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Institute for Economic Research

**KEY COMMON AND
COMPLEMENTARY COMPETENCIES
OF THE CROSS-BORDER REGION
SLOVENIA-AUSTRIA**

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Abstract

This working paper presents the results of the analysis of capacities of the cross-border region Slovenia-Austria and the subsequent identification of its key common and complementary competencies. The paper was triggered by the fact that past cross-border co-operation projects lacked strategic focus on long-term key development priorities (i.e. key common and complementary competencies) of the co-operation area. We start our analysis by presenting the socio-economic development in the regions concerned and complement the analysis with the description of global challenges, Europe 2020 targets as well as key impacting policies and key (recent) trends at national and regional level. Based on the information gathered, the SWOT analysis for the Regiolab area is constructed. Finally, key common and complementary competencies and common weaknesses, opportunities and threats are derived from the SWOT. Joint cross-border development and implementation activities based on the identified complementary (non-conflict) interests and key competencies could significantly contribute to strengthening the economic, social, cultural, spatial, environmental, etc. potentials of the whole area, increasing its competitive edge.

JEL Classification: R580, R110, R120

Key words: cross-border co-operation, EU cohesion policy, regional development promotion, policy setting, regional growth, regional convergence, key common and complementary competences

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1. INTRODUCTION

Many cross-border projects in the past, mainly co-funded by EU, brought good results and aimed at the establishment of numerous links between partners from both sides of the border. However, long-term key priorities based on the needs and competencies of individual thematic fields and areas aiming at planned, faster, harmonised and sustainable development of the whole area have not been yet identified, politically adopted and/or sufficiently well worked out to attain long-term benefits for the whole area. Despite the increased amount of funds available and more strategy-oriented approach towards cross-border co-operation applied in the period 2007-2013, additional work on the strategic planning of future cross-border activities, especially after 2013, is needed. Joint cross-border development and implementation activities based on complementary (non-conflict) interests and key competencies could significantly contribute to strengthened economic, social, cultural, spatial and environmental, etc. potentials of the whole area.

Consequently, one of the main goals of the cross-border co-operation project "REGIOLAB" – REGIONal development LABORatory, approved in the frame of the OP SI-AT 2007-2013, was to apply strategic planning of future cross-border activities on the territory Slovenia-Austria. The area covered by the project (Styria, Carinthia and Burgenland on the Austrian side and Gorenjska, Koroška, Osrednjeslovenska, Savinjska, Podravska and Pomurska statistical region on the Slovenian side) has a lot of development potentials, institutions, knowledge and ideas. Nevertheless, these are used independently and without (steady) cross-border connections what restrains the reaching of the »critical mass« in selected topics for the successful competition with big regions of the globalized world on one hand and leads on the other hand to the duplicity of performance and the development of potential conflict situations.

To this end, one of the main aims of the Regiolab project was to prepare the analytical basis for a joint regional development planning focusing on the area's competitiveness. First, adequate methodologies needed to be developed and applied. While these methodologies are discussed in detail elsewhere (Kavaš et al., 2015), this working paper presents the results of the analysis of capacities of the regions involved and the subsequent identification of key common and complementary competencies.

To identify the key common and complementary competencies of the Regiolab regions, we start with the socio-economic analysis of these regions which assesses the capacities of the regions involved. Further, the socio-economic analysis is complemented by the description of key impacting policies as well as key (recent) trends, current and future drivers of change at the regional as well as at the national level. The global challenges and Europe 2020 are also taken into consideration. Moreover, past and on-going CBC projects at the territory Slovenia-Austria are analysed. All the analyses at the regional level (the socio-economic analysis, key impacting policies and trends as well as the analysis of past and on-going CBC projects) were prepared in co-operation with project partners¹ involved in the Regiolab project. Based on all the information gathered, SWOT analysis is derived, pointing out the key Strengths, Weaknesses, Opportunities and Threats faced by the Regiolab regions. The SWOT analysis represents

¹ ICS Internationalisierungszentrum Steiermark GmbH, Steirische Volkswirtschaftliche Gesellschaft – STVG, JOANNEUM RESEARCH Forschungsgesellschaft mbH, TOB – Technologieoffensive Burgenland GmbH, Entwicklungsagentur Kärnten GmbH, Verein Lavanttaler Wirtschaft, Verein INDUSTRIE / GEWERBE OBERKÄRNTEN (IGO), Regionalna Razvojna Agencija Mura d.o.o, Gospodarska Zbornica Slovenije/ Območna Zbornica Koroška, Razvojna Agencija Kozjansko, Razvojna agencija zgornje Gorenjske – RAGOR, Ekonomski Institut Maribor.

the basis for defining the key common and complementary competencies of the cross-border co-operation area.

2. THEORETICAL BACKGROUND

2.1. Value added of cross-border co-operation

Cross-border regions typically suffer from handicaps that make the challenge of economic development greater than in a single country urban region. These handicaps stem from fragmentation – of markets, of the labour force, of investment, of infrastructure, of fiscal resources and institutions. The border, even if completely or relatively open, usually constitutes a significant rupture of the natural or optimal delimitation of the city economic space. Key factors in determining productivity/output, such as diffusion of technology, co-operation among enterprises, social capital development, and allocation of labour and infrastructure, are likely to be sub-optimal in cross-border regions because the economic space is divided.

However, stakeholders (educational institutions, supporting institutions, companies, regional development organisations, regional, local and national administrative authorities, different associations and other stakeholders) also consider that cross-border regions hold "the biggest untapped territorial potential".² Integration of cross-border regions would remove the fragmentations that constrict the economic space and create distortions and imperfections in the functioning of the regional economy.³ Therefore, cross-border co-operation represents important political, institutional, socio-cultural and socio-economic added value, especially at the level of the European Union. The socio-economic added value becomes apparent in the respective regions, albeit in different ways, through:

- The mobilisation of endogenous potential by strengthening the regional and local levels as partners for and initiators of cross-border co-operation;
- The participation of actors from the economic and social sectors (for example, chambers of commerce, associations, companies, trade unions, cultural and social institutions, environmental organisations and tourism agencies);
- The opening up of the labour market and harmonisation of professional qualifications;
- Additional development, e.g. in the fields of infrastructure, transport, tourism, the environment, education, research and co-operation between small and medium-sized enterprises, as well as the creation of more jobs in these areas;
- Long-term improvements in the planning of spatial development and regional policy (including the environment);
- The improvement of cross-border transport infrastructure.

European Union has played a decisive role in supporting (financing) cross-border co-operation. The European territorial co-operation objective⁴ provides assistance in border regions mainly for the

² Stakeholders were involved in various events: meetings of the functional platform, the development conference and the final conference of the project REGIOLAB. Also, they participated at some of the workshops organised in the framework of the project.

³ OECD Territorial Reviews: Vienna-Bratislava: Austria/Slovak Republic, 2003.

⁴ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999.

development of cross-border economic, social and environmental activities through joint strategies for sustainable territorial development, primarily focused on:

- Encouraging entrepreneurship and, in particular, the development of SMEs, tourism, culture and cross-border trade.
- Encouraging and improving joint protection and management of the environment, as well as the prevention of natural and technological risks.
- Supporting links between urban and rural areas.
- Reducing isolation through improved access to transport, information and communication networks and services, as well as cross-border water and energy systems and facilities.
- Developing collaboration, capacities and joint use of infrastructures, in particular in sectors such as health, culture, tourism and education.
- Contributing to the promotion of legal and administrative co-operation, integration of cross-border labour markets, local employment initiatives, gender mainstreaming and equal opportunities, training, social inclusion, sharing of human resources as well as facilities for research and development.

2.2. Experience with cross-border co-operation Slovenia-Austria

Slovenia and Austria have a century-old tradition of co-operation. The cross-border co-operation between Austria and Slovenia, co-financed by the EU, started in 1995. Since then co-operation between both countries has been ranging from successful small projects (co-operation of hospitals, co-operation of schools and others) to more complex projects financed in the period 2007-2013. Projects have covered a wide range of domains, such as industry, tourism, agriculture and rural development, as well as culture, human resources, the environment, traffic and many others.

Experiences with the implementation of the cross-border programmes Slovenia-Austria in the period until 2007 were positive. The evaluation of the implementation process has revealed a high rate of committed funds and a high number of projects already carried out or going to be implemented. Many project owners were participating in the programme implementation on both sides; additionally, relevant structures for project creation and project support have also been established. However, deficiencies in the coherence of the projects were identified. In Austria, due to the federal system, most of the projects were focused on the Länder level, only five projects covered the entire border region. Such approach differs significantly from the Slovenian one, where approximately half of the projects intend to have impacts on the entire border region. Therefore, it can be assumed that the potential for co-operation on both sides regarding project content and involvement of relevant partners has not yet been sufficiently exploited.⁵

Moreover, in the period up to 2007, long-term key priorities based on the needs and competencies of individual thematic fields and areas aiming at planned, faster, harmonised and sustainable development of the whole cross-border co-operation area were not identified, politically adopted and/or sufficiently well worked out to attain long-term benefits for the whole area. There were various reasons for this:

⁵ Operational Programme: Cross-border Cooperation Slovenia – Austria 2007–2013.

- Inadequate definition of common (joint) development issues/needs/interests/capacities, lack of joint long-term development goals & strategies and concrete action plans in general and in specific thematic fields.
- Rather poor general awareness of the need for joint planning and coordination of development activities among decision-makers, professional and general public.
- Non-recognised potentially complementary development competencies.
- Lack of committed and properly structured long-lasting cross-border development partnerships.
- Rather modest transfer of knowledge in all forms; and
- Ad-hoc development and implementation of joint cross-border projects that are poorly integrated into a broader development context with a long-term perspective. Therefore, long-term priorities of vital interests may not be addressed; project results may not contribute to a broader long-term development context and usually do not enable sustainability of the project activities co-financed.

On 21 December 2007, the European Commission approved a Cross-border Operational Programme between Slovenia and Austria for the period 2007-13. The Operational Programme had a total budget of around EUR 79 million. Community funding through the European Regional Development Fund (ERDF) amounted to some EUR 67 million, which represented approximately 0.8% of the total EU investment earmarked for the European Territorial Co-operation Objective under the Cohesion Policy 2007-13.⁶ In total, 77 projects were contracted which practically absorbed all available EU funds, involving more than 400 project partners contributing to tourism, health, protection of the environment, regional development, development of SMEs, regional co-operation, etc. Despite the relatively long tradition of cross-border co-operation between Slovenia and Austria, lack of projects with strategic orientation and adequate quality («ready-to-go» projects) could still be observed.

Therefore, the Regiolab project implemented a strategic approach towards identifying and elaborating long-term key priorities for future cross-border co-operation between Slovenia and Austria based on the needs and competencies of the regions involved.

3. METHODOLOGY AND DATA

There are numerous diverse approaches to preparing a regional development strategy that have been attempted in different parts of the EU.⁷ Each strategy is unique, reflecting the challenges and opportunities faced by the region. The strategy should contain four main elements: analysis, vision, action plan and evaluation. In this working paper, we focus on the first element of strategic planning, the analysis, which aims to assess the state of the (regional) economy, opportunities and threats posed by external trends and forces, and the availability of resources for economic development. Based on this analysis we later define the key common and complementary competencies of the cross-border region as well as gaps in knowledge and sources for successful cross-border co-operation.

⁶ <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/08/453&format=HTML&aged=0&language=EN&guiLanguage=en>

⁷ GRIDS - Best practice guidelines for instruments of regional development and spatial planning in an enlarged EU. Cardiff University, 2005.

The starting point of our analysis was a comprehensive study of the economic and social conditions in the Regiolab regions. Regional analyses involved obtaining current information on a variety of primary concerns including:

- Demography;
- Economy (general data, industry, tourism, SMEs, agriculture and rural development, services);
- Research and innovation;
- Human resources (education and training; labour market);
- ICT and information society;
- Local and regional development.

The regional socio-economic analyses were complemented by an analysis of policy framework and key trends at national and regional level. This analysis provides a description of key impacting policies as well as key (recent) trends, current and future drivers of change, as well as changes in the government, large investment projects concluded, and prospects (expectations) for the future at national and regional level. Moreover, developments and future trends in the external environment, i.e. at a European and international level, were taken into consideration.

Since previous evaluations also represent an important source of knowledge and often cover similar types of activities, on-going and past cross-border co-operation projects between Slovenia and Austria were analysed.

All the analyses at the regional level (the socio-economic analysis, key impacting policies and trends as well as the analysis of past and on-going CBC projects) were prepared in co-operation with project partners⁸ involved in the Regiolab project.

Based on the information gathered, regional SWOT analyses (analyses of Strengths, Weaknesses, Opportunities and Threats) were developed by project partners and discussed and verified at regional SWOT workshops with relevant stakeholders. In the next step, a proposal of joint SWOT analysis of the entire cross-border co-operation area was prepared and further discussed and verified at a joint SWOT workshop attended by project partners and interested stakeholders/policy makers. Based on the outcomes of the joint SWOT analysis, key common and complementary competencies of the cross-border co-operation area were derived.

4. CAPACITIES AND KEY COMMON COMPETENCIES OF THE REGIONS INVOLVED

The analysis of competencies was prepared in the early phase of the Regiolab project, namely during 2011 and 2012. Therefore, the analysis and data presented mostly refer to the period up to 2010.

⁸ For the list of project partners see footnote 1.

4.1. Socio-economic analysis of the Regiolab regions

4.1.1. Presentation of the Regiolab regions

Programme area of the OP SI-AT 2007-2013 was the following: the core programme area included the eligible NUTS III regions Oststeiermark, West- and Südsteiermark, Klagenfurt – Villach, Unterkärnten and Südburgenland on the Austrian side, and the NUTS III regions of Gorenjska, Koroška, Savinjska, Podravska and Pomurska statistical region on the Slovenian side. The NUTS III areas Graz, Obersteiermark Ost, Obersteiermark West and Oberkärnten in Austria and Osrednjeslovenska statistical region in Slovenia were included in the programme on the basis of Art 21 (1) of the Regulation No 1080/2006 on the European Regional Development Fund. Hereinafter, the eligible territory will be referred to as “Regiolab regions” or “Regiolab area” or “cross-border co-operation area” – the terms are synonymous.

The overall population of the Regiolab regions was 3.3 million people in 2010, covering the area of 35,523 square kilometres. In Slovenia, the eligible regions are the statistical regions of Pomurska, Podravska, Savinjska, Koroška, Osrednjeslovenska and Gorenjska, which represent around 57% of the national territory and 73% of the entire population. On the Austrian side, the Regiolab area covers the entire population of Carinthia, 93% of Styria (the NUTS III regions Oststeiermark, West- and Südsteiermark; and the NUTS III areas Graz, Obersteiermark Ost and Obersteiermark West are included), with additional 35% of the population of Burgenland (the NUTS III region of Sudburgenland). The length of the Slovenian-Austrian border is 330 km. With the accession of Slovenia to the EU, the border became an internal border, thus providing a new impulse for the regions’ co-operation.

The Regiolab area stretches from the Alpine mountain regions in the west and north to the hilly country with chains of long-drawn hills in the Burgenland-Styrian-Slovenian border in the east. The area is characterised by a high density of woods, especially in the western part, with the forest-overgrown territory even increasing due to the decrease in agricultural production. In the eastern part, the wood coverage is much lower and the share of agricultural land is higher than in the western part. Most of the Pomurska region and part of Podravska in Slovenia together with Südburgenland on the Austrian side form the Pannonian plain.

The core areas are represented by the capitals of the partner regions and the agglomerations along the high-ranged transport routes: Kranj – Ljubljana – Celje – Maribor in Slovenia, the area of Graz with the Upper Styrian industrial towns Kapfenberg and Leoben, and the Carinthian core area between the pole cities of Villach and Klagenfurt. These core areas cover the majority of population, industry and SMEs, administration and services, centres of education, research and knowledge, as well as the major capacities for transport and logistics. With regard to the number of inhabitants, only two of these core areas had more than 100,000 inhabitants in 2010, namely Graz (292,000 inhabitants) and Ljubljana (270,000 inhabitants). The three other major cities are Maribor (95,000 inhabitants) in the Podravska region, and Klagenfurt (94,000 inhabitants) and Villach (some 60,000 inhabitants) in Carinthia. Other major regional centres had less than 50 thousand inhabitants in 2010.

Despite a relatively small area covered by the Regiolab regions, the great variety of the co-operation area and the different types of regions (rural, urban, industrial, tourist ones) result in regional disparities. These disparities as well as common characteristics of the Regiolab regions will be more closely discussed in what follows.

4.1.2. Demography

In the majority of Austrian Regiolab regions population decreased in the period 2005-2009. In the Styria province, the decrease in population was only slight in West-, Süd- and Oststeiermark while it was more pronounced (-3.2%) in Obersteiermark West and Obersteiermark Ost. Only the capital Graz with its surrounding area has recorded an increase in population of almost 6% between 2005 and 2009, which is the strongest growth observed among all Regiolab regions. The province of Carinthia overall recorded a slight decrease in the number of inhabitants between 2006 and 2010 due to the population decrease in its rural regions Lower and Upper Carinthia while the population of Klagenfurt-Villach increased. According to the population forecast, both, Upper and Lower Carinthia, as well as the Upper Styrian districts and the area around Radkersburg will dramatically lose inhabitants, particularly at the working age of the population.

In Slovenia, the population increased between 2006 and 2009 in the regions of Osrednjeslovenska, Gorenjska, Savinjska and Podravska. The increase was to a larger extent the result of net migration, nevertheless, in all but the Podravska region, natural increase was also positive. The population increase was most pronounced (+5% between 2006 and 2009) in the Osrednjeslovenska region. On the other hand, the depopulation continued in the Pomurska and Koroška region (-2.0% and -1.2%, respectively) where predominantly young people with higher education emigrated to other Slovenian regions due to lack of employment opportunities. Ageing of the population is also a characteristic of Slovenian Regiolab regions. Compared to the Austrian regions the phenomenon was less pronounced in the observed period, except in the Pomurska and Podravska region. Nevertheless, the population projections show a sharp decrease in the working age population and a strong increase in the more than 65-year olds for the next 50 years for Slovenia too.

According to the ageing index figures, the age structure of the population in Austrian Regiolab regions has already deteriorated significantly during the five-year period up to 2009. This change is expected to continue, more drastically so in those regions most affected by a diminishing population (i.e. the ÖROK population forecast from 2010 shows reductions of -24% until 2050 for the Upper and Lower Carinthia). The share of children and young people (under 20 years) as well as the proportion of the population of the employable age (between 20 and 64 years) is expected to decrease significantly until 2050, and on the other hand, a strong increase in the number of more than 65-year olds is expected. Ageing of the population is also a characteristic of Slovenian Regiolab regions. Compared to the Austrian regions the phenomenon is less pronounced, except in the Pomurska and Podravska region. Nevertheless, the age structure of the population has also deteriorated compared to 2006 in all but the Osrednjeslovenska region (the latter has even registered a decrease in the ageing index figures since 2008). The population projections (EUROPOP2010) for Slovenia show a sharp decrease in the working age population and a strong increase in the more than 65-year olds for the next 50 years.

Table 1: Population of the programme area, 2010

NUTS III area	Inhabitants	Population density	Ageing index
Oststeiermark (2009)	267,322	80	121
West and Südsteiermark (2009)	190,526	86	128
Graz (2009)	399,305	325	124
Obersteiermark Ost (2009)	166,881	51	192
Obersteiermark West (2009)	104,163	34	149
Unterkärnten	153,407	45 ¹	131 (118) ²
Klagenfurt-Villach	276,754	136 ¹	139 (123) ²
Oberkärnten	128,110	31 ¹	138 (119) ²
Südburgenland	97,717	66	
AUSTRIA – Regiolab regions	1,784,185³		
AUSTRIA	8,404,252	100.21	120 (108)²
Gorenjska	202,903	95	110
Koroška	72,812	70	113
Savinjska	260,025	109	110
Podravska	323,343	149	133
Pomurska	119,548	89	131
Osrednjeslovenska	529,646	209	108
SLOVENIA - Regiolab regions	1,508,277	130	115
TOTAL	3,292,462³		

Source: AT: WIBIS Kärnten - update 6/6/2011, own calculations; Statistik Austria, 2010c (for Südburgenland); WIBIS Steiermark; SI: Statistical Office of the Republic of Slovenia (SORS), own calculations.

Notes:

- ¹ Population density data refer to sizes of NUTS regions as given in the Operational Programme, which are different from sizes given by Statistik Austria, and may result in slight differences of the density data.
- ² Ageing index as calculated from Wibis Kärnten data differs from data given in the Operational Programme. For comparison, data for 2006 (= base year for OP) are also calculated and are given in brackets.
- ³ The figure is indicative since data does not apply to the same year for all the regions.

4.1.3. Economy

4.1.3.1. Description

The regions of the Regiolab area are highly industrialised with prospering urban areas and dynamic core regions (Ljubljana, Celje, Kranj, Maribor, Graz, Klagenfurt, and Villach). However, a series of rural and peripheral sub-regions with a significantly lower level of economic development is also present. Tourism plays an important role as well; however, it is only strongly focused on specific geographic points.

In Austria, the core (economic) agglomerations of Graz (the Styria province) and Klagenfurt-Villach (the Carinthia province) are clearly dominated by services, with 80% of the employees working in various service sectors. The cities of Klagenfurt and Villach alone provide nearly half of all jobs in Carinthia. The dominating role of Klagenfurt has even increased because the city offers many jobs in the public sector that did not reduce its workforce during the crisis. A stronger service orientation is also characteristic for Upper Carinthia (Oberkärnten) and reflects the higher importance of tourism in this mountainous region. On the other hand, Lower Carinthia (Unterkärnten) has a strong industrial orientation (mechanical engineering concentrated in the districts of Wolfsberg and Völkermarkt, and electronics concentrated in Villach) and was most severely hit by the recent crisis. A high adjustment on industrial-commercial production is also characteristic for all regions of the Styria province (excluding Graz), especially Upper East Styria (Obersteiermark Ost). High spatial concentration in industry and commerce is also found in the Upper West Styria (Obersteiermark West), but here an important role is also played

by agriculture. Eastern Styria has the highest share of agriculture with industry and commerce also playing an important role; tourism has gained in importance. Finally, agriculture plays a significant role in Burgenland.

In Slovenia, economic activity is being heavily concentrated in the Osrednjeslovenska region, more precisely in Ljubljana. The city of Ljubljana presents not only the centre in the political sense but also the centre of culture, education, science, economy and transport. While the region produced 36% of the total country gross domestic product in 2008, Ljubljana itself produced about 25% of the Slovenia's gross domestic product. The economic activity in Ljubljana is dominated by the service sector (over 75% of gross value added) and has maintained a constant orientation toward long-term international business co-operation. Podravska, Savinjska and Gorenjska are the other three largest Slovenian regions. Together they generated the next third of Slovenian gross domestic product. While a stronger service orientation is characteristic for the Podravska region, industry plays a significant role in the Savinjska region (the share of industry in the total regional gross value added amounted to 45% in 2008). However, tourism also plays an important role in the Savinjska and Gorenjska regions. The importance of the industrial sector is most pronounced in the Koroška region, where manufacturing, mining and quarrying activities created 49% of regional gross value added in 2008. Similarly to Burgenland on the Austrian side, the Pomurska region has strong agricultural orientation due to its flat land and fertile soil.

Table 2: Basic economic sectors and employment

NUTS III area	No. of persons in employment, 2009	Share of employment ¹ (in %)		
		in agriculture	in industry	in services
Oststeiermark (2009)	77,793	1.7	37.8	60.5
West and Südsteiermark (2009)	48,592	1.6	39.8	58.6
Graz (2009)	216,012	0.3	20.4	79.3
Obersteiermark Ost (2009)	53,449	0.7	41.7	57.6
Obersteiermark West (2009)	29,130	1.3	38.5	60.2
Unterkärnten (2010)	45,783 (45,437) ²	1.2 (1.2) ²	42.6 (43.3) ²	56.2 (55.5) ²
Klagenfurt-Villach (2010)	114,829 (111,436) ²	0.4 (0.4) ²	19.2 (21.2) ²	80.4 (78.4) ²
Oberkärnten (2010)	34,122 (33,710) ²	0.7 (0.6) ²	32.6 (34.1) ²	66.7 (65.3) ²
Südburgenland (2008)	40,100	14.2	25.7	60.1
AUSTRIA – Regiolab regions	659,810³			
Gorenjska (No. for 2009, % for 2007)	71,731	3.3	46.0	50.7
Koroška (No. for 2009, % for 2007)	25,945	5.9	51.7	42.4
Savinjska (No. for 2009, % for 2007)	108,140	6.1	46.9	46.9
Podravska (No. for 2009, % for 2007)	124,895	6.3	37.1	56.6
Pomurska (No. for 2009, % for 2007)	41,543	14.0	40.1	45.9
Osrednjeslovenska (No. for 2009, % for 2007)	279,692	2.0	27.3	70.7
SLOVENIJA - Regiolab regions	651,946			

Source: AT: WIBIS Kärnten - update 4/5/2011, own calculations; Statistik Austria, 2010e (Südburgenland); WIBIS Steiermark 2011; SI: Statistical Office of the Republic of Slovenia (SORS), own calculations.

Notes:

¹ For the Austrian regions "Employment" refers to jobs of employees, so a person with two jobs is counted twice while an entrepreneur or a farmer isn't counted at all.

² Wibis Kärnten data differs from data given in the Operational Programme; data for 2006 (= base year for the Operational Programme) are therefore also given in brackets.

³ The figure is indicative, since data does not apply to the same year for all the regions.

Regarding GDP per capita, Austrian regions record higher values than the Slovenian ones. However, there are disparities not only between the two countries but also among regions on a national level. In 2007, the only Slovenian region above the European average was Osrednjeslovenska. In Austria,

Klagenfurt-Villach, Graz and Obersteiermark Ost were above the European average, while other participating regions were below this average, though still higher than the Slovenian ones. The country level data indicates that in the period after 2008 Austria has increased its relative advantage to the EU27 average while Slovenia has been falling behind.

Table 3: GDP per capita in PPS (EU27=100)

NUTS III area	GDP per capita (in PPS, EU27=100)
Oststeiermark (2009)	83
West and Südsteiermark (2009)	81
Graz (2009)	143
Obersteiermark Ost (2009)	107
Obersteiermark West (2009)	90
Unterkärnten (2008)	89 ¹
Klagenfurt-Villach (2008)	121 ¹
Oberkärnten (2008)	86 ¹
Burgenland (2008)	81
AUSTRIA (2008)	124
Gorenjska (2007)	75
Koroška (2007)	68
Savinjska (2007)	78
Podravska (2007)	75
Pomurska (2007)	58
Osrednjeslovenska (2007)	127
SLOVENIA (2007)	89

Source: AT: WIBIS Kärnten - update 11/1/2011, Eurostat, own calculations; SI: Statistical Office of the Republic of Slovenia (SORS).

Notes:

¹ GDP of NUTS 3 regions in purchasing parity standards (PPS) was calculated from Carinthian GDP in PPS relative to the regions' contributions to Carinthian GDP in EUR.

4.1.3.2. Industry

Sectoral structure. The economic structure of the Styria province is characterized by a strong adjustment on industrial-commercial production, which underwent a structural change process. In the past, industry was already focused on sectors in which Styria still generates world-recognized top performance today: metal production and manufacturing, machine engineering, and paper and paperboard manufacturing. In the meantime, Styria has achieved market leadership in other state-of-the-art sectors, such as vehicle manufacturing, microelectronics and electro-technology. Styria's strong R&D has also laid the cornerstone for seminal industries, such as biocatalysts in medical engineering and other nanostructure materials. The internationally embedded industries are particularly characterised by a high level of technology and research activities. The so-called "industrial network" - operating around the producing sector - profits from the industry's success. Therefore, industry is Styria's job motor.

The main industries of the Carinthia province are mechanical engineering and electronics, followed by the manufacturing of metal goods, food and wood processing as well as the processing of minerals, the manufacturing of furniture and the repair and installation of machines. During the years 2006 to 2010, Carinthia's once prominent shoe industry continued to decline as production got more profitable abroad. More important in terms of the number of affected employees are the reductions in the sectors

of processing of minerals, transport and real estate. The same holds true for the electronics sector that added fewer jobs before the crisis than the mechanical engineering (plus vehicle construction) sector, yet didn't lose as many jobs during the downturn.

Burgenland evolved from once a typically agrarian region to a headquarter-industry. With the establishment of technology centres, innovative and technology-oriented companies settled down in Burgenland. Potential fields for future development are identified in different innovative sectors, including renewable energies, food and luxury food at high quality level, and optoelectronics.

In Slovenia, insufficient enterprise restructuring towards higher added value and intensive technology production is still a major challenge. The co-operation between R&D institutions and the enterprise sector is still rather weak, though in recent years a highly dynamic development has been observed in the field of establishment of technology centres, centres of excellence, networks and clusters.

One of the oldest Slovenian industrial and typically manufacturing-oriented regions is Koroška. At the beginning of the previous decade, the regional economy has rested on three pillars: iron and steel, mining activities successors, and automotive industries. Today, in addition to the metal processing industry, one of the most promising fields is the wood processing industry. Industry is the driving force also in Gorenjska and Savinjska region. The main industries in the Gorenjska region are the production of electrical machinery and apparatus, manufacture of finished wood products and metal processing industry, while its traditional textile and footwear industries are in decline. Nevertheless, some smaller businesses have managed to successfully follow the tradition in the area operating primarily on the basis of specialization in specific market niches. In Savinjska, the dominant sectors in terms of value added created are the production of electrical machinery and apparatus and the production of metal products.

The regions of Podravska, Pomurska and Osrednjeslovenska are less depended on industry when measuring the contribution of industry to the regional GDP and employment; nevertheless, industry is the major exporter in these regions too. In the Osrednjeslovenska region, the key industrial sectors, producing the highest share of region's value added, are the energy sector and pharmaceutical industry. In the Podravska region the largest value added is being generated in the metal-manufacturing sector, machinery and equipment production, production of chemical products and food processing. In addition, some prominent automotive producers are present in the region. Among the traditional industries in the Pomurska region are metal processing industry, information and communication technology, textiles and food processing industry.

Company size structure & most important companies. The industry in Regiolab area is characterized mostly by small and medium sized companies. In the Austrian Regiolab regions, some 80% or more of companies have below 10 employees and among them one-person companies dominate. Nevertheless, some of Austria's most prominent corporations and large employers are present in Regiolab regions. In Slovenia, the proportion of companies (all branches) with below 10 employees is above 90% at the national level. However, large companies remain the largest employer and the main exporter.

Carinthia is home to some of Austria's most important corporations, above all Strabag, one of Central Europe's largest construction companies; Infineon Austria, a producer of semiconductor components and Austria's second-largest research company; and Treibacher Industrie, which is processing rare earth metals. Many Carinthian companies, mostly technology leaders in their field, have earned very strong positions in their respective markets, in some cases even in a worldwide perspective. Regarding companies in Styria, a high start-up rate has to be exposed: in the Programmearea 12.6% in 2009

(compared to 6.9% for the whole Austria) which equaled 28.015 start-ups. In 2010, there was an increase to 35.529 start-ups. Graz led with 41.2% followed by the Eastern Styria (21.8%) and South West Styria (17.9%). Upper Styria East had a rate of 11.9% and Upper Styria West 7.3%. There is a series of large companies (over 500 employees) in the Styria province with the largest employers coming from the regions of Graz (i.e., MAGNA STEYR FAHRZEUGTECHNIK AG & Co KG, Andritz AG, Sappi Austria Produktions-GmbH & Co.KG, and other) and Obersteiermark Ost (Böhler Edelstahl GmbH & Co KG, AT & S Austria Technologie, voestalpine Stahl Donawitz GmbH & Co KG and voestalpine Tubulars GmbH & Co KG, and other). Leading companies in Burgenland come from a wide range of predominantly manufacturing sectors.

In Koroška, where the highest share of value added is being generated by industrial activities, a handful of large companies, representing less than two per cent of companies in the region, employed a quarter of the regions workforce and generated almost 40% of the regional revenue in 2010. Among these companies are Metal Ravne d.o.o., a company from the Slovenian Steel Group (a leading manufacturer of high-quality tools, stainless and special steel), TAB d.d. (producing a wide range of lead-acid batteries), and Johnson Controls - NTU d.o.o. The Savinjska region stands out for its relatively high proportion of large companies. In 2010, the largest industrial companies in the region were Gorenje d.d. (household appliances), Unior d.d. (blacksmith industry), Cinkarna Celje d.d. (one of the largest chemical processing companies in Slovenia), and BSH HIŠNI APARATI d.o.o. Nazarje. Industry and manufacturing, in particular, is also the driving force of the Gorenjska region. The largest players in the region operate in the manufacture of rubber tyres and tubes (GOODYEAR DUNLOP SAVA TIRES d.o.o.) and other rubber products (SAVATECH d.o.o. and VEYANCE TECHNOLOGIES EUROPE d.o.o.), the manufacture of electrical equipment (Domel d.o.o., Iskra MIS d.d., Iskra Mehanizmi Holding), and metal processing industry (Acroni d.o.o., LTH Ulitki d.o.o.). Significant integration of some large companies (Acroni d.o.o; Elektrode Jesenice d.o.o. and SUZ d.o.o.) in the Gorenjska region takes place via SIJ group - Slovenian Steel Group, d. d., a member of IMH (Industrial Metallurgical Holding) and an important player in shaping modern European steel industry. In the Podravska region, some larger enterprises are found in the automotive sector (Cimos TAM Ai d.o.o., RTI d.o.o., SMM d.o.o., Starkom d.o.o.) engaged in the production of parts and assemblies and provision of services for the renowned world automotive producers. Enterprises involved in activities with higher value-added production include Hermes Softlab d.d. – Maribor branch and Menerga d.o.o. The largest employer in the region is a metal-manufacturing company MLM. Other important producers are Primat d.d. (metal manufacturer), Henkel Slovenia d.o.o. (chemical products), Košaki TMI d.d. (meat processing industry), Swaty-Inpo d.o.o. (producing abrasive products). In Pomurska region, there are only four companies with over 250 persons employed, two of them operating in the manufacturing sector that are also major exporters in the region – Arcont d.d. (production of housing units) and Elrad International d.o.o. (manufacture of consumer electronics). Other major exporters in the region include FARMTECH d.o.o. (production of agricultural machinery), CLEANGRAD d.o.o. (designing and building cleanroom solution), TRANSPAK d.o.o. (system engineering turnkey services and paletting, packaging and transport engineering), VIPOLL d.o.o. (producer of special equipment for beverage industry), ELEKTROMATERIAL d.d. (producer of electrical installation material), VARIS Lendava d.d. (producer of prefabricated bathroom pods), ARTEX d.o.o. (design, production and assembly of storage equipment), and MEDICOP d.o.o. (manufacturer of medical equipment and ambulance vehicles). There are several successful companies also in the food processing industry (Panvita MIR d.d., RADENSKA d.d. Radenci, and POMURSKE MLEKARNE d.d.). The importance of SMEs is much higher in Osrednjeslovenska region due to its strong service orientation. Nevertheless, several

first-class manufacturing companies from the pharmaceutical, metal, automotive and chemical industries stand out in the region including Lek d.d. (part of Sandoz, a global generics leader), Helios d.o.o. (manufacturer of paints, varnishes and synthetic resins), Hella Saturnus Slovenija d.o.o. (automotive parts supplier), HSE d.o.o. (a state-owned power generation company), Kolektor Etra d.o.o. (manufacture of power transformers and power generator transformers), Danfoss Trata d.o.o. (part of Danfoss Group; develops and manufactures electromechanical controls for the district heating, HVAC and balancing valves).

Co-operation activities. Two cluster organisations are present in Carinthia and Burgenland: the IT sector cluster (SIC - Software Internet Cluster) and electronics cluster (me2c - [micro]electronic cluster) in Carinthia, and the ICT Cluster and the Plastics Cluster in Burgenland. Concerning networking, the Carinthian Development Agency (EAK) began to support a model of networking companies based on the location, not the sector of companies' operation, because all Carinthian sectoral networks had run into problems. The idea is that often the main obstacles for doing business are of a local nature (e.g., the challenge to attract qualified human resources) and may best be addressed locally. In Styria, co-operation activities are widespread. Clusters and networks are present in a wide variety of sectors: ACStyria Autocluster (networking on national and international level), Holzcluster Steiermark (wood cluster Styria), Human.technology Styria cluster, Materials Cluster Styria, TECHFORTASTE.NET (a food technology network), BioNanoNet (innovative research of medicine and pharmaceuticals, nano-medicine and toxicology), Creative Industries Styria, Eco World Styria (environmental and energy engineering, future trends and new markets), Nanonet Styria (R&D activities in the area of nanosciences and nanotechnology), Simnet Styria (stabilization of modeling and simulation as future disciplines - focus on multiscale modeling).

Regarding co-operation activities in Slovenia, companies are predominantly being integrated into associations that connect companies with related activities (e.g. steel and automobile associations) on a national level. Among the biggest established clusters in Slovenia are Construction Cluster of Slovenia (CCS), Automotive Cluster of Slovenia (ACS), the Slovenian Wood Industry Cluster, the Plastics Cluster GIZ Slovenian Plasttechnics Cluster, and the Toolmakers Cluster of Slovenia (TCS).

The impact of the world crisis. The recent economic crisis affected companies in a very different way, depending on the sector of their operation. While companies in the food and luxury food industry were relatively unaffected, companies in the electronics and automotive industry were strongly affected by the crisis. The branches that showed the strongest relative employment growth were IT services, business consulting and also the production of pharmaceuticals, all led by R&D. The future lies in promoting technology, research and innovation. Styrian companies already invest heavily in research and development with their expenditures representing 70% of total R&D expenditures in Styria.

In Slovenia, the negative factors such as financial indiscipline, negative business confidence, lower investments, and bankruptcies severely hit the operation of companies during the crisis. The decline in companies' operation was most severe in the manufacturing industries and construction. Among Regiolab regions, Koroška and Pomurska were particularly hit hard. In Pomurska, an important handicap for the region's development is the low average value added per employee in companies, reflecting the low level of knowledge being embedded in their products. The most promising fields in the Koroška region are the production of embedded components for the automotive industry, and the wood processing industry.

4.1.3.3. Tourism

Type of tourism. In Austria, the tourism sector is of significant importance for the whole cross-border area, as it represents an important employment potential. Whereas the western part of the Regiolab area is more focused on biking, skiing, adrenalin sport, mountaineering and rural tourism, the eastern part is characterized by numerous spas, wellness facilities and services with a focus on the health&wellness sector, as well as “one-day trips”. Cultural and congress tourism has also gained importance, especially in Graz. Something rather unique for Carinthia is the category of event tourism while wine-related offer is an important part of tourism in the wine growing regions of South West Styria and Sudburgenland. Overnight stays indicate that the Austrian Regiolab regions have relevant tourism potential and relevant value added. Areas with a full-year tourist season are especially successful – these include alpine regions and thermal spa resorts (Oberkärnten, Klagenfurt-Villach, Oststeiermark and Burgenland).

Table 4: Overnight stays in the programme area, 2010

NUTS III area	Overnight stays	% domestic tourists	% foreign tourists
Oststeiermark (2009)	2,960,529	89.8	10.2
West and Südsteiermark (2009)	755,105	73.0	27.0
Graz (2009)	1,282,644	59.3	40.7
Obersteiermark Ost (2009)	787,947	66.2	33.8
Obersteiermark West (2009)	1,090,956	49.0	51.0
Unterkärnten	1,588,958	64.8	35.2
Klagenfurt-Villach	4,053,541	42.3	57.7
Oberkärnten	6,633,541	28.1	71.9
Burgenland	2,910,172	78.1	21.9
AUSTRIA - Regiolab regions	19,102,864		
AUSTRIA	124,880,764	28.05	71.95
Gorenjska	1,584,895	28.7	71.3
Koroška	81,802	66.4	33.6
Savinjska	1,319,037	59.8	40.2
Podravska	468,379	44.7	55.3
Pomurska	896,844	61.3	38.7
Osrednjeslovenska	858,429	8.7	91.3
SLOVENIA - Regiolab regions	5,209,386	40.9	59.1

Source: AT: WIBIS Kärnten - update 3/21/2011, own calculations; Landesstatistik Steiermark; Burgenland: Statistik Austria, 2010; SI: Statistical Office of the Republic of Slovenia (SORS).

In Slovenian Regiolab regions the majority of overnight stays is recorded in the Gorenjska and Savinjska region. The Gorenjska region focuses on recreational and sports tourism, predominantly mountain tourism (mountaineering, biking, skiing, adrenalin sport), while the Savinjska region, due to its diverse natural features, offers various forms of tourism: from mountain and rural tourism to attractions of the medieval town Celje and spa tourism. The regions of Pomurska and Osrednjeslovenska are the other two Regiolab regions with a significant number of overnight stays. The Pannonian world of the Pomurska region with its natural features for health tourism represents the focus of Slovenian spa tourism while the Osrednjeslovenska region with the capital city of Ljubljana is an urban as well as business tourist destination. Many attractive tourist destinations are also found in the Podravska region, including among others the city of Maribor and winter sports center Pohorje. On the other hand, the tourism potential of the Koroška region seems to be yet unexploited. The region is dominated mainly by one-day trips. Its shortcomings are fragmented tourist offer and low investments in tourism infrastructure.

Tourism offer is in general still mostly dependant on the season. On average, regions that rely more heavily on health & spa tourism record below average seasonality.

Foreign Tourists. In 2010, foreign tourists made on average only a fifth of the overnight stays in Burgenland and a little over a quarter of all guests in Styria. Upper Styria recorded the highest share of foreign tourists (51%), followed by Graz (41%). In Carinthia, Villach and Finkenstein in Upper Carinthia draw mostly guests from abroad, while St. Kanzian on Klopeinersee in Lower Carinthia is visited mostly by Austrians. Slovenian guests represent a rather low rate among foreign tourist in Austria; mostly they prefer Alpine skiing resorts.

On the other hand, foreign tourist made on average some 60% of overnight stays in Slovenian Regiolab regions. The highest share of foreign tourists is characteristic for the Osrednjeslovenska region (91% of all overnight stays in 2010), followed by the Gorenjska region (70%). In both regions the Italians, Germans, and Britishmen dominate. The Austrian tourists made between 3% and 4% of foreign tourists' overnight stays in these regions in 2009, well below the national average (13% of foreign tourists' overnight stays). On the other hand, the Austrians made more than half of all overnight stays of foreign tourists in 2009 in the spa region of Pomurska.

The impact of the crisis and prospects for the future. While the tourism in Styria has been doing quite good in spite of the world economic crisis, Carinthia has not attracted as many tourists as it was hoped for. Therefore, some changes of its strategy have been under way, including a relaunch of the Carinthian tourism brand, new attempts to attract more guests in the winter season („experience orientation“) and more people from countries other than Austria and Germany.

Compared to 2008, the number of overnight stays in 2010 was lower for 3% in Slovenian Regiolab regions. The decrease in the number of overnight stays was the largest in Podravska and Osrednjeslovenska region, followed by the Savinjska region. On the other hand, Pomurska and Koroška region recorded an increase in the number of overnight stays over the period 2008-2010. In the future, Koroška plans to provide more investments in tourist infrastructure, while the Pomurska region will promote the rural tourism at the wine trails and congress tourism along with other programs. The Gorenjska region could exploit its potential in linking its rural tourism with congress tourism while the cultural and historic potential of the Podravska region represents a real premise for the development of cultural tourism in the region.

4.1.3.4. SMEs

Role and problems of SMEs. As already mentioned beforehand, SMEs are the backbone of Regiolab regions' economies. In the Regiolab area, many SMEs are integrated into cluster activities and networks, however, this has only taken place on a national level. As the national markets are small, Slovenian and Austrian SMEs need to explore possibilities for internationalisation at early stages of growth.

In the last years, the topic innovation and R&D became more and more important for SMEs and their development. Styria, with a regional R&D quote of 4.3%, is the leading region in the European Union. Burgenland has the third highest rate of start-up companies of all Austrian federal states (7.4% of all companies are start-ups), the lowest rate in the closing of businesses in Austria and the highest rate of employees per start-up company. However, most SMEs are still at best fast followers of new developments and have no systematic approach to innovation, while a very small number of SMEs are serial innovators.

The specific problems of SMEs are certainly access to capital, a problem that has even increased during the (banking) crisis, and to specialized knowledge outside their immediate field of activity. Moreover, the demand of SMEs for qualified, in particular technically/scientifically trained, technical and top management staff exceeds the offer in the job market. Another challenge concerning the (Slovenian) society is to change people's general »mind-set« and attitudes towards business and entrepreneurship.

Business support infrastructure. There is widespread business support infrastructure available across Regiolab regions. In Austria, there are a number of business promotion organisations (including SFG in Styria, KWF and EAK in Carinthia) offering financial support for any kind of substantial investment, research or innovation project as well as facilities, relocation support, and co-operation and training platforms. In addition, business support infrastructure encompasses technology parks, industrial parks, innovation, technology and business centres, and incubators. Enterprise Europe Network (EEN) is another support point for SMEs. Further business support is given by the Internationalisierungszentrum Steiermark (ICS), which is the first point of contact for Styrian companies in any matters concerning the subject of internationalisation.

In Slovenia, the network of local and regional business development centres provides key business support at local levels. Some of the centres have also become one of the so-called one-stop-shops ("VEM point") established in Slovenia, which enable entrepreneurs to register and receive relevant information and counselling, especially in the start-up phase. In addition, the business support infrastructure comprises incubators and technology parks. This infrastructure is especially important for business start-ups and, in particular, for innovation-oriented young technology businesses.

4.1.3.5. Agriculture, forestry, and rural development

Agriculture and forestry still represent an important part of the economic basis in the rural areas, thus, the rural development is strongly linked to the agricultural sector.

The natural preconditions for agriculture are similar on both sides of the border. The Alpine part (primarily the western regions) is characteristic for its mountains and valleys with poor opportunities for intensive agriculture. Forestry is an important activity in this area, while farmers are also involved in milk production, stockbreeding and upkeep of alpine pastures. The eastern part is characterized by large surfaces of cultivated land, fruit and vegetable production, and vineyards. The production is intensive especially in the Pomurska and Podravska region on the Slovenian side, and in Süd/Oststeiermark and Südburgenland on the Austrian side. Through various agriculture policies the share of bio farming is increasing, both in the number of producers and the share of the land.

To help improve the situation in the agricultural sector of Regiolab regions, different measures have been or could be taken on both sides of the border, like: measures to support the transition to organic farming (especially among mountain farmers), and initiatives to market regional food or traditional animal or plant species. Future opportunities lie in tourism on (eco)farms and other complementary service activities on farms, in strategic partnerships within the agriculture structures (e.g. machine rings, wood associations) on a regional and transregional level, as well as in the field of renewable resources and waste products for the production of energy from biomass.

4.1.3.6. Services

Compared to the EU average, the share of traditional non-financial services (trade, hotels and restaurants, transport) is higher and the share of knowledge-based non-financial market services is lower on average in Regiolab regions on both sides of the border. The lower share of knowledge-based non-financial market services is mostly due to the lower share of business services, especially of business services with high added value.

Regarding the level of competition in the non-financial market services in Slovenia, there have been signs of lack of competition predominantly in some network industries and in various commercial sectors. On the other hand, the fast growth of knowledge-based business services in Austria and Slovenia certainly increases competition in this sector. Also, other branches in the non-financial market service sector in both Slovenia and Austria are characterised by strong competition, most prominently the tourism sector.

On the 1 May 2011, Austria opened its labour market fully to the Member States who joined the Union in 2004. With the free movement of labour between Slovenia and Austria being allowed, opportunities have arisen in offering services across borders.

Transport. The core centres of the cross-border area are entirely connected by a motorway system. Within one day the route from Graz – Maribor – Celje – Ljubljana – Kranj – Villach – Klagenfurt – (Leoben) – Graz is manageable. Only Südburgenland on the Austrian side has not been directly linked with the highway system yet, but a big road project (the S 7) will upgrade the transport links of the region significantly. On the Slovenian side, existing transport links with the Koroška region are very unfavourable, and one of the main obstacles to further development of this region.

In addition to the motorway system, the railway system offers a public connection to all core centres in the Regiolab area, but the attractiveness of the public railway transport is limited due to regular stops at the border. While the Austrian railway system at its main routes is in the process of upgrading to a high-level railroad system which will further contribute to the upgrade of the transnational links of the entire region within Europe (Koralmtunnel), the rail network in Slovenia has not been modernized much since investments in highway infrastructure were the main priority in the past.

Finally, the Regiolab area has relatively good accessibility by air. There are four internationally linked airports in the region: Ljubljana, Graz, Klagenfurt and Maribor. Since the airports operate in an extremely competitive market, they will have to define their specific regional profile and strategic role.

4.1.4. *Research and Innovation*

R&D capacity. Compared to the rest of Austria, the Styria province exhibits an above-average innovative strength and has enormous potential for further development due to its excellent R&D infrastructure. There are several universities and universities of applied science in the Styria province, as well as the Studien- & Technologie Transfer Centre Weiz (Engineering). Ongoing cross-border co-operation exists between FH Joanneum (Austria) and Univerza v Ljubljani to the topic education. In addition, R&D capacity in Styria includes the Science Park in Graz, ZAT in Leoben, and Research & Technology House of University of Technology in Graz.

Beside universities, there are three research institutions in Carinthia: Carinthian Tech Research (CTR) in Villach, Wood Carinthian Competence in St. Veit an der Glan, and Lakeside Labs in Klagenfurt. They are

working in the fields of sensor technology, wood surface technology and logistics, and embedded networked IT systems, respectively. In addition, Carinthia has a university spin-off incubator (build!) and a science park (Lakeside Science & Technology Park) on the campus of the University of Klagenfurt. However, Carinthia's R&D capacities are hampered by the limited availability of human resources in technical fields due to a very small number of students in the technical field. Finally, a research company Forschung und Technologietransfer Pinkafeld and six technology centers are located in Burgenland.

In Slovenia, large disparities in R&D activities exist among regions. In particular, the Osrednjeslovenska region stands out, where most researchers (65%) and research organizations in the country are concentrated, and the majority of funds for R&D activities are spent. Most of the researchers in the Osrednjeslovenska region are concentrated in the government and higher education sector. The Jožef Stefan Institute is the leading scientific research institute, performing research in the field of natural sciences, life sciences and engineering. Podravska, Gorenjska and Savinjska region together contribute another fifth of all researchers in the country. Centralization of research facilities in Ljubljana poses a risk of "brain drain" from other Slovenian regions, particularly from Koroška and Pomurska region, to the Slovenian capital city, where better conditions for research and development are in place.

R&D co-operation with the business sector. In general, good co-operation exists between R&D institutions and the business sector in Austria. Several contact points and interfaces between Research & Technology centers and SMEs were installed in the last years in Styria. Also the Innovation and Impulse centers locally act as interface to the science. But there is still a potential for regional and above all cross-border R&D co-operation.

In Slovenia, co-operation between R&D institutions and the business sector has improved in the last years, but there is still potential for improvement and above all cross-border (trans-national) R&D co-operation. Slovenia ranks high internationally in terms of expenditure on R&D (as a percent of GDP), but there is a lack of effective use of these investments in terms of knowledge transfer from research and academic institutions to companies and the launch of innovative products/services onto the market.

R&D expenditure. Styria occupies first place in the Austrian federal province ranking with an R&D quote of 4.3% of gross domestic product in 2007, well above the Austrian average (2.5%) and one of the highest in Europe. In Slovenia, the Osrednjeslovenska region is in a similar position exhibiting R&D ratio of 2.5% in 2008, which was well above the national average (1.7%).

The share of business sector in R&D spending in the Austrian Regiolab regions exceeded the national average of 70.6% in 2007. In Slovenia, there is an obvious divide among regions: while business investment represents less than a half of total R&D investment in Osrednjeslovenska and Podravska region, it generates 95% or more of total R&D investment in other regions.

Table 5: Gross expenditures for R&D

NUTS III area	Gross Expenditure for R&D, MEUR	% Business Sector	% GDP
	AU: 2007, SI: 2008	AU: 2007, SI: 2008	AU: 2007, SI: 2008
Burgenland	35.6	87.9	0.6 ¹
Carinthia	379.0	88.4	2.4
Styria	1,460.1	73.7	4.3
AUSTRIA	6,867.8	70.6	2.5
Pomurska	5.2	99.9	0.4
Podravska	36.4	40.4	0.7
Koroška	2.5	98.8	0.2
Savinjska	48.0	95.2	1.1
Osrednjeslovenska	337.0	45.9	2.5
Gorenjska	54.5	96.2	1.8
SLOVENIJA	616.9	64.6	1.7

Source: AT: WIBIS Kärnten – update 10/29/2010, own calculations; SI: SORS (Slovene Regions in Figures, 2011; SI-STAT);

Note: ¹ Data is for 2010.

4.1.5. Human Resources

4.1.5.1. Education and Training

The elementary and secondary school systems are well developed in both countries; the density of schools in the area is also suitable, whereby most of the secondary schools are located in bigger urban centres. Regarding tertiary education, there are no fees for university and unrestricted access (except for faculties of medicine) in both countries. However, this does not translate to more people graduating, as many drop out before. Consequently, the state of the education system has been the subject of controversy in both countries and the need for reforms is recognized. In Slovenia, the issue is also a lack of appropriate vocational secondary schools.

Styria has a number of higher education institutions. During the last years several novelties have been introduced in the area of education and qualification like implementation of programs “apprenticeship with A-level” or pilot projects called »new grammar schools«, nevertheless, there is still potential for further improvements. The province of Carinthia has one university and one university of applied science (Fachhochschule) which offers a wide range of studies. After finishing compulsory schooling, almost half of Carinthian youths start an apprenticeship („Lehre“) in a company that goes along with attending a vocational school („Fachbereichsschule“). Over the last years universities and higher technical schools (HTL) have considerably increased their number of students while significantly fewer youths attend a higher business school (HAK). In Burgenland, there is the University of Applied Sciences Burgenland, and the WIFI (Wirtschaftsförderungsinstitut) and BFI (Berufsförderungsinstitut) with numerous courses in various education fields.

In Slovenia, the Osrednjeslovenska region, specifically the capital city of Ljubljana, is a major educational center. The largest university in the country – the University of Ljubljana – is located here. The second largest educational center is the University of Maribor in the Podravska region. Several institutions of higher education are also present in other Regiolab regions. In addition to faculties, there are a number of vocational schools across Regiolab regions that offer post-secondary education.

Common to all Regiolab regions is that the demand of enterprises for qualified, in particular technically/scientifically trained, technical, engineering and top management staff already exceeds the offer on the job market. This situation will even intensify in the near future. To address this issue, numerous initiatives, like platform „fascination technology“ in Styria and scholarship schemes in Slovenia, have been started, which aim at attracting young people to technical professions. Another problem on a regional level is massive brain drain, especially urgent in Carinthia on the Austrian side, and Koroška and Pomurska on the Slovenian side. Young people from these regions move to educational centres (Vienna and Graz in Austria, and Ljubljana and Maribor in Slovenia) or other cities to study there and never come back again to work in their home province.

Qualification structure. Common to Austria and Slovenia is the general rise in the educational attainment levels of the population. In Austria, the proportion of those having an upper secondary education (Lehre and BMS) ranged from 55% in Burgenland to 60% in Carinthia in 2009. Of this, the vast majority had apprenticeship (Lehre), and less than one fifth had intermediate technical and vocational school (BMS). The percentage of persons who gained a *Matura*⁹ was between 13% and 14%. The percentage of those having finished post-secondary education (Hochschulverwandte Lehranstalt) was around the Austrian average of 2.8% while the percentage of those having an university degree (Universität und Fachhochschule) ranged from 7% in Burgenland to 10% in Styria.

Table 6: Educational attainment of population aged 25 to 64 years in Austria, 2009 (in %)

NUTS III area	Total	Highest level of education							
		Allgemein- bildende Pflicht- schule ¹)	Lehre	BMS	AHS	BHS	Kolleg	Hochschul- verwandte Lehranstalt.	Universität, Fachhoch- schule
AUSTRIA	100.0	19.5	36.6	15.7	5.6	8.0	0.8	2.8	11.1
Burgenland	100.0	20.6	36.4	18.9	4.7	8.9	0.7	2.8	7.0
Kärnten	100.0	14.0	43.4	16.3	4.5	8.9	0.7	2.9	9.3
Steiermark	100.0	16.7	42.0	15.6	4.9	7.4	0.9	2.7	9.9

Source: Statistik Austria (Bildungsstandregister 2009).

Note: ¹ Includes persons without compulsory education.

In Slovenia, the educational level of the population is the highest in the Osrednjeslovenska region. In particular, its share of the population having completed tertiary education stands out with 25% in 2009. In Gorenjska, the share of the population having completed tertiary education was equal to the national average (18%), while in other Regiolab regions it was below that average standing at only 9% in the Pomurska region. The proportion of those having completed technical or general upper secondary education (both qualifying for university admission) was higher than the proportion of those having completed short-term vocational or vocational upper secondary education in all regions.

⁹ Matura = secondary school leaving certificate or diploma of a higher technical and vocational college, both qualifying for university admission, including post-secondary courses in technical and vocational education (AHS, BHS and Kolleg).

Table 7: Educational attainment of population aged 15+ in Slovenia, 2009 (in %)

NUTS III area	Total	Highest level of education			
		Basic ¹	Short- term vocational, vocational upper secondary	Technical, general upper secondary	Tertiary
SLOVENIA	100.0	24.7	24.6	32.4	18.3
Pomurska	100.0	34.1	26.3	30.5	9.1
Podravska	100.0	24.7	25.6	33.0	16.8
Koroška	100.0	23.4	29.5	33.4	13.7
Savinjska	100.0	28.1	27.9	29.0	15.0
Osrednjeslovenska	100.0	25.9	19.7	36.2	24.8
Gorenjska	100.0	28.7	22.9	34.1	18.5

Source: SORS (Statistical Yearbook 2010).

Note: ¹ Includes persons with no education and incomplete basic education.

4.1.5.2. Labour Market

In Styria, almost half of all persons employed were in the Graz region, followed by Oststeiermark (18%), Obersteiermark Ost (13%), West- und Südsteiermark (11%) and Obersteiermark West (7%). The employment rate for Styria was equal to the national average of 71.7% in 2010. Among Austrian Regiolab regions the employment rate was the highest in Burgenland, which was to a great extent the result of high activity rate of men.

In 2010, there were almost 635 thousand persons in employment in Slovenian Regiolab regions. The largest part (43%) was accounted for by the Osrednjeslovenska region. This is the only region in the country with a surplus of jobs compared to the labour force that is living in the region. Other regions characterised by a high proportion of jobs were Podravska (the city of Maribor) and Savinjska region (the city of Celje). On the other hand, a relatively high proportion of daily commuters is characteristic for the Koroška and Gorenjska region.

Unemployment is persistently higher in Carinthia than in Austria overall. It is much more a problem for Upper than Lower Carinthia. The unemployment rate in Burgenland was above the Austrian average as well though not as high as in Carinthia. The lowest unemployment rates were registered in the Styria province with Oststeiermark recording a rate of only 5.6% in 2010. Carinthia also recorded the highest long-term unemployment rates with Klagenfurt-Villach region, in particular, standing out with the percentage reaching as high as 6.2% in 2010. On the other hand, youth unemployment is a more urgent problem in the Styria province, excluding the Graz region. Especially high proportions of youth among the unemployed were recorded in the Obersteiermark West and Ost. As there is a demand for skilled workers of all qualification levels from apprenticeship upwards, mismatch of qualification might very well be seen as another cause for unemployment.

Table 8: Employment rate, 2010

NUTS III area	Total	Men	Women
Activity rates¹ (%)			
Styria	71.7	76.1	67.2
Carinthia	72.3	78.8	65.9
Burgenland	74.6	81.7	67.5
AUSTRIA	71.7	77.1	66.4
Employment population ratio² (%)			
Gorenjska	56.2	66.7	55.4
Koroška	54.0	62.6	53.5
Savinjska	56.1	66.9	54.3
Podravska	52.9	63.2	50.9
Pomurska	51.5	61.5	49.1
Osrednjeslovenska	56.7	67.6	56.8
SLOVENIJA	54.9	66.2	54.4

Source: Carinthia: Statistik Austria (Arbeitsmarktstatistik – Jahresergebnisse 2010, Mikrozensus-Arbeitskräfteerhebung); Burgenland: Statistik Austria, 2010n; Styria: Landesstatistik Steiermark; SI: SORS (Slovene Regions in Figures, 2011; Rapid Reports, 28. September 2011).

Notes:

¹ Economically active population aged 15 to 64 years as percentage of total population aged 15 to 64 years;

² Persons in employment as a share of the working age population (15 to 64 years).

Compared to the Austrian regions, the situation in the Slovenian labour market has been worse since the outbreak of the crisis. While the unemployment rate declined in the period 2005-2008 in all Slovenian regions, averaging 6.7% in 2008, it increased sharply in 2009 due to the global economic and financial crisis. The increase in unemployment continued throughout until 2013 with the unemployment rate reaching 13.1% on a national level. On a regional level, Pomurska recorded the highest unemployment rate (19.0% in 2010 with a gradual reduction to 17.8% in 2013). Unemployment rates exceeded the national average also in the regions of Podravska, Koroška and Savinjska. On the other hand, the Gorenjska region has recorded (one of) the lowest unemployment rates in the country, despite the fact that the unemployment rate almost doubled between 2008 and 2010 (from 4.4% to 8.1%).

Table 9: Unemployment data, 2010

	Registered unemployment rate (%)	Long-term unemployment rate (%) ¹⁾	% of women in unemployment ²⁾	% of youth in unemployment ²⁾
Oststeiermark	5.6	1.9	39	16.9
West and Südsteiermark	7.5	2.4	41.3	16.6
Graz	7.6	1.4	40.2	14.2
Obersteiermark Ost	7.4	3.0	45.2	17.4
Obersteiermark West	6.8	1.5	43.2	18.5
Unterkärnten	8.2	3.7	40.3	14.4
Klagenfurt-Villach	8.8	6.2	43.0	14.2
Oberkärnten	9.7	4.2	43.6	15.9
Südburgenland	8.1	1.0	43.2	13
AUSTRIA	6.9	2.7	42.1	16.0
Gorenjska	8.1	1.7	55.7	10.0
Koroška	13.1	3.8	59.3	14.9
Savinjska	11.8	3.9	56.0	15.2
Podravska	13.5	4.4	57.9	14.3
Pomurska	19.0	6.9	52.7	16.7
Osrednjeslovenska	8.5	2.5	51.2	11.1
SLOVENIA	10.7	3.3	54.9	13.5

Source: WIBIS Kärnten - update 6/17/2011, own calculations; Burgenland: AMS (Bericht Stand März 2011) and Kurier, Stand Jänner 2011 (for % of youth in unemployment); Styria: Landesstatistik Steiermark; SI: Statistical Office of the Republic of Slovenia (SORS)

Note: ¹⁾ Data for Slovenian regions are for 2008; ²⁾ data for Slovenian regions are for 2007.

4.1.6. Information and Communication technologies and information society

Internet infrastructure, broadband and connectivity. On a national level, 78% of Austrians aged over 14 used the Internet and 70% of Slovenians aged 10 to 74 years used the Internet at least once in the three months prior to the survey in 2010.

The proportion of Carinthian homes having broadband access (bit rates > 1 Mbit/s) has increased to almost full coverage (98%) in 2006 thanks to the ambitious initiative of the regional government. Half of all Carinthian households had already enjoyed a 20 Mbit/s broadband access then. In Styria¹⁰ and Burgenland 72% and 73% of households, respectively, had access to the Internet in 2010 and 63% of the households in both provinces had a broadband connection, which is around the Austrian average (73% Internet access and 64% broadband connection in 2010). In Slovenia, the proportion of households having access to the Internet was lower, namely 68% on average in 2010, while the proportion of the households using a broadband connection (prevailingly xDSL or cable connection) was comparable to that in Austria, reaching 62% in 2010.

Concerning the enterprises, there were no differences in their basic equipment with information-communication technology in Austria and Slovenia: 98% of enterprises (with at least 10 persons employed) used computers in their daily operations, and 97% of enterprises (with at least 10 persons

¹⁰ Data refer to the whole Styria, since no separate data for the Programme area or NUT3 regions were available.

employed) had Internet access in 2010 in both countries. However, more Austrian enterprises presented their company or their products or services via a website.

One in five (19%) enterprises in the EU-28 reported that they used cloud computing services in 2014. The percent was lower in Slovenia and Austria, amounting to 15% in Slovenia and 12% in Austria.

E-services. According to a poll by Statistik Austria in May and June 2010, 42.5% of all Austrian Internet users have shopped online for private purposes within 12 months before, 32% have done so within three months before. In Slovenia, the respective shares were lower: 39% and 20%.

Both, Austria and Slovenia, rank among the leading EU countries according to the level of e-government services development. However, the rate of use of these services is not very high, except for the use of e-government services among enterprises in Slovenia.

4.1.7. Local and regional development

Considering the supporting institutions of (cross-border) regional development as well as other stakeholders, a strong network of regional management structures is present in Austria and Slovenia.

In Carinthia, potentially all supporting institutions of regional development may also have a role in cross-border co-operation. They encompass various departments of the Carinthian government; then there is the „Regionalmanagement“ and a number of associations of municipalities that can also be used as platforms for cross-border co-operation projects and can be addressed individually or via Regionalmanagement. EU-Projects may also be supported by the Economic Chamber (WKK) and Chamber of Agriculture of Carinthia, as well as Kärnten Werbung Marketing & Innovationsmanagement GmbH (a marketing and information hub for the Carinthian tourism). In Styria, there is also the „Regionalmanagement“, an organisation dealing with European Territorial Co-operation and international and regional economic development, with several offices. Then there is the Chamber of Commerce and ICS Steiermark, the latter being a One-Stop-Shop for Styrian export and all matters concerning internationalisation. In addition, there are several other institutions operating in Graz, including Steirische Wirtschaftsförderung (SFG) and Innovation Region Styria GmbH (an association of Innovation, Implus and Technocenters) that play a role in cross-border co-operation. In Burgenland, several local and regional development institutions are dealing with cross-border co-operation encompassing governmental institutions like Office of the European Office and Statistics as well as more business-oriented ones, such as BIC (Business & Innovation Centre Burgenland GmbH) and Wirtschaftsservice Burgenland.

In Slovenia, the regional development agencies (RDAs) are one of the key actors in the cross-border regional development. Beside RDAs, a potential for strengthening of cross-border collaboration on local levels exists in the network of local business support centres. Moreover, a network of so-called rural development cores is active in the field of entrepreneurial development in rural regions. A strong tradition of cross-border collaboration is to be mentioned on the part of chambers, namely the Chamber of Commerce and Industry of Slovenia with its regional chambers, and the Chamber of Craft of Slovenia with its regional chambers of craft in all administrative units. Quite intense co-operation with Austria has also been present among chambers of agriculture and forestry.

4.2. Global challenges and Europe 2020

Due to the high interconnectedness of global economies and the trans-boundary effects of recent crisis as well as anti-crisis measures, harmonisation and international coordination of economic policies is needed. To this end, this section analyses the key challenges identified for European regions over the coming years and the Europe 2020 strategy. The growth strategy called Europe 2020 represents the framework for action on the national and regional level in EU member states.

4.2.1. Global challenges

Four key challenges were identified for European regions over the coming years (Regions 2020: An Assessment of Future Challenges for EU Regions, 2008):

- Globalisation
- Demographic change
- Climate change
- Energy challenge

The opening up of huge new markets creates vast new opportunities for European countries, but at the same time tests Europe's capacity to further adjust to structural change and manage the social consequences of that change. Many regions in the north-west periphery of the EU will benefit from globalisation due to their high estimated productivity, employment rate, and education that enables strong scientific and technological progress in these regions. On the other hand, the regions located in the southern and eastern parts of the EU appear to be more exposed to the challenges of globalisation. Their vulnerability predominantly lies in the relatively large share of low value added activities and weaknesses in workforce qualifications, which may lead to difficulties in attracting investment and creating or maintaining jobs. Other factors, such as R&D and innovation performance, will also strongly influence the extent of regional exposure to globalisation and regions' capacity to face with the globalisation challenge (Regions 2020: An Assessment of Future Challenges for EU Regions, 2008). New converging technologies that emerge from multidisciplinary collaboration are expected to change all dimensions of life drastically. Most applications that are likely to be widely diffused in 2025 will combine different technologies such as biotechnology, nanotechnology, materials technology and information technology. Apart from the need to build a cyber-infrastructure with global standards, a system of open-source innovation and a mix of skills will be needed to establish virtual research organisations (Boden et al., 2010).

The age and employment structure of Europe societies will be significantly transformed due to demographic change. The prognoses show that population growth in the EU will slow down considerably compared to key competitors, in particular the United States, China and India, by 2020. It is estimated that within around one decade, rising employment rates will no longer be sufficient to compensate for the decline in the working-age population in the EU. The EU will also face one of the largest increases in old-age dependency ratios in the world after Japan (Boden et al., 2010). The ageing and shrinking of the population will have a wide-ranging impact on health and social security systems, on the economy and the labour market, and on public finance, raising important issues of both economic efficiency and intergenerational equity.

Climate change is the third Europe's challenge. Most European regions are anticipated to be negatively affected by future impacts of climate change on their environment, economy and society with regions under threat of flooding, coastal erosion, land degradation and desertification and potential drought hazard already being affected. Climate change poses challenges to a number of economic sectors that rely on ecosystem services and natural resources. Among the exposed sectors are tourism, large scale energy production, agriculture, forestry and fishery.

Secure, sustainable and competitive energy represents one of the main challenges. Due to the limited supply and increased global demand, the EU is becoming increasingly exposed to the effects of price volatility and price rises on international energy markets, and the consequences of the gradual geopolitical concentration of fossil fuel reserves. Another dimension of the energy challenge will be to move towards a low carbon economy by reducing greenhouse gas emissions through higher energy efficiency and a more pronounced role for renewable energies and the development of low carbon technologies. Energy efficient regions can benefit from the strong role which innovation, technology and ICT will play in the adaptation and mitigation process (Regions 2020: An Assessment of Future Challenges for EU Regions, 2008).

4.2.2. Europe 2020

Due to the financial and economic crisis years of economic and social progress in Europe were lost and structural weaknesses in Europe's economy have been exposed. The crisis has aggravated the labour productivity gap between the EU and the US, price and cost competitiveness remain problematic, emerging economies are returning to growth at a faster pace, and the abovementioned global challenges intensify. In order to exit from the crisis and address its global competitiveness, the EU has set a growth strategy called Europe 2020. This strategy puts forward three mutually reinforcing priorities (Europe 2020: A strategy for smart, sustainable and inclusive growth, 2010):

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

The aim of the smart growth priority is strengthening knowledge, innovation and digital society as drivers of EU future growth. To achieve these goals, EU countries must improve the quality of education, strengthen research performance, promote innovation and knowledge transfer throughout the European Union, make full use of information and communication technologies and ensure that innovative ideas can be quickly turned into new products and services. EU intends to boost smart growth through: creating a single digital market based on fast/ultrafast internet and interoperable applications ("Digital Agenda for Europe" initiative); refocusing R&D and innovation policy on major challenges like climate change, energy and resource efficiency, health and demographic change (the initiative "Innovation Union"); and helping students and trainees study abroad, equipping young people better for the job market, enhancing the performance of Europe's universities, and improving all levels of education and training (the initiative "Youth on the move").

The second priority, sustainable growth, encompasses measures aimed at: building a more competitive low-carbon economy that makes efficient, sustainable use of resources; protecting the environment, achieving Europe's leadership in developing new green technologies and production methods,

introducing efficient smart electricity grids, as well as taking advantage of EU-scale networks and improving the business environment, in particular for SMEs. Sustainable growth will be boosted through two flagship initiatives: “Resource-efficient Europe” that will support the shift towards a resource-efficient, low-carbon economy, and “An industrial policy for the globalisation era” that aims at implementing an industrial policy that will support entrepreneurship and will cover every part of the (international) value chain.

Finally, inclusive growth stands for a high-employment economy delivering economic, social and territorial cohesion. In other words, EU targets to raise employment rate (especially for women, young people and older workers), invest in skills and training, and modernise labour markets and welfare systems. These targets will be reached through the following two flagship initiatives: “Agenda for new skills and jobs” and “European platform against poverty”.

Regional policy can contribute substantially to the smart and sustainable growth through the actions it can support to tackle climate, energy and environmental issues. However, major changes in the way regional policy operates can be envisaged in the next multiannual financial framework. To contribute to the sustainable growth objectives and targets of Europe 2020, the regional policy identified three priorities: a low carbon economy, ecosystem services and biodiversity, and eco-innovation (Regional policy contributing to sustainable growth in Europe 2020, 2011). Transition to a low-carbon economy priority envisages focus on investments in energy efficiency, buildings, renewables and clean transport. The focus of the ecosystem services priority is, in particular, the protection of biodiversity, adaptation to climate change and natural disaster prevention, while the eco-innovation priority focuses on mobilising innovation partnerships (clusters) and ICT services and applications.

Communication 'Regional Policy contributing to smart growth in Europe 2020' suggests ways of building on regional diversity and ensuring an efficient use of scarce resources by exploiting synergies between funding sources and between the research and innovation systems in different regions. One important proposed action is ‘developing smart specialisation strategies’ that can ensure a more effective use of public funds and can stimulate private investment. The aim of this action is to concentrate resources on the most promising areas of comparative advantage, e.g. on clusters, existing sectors and cross-sectoral activities, eco-innovation, high value-added markets or specific research areas. It is important that the specialisation strategy is not imposed from above, but involves businesses, research centres and universities working together to identify region’s most promising areas of specialisation and also the weaknesses that hamper innovation.

4.3. Policy framework in Regiolab regions with the overview of on-going and past cross-border co-operation projects

Following the description of global challenges and Europe 2020 strategy, this section presents key policies and trends on a national level in Austria and Slovenia as well as those on a regional level for Regiolab regions. Changes in socio-economic and policy context also have an important impact on the selection and implementation of projects and designing new programmes. An overview of on-going and past cross-border co-operation projects between Slovenia and Austria in the period 2007-2013 is provided at the end of this section.

4.3.1. Key policies

4.3.1.1. Slovenia

Policies at the national level. In the economic sphere, Slovenia enjoyed a stable rate of GDP growth over the previous decade up until 2008, and its level of development was relatively quickly catching up with that of the EU. When the global economic crisis hit Slovenia, the level of the Slovenian gross domestic product per capita (in purchasing power) started to move away from the European average, which means a departure from implementing the central economic goal of the Slovenia's Development Strategy (SDS). Economic decline was largely the result of the fact that the increase in economic activity in the period before the economic crisis was not sufficiently based on structural measures and improved competitiveness. Instead, high economic growth during 2006-2008 was achieved in conditions of favourable international economic climate and high availability of financial resources in international markets and was further stimulated by high public investment in infrastructure (Development Report 2011). The labour-market situation started to deteriorate towards the end of 2008 and worsened further in 2009 when unemployment significantly rose while employment declined. Intervention measures put in place by the government prevented a further deterioration of the situation (subsidies to preserve jobs, a higher volume of active employment-policy programmes, and special allowance for socially disadvantaged people). Regions and subregional areas that were most severely hit by the economic crisis received special treatment of the Slovenian Government in the years 2009 and 2010 (Pomurje region, Bela krajina, Koroška region). Due to the difficult economic situation, economic factors gained in importance and prevailed over social and territorial objectives. Social cohesion was more or less linked to social rights and social transfers.

As a response to the crisis, the government adopted a Slovenian Exit Strategy 2010-2013 in February 2010. The exit strategy has been conceived as a combination of economic policy measures and structural changes that at the same time maintain fiscal sustainability and alleviate the social conditions of the most vulnerable groups while strengthening the competitiveness of the economy and facilitating the creation of new jobs. As part of the exit strategy, institutional adjustments have been planned with the view to improving the functioning of markets and public administration system. One of the key tasks has been to ensure consistency of short-term anti-crisis measures with objectives of long-term structural changes.

Policies at the regional level. In the period 2008-2011, a new law on provinces and a new law on balanced regional development were being prepared in Slovenia.

Debate on the establishment of provinces opened a discussion on potential relations between efficiency/growth and regional convergence and their impact on policy goals, especially in times of economic crisis. A Constitutional Amendment in June 2006 enabled provinces. Based on the Constitutional Amendment, a province legislation package was prepared but did not pass the Parliament in February 2008. With the new government, new legislation package was drawn up with the support of external experts, but due to the lack of political support adoption of province legislation package was postponed. The most important element of the package concerned area definition, names and administrative centres of the future provinces; passage of the law required a two-thirds majority.

After the postponement of the province legislation package, work on the new law on balanced regional development continued. The following key issues could be identified:

- There is a need to tackle additional concentration tendencies of economic activity, especially due to the asymmetric effect of the global economic and financial crisis. There are less-developed regions and sub-regions that are characterised by a lack of endogenous development factors (human capital, entrepreneurship, lack of domestic or foreign investments). These were most severely hit by the economic crisis and needed adequate support.
- Regional policy should not be the responsibility of one ministry only, but the responsibility of the government. This requires better integration of top-down and bottom-up approaches (coordinated policies with a multi-level governance approach).
- Focus on regional projects and institutional strengthening at the regional level (regional development agencies, regional councils, clear distinction between services of public interest and other services, sustainable financing of institutions at the regional level, ...).
- Strengthening of strategic co-operation in the cross-border and transnational context.
- Shifting from investment into physical infrastructure to supporting entrepreneurship, research, innovation and soft infrastructure, including attracting FDIs.
- Shifting from reactive project based policy to pro-active strategic regional policy. Investments that maximize the specific regional potential must be identified to generate the internal regional capacity to respond to changes.

In March 2011, the new law on balanced regional development passed Slovenian Parliament. In addition, there are several sectoral policies that have a strong impact on territorial development, especially rural development policy, tourism policy, promotion of entrepreneurship, transport policy (highways), labour market policy, education and human capital policy, environmental policy and housing policy. However, there is hard to define any regional dimension in these sectoral policies. Co-operation among sectors is implemented on the level of Cohesion policy only and not for the purpose of the regional policy. Some harmonization (co-operation) is taking place with the rural development policy. Regional policy is financed only from Cohesion policy – priority axis Development of Regions – and regional projects are not co-ordinated with sectoral policies. This priority axis includes and links the measures defined in the regional development programmes that are in the domain of self-governing local communities or for which it is sensible to be implemented in accordance with the characteristics of the local environment. An example of sectoral co-operation is the Act regulating Development Support to the Pomurje Region in the period 2010-2015. In this Act, different sectors have defined development support measures for Pomurje.

Cohesion policy (Operational Programmes) and rural development (Rural Development Plan) have a decisive influence on the promotion of development at the national and local level in Slovenia. For the 2007-13 period, Slovenia was allocated EUR 4.101 billion (current prices) of Structural Fund and Cohesion Fund financing under the Convergence objective. To complement the EU investment, Slovenia's overall annual contribution is expected to reach EUR 957 million after the programme closure. A financial aid of EUR 1.159 million of which EUR 900 million is EU financed has been allocated to the Rural Development Programme (RDP) for Slovenia.

4.3.1.2. Austria

Policies at the national level. Austria is among the richest countries in the world in terms of gross domestic product per capita; it has a well-developed social market economy and a high standard of

living. Labour movements are particularly strong in Austria and have a large influence on labour politics. Next to a highly developed industry, international tourism is the most important part of the national economy.

There is a wide range of policies that impact the socio-economic development in Austria. Especially, the tourism sector has been extremely successful in recent years. The new initiative aims at strengthening the sector and reducing its dependence on seasonal activities such as skiing. Also, the global economic downturn led to a decrease in the number of international tourists and an increase in the number of domestic tourists. As a result, there has been a greater focus on bringing in Austrian tourists.

Furthermore, the European Union has had an enormous impact on the Austrian economy. The expansion to the east considerably facilitated regional trade and enabled Austrian companies to become major players in these emerging economies. Especially the regions and the farmers in Austria have benefited from generous EU programs, aligning them with the average prosperity of other areas.

There are also strict labour laws and strong unions in Austria. Moreover, there is a push towards more equality in the workplace, especially about more women in leading positions.

Innovation has been another major focus. Due to the landscape, the country has heavily invested in renewable energy, and there is another initiative to promote further the independence from fossil fuels.

The state of the education system has also been the subject of controversy, as the need for reforms is recognized. The biggest issues are the unrestricted and free access to universities and the perceived backwardness of the secondary school.

Policies at the regional level. The economic progress of Styria has arguably been rather slow due to a political stalemate between the two big parties. However, it seems that after considerable losses during the last election the coalition has established a sound working relationship with the goal of ensuring the competitiveness of the region. Major new projects and policies have been introduced aimed at dealing with regional and global trends. The development Programme Regionext has been the most important project of the last years to improve the state of the Styrian regional policy. The goal of Regionext is to manage local, regional and state level responsibilities more efficiently while ensuring a higher overall quality. Within the next few years, the government hopes to establish the region as an interlaced location in Europe. This would encourage further integration of the economy, in the context of balanced and sustainable development. The goal is to establish Styria as "one brand". Regionext defines expanded regional responsibility as an essential goal for future regional development. The following key points are essential in addressing these issues: thematic and structural clustering of development activities at a local, regional and national level; broad regional anchor with more responsibility and commitment; attractive living space for the population and increased competitiveness through the use of regional potentials.

While the fundamental institutions of all Austrian provinces are alike, they differ in the way they organise their administration. Carinthia for various reasons went very far in outsourcing tasks that in other provinces are being done by government offices ("Amt der Landesregierung") to agencies. The most prominent case in point might be the Carinthian Economic Promotion Fund (KWF) that is financed by the government yet not directly subjected to it but an own governing body.

To exit from the recent crises, Carinthia prepared several new strategies. At the end of 2009, a Carinthian strategy for research, technological development and innovation (RTDI) was presented. The

document depicted a vision for Carinthia in 2020 and defined three areas for action: education (strengthening of Carinthia's universities), research (expanding science and industry co-operation), and innovation (broadening Carinthia's innovation base). Four „priority axes“ should strengthen the Carinthia's innovation system in the long term: human resources (more and better qualified people in research), information and communication technologies (ICT location Carinthia with international profile), production technologies (increased competitiveness in all branches), sustainability (prosperity and quality of living also for future generations). Improvements in two areas of the province's "innovation architecture" to optimise the implementation of innovations were sketched: „innovation spaces“ (development of locations with international attraction) and innovation management (supporting the dynamism of innovation system by continuous processes of learning and discussion, focusing public subsidies to RTDI, and integration of all relevant policy areas).

In 2011, a new strategy for Carinthian economic policy was prepared, which defined six measurable goals to be reached within the next five years: increase the regional GDP to the Austrian average; reduce net borrowing to zero, and, after 2015, reduce the debt ratio to the Austrian average; continuously reduce unemployment ratio to Austrian average; stabilise continually high regional R&D ratio; stop population decline; keep the high ratio of population with secondary schooling and increase the share of population with university degree to the Austrian average. In addition to the economic strategy, the region's marketing strategy was being redirected to reduce its orientation on events and increase its emotional appeal. Finally, the regional adaptation of the Austrian Programme for Rural Development 2007-2013 (ELER) was prepared.

The main policies for Burgenland were integrated within the "Operational Programme Phasing Out Burgenland 2007-2013 ERDF", which was the Instrument for the economic support of the regional development of Burgenland. This Programme involved Community support for Burgenland within the framework of "Convergence Phasing-Out" objective. The total budget of the programme was around EUR 167 million, and the Community assistance through the ERDF amounted to approximately EUR 125 million. The principal objectives of the Phasing Out Burgenland 2007-2013 ERDF Programme were: enhancement of competitive structures, promotion of attractive regions and guarantee of environmental sustainability. The Programme was structured along two priority axes. Priority axis 1 "Competitiveness and innovative regional economy structures" was focused on the advancement of already commenced structural changes and was to be pursued through the support of research & development, enhancement of networking, clusters and creation of competence centres, innovation and access to new markets. Priority axis 2 "Infrastructure and sustainable regional development" on the other hand aimed at improvement of the quality of lives for Burgenland inhabitants. Here, activities in the area of further regional development through tourism and transport infrastructure were also complemented with actions in the field of sustainable development, especially renewable energies.

4.3.2. Key trends

4.3.2.1. Slovenia

Trends at the national level. A sharp drop in foreign demand, limited financing possibilities (credit crunch), structural weaknesses of the Slovenian economy (especially a relatively large share of low- and medium-technology industries) and second round of the privatisation process (management buy-outs) were the main reasons for the decline in Slovenian exports and fixed capital formation after the

outbreak of the world crisis, the key drivers of economic growth in previous years. Due to Slovenia's high dependence on exports, conditions in the international economic environment have also had a significant impact on corporate investment decisions regarding the purchase of equipment and machinery. The relatively high economic growth Slovenia recorded in the second half of the previous decade and until the beginning of the economic crisis was not based enough on the increase in productivity that would arise from the improvement of competitiveness factors. During the economic crisis, we have therefore witnessed passive restructuring rather than planned efforts aimed at restructuring and the creation of high value-added jobs. The insufficient competitive capacity of the economy has also been a consequence of the inefficient use of knowledge in economic development (Development Report 2010).

The major drawbacks in the area of stimulations of competitiveness factors include the insufficient consolidation of knowledge-based society factors, which is shown mostly in weak research and development activity that is not adequately connected with the entrepreneurial sector and in the relatively low efficiency of tertiary education, which is also insufficiently aligned with the labour market demand for graduates. Despite the fact that some effort has been made in the reduction of the administrative obstacles occurring in the development of entrepreneurship, highly complex bureaucratic procedures still hinder the founding and operation of companies.

Also, the relatively rigid labour market prevents a faster abolishment of economically non-viable economic areas which represents not only an obstacle to faster economic development but also an obstacle to foreign direct investments that can play an important role in the increase of productivity levels in companies through their transfer of knowledge and technology. Furthermore, the greatest short-term obstacles to faster economic recovery lie in the lack of payment discipline and lack of financing resources for companies.

Therefore, it is necessary that Slovenia restrains its government expenditure growth and implements structural reforms of the pension and healthcare systems in the mid-term. There are other measures in the areas of employment, payment discipline, efficient financing of companies, governance and administrative procedures that deemed to be the most critical and of such a nature that are possible to be implemented in the short-term.

Trends at the regional level. The recent economic recession affected regions differently. Lagging regions, characterised by low GDP per capita, high unemployment rates, low employment rates, low educational level, low R&D activity and often by poor transport connections (Koroška, Savinjska and Pomurska region), were affected more than others. They are dominated by low value-added industries, including textiles, construction, agriculture, mining and others that have been increasingly exposed to competitive pressures. According to the data available (unemployment rate), Slovenian regions are not recovering from the crisis at the moment because modest GDP growth does not lead to new jobs. In general, regions are not being affected differentially by the current macro-economic policy. Policies of fiscal consolidation are not reducing the funds available for supporting regional development significantly because regional development support is predominantly financed from the Structural Funds available under EU Cohesion Policy.

The Gorenjska region was marked by several large investment projects in the last years, including the construction of photovoltaic power plants; renovation and equipment of the ski jumps, and the construction of the ski-run stadium with accompanying facility to the ski-running tracks in the

framework of the Nordic Centre Planica project; Gorenjska municipal infrastructure GORKI encompassing two projects, namely wastewater treatment and drinking water supply; and the construction of Business and Logistics Zone Brnik located in the area of the international airport of Ljubljana. In addition, two development centres have been established: RC IKT Kranj, which is the first technology park in Gorenjska, and RC Jesenice, a company for the development of new materials and technologies. In October 2011, a regional destination organization was formally launched with the aim to market Gorenjska as the most relaxed and easily accessible among alpine tourist destinations. For the coming years the establishment of the University of Gorenjska, based in Kranj, is planned with the aim to connect the existing higher education institutions in the region and initiatives in this area and to enable further development of the university.

Concerning the economic structure of the Osrednjeslovenska region, the significance of the service sector is growing. This especially applies to public services, but also to retail, tourist and financial services. Manufacturing, however, remains the most important employer, notably in the pharmaceuticals, petrochemicals and food processing. The restructuring process continues mainly in the direction of strengthening high technology activities. Within industry developments, it is important to underline the collapse of the Slovenian construction sector as a consequence of the economic crisis, liquidity problems, bad management and insolvency problems. Almost all large Slovenian construction companies were involved in bankruptcy procedures, including SCT, GPG and Energoplan located in the Osrednjeslovenska region. Due to the economic downturn, other business services have been facing decreasing demand (advertisement, architecture, accounting, etc.) and the largest logistic company located in the region (Viator Vektor) went bankrupt. The pace of the economic recovery has been also held back by the difficulties of the banking sector (credit crunch). Employment in the financial sector (banks, insurance companies) is expected to decline in the next years. In the public sector, the level of employment has remained very stable, but due to the planned fiscal consolidation a reform of the public sector is expected. The Osrednjeslovenska region should set a regional strategy in the years to come (logistic position, university city, R&D, creative industries, tourism) in order to compete with neighbouring regions.

In the Koroška region, investments in production in the amount of EUR 50 million have been carried out in 2011. Major investors were large companies that exert extremely high impact in the region (Metal Ravne, TAB Mežica, Petrol Energetika, TUS KO-SI Slovenj Gradec and GEP Štaleker). Among factors that hinder investment in the region is expensive land, especially compared to the neighbouring Austria, where the policy in Bleiburg managed to attract people and businesses from the Slovenian side of the border by offering favourable land prices for residential and business purposes. Other major investments in the region include the construction of the Regional Centre for Waste Management (KOCEROD), and the investment in the modernization of ski resort Kope and the construction of hostel in Ravne na Koroškem. In terms of human resources and the quality and accessibility of health services, the new contraction and reconstruction of Slovenj Gradec General Hospital is an extremely important investment. Among investments that had been realized, but later did not bring the expected effect, are the modernisation of ski run Ivarčko-Ošven, and reconstruction of the once very famous spa Rimski vrelec. An important tool for the economic advancement of the region represents the foundation of the RACE KOGO, the development center of the Koroška. The centre will allocate the majority of its EUR 3.5 million of European funds to the development of timber industry and technologies for the development of new materials.

A key project for the development of the Savinjska region (and the Koroška region as well) is the »3rd development axis«. This is a transport corridor that would connect the Koroška region (in the North of Slovenia) with the Bela Krajina (in the Southeast of Slovenia). A large part of the road alignment would pass the Savinjska region, which urgently needs the new road link. The project has the support of economic policy and, in particular, the regional economy, but, in addition to a lack of money, there are problems with the placement of road alignment in space. Another major investment project in Savinjska region is the construction of Unit 6 of the Šoštanj Power Plant (TEŠ 6 - one of the major investment projects in the country).

In 2010 and 2011, a large number of companies in the Savinjska region went bankrupt. Two of the more painful bankruptcies were the bankruptcies of company's Alpos from Šentjur and construction company Vegrad. On the other hand, the best results of operation in the region have been achieved by SMEs that are export-oriented and have an innovative technology. The key tourism products of the Savinjska region are thermal spas, which have not yet experienced the recession to a large degree.

The Podravska regional economy is facing heavy structural problems, dominated by low-technology and low-value-added industries. Formation of enterprises (mostly self-employment in micro enterprises) has exceeded the national average; however, these enterprises do not grow and mostly have little or no potential for growth (non-innovative activity, low value added, local market orientation). The Region has a little number of viable medium-sized and large companies and a very small number of innovative enterprises. Therefore, the region has been facing strong brain drain, especially among the young. The region's capital has planned and to some extent realised huge investments related to the project "Cultural Capital of Europe", but with probably little long-term leverage in other activities (such as tourism) and short-term leverage in the creation of jobs. According to the financial standing of municipalities and the submitted project proposals for ERDF funding through OP RD (in the 2007-2013 financial perspective), the situation will not improve.

The economic crisis hit the Pomurska region harder than other Slovenian regions due to the economic weakness of the region. The national government passed a Law on development support to the Pomurska region in the period 2010-2015, combining intervention in the form of financial and fiscal advantages and prioritization of the region in some key programs of EU Cohesion policy to be implemented in Slovenia. In addition to the Programme Pomurje 2015, incentives and tax credits for employment and tax relief for investment until 2015 were introduced in the region.

In 2010 and 2011, the Pomurska region invested in the setting-up of educational and three development centres. The basic purpose of the educational centre MIC Pomurje is to connect educational institutions with the industry while the three development centres operate in the fields of new materials, drivers of nautical technology and SAS technology; modular and adaptive signal processing systems for broadcasting; and the production of energy from municipal waste. In the field of agriculture, there has been growing interest in horticulture due to the potential exploitation of geothermal energy resources in the region. In addition, investments in energy efficiency are implemented in the region. Future potentials are also to be exploited in tourism, which is at the moment characterized by a seasonal operation of the tourism industry, low marketing of cultural and natural heritage, lack of information exchange within the tourism industry, and lack of micro and small tourist business.

4.3.2.2. Austria

Trends at the national level. Austria is a small, prosperous and highly open economy in the centre of Europe. It is highly integrated with other EU and euro area economies, especially with its larger neighbour, Germany, but also with other Central and Eastern European countries. Austria, like other export-oriented economies, was hit hard by the crisis, revealing particular vulnerability. Due to countervailing measures by the government, the global economic crisis hit Austria slightly less hard than the EU-27 as a whole (Austrian GDP fell by 3.9% in 2009 as opposed to 4.2% in the EU-27). However, some specific sectors and some Bundesländer suffered considerably.

The manufacture of goods for export, the driver of Austrian economic development in the past, began to slow in the third quarter of 2008, followed by a substantial decline in total exports. This triggered job losses, leading to increasing unemployment in the federal states with a strong industrial base (i.e. Upper Austria, Styria) but also in the economically weaker regions such as Carinthia.

The rapid and successful expansion of Austrian financial services into the newly emerging economies of Central and Eastern Europe (CEE) and South-East Europe (SEE) poses significant regulatory challenges. The global financial crisis severely affected the international portfolio of the Austrian banking sector. Further risks were revealed through the high level of lending in foreign currencies, and to a lesser degree, the participation in high-risk international investments in other regions. Therefore substantial public intervention was needed to support the banking sector in the wake of the global crisis.

Budgetary consolidation influences public finances and poses a particular risk to investment in regional development. Public budgets are at present exposed to considerable pressure because of measures introduced to offset the impact of the economic crisis, declining revenue and long-term structural problems like rapidly growing healthcare and pension expenditure. Because of declining public finance for investment, the room for manoeuvre is becoming tighter, and the continued availability of national co-finance could become a problem in particular in those areas where the public sector share is significant (regional and urban development, non-commercial projects, etc.).

The Austrian economy started to recover in the second half of 2009 on the back of strengthening external demand and has surpassed its pre-crisis peak in the first quarter of 2011. Since the end of 2009, the Austrian labour market has also recovered relatively quickly. However, economic growth has slowed markedly in the second half of 2011 and remained low in the next years.

The Austrian economy continues to impress with very good economic performance while maintaining a high degree of social cohesion. This strength rests on three pillars:

- A successful export-oriented economy with entrepreneurs, who understood how to reap the benefits from past decades of European integration for workers, asset holders and the treasury alike.
- A highly skilled and motivated labour force, underpinning generally good labour market performance measured by low unemployment overall and especially low youth unemployment.
- Social partners, taking responsibility for preparing reform proposals for the government and going beyond the traditional role of negotiating wages and work conditions as well as organising social security services.

Despite the broadening recovery, Austria faces several challenges over the medium term, and potential growth is unlikely to return to pre-crisis levels unless structural reforms are pushed forward. First, fiscal

policy is moving towards consolidation, damping demand and even stronger consolidation efforts than currently planned might be necessary in the future. Second, the growth impetus from European integration is likely to weaken over the coming years. Over the previous decade, strong export growth to the CEE region and robust productivity growth in the export sector stemming from company restructuring in the wake of EU accession boosted economic growth. Finally, ageing will also negatively affect potential growth.

Trends at the regional level. Essential framework conditions for the Styrian economy include increased immigration in the agglomeration area of Graz, low population growth, ongoing demographic change and high production costs. Furthermore, the budgetary scope for realizing extensive projects has narrowed due to the financial crisis and unsustainable policies. These challenges require a focus on essential key objectives such as R & D, innovation and education of employees.

It seems that Styria is making progress in dealing with regional trends and challenges. The issue of public debt is an important part of the agenda for the mid-future, and the government hopes to address it by passing significant administrative and structural reforms. Specifically, the administrative reform plans to consolidate some of the numerous counties and decrease the size of the regional government. This would result in significant cost-savings and lead to efficient governing. The Programme of the new Styrian government also includes a focus on education. This means further support for a new form of the secondary school. Concerning research, the goal is to raise the R&D expenditure to 5% of regional GDP and to continue to financially support the 20 competence centers. In addition to these reforms, there are various sizable projects that will play a major role in supporting and improving the state of the Styrian economy. These projects include: Steiermark 2020 – the new “Economic Strategy Styria 2020 - Growth through Innovation” is further expanding on the strategy “Innovation in Series”; Master plan Tourism – the goal is to establish coherent and concise means of communication for the promotion of tourism in Styria; Energy Strategy Styria 2025 – the goal is to establish the region as the leader in energy and environmental technology; FIS Alpine Ski WM – the project of Alpine Skiing World Cup in Schladming; the re-opening of the racing course Spielberg “New”.

The most important drivers of Carinthian politics over the last years certainly were the economic crisis that hit Carinthia harder than other Austrian provinces; the distress of the regional Hypo Alpe Adria Bank; the expansion of the region's debt position; and, of course, the death of charismatic governor Jörg Haider in 2008 and the regional elections of 2009. Long term developments such as the looming over-aging and decrease of Carinthia's population are increasingly getting public attention; a very recent landmark is the consensus on the increase of the number of bilingual place-name signs in localities with Slovenian population, widely welcomed as a significant step to end a decade-long controversy that has left its mark on Carinthia. Next, years of diminished expectations in public support are to come as due to the very high levels of public debt the regional government took countermeasures. These affect, among others, the region's social and health systems, its culture budget, its administration and regional agencies. Moreover, there is a shift in the character of the main public infrastructure projects under construction from investment into public buildings to the development of the technology park on the campus of the University of Klagenfurt and a new framework to support the development of alternative energies and e-mobility.

Compared to other regions in Austria, the impact of the financial and economic crisis was not so adverse in Burgenland. The reasons for this seem to be the timely economic aid from the government and the lower industrialization of Burgenland compared to other Austrian regions (ORF Burgenland, 2009). Also

the Operational Programme Burgenland 2007–2013 helped to upkeep investments and the economic flow during the financial and economic crisis. At present, renewable energy and tourism are seen as key trends to strengthen regional development in Burgenland. The energy autonomy is the declared aim of Burgenland. To reach this aim, the Austrian Wind Power in co-operation with BEWAG established wind turbines across Burgenland. In order to prearrange the present and future developments, several cross-border projects try to promote new and already developed technologies. Further uprising companies in the sectors of LED, biomass, biogas and energy production have been established in the past years and try to develop advanced technologies in the sector of renewable energy. Besides renewable energy and tourism, innovation is another strategic priority in Burgenland. A regional innovation programme started in 2011 to support especially SMEs in their efforts for innovation and new technologies.

4.3.3. On-going and past cross-border co-operation projects

In order to improve future cross-border co-operation between Slovenia and Austria, it is vital to learn from previous experience. In this section, we present and analyse CBC projects in the period 2007-2013, which were approved within the first and second deadline of the 1st Open Call for Proposals and the first deadline of the 2nd Open Call for Proposals. The analysis is based on personal interviews with project leaders that were conducted within the Regiolab project. The aim was to identify the topics for co-operation, depth & intensity of co-operation, complexity/sophistication of co-operation actions and level of ambition.

A total of 25 operations in the Regiolab area were approved within the analysed Open Calls for Proposals. CBC interventions focused mostly on enhancing the socio-economic development of the respective co-operation areas, i.e. the development of businesses, especially SMEs, and support environment for entrepreneurship, networking and R&D, technology transfer, tourism and regional development, strategy development for labour market policies, and co-operation in educational programmes.

The overall co-operation performance of the analysed CBC projects was on average very high. The vast majority of projects were characterised by very intense (permanent) communication and co-operation of project partners, meaning that a real partnership with equal treatment of partners was established. Only in the case of three projects, the depth and intensity of co-operation were assessed as being only average. The main problems identified were a lack of communication and/or less ambitious implementation on the side of Slovenian partners. Also, the complexity and sophistication of co-operation actions were on average very high. In most projects an innovative approach was applied in the form of new instruments, new forms of co-operation, and/or new concepts for the cross-border area. Among projects where complexity and sophistication of co-operation actions were on a lower level (lack of innovative approach), two projects reported on having implemented ordinary activities that were, however, new for the involved partners, and in one project co-operation actions encompassed everyday activities of the partners involved. Concerning the level of ambition, considerable results and high impact on target groups and CBC area were or will be achieved with the majority of CBC interventions. None of the implemented projects failed to have at least some results and moderate impact on target groups and CBC area.

Concerning the perspectives for the future, roughly half of the analysed CBC projects are expected to continue or already continue with project activities and the other half plan to upgrade project activities after the closure of the project.

4.4. SWOT analysis

The purpose of the SWOT analysis is to highlight the dominant and determining factors, both within and outside Regiolab regions, likely to influence their development. The SWOT analysis is based on the previous analyses of regions' socio-economic situation and the policies and trends at the regional, national and EU level as well as worldwide.

SWOT analysis is the analysis of key strengths, weaknesses, opportunities and threats of a certain area, in our case Regiolab regions. Strengths and weaknesses are internal factors that create value or destroy value. They can include assets, skills or resources that a region has at its disposal, compared to its competitors. They can be measured using internal assessments or external benchmarking. Opportunities and threats, on the other hand, are external factors that create value or destroy value. A region cannot control them. They emerge from either the competitive dynamics of the industry/market or from demographic, economic, political, technical, social, legal or cultural factors.

In compiling the SWOT analysis, the focus was on the following areas of socio-economic development:

- Demography
- Economy
- Tourism
- Agriculture and rural development
- Research and innovation
- Human resources
- ICT
- Local and regional development

The underlying strengths and weaknesses of the cross-border area Slovenia-Austria are presented in the table below for the main sectors/fields of co-operation. Each strength and weakness is ranked according to the following scale: 1 – very important/very relevant, 2 – important/relevant, 3 – of low importance/of low relevance.

SWOT analysis reveals several strengths of the cross-border area, particularly in the fields of tourism, agriculture and rural development, green technologies, renewable energy and measures for efficient use of energy, research and innovation, human resources and other. In the field of tourism, the relevant strengths are the internationally competitive tourist destinations (alpine & lakeside resorts, protected areas), the variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) that offers the potential for development of attractive tourism products, the traditional sport and cultural events being organised as well as the offer of innovative products. The weaknesses that hamper further tourism sector development are in the first place lack of destination management, which is especially relevant for the Slovenian regions (lack of co-operation, lack of branding, lack of promotion) and as a consequence non-recognisability of destinations and sub-destinations.

In the field of agriculture and rural development, the strength of the cross-border area lies in its rich cultural (tradition, food, drinks, crafts) and natural heritage. Moreover, the cross-border region is characterised by the diversity of cultural landscape and preservation of the natural environment in the countryside. The area has vast natural opportunities for traditional, organic and integral production in agriculture and forestry with a lot of good practices in the field of organic farming, new products, food processing, innovative marketing (new brands, direct marketing, agro-tourism). An important strength is a well-developed network of schools specialized in agriculture on both sides of the border. On the other hand, the main weaknesses that have been identified pertain to lack of efficient vertical and horizontal networking in agri-food and forestry sector, and lack of efficient marketing, especially on the Slovenian side. Low competitiveness of domestic products on the single and world market also represents a problem.

Regarding economic development, important strengths of the Regiolab area are industrial clusters established in specific fields of strong industries, esp. on the Austrian side, and successful export-oriented enterprises, especially from the manufacturing sector. On the other hand, the service sector competitiveness and internationalization is still weak. Emerging strong industries in the fields of green technologies (renewable energy, efficient use of energy) are an important future potential.

The cross-border area is characterised by highly skilled and motivated labour force. On both sides of the border, there has been an upward trend in the educational attainment level of the employed as well as in the inclusion of people in lifelong learning. There are a number of universities, high school colleges, research organisations, and training organisations located in the cross-border area. Nevertheless, an important obstacle to economic development in the whole cross-border area is a lack of human resources in technical professions (natural science and technology) of all qualification levels (from apprenticeship to university degree) and the increase in (structural) unemployment as a consequence of the recent world economic and financial crises.

The research and innovation capacities are wide with a large number of universities, many non-university research centres, competence centres, centres of excellence being present in the area (concentrated in the Styria region on the Austrian side and the Osrednjeslovenska region on the Slovenian side). Some world-class companies contribute significantly to the R&D activity. However, low level of cross-border (or trans-national) co-operation in the field of research and innovation, especially among SMEs, and low participation of SME's in innovation and technology transfer activities hinders further development. An important weakness on the Slovenian side is also poor knowledge transfer from research and academic institutions to companies and low level of commercialization of the results of scientific research (launch of new products/services to the market).

Finally, the strategic position of the Regiolab regions in the EU must be highlighted. The regions represent a link between Germany, Italy, South-East and Central Europe. There are regional and local structures in place enabling the cross-border co-operation. Nevertheless, insufficient project management capacities and funds, in particular in smaller municipalities and with actors at the local level, as well as overlapping of support institutions reduces the development potential.

Table 10: Strengths and weaknesses of Regiolab regions

SECTOR	STRENGTHS	RANK (1-3)	WEAKNESSES	RANK (1-3)
Demography	Population growth	2	Ageing of population	1
			Migration of young people from rural to urban centres due to lack of employment possibilities	1
Economy	Industrial clusters established in specific fields of strong industries, esp. at the Austrian side	1	Weak competitiveness of the service sector	1
	Export orientation of companies	1	Bankruptcy of large manufacturing companies	1
	Newly emerging strong industries, esp. in renewable energy	2	Problems in the banking sector	1
	Several business and industrial sites (or space for them available)	2	Lack of business activities in rural parts of regions	2
	Industrial tradition	2	Low level of innovation in companies	2
			Few cross-border co-operations of industrial clusters; economic infrastructure	2
			Insufficient support for cross-border co-operation among SMEs at both sides of the border	2
Tourism	Internationally competitive destinations (alpine & lakeside resorts, protected areas)	1	Lack of destination management, esp. at the Slovenian side (lack of co-operation, lack of branding, lack of promotion)	1
	Variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) as a potential for development of attractive tourism products	1	Non-recognisability of destinations and sub-destinations	1
	Several traditional sport and cultural events	1	Low level of cross-border destination development with internationally visible tourism offers (competition instead of co-operation)	2
	Innovative products existing	1	Inadequate quality of accommodation and services, especially at the Slovenian side	2
	Good cultural offer also in smaller towns, but poorly integrated into tourism	2		
	Rich offer of wines and food	2		
Agriculture and rural development	Rich cultural (tradition, food, drinks, crafts) and natural heritage	1	Unfavourable age and education structure of farmers	1
	Natural opportunities for traditional, organic and integral production in agriculture and forestry	1	Lack of efficient vertical and horizontal networking in agrifood and forestry sector and lack of efficient marketing, especially in Slovenia	1
	Well-developed network of schools specialized in agriculture (Bruck/Mur, BOKU-Wien, Slovenian side)	1	Low competitiveness of domestic products on the single and world market	1
	Diversity of cultural landscape and preservation of the natural environment on the countryside	1	Low rate of specialisation in agriculture	2

	A lot of good practices in the field of organic farming, new products, food processing, innovative marketing (new brands, direct marketing, agro-tourism)	2	Agriculture and forestry do not provide for sufficient income	2
	Expert services available providing education and training for people involved with agriculture and food processing	2	Small-sized farming structure is a permanent risk	2
Research & innovation	Large number of universities, many non-university research centres, competence centres, centres of excellence	1	Low participation of regional SME's in innovation and technology transfer activities	1
	Some world-class companies	1	Lack of employment opportunities for highly educated persons in some regions	1
	Support infrastructure existing: technology parks, incubators offering space, services and seed capital	2	Low level of cross-border co-operation in the field of research and innovation, especially among SMEs	2
			Overlapping of support institutions: incomplete support	2
			Low level of business R&D at the Slovenian side	2
			Poor linking of university's research capacities with economy (also due to lack of larger and innovative companies) and authorities	3
Human resources	Growth of the educational level of the employed	1	Lack of human resources of all qualification levels (from university degree to apprenticeship) in technical professions (natural science and technology)	1
	Universities, high school colleges, research organisations, and training organisations located in the region	1	High unemployment rates, constantly above national average, especially in some regions at the Slovenian side	1
	Growth in the inclusion of people in lifelong learning	1	Structural unemployment (older workers, less educated, young workers, women)	1
	New regional educational institutions	1	High (and growing) share of unemployed with tertiary education	2
	Specialised support institutions/programmes in place for the unemployed and other vulnerable target groups	2	Educational system (all levels) rather rigid; does not respond to market needs	2
	Well-educated and trained workforce in some sectors	2	Inability of the business sector to express its longer-term needs (lack of larger companies) and to sufficiently invest in human resource development	2
	Existence of regional scholarships schemes	2		
ICT	Rather high level of ICT infrastructure and services (e-services) development; broadband internet access in progress, also in some smaller (rural) municipalities	2	ICT services still rather poorly used in many SMEs (lack of funds, lack of awareness)	2

			Generally, lower level of ICT infrastructure & services development in rural areas	2
Local and regional development	Different EU funding programmes available	1	Overlapping of support institutions	1
	Strategic position of the Regiolab regions in EU (link between Germany, Italy, South-East and Central Europe)	1	Insufficient project management capacities, in particular in smaller municipalities and with other actors at local level	1
	Many on-going regional and CBC projects	1	Insufficient funds, in particular in smaller municipalities and with other actors at local level	1
	Established regional and local development structures	2	A history of bad-performed projects increases cynicism among development institutions' personnel as well as among the public	2
			Lack of co-operation among support institutions and strong local influence	2
			A large number of municipalities and rather low level of networking and co-operation among them; absence of regional goals / strategies implemented at the Slovenian side	3
			General lack of co-operation among actors within regions, in all fields and levels	3
			Lack of consistency in regional support programmes	2

Besides internal factors (strengths and weakness) there are also several external factors (opportunities and threats) that influence the development of the Regiolab area. These external factors are presented in the table below for the main sectors/fields of co-operation. Each statement is ranked according to the following scale: 1 – very important/very relevant, 2 – important/relevant, 3 – of low importance/low relevance.

Among very important opportunities are those concerning the green & healthy & natural aspects of life. Namely, green tourism (nature, cultural heritage, personalisation, local supply) is an important opportunity for the Regiolab region. Moreover, lifestyle changes to more resource- and value-consciousness food consumption increase demand for organic, local, and more expensive specialty food, which is an important opportunity for the predominantly low-intensive agriculture in the Regiolab area. The fundamental challenge for the majority of farmers and – in a wider view – also for the entire rural area has been the highly liberalised European market since 2013.

In addition, great opportunities could be explored by attracting investments in the field of green technologies, renewable energy and measures for efficient use of energy. An important opportunity is also increasing possibilities for collaboration and information gathering over the internet, accompanied by improved transport infrastructures & logistic services that reduce the effect of limited local availability of customers, suppliers or/and development partners.

The problem of population ageing is mitigated by the fact that increasing levels of health and health care enable people to stay productive for more years than was possible in the past. Nevertheless, increasing workplace stress levels might prevent people to stay in jobs for a longer time. Also, the EU-Blue-Card allowing high-skilled non-EU citizens to work and live in the European Union can compensate

for the lack of (especially technology) experts from specific fields. However, an important threat in this regard is the mistrust of foreigners – to be also found amongst other Alpine populations – that might hinder immigration to be wholeheartedly welcomed as a means to fight the demographic trend. Also, many other regions of nearby European countries have ageing populations, too, limiting immigration pool from countries with similar cultures.

Regarding R&D and innovation, increasing international competition in many industries was recognised as an opportunity on one hand because it puts pressure on local companies to innovate and do research. On the other hand, the expected faster development of R&D sectors in neighbouring (non-EU) countries might hinder involvement of regional R&D institutions in international consortia.

Table 11: Opportunities and threats of Regiolab regions

SECTOR	OPPORTUNITIES	RANK (1-3)	THREATS	RANK (1-3)
Demography	Increasing levels of health and health care will enable people to stay productive for more years than was possible in the past	1	Increasing workplace stress levels will prevent people to stay in jobs for a longer time than was possible in the past	1
	Increasing population pressure in developing countries will provide supply of (often well-trained) young people.	1	Mistrust against foreigners – to be found also amongst other Alpine populations – will hinder immigration to be wholeheartedly welcomed as a means to fight demographic trend	1
			Many other regions of nearby European countries have ageing populations, too, limiting immigration pool from countries with similar cultures	1
			Further ageing of population	1
			Brain-drain	2
Economy	Increased awareness of environmental issues and the expected consequences of climate change could attract investments in the field of green technologies, renewable energy and measures for efficient use of energy	1	Increasing international competition in all industries & technologies	1
	Increasing possibilities for collaboration and information gathering over the internet accompanied by improved transport infrastructures & logistic services together reduce the effect of limited local availability of customers, suppliers or development partners	1	Continuation of economic downturn	1
	Demand for creative industries	2	Very strong competition in regional “future technologies” – i.e. similar development visions based on IT and renewable energy technology	2
			High costs of new technologies	2
Tourism	Green tourism (nature, cultural heritage, personalisation, local supply)	1	Economic crisis in the Mediterranean countries will drive down prices there and put pressure on prices in the Regiolab area	1
	Increasing wealth in CEE, Russia and Asian countries are potentially important future inbound markets	1	Climate change will adversely affect weather both in summer and winter, diminishing the attraction of the area relatively to destinations less dependent	1

			on outdoor offers	
	Political unrest in the Mediterranean countries will increase the tourist attractiveness of the Regiolab area	2	Declining buying power of population and tourists due to increased unemployment	1
	Increasing energy prices will increase the cost of travel, esp. to overseas destinations, and thereby increase the attractiveness of Regiolab destinations for domestic tourists and for tourist from the neighbouring countries	2	Offer of similar tourism products in neighbouring regions/countries, but at different price levels	2
Agriculture and rural development	Increasing concerns about food safety make domestic, quality-assured offers more attractive	2	Continuously improved transport infrastructure & logistic technologies increase competition in food markets	1
	Lifestyle changes to more resource- and value-consciousness increase demand for organic, local, and more expensive specialty food	2	The perspective of highly liberalised European markets after 2013 represents a fundamental challenge for the majority of farmers and – in a wider view – also for the entire rural areas	1
			Abandonment of agricultural and forestry production and thus the loss of traditional rural lifestyle	2
Research & innovation	Increasing international competition in many industries put pressure on companies to innovate and do research	1	Expected faster development of R&D sectors in neighbouring (non-EU) countries might hinder involvement of regional R&D institutions in international consortia	1
	Increasing possibilities for collaboration and information gathering over the internet reduce the effects of limited local availability of R&D services or partners especially	1	The increasing pressure for specialisation of R&D service providers to keep up with state-of-the-art technologies cuts them off from regional customers	2
			Increased international competition among R&D service providers erodes the home markets of regional research institutes	2
Human resources	The EU- Blue-Card allowing high-skilled non-EU citizens to work and live in the European Union can compensate for the lack of (technology) experts from specific fields	1	The EU-Blue-Card allowing high-skilled non-EU citizens to work and live in the European Union are a potential threat to local high-skilled citizen who seek work	1
	Increasing demand for work-life balance favours regions that offer both high-tech firms and recreation in preserved natural environment	2	In addition to demographic change, the trend towards “soft” studies dries up supply of technology experts for traditional manufacturing and high-tech sectors alike.	1
	Liberalisation of the job market on the 1 st May 2011 is an opportunity for the industry (metal, electrics) to get additional human resources	2	In addition to demographic change, the trend towards higher schooling of youth dries up supply of skilled workers of lower qualification levels	1
	Political support to social entrepreneurship	3	"Brain-drain" on regional and national level due to lack of adequate jobs might continue and increase	2
ICT	Digitalization	1	Small market will further hinder competitiveness among ICT service providers resulting in higher costs	2
	Further national and EU support for development of ICT infrastructure and services will enable	2	»Digital divide«	2

	development of new solutions and increase the use of ICT services in poorly covered areas of the region and among specific groups of potential users			
Local and regional development	Increasing demand for innovation and R&D from the side of companies driven by international competition creates a more responsive customer base for development institutions	2	Increasing pressure on public budgets will limit available resources for support activities of regional and local development	1
	Improved, more focused and nationally better coordinated regional development support, focusing on the main goals and obstacles, could support the agreed upon primary projects in the region (if such agreed actions exist)	3	Decreasing EU funds (Cohesion Policy, Rural Development)	1
			Instable and politically over- influenced national policy in regional development may continue	2

4.5. Key common and complementary competencies

One of the main goals of the Regiolab project was to improve the competitive advantages of border regions by identifying key common and complementary competencies of the entire cross-border co-operation area and their placement in the design and implementation of development activities in individual areas within the cross-border region. To achieve a critical mass (knowledge, human resources and financial means) the focus was on regional strengths (competencies) in the first place, where we identified:

- Common competencies (focus on niches), where joint activities (projects) are feasible: common topics, no conflicts (competition) between both sides of the border.
- Complementary competencies (synergies), where co-operation is predominantly based on an exchange of information and experience.

In order to define the key common and complementary competencies and common weaknesses of the Regiolab area, the outcomes of the SWOT analysis (the strengths and weaknesses identified in the joint SWOT analysis) were classified into three groups:

1. Strengths and weaknesses that were mentioned by more than one region and that are similar in several regions (i.e. common competencies and weaknesses): these represent key common/complementary competencies and weaknesses of the area.
2. Strengths and weaknesses that were mentioned by more than one region but are seen the opposite way round in two or more regions: whether they are classified as a key common/complementary competencies or weaknesses of the area depends on the ranking of each strength/weakness – those of greater importance/relevance are included while those of low importance/low relevance are not.
3. Strengths and weaknesses that were mentioned by only one region (i.e. specific for one region): these are not included among key common/complementary competencies and weaknesses of the area.

Following the same classification into three groups as described above, common opportunities and threats that impact the socio-economic development of the Regiolab area were identified in the next step.

The list of common competencies and weaknesses is provided in Table 12. Among them the most important key common competencies of the Regiolab regions (those ranked 1 – very important/very relevant) are the following:

- Industrial clusters being established in specific fields of strong industries, esp. on the Austrian side
- Export orientation of companies
- Internationally competitive tourist destinations (alpine & lakeside resorts, protected areas)
- Variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) as a potential for development of attractive tourism products
- Rich cultural (tradition, food, drinks, crafts) and natural heritage
- Large number of universities, many non-university research centres, competence centres, centres of excellence
- Different EU funding programmes available

Networking became one of the most useful strategies for enhancing regional economy and regional development. Therefore, the presence of cluster organisations on both sides of the border is a very important common competency of the cross-border area. There are clusters for the IT sector and electronics in Carinthia, and the ICT Cluster and the Plastics Cluster in Burgenland. In Styria, clusters and networks are present in a wide variety of sectors from automotive, wood, materials and food technology to medicine and pharmaceuticals, environmental and energy engineering, nanosciences and nanotechnology, and other. In Slovenia, the networks and clusters are somewhat less widespread, nevertheless, associations that connect companies with related activities on a national level are present in the construction, automotive, wood and plastics sector; in addition, there is a modern production technologies cluster (Toolmakers Cluster).

The excellent R&D infrastructure, especially in Styria and Osrednjeslovenska region, represents enormous potential for further development of R&D and innovation activity, especially through strengthening on-going cross-border co-operation.

The tourism sector is another significant competency of Regiolab regions. It represents an important employment and economic potential. There are many internationally competitive tourist destinations in the region: alpine & lakeside resorts in the western part of the Regiolab area and numerous spas, wellness facilities and services with a focus on the health & wellness sector in the eastern part. Cultural and congress tourism has also gained in importance, especially in the large urban centers (Graz, Ljubljana, Celje). The variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) offers the potential for development of attractive tourism products. The competitiveness and attractiveness of the tourism sector could be further improved by linking the tourism offer on both sides of the border and extending the season. The rich natural and cultural heritage is an important asset also in terms of promoting rural development.

Although the Regiolab area needs to focus on its strengths/competencies, it must be aware of and adequately address its weaknesses, too. The most important weaknesses of the cross-border area (those ranked 1 – very important/very relevant) as identified by the Regiolab project are:

- Weak competitiveness of the service sector
- Low participation of regional SMEs in innovation and technology transfer activities
- Overlapping of support institutions of local and regional development

In contrast to the manufacturing enterprises, the service sector competitiveness is still weak, although with the free movement of labour between Slovenia and Austria opportunities in offering services across borders have increased. Compared to the EU average, the share of traditional non-financial services (trade, hotels and restaurants, transport) is higher, and the share of knowledge-based non-financial market services is lower on average in Regiolab regions on both sides of the border. In most part the difference arises from the lower share of business services in Regiolab regions, especially of business services with high added value. In recent years, increasing competition has been a feature of the electronic communications market and an important part of the retail trade, as well as of the fast growing knowledge-based business services in both countries. Competition is also strong in the tourism sector.

Taking into account that the regional economy of the cross-border area largely rests on SMEs, the low participation of regional SME's in innovation and technology transfer activities is an important obstacle for further development.

There are a number of support institutions of local and regional development on both sides of the border. However, the functioning of these institutions (in Slovenia) is unsatisfactory due to the overlapping of support activities being offered and lack of knowledge about the needs of companies. Therefore, a higher level of specialisation and coordination of these institutions is needed.

Table 12: Key common and complementary competencies and weaknesses

SECTOR	COMPETENCIES	WEAKNESSES
Economy	<p>Common competencies:</p> <ul style="list-style-type: none"> • Industrial clusters established in specific fields of strong industries, esp. at the Austrian side • Export orientation of companies • Newly emerging strong industries, esp. in renewable energy <p>Complementary competencies:</p> <ul style="list-style-type: none"> • Several business and industrial sites (or space for them available) 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • Weak competitiveness of the service sector • Lack of business activities in rural parts of regions • Low level of innovation in companies <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • n/a
Tourism	<p>Common competencies:</p> <ul style="list-style-type: none"> • Internationally competitive destinations (alpine & lakeside resorts, protected areas) • Variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) as a potential for development of attractive tourism products • Good cultural offer also in smaller towns, but poorly integrated into tourism <p>Complementary competencies:</p> <ul style="list-style-type: none"> • Several traditional sport and cultural events • Rich offer of wines and food 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • n/a <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • Lack of destination management, esp. at the Slovenian side (lack of co-operation, lack of branding, lack of promotion) • Non-recognisability of destinations and sub-destinations

Agriculture and rural development	<p>Common competencies:</p> <ul style="list-style-type: none"> • Rich cultural (tradition, food, drinks, crafts) and natural heritage • A lot of good practices in the field of organic farming, new products, food processing, innovative marketing (new brands, direct marketing, agro-tourism) <p>Complementary competencies:</p> <ul style="list-style-type: none"> • Natural opportunities for traditional, organic and integral production in agriculture and forestry • Expert services available providing education and training for people involved with 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • n/a <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • Low rate of specialisation in agriculture
Research & innovation	<p>Common competencies:</p> <ul style="list-style-type: none"> • Large number of universities, many non-university research centres, competence centres, centres of excellence <p>Complementary competencies:</p> <ul style="list-style-type: none"> • Support infrastructure existing: technology parks, incubators offering space, services and seed capital 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • Low participation of regional SME's in innovation and technology transfer activities • Low level of cross-border co-operation in the field of research and innovation, especially among SMEs • Overlapping of support institutions: incomplete support <p>Complementary competencies:</p> <ul style="list-style-type: none"> • n/a
Human resources	<p>Common competencies:</p> <ul style="list-style-type: none"> • n/a <p>Complementary competencies:</p> <ul style="list-style-type: none"> • Growth of the educational level of the employed • Universities, high school colleges, research organisations, and training organisations located in the region • Growth in the inclusion of people in lifelong learning • Specialised support institutions/programmes in place for the unemployed and other vulnerable target groups 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • n/a <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • Lack of human resources of all qualification levels (from university degree to apprenticeship) in technical professions (natural science and technology)
ICT	<p>Common competencies:</p> <ul style="list-style-type: none"> • n/a <p>Complementary competencies:</p> <ul style="list-style-type: none"> • n/a 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • ICT services still rather poorly used in many SMEs (lack of funds, lack of awareness) <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • n/a
Local and regional development	<p>Common competencies:</p> <ul style="list-style-type: none"> • Different EU funding programmes available • Established regional and local development structures <p>Complementary competencies:</p> <ul style="list-style-type: none"> • n/a 	<p>Common weaknesses:</p> <ul style="list-style-type: none"> • Overlapping of support institutions <p>Complementary weaknesses:</p> <ul style="list-style-type: none"> • Insufficient project management capacities, in particular in smaller municipalities and with other actors at local level • Insufficient funds, in particular in smaller municipalities and with other actors at local level

Table 13 presents the key common and potential opportunities and threats of the Regiolab regions. In the field of demography, the common opportunities are the increasing levels of health and health care

that will enable people to stay productive for more years than was possible in the past. This will help mitigate the negative effects of population ageing and the ageing of the workforce. In the field of economic development, important opportunities lie in exploring green technologies, renewable energy, and measures for efficient use of energy arising from increased awareness of environmental issues and the expected consequences of climate change. Similarly, in the field of tourism, the green tourism sector offers wide opportunities on both sides of the border taking advantage of the preserved natural environment and rich cultural heritage. Personalisation of tourism offer and local supply of products should be promoted.

Table 13: Key common and potential opportunities and threats

SECTOR	OPPORTUNITIES	THREATS
Demography	<p>Common opportunity:</p> <ul style="list-style-type: none"> Increasing levels of health and health care will enable people to stay productive for more years than was possible in the past 	
Economy	<p>Common opportunities:</p> <ul style="list-style-type: none"> Increased awareness of environmental issues and the expected consequences of climate change could attract investments in the field of green technologies, renewable energy and measures for efficient use of energy Demand for creative industries 	<p>Potential threat:</p> <ul style="list-style-type: none"> Very strong competition in regional “future technologies” – i.e. similar development visions based on IT and renewable energy technology
Tourism	<p>Common opportunity:</p> <ul style="list-style-type: none"> Green tourism (nature, cultural heritage, personalisation, local supply) 	
ICT	<p>Potential opportunity:</p> <ul style="list-style-type: none"> Further national and EU support for development of ICT infrastructure and services will enable development of new solutions and increase the use of ICT services in poorly covered areas of the region and among specific groups of potential users 	

Key common and complementary competencies and weaknesses, opportunities and threats identified supported the preparation of programming documents for the period 2014-2020 when thematic concentration will be required. Moreover, they represent the basis for the identification of priority CBC projects.

4.6. Gaps in knowledge and sources for successful cross-border development

Preparation of cross-border strategies and projects requires:

1. Strong leadership, and partner commitment and action, especially political commitment.
2. Capacity and capability to manage programme delivery and the associated major risks (knowledge, experience, effective organisation, monitoring system, an ability to respond quickly and effectively to changing external circumstances or the lessons from evaluation).
3. Financial sources: CBC projects usually depend on public financing. It is important to take into account the financial environment in which we work, in particular, constraints on public sector investment in the short- to medium-term.

Therefore, the Regiolab project also tried to assess existing knowledge, financial and human resources available in the Regiolab regions with the aim to identify possible gaps in knowledge and sources for successful cross-border development. An analysis of CBC projects from the period 2007-2013 revealed the following main obstacles: gaps in experience, lack of support for policy and/or decision makers, gaps in knowledge on content and project management, and lack of formal power. Gaps in experience and gaps in knowledge on content and project management are most often present on the side of Slovenian partners. Similarly, lack of support of policy and/or decision makers, and lack of formal power were predominantly emphasised by the Slovenian lead project partners.

In some cases, lack of synergies with other projects was exposed. On the other hand, duplication of different projects with similar objectives and outputs is an important obstacle to project implementation. First of all, it reduces the amount of money available for individual projects (lack of centralisation of funds) and, furthermore, it has a negative effect on the active involvement of different stakeholders (e.g. companies, regional organisations, and other). Lack of trust between partners and lack of critical mass were the least mentioned problems in CBC projects from the period 2007-2013.

In addition to the gaps identified through the analysis of past/ongoing CBC projects, other sources of information were explored in order to identify gaps in knowledge. Austrian companies stated communication problems as the main barrier to co-operation. This can be lead back to the lack of proper communication structures and culture as well as to the lack of knowledge exchange. Lack of willingness to share information with (potential) partners is a huge gap since specific knowledge may not be available in every region. Also, poor language skills hinder co-operation, too. Some Styrian companies solved this problem by employing Slovenians and/or cooperating with local partners. Another internal barrier identified by the Austrian partners is a lack of personnel resources and lack of capacities. Thus, implementation may stagnate due to personnel restrictions and different work perception.

Most companies mentioned cultural differences and related to this the low level of knowledge about business mentality and culture in the other country as well as differences in the legislation systems as the main business environment barriers. Companies may have difficulties with getting the right market information, selection of proper partners as well as financial challenges.

In addition, Austrian companies noted that the Slovenian bureaucracy seems to be rigid and inflexible, and the jurisdiction too slow. They also indicated that current co-operative support programmes seem to be too bureaucratic. Training and background information are very general; however practical, useful information for specific business cases and tailor-made training and coaching would be needed. Gap in

appropriate expertise contacts and lack of flexibility for optimizing activities in cross-border projects can be recognized.

Slovenian project partners exposed additional aspects of CBC co-operation based on their past experiences and observations. First of all, large differences in the level of economic development between the two countries lead to different co-operation expectations/aims. In Slovenia very often the basic issue is still infrastructure development while this is already in place in Austria where they strive to upgrade the infrastructure (e.g. they seek technological solutions, marketing strategies and the like). Also, there are differences in the level of programming development. On the Austrian side, the priorities are clearly set as well as the persons in charge for their implementation while there is lack of knowledge on the municipal level in Slovenia. The outsourcing of tasks is much better implemented in Austria.

In addition, the Slovenian partners also identified gaps in efficiency. Implementation on the side of Slovenian partners tends to be less ambitious. However, the quality and intensity of co-operation to a large degree depend on the structure of project partners, i.e. their experience, mutual acquaintance, and knowledge.

The Slovenian partners also put forward better availability of funding and liquidity on the side of Austrian partners and the absence of project pre-financing on the Slovenian side. As a possible solution, they propose that funds received from national co-financing (15% of the project budget) would be available immediately at the start of the project.

5. CONCLUSIONS

The analysis of capacities of the cross-border region Slovenia-Austria revealed a number of strengths including highly skilled and motivated labour force, good educational as well as research and innovation capacities, and strong R&D activity especially in some parts of the area (Styria province, Osrednjeslovenska region). The economy of the cross-border area is characterised by high degree of industrialisation with prominent industrial clusters being established in specific fields of strong industries. The tourism sector is a very important and promising economic field throughout the cross-border region. The area has great capacities due to the rich cultural (tradition, food, drinks, crafts) and natural heritage, and vast natural opportunities for traditional, organic and integral production in agriculture and forestry. Important opportunities lie in exploring green technologies, renewable energy, and measures for efficient use of energy.

All these capacities/strengths per se do not necessarily represent the basis for future co-operation, as some of them might be potential conflict fields. Only those common and complementary competencies where joint activities (projects) are feasible (common topics, no conflicts/competition between both sides of the border) or potential synergies are possible have the potential to improve the competitiveness of the cross-border area. Based on a comprehensive analysis and consultation with relevant stakeholders (undergone by all project partners within the Regiolab project), such common and complementary competencies were identified and are presented in this paper. Among the most important are: industrial clusters being established in specific fields of strong industries, internationally competitive tourist destinations (alpine & lakeside resorts, protected areas), variety of the landscape (Alpine region, wine growing regions, nature protected areas, thermal springs, cultural heritage) as a potential for development of attractive tourism products, rich cultural (tradition, food, drinks, crafts) and natural heritage, excellent research capacities (universities, non-university research centres, competence centres, centres of excellence) and different EU funding programmes available.

The analysis also revealed some common opportunities that the Regiolab regions could explore in the future. These opportunities include taking advantage of increasing levels of health and health care that enable people to stay productive for more years than was possible in the past. Also, opportunities lie in attracting investments in the field of green technologies and in increasing the use of renewable energy and implementing energy-efficiency measures.

The identified common competencies, weaknesses and opportunities could/should support the preparation of programming documents for the period 2014-2020, when thematic concentration will be required, and represent the basis for the identification of priority CBC projects. However, when building competitiveness along these lines, policy makers must be aware of potential threats coming from the external environment, as well as possible gaps in knowledge and sources for successful cross-border development present in the cross-border co-operation area. The analysis of past cross-border co-operation projects has revealed several handicaps, such as gaps in experience, gaps in knowledge on content and project management, lack of support of policy and/or decision makers and lack of formal power. Moreover, important barriers are also communication problems as well as cultural differences and related to this the low level of knowledge about business mentality and culture in the other country.

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