

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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Notifications Pursuant to Article XVI:1

AUSTRIA

The following notification, dated 24 November 1993, has been received from the Permanent Mission of Austria, and covers federal budget expenditures 1990 to 1992 for support measures to industry in force 1992.

The main aim of the notified aid schemes is not directly linked to export related effects so that they are unlikely to fall under the purview of GATT-provisions. However, they are notified in order to increase transparency in the spirit of Article XVI:1.

GENERAL DESCRIPTION OF FEDERAL ASSISTANCE TO INDUSTRY

The main aim of the aid schemes is to contribute to a structural improvement of industry and thus of the economy as a whole. As the criteria for assistance are defined in general analytical terms, the measures are of a horizontal rather than a sectoral or firm-specific nature. Thus, the schemes are designed in a way to avoid trade effects.

1. Mining Promotion Scheme

The underlying rationale of this support measure is to guarantee the supply of mineral products, especially with regard to Austria's neutrality.

The legal regulations are contained in the Mining Promotion Law No. 137/79.

Exploration and prospecting efforts, rationalization and environmental measures of mining enterprises may be supported by a grant of 7 per cent of investment costs over 5 years or 25 per cent to 33 per cent of prospecting and exploration costs. Also the liquidation of unprofitable enterprises may be supported.

The aid scheme is administered by the Federal Ministry of Economic Affairs.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	228	210	165

Instrument: grants.

2. Rescue scheme aid under the Financial Guarantee Act

This aid scheme was set up in order to provide firms in temporary difficulties with bridging support measures.

- (a) Grants may be given for elaborating or evaluating restructuring concepts or for controlling their implementation.
- (b) Bridging loans at an interest rate of 5 per cent may be given to enterprises during a period which is necessary to elaborate restructuring concepts.

Restrictions: support is given only to firms which are likely to be viable in the long run, without further external support.

This aid scheme came into effect in 1981 by Federal Law No. 296/77 and is administered by the Federal Ministry of Finance.

As assistance is not linked to investment or production, its economic effects cannot be assessed. However, as is obvious, the amounts involved are very small.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	15	3	6

Instruments: grants, loans.

3. Research and Development Fund for the Manufacturing Sector

This aid scheme was created to stimulate industrial R&D and raise it to international standards.

The R&D Fund is administered by the Federal Ministry of Science and Research.

It supports R&D-related expenditures on investment and on personnel. Up to 50 per cent of project costs may be financed by grants and/or loans, the percentage depending on the risk and the degree of pre-competitiveness. The rest has to be covered by the enterprise itself. In 1992, on average such assistance amounted to about 18 per cent of total project costs.

Because of the horizontal character of R&D-support, it should not affect investment or exports.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	468	482	531

Instruments: grants, loans.

4. Innovation and Technology Fund

The Innovation and Technology Fund (ITF) was set up at the end of 1988. Its interest earnings of approximately S 500 mio. per year are earmarked for promoting industrial R&D and the introduction of new technology. Particular importance is attached to close co-operation between enterprises and research institutes.

The R&D-section of the ITF may give grants between 30 and 50 per cent of costs of industrial R&D-projects or participation costs in international R&D-projects. The grant element depends on the degree of innovation and on the level of risk involved.

The technology-section of the Fund is designated to accelerate the introduction of R&D-results and new technology. The grant element amounts to 10 per cent to 30 per cent of project costs.

The Fund is administered by the Ministry of Science and Research and of Public Economy and Transport.

Because of the pre-competitive level of the supported projects, a direct effect on the competitive position cannot be discerned.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	272	312	278

Instruments: grants, loans.

5. Investment scheme for the acceleration of structural change ("TOP-scheme")

The TOP scheme concentrates on investment projects intended to promote innovation. TOP is an assistance instrument that is specifically oriented towards supporting the innovative capacity of enterprises. It combines innovation and R&D promotion and gives priority to small and medium-sized industrial enterprises.

This support scheme came into effect in 1981 and is administered by the Federal Ministry of Economic Affairs. It is intended for early phases of the application or implementation of R&D results and may also promote intangible investments, such as, e.g. planning, controlling, software production and design.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	400	400	400

Instruments: grants, loans.

6. Regional investment premium

This scheme has the goal to support endogenous growth potentials in regional problem areas. Support is restricted to regional problem areas and to innovative production in sectors without problems of over-capacity; enterprises up to 300 employees are eligible. Supported activities are restructuring investment in innovative products and intangible investment.

Investment costs are supported in general by 10 per cent. Investments that result in markedly higher employment of local labour force in especially problematic areas may qualify for rates of assistance up to 30 per cent.

This programme is jointly financed by the Federal Ministry of Public Economy and Transport and the Federal State in which the recipient is located.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	-	40	62

Instruments: grants, loans.

7. Guarantees under the Financial Guarantee Act

This aid scheme is regulated under Federal Act No. 296/77 and amendments. Its goal is to accelerate structural change by guaranteeing the financing of innovative investment or the transition phase from R&D to production. Financial restructuring may also be supported. Since 1989, the commercial risk of foreign direct investment may also be guaranteed.

Loans are usually guaranteed up to 85 per cent of the amount. A minimum loan of S 2.5 mio. is required. The guarantee fee amounts to between 0.25 per cent and 0.5 per cent for a period of six months.

During 1990 to 1992, the net costs of payments made under this scheme amounted to 1.3 per cent of outstanding guarantees. The guarantees are concentrated on small and medium sized enterprises with up to 500 employees.

<u>Payment on guarantees</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	10	25	100

8. Grants for new enterprises under the Financial Guarantee Act

This support scheme was set up in 1981 by Federal Act No. 338/1981 in order to promote the establishment of structurally outstanding new enterprises, preferably in disadvantaged regions.

It is administered by the Federal Ministry of Finance.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	89	54	16

9. Environmental Protection Measures

The schemes pursue two aims:

- The acceleration of waste-water cleaning of manufacturing industry. For this purpose, loans up to 80 per cent of environmental investment costs are extended, carrying an interest rate of 3 per cent (2 per cent in the case of biological cleaning) and a term between 10 and 20 years. The interest subsidy can be paid out as a lumpsum at its discounted value.

The scheme became effective in 1969.

- The reduction of air pollution, noise and hazardous waste. For this purpose, an aid equal to an interest subsidy of up to 6 per cent is granted for a period of 5 to 15 years. The interest subsidy is usually paid out lumpsum at its discounted value. Promotion is limited to already existing plant and equipment and only applies to that part of investment which is of immediate relevance to one of the three targets. To obtain such a subsidy, legally required environmental standards have to be exceeded. Newly established firms are excluded from support.

This support measure became effective in 1984.

As support is limited to that part of investment which is of direct relevance to the environment and as more stringent ecological criteria apply than for other firms, it can be assumed that there is no impact on productive investment or on output.

The Fund is administered by the Federal Ministry of Environment, Youth and Consumer Protection.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	511	563	402

Instruments: grants, interest rate subsidies.

10. Support for small and medium sized enterprises

In view of the importance of SME's for the economy, they are offered special support to offset specific disadvantages they encounter on financial markets:

- The Small Firm Development Scheme promotes small-sized enterprises with a balance sheet total not exceeding S 15 mio. and a turnover of up to S 30 mio. It aims at enhancing their competitiveness by facilitating credit financing. For that purpose, 80 per cent of up to S 1 mio. may be guaranteed. Furthermore, a grant of up to an amount of S 0.04 mio. may be given. In disadvantaged regions, the grant may reach up to S 0.05 mio.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	38	35	34

Instruments: grants, guarantees.

- The Investment Support Scheme under the "Act for Structural Improvement", No. 26/1973 and amendments, aims at the structural adaptation of small and medium sized enterprises. It promotes innovative investment and rationalization, and it furthers co-operation, take-overs or the establishment of enterprises. Support is given in the form of grants or interest subsidy (2 per cent, in exceptional cases 3 per cent) for an amount of up to S 5 mio. (in exceptional cases up to S 10 mio.). In disadvantaged regions, an additional subsidy of up to 0.75 per cent may be granted.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	172	156	113

Instruments: grants, interest rate subsidy.

- The Support Scheme for New Small and Medium Sized Enterprises facilitates the establishment or take-over of such enterprises. Aid is provided in the form of grants (10 per cent of investment, at most S 2 mio.) or of loan guarantees (80 per cent of the loan, at most S 2 mio., over no more than 10 years).

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	27	25	22

Instruments: grants, guarantees.

Support for SME's is administered by the Federal Ministry of Economic Affairs.

In 1992 about 2,900 manufacturing enterprises benefitted from one of the support schemes for SME's. As the amounts involved are small and because of the typically limited trade radius of smaller enterprises, it can be assumed that these schemes do not affect trade flows.

11. Employment-related measures

The "Labour Market Promotion Law", Federal Act No. 31/1969 and amendments, provides for a broad range of regulations on labour market matters. One regulation concerns the support of business activities.

- The Employment Programme by the Labour Market Administration is applied to offset short-term employment fluctuations and to avoid long-term unemployment in regions with structural unemployment. It focuses on supporting the creation of new jobs via grants, loans or guarantees. Grants are calculated on the basis of the hypothetical equivalent of unemployment assistance. Loans carry an interest rate of 0 or 5 per cent (average approximately 4 per cent) for no more than 30 per cent of project costs. This aid scheme was set up in 1969.

<u>Amount of Subsidy</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	117	76	52

Instruments: grants, loans, guarantees.

12. Exports promotion

Under this scheme, the Federal Minister of Finance, acting on behalf of the Republic of Austria, is authorized to issue guarantees according to the Export Promotion Act of 1981. The Guarantee covers due performance of contracts by the foreign contracting parties as well as the integrity of rights of export enterprises that serve directly or indirectly the improvement of Austria's current account. The Oesterreichische Kontrollbank Aktiengesellschaft (OKB) as handling agent of the Republic administers the official Austrian Export Credit Guarantee Scheme. The insurance scheme is administered on account of the Republic and is conceived to operate on a self-supporting basis. OKB funds its refinancing operations by borrowing on national and international capital and money markets.

The measures are provided at terms and conditions which are consistent with the Arrangement on Export Credits.

<u>Federal budget amounts involved</u>	<u>1990</u>	<u>1991</u> (S mio.)	<u>1992</u>
	1,776	2,579	2,447