



FFG

Annual Report 2005



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The Austrian Research Promotion Agency (FFG) is wholly owned by the Republic of Austria, represented by the Ministry of Transport, Innovation and Technology and the Ministry of Economics and Labour. As a provider of promotion services, the FFG is also active on behalf of other national and international institutions.



Imprint

Publisher and Media Owner:
Austrian Research Promotion Agency
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Nofrontiere Design GmbH

Photographs

“Innovative Motives”: This was the motto of the photography competition organised by the Ministry of Transport, Innovation and Technology in autumn 2005 as part of the dialogue programme “Innovatives Österreich”. The idea behind the competition was to give research in Austria a new and innovative image. Some 60 professional photographers took part in the competition, creatively exploring the everyday lives of scientists and researchers, technologies and research methods, and the architecture of research institutes.

“Human Space Flight”: This was what the competition jury associated with the adjacent photograph. The photograph by Viennese photographer Andreas Scheiblecker was taken at Austrian Aerospace in Berndorf and was awarded the first prize. With the exception of the portraits, all the photographs used in the FFG Annual Report 2005 were taken from the competition “Innovative Motive”.

Photos:

p. 3: Andreas Scheiblecker; p. 11: Ilse Lahofer; p. 13, 35: Erich Hussmann; p. 14, 15: Peter Miletis; p. 16, 43: Lothar Prokop; p. 17, 38: Friedrich Michael Jansenberger; p. 18: Otmar Heidegger; p. 21: Lukas Dostal; p. 23: Dieter Schewig, Copyright: ofi; p. 26: Klaus Leesemann; S. 29: Franz Hesenberger; p. 30, 31: Theo Kust; p. 32, 33, 47: Johann Mooslechner; p. 40: Angela Ferreira; p. 41: Martin Stickler; p. 44, 45: Johannes Mayr;

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FFG '05 — Vision & Dialogue



At the Heart of Reform — In the Service of Research



Peter Mitterbauer,
Chairman of the Supervisory Board

Foreword by the Chairman of the Supervisory Board

Almost no other country in the European Union has implemented such far-reaching reforms in research and research promotion as Austria in recent years. Both the federal government and the provinces now provide significantly higher funding for research promotion than in the past, and the National Foundation and the "Technology Billion" will make at least a medium term planning horizon possible. General framework conditions have also been considerably improved, with measures such as an increased tax allowance for research activities. As a result, our enterprises have intensified their activities, enabling Austria, previously a laggard in this respect, to become one of the top five nations within the European Union in terms of spending on research and development and overall innovation performance. This standing has most recently been confirmed by the European Union's Innovation Scoreboard, which acknowledged that Austria has been one of the strongest EU member states in pursuing reform and in closing the innovation gap.

The Austrian Research Promotion Agency, which can now look back on its first full year of operations, is at the centre of these activities. The FFG was able to increase its funding volume again this year, both in the area of general funding (bottom-up programme) and in the Thematic and Structural programmes. It has also assumed responsibility for the management of a number of projects which in the past were run directly by the owner ministries or through other agencies. Additional impetus was provided by the new programmes Headquarter, BRIDGE and KIRAS (security research). In keeping with the Austrian Council for Research and Technology Development's Strategy 2010, the FFG is working hard to streamline its funding portfolio and harmonise programme management and project evaluation. The new Competence Centre programme is part of a comprehensive strategy of excellence and marks a first important milestone in this process.

The internal restructuring of the FFG is now well advanced. In March, the Supervisory Board approved the new organisational structure which will replace the four predecessor organisations with four operational divisions, an agency (Aeronautics and Space Agency) and a strategy department. This will provide the FFG with the structure it needs to meet the challenges of the future.

The FFG was able to strengthen its position as the central agency for the promotion of application-oriented research. Collaboration with both the Austrian Science Fund (FWF) and the business promotion agencies of the provinces was significantly intensified. Particular attention should be drawn here to the co-operation entered into with the province of Upper Austria in 2005, which will enable new and more efficient paths of research promotion to be forged in collaboration with the FFG. These successes show that the research policy objectives pursued by the government when it established the FFG are already being achieved.

However, the reform process has not yet been completed. Work is currently underway to improve the co-ordination of the funding portfolio and standardise programme management. An important step toward programme concentration has already been taken with the drafting of a new Competence Centres programme. Of course, all these activities are carried out with the support and in consultation with the responsible government ministries.

The relocation of the FFG to the House of Research in 2006 will be the outward symbol of the completion of the integration process. From summer onward, the different divisions of the FFG, which hitherto had been spread out over four locations, will have a new and distinctive "home" in close proximity to various research institutes and university departments. At the same time, the FFG, together with the Austrian Science Fund (FWF) and other organisations such as the Christian Doppler Research Association and the Viennese section of Joanneum Research, will then form a competence centre for almost all aspects of research funding at the House of Research.

I would like to thank my colleagues on the Supervisory Board, the management of the FFG, the members of the advisory councils, the owner ministries and of course our employees for their hard work and commitment.

Peter Mitterbauer

FFG: An Essential Partner for Innovation



Henrietta Egerth, Director
Klaus Pseiner, Director

Management Report

Of course it was to be expected that the FFG could be more than the sum of its four predecessor organisations: FFF, TIG, ASA and BIT. All the major partners had a vision of an ideal FFG which essentially matched their own specific requirements. And that was precisely the high standard which was set for us and the staff of the FFG. The predecessor organisations were excellently positioned in their respective funding and service areas and had been able to maintain a high level of customer satisfaction over the long term. But the central question was: What can we do together as the FFG that we were unable to do before as separate organisations? Finding appropriate answers to this question and incorporating them into the FFG's range of services has therefore been and will remain a focus of our efforts. This Annual Report, which covers the first full year of operations, provides a detailed account of the successes we have achieved in all our operational activities.

FFG Gains International Respect

New structures naturally attract the attention of partners at home and abroad. The high degree of concentration of research funding at the FFG will become an interesting model case in Europe. The visit by the Swedish agency Vinnova to the FFG in September 2005 showed that there are many parallels between Swedish R&D activities and the Austrian system. Both aim to motivate small and medium-sized enterprises (SMEs) in particular to carry out more research and innovation. In October 2005 we shared our experiences with the Finnish organisation Tekes. The Finnish model for example focuses on themes such as industrial design, system biology and bioinformatics and has many similarities with the Austrian model.

For Austria, this development is not only useful, it is essential if the country is to be able to play a role in the European concert of research promotion. National and international programmes and activities can be co-ordinated more efficiently than in the past within the FFG, and we can move proactively at the European level and, ultimately, uphold Austrian interests more effectively. We can already point to several examples where this is the case, such as the developing European Technology Platforms, aeronautics and space activities (keyword: the satellite navigation system Galileo) or security research. Here it is

necessary to become actively involved (as is already successfully happening with the support of the FFG) while at the same time using suitable national key programmes to offer targeted support to Austrian researchers parallel to the European initiatives. The FFG is facing these new European challenges with a great deal of dedication and — as last year showed — with great success.

New Structure as a Basis for Improved Efficiency

The business plan approved by the FFG Supervisory Board on 15 March 2005 defines the agency's strategic orientation and also describes the basic features of the internal organisation. The organisational structure, which has now largely been implemented and put into practice, is an ambitious combination of vertical responsibilities in the divisions with horizontal responsibilities in the units and internal services. The professionalisation of the internal and external services that this has initiated permits a greater degree of specialisation on the part of the employees, while ensuring a higher standard of quality for the FFG. The process organisation required for this is especially ambitious (in a first step for the most important business transactions), not only in order to prevent attrition losses, but also to ensure greater efficiency. We have not yet achieved all our goals, but the first successes are clearly evident.

Proven Competence and Many New Faces

Human resources management was dominated by three factors in 2005.

First of all, the new business plan required second tier management positions to be filled again. Following a transparent procedure, which also involved external experts and members of the Supervisory Board, a good mixture of new and familiar faces was appointed to management positions at the FFG. Both divisional heads and unit heads commenced their work quickly and professionally, making an important contribution to the FFG's success last year.

Subsequently the taking on of additional tasks, especially in the Thematic Programmes and Structural Programmes, made it necessary to hire new staff members who have enhanced diversity at the FFG and provided new impetus to the agency's work with their experience.

Human resources work in 2005 also focused upon standardising conditions of employment. Projects such as the development of a salary scale, negotiation of a company agreement for flexible working hours and the harmonisation of contracts prepared the FFG for relocation to the House of Research.

Multi-Year Programme for Transparency and Predictability

In autumn 2005 the first FFG multi-year programme was drawn up for the period 2006–2008. This was in direct response to the Strategy 2010 of the Austrian Council for Research and Technology Development that had been presented in summer. One of our priorities was to seamlessly integrate the agency's development into the Austrian innovation policy guidelines. Strategy 2010 clearly underlined the importance of a strong FFG characterised by dynamic growth, and recommended that "the FFG funding budget should be raised by approximately nine per cent annually." In fact, we want to exceed this target in our planning for 2006. The Technology Billion set up in 2005 is also providing the FFG with additional impetus for this development, having increased the FFG's funding budget from EUR 325 million in 2004 to EUR 371 million in 2005 and with a further increase to EUR 420 million planned for 2006.

This growth is especially evident in the General Programmes, where the cash value of the funding budget rose by 13.9 per cent to EUR 145 million.

Significantly Broader Funding Portfolio

Besides the first steps towards these important changes in the internal structure, 2005 was characterised by a series of innovations in the FFG funding portfolio. Responsibility for the management of several funding programmes run by our two owner ministries was transferred to the FFG, and a number of new programmes were also started. These include the umbrella programme BRIDGE, administered jointly with the Austrian Science Fund (FWF); the initiative w-FORTE, which offers support for female business founders, entrepreneurs, managers and top researchers on behalf of the Ministry of Economics and Labour (BMWA); and KIRAS, the Austrian security research programme which we run on behalf of the Ministry of Transport, Innovation and Technology. Parallel to this, we are continuing work—in close co-operation with the Austrian Council for Research and Technology Development and our two owners—on the revision, streamlining and standardisation of the programme portfolio. The drafting of the new Competence Centres programme represents the first visible success.

New Partnerships Strengthen the FFG

The co-operation between the province of Upper Austria and the FFG represents a milestone in Austrian research promotion. For the first time, the promotion funds of a province are being managed by the FFG as the central federal agency. Within the framework of this partnership, the FFG will administer a total of EUR 100 million in trust, raised from a bond issued by Hypo Oberösterreich. This model should also encourage other provinces to strengthen their partnerships with the FFG and keep structures lean.

A "Single Company" at the House of Research

Working together at four different locations is undoubtedly no easy matter. However, the House of Research will more than compensate for this disadvantage. Our new workplace is a modern, energy-efficient office building planned by the Bundesimmobiliengesellschaft (BIG). We will share it with the Austrian Science Fund (FWF), the Christian Doppler Research Association, Austrian Cooperative Research (ACR) and parts of Joanneum Research. Construction of the building on the corner of Spitalgasse/Sensengasse in Vienna's 9th district was started in spring 2005. Thanks to the rapid pace of construction the roofing ceremony was held in January 2006. In summer 2006 the most visible step in the structural reform of the research funding system will be completed when we move into the new premises. Until then however, the House of Research project will still require extensive planning and logistical work on the part of FFG employees in order to ensure that the agency continues to operate smoothly during and after relocation.

A Word of Thanks to All Who Support Us

As defined in our Mission Statement, we regard ourselves as part of the Austrian innovation system, which means that all our activities are agreed in consultation with the relevant partners. Our owners, the BMVIT and the BMWA, play an important role here, as do the Austrian Council and the Ministry for Education, Science and Culture. We would like to take this opportunity to thank them for their support! However, much has been initiated and achieved jointly with other intermediary organisations and funds, with the provinces, business federations and the social partners. We also receive a great deal of support from our Supervisory Board. On behalf of our staff, we would like to thank all members of the Supervisory Board, and in particular, its chairman Peter Mitterbauer.

H. Egerth *K. Pseiner*

Henriette Egerth

Klaus Pseiner

New Standards of Programme Management

The Austrian government has implemented a raft of structural reforms in recent years which have catapulted our country from an average position to the top of the European research statistics. The successful work carried out by the Austrian Research Promotion Agency has made a major contribution to this pleasing development. With the implementation of the business plan and the formulation of a multi-year programme, the FFG can look back upon a successful and eventful first year of operations. The success with which our ideas for structural reform have been implemented is demonstrated not only by the statistics, but also by the positive feedback we receive from researchers, institutes and companies. The concentration of funding programmes at the FFG and the clear structures that this has created have enabled us to set new standards of programme management, improve programme co-ordination and increase the quality of service.

The introduction of the BRIDGE programme has improved and intensified co-operation with the Austrian Science Fund (FWF), while important structural policy initiatives are being taken with the Headquarter programme. KIRAS, the new security research programme managed by the FFG, is already anticipating the research policy challenges of the future. The success of the Austrian Research Promotion Agency in the first one and a half years of its existence not only demonstrates the effectiveness of the reforms in the area of research promotion, it also shows the acceptance these reforms enjoy on the part of university departments and research institutes, and above all, the business community.



Hubert Gorbach

Vice Chancellor, Minister of Transport, Innovation and Technology



Martin Bartenstein

Minister of Economics and Labour

Significant Impulses for the Labour Market

The paramount goal and the motivation behind establishing the Austrian Research Promotion Agency is to guarantee optimal conditions for Austria's innovative companies. With the foundation of Austria Wirtschaftsservice, Austria's funding bank for business promotion, the creation of the National Foundation and improvements to indirect research funding by means of tax allowances, Austria has established itself as a particularly favourable environment for innovative companies by international standards.

The Research Promotion Agency has created an optimal package of services for the Austrian business community: Providing support to innovative small and medium-sized enterprises, attracting the headquarters of international corporations to Austria, and improving collaboration between science and industry create the structural prerequisites that will become increasingly important for a knowledge-based society in future. These measures have put us among the front-runners in the EU with regard to the achievement of the Lisbon goals.

The assistance provided by the FFG not only helps strengthen the competitiveness of Austrian enterprises, it also provides significant impulses for the domestic labour market. Evaluations show that the General Programmes of the FFG alone will create or safeguard several thousand jobs in the medium term. The tax money that we make available for research and development through the FFG is therefore well, and above all, sustainably invested. And as the FFG balance sheet shows, this money is used efficiently.



Janez Potočnik

European Commissioner for
Science and Research

expertise of that one country. But if we work together across all 25 member states, we will have the opportunity to build global leadership in this emerging sector.

We also need to look at the situation of the people who work in research—the scientists, academics, research assistants and others who are at the core of Europe's knowledge society. Our approach to human resources is to have the brightest and best minds in Europe. To this end, we are working to improve the career development of researchers and to remove obstacles to their mobility.

This philosophy is also behind the Seventh Framework Programme for Research that will enter into force at the beginning of 2007.

It is vital that we choose the right road into the future—and that road involves more emphasis on knowledge. The building of a "Europe of Knowledge" is a goal that Europeans, and particularly younger generations, can identify with and adhere to.

Janez Potočnik

More Research and Innovation for Europe

The European Council in Lisbon in 2000 set the goal of turning Europe into a knowledge-based economy—dynamic, innovative, generating economic and social well-being by building on research, education and innovation. The objective is more valid than ever and research is a key factor in achieving it, as was confirmed last year when EU leaders re-launched the Lisbon strategy.

Why is research and development such an important indicator? Because every economy needs innovation if it wishes to remain competitive, and innovation is based, to a great extent, on the results of research. Knowledge is the only real resource we have to give us a competitive edge in the global economy. We do not have significant natural resources. We cannot compete on low wages and minimal social safety nets, nor should we. We do not want to buy economic progress at the expense of the environment. Therefore we have to turn to knowledge: education and training, research

and development and innovation, if we are to keep ahead of the rest of the world and make Europe a dynamic, globally competitive economy.

The European Commission is taking a dual approach to this issue, paying attention to what can be done within the funding programmes we manage and seeing how we can work with the member states, with businesses, national research institutes and agencies such as the FFG to make Europe an attractive place to do research and to innovate.

We want to introduce measures in Europe that will lead to a culture that celebrates innovation. We want to see an ambitious use of standards, drive innovation through tax incentives, state aids, public procurement, a competitive intellectual property rights regime and harmonised regulations. We want to improve co-operation between public research and industry. All of these elements would help create market conditions that spur innovation. If each member state develops its own standards and systems, then industry will only have the ex-

Responsibility for the Overall System



Knut Consemüller

Chairman of the Austrian Council for
Research and Technology Development

The Austrian Council for Research and Technology Development has been advising the government on all issues of research, technology and innovation policy since 2000. It has set itself the goal of positioning Austria at the top of the EU league tables in the field of research. The Strategy 2010. Perspectives for Research, Technology and Innovation in Austria, which the Council presented in Alpbach in summer 2005 sets out guidelines for domestic RTI policy with a time horizon of 2010 and beyond. On 1 December 2005 the Strategy was positively received by representatives of all political parties in the parliamentary Science Committee.

Never before has so much money been available for research in Austria: The federal government has made an additional two billion euros available for R&D with its technology offensive 2001 to 2006. The public sector in Austria has increased spending on research by 7.6 per cent since 2000, industry by 8.6 per cent. In 2005 almost six billion euros were invested in R&D in Austria. The federal government will provide a further billion euros to be spent on research and technology in the period up to 2009.

Austria has shown some of the most dynamic development in Europe. On the European Commission's European Innovation Scoreboard (EIS) 2005, which compares the innovation performance of 32 countries throughout the world, Austria has moved from 15th to 8th place in the overall rankings compared to the previous year. In a comparison of the 25 EU member states, Austria has moved from 10th to 5th place, overtaking Norway, Ireland, the Netherlands, France and Belgium since last year. The front-runner is Sweden, followed by Finland and Denmark. Germany is slightly ahead of us in 4th place. Between 1995 and 2003 Austria recorded the strongest increase in per capita expenditure on research and development after Finland.

Off to a Good Start



Christoph Leitl

President of the Austrian Federal
Economic Chamber

In the first full year of its work the FFG has confirmed and advanced its status as the most important federal agency for promoting the R&D performance of Austrian industry. The agency makes a significant contribution to continuously extending the frontiers of corporate research and development, step by step, project by project.

At the same time, its portfolio of services must also be able to make allowance for the diversity of technological areas,

company sizes, project phases and the various stages of corporate development such as a new business just started by scientists as a university spin-off versus a major European industrial player. Together with the responsible ministries and owners, it must try to counteract the structural deficits which hinder our innovation performance, e.g. in the co-operation between science and industry and with regard to the percentage of female researchers in the natural sciences and technology.

Industry needs a reliable partner and continuity both in direct R&D funding and international technology co-operation. The latter is becoming increasingly important, because access to the outstanding results of international research is the prerequisite for expanding the technological lead that many companies have earned.

The effectiveness of the FFG is determined by the commitment, competence and integrity of its staff and their understanding of the conditions required for corporate innovation. The FFG can claim to fulfil these requirements to a high degree.

The work of the FFG guarantees that due consideration is given to the overall funding system and the effectiveness of the instruments when new programmes are developed or merged. At the same time, the instruments should focus more on covering the risks involved with radical innovation than in the past. Goal-oriented and co-ordinated use should be made of funding instruments, and care should be taken to ensure the complementarity of the instruments used. The Council has therefore suggested bundling the portfolio of programmes with a limited life.

The programmes and funding lines within the FFG are being restructured to improve the effectiveness of funding and increase customer convenience. This process is now well underway. The funding gap has been closed in recent years and programmes to strengthen Austria as a research and business location have been developed and implemented.

As the chairman of the Austrian Council for Research and Technology Development I wish the FFG continued success in the future.

The provision of financial resources is also critical and must be geared to achieving the government's target of an R&D quota amounting to three per cent of gross domestic product in 2010.

The share of financing provided by industry has risen steadily in recent years and now accounts for two thirds of total research spending. In 2005 industry again substantially increased its investment in R&D activities. The challenge now is to close the gap on the European front-runners and ensure that the public budgets for the years 2007 to 2010 take account of the medium-term goal. This means systematically increasing funding and directing it to where research and development contribute directly to growth and employment.

This year, during which preparatory work for the Seventh Research Framework Programme must be completed, the FFG will move into a single building. I hope this step will be a symbolic expression of one of the motives for establishing the FFG, namely the desire to build up a federal funding agency as a one-stop-shop to support innovative companies in Austria.

National Excellence as the Basis for the European Vision



Sigmar Wittig

Chairman of the Executive Board of the German Aerospace Centre

Knowledge and its transformation into new products, processes and services today form the basis for economic development in Europe. At the same time, the knowledge-based economy is highly dependent on the strengthening of outstanding research in Europe, and beyond this, on exploiting the high research potential of its states more effectively by forging a more cohesive European Research Area.

Nevertheless, competitive cutting-edge national research remains the basis for safeguarding high-value jobs and is indispensable for establishing links within the European Research Area. This is especially true in the competition for European research funds. The importance of the European Union will increase significantly in the future. Of that there can be no doubt. The national funding agencies will therefore

play an important role in shaping the European Research Area. Their task is to integrate participation in national and European programmes into an overall strategic approach, and to promote national excellence as a basic element of the European claim. In doing so they support the bridge building process between research institutes and industry that is so vital if a country is to hold its own in European and international competition.

Drawing on many years of experience and tradition, the Austrian Research Promotion Agency is an organisation which promotes research and innovation and acts as a partner for technology policy. As such, it makes an important contribution to strengthening Austrian companies, universities and research institutes, but also to shaping European research programmes.

Guaranteeing Competitiveness through Innovation



Frank Ryan

CEO Enterprise Ireland

the national innovation system, incorporating the development of a thriving and sustainable R&D base. Existing and new companies that invest in creating and applying innovation and technology to the development of new products, services and processes will be those that generate sustainable economic growth for Ireland.

In Ireland we are focussing on a number of key issues, which face all small economies:

- Supporting small companies to innovate,
- Helping those companies to collaborate in R&D,
- Building a strong research environment in universities,
- Transferring technology out of research into industry.

We have learnt a lot from our colleagues in FFG, particularly in relation to participation in the Framework Programme. We look to FFG to set a standard for performance in this area and I want to signal our thanks for the co-operation we have received.

As the source of competitive advantage changes and knowledge becomes increasingly pivotal, national competitiveness will depend on ensuring that industry can influence and access the valuable research that

is underway in the academic community throughout the country. Austria's Competence Centres provide a model for increased collaborative research between industry and academia. In Ireland, we seek to build capabilities equivalent to these centres, developed from the experience gained by FFG and learning from their example.

Small economies face huge changes in the next ten years. The transition from manufacturing to services based industry, the shift to a higher cost, higher wage economy and the imperative to make a radical shift in the scale of companies using innovation for competitive advantage present real and daunting challenges.

Creative ideas, new and better ways of working, innovative products and services, improved ways of marketing and delivering goods to the world will be the drivers of future success. These factors will ensure high-value, knowledge intensive activities that will support high-value-added jobs and prosperity.

In 2005 Enterprise Ireland launched its Strategy, setting out its goals for the period 2005–2007. We saw that, while Ireland has developed a strong economy in recent years, there still remains much to be done. The Lisbon process has presented us all with a very significant challenge if we are to make Europe the innovative and dynamic economy we know it must become.

Ireland is today positioning itself as a knowledge-based technologically sophisticated economy trading globally. This re-orientation requires a strengthening of

FFG '05 — Synergy & Strategy

FFG – A Signal for Innovative Dynamism

Austria's innovation system has developed extremely successfully since the 1990s. Investments in research and development have risen sharply, so that at 2.35 per cent, the Austrian research quota is well above the EU average and indeed that of the industrialised countries as a whole. However, this increased spending on R&D is also reflected in much stronger innovation dynamics, which also strengthen the competitiveness of the Austrian economy. This is documented by the most recent European Commission Innovation Scoreboard, which confirms that Austria has joined the top five EU member states as measured by the summary innovation index.

This success story reflects the joint efforts of all actors in the innovation system. The public sector has given research, technology and innovation clear political priority both at the federal and provincial levels. The Action programmes with additional R&D budgets worth billions, the establishment of the National Foundation for Research, Technology and Development, and the massive expansion of the system of tax incentives for research furnish impressive proof of this. However, Austrian companies have also responded to these incentives by doubling their own investment in R&D over the last ten years. Finally, international corporations have increased their investment in R&D in Austria sixfold since 1995.

But it is not only higher spending that has put Austria on the fast track in research and development. Structural reforms have also played a part, especially the restructuring of the research funding system, the main consequence of which was the foundation of the Austrian Research Promotion Agency on 1 September 2004. The FFG is therefore both the result and promoter of a new sense of political responsibility for R&D in Austria; it is a signal for innovative dynamism.

Lawmakers were pursuing a number of goals when they established the FFG. The intention was to bundle the strengths, resources and instruments in the research promotion system and create a single contact organisation with a critical mass and an integrated range of funding programmes and high quality services. Efforts focus upon making better use of the excellent human capital and organisational knowledge available in the various divisions of the agency by sharing experiences and leveraging synergy effects, as well as upon improving the co-ordination of national, European, and international RTD programmes to improve Austria's position internationally.

2005 was the first full calendar year of operation for the FFG. Of course, it was dominated by the development of new

structures and the integration into the new agency of the four legally independent predecessor institutions. There were two key milestones in this process. One was the adoption of the business plan, which laid down the principles for the future orientation and restructuring of the FFG with four operational divisions and an agency. The second was the formulation of the multi-year programme 2006–2008, which defines strategic guidelines and priority action lines for the next three years.

The FFG views itself as the central agency for the promotion of research, technology development and innovation, and in this capacity provides those companies and institutions engaged in research with a broad portfolio of carefully co-ordinated funding measures and services. It stands for the comprehensive management of programmes and initiatives and offers itself to the politically responsible bodies as a partner for dialogue with a high degree of strategic intelligence.

Consolidation and Focus: The FFG Optimises Its Instruments



The FFG took over a wide-reaching and highly differentiated portfolio of promotion measures from its four predecessor organisations. These measures ranged from funding-upon-application for innovative companies to the Nano Initiative, from the Competence Centres programme to the Austrian space programme, from programmes to increase female participation in research to consulting services for those wishing to participate in EU research programmes. One of the FFG's main tasks in the previous year was to systematically organise and develop this broad-ranging promotion instrument in order to adapt it to the changing requirements specific to the Austrian innovation system.

An essential prerequisite for this task is the formulation of suitable guidelines for the programme portfolio. Last year, on behalf of and in co-operation with the owner ministries, the FFG presented a draft which laid down the basis for the programmes for which the FFG will bear future responsibility. In doing so, it sought to achieve close alignment with the funding guidelines required by the Research and Technology Promotion Act, which are also being drawn up at present.

Today the FFG funding instrument is characterised by a highly integrated system of different programmes and initiatives. The bottom-up, non-thematic General Programmes form the basis of this system and also represent the largest funding area within the FFG. Building upon this and in close interaction with the General Programmes, the FFG sets certain priorities. They are either in strategic thematic areas, where activities are bundled with the aim of achieving international visibility or in the Structural Programmes where the focus is on building up and improving structures for co-operation between science, intermediaries and business enterprises, and on the further development of human resources.

The FFG covers a broad spectrum ranging from the funding of high calibre research to the targeted development of structures of excellence.



New Impulses, Differentiated Offers

The General Programmes underwent substantial development in 2005. The new Headquarter Programme has done much to boost Austria's attractiveness to international corporations as a research location. The BRIDGE Initiative—under a single roof with FWF programme lines and the FFG—builds bridges between basic and applied research in an exemplary manner. As the first results show, it creates a major incentive for small and medium-sized enterprises to take the risk of participating in collaborative projects with scientific institutions for the first time.

The differentiation of funding and services for large companies and small and medium-sized enterprises marked an important new step in the General Programmes division. A portfolio orientation was introduced for large, research-intensive companies. These companies benefit from comprehensive consulting services covering the entire spectrum of national and international programmes and formulate the focal orientation of future projects in dialogue with the FFG.

Streamlined Competence, Comprehensive Excellence

Work in the Structural Programmes division in 2005 focused upon streamlining the funding portfolio. The concept for the new Competence Centres programme envisages the integration of the programmes Kplus and K-ind/K-net, which in the past were managed separately. This inter-ministerial co-operation should provide a model for the structuring of services in the future.

Furthermore, the new K-Programme will make a major contribution to the comprehensive strategy of excellence called for by the Austrian Council for Research and Technology Development in Strategy 2010. The programme will enable the competence which has been built up in the past to be developed further, and will deliver specific incentives for greater bundling. The programme document was essentially completed at the end of last year; the first calls are planned for autumn 2006.

Preparatory work has also been started on bundling the portfolio of the Innovation and Co-operation programme group, which includes programmes such as FHplus, prot-ETplus and CIR-CE.

New Programmes, Successful Consultation

In 2005 the Thematic Programmes division faced the challenging task of integrating the management of existing programmes into the FFG, while at the same time carrying out the groundwork for new programmes. The priority programme on security—KIRAS—was successfully launched with a call for proposals in November.

The main challenge in the European and International Programmes division was to support and serve Austrian participation in the Sixth EU Research Framework Programme. The increase in the volume of funding for Austrian organisations from this programme to EUR 250 million by autumn 2005 documents the success of the FFG's work, which is particularly reflected in the large number of small and medium-sized enterprises which were mobilised to participate.

The highlight of 2005 for the Aeronautics and Space Agency was its participation in the Ministerial Conference of the European Space Agency (ESA). This conference brought about substantial advancements in aeronautics and space exploration in Europe in terms of content and financial commitments.

Enforced Networking in Europe

One of the FFG's strategic goals is to see Austria deeply integrated in the European and international research and innovation promotion system. In the past, it has actively pushed for participation in the actions of the ERA-NET Programme line schemes. In view of the resulting first joint calls and plans to step up the ERA-NET line in the Seventh Research Framework Programme, the FFG has drawn up an overall strategy for future involvement in this important instrument of European research policy. The FFG has also clearly positioned itself with regard to the further development of the European Technology Platforms.

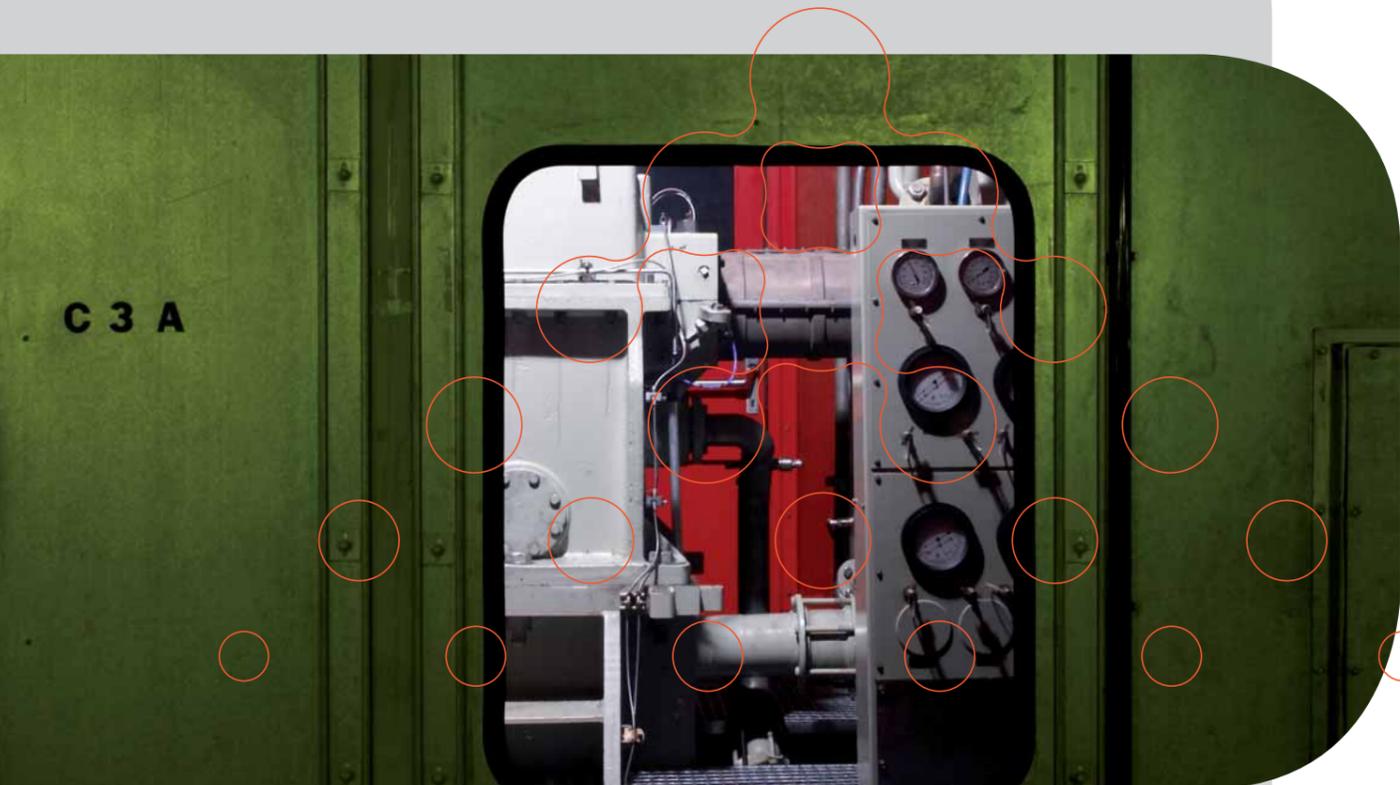
At the same time, the FFG is working to intensify international networking in its relations with partner organisations in other European countries. As part of the project "Learning with the Best", a series of joint workshops was held in 2005 with renowned organisations such as Vinnova from Sweden or Tekes from Finland. The aim was to learn from one another with regard to organisation, structure, content-related strategies and to ascertain how the insights which were gained could be integrated into the operational procedures of the FFG.

Deeper Co-operation in the Provinces

The FFG regards the expansion of co-operation with all key players in the innovation system—both at the federal and provincial level—as an essential prerequisite for making optimum use of tax money. For that reason, collaboration agreements were negotiated both with the FWF and the AWS in 2005 and have since been signed.

New ground was also broken with regard to collaboration with the provinces in 2005. The co-operation agreement between the General Programmes and Upper Austria—including the concentration of management at the FFG—is a model for future partnerships between federal and regional funding agencies.

Synergy through Integration: The FFG—A Concept Brakes Its Way



The objective defined by lawmakers for the FFG is to leverage synergy effects through integration and to optimise the use of the potential which existed in the four predecessor institutions by merging them into a single unit. This objective is also the main and ambitious goal that the agency has set for itself. Achieving it requires the initiation and co-ordination of a large number of processes with differing time horizons. Last year the FFG launched a number of projects designed to meet this end and has already achieved some important successes.

These projects are organised as focus groups where experts from all divisions of the FFG contribute their know-how. One project, for example, involves working on increasing harmonisation between the national funding lines and the activities of the EU framework programmes. Sharing experiences in this manner provides the managers of the national funding areas with new knowledge which they can apply in their areas of responsibility, while the experts responsible for the European and International Programmes receive new impetus for their consulting activities. Ultimately, it is the customers of the FFG who profit: Austria's companies and research institutes.

Another aspect of integration work at the FFG concerns the harmonisation of the highly diverse systems of project evaluation in the individual programmes. Diverging evaluation cultures are to be brought closer together and the content and methods of evaluation standardised, so that better use can be made of internal expertise across all divisions and joint use made of external pools of experts. This project will be continued in 2006.

Finally, the FFG wants to leverage an extremely valuable resource: The wealth of data held by the individual divisions is a key asset for a research promotion agency. Last year, the FFG therefore started a systematic thematic analysis of the available data material across all divisions. These analyses provide information about the applicant structure and the degree to which promotion schemes are used. They offer both the national divisions and the European and International Programmes clues about how they can optimise their programmes and tailor them more to the needs of the target groups.

Linked Data, Centralised Services

The challenge facing the FFG was to bring together the differing data collection and data processing systems of the individual predecessor organisations on a single platform. In 2005 all divisions dealing with national funding programmes were integrated into the system of the General Programmes, "FFF 2004". While this represents a major step forward, there is still a long way to go before the final goal is achieved. This has been defined as the development of a comprehensive system "FFG 2007", a system which should bring about maximum standardisation and user-convenience combined with a high degree of automation and permeability. The aim is to eliminate sources of error, accelerate

processing and improve the efficiency of project controlling. The linking of master data and the mutual accessibility of data between the system for national promotion schemes and the EIP database "Innoman" will play a key role.

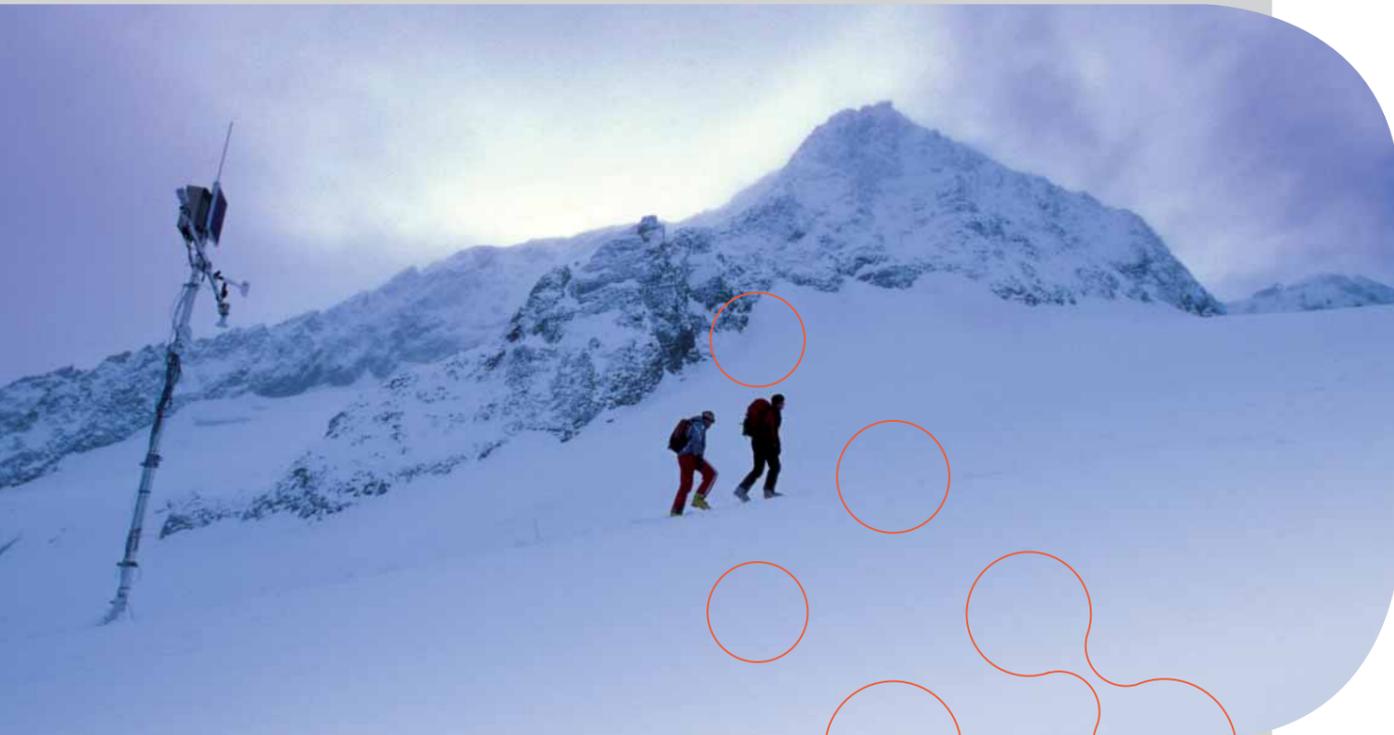
To exploit the synergy potential of the FFG, competences and service functions had to be centralised. This was reflected in the creation of the units and various internal services. The year 2005 was used to define the competences of these central units and their interface to the individual divisions. The Internal Audit department is one of the first products of this process. In future this unit will be responsible for auditing all FFG funding transactions across all divisions. A central accounting department and controlling system have also been defined and put in place.

Finally, the basis was laid for a new, standardised salary structure throughout the FFG.

The FFG is all about integrating different companies with different traditions and corporate cultures. This calls for imagination and judgement, but above all persistence. Integration is proceeding well—the FFG is a work in progress.



Strategy and Vision: The FFG Defines Its Future



In September 2005 the FFG drew up a multi-year programme for its development over the next three years. The goal is to consistently develop the core competences of the FFG. This involves two strategic areas of action focussing on two major themes; firstly, optimising the range of funding schemes and services and secondly, positioning them within the national and international innovation system.

Optimising the Range of Funding Programmes and Services

A key strategic aim is to optimise the range of programmes and services offered by the FFG while deepening the integration of the various programme lines and instruments so that they form a complete and integrated package with optimal interaction between the General and priority research programmes. The following areas are addressed:

- **Comprehensive Initiatives:** The FFG will in future develop more comprehensive initiatives covering a variety of themes. The entire spectrum of programmes, funding and consulting schemes will be communicated in a concentrated form to specific target groups, especially in industries with low levels of research activity. Preparations are underway for a pilot scheme for the construction industry.
- **New Businesses:** The FFG and its programmes offer extensive support to technology-oriented business start-ups. In future, these efforts will be strengthened, concentrated and structured in a way that takes greater account of the needs of start-ups. In order to do so, a greater degree of economic risk will have to be accepted in addition to technical risks.

- **Promoting Excellence:** The promotion of excellence is a key component of the FFG's services and is by no means solely restricted to the Competence Centres. The FFG will therefore contribute to Austria's strategy of excellence by drawing up a concept which focuses on supporting long-term, future-oriented projects with technologically high-risk research content of the highest international calibre.
- **New Competence:** As explained earlier, the new Competence Centres programme combines the various K-programmes. It also implies competition between existing and newly emerging structures. Efforts in 2006 will focus upon fine tuning the programme and the management structures and upon preparing and carrying out the first calls.
- **COIN Project:** The COIN project was set up to bundle the fragmented services in the area of innovation and co-operation. A joint umbrella programme which also offers sufficient flexibility for processing the different customer strata will be developed for this purpose.
- **Human Resources:** The activities of the FFG to strengthen human resources will be horizontally expanded across its entire promotion portfolio. Emphasis in 2006 will be given to establishing a stronger awareness of gender mainstreaming throughout the entire agency.

- **Thematic Priorities:** Based on an analysis of the current portfolio of thematic priority programmes and in consultation with the owner ministries, the FFG will draw up proposals for future priority developments.
- **GEN-AU:** In summer 2006 responsibility for the management of the genome research programme GEN-AU will be transferred to the FFG. In spring, various working groups will prepare the smooth transfer from the Ministry for Education, Science and Culture. The continuity of the existing know-how has already been ensured by the incorporation of the GEN-AU team into the FFG.
- **Broadband Initiative:** Another thematic programme, the broadband initiative @net, is being developed in co-operation with the Ministry of Transport, Innovation and Technology and will in future be managed by the FFG on the ministry's behalf.
- **Aeronautics and Space:** Work at the Aeronautics and Space Agency will focus upon formulating a national aeronautics strategy in co-operation with the BMVIT.

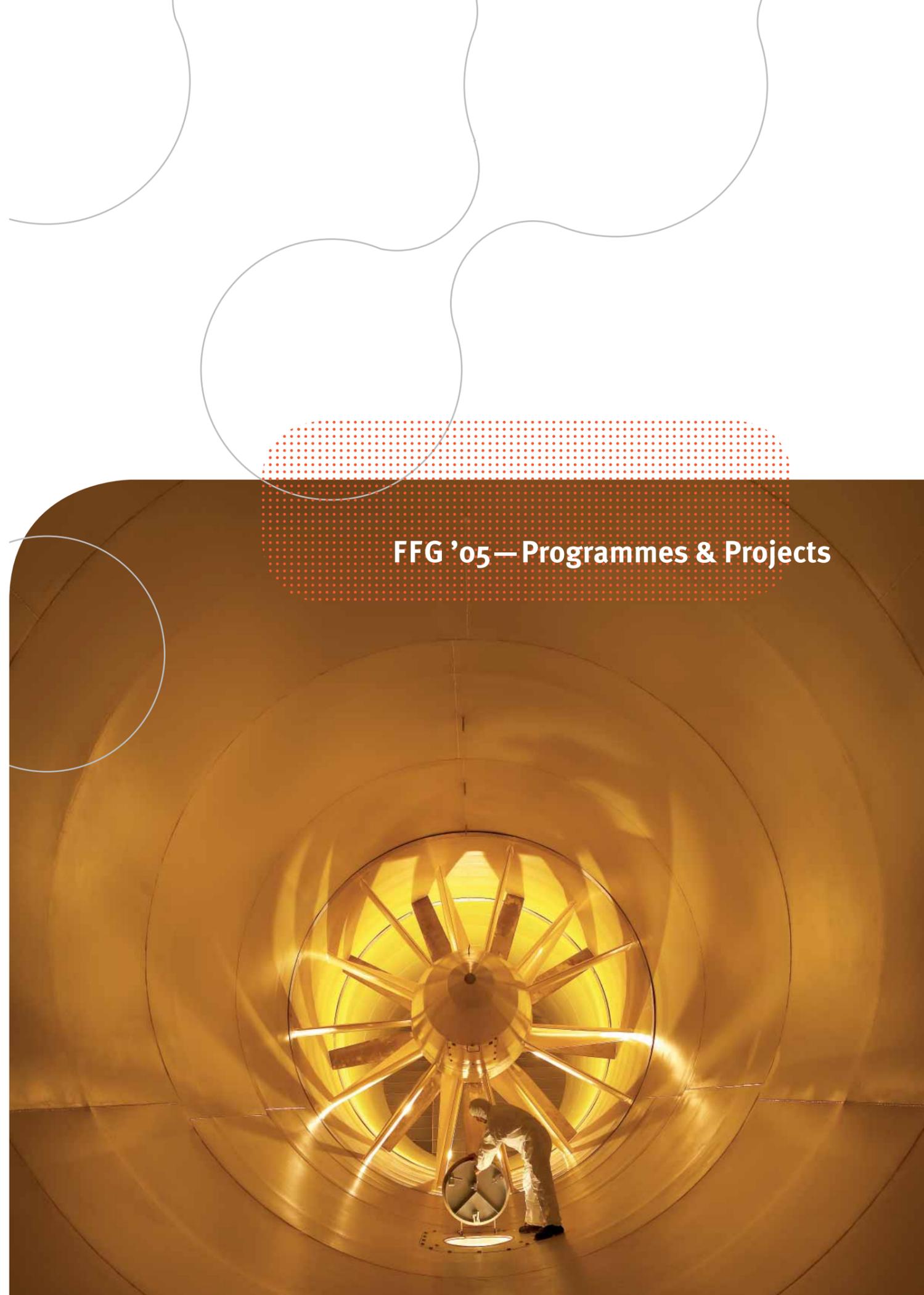
Positioning within the National and International Innovation System

One of the key challenges for the FFG in future will be to support the players in the Austrian innovation system as they participate in the activities and development of the European Research Area. However, equally important is the positioning of the FFG itself within the national innovation system. The FFG defines itself as the central agency for business-oriented research promotion.

As such, and in co-operation with partner organisations at the federal and provincial levels, it works hard to offer the Austrian business and science communities a carefully co-ordinated range of services. The main focus is upon the following developments:

- **Seventh EU Framework Programme:** Strengthening the Austrian players in the European Research Area is a major challenge for the future. It is essential to adapt the service structure of the FFG's European and International Programmes to the challenges of the Seventh Framework Programme. Contracts are therefore currently being drawn up with the awarding bodies.
- **Co-operation in Central and Eastern Europe (CEE):** Due to the many years spent building up strategic co-operations with the new member states and candidate countries, Austria has the closest collaborative relationships with the CEE of any country in Europe. These relationships need to be expanded in the next few years.
- **Co-operation with the Provinces:** The FFG will continue to work toward greater co-operation with the provinces. The FFG is available for partnerships with regional funding institutions as a supplier of expertise and services based on the model of its agreement with Upper Austria. In Upper Austria work is jointly being carried out to develop an ICT promotion scheme.
- **FFG Academy:** Furthermore, as regards the vision to open an FFG Academy, the first pilot programmes for further training seminars in the FFG's core competence areas are being developed and offered to the provinces.
- **Benchmarking:** As an important and respected European player in research promotion and funding, the FFG will continue to push the national benchmarking process "Learning with the Best."

FFG '05 — Programmes & Projects



FFG: Partner for Research and Development

The FFG is the promotion agency for application-oriented research and development in Austria, and as such carries out a broad range of tasks within the Austrian innovation system:

- The General Programmes division of the FFG manages funding-upon-application schemes. These form the basis of modern technology policy. Recipients of support are companies seeking to advance their technological base. In 2005 a total of EUR 265.2 million was awarded upon application.
- The FFG also designs and implements Structural Programmes which optimise the framework conditions for research and innovation in Austria and remedy specific structural deficits. Particular effort is made to promote the efficient networking of the actors in the innovation system and to strengthen co-operation between science and industry. In 2005 the Structural Programmes had a funding volume of EUR 49.4 million.
- The Thematic Programmes division of the FFG defines national priorities to encourage research on key areas for the future. The main object is to build up critical mass in areas which are of strategic importance for developing new technologies. In 2005 the Thematic Programmes had a funding volume of EUR 41 million.
- The FFG's European and International Programmes division offers consulting services and expertise to Austrian companies and institutions participating in European and international research and technology programmes.
- The Aeronautics and Space Agency at the FFG implements Austrian aeronautical and space policy and represents Austria's interests in the European and international aeronautical and space research organisations. In 2005 the national space programme implemented by the agency on behalf of the BMVIT had a total funding volume of EUR 6.8 million.

General Programmes: The Basis of Innovation Policy

The General Programmes of the FFG award funding to research and development projects solely on the basis of a quality assessment, irrespective of the research topic and the type of enterprise involved. The General Programmes therefore provide the basis for the rapid and unbureaucratic support of innovative projects. The goal is to encourage research ideas and research initiatives within companies, thus strengthening the competitiveness of Austrian industry.

Net Cash Value of Funding Rose by Almost 14 Per Cent

The General Programmes division of the FFG ended 2005 with a record result. The total volume of funding rose to EUR 265.2 million, up 6.8 per cent on 2004. This includes EUR 38.7 million from the Austrian National Foundation for Research, Technology and

Development, EUR 13.7 million in EU grants, and bank guarantees for loans amounting to EUR 35.8 million. A further sum of just under EUR 31 million was invested in the BRIDGE programme and Headquarter Strategy which were launched in 2005 as well as in supporting measures and portfolio project financing for Thematic Programmes.

The increase in the net cash value of funding, i.e. the amount which actually remains to companies as calculated using the EU-wide formula, is particularly significant. This rose by 13.9 per cent to just under EUR 145 million. This increase reflects higher funding for collaborative projects between industry and the academic sector. The share of the costs borne by the universities is taken into account when determining the amount of funding to be provided. A 50 per cent grant is provided to cover such costs. However, the biggest share of the increase is due to the greater use of grants within the scope of the Headquarter Programme.

Optimised Service for an Increasing Number of Applicants

The number of funding applications assessed in 2005 (2004: 1,215) amounted to 1,277, of which 870 were approved. The project volume of the submitted applications totalled EUR 788.70 million.

Applications were made for funding amounting to EUR 386.56 million. The increase in the number of applications is attributable to new incentive programmes such as the Headquarter Strategy and BRIDGE. Just under 40 per cent of all applicants (385 of 1,007 companies) applied for funding from the FFG General Programmes for the first time in 2005. This opening up of new customer segments reflects both the

FFG's continuous efforts to create new services as well as the speed with which funding applications are processed. The eANTRAG tool which was introduced in autumn allows applicants to submit their projects online and enquire about the status of the application at any time.

General Programmes – Funding Balance 2005

Application and Funding Structure 2005 (Amounts in EUR 1,000)

	2005	%	2004
Applications			
Applicants	1,007	10.2 %	914
Projects	1,277	5.1 %	1,215
Estimated costs of projects submitted	788,700	-0.6 %	793,320
Amount of funding applied for	386,555	1.0 %	382,811
Funding awarded			
Applicants	695	4.2 %	667
Projects	870	0.2 %	868
Authorised costs	548,923	6.1 %	517,281
Grants FFG	45,838	-13.4 %	52,950
Loans FFG	100,240	22.7 %	81,699
Loan guarantees ¹	35,750	-34.9 %	54,881
Total funding FFG	181,829	-4.1 %	189,531
EU grants ²	13,738	-31.0 %	19,904
Grants from provinces ²	64	-12.3 %	73
Grants from KOM ³	0		0
Grants from Kommunalkredit ⁴	0		0
Grants from National Bank ⁵	38,648	0.0 %	38,648
BRIDGE grants from NF ⁶	5,962		0
BRIDGE grants from BMVIT ⁷	5,000		0
Headquarter grant ⁸	19,141		0
Underwriting EST-PF ⁹	176		0
Underwriting FT-PF ¹⁰	287		0
Underwriting BT-SM ¹¹	220		0
Underwriting ISR-SM ¹²	99		0
Total funding	265,166	6.8 %	248,197
Net cash value¹³	144,901	13.9 %	127,217
Cost reductions for funded projects	84,796	-8.6 %	92,779
Rejected			
Applicants	374	20.6 %	310
Projects	407	17.3 %	347
Project volume	154,980	-15.4 %	183,259

- 1 Loan guarantees by government or the FFG
- 2 Grants awarded by the EU and the province of Salzburg have only been included since 2000
- 3 Funds from Kommunalkredit until 2000
- 4 Funds from the Austrian National Bank until 2003
- 5 Funds from the National Foundation from 2004 onward
- 6 Funds for the Bridging Programme from 2005 onward (National Foundation)
- 7 Funds for the Bridging Programme from 2005 onward (Research Bond, BMVIT)
- 8 Funds for Headquarter from 2005 onward (Research Bond, BMVIT)
- 9 Funds for Energy Systems of Tomorrow/Portfolio from 2005 onward (Austrian Council)
- 10 Funds for Factory of Tomorrow/Portfolio from 2005 onward (Austrian Council)
- 11 Funds for Building of Tomorrow/Supporting Measures from 2005 onward (Austrian Council/FFG)
- 12 Funds for Innovative System Railway/Supporting Measures from 2005 onward (Austrian Council/FFG)
- 13 Since 1999 loan guarantees have been reported with 3 %

Key Impulses for Small and Medium-Sized Enterprises

Small and medium-sized enterprises were once again the drivers of research and development in Austria in 2005. In turn, the funding and services provided by the FFG delivered key impulses for the SMEs. It is very often the case that at companies with small workforces and budgets the decision to initiate a difficult research project depends on the available government subsidies and grants.

million, or 48.2 per cent, of all funding was awarded to these projects, a figure similar to 2004 (EUR 124.5 million).

Boosting Co-operation between Science and Industry

There has also been a sharp increase (from 191 in 2004 to 236 in 2005) in the number of collaborative projects between science and industry, i.e. projects which envisaged co-operation with scientists from the university sector even at the application stage. These accounted for no less than 27.1 per cent of all projects which were awarded

funding. A total of EUR 53.8 million was allocated to them. In the assessment of the funding to be awarded for these projects, 50 per cent of the costs to be borne by the universities are covered by a special grant. Evaluations have shown that over the course of projects, the partners from industry frequently enter into additional extensive co-operations with the universities which were not originally envisaged when the project was submitted.

In the year under review small and medium-sized enterprises with fewer than 250 employees accounted for 83.5 per cent of all funded projects (2004: 82.3 per cent), a slight increase compared with the previous year. Approximately EUR 128

Strengthening Locations, Closing Funding Gaps

Complementary to funding-upon-application for innovation projects, the General Programmes division has introduced a number of new initiatives which pursue specific technology policy goals.

The Bridging Programme

In order to close the funding gap between basic research and applied research, the FFG and Austrian Science Fund (FWF) carried out two co-ordinated programmes under the umbrella of the BRIDGE programme in 2005.

This FFG bridging programme targets individual projects largely focused on basic research but also showing enough realistic commercial potential so that one or more companies are willing to co-finance them.

Headquarter Strategy

The Headquarter Strategy was established in autumn 2005. Its aim is to create and expand new research and development competence and thus attract genuinely R&D driven headquarters to Austria. The programme is managed by the FFG on behalf of the BMVIT. In 2005 eighteen projects received support totalling EUR 19.14 million (see Programme Focus on page 27).

Following the first call, 37 of 87 project applications were awarded EUR 4.97 million in funding. In the second call, 42 of 74 project applications were approved and received EUR 5.99 million. The volume of applications totalled EUR 13.8 million. A third call was started in December 2005.

EU Proposals

The General Programmes division of the FFG supports the development of project proposals by Austrian partners for the EU Framework Programme and thus Austrian participation in EU projects. In general, the action line has been quite well received. In 2005 a total of 72 proposals for EU projects were submitted. Twenty-seven of them were for the new instruments and 45 for the classic instruments of the Sixth Research Framework Programme. In the year under review, 43 applications received funding totalling EUR 442,000.

EUREKA and COST

Within the scope of its General Programmes the FFG also acts as the national funding agency for industrial partners in EUREKA and COST projects. Last year 33 EUREKA projects were financed with a net cash value of EUR 5.4 million and one COST project with a net cash value of EUR 293,300.

Support during Important Stages of Innovation

Start-up Funding

The General Programmes division of the FFG offers a comprehensive range of measures to support technology-oriented young entrepreneurs. Its aim is to encourage the establishment of new companies in the high-tech sector.

These measures include financing for feasibility studies, venture capital forums which provide an opportunity to meet investors, and technology ratings. During the period under review 80 start-up projects received funding totalling EUR 15.42 million. Co-operation with the provinces has also improved the financial situation for applicants as follow-up financing produces a massive increase in the net cash value of funding.

Young Researchers Programme

This initiative supports the involvement of young researchers in industrial research projects. Fifty per cent of the costs for the young undergraduates, PhD students and supporting university institutes are covered by grants. In 2005 thirty-five projects with a total funding volume of EUR 6.48 million were supported.

Feasibility Studies

This action line funds the costs of external feasibility studies which small and medium-sized enterprises commission research institutes and other qualified institutions to carry out. In the year under review 28 projects were awarded funding totalling EUR 199,000.

Micro-technology Austria— Nano-technology

Micro-technology in all its forms is a key technology. This FFG initiative essentially addresses small and medium-sized enterprises with the aim of persuading them to make use of this technology. In 2005 a total of EUR 41.25 million was awarded to 72 projects, 34 of which were in the field of nano-technology.

Headquarter Strategy: Building up Strategic Competence

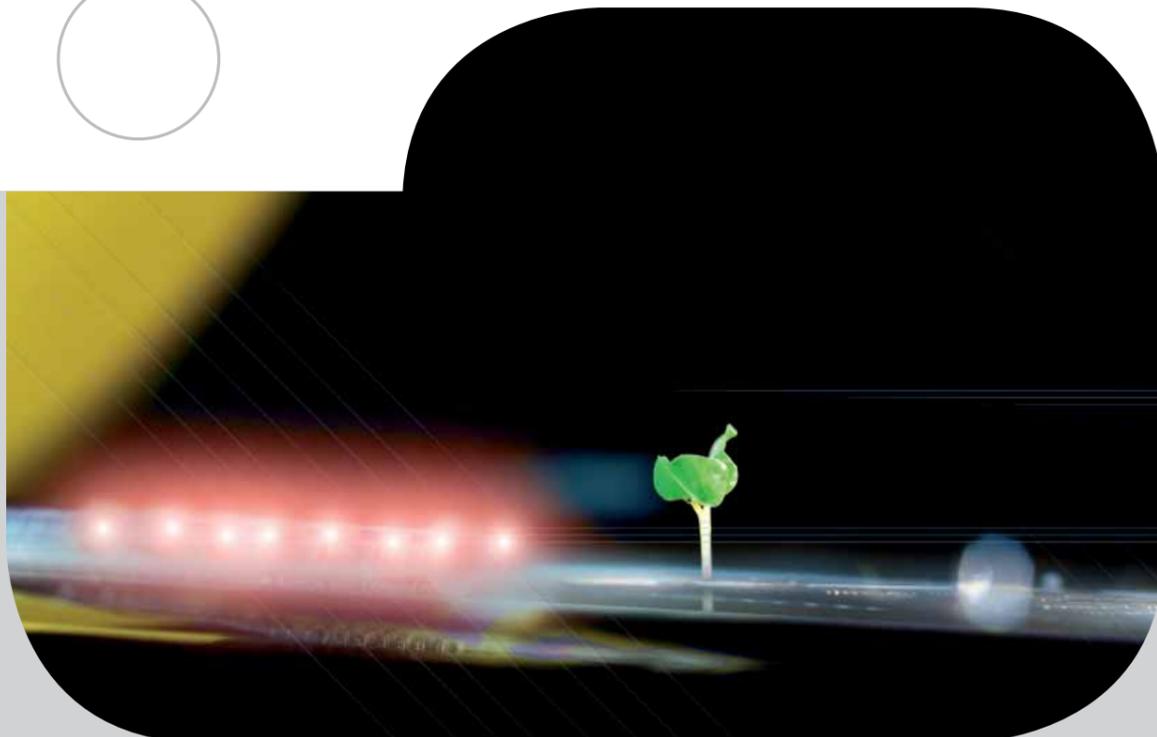
In 1948 Boehringer Ingelheim Austria (BIA) was set up in an Austrian pharmacy and became the first foreign subsidiary of the German pharmaceuticals group Boehringer Ingelheim. Today, the company's Austrian site is the centre of the group's cancer research and an important development and production centre for bio-pharmaceutical drugs. As the Regional Centre Vienna, BIA is responsible for business in 29 countries in Central and Eastern Europe. Each year the company invests approximately EUR 60 million in research and development in Austria at BIA and at the Research Institute of Molecular Pathology (IMP).

Last year international corporations like Boehringer Ingelheim which have built up research capacities in Austria invested approximately EUR 1.16 billion in research and development in Austria. Their contribution accounts for one fifth of all research expenditure in Austria. Over the last ten years, the volume of their investments in Austrian research has increased sixfold.

The new Headquarter Strategy, which is managed by the FFG on behalf of the BMVIT, aims to strengthen Austria as a research location and create high-value jobs by using targeted measures to foster strategic corporate R&D competence in Austria.

This scheme targets international corporations and supports the establishment of new R&D units with independent R&D responsibility or the substantial development of existing ones. Networking with national research and collaborative research projects is a prerequisite for funding. Securing the sustainability of these measures is a compelling reason for attracting funding.

In 2005 eighteen projects received funding commitments under the Headquarter Strategy, among them the BIA project Innovative Production Processes for Plasmid DNA. Plasmids are the small circular DNA molecules which occur in bacteria and which are used as "tools" to multiply specific genes or to insert a gene into the cells of other organisms. Boehringer Ingelheim Austria has already established itself as the global market leader in the production of plasmid DNA for genetic therapeutic purposes. The project seeks to expand this competence lead by supporting the development of methods to produce large plasmids in order to strengthen and safeguard Austria's status as a research and production location.



CIR-CE: Technology Partners Overcoming Borders

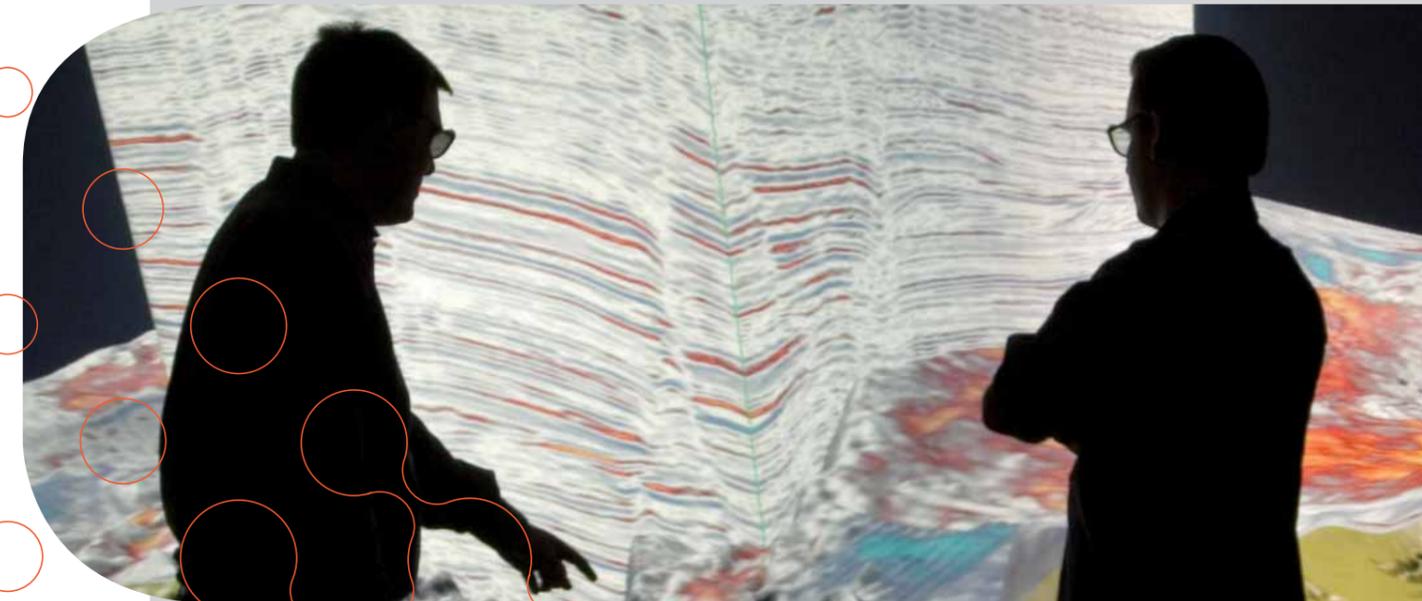
Austria's strict laws governing emissions have thrust the country's biomass heating technology sector into a position of global technological leadership. However, its digital high-tech plants are frequently too expensive for export to markets with less purchasing power. EASTPELL, a consortium comprising Austrian, Slovakian, and Bulgarian companies, is now working on the development of a prototype for a low-cost pellet and log wood heating system that should be able to achieve a similarly high degree of efficiency without computer control. The project was made possible by the CIR-CE programme (Co-operation in Innovation and Research with Central and Eastern Europe) which is funded by the BMWA.

"We would not have been able to start the project without CIR-CE," explained Herbert Hartl, the head of the consortium. The funding will cover approximately 45 per cent of the development costs. The goal is to have a prototype all but ready for serial production within about three years. "The Bulgarians are doing great things in the manufacture of boilers; our Slovak partner is contributing the materials handling technology, while we are responsible for the core tasks of process and incineration technology," said Hartl, explaining how work is distributed within the consortium. "We see it as the start of a long-term co-operation in which we will not only develop technology jointly, but also open up new markets."

The philosophy of CIR-CE is to stimulate and promote co-operation and joint ventures between innovative Austrian companies and innovative enterprises from Central, Eastern and South East Europe. Its aim is to encourage the implementation of trans-national networks between companies organised by intermediary institutions such as impulse and competence centres or cluster organisations and to promote trans-national projects covering research and development, but also technology transfer and quality assurance models. Training measures are also eligible for support from the programme. The maximum amount of funding which can be awarded ranges from between 45 and 75 per cent of the project costs. Projects may last anywhere from 1.5 to 3 years.

The first call was opened on 25 May 2005. Of the 40 projects which were submitted, 15 were selected by a panel of five experts. Fourteen projects—one of which was EASTPELL—commenced at the start of 2006.

Structural Programmes: The Architecture of Co-operation



The Structural Programmes division of the FFG supports ambitious research and creates the prerequisites for efficient co-operation between all players in the innovation system. Under its guidance, structural bottlenecks and flaws are overcome and proven structures continuously adapted to new challenges. New forms of co-operation—in particular between scientific institutions and enterprises—are developed, new knowledge is generated and new areas of strength are developed.

The Structural Programmes are organised in three groups:

Competence and Excellence

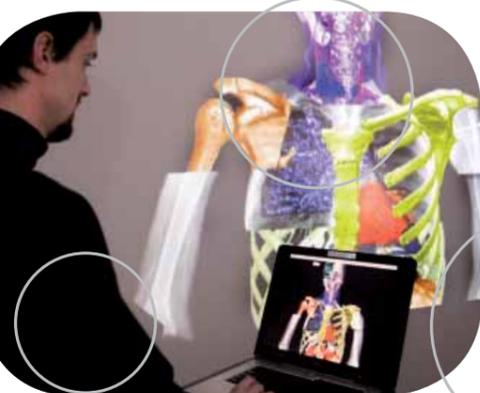
The Competence Centres programmes—Kplus and K-ind/K-net—foster co-operation between partners from science and industry in internationally competitive research and development. In 2005 the basic outline was drawn up for a new competence centres programme which is scheduled for implementation in 2006. At the same time, the Strategic Excellence Lead Projects (SELP) provided an initial stimulus for the support of application-oriented first-class research.

Innovation and Co-operation

The common purpose of the programmes in this group is to support the development and expansion of research, innovation and co-operation capabilities at research institutes and intermediary organisations, and to promote the establishment and further development of innovation networks and their commercial viability. The group includes the FHplus Programme, which supports the creation and expansion of R&D competence at the universities of applied sciences and their ability to collaborate with SMEs; the AplusB programme, which fosters start-up dynamics in the high-tech sector; the protec-NETplus programme, which was designed to encourage innovation networks among small and medium-sized enterprises; and REGplus, which promotes regional networking. The portfolio is rounded off by the CIR-CE programme, which focuses on cross-border research and technology co-operations with Central and Eastern Europe, and PROKIS, a programme designed to support collaborative research facilities.

Human Resources and Gender

This group comprises programmes to strengthen research and innovation performance in a knowledge-based society by focussing on human resources. They aim to ensure attractive careers for researchers, and increase international mobility and permeability between science and industry. The group includes the FEMtech-FFORTE and w-FFORTE programmes for women in research and technology, and the brainpower austria Initiative.



Structural Programmes – Funding Balance 2005

Programme Group	Programme (line)	Funding Volume 2005 in EUR 1,000
Competence & Excellence	Kplus	11,168
	K-ind/K-net	12,600
	SELP	2,600
	Sub-total	26,368
Co-operation & Innovation	AplusB	5,000
	FHplus	5,270
	FH Labor	
	REGplus	1,945
	protec-NETplus	2,450
	CIR-CE	0
	PROKIS	0
	Sub-total	14,665
Human Resources & Gender	FEMtech	1,200
	w-FORTE	500
	brainpower austria	900
	innovatives.oesterreich	5,791
	Sub-total	8,391
Total		49,424

Competence and Excellence

One of the goals of the FFG Structural Programmes division is to convert scientific excellence into international market competence. The Competence Centres programmes have proved extremely successful in this regard.

Promoting a Culture of Co-operation

Since 1998 the Competence Centres programmes Kplus, K-ind and K-net have built up competences in key research areas at over 40 centres and networks in collaborative projects between science and industry. This has drawn a whole new map of high-calibre research nodes in which technologically complex, high-risk and long-term projects are realised in a research programme defined jointly by industry and science. The first centres will reach the end of the planned seven-year funding period this year.

A new Competence Centres programme has now been designed to reinforce this new culture of co-operation between science and industry in research. Its intended aim is to:

- open up the possibility of further innovative development for the areas of competence already established at the centres,
- support the creation and bundling of existing competences as well as the development of outstanding research,
- stabilise the number of centres on a scale that is commensurate with Austria's research strengths by means of structural adjustments and permanent quality control.

The new programme creates incentives for increased bundling and offers fair opportunities for participation to both existing and new initiatives. Building upon the previous programmes Kplus, K-ind and K-net, it optimises the structure of these programmes on the basis of evaluations and brings them together in a single programme.

To this end, three programme lines have been planned (see figure). While the K1-Centres correspond most closely to the existing competence centres in terms of size and orientation, the K2-Centres are characterised by a highly ambitious research programme. They concentrate existing and new nodes of excellence and are larger than the K1-Centres. They have an extremely high profile internationally and engage in extensive international networking. These centres offer outstanding international development and career opportunities to young researchers. The K-projects on the other hand, are long-term, strategic collaborative projects between science and industry, which can also serve as preparatory stages for future centres.

Overview of Programme Lines in the new Competence Centres Programme:

Programme Lines	Number	Project Duration
K2-Centres	approx. 5	10 years
K1-Centres	approx. 15	7 years
K-Project	approx. 15	3 to max. 5 years

Innovation and Co-operation

A second group of Structural Programmes focuses on strengthening the networking capability of all key players in the innovation system (above all in a regional context and between the various actors) and on creating marketability.

FHplus: Universities of Applied Sciences as Network Nodes

The impulse programme FHplus launched in 2003 was designed to furnish the universities of applied sciences with the resources they need to act as network nodes for research, development and the transfer of technology. In 2005 the projects approved in the second round of calls were implemented, bringing the number of projects currently being funded by FHplus to 43. Between them, they receive a total of EUR 18 million.

AplusB: Evaluation Confirms the Road to Success

The AplusB programme provides professional assistance at special AplusB Centres to support innovative and technology-oriented spin-offs from the academic sector. In 2005 three new centres were opened – accent Niederösterreich, BCCS Salzburg and v-start Vorarlberg. As a result, after

two rounds of calls, there is now a nationwide network of nine AplusB Centres. Since the programme was started, the centres have provided assistance to 115 high-tech start-up projects. Sixty seven of these have already set up companies, 47 of which have since left the AplusB Centres and now operate on the free market.

In an evaluation of the first AplusB Centres in the third year of their existence, international experts have confirmed that the success of the programme has exceeded the original targets. The activities carried out by the centres have raised general awareness for the commercial exploitation of scientific know-how, thus creating new potential for academic spin-offs.

REGplus: Impulses for Innovation in the Regions

REGplus supports collaborative projects which are developed and carried out at Impulse Centres (technology, incubator and innovation centres). The main goal is to bring together “innovative minds” in the regions and to support co-operation between them at the centres. More than 20 projects have been successfully completed since the programme was launched in 2001, and the 16 projects which are still running are giving fresh impetus to innovation and technology in the regional innovation system.

protec-NETplus: Joining Forces to Stimulate Innovation

protec-NETplus was set up to encourage small and medium-sized enterprises to develop new products or to find suitable partners in the research sector. The first three rounds of calls resulted in 26 successful collaborative projects. A fourth call was started in November 2005.

CIR-CE: Cross-Border Co-operation

CIR-CE (Co-operation in Innovation and Research with Central and Eastern Europe) supports cross-border research and technology collaborations with the countries of Central, East and South East Europe. The programme was launched in May 2005 and by the time the deadline for submissions was reached in September, 40 projects had been submitted. An independent jury recommended that funding be awarded to 15 projects, mostly in the field of energy and the environment (see Programme Focus on page 28).



Human Resources and Gender

Outstanding development and research calls for highly qualified researchers. The question of human resources therefore becomes a central aspect of technology policy. Creating a level playing field in global competition for the best minds is just as much a priority as measures to increase the proportion of women working

in research. The FFG emphasises these points in its Structural Programmes. The agency co-ordinates two programmes within the framework of the inter-ministerial initiative fFORTE—Women in Research and Technology—and also manages the BMVIT's programme brainpower austria.

FEMtech-ffORTE

FEMtech supports companies and non-university research institutes that wish to implement measures for improving career opportunities for women. In order to raise the visibility of women's achievements, a female scientist from the FEMtech experts' database has been chosen as the "Expert of the Month" and presented in the media since March 2005. A gender manual has been drawn up for programme and project managers.

w-ffORTE

w-ffORTE focuses on improving career options for women either in management or as entrepreneurs, supporting women as business founders, entrepreneurs, managers and high-calibre researchers in the natural sciences and technology. It was within the framework of this programme that the concept for the Laura Bassis Centres of Expertise was developed in 2005. This scheme promotes collaborative research projects headed by female scientists and will be implemented in 2006.

brainpower austria

This initiative aims to promote interest in Austria as a research location among researchers and experts living abroad, to draw attention to career opportunities in Austria and to support networking with the Austrian scientific community. In addition to supplying information, the initiative provides active support and organises events both in Austria and abroad, such as the Science Talks in the USA. One important programme instrument is the online job exchange which has now been used by more than 460 researchers.

European Networks

Of course, the FFG Structural Programmes often reflect their European environment, and programme managers engage in a regular exchange with those responsible for similar programmes at European partner organisations. Through its Structural Programmes the FFG also participates in a number of ERA-NET projects, which aim to improve the co-ordination of and co-operation between research and technology programmes in the EU member states. However, the FFG also uses its acknowledged experts to conduct evaluations on behalf of international institutions, acting for example, as the head of a consortium to evaluate the funding programme for universities of applied sciences operated by the Swiss innovation agency KTI.

Thematic Programmes: Identifying the Themes of the Future



The Thematic Programmes division aims to set strategic priorities in Austrian research. The funding portfolio focuses on promoting co-operation between companies and research organisations with a view to achieving critical masses which will ensure international visibility in the relevant thematic areas. The defined goals and objectives also include achieving synergies between the programmes while strengthening the customer focus.

The Thematic Programmes currently focus on six key areas: transport, sustainable development, nano-technologies, information technologies, aeronautics and safety. A total of 14 calls in 13 programme lines were carried out in these thematic areas in 2005.

Funding was awarded to 205 innovative projects selected from among 426 applications. The promised funding volume amounted to approximately EUR 41 million with total project costs running to EUR 72.5 million. A total of 312 companies and 263 research institutes are participating in the FFG-aided projects. Corporate sponsorship also reached a significant dimension with a participation rate of 53 per cent.

The FFG is integrated in extensive international networks through its Thematic Programmes. This is reflected in its participation in ten ERA-NET projects within the context of the EU Sixth Research Framework Programme: MNT (micro and nano-technologies, with the FFG as co-ordinator), SPOT (photonics/optics), MiNaTSI (strategies for micro and nano-technologies), QIST (quantum informatics), AirTN (aeronautics), SUSPRISE (sustainable production technologies), PV-ERA-NET (photovoltaics), ERABUILD (construction industry), BIOENERGY (energy from biomass) and HY-CO (hydrogen technologies).

Thematic Programmes—Funding Balance 2005

(New Funding Commitments on the Basis of Calls in 2005)

Thematic Programmes	FIT-IT	IV2S	Sust. Development	NANO	Total
Programme Lines	3	3	3	4	13
Calls	4 ¹	3	3	4	14
Applications	69	148	161	48	426
Funded Projects (new)	39	69 ²	69	28	205
Total Project Costs (EUR)	20,104,229	25,958,650	16,161,785	10,280,123	72,504,787
Total Funding Volume (EUR)	12,915,840	13,682,805 ³	7,672,916	6,813,489 ⁴	41,085,050
Stakes in Successful Projects					
Total	183	276	69	66	594
Industry and SMEs	81	163	38	30	312
R&D Institutes	102	97	29	35	263
Other	0	16	2	1	19

1 Incl. 4. Call Embedded Systems: Calendar Year 2004/Financial Year 2005

2 Of which 55 from the 3 calls in 2005 and 14 from calls in 2004 (A3, ISB). Final figure for re-submissions: March 2006

3 Includes 3 new joint projects (17 projects + 3 orders), 4 additional projects, 3 feasibility studies and 1 study.

4 Of which EUR 2,902,006 to basic research projects managed by the FWF

Stimulating Information Technologies

A call carried out in the programme FIT-IT (Research, Innovation and Technology for Information Technologies) for the new programme line Systems on Chip and the established lines Embedded Systems and Semantic Systems was met with a strong response from the industrial research sector. Approximately two thirds of the funding was awarded to research-intensive collaborative projects, 29 per cent to research projects in which companies dominated and 5 per cent for grants for PhD students and supporting measures. The proportion of research-intensive projects was highest in the programme line Semantic Systems. A survey confirmed the success of the programme's efforts to generate greater interest in higher-risk and long-term projects on the part of the Austrian ICT research sector.

Mobility of the Future

In 2005 the programme line A3 (Austrian Advanced Automotive Technology) of the programme IV2S (Intelligent Traffic Systems and Services) focussed upon the areas of motors and fuels, vehicle electronics and alternative materials, and manufacturing processes. Due to its high potential the A3 programme has been expanded to include the Austrian Hydrogen and Fuel Cell Initiative (WBZI). Research in programme line I2 (Intelligent Infrastructure) in 2005 focussed on intelligent vehicles and infrastructure, information and mobility, and safety in the traffic system. The programme line ISB (Innovative System Railway) is managed by the General Programme division of the FFG in consultation with the programme management of IV2S.

Sustainable Development

In the Sustainable Development programme new calls were opened for all three programme lines (Energy Systems, Factory of Tomorrow and Building of Tomorrow). Due to the progress of the programme an increasing number of scientific support measures are being implemented and the transfer of knowledge to practical applications accelerated. The portfolio model developed in 2005 also proved extremely successful. As a result it was possible to reward theme-specific research activities with an additional programme bonus. The first demonstration projects were completed in co-operation with environmental funding schemes, the contracts will be drawn up in early 2006. Projects can now be supported by both the FFG and Kommunalkredit with a single application.

Given the rise in oil and gas prices, the programme line Energy Systems of Tomorrow has gained immediate importance. As a result, there has been a considerable increase in international interest in Austrian developments in the field of biogas technologies.

Researching in Nano-Dimensions

The NANO Initiative which was launched in 2004 aims to bundle research and supporting structural measures in the nano-sciences and nano-technologies with the goal of generating synergies for Austrian industry and scientific organisations. There were four calls for proposals in 2005, within the scope of which flexible procedures were defined for the first time for joint projects. In addition to the submission of new clusters these new rules also permitted the "docking on" of additional projects. The successful 28 project submissions included 3 new cluster projects (consisting of 20 individual projects), 4 additional projects, 2 feasibility studies, 1 event and 1 study. Approximately EUR 5.6 million was promised for the collaborative projects PHONAS, PLATON and NANOCOMP which focus on photonics, optical technologies and nano-structured composites.

The preparation of trans-national projects, participation in the ERA-NETs MNT (micro and nano technologies) and SPOT (photonics and optical technologies), and an active exchange in the NANO-Forum have strengthened Austria's position in an extremely dynamic field of technology.

Aeronautics

The objective of the TAKE OFF programme is to strengthen the research and technology competence of Austrian players in the aeronautical sector. The Thematic Programmes division handles the programme lines Special Research Programme Aviation, measures to improve skills and qualifications, and the transfer of know-how and certification campaigns. It has also made a substantial contribution to the activities of the BMVIT-EADS technology platform within the framework of reciprocal transactions for the interceptor jets purchased by Austria. Moreover, the division has initiated and implemented strategic projects and built up a role as a moderator in the setting-off process. No new calls were started for TAKE OFF in 2005, with work focussing on supervising existing projects. The Thematic Programmes division contributes to strengthening the international positioning of Austrian aeronautical research by playing a prominent role in the ERA-NET AirTN and by acting as the co-ordinator for the Fifth Community Aeronautics Days 2006 which will be held in Vienna from 19–21 June (www.aerodays2006.org). The outline of a new Austrian aeronautical strategy was also drawn up in 2005 in co-operation with the Aeronautics and Space Agency. The new strategy should be ready for publication at the end of 2006.

Security Research

The new programme for security research (KIRAS) launched in 2005 supports Austrian research projects for improving the security of Austria and its people. A total budget of EUR 110 is planned for the duration of the programme which will run from 2005 to 2013 (9 years). At least EUR 11 million of this total is available for the years 2005 and 2006 (see Programme Focus on page 36).



KIRAS: Research Creates Security

As the focus of international attention increasingly shifts to the issue of security, research designed to improve security has steadily gained priority. This is true at the European level where security research has been designated a thematic priority in the Seventh Research Framework Programme and of course at a national level. Austrian experts estimate that the security sector in Austria has a market potential of approximately EUR 400 million per year—and that this is rising.

Against this background, the BMVIT commissioned the FFG in April 2005 to develop a concept and assume overall responsibility for the management of an Austrian security research funding programme called KIRAS (derived from the Greek terms *kirkos*—research—and *aspheleia*—security). The Austrian Council for Research and Technology Development endowed the programme with EUR 5 million for 2005.

KIRAS supports Austrian research projects aimed at increasing the security of Austria and its people. A total budget of EUR 110 million is planned for the programme which will initially run for nine years until 2013, whereby some EUR 11 million will probably be made available by the end of 2006. The “protection of critical infrastructures” has been defined as the thematic focus for the initial phase of the programme in the period up to 2007. After this date, it should be possible to broaden the focus to include other thematic areas.

The KIRAS programme comprises the four following programme lines, which to some degree build upon and mutually reinforce one another:

- The programme line Networking and Feasibility Studies should lead to a concentration of national resources and expertise and examine projects for their technical feasibility.
- The programme line Co-operative RTD Projects should benefit from this concentration and utilise new knowledge in applied research and technology development.
- The programme line Co-operative Development of Components and Demonstration Projects should then implement the results of this research and development in specific applications.
- The programme line Supporting Activities supports the programme as such and the individual programme lines.

KIRAS was officially launched on 21 November 2005 with the call for project proposals for the programme lines 2 and 3.

Package of Programmes for SMEs: Strengthening Europe's Backbone

The vast majority of companies in Europe are small and medium-sized enterprises (SMEs) and as such they form the backbone of the European economy. In Austria in particular they are important sources of innovation and also have the greatest potential for creating employment. In order to strengthen their position within the innovation process, a great deal of effort is being invested in increasing their participation in the EU Research Framework Projects.

This is a key area of work at the FFG's European and International Programmes division. And its success is well documented: To date, Austrian organisations account for 2.9 per cent of total participation in the SME-specific measures of the Sixth Research Framework Programme, a figure that is considerably higher than Austria's calculated budget quota of 2.2 per cent. Austrian organisations even provide 5.8 per cent of the project co-ordinators. In terms of Austria's total participation in the Sixth Research Framework Programme, SMEs account for 16 per cent, well above the EU average.

The European and International Programmes division of the FFG also utilises a raft of EU-funded measures designed to support SMEs from a range of industries in trans-national co-operation with other companies and with universities and research institutes.

- The Plasteam Initiative with its thematic focus on the plastics industry addresses both SMEs and researchers who are jointly preparing an EU project. A European platform of synthetics experts has been established and a series of training and consulting activities carried out as part of the project. Plasteam is carried out jointly by twelve partners from ten countries.
- NanoRoadSME and NAoMITEC are two initiatives which focus upon the area of micro and nano-materials. They help SMEs and researchers assess the technological potential of new micro and nano-materials in industry and to prepare suitable research projects for the Sixth EU Framework Programme.
- SMEs go LifeSciences is an FFG-co-ordinated network of 28 partners from 26 countries working in the bio-sciences. The initiative combines intensive training and consulting with extensive network activities which also involve regional initiators (incubators, technology centres). The aim is to increase SME participation in the life sciences initiatives of the Sixth EU Research Framework Programme.
- The ERAENV Initiative was set up with the aim of networking organisations—especially SMEs—from countries with association agreements with the EU and the new members states, and thus to stimulate collaborative research projects. The initiative offers consulting services, international events which provide an opportunity to find partners, and a database with detailed information on research organisations.

Participation in EU projects is important for SMEs if they are to strengthen their innovative capability. At the same time, SMEs also emphasise the importance of participation for gaining access to new markets and initiating new strategic partnerships.

European and International Programmes: Relay Station to the European Research Area



The European and International Programmes of the FFG (EIP) act as the Austrian competence centre and relay station for participation in trans-national research and development activities. In addition to the range of services for the EU Sixth Research Framework Programme, which represents its main area of work, the division also manages the EUREKA Initiative, the eTen and eContent-plus programmes, and the INTAS programme.

The aim is to increase the level of participation by Austrian organisations in these programmes, to strengthen Austria's international presence and improve cross-links between Austrian organisations and partner organisations abroad. To this end, the European and International Programmes division offers its customers a tailored package of services which ranges from actively providing information, targeted consulting during the preparation of project proposals and the search for suitable project partners, to support during the implementation of projects, especially in financial and legal matters.

Strong Participation in the EU Sixth Research Framework Programme

In 2005 the European and International Programmes division of the FFG oversaw some 70 calls for proposals in connection with the EU Sixth Research Framework Programme. The total budget of EUR 19.235 billion for the duration of the programme (2002 to 2006) represents approximately four per cent of the total EU budget. The success of the services and consulting provided by the EIP is reflected in the outstanding balance of Austrian participation. The return quota (i.e. the ratio of promised EU funding to Austria's calculated share of the funding budget) has risen steadily in recent years and currently amounts to approximately 112 per cent.

So far some 6,000 Austrian participation proposals have been evaluated for the EU Sixth Research Framework Programme, of which approximately 1,400 were recommended for funding. Austrian researchers are therefore involved in almost one in six successful projects. In autumn 2005 a total of EUR 250 million in funding had been promised to Austrian organisations from the Sixth Framework Programme. Austria therefore ranks tenth among the 25 EU member states in terms of successful participation in the programme. Universities account for the majority of Austrian project participations with 34 per cent.

Companies account for approximately 25 per cent of project participations, whereby the EIP focuses especially on small and medium-sized enterprises in Austria. These account for 16 per cent of participations, clearly above the comparable EU figures.

6,600 Consultations for 28,000 Customers

In 2005 the European and International Programmes division provided assistance to approximately 28,000 individuals in some 14,000 organisations in the form of intensive information and consulting activities. The success of this work is reflected in the statistics: 80 per cent of successful Austrian participants in the Sixth Framework Programme were in active contact with the EIP. Their success rate is thus significantly higher than that of those organisations which did not make active use of these information and consulting services.

The scope of the services was enormous in the reporting year 2005: The members of staff responsible for the EIP carried out 6,600 consultations, of which approximately 4,300 were short consultations carried out by telephone or e-mail. A further 2,300 consultations were detailed consultations which involved personal contact and lasted more than 45 minutes. Approximately one third of consultations benefited companies, roughly one third university institutes. Approximately half the clients seeking advice were based in

Vienna, with the other 50 per cent coming from the other provinces. An additional 5,500 people were reached last year at 148 events staged throughout Austria.

The Austrian system of National Contact Points for the Sixth Framework Programme is managed by the EIP. This scheme attaches strong importance to close collaboration with the programme delegates from the ministries and with other multipliers such as the Regional Advice and Support Centres (RBBZ), the Austrian Rectors' Conference, the chambers of commerce and trade associations, guilds, foreign trade delegations and many others.

Above and beyond these information and consulting activities and complementary to them, the FFG is also involved through the EIP in a series of successful European initiatives and campaigns to increase participation in the EU Framework Programme. These activities are competitively put out to tender and funded by the European Commission. Their aim is to foster cross-linking with partner organisations in Europe and to stimulate the participation

of particular target groups such as SMEs. Last but not least, participation in these EU initiatives also makes an important contribution to the professionalisation of the staff by means of learning by doing. The experience they gain directly benefits the customers of the EIP. These successful initiatives include participation in the network of Innovation Relay Centres, which encompasses more than 200 organisations across Europe and is successfully involved in the trans-national transfer of technology. The Austrian network partner (IRC Austria—IRCA) under the supervision of the EIP is among the most highly rated organisations of its kind in Europe.

Anniversary for EUREKA, Successes in eTEN and eContent

2005 was also an extremely successful year for the programme management of EUREKA, the European Network for Industrial Research and Development. To mark the 20th anniversary of this important high-tech initiative, the Austrian EUREKA office launched an awareness campaign which culminated in a large-scale event held on 28 November 2005.

eTEN, the EU programme which supports the development of trans-European telecommunications network-based electronic services, carried out a call for proposals in 2005 in which Austrian organisations participated with a higher than average degree of success in an EU comparison. The EU programme eContent plus, which aims to improve access to digital content and promote its use and commercial exploitation within the European Union, launched its first call in autumn 2005. Interest in these two programmes has increased substantially.

International Scientific Co-operation

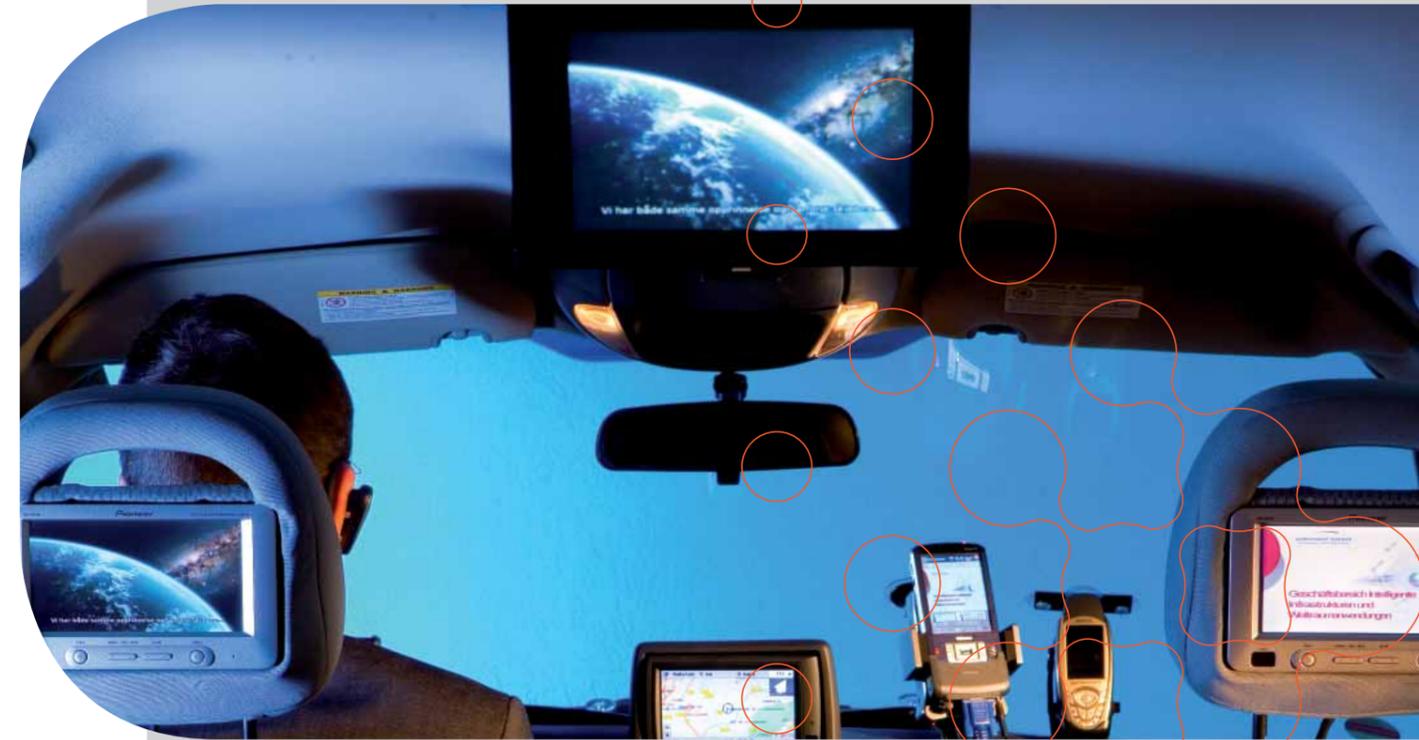
The INTAS programme was set up to foster trans-European scientific co-operation with the Newly Independent States of the former Soviet Union (NIS). In 2005 the EIP division managed eight INTAS calls with a variety of thematic or regional priorities. Austrian organisations, especially from the academic sector, showed a lively interest in the programme.

However, EIP activities to promote international networking also had an additional focus on defined key geographic areas. Contacts to the West Balkans and the candidate states Romania and Turkey were strengthened through activities designed to promote networking with the National Contact Points. Relations with China were deepened by a series of events and participation in a trade delegation organised by

the Austrian Federal Economic Chamber. One of several positive side effects was that this also enabled the FFG to provide considerable support for the preparations for the construction of the China-Austria Technology Park (CATP) in Vienna.



Aeronautics and Space Agency: The Gateway to Space



The Aeronautics and Space Agency (ALR) is the gateway to the international aeronautical and space scene for Austrian science and industry, and the central contact point for the co-ordination of all aeronautical and space-related activities in Austria. It implements Austrian aeronautical and space policy and represents Austria's interests in the pertinent EU bodies, the European Space Agency (ESA), the European Organisation for the Exploitation of Meteorological Satellites (EUMETSAT), the United Nations and the International Astronautical Federation. The long-term expansion of the Austrian aerospace cluster is another key area of the agency's work.

There are more than 50 Austrian companies currently working in the field of aeronautical engineering and space technology. The range of products and services they provide is highly diverse. In aeronautical engineering, it includes the supply of metal and synthetic components and systems for large civil aircraft manufacturers, the manufacture of test systems, innovative solutions for air traffic control, training and education and in particular the production of small aircraft and engines for general aviation. Even an unmanned helicopter is being developed and produced in Austria. An extensive range of Austrian high-tech products has also been used in the Airbus A380 project which is currently undergoing flight tests.

The spectrum of space technologies from Austria includes materials and components for space transport systems such as cryogenic fuel lines for the European carrier rocket Ariane 5, engine positioning mechanisms, system components for temperature control, hardware and software for signal processing on board satellites, satellite mechanisms and insulation for the thermal protection of satellites, software systems for satellite operation and the fully automated monitoring of their signal quality, and innovative satellite communications systems. Other activities include the development of innovative rocket fuels and materials for the structural lightweight construction of future space transport systems, test and monitoring systems for satellites, and the utilisation and analysis of remote sensing data. Some 10 industrial companies and 20 scientific institutes are working on international development and research projects in this high-tech sector.

Increasing Participation in ESA

The Aeronautics and Space Agency is responsible for managing Austria's contributions to ESA. At a meeting in Berlin in December 2005 the Conference of Ministers, ESA's ruling body, adopted a comprehensive programme for the period up to 2010 designed to ensure that European space activities remain internationally competitive. The key points concerned the continuation of the joint science programme with an annual budget increase of 2.5 per cent, the expansion of the European carrier systems to a carrier family and the future of the International Space Station (ISS). More than EUR 10 billion was promised for the mandatory and optional programmes for the years up to 2010. Austria has committed ap-

proximately EUR 180 million, a substantial increase of more than 1 per cent on the country's previous contribution. In 2005 Austria contributed EUR 30.74 million to ESA's budget, 14 million of which went to the mandatory programme and 18 million to optional programmes. Austria's total expenditure on space activities in 2005 amounted to EUR 48.48 million.

ASAP and ARTIST

The national programmes ASAP and ARTIST which are managed by the Aeronautics and Space Agency were tendered jointly in July 2005 as the third call within the framework of the Austrian Space Programme. The objectives of the programme are to position Austrian players on the commer-

cial market and to support the Austrian space sciences and demonstration and pilot projects in the application sector. Further goals are to implement innovative ideas, to increase the acceptance of potential users in the programme lines Science, International Programmes, Technology, Space Technology Transfer and applications from space technologies. By the end of the application period 45 bids had been received and released for evaluation. After the projects had been evaluated by an international panel of experts in October, 28 projects were put forward to the BMVIT for funding. The first funding contracts were successfully negotiated in the final months of 2005.

ALR Advisory Council

On 31 March 2005 the transfer and organisational integration of the former Austrian Space Agency (ASA) into the Aeronautics and Space Agency of the FFG was completed. In June 2005 the FFG Supervisory Board established an Advisory Council for the Aeronautics and Space Agency, which held its constitutive meeting in June 2005.

Chairman

Peter Jankowitsch
Austro-French Centre

Deputy Chairman

Wolfgang Damianisch
Austrian Federal Economic Chamber

Members

Wolfgang Baumjohann
Austrian Academy of Sciences
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Josef Furlinger
BRP-Rotax GmbH&Co KG

Werner Gryksa
MAGNA STEYR Fahrzeugtechnik AG & Co KG, Engineering/Space Technology

Bruno Hribernik
Böhler-Uddeholm AG

Hermann Kopetz
Vienna University of Technology,
Institute of Computer Engineering

Otto Koudelka
Joanneum Research, Institute of
Applied Systems Technology

Max Kowatsch
Austrian Aerospace

Johann Pohany
Siemens Austria

Willibald Riedler
Graz University of Technology,
Institute of Communication Networks
and Satellite Communication

Ernst Semerad
ARC Seibersdorf research GmbH

Walter Stephan Fischer
Advanced Composites Components—FACC

Hans Sünkel
Rector of Graz University of Technology

Anton Zeilinger
University of Vienna, Institute of
Experimental Physics

Advisory Member

Ingolf Schädler
Ministry of Transport,
Innovation and Technology

FFG '05 — Reports & Organisation



FFG Annual Financial Statements for 2005

The FFG was founded by the Austrian Research Promotion Agency Establishment Act (FFG-G, Federal Law Gazette 73/2004) to take effect retroactively as of 1 January 2004. The assets of the Austrian Industrial Research Promotion Fund (FFF), the Technologie Impulse Gesellschaft zur Planung und Entwicklung von Technologiezentren GmbH (TIG) and the Bureau for International Research and Technology Co-operation (BIT) were brought into the FFG.

Under the provisions of the FFG-G the interests of the federal government in the Österreichische Gesellschaft für Weltraumfragen GmbH (ASA) were brought into the FFG as a non-cash contribution. The other shareholders of ASA transferred their interests to the FFG. On 31 December 2004 the FFG became the sole shareholder of ASA. On 31 March 2005 ASA was merged into the FFG retroactively as of 1 January 2005.

The differing legal forms (the FFF was a fund, BIT an association, TIG and ASA limited liability companies) and remnants of the predecessor organisations had in the past necessitated different approaches in the preparation of the annual financial statements. In contrast, the FFG as a limited liability company must comply with the accounting rules laid down by the Austrian Commercial Code (HGB).

Notes to the Balance Sheet and the Statement of Profit and Loss

The structure of the balance sheet and the statement of profit and loss comply with the requirements of the Austrian Commercial Code. Inasmuch as it was useful for achieving the objectives paraphrased in § 222 (2) HGB, additional items were also included on the balance sheet and the statement of profit and loss.

With regard to the entry and reporting of funds allocated by the ministries (representing the owner) a method was chosen according to which the contributions provided by the ministries are reported as allocations to the capital reserve. The net loss for the financial year in the statement of profit and loss attributable to funding and administrative expenses will be covered in conformity with the system by releasing the capital reserve.

Notes to the Balance Sheet

Fixed Assets

The software purchased is reported as an intangible asset.

Tangible assets comprise investments in buildings belonging to third parties and purchases of operating and office equipment.

Financial assets comprise interests in affiliated companies, participating interests, loans to undertakings in which the FFG has a participating interest and securities.

Current Assets

The item services not yet invoiced refers to preparatory work for projects for which the proceeds still have to be realised.

The item other assets refers primarily to claims in respect of loans made to companies by the FFG General Programmes division.

Equity

The healthy equity base of the FFG and its large capital reserve is due on the one hand to the high level of net fund assets brought into the FFG by the FFF, on the other, to the already high capital ratio of the TIG which was also brought in.

Under the terms of the FFG-G the FFG has a nominal capital of EUR 4.57 million.

Statutory reserves are provisions for bank guarantees provided by the FFG for funding recipients given within the framework of funding programmes.

Contributions from Public Funds

This item of the balance sheet includes the contributions received from the National Foundation for Research, Technology and Development minus funding which has already been paid out.



Balance Sheet as per 31 December 2005

Assets	31. 12. 2005 EUR	31. 12. 2004 in EUR 1,000	Equity and Liabilities	31. 12. 2005 EUR	31. 12. 2004 in EUR 1,000
A. Fixed assets			A. Equity		
I. Intangible fixed assets	234,505.36	323	I. Nominal capital	14,570,000.00	14,570
II. Tangible fixed assets	616,570.78	602	II. Capital reserves	276,220,227.81	260,661
III. Financial assets	34,910,574.80	57,903	III. Statutory reserves	7,139,200.00	7,579
	35,761,650.94	58,828	IV. Unappropriated retained earnings	0.00	0
				297,929,427.81	282,810
B. Current assets			B. Contributions from public funds	12,800,610.00	18,644
I. Inventories	0.00	0	C. Provisions	3,434,300.00	3,037
II. Receivables and other assets	268,779,503.26	258,719	D. Liabilities	29,599,680.91	25,141
III. Cash on hand, cheques, bank balances	40,997,885.19	14,382	E. Deferred income	1,777,606.68	2,407
	309,777,388.45	273,101			
C. Prepaid expenses	2,586.01	110			
Total assets	345,541,625.40	332,039	Total equity and liabilities	345,541,625.40	332,039
Contingent claims from debtor warrants	7,440,838.00	4,061	Contingent liabilities from guarantees pursuant to § 11 FFG-G	178,480,057.00	189,483
Contingent claims from guarantees pursuant to § 11 FFG-G	178,480,057.00	189,483	Contingent obligations from undertakings to provide funding	106,812,926.00	93,224
Escrow funds	124,212,059.94	103,693	Escrow funds	124,212,059.94	103,693



Liabilities

This item of the balance sheet comprises liabilities to banks, payments received on account, funding obligations and other liabilities.

Contingent Claims— Contingent Liabilities

Contingent claims from guarantees shows claims guarantee agreements with former borrowers; under the terms of the agreements the loans granted become due for repayment when the financial position of the company has improved.

Contingent liabilities from guarantees pursuant to § 11 FFG-G refers to guarantees given by the FFG for bank loans to recipients of funding with, but also without, indemnification by the federal government.

Obligations from undertakings to provide funding comprises the funding promised to funding recipients but which is still outstanding.

The escrow funds contained in the balance sheet represent funding and other obligations which were essentially incurred from management of the Thematic and Structural Programmes for the ministries and which had not been fulfilled by 31 December 2005.

Notes to the Statement of Profit and Loss

It is in the nature of the goals and character of the FFG as the federal funding agency that funding payments account for a large share of expenses. In specific terms, more than EUR 100 million was paid out in the form of grants (cost of funding) in 2005.

The reported turnover refers to income generated from the management of funding programmes/projects.

Other operating income covers income from the release of contributions from public funds (National Foundation), funding/grants and other income.

The profit generated in 2005 was primarily the result of income from securities and interest on the loans awarded to funding recipients.

The loss for the year 2005 will be covered by the release of the capital reserve funded by the BMVIT during the financial year.

Statement of Profit and Loss for the Financial Year 2005

	2005 EUR	2004 in EUR 1,000
1. Turnover	10,943,667.39	4,051
2. Increase or decrease in finished and unfinished goods and services not yet invoiced	-874,857.90	1,307
3. Other operating income	42,440,401.46	26,125
4. Cost of funding	-101,440,826.68	-100,215
5. Cost of purchased services	-1,618,884.66	-1,085
6. Staff costs	-11,152,745.25	-8,095
7. Depreciation and amortisation of fixed intangible and tangible assets	-592,986.59	-477
8. Other operating expenses	-8,933,519.89	-9,390
9. Sub-total of lines 1 to 8 (operating results) (=carried forward)	-71,229,752.12	-87,779
10. Operating income from other securities and loans	1,898,245.28	2,406
11. Other interest and similar income	6,282,442.06	6,306
12. Income from the disposal of fixed financial assets	1,044,973.23	622
13. Expenses on fixed financial assets	-1,750,186.94	-1,394
14. Interest and similar expenses	-231,596.38	-632
15. Sub-total of lines 10 to 14 (financial result)	7,243,877.25	7,308
16. Net operating income	-63,985,874.87	-80,471
17. Taxes on income	-717,126.36	-271
18. Net loss for the year prior to reserve movements	-64,703,001.23	-80,742
19. Release of untaxed reserves	0.00	5
20. Release of capital reserves	65,113,030.71	82,398
21. Appropriation to statutory reserves	-410,029.48	-1,661
22. Net profit for the year	0.00	0

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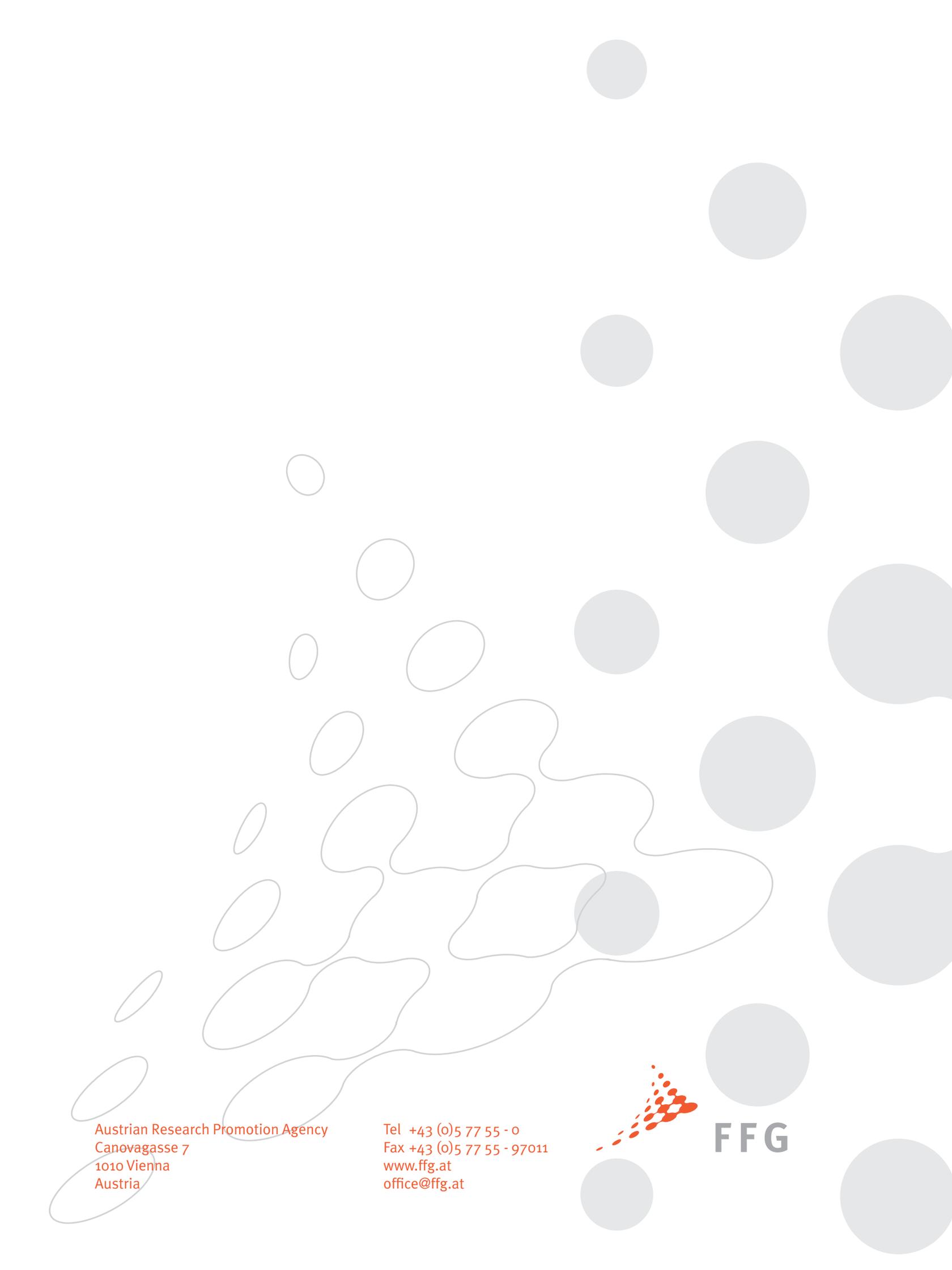
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