

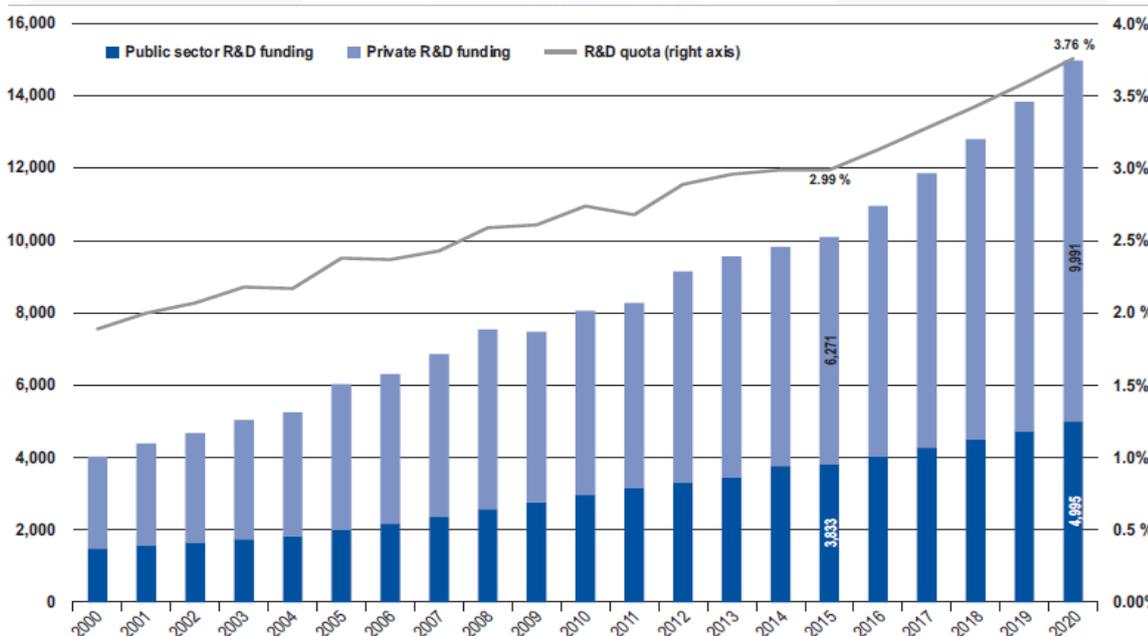
Recommendation for funding research and development in Austria

Background

Current Estimate of Research Quota Goals

The achievement of an R&D quota of 3.76 per cent of GDP by 2020 was defined as a goal within the scope of the implementation of the Federal Government's Strategy for Research, Technology and Innovation in 2011 – as a requirement for joining the leading innovation nations. According to the latest global estimate by Statistik Austria, Austrian R&D expenditure in 2016 was 3.07 per cent of GDP¹.

Figure 5: Financing path for achieving the R&D quota goal (3.76 per cent) in 2020 (in EUR millions)



Source: WIFO research quota targets 2020, update 2015. K. Hranýal / J. Janger (2015): research quota targets (2020). Study on behalf of the Austrian Council for Research and Technology Development. Vienna, WIFO.

¹ Statistik Austria (2016): Global estimate 2016: Gross domestic expenditure for R&D funding of research and experimental development performed in Austria

The research quota therefore stagnated for the third year in a row at just over 3 per cent.² As a consequence, Austria has fallen behind five years in a row in the Innovation Union Scoreboard (IUS) since 2010.³ Calculations by the WIFO, which were made on behalf of the Austrian Council, also show that the increase rates in R&D expenditure are not sufficient to achieve the R&D quota of 3.76 per cent by 2020.⁴ For this to happen, the R&D expenditure would have to increase from currently EUR 10.1 billion to around EUR 15 billion in 2020 (see figure 5).

Assuming two different scenarios (pessimistic/ optimistic), WIFO specifically concludes that by 2020 the quota will be between 2.97 per cent (pessimistic scenario) and 3.35 per cent (optimistic scenario). The funding gap to the target in 2020 here is between approx. EUR 1.6 billion (optimistic scenario) and EUR 3.1 billion (pessimistic scenario). With the current funding framework (see insert) this gap cannot be closed and the R&D quota goal of the RTI Strategy definitely will not be achieved.

Despite the need for budget consolidation in view of the scarcity of funding resulting from the financial crisis and from long overdue structural reforms⁴⁰⁵, there is still an urgent requirement for an increase in the funding for education, research and innovation. This is especially necessary because investments in these areas require more time to be able to fully develop their macroeconomic impact. It is therefore imperative that greater parts of the budget be freed up for the future areas of education, research and innovation.

Special importance is awarded in this respect to securing sustainable, long-term funding of the universities. As centres of education and research they are guarantors for these two key factors of the future capability of a knowledge-based economy and society. As the result of a National Council resolution proposal at the end of 2008, the Federal Government formulated the goal in its work programme 2013 to 2018 of raising the university expenditure quota to 2 per cent of GDP. This alone would require added annual expenditure of an average EUR 400 million.

² It should be noted however that the Austrian R&D quota is therefore already above the European target value for 2020 of 3 percent

³ The IUS for 2016 only appears in July of this year. However, it is likely that Austria will improve by one place. This is not due to an improvement in performance, but rather attributable to a change in the statistic procedure with the IUS.

⁴ K. Hranýai / J. Janger: Research quota targets 2020. Study commissioned by the Austrian Council for Research and Technology Development. WIFO, Vienna, 2015.

⁵ See Report on Austria's Scientific and Technological Capability 2015.

The new funding framework 2017-2020

The Federal funding framework up to 2020 was presented on 26 April 2016. The fears articulated in the preliminary stage by the RTI community have therefore been confirmed: There will be no additional budget for education, science, research and innovation. The percentage of the budget for education, research, art and culture of the overall budget will even fall from 17.9 per cent in 2015 to 17.1 per cent in 2020. By way of comparison: The budget for pensions alone (Austrian General Social Security Act – ASVG, and civil servants) will rise by 2020 from 25.7 to 29 per cent. It is therefore evident that it will not be possible to achieve the budget goals formulated in the RTI Strategy and the Federal Government’s Work Programme. Corresponding recommendations of the Austrian Council of 5 February 2016, 7 September 2015 or from the Report on Austria’s Scientific and Technological Capability 2015 have evidently not been considered sufficiently. The RTI Strategy explicitly explains the need for a stable and secure funding environment - not least of all to increase private R&D funding. Medium-term funding options, goal formulations in an impact and output- oriented innovation system and therefore improved planning capability and more security for a sustainable funding strategy should be defined in a research funding law, which is still not in place. Unfortunately, the Federal funding framework does not take this suggestion in to account and does not set any recognizable priorities in future-oriented fields.

A “New Deal” for Austria

Federal Chancellor Christian Kern called for a “New Deal” for Austria in his inaugural address in the National Council⁶. The Coalition’s new start, also envisioned by Vice Chancellor Reinhold Mitterlehner, is dedicated to combating this stagnation. This “New Deal” focuses on two critical aspects: The short-term increase in willingness to innovate and the interlinking of private and public investments on the basis of clearly defined future scenarios, and the longer-term formulation of answers to the challenges of digitalisation and globalisation with

⁶ <http://www.bundeskanzleramt.at/site/6598/default.aspx>

their effects on the labour market, social security systems and the education system.

On the basis of this announcement the outlined development of the R&D budget with all its consequences is clearly insufficient. This is because research, and basic research in particular, plays an important role for both named aspects of the “New Deal”. If the policy of faith in the future called for by the Government actually materialises and comes into effect, this must also be reflected in a realignment of political prioritisation. And true to the principle that budgets are politics cast in figures, at the end of the day this will also have to be reflected in budgetary terms. Future areas will have to be strengthened for this at the expense of less productive or merely consuming areas.

Recommendation

In the interests of the constructive realignment of the cooperation in the Federal Austrian Government the Austrian Council recommends:

- The funding gap be closed so the goal of an R&D quota of 3.76 per cent of GDP defined in the Federal Government’s RTI Strategy can be achieved by 2020.
- The goal formulated by the Federal Government on the basis of a resolution proposal of the National Council in its Work Programme 2013 to 2018 to raise the university expenditure quota by 2020 to 2 per cent of GDP be vigorously pursued.
- The immediate implementation of the announced and required measures of the RTI Strategy for achieving both quota goals.
- The swift and conclusive formulation of the planned research funding law, to secure the funding of the second five-year period of the RTI Strategy by 2020 and the further implementation of the measures included in it.
- The enforcing of structural reforms to reallocate existing resources from less productive areas into future-oriented areas, such as education, research and innovation.

Addendum:

Insert on the recommendation on the funding of research and development in Austria – the current Federal funding framework 2017-2020

Tables 1, 2 and 3 show the developments of the three RTI-relevant UAs: UA 31 (science and research), UA 33 (research and economics) and UA 34 (research, transport, innovation and technology), each in EUR millions. These figures show how the expenditure of UA 31 rises marginally, while that of UA 33 and UA 34 remains unchanged.

Table 1: Comparison of Federal Fiscal Framework Act (BFRG) 2016–2019 and 2017–2020, UA 31 (science and research), in EUR millions

UG 31	BFR 2016–19	BFR 2017–20	
	Payouts	Payouts	Deviations from previous BFRG
BVA 2015	4,119.5	4,106.5	
BFRG 2016	4,278.3	4,283.3	5.0
BFRG 2017	4,310.1	4,315	4.9
BFRG 2018	4,345.6	4,401.3	55.7
BFRG 2019	4,366.0	4,421.9	55.9
BFRG 2020		4,443.8	

Table 2: Comparison of Federal Fiscal Framework Act (BFRG) 2016–2019 and 2017–2020, UA 33 (research and economy), in EUR millions

UG 33	BFR 2016–19	BFR 2017–20	
	Payouts	Payouts	Deviations from previous BFRG
BVA 2015	101.6	109.6	
BFRG 2016	101.6	101.6	0
BFRG 2017	101.6	101.6	0
BFRG 2018	101.6	101.6	0
BFRG 2019	101.6	101.6	
BFRG 2020		101.6	

Table 3: Comparison of Federal Fiscal Framework Act (BFRG) 2016–2019 and 2017–2020, UA 34 (research, transport, innovation and technology), in EUR millions

UG 34	BFR 2016–19	BFR 2017–20	
	Payouts	Payouts	Deviations from previous BFRG
BVA 2015	429.2	429.2	
BFRG 2016	428.1	428.1	0
BFRG 2017	428.1	428.1	0
BFRG 2018	428.1	428.1	0
BFRG 2019	428.1	428.1	0
BFRG 2020		428.1	

Sources: BMF.

Rat für Forschung und
Technologientwicklung

Pestalozzigasse 4 / D1
A-1010 Wien
Tel.: +43 (1) 713 14 14 – 0
Fax: +43 (1) 713 14 14 – 99
E-Mail: office@rat-fte.at
Internet: www.rat-fte.at