STRATEGIC EVALUATION ON ENVIRONMENT AND RISK PREVENTION UNDER STRUCTURAL AND COHESION FUNDS FOR THE PERIOD 2007-2013


National Evaluation Report for Slovenia

Executive Summary

Directorate General Regional Policy

A report submitted by

in association with

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EXECUTIVE SUMMARY – ENVIRONMENTAL INVESTMENT PRIORITIES IN SLOVENIA

1.1 PART 1: CURRENT SITUATION

1.1.1 State of the environment

Water supply
Drinking water supply is mostly suitable and sufficient. 7.8 % of the citizens (155,000) in year 2000 still didn’t have drinking water from public water supply systems (mostly small villages). Most of these people are supplied with water from small public systems (until 100 people). The systems are not under regular control, so quality data are rather rare.

Sanitary suitability of drinking water is problematic in small water supply systems and potentially the most important public health problem in Slovenia.

Waste water treatment
Improvement of water quality in watercourses in years 1992-2002 is evident due to constructing of WWTP’s and sewerage systems according to the national programme. By the end of 2005 the construction of most big WWTP’s (Maribor, Ljubljana, Celje, Koper, Izola) has been completed.

Municipal solid waste
According to the latest data (411 kg of municipal waste/inhabitant in year 2002) the amount of waste per inhabitant is decreasing. The share of inhabitants included in the system of collection and removing the municipal waste increased from 76 % (1995) to 94 % (2001). Separate collection covers 70 % of public services that deal with municipal waste. After 2003 40 landfills of non-dangerous waste are still operating. The share of landfilled municipal waste was 85 %. The waste collection is relatively good arranged from legislative-system point of view and is completely adjusted with EU legislation. Still, it is substantially worse in practise mostly because not enough reliable data on amount, structure of waste and waste management is available. Basic statement is that the waste treatment is one of the worse issues of environmental protection. Compared to the other fields the waste management showed however the largest progress.

Renewable energy
The most important sources are primary energy sources (oil, gas, coal) and nuclear energy. Slovenia has very good natural potential for renewable sources of energy, e.g. from biomass (forests). Energy balance shows that the share of renewable sources of energy in Slovenia in year 2000 (including the energy from big hydro-powers) was 9,4 % of all primary energy and is increasing. In year 2002 it was 11,2 %. The largest percentage goes to wood biomass, small hydro-powers, geothermic and solar energy. Since a 12 % share of renewable sources of energy is an EU goal, Slovenia will have to form its own strategy and action programme for enlargement of these sources.
Natural risk management

Fires are most frequent in spring when people, after cleaning of meadows, pastures and fields, burn the waste. In half of the cases the cause of fires are unknown. The most fire endangered area is the sub Mediterranean zone of the country. The highest number of fires is in February, March, July and August.

Four types of floods are significant for Slovenia: lowland floods, torrential floods, karst floods and floods of the sea. In this century 22 big floods occurred in Slovenia, from which 6 floods touched bigger part of the country. The worst flood damage was in 1990 when three rivers reached and exceeded the discharge for a 100 year return period. Over 300.000 ha of the total country are flood endangered, large and extensive floods can be expected on 94.000 ha of area of which more than 2.500 ha is in urban area. On the area where catastrophic floods can occur (floods with return period higher than 50 years) about half of the Slovenian population is living.

1.1.2 State of implementation of the acquis

The EU environmental legislation was transposed to the national legislation through the Environment Protection Act (EPA), adopted by Parliament in 2004 with several amendments in 2006, the Water Act, adopted by Parliament in 2002 and to the corresponding Ordinances and Decrees, adopted in period 1999-2004, by which the sector specific EU standards and corresponding implementation schemes and periods are defined.

The general legislation and regulatory framework for water management is the new Water Act of 2002.


More information can be found in Chapter 2.

1.1.3 State and history of environmental expenditure

The total costs of implementation of the Action Plan for Urban Wastewater Collection and Treatment with the Programme of Water Supply Projects (Action Plan for the first phase (up to 2006) for wastewater sector have been calculated at 456 million EUR and for water supply sector at 115 million EUR. The share of co-financing by the pre-accession programmes and Cohesion Fund (04-06) is presented in the table below:
Table 1-1: Co-financing in period 2000-2006 for water supply and waste water projects

<table>
<thead>
<tr>
<th>Total costs for implementation of Action plan Phase I</th>
<th>% of costs of investments for total implementation of Action plan Phase I, co-financed by PHARE ISPA 1999-2003</th>
<th>% of costs of investments for total implementation of Action plan Phase I, foreseen to be co-financing by Cohesion Fund 2004-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>wastewater 456,00 million EUR</td>
<td>(57,48 million EUR) 12,61</td>
<td>(28,00 million EUR) 6,14</td>
</tr>
<tr>
<td>water supply 115,00 million EUR</td>
<td>(3,50 million EUR) 3,00</td>
<td>(20 million EUR) 17,39</td>
</tr>
</tbody>
</table>

The total costs of implementation of the Action Plan for Waste Management, phase I is presented in the following table:

Table 1-2: Co-financing in period 2000-2006 for waste projects

<table>
<thead>
<tr>
<th>Total costs for implementation of Action plan Phase I</th>
<th>% of costs of investments for total implementation of Action plan Phase I, co-financed by PHARE ISPA 1999 – 2003</th>
<th>% of costs of investments for total implementation of Action plan Phase I, foreseen to be co-financing by Cohesion Fund 2004-2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>377,50 million EUR</td>
<td>(10,97 million EUR) 2,90</td>
<td>(36,00 million EUR) 9,54</td>
</tr>
</tbody>
</table>

1.1.4  State, history and lessons of funding

Only a limited number of environmental sectors were recognised as priority sectors for Cohesion Fund co-financing. The selection was supported by the analysis of the actual national environmental and economic situation and is in accordance with the Cohesion Fund requirements.

Estimated costs of upgrading and construction of wastewater treatment facilities and of introducing sustainable water management represent 43 % of costs of total implementation of environmental measures. Estimated cost of introducing the adequate municipal waste management policy represent 41 % of costs of total implementation of environmental measures.

Estimated costs of horizontal measures (soft measures – such as monitoring networks, wetland restoration, implementation of pricing policy, institutional capacity building, etc.) represent only 0,37 % of total estimated costs of implementation of environmental measures; hence negligible and not recognised as priorities for Cohesion Fund co-financing.

In time frame 2004-2006, only 84 million EUR are allocated to the Republic of Slovenia for the environmental sector, which represents around 3 % of total estimated costs of implementation (2.432 million EUR) of environmental measures in sectors, eligible for Cohesion Fund co-financing.
1.2 PART 2: NEEDS FOR 2007-2013

1.2.1 Investment Needs

Water supply
There is a certain need for extension of the drinking water supply system and a limited need for extra production capacity, especially in rural areas. The unit water demand (110-120 l/inh/day) is believed to remain constant the following years.

The areas with small supply systems (50-1,000 inhabitants) have a lot of pollution problems (49% of samples in 2004 were microbiologically unsuitable for drinking purposes). Chemical pollution is less of a problem. Again especially in rural areas, the drinking water quality is a concern.

The amount of water losses in the supply system seems subjected to doubt, as figures between 25 and 40% circulate. There are no available data on the need for renovation of long distance and local drinking water network.

Waste water treatment
Waste water treatment plants where improvements were/are required (as highest priorities until 2008 firstly, latest 2015) to improve the capacity treatment and operation quality are described in the Operational Programme for Urban Waste Water Drainage and Treatment with the Programme of Water Supply Projects. The large STP's (> 15,000 IE) are built of being built at the moment, shifting the focus to the smaller sized STP's and agglomerations.

More then 1,500,000 inhabitants will be connected to the sewage system after complete implementation of operational programme, for others (app 500,000) waste water treatment in small STPs and cesspits is foreseen and the management of cesspools from disconnected inhabitants will be improved. Most investments of future programme period (2007-2013) are focused on construction, reconstruction of sewage system, construction of mid sizing STP's.

There is no reliable data on the need for reconstruction of the existing sewer network. There is not enough information on the sludge treatment issue, created by the extension of the STP capacity.

Municipal solid waste
The municipal waste issue will be solved - in accordance with the Operational plan of waste elimination aiming at minimization of biodegradable waste disposed for period until 2008 - with the construction of 10 regional waste management facilities due to terrain characteristics and regional boundaries.

The total waste stream is not increasing since year 1995 and is considered to stay at the same level. The total amount of municipal solid and related waste is about 870,000 tonnes, or 450 kg/inhabitant. According to the Operational Plan for Waste Management, about 2,5 – 6 % of the 113,000 tonnes of annual biodegradable municipal waste will be disposed (still 332,000 tonnes in 1995). The expansion of the waste collection should be considered.

Projects which are already considered are 2 incinerators and 7 new large landfills. 28 landfills should be upgraded for compliance, 24 landfills should be remediated.
Renewable energy

As far as the efficient use of energy and the renewable energy are concerned, the National Energy Program defines the following ambitious objectives to be met by 2010: increase the efficiency of final energy use by 2010 compared to 2004; in industry, services and transport by 10 %, in buildings (except in industry) by 10 %; in the public sector by 15 %; double the share of electricity from co-generation from 800 GWh in 2000 to 1,600 GWh in 2010; increase the share of renewable energy to 12 % by 2010, including: increase of the share of renewable energy for heating from 22 % in 2002 to 25 % in 2010, increase of the share of electricity from renewable sources from 32 % in 2002 to 33.6 % in 2010, increase the share of biofuels in transport to 5.75 % in 2010.

Sufficient potential for RES exists in Slovenia as Slovenia is at the top of EU regarding huge resources in wooden biomass and hydropower potential, the EU goals for 12 % of RES would be easily achieved. Most promising categories are small wooden biomass, hydro-powers, wind energy, landfill gas; less promising ones are geothermal, solar energy. Hydro-powers and wind energy production estimations are of 35-40 MW per year, landfill gas could generate up to 18 MW energy/year; while biogas, wooden biomass and STP’s share of energy potential is app. 15 MW/year

Natural risk management

Comparing to other countries Slovenia registers minimum exposure to floods, still not a high percentage of forest fires while for Slovenia earthquakes, droughts and hail are the most common natural disaster.

Most damage is caused by drought (> 50 %), especially in agriculture; hence damage is concentrated in rural areas.

The national budget provides app. 0.5 % of annual income for protection against natural and other disasters, and annual damage caused is valued at more than 2% of our gross domestic product.
1.2.2 **Summary of investment needs**

The table below summarises the needs highlighted by the country report. The table gives the total financial estimate of the need per field and, whenever possible, a financial estimate of the overall cost of each type of investment.

Table 1-3: Financial estimate needs requiring further planning and/or investment in 2007 – 2013

<table>
<thead>
<tr>
<th>WATER</th>
<th>WASTE WATER</th>
<th>WASTE</th>
<th>RES</th>
<th>NATURAL HAZARDS</th>
<th>OTHER AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>320 M Euro , 20 % or 64,5 M Euro EU funding required (Operational Plan for Water Supply, adopted in July 2006)</td>
<td>884 M Euro period 2005-2017, 4 % or 20 M Euro EU (i) funding required (Operational Plan for Water treatment, temporary version)</td>
<td>328 M Euro, 294 M Euro or 62 % funding required (Strategic Reference Framework for CF assistance, temporary version)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>a. Pomurje: 30 M euro b. Coastal and Hinterland Karst area 60 M euro c.Estimation of investment to provide the remaining 7,8 % with public water supply : about 100 M Euro to go to 98 % connection; d. New capacity (production) and improvement of capacity (production) because of water quality would be very minimal: 10 M Euro estimate</td>
<td>Expert estimation of financial need per type of investment: New STPs: 33; Renovation / upgrading of STPs: 31; New sewerage 487; Renovation / upgrading of sewerage 515 Sludge treatment 109; giving total of 1.175</td>
<td>-</td>
<td>327.7 M Euro allocated by MESP for building of 3 new regional waste management centres and 2 incinerators</td>
<td>Yearly national budget for RES (promotion, subsidies, etc.) of 50 M Euro</td>
<td>Yearly national budget for risk management of 40 M Euro (estimate of 24 M Euro for droughts; 4 M Euro for forest fires and 2 M Euro for flooding</td>
</tr>
</tbody>
</table>

GHK, ECOLAS, IEEP, CE
### Key data gaps:

- **Field 1**: Detailed information, as operational water supply plan does not provide a detailed picture.
- **Field 2**: Estimation of renovation need for the existing sewer network.
- **Field 3**: Estimation of recultivation costs of old (small) landfills.
- **Field 5**: No significant analysis of risk forecast has been found.

(i) this 4% EU funding required seems very low, given the substantial physical and financial investment need and given the % EU allocation in the previous period.
The table below mentions the key indicators explaining the need for investment per investment type.

**Table 1-4: Key indicator needs requiring further planning and/or investment in 2007 – 2013**

<table>
<thead>
<tr>
<th>WATER</th>
<th>WASTE WATER</th>
<th>WASTE</th>
<th>RES</th>
<th>NATURAL HAZARDS</th>
<th>OTHER AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Water quality issue (mostly agricultural pollution) only in small supply systems</strong></td>
<td>Large STP’s already tackled, 3 STP’s 2,000-10,000 PE, 2 STP’s 10,000-15,000 PE, 37 STP’s 2,000-800 PE, 95 STP’s 800-50 PE</td>
<td>Building needed of 3 more regional waste management centres and 2 incinerators</td>
<td>RES-E 33.66 % by 2010,</td>
<td>Flood endangered area 15 % of the country;24 % of the people,</td>
<td></td>
</tr>
<tr>
<td><strong>Water demand rise by 2013 would be minimal</strong></td>
<td>Estimate of 70 % renovation need for the existing 3,973 km network</td>
<td>Landfills 21 already closed by 2004, 13 more closed by 2009, after 2008 only 19 fully operative</td>
<td>Annual production by 2015 of 105 MW</td>
<td>Forests 54 % of the country</td>
<td></td>
</tr>
<tr>
<td><strong>Current connection rate 92 % (157,000 persons not connected)</strong></td>
<td>Estimate of about 3,000 km network to be installed</td>
<td></td>
<td>Yearly damage costs about 75 mio euro, of which on average 60 % caused by drought (damage for agriculture)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current water loss 25%-50 % (high uncertainty about %)</strong></td>
<td>Sludge problem: currently already 83 % landfilled and 1,5 million PE extra or 22,000 ton per year by 2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.2.3 Issues reducing the amount of needed investments

Alternative funding sources

Existing or planned ways of supporting investment to meet needs through for example market support measures:

Field 4 (renewable energy): higher taxation is expected to be imposed on fossil fuels, so that the prices of fossil fuels include the costs on the environment. This would support investment in RES projects (wood biomass, wind power).

The extent to which the type of investment needed has previously been funded by the MS; and/or is already part of nationally funded plans; and/or is considered to be a MS responsibility:

Field 1 (water supply): 20% support (both from Cohesion Fund and ISPA) has been asked/received for the Action Plan phase I (total cost of 115 M Euro). Hence the relative demand for SF support remains on the same level.

Field 2 (waste water treatment): during the past period, EU funding (85.5 M Euro or about 19% has been used for construction of STP’s for larger agglomerations, as forced by the Acquis. Hence the MS contribution has been quite considerable in the past (by user charges as well as state and municipalities budget) and will even rise in the programming period 2007-2013.

Field 3 (municipal solid waste): at present the main goal is to develop complex regional collection-treatment systems and incinerators, for which European funding would be requested. The landfilling problem is to be covered by national funds only, according to national strategy, but is seems more prudent – due to extent regional spreading of the problem and importance for the protection of the groundwater– to foresee also a certain SF/CF budget for the landfilling issue. The recultivation of old landfills is a serious and urgent task and a local (municipality level) technical capacity problem should be avoided.

Field 4 (renewable energy): the NEP foresees adequate national budget, hence the need for European funding will be very limited.

Field 5 (natural risk management): every year the Republic of Slovenia allocates approximately 0.5% of the national budget for protection against natural and other disasters, and municipalities earmark 3% of their annual municipal budgets. Protection against fire is partly financed from the fire fund, which is generated from a tax on fire insurance.

Use of flanking measures

The current application of user charges and the associated revenue at current rates in the given fields over the period 2007-2013:

Fields 1 and 2: water expenditure of households (water supply, municipal waste water drainage and treatment) with regard to altogether HH expenditure (money spent) represents almost 1.2% of all expenditure in 2003.

Field 2: water pollution tax is collected from all water consumers since 1996 and presents a significant financial source (20-30% of investment sources for waste water infrastructure investment projects). In accordance with the adopted regulation, the waste water pollution tax can only be invested in waste water infrastructure.
Field 3: waste disposal tax exemptions represent an earmarked source of financing and equipment for waste management as well as an important mechanism for achieving the set and prescribed targets.

The scope to raise additional revenue through higher rates of existing charges or from new charges, taking into account affordability:

Fields 1 and 2: the current value of water price (both for water supply and treatment) represent 1,2 % of average income hence not causing an affordability problem. The goal by 2010 is full cost recovery for water use supplied by public systems. Hence a rise of user charges can be expected, but as the average income will also rise, this will probably not cause an affordability problem by 2013.

Field 2: accordingly to adopted regulation the water pollution tax – earmarked for financial investments (25 % for investment in waste water infrastructure) will continue to contribute a significant portion of money in future. The pollution tax price in year 2003 almost doubled comparing to year 1999, and presents the highest financial effect of environmental pressures duties in waste water sector today and will continue to grow.

Field 3: there is a waste disposal tax, an earmarked source of financing waste equipment. Furthermore, there is a landfill tax introduced in 2001. There is no clear estimation or review about the affordability issue of this tax.

In conclusion, the estimation of the additional revenue through higher rates of existing charges is difficult and seems limited, as the affordability issue will limit the scope to raise existing charges.

PPP’s and other measures with effect on need for investment:

Fields 1-2-3: there is no indication that certain flanking measures (e.g. PPP’s) could have a likely effect on the need for investment. In waste management, the number of PPP’s is expected to rise.

Field 4: the NEP (National Energy Program) offers several mechanisms and measures to eliminate institutional, administrative, financial, information and other barriers to the increase of energy efficiency and greater use of renewable energy. The Slovenian government (MESP) believes the country will not have any difficulties in attaining the RES goal 2012, particularly by encouraging the use of wood biomass and wind power. In order to promote the efficient use of energy and the use of renewable energy, the NEP provides significantly higher budget incentives, totalling a yearly average of 58,400 mio EUR in 2004–2010. From which 50.000 EUR will be spent for investment promotion (subsidies for investment in efficient use of energy up to 30%, investment in renewable energy up to 40%) and for assistance to households with low income through a special package of energy saving measures. 8,350 mio EUR will be intended for carrying out information and counselling programmes, development and demonstration projects, drafting and implementation of regulations, and implementation of programmes.

Field 5: the rule on flooding areas with restriction for construction on sensitive flood zones is about to be prepared. Special civil standards for construction or reconstruction on flood or landslide areas should be prepared, and programme of measures to improve flood protection in Slovenia.
Institutional and absorptive capacity

Field 1: in this field, there is already experience with SF funding in the previous years and different projects are still on-going. There is no indication that there would be an absorbability problem due to administrative capacity. The current low level of SF support (20%) would be maintained.

Field 2: in this field, there is already experience with SF funding in the previous years and different projects are still on-going. There is no indication that there would be an absorbability problem due to administrative capacity. The past programming period, in general the planned projects for which funding was requested, were initiated. Furthermore, there is a very low level of SF support (4%).

Field 3: in this field, there is already experience with SF funding in the previous years. Although the requested budget is seriously higher than the previous period, this is likely to have no effect on absorbability because only a limited number of projects will be foreseen. Although, for the landfill issue, cooperation and capacity building for the municipalities should be foreseen and a limited SF/CF contribution should be foreseen for this important issue.

Field 4: limited experience with SF/CF funding in the past. But the NEP foresees adequate national budget, hence the need for European funding will be limited, hence no capacity issue will be raised.

Field 5: there is no indication that the relevant authorities would have a technical capacity problem. This is certainly not the case with flooding and forest fires, which is organised at a national level. For the drought issue, as two ministries are responsible (MAFF and MESP), interministerial cooperation as well as good contacts with local farmers should be established.
1.2.4 **Net remaining potentially absorbable investment needs**

This table gives the financing requirement after absorption review, starting from the total investment need and taken into account the investment that can be covered by market schemes and/or user charges as well as the absorptive capacity per field.

**Table 1-5: Estimate of the financial requirement for all fields, 2007-2013**

<table>
<thead>
<tr>
<th>Stage in the Field Assessment</th>
<th>Field 1 Water supply</th>
<th>Field 2 Waste Water</th>
<th>Field 3 Waste</th>
<th>Field 4 RES</th>
<th>Field 5 Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>B: Investments likely to be covered by market schemes</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>C: Amount recovered from existing user charges not included in investment need</td>
<td>150 Meuro (only 3/5 of the replacement investment of worn out infrastructure could be covered with user charges)</td>
<td>39 % from waste water tax (i)</td>
<td>0</td>
<td>100 M Euro (iv)</td>
<td>343 M Euro (iv)</td>
</tr>
<tr>
<td>D: Further amount that could be recovered from higher rates for existing or new charges to fund investment</td>
<td>200 M Euro (v)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F: Absorptive Capacity (% of Financing Requirement)</td>
<td>100 %</td>
<td>90 % (ii)</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

(i) operational plan for water treatment, temporary version June 2006: Waste water tax should cover 39 % of investment.

(ii) In general, absorptive capacity is high as experience is present and the requested SF/FC % contribution is low. Caution should be present for smaller projects where technical capacity might be lower.

(iii) Landfilling (estimation 100 M Euro) is to be covered by national funds only, according to national strategy, but is seems more prudent – due to extent regional spreading of the problem and importance for the protection of the groundwater– to foresee also a certain SF/CF budget (estimation 30 M Euro) for the landfilling issue.

(iv) The full budget is likely to be covered by the state budget. Only some minor funding (e.g. 2 %) is required, more as a statement than as an actual need.

(iv) Every year the Republic of Slovenia allocates approximately 0.5% of the national budget for protection against natural and other disasters, and municipalities earmark 3 % of their annual municipal budgets. Protection against fire is partly financed from the fire fund, which is generated from a tax on fire insurance. Only some minor funding (e.g. 2 %) is required, more as a statement than as an actual financial need. It is proposed that this SF/CF allocation should go to drought problems (most important problem + win/win for regional development – agriculture, field 1).
1.3 PART 3: PRIORITIES

1.3.1 Financial requirement

This table gives a) the financial requirement (absolute and relative) for all 5 fields, b) the absolute and relative structural assistance in the previous period (see chapter 2); c) the preliminary figures on required SF/CF funding from national plans and programmes.

Table 1-6: Overview of funding in past period and total financial need estimated and required funding in next planning period

<table>
<thead>
<tr>
<th>Field 1</th>
<th>Field 2</th>
<th>Field 3</th>
<th>Field 4</th>
<th>Field 5</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWS</td>
<td>WW</td>
<td>MSW</td>
<td>RES</td>
<td>RISK</td>
<td></td>
</tr>
<tr>
<td>Past period funding (2000-2006) in Meuro</td>
<td>24</td>
<td>85</td>
<td>47</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Past period funding (2000-2006) in %</td>
<td>15%</td>
<td>55%</td>
<td>30%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Total financial need (2007-2013) in Meuro</td>
<td>315</td>
<td>644</td>
<td>357</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Total financial need (2007-2013) in %</td>
<td>24%</td>
<td>48%</td>
<td>27%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total demand draft Programme (2007-2013) in Meuro</td>
<td>64</td>
<td>20</td>
<td>204</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Total financial need (2007-2013) in %</td>
<td>21%</td>
<td>7%</td>
<td>67%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

This table already indicates:

- The total need is substantially larger than the previous investment;
- The past period funding and total funding demanded in the next period will be of the same order of magnitude;
- The “traditional acquis compliance” fields (water supply, waste water and waste) still predominate, even the % need for allocation seems to be very close to the allocation in the past period;
- The need for SF/CF funding in the “new” fields (RES and risk) is very limited – as the national budgets already cover the investment need to a large extent – hence only some “illustrative” budget seems required;

1.3.2 Indicative suggestion of the allocation of resources

It is likely that the total financial need (as given higher up) will be substantially higher than the available structural funds, necessitating a priority assessment in allocation across the fields.

We could consider three scenarios:

- Scenario 1: The available amount is divided relative to the needs;
- Scenario 2. More weight is given to compliance with the Acquis;
- Scenario 3: More weight is given to Regional Development.

Although much more (intermediate) scenario’s are possible, these three scenario’s, further concretised, would give already an idea about the consequences of priority setting on allocation of funds across the fields.

Combining the three scenarios above, the following range of allocations can be expected:
Table 1-7: Expected range of allocations, 2007-2013

<table>
<thead>
<tr>
<th>Field 1</th>
<th>Field 2</th>
<th>Field 3</th>
<th>Field 4</th>
<th>Field 5</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>DWS</td>
<td>WW</td>
<td>MSW</td>
<td>RES</td>
<td>RISK</td>
<td></td>
</tr>
<tr>
<td>minimum allocation (%)</td>
<td>23%</td>
<td>44%</td>
<td>26%</td>
<td>0.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>maximum allocation (%)</td>
<td>26%</td>
<td>49%</td>
<td>28%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>allocation range (%)</td>
<td>23-26</td>
<td>44-49</td>
<td>26-28</td>
<td>0.3-1</td>
<td>0.5-1</td>
</tr>
</tbody>
</table>

The following conclusions are proposed:

- as the figures on the proposal of required funding from the MS are quite preliminary; no hard comparisons are made; certainly the figures on required funding for field 2 (waste water treatment, 20 M Euro) seem extraordinary low;
- the allocation range for the acquis fields 1-2-3 does coincide very good with the allocation range in the previous funding period; confirming that the period 2007-2013 is the continuation of a longer planning process;
- in these three fields (fields 1-3), projects are very much “acquis driven” and the type of projects to be funded will be mostly a continuation of the previous funding period but probably (certainly for field 2) with smaller projects; for field 3 the projects will still be large and intensive;
- in Slovenia – in comparison with other countries – the need for investment in field 4 and field 5 is only illustrative;
- the % allocation towards field 1 (water supply – 25%) should at least remain on the same level as in the previous period; field 3 (waste – 27 %) and field 2 (waste water - 45 %) will undergo a slight % decrease;
- for these “new” fields (fields 4-5), the investments in RES should cover only a few % of the total funding (versus solid biomass and wind energy projects), which is also the case for investment in risk prevention (versus drought issues);

1.3.3 What are the priorities?

Field 1: water supply

Focus should go to further development of regional water supply systems in rural areas, with an important win-win for regional development and public health. Funding should not go to extension of capacity, as existing capacity is enough to meet demand. There is no major need for quality improvement of the existing production capacity. Reconstruction demand of the network can only be funded partly by existing and/or rise in charges. Funding should also consider monitoring network extension, particularly to monitor agricultural pollution.

Field 2: waste water treatment

The large STP’s are built or being built in Slovenia. So funding will be needed for construction of STP’s in smaller agglomerations.

However about ¾ of the funding need will have to go to the sewer network, either extension of the network or renovation of the existing network.

Furthermore, the sludge treatment issue should not be forgotten. At last, limited funding should go to capacity building, as the scale of the projects will decrease (smaller agglomerations needing adequate water water treatment).
Field 3: municipal solid waste

A first funding issue is the promotion and organisation of waste collection.

Secondly, the major concern will be the extension of the disposal facilities, organized in regional centra. Not only the building of incinerators of new landfills should be considered, also the upgrading to compliance and remediation of existing smaller landfills are subject to funding. For these landfills, there is a potential danger for lack of institutional capacity and absorbability at the smaller municipalities, as well a lack of adequate funding. This situation endangers furthermore a sustainable protection of the ground water resources.

As the scale of the projects will decrease (smaller agglomerations) there will be a greater need for technical capacity building.

Field 4: renewable energy

RES does not seem be a major field of funding. The limited funding should go to wood biomass and wind power, based on physical investment possibilities for these 2 types of renewables.

Field 5: natural risk management

Anti-drought measures – causing enormous damage in Slovenian rural agricultural areas - are to be considered as funding priority with great win-win potential regarding other (environmental) policies, regional development and sustainable development.

Flood protection measures and Forest fire protection is seen as less important and should be covered, as in the past, by national funding.

1.3.4 Why are they priorities?

Compliance with the acquis

The financial need regarding field 1 (drinking water supply) is in essence acquis driven as investments are primarily for improving drinking water quality.

In the fields of waste water treatment (field 2) and municipal solid waste (field 3), projects are very much "acquis driven".

Consistency between environmental and other policies and priorities

Field 4 (renewable energy):

It is obvious that these investments contribute to the Sustainable Development Policy. Also regional development is seen to be promoted by investment e.g. in biomass.

Field 5 (natural risk management):

Projects concerning the drought issue are a typical example of a win-win situation for both the environmental and agricultural European policy.

Furthermore, it is clear that anti-flood and anti-drought measures contribute to a Sustainable Development policy.

The limited proposed investments regarding anti-flood measures will contribute to the new Flood Directive which is in the pipeline.
Regional development benefits

Direct benefits from construction of public sewer system, large WWTPs and water supply systems from the previous period can already be evaluated with figures on new employment (during construction phase and onwards – see main report, Table 8.9; and indirectly income rise. In the next period (see further) this relative regional development benefit will only augment, as there is a clear shift towards investments in smaller settlements and less developed areas.

Field 1: In Slovenia, the funding will (partly) go to the further development of the regional public water supply system, providing a regional development benefit as quality drinking water is a basic requirement for public health and all sector development. Especially in rural less developed areas this will contribute to regional development, as specifically in these areas both public water supply connection and provision of good quality drinking water still is an outstanding issue.

Field 2: In Slovenia, project during the following planning period will mainly consist of water treatment of smaller agglomerations. Hence, the next planning period, the regional development benefit of field 2 investments will be larger than in the past planning period, as these projects will have more local development benefit (rural development, development of tourism, effect on local health).

Field 5: Anti-drought measures do provide a great potential for win-win situations and regional development in remote areas (less economical damage, recreation potential, natural values, agriculture, etc.).

National stated priorities that do not seem so important to the evaluators given developments

None.

Priorities that were not seen as such by the National authorities but should be

Fields 1-2-3: There will be more need for technical capacity building (e.g. local municipalities – waste water management). More information is given above.

Field 1: Reconstruction demand of the network can only be funded partly by existing and/or rise in charges an seems slightly underestimated by the National Authorities. Funding (relatively small budget) should also consider monitoring network extension, particularly to monitor agricultural pollution.

Field 2: The renovation of the existing sewer network as well as the sludge treatment issue seems underrated by national authorities.

Field 3: Perhaps more emphasis should be put on the upgrading to compliance and surely the remediation of smaller existing landfills.

Important flanking measures to encourage efficiency and effectiveness

Fields 1-2-3: The existing and additional user charges are considered by national authorities as an important earmarked source of funding. There is believed to be financial room for rising charges without compromising affordability.

Fields 1-2-3: there is no indication that other flanking measures (e.g. PPP’s) could have a likely effect on the need for investment.
1.4 PART 4: KEY ISSUES AND QUESTIONS FOR THE NEGOTIATIONS

**Field 1:** The Slovenian Government (Operational plan for water supply) reckons there is no further need for water consumption reduction, with the standard water consumption being 110-120 l/inh/day after a severe drop in water supply due to several measures been taken in industry, households and agriculture, effect of higher water prices. However, the figures of the Statistical Office show only a very slight drop in water supply (slightly less than 150 mio m³ in 2003). Furthermore, water consumption especially in urban areas (close to 150 l/inh/day) still seems quite high. Can you explain why no additional measures (sensibilisation, higher water prices etc.) to reduce water consumption are necessary?

**Fields 1-2-3:** Due to the downscaling of the projects in the next planning period, problems concerning technical capacity and absorbability at municipalities and other local beneficiaries should be anticipated by the central government by asking funding for capacity building, project pipeline support and know-how exchange.

**Fields 1 and 2:** More emphasis should be put upon the financial replacement investment need for the existing water supply and drinking water network.

**Field 2:** There is a lack of information on the solution for solving the sludge treatment issue.

**Field 3:** How will the regional and local government deal with the recultivation of smaller, old landfills?

**Field 5:** National authorities should provide more information on anti-drought measures, creating wins-wins for regional development and environment, as well as being important for the EU agricultural policy.