. Concerning gas infrastructure, Austria's role as an important transit country requires it to maintain a regional approach to network planning and increased efforts to establish market-based solutions to infrastructure usage.

Box 3.5.1: Policy highlights - Framework for crowd-funding and collaborative economy

Crowdfunding and the provision of collaborative economy services are two activities that are small but rapidly growing in Austria. The volume of funds raised through crowdfunding tools is growing exponentially. Austrian citizens are also both offering and consuming an increasing amount of services intermediated by online platforms, in particular in some sectors such as short-term accommodation. Austria's authorities on the federal, regional and local level have reacted by adapting the applicable policy framework. Two initiatives have in particular established a good balance between supporting new business models and ensuring compliance with existing legal obligations or protecting users such as small investors.

The **2015 Law on Alternative Funding** has created a tailor made regulatory environment for crowd-funding projects. It covers both direct calls of an issuer as well as those offered by internet platforms. It foresees a number of obligations of the issuer in terms of information (such as thresholds, scope, periodicity and route of information obligation), the auditing duty, and regulations for internet platforms (information obligation, validation of issuer information, privacy) and several regulations to prevent abuse. With these rules to protect small scale investors, it has created trust in crowd-funding with citizens who are otherwise not active participants in capital markets. In terms of project volumes, the rules apply to projects of up to EUR 1.5 million. For projects above this threshold (but below EUR 5 million) the law foresees the obligation to issue a simplified prospectus. The tailored regulatory environment has been well received by the market, resulting in a 160 % volume increase in crowd-funding even in the first full year of its application.

A new **law on the promotion of tourism in Vienna** is applicable since August 2017. It is based on an evaluation of developments in collaborative short-term accommodation services in the city. Based on statistical evidence, Viennese authorities did not identify a need to impose additional regulatory restrictions on citizens renting out their homes short-term. Instead, the city chose an enabling approach and introduced new legislation to improve the compliance of accommodation providers with already existing tourist tax (*Ortsaxe*) obligations. The responsibility of enforcing tax rules remains with the public authorities, but the new law requires collaborative platforms intermediating short-term accommodation services to inform tax authorities of the identity of providers of such services and the addresses of rented properties. Vienna's new law limits itself to data that platforms already have at their disposal. Thus, such regime can be considered to establish a balanced framework where it does not impose additional monitoring obligations and remains within EU data protection rules. Alternatively, the law allows collaborative platforms to conclude voluntary agreements with the City of Vienna, allowing the collaborative platform to calculate, withhold and remit the applicable tourist tax to authorities, thereby reducing administrative burden and facilitating tax compliance.

The evaluation of collaborative short-term accommodation services and their development allowed the Viennese authorities to adopt a targeted regulatory measure addressing a specific policy objective (ensuring tax compliance) while seeking to minimise regulatory and administrative burden.

Austria's eco-innovation performance is good and stable but constrained by limited resources and the lack of an overall strategy.

Environmental technology sectors are a particularly dynamic part of the Austrian economy and contribute to export-oriented growth. They have also performed significantly more strongly than the overall economy since the financial crisis. The main drivers of eco-innovation in Austria are high environmental standards, well-functioning environmental protection laws and various environment-related financial incentives offered by the state. Austria also improved its ranking within the Eco-Innovation Scoreboard and is now the eighth best performing Member State. This puts it

slightly above the EU average, within the group of the so called average eco-innovation performers. The main barriers to further improvements of its eco-innovation are the limited financial and human resources into research and development (R&D) activities and the low integration of various activities and policy measures across governmental institutions into a coordinated eco-innovation policy. In fact, Austria has not yet established an overarching policy programme for eco-innovation or the circular economy.

ANNEX A: OVERVIEW TABLE

Commitments	Summary assessment ⁽⁴⁰⁾
2017 country-specific recommendations (CSRs)	
<p>CSR 1: Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowance linked to unusual events. Ensure the sustainability of the healthcare system and of the pension system. Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities.</p> <ul style="list-style-type: none"> • Pursue its fiscal policy in line with the requirements of the preventive arm of the Stability and Growth Pact, which entails achieving its medium-term budgetary objective in 2018, taking into account the allowance linked to unusual events. 	<p>Austria has made limited progress in addressing CSR 1.</p> <p>This overall assessment of CSR 1 does not include an assessment of compliance with the Stability and Growth Pact.:</p> <ul style="list-style-type: none"> • The compliance assessment with the Stability and Growth Pact will be included in spring when final data for 2017 will be available.

⁽⁴⁰⁾ The following categories are used to assess progress in implementing the 2017 country-specific recommendations (CSRs):

No progress: The Member State has not credibly announced nor adopted any measures to address the CSR. This category covers a number of typical situations, to be interpreted on a case-by-case basis taking into account country-specific conditions. They include the following:

- no legal, administrative, or budgetary measures have been announced
- in the national reform programme,
- in any other official communication to the national Parliament/relevant parliamentary committees or the European Commission, publicly (e.g. in a press statement or on the government's website);
- no non-legislative acts have been presented by the governing or legislative body;
- the Member State has taken initial steps in addressing the CSR, such as commissioning a study or setting up a study group to analyse possible measures to be taken (unless the CSR explicitly asks for orientations or exploratory actions). However, it has not proposed any clearly-specified measure(s) to address the CSR.

Limited progress: The Member State has:

- announced certain measures but these address the CSR only to a limited extent; and/or
- presented legislative acts in the governing or legislative body but these have not been adopted yet and substantial further, non-legislative work is needed before the CSR is implemented;
- presented non-legislative acts, but has not followed these up with the implementation needed to address the CSR.

Some progress: The Member State has adopted measures

- that partly address the CSR; and/or
- that address the CSR, but a fair amount of work is still needed to address the CSR fully as only a few of the measures have been implemented. For instance, a measure or measures have been adopted by the national Parliament or by ministerial decision, but no implementing decisions are in place.

Substantial progress: The Member State has adopted measures that go a long way towards addressing the CSR and most of them have been implemented.

Full implementation: The Member State has implemented all measures needed to address the CSR appropriately.

<ul style="list-style-type: none"> • Ensure the sustainability of the healthcare system and of the pension system. • Rationalise and streamline competencies across the various layers of government and align their financing and spending responsibilities. 	<ul style="list-style-type: none"> • Some progress in improving the sustainability of the healthcare sector, including by improving public procurement practices. The reform of primary healthcare services is progressing. The reform is expected to help shifting services away from the hospital sector, thus containing expenditure in the medium term. • No progress on ensuring the financial sustainability of the pension system. No new measures taken so far. However, due to the proper implementation of previous measures aimed at encouraging later retirement, the effective retirement age is increasing. • Limited progress on reforming fiscal relations between the various layers of government. The Parliament ratified the increased autonomy for federal states to set the contribution rate for the housing subsidy. Although this is a step towards increased tax autonomy at the subnational level, the amount of additional revenues potentially raised by this subsidy is small compared to the spending powers of federal states. The pact for the 2017 Financial Equalisation Law contained several more ambitious initiatives that still need to be implemented.
<p>CSR 2: Improve labour market outcomes for women through, inter alia, the provision of full-time care services. Improve the educational achievements of disadvantaged young people, in particular those from a migrant background. Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth.</p>	<p>Austria has made some progress in addressing CSR 2:</p>

<ul style="list-style-type: none"> • Improve labour market outcomes for women • through, inter alia, the provision of full-time care services. 	<ul style="list-style-type: none"> • Some progress in improving labour market outcomes for women but there is still a high proportion of women in part-time work, and a high gender pay gap. • Limited progress in improving child care services. Despite increasing child care provision Austria is still below the Barcelona criteria for the age under 3 years old. In addition there are considerable regional differences in child care provision and the quality of the child care provision does not allow parents to work longer due to opening hours of child care facilities.
<ul style="list-style-type: none"> • Improve the educational achievements of disadvantaged young people, in particular those from a migrant background. • Foster investment in the services sector by reducing administrative and regulatory barriers, easing market entry and facilitating company growth. 	<p>Limited progress in improving the educational achievements of disadvantaged young people, in particular those from a migrant background</p> <ul style="list-style-type: none"> • Some progress. Austria adopted a revision of the Trade Licence Act (<i>Gewerbeordnung</i>) in July 2017. The revision removes access barriers for 19 trades (<i>Teilgewerbe</i>), abolishes the initial registration fee and increases the scope for performing side activities without an additional licence (15-30 % instead of around 10 % currently). However, the high number of regulated trades (<i>reglementierte Gewerbe</i>) remains largely unchanged (two trades were liberalised). The law still requires separate licence entries for each additional trade exercised beyond the <i>Nebenrechte</i> described in Section 3.4 above. Austria has also simplified the procedure for authorising installations on business premises (<i>Betriebsanlagen</i>). Low-risk installations will benefit from a simplified procedure, deadlines for granting authorisations will be shortened and publication requirements will be reduced. A one-stop shop has been introduced for federal-level permits but the plan to also integrate federal state-level permits was not adopted. For other restrictions on access to and exercise of regulated professions only relatively minor changes have been implemented. This included a reform of the law on economic

	trustees (<i>Wirtschaftstreuhandberufsgesetz</i>), where education requirements were simplified.
Europe 2020 (national targets and progress)	
Employment rate target: 77-78 %	The labour market performance is improving and Austria's employment rate has reached 75.3 % in Q3 of 2017, thus reaching the Europe 2020 target. Given the current trend in the Austrian employment rate, the country is on track to meet the national target of 77-78 % by 2020.
R&D target: 3.76 % of GDP	R&D intensity reached 3.09% of GDP in 2016. It is expected to reach 3.14% of GDP in 2017, according to estimates from Statistics Austria (April 2017). Austria is also among the EU countries with the strongest increase in R&D intensity since 2000. This resulted from increases in both business and public R&D expenditure (though progress has slowed in recent years especially for public expenditure). However, without additional efforts and faster progress, the ambitious 3.76 % target for 2020 will not be reached.
National greenhouse gas (GHG) emissions target: -16 % in 2020 compared with 2005 (in sectors not included in the EU emissions trading system)	According to the latest national projections submitted to the Commission, and taking into account existing measures, Austria is expected to reduce its emissions by 14% compared to 2005. Consequently, Austria will fall short of its target by 2 pps. Non-ETS emissions in 2016: a reduction of 12 % compared to 2005. Austria achieved its interim target of 10 % reduction for 2016.
2020 renewable energy target: 34 %	Austria is well on track, and close (2016 Eurostat-SHARES official data: 33.5 %) to attaining its renewable energy target for 2020.
Energy efficiency target:	Effective and continuous implementation of the Energy Efficiency Law (adopted in July

Austria's 2020 energy efficiency target is 31.5 Mtoe expressed in primary energy consumption (25.1 Mtoe expressed in final energy consumption)	<p>2014 to transpose the Energy Efficiency Directive) remains key for decreasing primary and final energy consumption in view of reaching the 2020 targets.</p> <p>Primary energy consumption in 2016: 31.84 Mtoe.</p> <p>Final energy consumption in 2016: 28.13 Mtoe.</p>
Early school/training leaving target: 9.5 %	ESL is at 6.9% both below the national target of 9.5% and the EU target. While the rate fell also for foreign-born students they are still twice as likely to leave school early.
Tertiary education target: 38 % of population aged 30-34	Tertiary education attainment has at 40.1% surpassed the EU average and the national target.
Risk of poverty or social exclusion target: -235 000	In the baseline year 2008, the number of people at risk of poverty and social exclusion was 1 699 000. The respective number for 2015 was 1 542 000, i.e. 157 000 less, requiring additional efforts to meet the target.

ANNEX B: MACROECONOMIC IMBALANCE PROCEDURE SCOREBOARD

Table B.1: The MIP Scoreboard for Austria (AMR 2018)

			Thresholds	2011	2012	2013	2014	2015	2016
External imbalances and competitiveness	Current account balance, % of GDP	3 year average	-4%/6%	2.4	2.0	1.7	2.0	2.1	2.2
	Net international investment position	% of GDP	-35%	-1.9	-3.2	1.3	3.4	2.5	5.6
	Real effective exchange rate - 42 trading partners, HICP deflator	3 year % change	±5% (EA) ±11% (Non-EA)	-1.8	-4.7	0.7	1.9	1.5	1.0
	Export market share - % of world exports	5 year % change	-6%	-12.3	-21.4	-18.1	-15.4	-9.0	-4.0
	Nominal unit labour cost index (2010=100)	3 year % change	9% (EA) 12% (Non-EA)	5.8	3.8	6.4	7.8	6.2	5.8
Internal imbalances	House price index (2015=100), deflated	1 year % change	6%	2.9	4.9	3.0	1.4	3.4	7.2
	Private sector credit flow, consolidated	% of GDP	14%	3.0	1.2	1.0	0.9	2.3	3.2
	Private sector debt, consolidated	% of GDP	133%	129.4	128.2	127.1	124.9	123.9	124.0
	General government gross debt	% of GDP	60%	82.2	81.7	81.0	83.8	84.3	83.6
	Unemployment rate	3 year average	10%	4.9	4.8	5.0	5.3	5.6	5.8
	Total financial sector liabilities, non-consolidated	1 year % change	16.5%	1.5	0.4	-3.2	-0.8	-0.1	-2.4
Employment indicators	Activity rate - % of total population aged 15-64	3 year change in pp	-0.2 pp	0.7	0.8	1.1	0.8	0.4	0.7
	Long-term unemployment rate - % of active population aged 15-74	3 year change in pp	0.5 pp	0.2	0.0	0.1	0.3	0.5	0.6
	Youth unemployment rate - % of active population aged 15-24	3 year change in pp	2 pp	0.4	-1.3	0.2	1.4	1.2	1.5

1) This table provides data as published under the Alert Mechanism Report 2018, which reports data as of 24 Oct 2017. Please note that figures reported in this table may therefore differ from more recent data elsewhere in this document. .

2) Figures highlighted are those falling outside the threshold established in the European Commission's Alert Mechanism Report.

Source: European Commission 2017, Statistical Annex to the Alert Mechanism Report 2018, SWD(2017) 661. .

ANNEX C: STANDARD TABLES

Table C.1: **Financial market indicators**

	2012	2013	2014	2015	2016	2017
Total assets of the banking sector (% of GDP) ⁽¹⁾	305.9	282.1	263.0	248.0	238.8	224.8
Share of assets of the five largest banks (% of total assets)	36.5	36.7	36.8	35.8	34.5	-
Foreign ownership of banking system (% of total assets) ⁽²⁾	27.2	27.6	30.4	31.9	23.9	23.2
Financial soundness indicators: ⁽²⁾						
- non-performing loans (% of total loans) ⁽³⁾	4.3	4.2	6.2	5.5	4.2	3.5
- capital adequacy ratio (%)	14.2	15.4	15.6	16.2	18.2	18.5
- return on equity (%) ⁽⁴⁾	4.1	-0.7	1.1	7.6	7.1	4.6
Bank loans to the private sector (year-on-year % change) ⁽¹⁾	0.8	-1.0	0.5	0.6	2.2	3.4
Lending for house purchase (year-on-year % change) ⁽¹⁾	2.6	2.2	3.0	4.3	4.4	4.2
Loan to deposit ratio ⁽¹⁾	107.4	103.4	100.5	99.6	95.9	96.6
Central Bank liquidity as % of liabilities	-	-	1.8	2.1	1.8	3.1
Private debt (% of GDP)	128.2	127.1	124.9	123.9	124.0	-
Gross external debt (% of GDP) ⁽²⁾ - public	60.9	66.4	74.1	69.1	66.5	60.4
- private	39.8	33.0	34.8	36.4	38.0	36.3
Long-term interest rate spread versus Bund (basis points)*	87.8	44.0	32.4	25.0	28.7	27.1
Credit default swap spreads for sovereign securities (5-year)*	78.9	19.8	20.1	16.4	18.0	11.6

(1) Latest data Q3 2017. Includes not only banks but all monetary financial institutions excluding central banks

(2) Latest data Q2 2017.

(3) As per ECB definition of gross non-performing debt instruments

(4) Quarterly values are not annualised

* Measured in basis points.

Source: European Commission (long-term interest rates); World Bank (gross external debt); Eurostat (private debt); ECB (all other indicators).

Table C.2: **Headline Social Scoreboard indicators**

	2012	2013	2014	2015	2016	2017 ⁵
Equal opportunities and access to the labour market						
Early leavers from education and training (% of population aged 18-24)	7.8	7.5	7.0	7.3	6.9	:
Gender employment gap (pps)	9.7	9.1	8.2	8.2	7.8	7.8
Income inequality, measured as quintile share ratio (S80/S20)	4.2	4.1	4.1	4.0	4.1	:
At-risk-of-poverty or social exclusion rate ¹ (AROPE)	18.5	18.8	19.2	18.3	18.0	:
Young people neither in employment nor in education and training (% of population aged 15-24)	6.8	7.3	7.7	7.5	7.7	:
Dynamic labour markets and fair working conditions[†]						
Employment rate (20-64 years)	74.4	74.6	74.2	74.3	74.8	75.3
Unemployment rate ² (15-74 years)	4.9	5.4	5.6	5.7	6.0	5.5
Gross disposable income of households in real terms per capita ³ (Index 2008=100)	:	:	95.9	95.4	96.6	:
Public support / Social protection and inclusion						
Impact of social transfers (excluding pensions) on poverty reduction ⁴	44.2	44.4	44.5	45.7	46.4	:
Children aged less than 3 years in formal childcare	14.0	17.0	16.0	22.3	20.6	:
Self-reported unmet need for medical care	0.3	0.4	0.1	0.1	0.2	:
Individuals who have basic or above basic overall digital skills (% of population aged 16-74)	:	:	:	64.0	65.0	67.0

† The Social Scoreboard includes 14 headline indicators, of which 12 are currently used to compare Member States performance. The indicators "participants in active labour market policies per 100 persons wanting to work" and "compensation of employees per hour worked (in EUR)" are not used due to technical concerns by Member States. Possible alternatives will be discussed in the relevant Committees.

(1) People at risk of poverty or social exclusion (AROPE): individuals who are at risk of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in households with zero or very low work intensity (LWI).

(2) Unemployed persons are all those who were not employed but had actively sought work and were ready to begin working immediately or within two weeks.

(3) Gross disposable household income is defined in unadjusted terms, according to the draft Joint Employment Report 2018.

(4) Reduction in percentage of the risk of poverty rate, due to social transfers (calculated comparing at-risk-of poverty rates before social transfers with those after transfers; pensions are not considered as social transfers in the calculation).

(5) Average of first three quarters of 2017 for the employment rate and gender employment gap..

Source: Eurostat.

Table C.3: Labour market and education indicators

Labour market indicators	2012	2013	2014	2015	2016	2017 ⁵
Activity rate (15-64)	75.1	75.5	75.4	75.5	76.2	:
Employment in current job by duration						
<i>From 0 to 11 months</i>	14.0	13.9	13.4	14.0	14.3	:
<i>From 12 to 23 months</i>	9.5	9.4	9.3	9.0	9.5	:
<i>From 24 to 59 months</i>	16.2	16.3	16.6	16.9	16.6	:
<i>60 months or over</i>	60.3	60.4	60.7	60.1	59.6	:
Employment growth*						
(% change from previous year)	1.0	0.3	1.0	0.6	1.2	1.7
Employment rate of women						
(% of female population aged 20-64)	69.6	70.0	70.1	70.2	70.9	71.4
Employment rate of men						
(% of male population aged 20-64)	79.3	79.1	78.3	78.4	78.7	79.2
Employment rate of older workers*						
(% of population aged 55-64)	41.6	43.8	45.1	46.3	49.2	50.8
Part-time employment*						
(% of total employment, aged 15-64)	25.2	26.0	26.9	27.3	27.8	27.9
Fixed-term employment*						
(% of employees with a fixed term contract, aged 15-64)	9.3	9.2	9.2	9.1	9.0	9.3
Transition rate from temporary to permanent employment (3-year average)	44.5	45.8	47.9	45.9	:	:
Long-term unemployment rate ¹ (% of labour force)	1.2	1.3	1.5	1.7	1.9	1.9
Youth unemployment rate						
(% active population aged 15-24)	9.4	9.7	10.3	10.6	11.2	9.7
Gender gap in part-time employment	36.6	36.1	36.7	37.0	36.6	36.6
Gender pay gap ² (in undadjusted form)	22.9	22.3	22.2	21.7	:	:
Education and training indicators	2012	2013	2014	2015	2016	2017
Adult participation in learning (% of people aged 25-64 participating in education and training)	14.2	14.1	14.3	14.4	14.9	:
Underachievement in education ³	18.7	:	:	21.8	:	:
Tertiary educational attainment (% of population aged 30-34 having successfully completed tertiary education)	26.1	27.1	40.0	38.7	40.1	:
Variation in performance explained by students' socio-economic status ⁴	15.8	:	:	15.9	:	:

* Non-scoreboard indicator

(1) Long-term unemployed are people who have been unemployed for at least 12 months.

(2) Difference between the average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees. It is defined as "unadjusted", as it does not correct for the distribution of individual characteristics (and thus gives an overall picture of gender inequalities in terms of pay). All employees working in firms with ten or more employees, without restrictions for age and hours worked, are included.

(3) PISA (OECD) results for low achievement in mathematics for 15 year-olds.

(4) Impact of socio-economic and cultural status on PISA (OECD) scores. Values for 2012 and 2015 refer respectively to mathematics and science.

(5) Average of first three quarters of 2017, unless for the youth unemployment rate (annual figure).

Source: Eurostat, OECD.

Table C.4: Social inclusion and health indicators

	2012	2013	2014	2015	2016	2017
Expenditure on social protection benefits* (% of GDP)						
<i>Sickness/healthcare</i>	7.3	7.3	7.3	7.4	:	:
<i>Disability</i>	2.1	2.1	2.0	1.9	:	:
<i>Old age and survivors</i>	14.2	14.5	14.7	14.6	:	:
<i>Family/children</i>	2.8	2.8	2.7	2.8	:	:
<i>Unemployment</i>	1.5	1.6	1.6	1.6	:	:
<i>Housing</i>	0.1	0.1	0.1	0.1	:	:
<i>Social exclusion n.e.c.</i>	0.4	0.4	0.5	0.5	:	:
Total	28.4	28.8	29.0	29.0	:	:
<i>of which: means-tested benefits</i>	2.3	2.4	2.5	2.6	:	:
General government expenditure by function (% of GDP, COFOG)						
<i>Social protection</i>	20.9	21.3	21.5	21.4	21.6	:
<i>Health</i>	7.7	7.8	7.8	7.9	8.0	:
<i>Education</i>	5.0	5.0	4.9	4.9	4.9	:
Out-of-pocket expenditure on healthcare (% of total health expenditure)	17.8	18.2	18.1	17.9	:	:
Children at risk of poverty or social exclusion (% of people aged 0-17)*	20.9	22.9	23.3	22.3	20.0	:
At-risk-of-poverty rate ¹ (% of total population)	14.4	14.4	14.1	13.9	14.1	:
In-work at-risk-of-poverty rate (% of persons employed)	8.1	7.9	7.2	7.9	8.3	:
Severe material deprivation rate ² (% of total population)	4.0	4.2	4.0	3.6	3.0	:
Severe housing deprivation rate ³ , by tenure status						
<i>Owner, with mortgage or loan</i>	1.0	1.4	1.2	0.7	0.6	:
<i>Tenant, rent at market price</i>	9.4	9.5	10.0	10.0	9.3	:
Proportion of people living in low work intensity households ⁴ (% of people aged 0-59)	7.7	7.8	9.1	8.2	8.1	:
Poverty thresholds, expressed in national currency at constant prices*	11730	11576	11920	11774	11898	:
Healthy life years (at the age of 65)						
<i>Females</i>	9.5	8.8	7.7	7.7	:	:
<i>Males</i>	8.9	8.9	8.4	7.9	:	:
Aggregate replacement ratio for pensions ⁵ (at the age of 65)	0.6	0.6	0.6	0.6	0.6	:
Connectivity dimension of the Digital Economy and Society Index (DESI) ⁶	:	:	50.8	57.9	61.4	63.5
GINI coefficient before taxes and transfers*	49.7	49.5	49.9	49.8	49.9	:
GINI coefficient after taxes and transfers*	27.6	27.0	27.6	27.2	27.2	:

* Non-scoreboard indicator

(1) At-risk-of-poverty rate (AROP): proportion of people with an equivalised disposable income below 60 % of the national equivalised median income.

(2) Proportion of people who experience at least four of the following forms of deprivation: not being able to afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour TV, or ix) have a telephone.

(3) Percentage of total population living in overcrowded dwellings and exhibiting housing deprivation.

(4) People living in households with very low work intensity: proportion of people aged 0-59 living in households where the adults (excluding dependent children) worked less than 20 % of their total work-time potential in the previous 12 months.

(5) Ratio of the median individual gross pensions of people aged 65-74 relative to the median individual gross earnings of people aged 50-59.

(6) Fixed broadband take up (33%), mobile broadband take up (22%), speed (33%) and affordability (11%), from the Digital Scoreboard .

Source: Eurostat, OECD.

Table C.5: Product market performance and policy indicators

Performance indicators	2010	2011	2012	2013	2014	2015	2016
Labour productivity (real, per person employed, year-on-year % change)							
Labour productivity in industry	5.38	3.90	1.37	1.68	1.56	0.41	0.91
Labour productivity in construction	-4.59	-1.96	-1.34	0.70	-2.03	-1.09	-1.12
Labour productivity in market services	0.74	1.45	-0.45	-0.26	0.97	3.25	-1.28
Unit labour costs (ULC) (whole economy, year-on-year % change)							
ULC in industry	-5.12	-0.24	3.43	1.30	1.06	1.54	2.28
ULC in construction	4.84	4.15	4.50	3.39	6.12	3.99	2.90
ULC in market services	0.80	1.11	4.06	4.07	1.79	0.95	2.70
Business environment	2010	2011	2012	2013	2014	2015	2016
Time needed to enforce contracts ⁽¹⁾ (days)	397.0	397.0	397.0	397.0	397.0	397.0	397.0
Time needed to start a business ⁽¹⁾ (days)	25.0	25.0	25.0	25.0	22.0	22.0	21.0
Outcome of applications by SMEs for bank loans ⁽²⁾	0.23	0.24	0.23	0.35	0.41	0.49	0.31
Research and innovation	2010	2011	2012	2013	2014	2015	2016
R&D intensity	2.73	2.67	2.91	2.95	3.07	3.05	3.09
General government expenditure on education as % of GDP	5.10	5.00	5.00	5.00	4.90	4.90	4.90
Persons with tertiary education and/or employed in science and technology as % of total employment	37	38	39	41	46	47	48
Population having completed tertiary education ⁽³⁾	16	16	17	18	27	28	29
Young people with upper secondary level education ⁽⁴⁾	86	85	86	87	90	89	90
Trade balance of high technology products as % of GDP	-0.10	-0.03	0.13	0.19	0.50	0.09	na
Product and service markets and competition					2003	2008	2013
OECD product market regulation (PMR) ⁽⁵⁾ , overall					1.61	1.37	1.19
OECD PMR ⁽⁵⁾ , retail					3.50	3.30	2.40
OECD PMR ⁽⁵⁾ , professional services					3.21	3.08	2.71
OECD PMR ⁽⁵⁾ , network industries ⁽⁶⁾					2.47	1.84	1.55

(1) The methodologies, including the assumptions, for this indicator are shown in detail at : <http://www.doingbusiness.org/methodology>.

(2) Average of the answer to question Q7B_a. '[Bank loan]: If you applied and tried to negotiate for this type of financing over the past six months, what was the outcome?'. Answers were scored as follows: zero if received everything, one if received most of it, two if only received a limited part of it, three if refused or rejected and treated as missing values if the application is still pending or if the outcome is not known.

(3) Percentage population aged 15-64 having completed tertiary education.

(4) Percentage population aged 20-24 having attained at least upper secondary education.

(5) Index: 0 = not regulated; 6 = most regulated. The methodologies of the OECD product market regulation indicators are shown in detail at: <http://www.oecd.org/competition/reform/indicatorsofproductmarketregulationhomepage.htm>

(6) Aggregate OECD indicators of regulation in energy, transport and communications.

Source: European Commission; World Bank — Doing Business (for enforcing contracts and time to start a business); OECD (for the product market regulation indicators); SAFE (for outcome of SMEs' applications for bank loans).

Table C.6: **Green growth**

Green growth performance		2011	2012	2013	2014	2015	2016
Macroeconomic							
Energy intensity	kgoe / €	0.11	0.11	0.11	0.11	0.11	0.11
Carbon intensity	kg / €	0.27	0.26	0.26	0.25	0.25	-
Resource intensity (reciprocal of resource productivity)	kg / €	0.63	0.62	0.60	0.60	0.58	0.59
Waste intensity	kg / €	-	0.16	-	0.18	-	-
Energy balance of trade	% GDP	-3.7	-3.9	-3.5	-3.0	-2.3	-
Weighting of energy in HICP	%	8.89	9.09	9.41	9.75	8.86	8.42
Difference between energy price change and inflation	%	2.2	1.1	-0.1	-1.8	-3.0	-2.8
Real unit of energy cost	% of value added	13.7	14.1	13.7	12.6	-	-
Ratio of environmental taxes to labour taxes	ratio	0.10	0.10	0.10	0.10	0.10	-
Environmental taxes	% GDP	2.4	2.4	2.4	2.4	2.4	2.4
Sectoral							
Industry energy intensity	kgoe / €	0.15	0.15	0.15	0.14	0.14	0.14
Real unit energy cost for manufacturing industry excl. refining	% of value added	14.1	13.7	13.1	12.7	-	-
Share of energy-intensive industries in the economy	% GDP	10.94	10.84	11.10	11.17	11.16	11.07
Electricity prices for medium-sized industrial users	€ / kWh	0.11	0.11	0.11	0.11	0.10	0.10
Gas prices for medium-sized industrial users	€ / kWh	0.04	0.04	0.04	0.04	0.04	0.03
Public R&D for energy	% GDP	0.01	0.01	0.02	0.02	0.03	0.02
Public R&D for environmental protection	% GDP	0.02	0.02	0.02	0.01	0.01	0.01
Municipal waste recycling rate	%	56.7	57.7	57.7	56.3	56.9	57.6
Share of GHG emissions covered by ETS*	%	39.3	37.8	37.3	36.8	37.4	36.6
Transport energy intensity	kgoe / €	0.57	0.57	0.59	0.58	0.59	0.60
Transport carbon intensity	kg / €	1.46	1.45	1.53	1.47	1.49	-
Security of energy supply							
Energy import dependency	%	70.3	64.4	61.3	65.8	60.5	62.4
Aggregated supplier concentration index	HHI	34.6	40.5	25.2	36.3	23.2	-
Diversification of energy mix	HHI	0.26	0.27	0.27	0.27	0.27	0.27

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2010 prices)

Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)

Carbon intensity: greenhouse gas emissions (in kg CO₂ equivalents) divided by GDP (in EUR)

Resource intensity: domestic material consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Weighting of energy in HICP: the proportion of 'energy' items in the consumption basket used for the construction of the HICP

Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual % change)

Real unit energy cost: real energy costs as % of total value added for the economy

Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in 2010 EUR)

Real unit energy costs for manufacturing industry excluding refining: real costs as % of value added for manufacturing sectors

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Electricity and gas prices for medium-sized industrial users: consumption band 500–20 000 MWh and 10 000–100 000 GJ; figures excl. VAT.

Recycling rate of municipal waste: ratio of recycled and composted municipal waste to total municipal waste

Public R&D for energy or for the environment: government spending on R&D for these categories as % of GDP

Proportion of GHG emissions covered by EU emissions trading system (ETS) (excluding aviation): based on GHG emissions (excl. land use, land use change and forestry) as reported by Member States to the European Environment Agency.

Transport energy intensity: final energy consumption of transport activity (kgoe) divided by transport industry gross value added (in 2010 EUR)

Transport carbon intensity: GHG emissions in transport activity divided by gross value added of the transport sector

Energy import dependency: net energy imports divided by gross inland energy consumption incl. consumption of international bunker fuels

Aggregated supplier concentration index: covers oil, gas and coal. Smaller values indicate larger diversification and hence lower risk.

Diversification of the energy mix: Herfindahl index covering natural gas, total petrol products, nuclear heat, renewable energies and solid fuels

* European Commission and European Environment Agency

Source: European Commission and European Environment Agency (Share of GHG emissions covered by ETS); European Commission (Environmental taxes over labour taxes and GDP); Eurostat (all other indicators).

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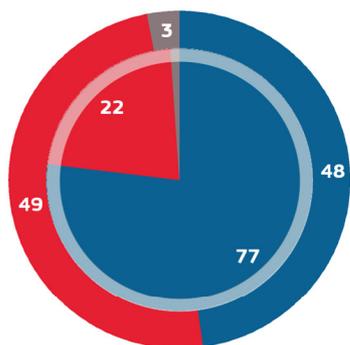
28.055 interviews
05 > 14 / 11 / 2017

1.016 interviews
05 > 12 / 11 / 2017

Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION

QA1a.2 How would you judge the current situation in each of the following?
The situation of the (NATIONALITY) economy (%)



EU28 Outer pie AT Inner pie

	EU28		AT	
	EB88 Aut.2017	EB87 Sp.2017	EB88 Aut.2017	EB87 Sp.2017
Total 'Good'	48	+ 2	77	+ 9
Total 'Bad'	49	- 2	22	- 8
Don't know	3	=	1	- 1

Evolution Autumn 2017 / Spring 2017

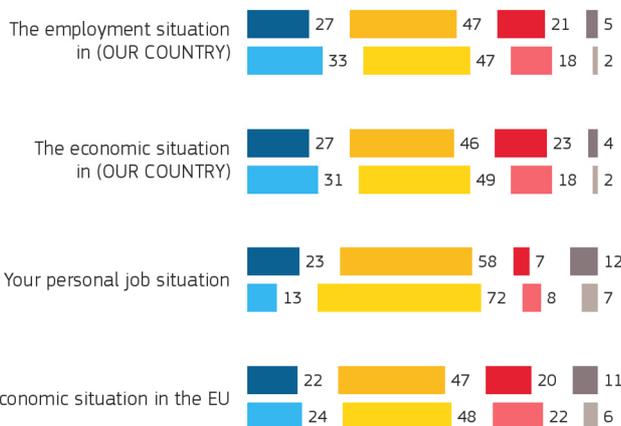
QA1a How would you judge the current situation in each of the following?
(%)



EU28
AT

Total 'Good' Total 'Bad' Don't know

QA2a What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
(%)



EU28
AT

Better Same Worse Don't know

Evolution Autumn 2017 / Spring 2017

QA2a.3 What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
The economic situation in (OUR COUNTRY) (%)

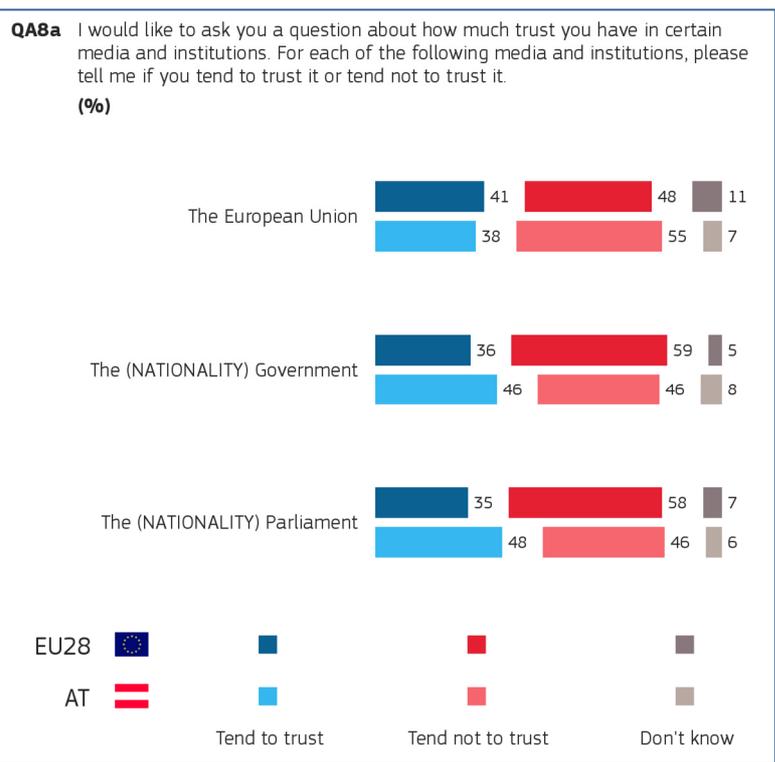
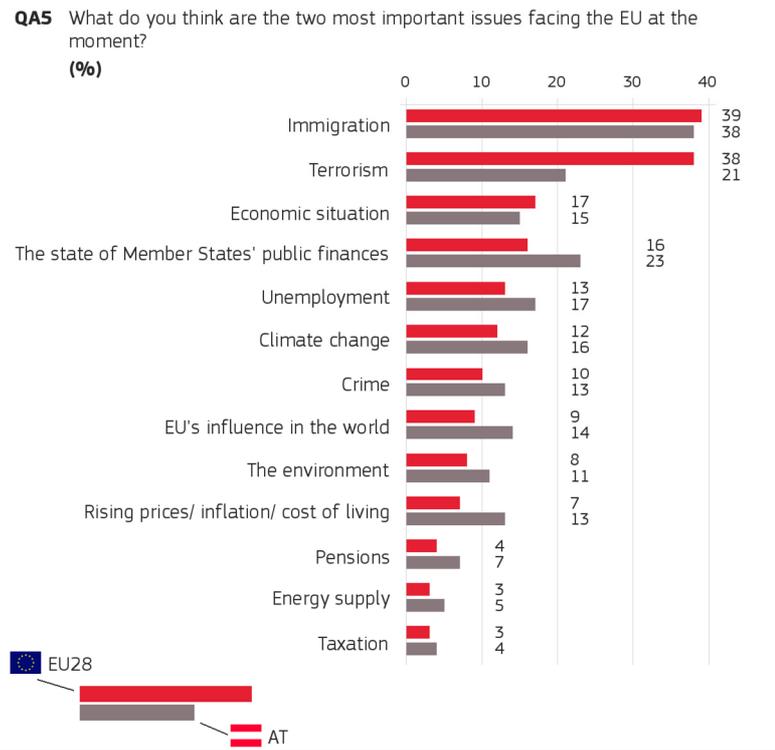
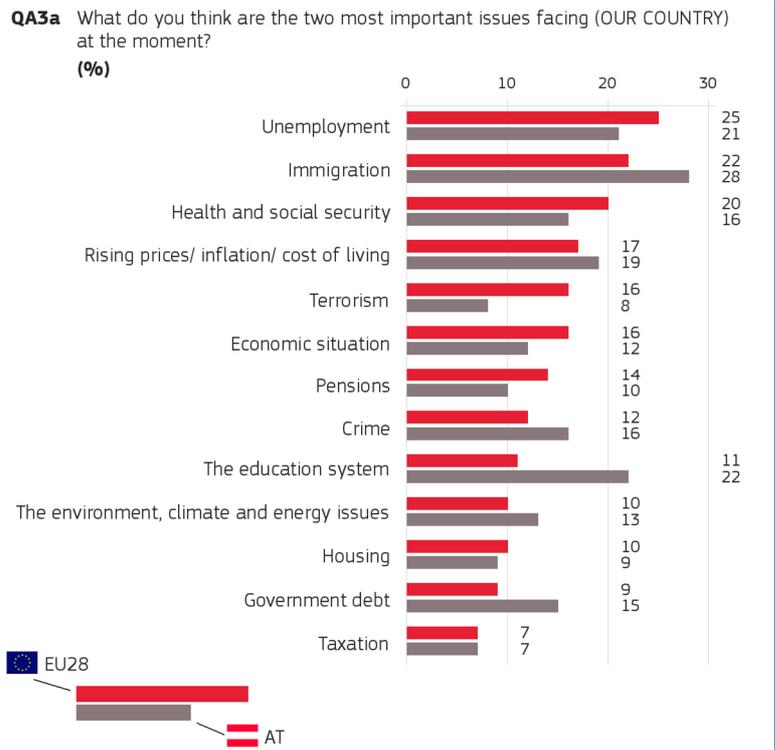
	EU28		AT	
	EB88	EB88-EB87	EB88	EB88-EB87
Better	27	+ 1	31	+ 1
Same	46	- 1	49	- 2
Worse	23	+ 2	18	+ 1
Don't know	4	- 2	2	=

28.055 interviews
05 > 14 / 11 / 2017

1.016 interviews
05 > 12 / 11 / 2017

Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION



Evolution Autumn 2017 / Spring 2017

QA8a.14 I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

The European Union (%)

	EU28		AT	
	EB88	EB88-EB87	EB88	EB88-EB87
Tend to trust	41	- 1	38	- 4
Tend not to trust	48	+ 1	55	+ 3
Don't know	11	=	7	+ 1

28.055 interviews
05 > 14 / 11 / 2017

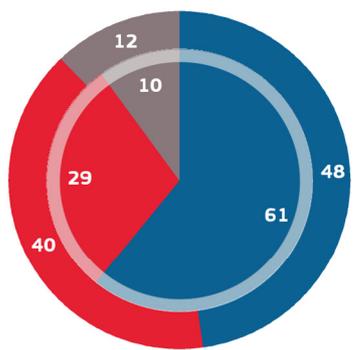
1.016 interviews
05 > 12 / 11 / 2017

Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION

QC1 Some analysts say that the impact of the economic crisis on the job market has already reached its peak and things will recover little by little. Others, on the contrary, say that the worst is still to come. Which of the two statements is closer to your opinion?

(%)



EU28 Outer pie AT Inner pie

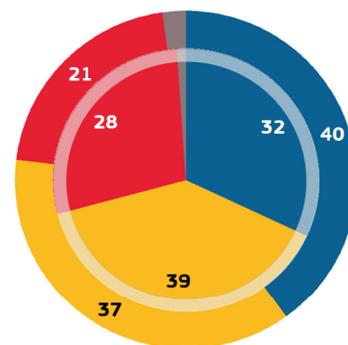
- The impact of the crisis on jobs has already reached its peak
- The worst is still to come
- Don't know

EU28		AT	
EB88 Aut.2017	EB87 Sp.2017	EB88 Aut.2017	EB87 Sp.2017
48	+ 1	61	+ 5
40	=	29	- 6
12	- 1	10	+ 1

Evolution Autumn 2017 / Spring 2017

QA9 In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?

(%)



EU28 Outer pie AT Inner pie

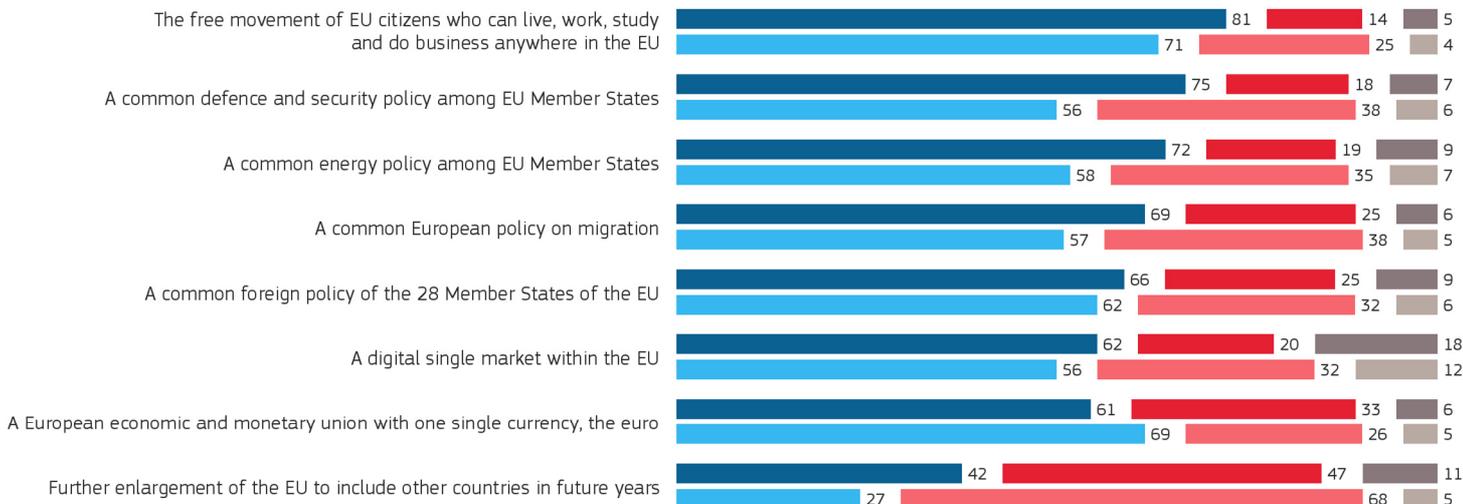
- Total 'Positive'
- Neutral
- Total 'Negative'
- Don't know

EU28		AT	
EB88 Aut.2017	EB87 Sp.2017	EB88 Aut.2017	EB87 Sp.2017
40	=	32	- 3
37	=	39	+ 5
21	=	28	- 2
2	=	1	=

Evolution Autumn 2017 / Spring 2017

QA16 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.

(%)



EU28

AT

For

Against

Don't know

28.055 interviews
05 > 14 / 11 / 2017

1.016 interviews
05 > 12 / 11 / 2017

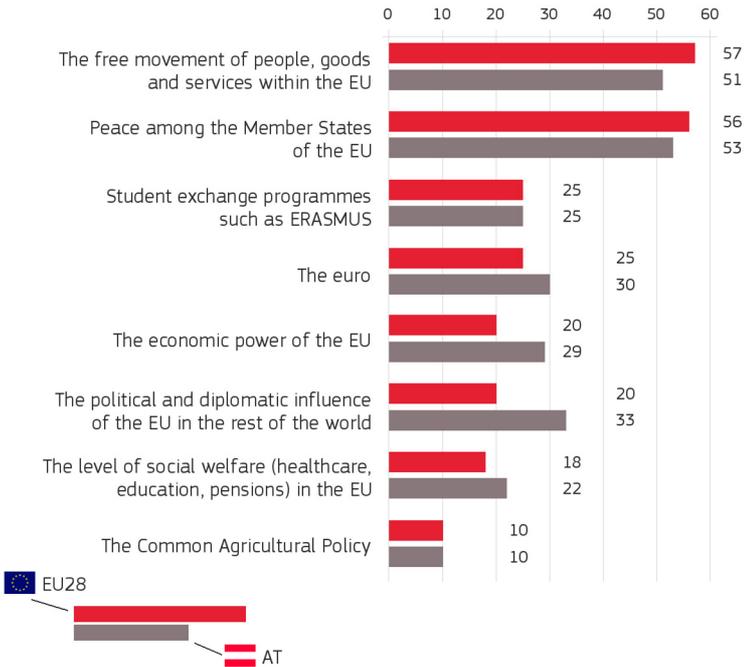
Methodology: face-to-face

2. EUROPEAN UNION CITIZENSHIP

QD2 For each of the following statements, please tell me to what extent it corresponds or not to your own opinion.
(%)

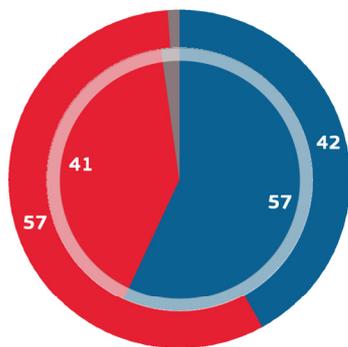


QD4T Which of the following do you think is the most positive result of the EU? Firstly? And then?
(%)



3. INFORMATION ON EUROPEAN POLITICAL MATTERS

QE2 And overall, to what extent do you think that you are well informed or not about European matters?
(%)

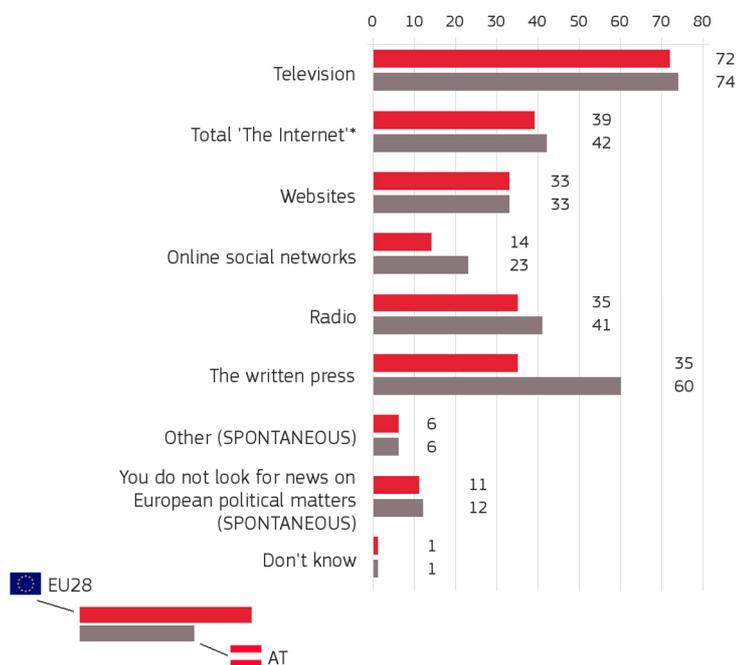


EU28 (Blue square) Outer pie AT (Red square) Inner pie

	EU28		AT	
	EB88 Aut.2017	EB86 Aut.2016	EB88 Aut.2017	EB86 Aut.2016
Total 'Well informed'	42	+ 4	57	+ 6
Total 'Not well informed'	57	- 3	41	- 7
Don't know	1	- 1	2	+ 1

Evolution Autumn 2017 / Autumn 2016

QE5T Where do you get most of your news on European political matters? Firstly? And then?
(%)



*Total 'The Internet': aggregate of 'websites' and 'online social networks'

VI. VISITING AUSTRIA

1. MAIN ATTRACTIONS

2. PRACTICAL INFORMATION

VI. Visiting Vienna

1. Main Attractions¹⁵

1. The Hofburg



For more than six centuries the seat of the Habsburgs - and the official residence of every Austrian ruler since 1275 - the Hofburg is perhaps the most historically significant of Vienna's palaces. The official seat of the Austrian President, this sprawling complex consists of numerous buildings reflecting various periods, including architectural flourishes from the Gothic, Renaissance, Baroque, and Rococo movements. The complex covers 59 acres with 18 groups of buildings, including 19 courtyards and 2,600 rooms. Its main attractions are the **Imperial Apartments**, the **Sisi Museum**, and the **Silver Collection**, while other notable sites within the complex include the **Imperial Chapel** (Burgkapelle) and the **Hofburg Treasury** with its large collection of Imperial regalia and relics of the Holy Roman Empire.

2. Schönbrunn Palace and Gardens

The spectacular 18th-century Schönbrunn Palace (Schloss Schönbrunn) is worth visiting not only for its magnificent architecture, but also for its beautiful park-like setting. One of Vienna's top tourist attractions, this Baroque palace contains more than 1,441 rooms and apartments, including those once used by Empress Maria Theresa. Tour highlights include a chance to see the Imperial Apartments, including Emperor Franz Joseph's Walnut Room and his Bedroom, which still has the small soldier's bed in which he died. Of Empress Maria Theresa's rooms, highlights include her richly furnished and decorated garden apartments, along with her Breakfast Room with its floral artwork created by her daughters. Schönbrunn Park and Gardens is another must-see here, designated a UNESCO World Heritage Site. The park, with its sweeping vistas and sumptuous Baroque gardens, is one of several free things to do in Vienna, although you will have to pay to enter the maze and some of the adjoining buildings, such as the 1883 Palm House.



3. St. Stephen's Cathedral



Vienna's most important Gothic edifice and the cathedral church of the archbishopric since 1722, St. Stephen's Cathedral (Stephansdom) sits in the historic center of Vienna. The original 12th-century Romanesque church was replaced by a Late Romanesque one in the 13th century, the remains of which are the massive gate and the Heathen Towers (Heidentürme). Next came reconstruction in the Gothic style in the 14th century, along with the addition of the choir and the chapels of St. Eligius, St. Tirna, and St. Catherine, while the famous 137-meter high South Tower (Steffl) belongs to the 15th-century. Improvements and further construction followed from the 17th to 19th centuries,

¹⁵ <https://www.planetware.com/tourist-attractions-/vienna-a-w-vie.htm>

and the whole structure was rebuilt after World War II. Highlights include climbing the 343 steps to the Steffl's Watch Room for the spectacular views, and the North Tower, home to the massive Pummerin Bell (a fast lift takes visitors to a viewing platform). Other features of note are the 14th-century catacombs and the Cathedral Treasure, containing many of the cathedral's most important artifacts.

4. The Belvedere Palace

Among Vienna's most popular attractions, Belvedere Palace is really two splendid Baroque buildings: the Lower (Unteres) Belvedere and the Upper (Oberes) Belvedere. Highlights of the Upper Palace include the Ground Floor Hall, with its statues, and the Ceremonial Staircase, with its rich stucco relief and frescoes. Also worth seeing is the Marble Hall, a stunning two-story hall with numerous period sculptures, paintings, and ceiling frescoes. The Lower Palace also boasts a Marble Hall, this one noted for its oval plaster medallions and rich ceiling fresco, as well as a Marble Gallery built to house a collection of historic statues. Other notable buildings include the Winter Palace, a Baroque building that once housed the Court Treasury, the Orangery, the Palace Stables (home to the Medieval Treasury), and the Belvedere Gardens and Fountains linking the two palaces. The Österreichische Galerie Belvedere is an art museum in the Belvedere Palace, known for its extensive collections, including a rich array of sculptures and panel paintings from the 12th to the 16th centuries. But it is perhaps best known for Austrian Symbolist artist **Gustav Klimt's The Kiss**, a masterpiece of early modern art.



5. The Vienna State Opera House



One of the world's largest and most splendid theaters, the Vienna State Opera House (Wiener Staatsoper) has hosted many of the world's most prominent composers, conductors, soloists, and dancers. Operatic and ballet performances are staged at least 300 times a year, fuelled by an obsession with music that goes as far back as 1625 when the first Viennese Court Opera was performed. The current massive Opera House was built in 1869 and is notable for its French Early Renaissance style, while interior highlights include a grand staircase leading to the first floor, the Schwind Foyer (named after its paintings of famous opera scenes), and the exquisite Tea Room with its valuable tapestries. Capable of accommodating an audience of 2,211 along with 110 musicians, the Opera House is also home to the Vienna Philharmonic Orchestra.

6. Kunsthistorisches Museum and Maria-Theresien-Platz

Vienna's Kunsthistorisches Museum is housed in a magnificent building created expressly to show off the tremendous art collections of the Hapsburg royal family. The superb collection of Dutch art features the world's largest collection of works by Pieter Bruegel the Elder, including his masterpiece *Tower of Babel*. There are paintings by Raphael, Titian, Bellini, Caravaggio, and Vermeer, plus portraits by Velazquez. The museum's specialties are late Italian Renaissance, Baroque, and Flemish painting, but the collections go far beyond those with classical Greek and Roman art and Egyptian collections. The museum overlooks Maria-Theresien-Platz, the focal point of which is the grand monument to Empress Maria Theresa. The statue was commissioned by Franz Joseph I and was unveiled in 1887. This massive monument depicts the Empress on her throne while surrounded by major personages of her day, including a number of generals on horseback. The high reliefs depict illustrious figures from the fields of politics, economics, and the arts, including Haydn, Gluck, and Mozart.



7. Vienna City Hall



Vienna's City Hall (Rathaus) is an impressive Neo-Gothic building that serves as the city's administrative center. Remarkable for its size - it occupies nearly 14,000 square meters of the former Parade Ground - this attractive building was completed in 1883 and is notable for the famous Rathausmann on top of its 98-meter high tower, a banner-carrying iron figure presented to the city as a gift from its master locksmith. The arcaded courtyard in the center of the building is the largest of seven courtyards and is used for

popular summer concerts. Highlights of a tour of the building include the Schmidt Halle, the large entrance into which carriages would once drive to deposit their passengers, and the two Grand Staircases leading to the Assembly Hall. Other sights included in the tour are the Heraldic Rooms, the City Senate Chamber (notable for its coffered ceiling decorated with gold-leaf and its huge Art Nouveau candelabra), and the Mayor's reception room.

8. Karlskirche

Dedicated to St. Charles Borromeo, a saint invoked during times of plague, Karlskirche was built in 1737 and remains Vienna's most important Baroque religious building. This vast building is crowned by a magnificent 72-meter dome and is famous for its twin 33-meter Triumphal Pillars, based on Trajan's Column in Rome, with their spiraling bands depicting scenes from the life of St. Charles. Interior highlights include the fabulous frescoes of St. Cecilia. Also worth visiting is the **Gardikirche**, built in 1763 in the city's southern outer district as the church of the Imperial Hospital and later serving Polish congregations (of particular interest is the painting above the High Altar).



9. Hundertwasserhaus



Famous as Vienna's "nature and human-friendly" house, the decidedly odd (yet fascinating) Hundertwasserhaus is well worth a visit. Designed by painter Friedensreich Hundertwasser, this brightly colored landmark on the corner of Löwengasse and Kegelstrasse was completed in 1985 and its main occupants - perhaps unsurprisingly - are artists, intellectuals, and creative types (much like the architect himself). Although the brightly colored building can only be enjoyed from the outside, you can explore the nearby

Kunsthaus Wien, a complex of apartments containing a terrace café where you can rest while soaking up the ambience.

10. Austrian National Library

What is now the Austrian National Library was once the historic book collection of the Habsburg monarchy, and it shows. The grand space is filled with columns, busts, and fine woodwork detail, rivaled by few other libraries in the world. The collection today contains more than two million books. In addition to the collection of books, the library also incorporates a couple of other collections that are wonders in their own right.



2. Current events and exhibitions

Kunsthistorisches Museum Vienna

Exhibition Pieter Bruegel: Once in a Lifetime

Admission: 20€

The ticket holder is entitled to admission to the entire museum, including the special exhibition Bruegel.

Audio guide 5€

Guided tour 24€

Opening hours:

daily 10 a.m. – 6 p.m. and Thu, until 9 p.m.

The *Bruegel* exhibition runs from October 2, 2018 until January 13, 2019. The artworks on show in this special exhibition are so precious and fragile that we have to limit the number of visitors in the galleries at any one time.

Timeslots allow you to plan your visit in advance; these timeslots apply only to the special exhibition, not to your visit to the permanent galleries. Reserve your timeslot in advance and receive your ticket digitally.

the museum offers daily guided tours in German. Get an in-depth introduction to this once-in-a-lifetime show every day at 11 am, 12 noon, 1 pm, 2 pm, 3 pm and 4 pm, Thursdays also at 7 pm. Guided tours in English are held on Thursdays at 5 p.m. and Saturdays at 2 pm. Audio guides are available in ten languages at any time.

Albertina Museum

Exhibition Claude Monet

Admission 14€ (Seniors 65+ 11€)

It is possible to buy tickets online or at the museum ticket counter. The ticket holder is entitled to admission to the entire museum, including all special exhibitions and the Habsburg Staterooms.

Audio guide 4€

Guided tours 4€

Opening Hours

Daily | 10 am to 6 pm

Wednesdays & Fridays | 10 am to 9 pm

The Albertina is devoting a large monographic exhibition to Claude Monet's treatment of color, which has seen little examination to date, as well as to the painter's passionate fascination with the world of plants and water in the garden of his country home in Giverny. Three paintings from the museum's own holdings as well as important loan works from international museums and private collections illuminate Monet's development from realism to impressionism and onward to a mode of painting in which colors and light gradually separate from the subjects that reflect them, with the motif breaking free from mere observation of nature. Eventually, albeit only after Monet's death, these late works would pave the way for abstract expressionism in painting.

2. Practical information

1. Hotel

Fleming's Selection Hotel Wien-City



*Josefstaedter Str. 10-12
Vienna, 1080
Tel: +43 1 205990
www.flemings-hotels.com*

2. How to reach the hotel from the airport

Taxi:

It is advisable to book a taxi on the internet, there are several companies that can be googled under Vienna Airport Taxis. The driver would pick you up in the arrival hall carrying a sign with your name. That would cost between 30 and 35 Euros, depending on the number of travellers.

Here are some recommended companies:

Airport Driver	+43-1-22822
Airport Services	+43-1-7007-33151
ATS Airport Transfer Service	+43-1-7007-35905
Flughafentaxi ttc	+43-1-7007-33141
40100	+43-1-40100

As the airport is another province of Austria (Niederösterreich), it is not advisable to flag down a taxi outside the airport since you would have to pay the return of the taxi to the airport, which amounts to about 50 Euros or more.

Public Transport:

From the airport:

The best way to get to "Fleming's Hotel" is to take ÖBB (Austrian Federal Railways) to Praterstern, go down to Underground 2, direction Karlsplatz, get out after 4 stops at Rathaus and take the exit near the head of the train.

Josefstädterstrasse is ahead of you, turn to the right and walk up one block to the hotel.

Vienna Airport train station is next to the building of Terminal 1 of the airport.
The S-Bahn trains operate from 5am to midnight.

Single ride ticket price is 4.20 €. Tickets can be purchased from the cashier desks in the train station or from ticket machines.

There are more options to reach the city like the CAT (City Airport Train, single ride 12€), VAL buses (Vienna Airport Line, single ride 8€) and Railjet trains (single ride 4.20€). However, the option described above includes the shortest walking distance and a ticket for CAT or airport bus cannot be used for transport in Vienna.

From the Main Station - Wien Hauptbahnhof:

Take tram line D (Direction Heiligenstadt) until Parliament and change to tram line 2 (Direction Dornbach) get out after 1 stop and walk up one block to the hotel.

3. Bus, tram and trolleys in Vienna

There are several ticket options to explore the city. Depending on the amount of trips you do a 24h (8€) /48h (14.10€) /72h (17.10€) ticket might be useful. With that ticket you have an unlimited amount of trips. A single trip within Vienna costs 2.40€.

There is a reduction for senior citizens that can be used by everyone (men 65, women 60). Ms. Fonck will have the tram tickets needed for the visits that are not within walking distance.

Public Transit Schedule in Vienna

Most public transport becomes scarce after 11 pm and stops between midnight and 5 am. There are 24 night lines in Vienna that operate between 0.30 and 5am.

Buses and trams are less frequent over the weekend and on national holidays.

Ticket Prices

- **Ticket:** 2.40€
- **24h ticket:** 8€

4. Dress Code

Sunday evening:

No formal evening clothes are required for (or worn by the Viennese at) the opera or concert hall, a dark suit for the gentlemen and a dress or dark trouser suit for the ladies would be appropriate.

Monday evening:

The reception is at a "Heurigen", a traditional and typical Viennese wine restaurant, no formal clothes are required.

5. Telephone

Austria international country code: +43

6. List of useful contacts

Ms Elisabetta FONCK

Mobile phone: 32/ (0) 47 3646746

FMA Secretariat:

Tel: 32/2 28 40703

E-mail: formermembers@europarl.europa.eu

7. Embassies and consulates in Austria

- **British Embassy in Austria**
Jauresgasse 12
1030 Wien
Austria
+43 1 716130
- **Bulgarian Embassy in Austria**
Schwindgasse 8
1040 Wien
Austria
+43 1 5053113
- **Danish Embassy in Austria**
Führichgasse 6
1010 Wien
Austria
+43 1 5127904
- **Dutch Embassy in Austria**
Opernring 5
1010 Wien
Austria
+43 1 589390
- **Finnish Embassy in Austria**
Gonzagagasse 16
1010 Wien
Austria
+43 1 53 503 65
- **French Embassy in Austria**

Technikerstraße 2
1040 Wien
Austria
+43 1 502750

- **German Embassy in Austria**
Gauermannngasse 2-4
1010 Wien
Austria
+43 1 711540
- **Italian Embassy in Austria**
Rennweg 27
1030 Wien
Austria
+43 1 71251210
- **Lithuanian Embassy in Austria**
Löwengasse 47
1030 Wien
Austria
+43 1 7185467
- **Polish Embassy in Austria**
Hietzinger Hauptstrasse 42c
1130 Wien
Austria
+43 1 8701 5100
- **Slovenian Embassy in Austria**
Kolingasse 12
1090 Wien
Austria
+43 1 3191160

8. Climate in Austria

The average daily **temperature** in October and November ranges between max 8 to 14 degrees Celsius and a min. **temperature** average from 4 to 7 degrees. There are two to four hours of sunshine on an average day in Vienna and throughout the month, one can expect 6 days with rain or snowfall.

Please make sure to check the weather forecast, as evenings at this time of the year may be rather cold in Vienna.

9. Electric power supply

In Austria the power sockets are of type F. The standard voltage is 230 V and the standard frequency is 50 Hz.

10. Languages

The majority of the population speaks German, which is also the country's official language. It is the language used in media, in schools, and formal announcements. The variety of German used, Austrian German is partially influenced by Austro-Bavarian and uses many “Germanized” words and expressions deriving from it.

Austro-Bavarian

The main native language of Austria outside Vorarlberg is Austro-Bavarian, which is spoken using many different dialects. The northern parts of Austria (including Vienna) speak Central Austro-Bavarian dialects and the southern parts Southern Austro-Bavarian dialects. Austro-Bavarian differs heavily from high German, making it hard for German speakers of different regions to understand the native population.

Alemannic

Alemannic is spoken in Vorarlberg. Vorarlberg uses a High Alemannic, the same dialect group as that spoken in Northern Switzerland (outside Basel) and parts of southern Alsace, France. To most Germans and Austrians outside of Vorarlberg it is very difficult to understand, as it is more similar to Swiss German, with many grammatical and pronunciation differences.

Minority languages

A number of minority languages are spoken in Austria, some of which have official status.

- Serbian: is the largest minority language, with usage by 2.4% of Austrians.
- Turkish: is the second minority language, spoken by some 2.3% of the population.
- Burgenland Croatian: Burgenland Croatian, an official language in Burgenland, is spoken by 2.5% of Austrians, and Burgenland Croats are recognized as a minority and have enjoyed special rights following the Austrian State Treaty (Staatsvertrag) of 1955.
- Hungarian: While little spoken today, Hungarian has traditionally held an important position in Austria (or, more correctly, Austria-Hungary). Today, Hungarian is spoken by around 20,000 people (.05% of the Austrian population) in Burgenland.
- Slovene: an official language in Carinthia, is spoken by 0.3% of Austrians. Carinthian Slovenes are recognized as a minority and have enjoyed special rights following the Austrian State Treaty (Staatsvertrag) of 1955.

11. Money

The currency of Austria is the Euro.

12. Emergency Numbers

The general emergency number in Austria is 112.

13. Smoking in Vienna

Smoking is generally not allowed in the usual places, namely schools, workplaces, airports, museums, hospitals, shopping malls, stores, inside public buildings, theatres, cinemas, petrol stations, etc. with some rare exceptions (like dedicated smoking rooms in an office complex).

Smoking is not permitted inside trains, trams, buses and other forms of public transport. It is banned in all subway stations in Vienna.

A similar ban is in place for train stations, though there may (or may not) be designated smoking areas on the actual platforms: the main station (Wien Hauptbahnhof) has, for example, banned smoking completely.

In general, smoking in bars and restaurants is not completely banned and owners must provide a separate smoking and non-smoking area. However, there are exceptions and some places are non-smoking ones whereas other allow smoking everywhere. But they are obliged to put signs outside to indicate their status, so look out for the signs.

14. Tips

Cafe Server: Round up to the nearest euro for great service. If your bill is more than 10 euros, give 10 percent.

Restaurant Server: The tip (anywhere from 10 to 12.5 percent) is occasionally included in the final bill, but not usually. Check the bill first for these inclusions before tipping. Simply say "Danke" (thank you) when paying the bill and servers will know to keep the change. Don't leave money on the table. Servers sometimes don't receive tips included on a credit card, so always try to tip in cash whenever possible.

Bartender: There is no hard and fast rule, but feel free to round to the nearest euro for good service.

Tour Guides: The tip amount depends on the length and price of the tour and the quality of the tour guide. A safe amount for group tours is 5 to 10 euros, or more for high-quality private tours.

Taxis: Round up to the nearest euro or up to 10 percent of the final fare for good service.