

## **Recommendation Regarding Start-up and Growth Financing**

The shortage of risk capital for high-tech start-ups represents a bottleneck in the innovation system. Despite increased investments Austria nevertheless still has some catching up to do in this regard. By European comparison, the level of activity of the Austrian risk capital market measured in terms of investment volume as a percentage of GDP (2003: 0.051 %) is way below average, languishing in the bottom third of the tables. Similarly, there are weaknesses in the start-up momentum, above all in the high-tech segments.

Against the background of these findings, there are four strategic paths of development.

### **The Austrian Council therefore recommends:**

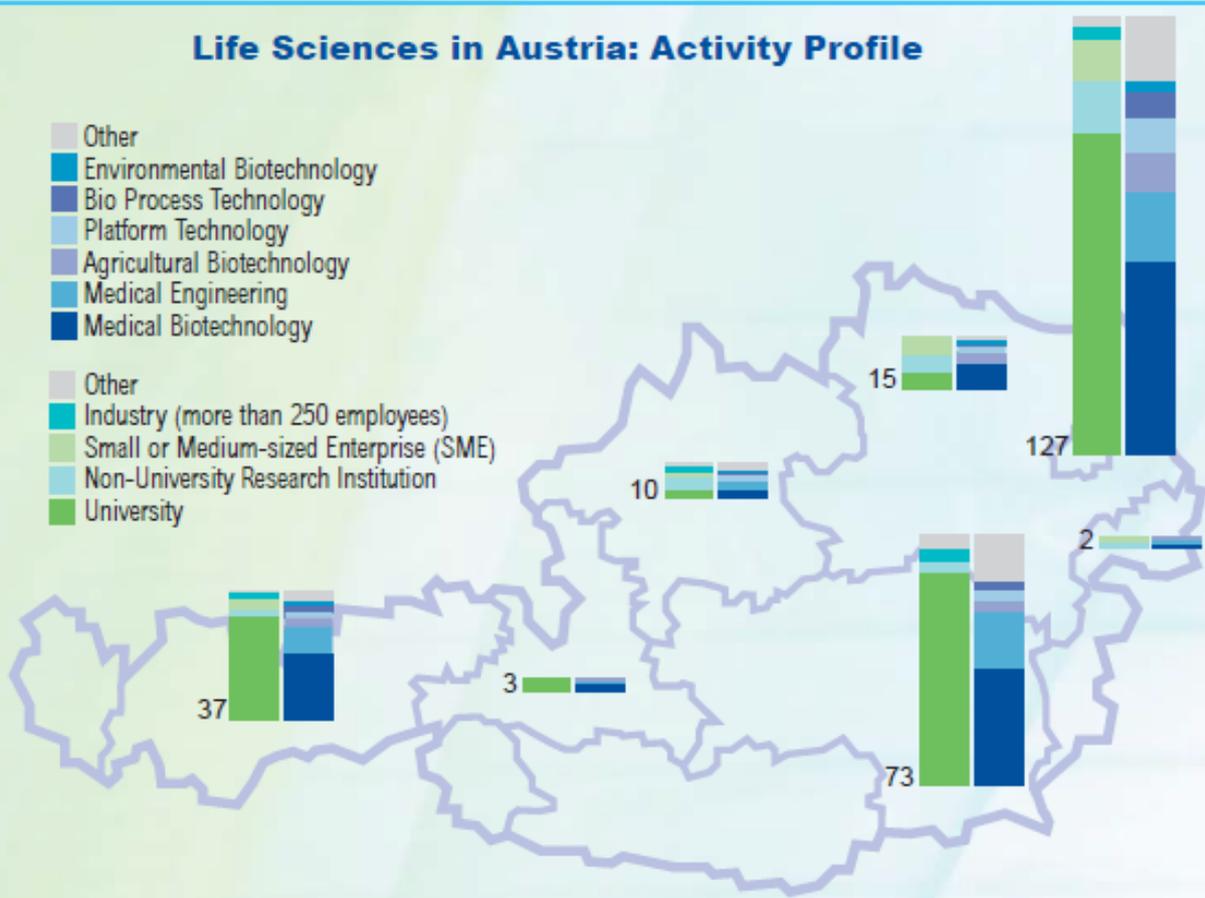
- Securing fundamental basic schemes for the pre-start-up, start-up and early stage phases (incubators and business angel networks, monetary promotion schemes, coaching measures) and improving these services on location. There is an immediate need for action with regard to the financing of the AplusB Centres. The funding gap anticipated here for the years 2007 to 2012 should be closed using public funds so that the development work which has already been carried out and the momentum which has been generated are not threatened.
- Adapting programme management within the framework of the current requirements of budgetary law. The Austrian Council suggests consistently outsourcing programme management to the funding agencies. After a detailed ex-ante audit, weighing up the risks and in co-operation with other creditors they will manage the programmes autonomously and also deal with instances of damage in accordance with the programme goals. Furthermore, the Council also recommends expanding the guarantee instruments for growing companies, taking into account the new scope for action that will

soon emerge during the reorganisation of the European Union Structural Funds.

- Steadily improving the interaction of support measures (portfolio approach) on the basis of an evaluation of the system. The aims are to improve the programme interfaces and eliminate administrative barriers. Interaction between the players at the federal and provincial levels should also be improved to this effect.
- The rapid introduction of internationally attractive private equity/venture capital fund structures (PE/VC), the legal and fiscal provisions of which are geared to the needs of participations. In particular, institutional investors, such as insurance companies and pension funds must be guaranteed access to these new PE/VC funds. For this purpose it is necessary to amend the relevant investment regulations (Insurance Supervision Act – VAG, Pension Funds Act – PKG, Company Pension Funds Act BMVG etc.).

**Participation in the survey of the Austrian Council by city, R+D area and type of organisation:**

## Life Sciences in Austria: Activity Profile



### Area of R&D (multiple choice)

|               | Medical Biotechnology | Medical Engineering | Agricultural Biotechnology | Platform Technology | Bio Process Technology | Environmental Biotechnology | Other |     |
|---------------|-----------------------|---------------------|----------------------------|---------------------|------------------------|-----------------------------|-------|-----|
| Vienna        | 143                   | 52                  | 29                         | 26                  | 19                     | 8                           | 49    | 326 |
| Styria        | 86                    | 42                  | 7                          | 9                   | 6                      | 1                           | 34    | 185 |
| Tirol         | 47                    | 21                  | 7                          | 4                   | 4                      | 3                           | 9     | 95  |
| Lower Austria | 13                    | 1                   | 5                          | 4                   | 1                      | 2                           | 3     | 29  |
| Upper Austria | 5                     | 5                   |                            | 3                   | 2                      | 1                           | 5     | 21  |
| Salzburg      | 4                     | 2                   | 3                          | 1                   |                        |                             |       | 10  |
| Burgenland    | 1                     | 1                   | 1                          |                     |                        |                             |       | 3   |
|               | 299                   | 124                 | 52                         | 47                  | 32                     | 15                          | 100   | 669 |

### Organisation type

|               | University | Non-University Research Institution | Small or Medium-sized Enterprise (SME) | Industry (more than 250 employees) | Other |     |
|---------------|------------|-------------------------------------|----------------------------------------|------------------------------------|-------|-----|
| Vienna        | 93         | 15                                  | 12                                     | 4                                  | 3     | 127 |
| Styria        | 62         | 3                                   | 4                                      |                                    | 4     | 73  |
| Tirol         | 29         | 2                                   | 3                                      | 2                                  | 1     | 37  |
| Lower Austria | 4          | 5                                   | 6                                      |                                    |       | 15  |
| Upper Austria | 2          | 4                                   | 1                                      | 2                                  | 1     | 10  |
| Salzburg      | 3          |                                     |                                        |                                    |       | 3   |
| Burgenland    |            | 1                                   | 1                                      |                                    |       | 2   |
|               | 193        | 30                                  | 27                                     | 8                                  | 9     | 267 |

Source: AWS and FFG on behalf of the Austrian Council