SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: SI0106.01
1.2 Title: Strengthening Slovenia on the Local Level
1.3 Sector: Economic and Social Cohesion
1.4 Location: Areas with special development problems in Slovenia

2. Objectives

2.1 Overall Objective

- Following the objectives of Economic and Social Cohesion, to resolve certain human resource and infrastructural problems in Areas with special development problems in Slovenia\(^1\), with a view to create a basis for employment creating business development in the areas in question.

**Secondary Objectives**

- To provide a foundation of experience of operating an integrated scheme of interventions in conformity with EU structural fund regulations and practice, within the programming framework of the National Development Plan.
- To contribute to the administrative capacity of the National Agency for Regional Development (NARD) as central Managing Authority for the structural funds.

2.2 Project Purpose

1. **In the field of human resource development**, the project will address particularly the activation of human resources development, with an aim to increase employability of unemployed and employed persons (from sectors facing restructuring) and the adaptability of enterprises.

2. These initiatives in human resource development will be run in conjunction with an important **local infrastructural project in the area of environmental improvement**, aimed at heightening the attraction of the area for enterprise development and improving services to the local community. The type of infrastructure to be provided will be limited to waste water treatment and/or fresh water supply.

The geographical coverage of both priorities of this Grant Scheme is presented in the Map of Areas with Special Development Problems and described in the Explanatory Note (Annex 8). Thereafter both priorities will be implemented in the same geographical areas.

The focus on areas that can benefit in an integrated way from the combination of efforts enabled under the scheme (one and two above) will provide valuable experience of the organisation and delivery of future structural fund assistance, as well as experience of dealing

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\(^1\) See Law on Balanced Regional Development Art. 19 and Art. 20, (Official Gazette of the Republic of Slovenia, 60/99).
with implementing Community policies. Thereafter the projects where priority 1 and priority 2 will be combined will have higher priority for the selection.

The two areas chosen represent important pillars of EU policies and constitute substantial elements of the Acquis: that of Employment and the National Employment Plans and that of the Environment in relation to the extensive Water and Waste Water Treatment Directives.

2.3 Accession Partnership and the NPAA priorities

The proposed project is in full conformity with the short and medium term priorities of the Accession priorities of the Republic of Slovenia - Economic reform, Institution building, Employment and social affairs and its annexes 3.2 Innovations (education, training and youth), 3.5 Economic and social cohesion (specially to equal opportunities and the regional policy and cohesion), and 3.6 Quality of Life and Environment (»Particular efforts must be made to achieve full EU compatibility of the urban waste water treatment, drinking water, aspects of waste management and air pollution legislation«)

The proposed project is in full conformity with the following NPAA fields: Social protection, with the objective to overcome social exposure and social exclusion and secure the social integration of disabled persons.

Education, with the objective to improve the quality of education, strengthen the link between labour demand, education and training and to improve the quality of human resources.

Labour market policy through active measures with the objective to reorientation towards active measures, promote job creation, reduce skill mismatch.

Environmental protection with the objective to promote sustainable development and waste water management in order to support investments (especially) in smaller projects for drinking water supply.

2.4 Contribution to National Development Plan

The project is focusing on the two priorities recognised as the major cause of economic gaps in Slovenia: human resources development and employment and local infrastructure. Analyses conducted in the context of preparing the Strategy for Economic Development of Slovenia (SEDS) have shown these two structural problems as the most outstanding for Slovenia at present.

The project will complement selected measures in programmes and sub-programmes designed to respond to the identified priorities of the NDP resulting from these structural problems of the Areas with the special development problems. Therefore this project will contribute to following NDP Priorities:

- No. 2: Knowledge, Human Resource Development and Employment
- No. 5: Strengthening Competitiveness on the Regional Level.

Within the programming to be initiated for the purpose of implementing the NDP, a series of measures and sub-measures address the problems of human resources and the environment, under the responsibility of the relevant ministries. The ministries in question (Ministry of Labour, Family and Social Affairs, Ministry of Education, Science and Sports, Ministry of Environment and Spatial Planning, Ministry of Economy) have agreed to earmark part of their allocations to provide national co-financing to be associated with the Phare funds and local contributions provided by the proposers, thus enabling a significant leverage effect from the Phare contribution.
The linkage between the scheme and the NDP is demonstrated in the Table 1.

**SAPARD and ISPA**

Co-ordination between ISPA and SAPARD measures is assured even if the EU support is in the same area of intervention. Overlap is not anticipated between the grant scheme and these pre-accession instruments. Proposed assistance is not targeted at the farming community or rural development but at areas having the prospect of business development. As far as concerns ISPA, projects supported will be on a small scale, below that which is eligible for ISPA.

Should these pre-accession instruments support projects in the same area interaction can be sought so as to augment the overall impact.

**Table 1: Economic and Social Cohesion: Relationship to NDP**

*(partial presentation of the NDP)*

<table>
<thead>
<tr>
<th>NDP Priority Axis</th>
<th>Lead Ministry of the priority axis</th>
<th>Programme</th>
<th>Measures</th>
<th>Sub-Measure</th>
<th>Phare Grant Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge, HRD and Employment</td>
<td>MoLFS</td>
<td>Employability</td>
<td>Active solving of unemployment (activating unutilised resources)</td>
<td>Training of HRD staff in regions, enterprises and educational institutions on HRD planning and implementation</td>
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<td></td>
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<td></td>
<td>Programmes for reducing structural and preventing long-term unemployment (Development of new employment options in the services sector)</td>
<td>Implementation of Short regular and other training programmes enabling the unemployed and employed persons (from sectors facing restructuring) with an aim to acquire vocational or technical education titles</td>
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<td></td>
<td></td>
<td></td>
<td>Strengthening social partnership</td>
<td>Implementation of trainings for unemployed and employed persons enabling them to acquire vocational certificates</td>
<td>55% of Phare funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Programmes for promoting vocational mobility (developing the culture of enterprise)</td>
<td></td>
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<tr>
<td>Strengthening Competitiveness On the Regional Level</td>
<td>Ministry of the Economy</td>
<td>Regional economic Infrastructure</td>
<td>Regional infrastructure for water supply and waste treatment and local transport</td>
<td>Small Projects Waste Water Treatment (500 PU-2000 PU)</td>
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<td></td>
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<td>Water Supply Projects</td>
<td>*</td>
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<td>45% of Phare funds</td>
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3. Description

2 See also Section 3.2. 'Linked Activities'
3.1. Background and justification

Reducing the imbalances in development within and between regions of Slovenia is a primary aim of Government policy. The discrepancies in economic development between Centre and Province in Slovenia are significant. Moreover, a significant number of municipalities in provincial areas are suffering from aggravated disadvantage even in relation to the wider lagging-behind region.

The Law on Balanced Regional Development recognised the serious imbalances in development to be found in these areas of Slovenia, and prescribed a variety of methods of addressing them including the designation of “areas with special development problems” and the granting of incentives relating to balanced regional development.

Slovenia wishes to use the funds available under Phare ‘Economic and Social Cohesion’ 2001 to help to address the problems of these areas in an integrated way, by mobilising assistance targeted at the human and physical infrastructural drawbacks that prevent these areas from embarking on the path of economic development.

Designated areas

Areas selected for assistance will, by definition, reveal a significantly worse performance under a majority of socio-economic indicators than the Slovenian average and this will be a criterion of selection. Slovenia is made up of heterogeneous areas with great regional differences at the level SCTU 3 (Statistical Classification of Territorial Units). These differences are revealed in demographic, economic, infrastructure and human resources conditions as well as in different social capital. A geographic selection is necessary to target these areas that are at risk of not being reached by national programmes.

A map showing the areas in question is shown at Annex 8.

These areas have been identified according to the criteria stipulated in the “Decree on Values of Criteria for determining areas with special development problems and determining municipalities fulfilling these criteria” (see Annex 9).

Decision of Council for Structural Policy

According to the decision of the Slovene Council for Structural Policy of February 2001 (see Annex 7) the division of the funds contributed by the Phare will be as follows:

- 55 % (EUR 1,925,000) for human resources development and employment on local level,
- 45 % (EUR 1,575,000) for regional infrastructure.

Selection of the priorities is due to necessity for concentration of the limited amount of the EU funds available. Division of funds suggested is based on: (1) analyses conducted in the context of preparing the Strategy for Economic Development of Slovenia (Annex 10, SEDS) that have shown these two structural problems as the most outstanding for Slovenia at present, (2) the preliminary results of the National Development Plan, and (3) the Slovene funds available for the implementation of programmes presented.

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3 See Law on Balanced Regional Development (Official Gazette of the Republic of Slovenia, 60/99).

Schema for the Grant Scheme
A scheme of grant-assistance using national and Community financing, together with local co-financing where obtainable, has been prepared to support suitable activities and developments in the designated areas. The overall Scheme will be drawn up and managed by NARD assisted by the relevant line ministries and will follow programming principles modelled on the Structural Funds. The financing scheme will be established on the principle of a grant scheme according to the Practical Guide for Phare, Ispa and Sapard, and Phare Programming Guide 2001. This financing scheme is designed as a bridging mechanism from PHARE to the financing mechanisms for the future EU structural funding. The principles of programming, monitoring and evaluation will be observed during implementation.

3.2 Linked activities

The Grant Scheme sub-measure will be part of a co-ordinated effort to address problems in the Human resources and Regional infrastructure areas as represented in the wider framework in the NDP. The Grant Scheme will support and fill out the national measures being pursued as outlined in the NDP presentation.

The Government of Slovenia has already initiated several activities to implement the priorities set in sector and regional action plans. The National budget supports different programmes led by the responsible ministries where all action plans developed by ministries and approved by the Parliament are structured on the basis of programme for environment, employment, education and infrastructure.

Other activities of central government which will be complemented by the Scheme are:
In order to implement the National Environmental Action Plan (protection of water environment in Slovenia and protection of bio diversity) the Ministry of Environment and Spatial Planning has developed programme of environmental investments. A programme of investments in sewerage systems and water treatment has been developed. The programme of investments is based on the actual state of environment. The Action Plan for Urban Waste Water Collection and Treatment with the Programme of Water Supply Projects identifies on the basis of National Environmental Action Plan the priority investments with costs, sources of financing and time plan of implementation for municipal infrastructure in water sector.

The Ministry of the Economy has developed a Programme of Regional Infrastructure Investments where the programme is focused on local road construction and drinking water supply.

The programmes mentioned above have been implemented directly by the responsible ministries, Regional Development Fund and the Environmental Development Fund.

3.2.1 The PHARE 2000 (SI 0004) economic and social cohesion programme is being implemented in three target regions: Pomurje (Network of Business Incubators), Savinjska (Strengthening the employment potentials of the region), and Zasavje (Up-grading the Guarantee Fund).

3.2.2 PHARE-SPP: The Special Preparatory Programme (SI 9804) pilot actions proposed by the three pilot regions (Pomurje, Zasavje and Savinjska) are being implemented. These aim to strengthen the assistance of existing national support schemes targeted on the enterprise sector and economic infrastructure as well as on human resources development.
3.2.3 The ongoing PHARE CBC programmes with Austria, Italy and Hungary, respectively, are based on the Joint Programming Documents for each of the bordering areas. The JPDs support of the economic and social cohesion in the less-developed local areas.

3.2.4 The National Agency for Regional Development has started to implement the projects under the Phare Project Preparation Facility (SI 9914) which allows regions and projects to study economic and social cohesion projects before start-up. To date five feasibility study projects have been developed while the rest of the facility can be used for the preparation of the project to be financed by the Economic and Social Cohesion funding.

3.2.5 The National Development Plan of Slovenia for 2001-2006. The draft NDP sets out four priority axes for Slovenian development: (1) Promotion of productive sector, (2) Infrastructure and Quality of Life, (3) Human Resource Development and Employment, and (4) Reconstruction of Agriculture and Rural Development as responding to the most pressing problems of the disadvantage areas of Slovenia. Taking in action with other priority axes this will increase possibilities for economic development and investment in the areas of question.

3.3 Results

Overall results of the project
The overall result will be an established and fully operational Financing Scheme for the support of NDP priorities and sector strategies that are within the national development priorities.

The Grant Scheme will introduce development and implementation of Objective 1-type programmes and projects in Slovenia in order to increase the productivity of the enterprise sector, support the development of human resources, protect the environment and provide improved regional economic infrastructure.

Experience to be gained
Integration of NDP though elaborating programme matrix, objectives, outputs for the relevant parts of the plan.
The scheme outlined should provide relevant experience for future operation of structural funds.

Scope for learning
Further scope for experience of structural fund conditions will be gained from the following

- *project assessment* – what should be the basis of selection
- *independent appraisal* of projects - (to be sought in the application stage) from appropriate experts
- *monitoring and evaluation* – monitoring and management committees will be formed and will provide valuable insights into the future work of such groups under the structural funds. This is to be part of NARD structure.
- *financial management* – experience to be gained of operating a system of co-financing in association with EU and local interests.
3.4 Activities

3.4.1 Main target areas

The Scheme will have two main targets viz.: Social Inclusion and Local Infrastructure. Sub-measures will comprise initiatives in these areas to be organised in association with relevant line ministries. Assistance will be targeted to support operations having a business-generating effect in the areas with special development problems.

a) Social Inclusion

In the field of human resources development and employment the priority will be given to measures providing the HRD staff from regions, enterprises and educational institutions with training on HRD planning and implementation and enabling the unemployed and employed persons (particularly from sectors facing restructuring) to improve their knowledge, skills and competencies by acquiring vocational or technical education titles and vocational certificates.

This will be done through an integrated training and educational programme involving several strands, viz.:

- the provision of specialist training courses and short-term workshops on HRD planning and implementation, targeted at staff and individuals in regional development institutions, local enterprises and education institutions that are active in the field of human resource development and who can play a leading role in tackling the area’s problems and in motivating change in the community.
- implementation of short regular education & other training programmes enabling the approximately 200 participants to acquire vocational or technical education titles and to improve their knowledge, skills and competencies
- implementation of training programmes enabling the approximately 500 participants to acquire vocational certificates.

This will contribute to the:

- alleviation of labour market structural discrepancies,
- improvement of knowledge, skills and competencies of unemployed persons and their employment possibilities,
- improvement of knowledge, skills and competencies of persons employed in sectors facing restructuring (namely in the following industries: textile, foot-wear and leather, wood processing, paper, metal, mining, construction industry and duty free shops), what will improve their employment possibilities.
- improvement of competencies of teaching and counselling staff to respond to the needs in the world of work in terms of teaching and learning methods and counselling approaches
- increase of competitiveness of enterprises in areas with special development problems in Slovenia.

The general objective of the programme will ensure implementation of the training programmes which are identified as priority labour market needs to decrease structural unemployment, to improve qualifications and skills of employed and to assure better competitiveness in existing companies in economically less-developed areas of Slovenia. Training of the unemployed will improve their possibilities for employment to potential jobs,
giving them better qualifications and skills. Training for employed will be focused on sectors with difficulties in those Slovene areas and sectors facing restructuring.

b) Local infrastructure

b.1 Environmental infrastructure
Projects in environmental infrastructure are limited to waste water treatment (500 PU - 2000 PU) for small communities, located on sensitive areas, which are defined by criteria established by strategic documents of environmental policy in water sector. The priority will be given to areas where projects for employment are being implemented and added value of the economy is to be increased.

Projects in municipal wastewater treatment will be supported by this grant scheme.

b.2 Local drinking water supply
Project in this field should be developed for areas with special development problems where water supply is a problem.

3.4.2 Methodology

Methodology to be used will be Grant Scheme and Phare procedures as in the Practical Guide to Phare, Ispa and Sapard will be applied.

There will be one joint Call for Proposals of all four ministries involved. The Call for Proposals will consist of two lots; Lot A: Social Inclusion, under the responsibility of the Ministry of Labour, Family and Social Affairs, and Lot B, under the responsibility of the Ministry of Economy, National Agency for Regional Development.

National Agency for Regional Development will be in charge for co-ordination of the process of issuing Call for Proposals, receiving proposals, chairing evaluation sessions and preparing reports on evaluation results. The contracts will be signed by the respective Contracting Authorities (see below Point 4). Line ministries will be responsible for the drafting of the Guidelines and Application Forms for the Grant Scheme.

The NARD will submit Call for Proposals notices and Guidelines for Applicants to the European Commission for approval.

Implementation of the scheme
The scheme will be announced by NARD, under the general Phare umbrella. Individual line ministries will be given their responsibilities in regard to specifying the qualifying features for applicants, to ensure that these are in accordance with the national objectives and will run the Assessment Groups. The assessors are reporting to the Evaluation Committee their assessment on their administrative compliance, technical and financial quality of the offers. The Evaluation Committee will select the projects. The Steering Committee will be responsible for the monitoring and assessment of the projects.

Application Process
- Advance publication of the Grant Scheme will take place immediately after the approval of the Grant Scheme by the PHARE Management Committee, so that the preparation of proposals can proceed in advance of the formal Call for proposals.
Local Call for Proposals will be issued by the National Agency for Regional Development of Slovenia. Between the date of publication of the Call for Proposals notice and the deadline for receipt of proposals will be 60 days.

- In the interest of transparency and equal opportunity the documents relevant to this Grant Scheme will be published on NARD Internet site (http://www.sigov.si/arr/index.html), which will provide a contact point to which questions may be addressed. The Internet site will be managed by NARD.

- NARD will both nominate members of the Evaluation Committee on a personal basis and authorise possible observers individually. Evaluation Committee will be responsible for the selection of the projects.

- NARD will establish and chair the Steering Committee involving representatives of the Ministry of Economy, Ministry of Environment and Spatial Planning, Ministry of Labour, Family and Social Affairs, Ministry of Education, Science and Sports. European Commission and CFCU will participate as observers.

- Two Assessment Groups will be proposed by each Contracting Authority (Ministry of Labour, Family and Social Affairs and the Ministry of Economy) and approved by the NARD. Assessors of the each Assessment Group will examine each proposal in detail and present their assessment to the Evaluation Committee. However, the members of the Evaluation Committee must carry out all stages of the evaluation procedure that are not possible to be covered by Assessment Groups. Assessors will not be members of the Evaluation Committee.

- Evaluation Report will consist of recommendations for grants to be awarded and will be submitted to the European Commission for its approval.

- The Contracting Authorities will (1) notify the successful applicants in writing that their applications have been selected, (2) prepare grant contracts, (3) prepare background dossier, (4) prepare a dossier for each grant contract, and (5) sign all copies of the contract and send them to the applicants.

- Contracts will be signed between: (1) For Social Inclusion part: Ministry of Labour, Family and Social Affairs and successful applicant, (2) For Local Infrastructure part: Ministry of Economy and successful applicant.

- NARD will prepare a grant contract award notice for the Grant Scheme and send it to the European Commission.

- Copies of signed contracts will be sent to the European Commission for information.

**Monitoring and Evaluation**

- Evaluation Committee will be involved in the project selection only. Steering Committee will be responsible for monitoring and assessment of the projects.

**On-going monitoring** of the projects selected for funding will be executed by Contracting Authorities. For works bimonthly site-visits will be organised and the results will be reported to the Steering Committee. Steering Committee will be involved in the monitoring and assessment of the projects.

- Meetings of the Steering Committee; first, 1 month from the time of signing the contracts with successful applicants, then every 6 months during the period of executing the Grant Scheme and the last meeting 1 month before time of last grant contract expires.

- Monitoring and Evaluation Reports will be prepared and drawn by Contracting Authorities and submitted to the NARD two weeks before each of the Steering Committee meetings. One week before the Steering Committee's meeting NARD will distribute a Joint Monitoring and Evaluation Report of the Grant Scheme to the members of the Steering Committee, to the Government Office for European Affairs and to the European Commission for information.
NARD will prepare Final Report to the Grant Scheme and submit it to Contracting Authorities, to the Government Office for European Affairs and to the European Commission. Final Report will be prepared three months after the expiry of the Financial Memorandum at latest.

3.4.3 Eligibility and selection criteria

The eligibility and selection criteria will be in detail specified in Guidelines for applicants according to the standard templates given in Annexes E7 and E10 of Practical Guide to Phare, Ispa and Sapard contract procedures. As the templates are standard, only the specific criteria for this grant scheme are listed below and will be incorporated in standard template.

The percentage of co-financing as per total cost of the project is for Social inclusion 75% PHARE and National funds 25%, and for Local Infrastructure 20% PHARE and 80% National funds.

ELIGIBILITY CRITERIA

<table>
<thead>
<tr>
<th>ELIGIBILITY OF AREA, APPLICANTS AND PARTNERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Grant Scheme is applicable for the Areas with Special Development Problems in Slovenia (see Annex 8 and Annex 9).</td>
</tr>
</tbody>
</table>

- **Who can apply:**
  
  **Eligibility of Applicants:**
  Applicants must comply with the following conditions in order to be eligible for a grant

  a) **SOCIAL INCLUSION:**
  - be non profit – making or profit-making organisation which do not make profits from the grant Scheme; non-governmental organisations; public sector operators registered for HR development activities;
  - the applicant with the seat located in Slovenia. Potential partner companies can have their seat located in Slovenia or EU/Phare countries;
  - be directly responsible for the preparation and management of the project(s) not acting as intermediary;
  - have stable and sufficient sources of finance to ensure the continuity of their organisation throughout the project and, if necessary, to play a part in financing it;
  - be experienced and able to demonstrate their capacity to manage larger scale activity corresponding with the size of the project for which a grant is requested;

  Applicants may act individually or in consortium with partner organisations. Partners of applicants must satisfy the same eligibility criteria as those for applicants. The applicant will be the lead organisation and, in case of selection, the contracting party “Beneficiary”.

  b) **LOCAL INFRASTRUCTURE:**
  - municipalities, local authorities
ELIGIBILITY OF PROJECTS

1. **Size of project:** Phare contribution of the project will be 50,000 – 300,000 EUR.

   a) **SOCIAL INCLUSION:**

   **Size of projects:**
   The overall amount available for this Call for Proposals **EUR 1,925,000**
   - **Maximum and minimum grant amounts**
     (a) Minimum grant for a project: **EUR 50,000**
     (b) Maximum grant for a project: **EUR 200,000**
     A grant may not exceed 75% of the total eligible project costs. The balance must be financed from the applicants’ or partners’ own resources, or from sources other than the European Community budget. The same project proposal must not receive more than one EC-funded grant.

   b) **LOCAL INFRASTRUCTURE**

   Only ready-to-go projects, land already owned, revised technical documentation, building permits obtained.

2. **Duration of the project:** The duration of the project may not exceed disbursement period, defined by the Financial Memorandum. The duration of a project may not exceed 12 months.

3. The same project proposal must not receive more than one EC-funded grant.

4. a) **SOCIAL INCLUSION**

   **Type of activities:**
   - Training of HRD staff from regions, enterprises and educational institutions on HRD planning and implementation;
   - Implementation of short regular educational and training programmes enabling the acquisition of vocational or technical educational titles and improvement of knowledge and skills
   - Implementation of training programmes enabling the acquisition of vocational certificates.

   The following types of activities are ineligible:
   - individual sponsorships for participation in workshops, seminars, conferences;
   - individual scholarships for studies or training courses.

   Number of proposals per applicant
   An applicant may submit more than one project proposal.
**Priority target groups:**
- Unemployed persons
- persons searching for their first job
- vulnerable groups of young adults (“dropouts”, young persons with addiction problems…)
- long – term unemployed persons
- unemployed persons without education
- women
- persons with special needs
- Employed persons
- permanently redundant workers
- workers, whose jobs are endangered in the long term period
- workers, who need to be re-qualified
- teachers in schools, in particular those lecturing for sectors facing restructuring
- HRD staff from regions, enterprises and educational institutions

**Priority fields:**
- regions with the over-averaged unemployment rate
- regions with the over-averaged representation of specific target groups
- regions with sectors facing restructuring (textile industry, foot-wear and leather industry, wood – processing industry, paper processing industry, metal industry & mining, construction and Duty – free shops)

b) LOCAL INFRASTRUCTURE:
- environmental municipal infrastructure investment projects in waste water treatment facilities (waste water treatment plants), capacity between 500 PU and 2000 PU;
- environmental municipal infrastructure investment projects in waste water treatment, for which the building permit was issued and is lawful (valid);
- environmental municipal infrastructure investment projects in waste water treatment; for which the “Investment programmes” were elaborated in accordance with “Ordinance on Uniform Methodology for Elaboration of Programmes for Public Tendering of Investment Projects (O.G: RS no. 82/98, 86/98, 43/99, 79/99)”;
- water supply system for one or more settlements;
- priority will be given to the joint projects where more municipalities are trying to solve common problem of local infrastructure in an integrated way.

**ELIGIBILITY OF COSTS:** Direct and indirect costs.

a) **SOCIAL INCLUSION**
Phare contribution: 75%, National Co-financing: 25%.

b) **LOCAL INFRASTRUCTURE**
Phare contribution: 20%, National Co-financing: 80%.
SELECTION CRITERIA

Following standard template for selection of the projects, the criteria will be set according to the sections: Relevance, Methodology, Sustainability, Budget and Cost-effectiveness, Management Capacity, Expertise and CVs.

The overall criteria for the selection of the project proposals under this Grant Scheme is whether the proposed initiatives in human resource development could be run in conjunction with an important local infrastructural project in the area of environmental improvement, aimed at heightening the attraction of the area for enterprise development and improving services to the local community.

Social Inclusion

Relevance
1. Coherence with the HRD prioritised target groups and fields (geographic area, sector)
2. Relevancy of the project according to the Government Strategic plans and studies (see Annex 5)
3. Relevancy of the proposal according to the needs of the proposed target groups
4. Coherency and appropriateness of activities proposed in the project
5. To what extent does the proposal contain specific elements, such as innovative approaches, models for good practice, promotion of gender equality and equal opportunities?

Methodology
6. Coherency of the overall project design
7. How clear and feasible is the action plan?

Sustainability
8. In what relation is the project with other programmes and projects (complementing, overlapping or conflict with other Phare activities or other assistance programmes)?
9. To what extent is the project likely to have a tangible impact on its target groups?
10. To what extent does the proposal contain potential multiplier effects? (Including possibilities for replication and extension of project outcomes, dissemination of information.)
11. To what extent are the results of the proposed project sustainable:
   - financially (how will the activities be financed after the EC funding ends?)
   - institutionally (will structures allowing the activities to continue be in place at the end of the present project?)
   - at the policy level (where applicable), what will be the structural impact of the project – e.g. will it lead to improved strategic papers, methods…?

Budget and Cost-effectiveness
12. Financial proposal and financial efficiency (sufficiently detailed budget, reasonable and realistic for what will be done)

Management Capacity and Expertise
13. How satisfactory is the current management capacity of the applicant (including staff, partners, equipment and its ability to handle the project budget)?
14. How satisfactory is the previous project management experience of the applicant?
15. How satisfactory is the technical expertise of the applicant and partners?
Local infrastructure

- contribution to achieving regional development objectives as regards to National Development Plan and Regional Development Plans at SCTU 3 level
- valid building permit (in accordance with the Law on building sites; published in O.J. No. 34/84, 29/86, 59/96, 45/99, 42/00 and 52/00).
- investment projects of waste water treatment facilities (waste water treatment plants), capacity between 500 PU and 2000 PU, defined by “Action plan of Urban Waste Water Collecting and Treatment of Agglomerations between 2000 and 15 000 PU and less the 2000 PU, situated on Sensitive Areas”
- identified impact of unsettled treatment of urban waste water to drinking water resource (groundwater, karstic wells)
- identified impact of unsettled treatment of urban waste water to surface waters, proclaimed for sensitive areas (nature lakes, coastal waters)
- parallel construction of waste water collection and treatment infrastructure (sewer network, treatment plant); or connection of existed sewer net work to new treatment facility
- economical efficiency of technical solution (waste water treatment technology)
- refer the environmental standards adequate sludge management
- feasibility of the project
- integrated project
- how satisfactory is the technical expertise of the applicant and partners

4. Institutional Framework

Contracting Authorities of this Grant Scheme are: (1) For Social Inclusion Sub-Measure: Ministry of Labour, Family and Social Affairs, (2) For Local Infrastructure: Ministry of Economy.

The Scheme will represent a joint endeavour by several Government ministries.

Ministries involved who will contribute funds and relevant expertise will be:
- Ministry of Labour, Family and Social Affairs
- Ministry of Education, Science and Sport
- Ministry of the Economy
- Ministry of the Environment and Spatial Planning.

The described institutional framework below will be applied for the Grant Scheme for strengthening the regional development, social and economic infrastructure in designated areas with special development problems in Slovenia.

Central management and co-ordination will be provided by NARD.

An Evaluation Committee will be established and chaired by the National Agency for Regional Development comprising:

1 Secretary

Voting Members
1 representative of the Ministry of Labour, Family and Social Affairs
1 representative of the Ministry of Education, Science and Sports
1 representative of the Ministry of Environment and Spatial Planning
1 representative of the Ministry of Economy

**Observers**
1 representative of the European Commission
1 representative of the CFCU

**The two Assessment Groups** will be proposed by each Contracting Authority and approved by the NARD; one for each Sub-Measure. Each Assessment Group will consist of:

- representatives of ministries involved in each Sub-Measure (1 from each ministry)
- technical expert (optional for Social Inclusion and mandatory for the Environmental component)
- observer (NARD)

The Assessment Groups will have to present their assessments to the Evaluation Committee. The Evaluation Committee will take final decision to the projects financed under this Grant Scheme.

**The Steering Committee** will be established and chaired by the National Agency for Regional Development comprising:

1 Secretary

**Members:**
1 representative of the Ministry of Labour, Family and Social Affairs
1 representative of the Ministry of Education, Science and Sports
1 representative of the Ministry of Environment and Spatial Planning
1 representative of the Ministry of Economy
2 representative of the regional level taken from the NDP-Monitoring Committee

**Observers:**
1 representative of the Government Office for European Affairs
1 representative of the CFCU
1 representative of the European Commission

The role of Steering Committee is to monitor and to assess the execution of Grant Scheme.

**Final Beneficiaries** of projects co-financed under the Scheme are municipalities, social partners and NGO/NPOs.
5. Detailed Budget (MEUR)

Table 2:

**BREAKDOWN OF FUNDS**

<table>
<thead>
<tr>
<th>Sub-Measure</th>
<th>Phare Co-financing</th>
<th>National funds</th>
<th>IFI</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment I</td>
<td>Institution Building IB</td>
<td>Total (=I+IB)</td>
<td>Public</td>
</tr>
<tr>
<td>1. Social Inclusion</td>
<td>1,925,000</td>
<td>-</td>
<td>1,925,000</td>
<td>643,000</td>
</tr>
<tr>
<td>2. Local Infrastructure</td>
<td>1,575,000</td>
<td>-</td>
<td>1,575,000</td>
<td>6,309,375</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,500,000</td>
<td>-</td>
<td>3,500,000</td>
<td>6,952,375</td>
</tr>
</tbody>
</table>

**Co-financing includes:**
Grant scheme for non-refundable grants includes **3.50 MEUR** from Phare and **6,952,375 EUR** from the Slovene funds.

Monitoring and evaluation: TA for preparation of reports will be financed by the National Budget and is not part of the Grant Scheme budget.

The Scheme will be co-financed by Phare (33.5%) and by national ministries and local authorities (66.5%). The percentage of cofinancing as per total cost of the project is for Social inclusion 75% PHARE and National funds 25%, and for Local Infrastructure 20% PHARE and 80% National funds.

The ministries involved will earmark funds for the scheme from their spending allocations. Phare funds will be added to make up the total available budget. After selection of suitable projects the normal Phare arrangements will apply when a contract is placed for implementation.

The budget contribution (co-financing) of the ministries involved will be earmarked for the grant scheme. The Ministries have agreed to the disbursement of the funds in accordance with the rules of the scheme.

6. Implementation arrangements

6.1 Implementing Agency

Ministry of Finance - CFCU
Mr. Peter Škofic, PAO
Address: Beethovnova 11, 1502 Ljubljana, Slovenia
Tel: +386.1.478.63.05
Fax: +386.1.478.62.04
Implementing Authority

National Agency for Regional Development
Mr Ivo Piry, Director
Address: Kotnikova 28, 1000 Ljubljana, Slovenia
Tel: +386.1.478.36.70
Fax: +386.1.431.33.60

Contracting Authority

1. For Social Inclusion
Ministry of Labour, Family and Social Affairs
Kotnikova 5
1000 Ljubljana
Mr Vlado Dimovski, the Minister
Tel: +386.1.478.34.50
Fax: +386.1.478.34.56

2. For Local Infrastructure
Ministry of Economy
Kotnikova 5
1000 Ljubljana
Slovenia
Ms Tea Petrin, the Minister
Tel: +386.1.478.36.70
Fax: +386.1.431.33.60
e-mail: arr@gov.si

Full legal responsibility for selection and implementation of all projects rests on the PAO, as well as the responsibility of repayment of funds misused.

6.2 Twinning
Not applicable

6.3 Non-standard Procedure
All actions deriving from proposed project fiche, will be in line with Practical Guide to Phare, Ispa and Sapard contract procedure, Chapter 6, Grants and The Vademecum on grant management (for applicants and beneficiaries), EC(98).

6.4 Contracts

Grant Scheme - Projects (Phare Contribution) 3.5 MEUR

The grant programme is reserved exclusively for national applicants.

Size of Contracts
Phare contribution is expected at the average value of the 175,000 EUR (minimum contract will be of 50,000 EUR while the maximum contract will be of 300,000 EUR)
7. Implementation Schedule

7.1 Start of tendering
Grant Scheme - After approval of the Guidelines for Applicants.

7.2 Start of project activity
After the approval of the Grant Scheme

7.3. Project Completion
End of disbursement period of the Financing Memorandum:

8. Equal Opportunity

The areas with special development problems of Slovenia are facing high unemployment among the women, elderly and disabled. The proposed project will stimulate and support the initiatives that will promote the equality in terms of promoting and assuring equal opportunities in entering the labour market among the genders, co-ordinating the family and professional life- re-entering the labour market, promoting the integration of disabled to work.

9. Environment

All projects will have to present Environmental Impact Assessment according to the Slovene regulations. The Regulation on types of environmental impacts for which the environmental impact assessment is obligatory will strictly be followed (O.J. of Republic of Slovenia no. 66/96, 12/00).

A special attention will be given to the participation of the public in the process of obtaining the EIA. A short note annexed to the EIA reports will describe this participation.

The environmental impact assessment reports can be obtained from all organisations listed in List of authorised persons for the preparation of the environmental impact assessment reports (O.J. of Republic of Slovenia no. 73/97, 52/98).

10. Rates of return

Not applicable.

11. Investment criteria

11.1 Catalytic effect

The project will strengthen the partnership process between the national, regional and local partners in terms of responsibilities taken, decision making, priorities setting. The implementation of projects supported under the Grant Scheme will stimulate and create a positive environment for further innovation, development and new job creation in the region based primary on endogenous investments and resources.

11.2 Co-financing:
The major part of the fund provided for the Grant scheme will be provided by the National funds (66.5%). Phare will co-finance 33.5% of the total budget.

11.3 Additionality

The project will contribute additionally funds to the existing national instruments in terms of additional non-refundable sources and will reach wider range of target groups and carriers of bottom up development initiatives.

11.4 Project readiness and size

The project is ready to be funded from this grant scheme when:

- for service projects, the feasibility study and business plan is prepared showing that the project will be sustainable developing after the funding from the grant scheme for the project stops. In addition to this the project will be ready to go only if the applicant for the project funding is an organisation established under the EU or Slovenian law,
- for works and supply projects, the project is considered to be ready to go when valid building permit is officially issued, in addition to this the project will have to present the feasibility study stating the sustainability of the project when the funding from the grant scheme for the project stops.

The minimum size of the project to be funded by this Grant scheme is 50,000 EUR. The maximum project size for the project to be financed from this Grant scheme is 300,000 EUR (Phare contribution).

11.5 Sustainability

The whole Grant scheme will be running under the sector programmes presented above that is why the sustainability of the project is assured. The idea of special financial scheme is also strongly supported by several ministries. Support both on regional and national level will be expressed by substantial financial contribution to the project, reaching min 25% of co-financing with individual project.

On the other hand the criteria for the selection of the project sets out several points where sustainability of the project and of project applicant is suggested.

It is concluded that the proposed project covers most development priorities and measures as regarded areas with special development problems. The possibility will be studied to introduce the instrument in other areas as a link between national development programmes and specific needs of local areas.

11.6 Compliance with the state aids provisions

The eligibility criteria in Call for Proposal and Guidelines for Applicants will be prior to publication checked by Commission for State Aid Control in order to assure compliance with state aid provisions.

11.7 Contribution to National Development Plan 2001 - 2006

In August 2000 the Slovene Government adopted the “NDP Work Programme”. It is expected that the National Development Plan 2001-2006 will be submitted to the European
The project is in full focus of the Investment priority “Strengthening Competitiveness on the Regional level” and is supporting its implementation. The project is setting up the financial scheme for the future project management and implementation according to multi-annual budgetary planning.

12. Conditionality and sequencing

Milestones of the Grant Scheme will be:

- The Guidelines for Applicants (which will include an Application Form and other annexes) drafted.
- Advance publication of the Grant Scheme
- The Guidelines for Applicants and Call for Proposals notices approved by the European Commission
- Local Call for Proposals issued in Official Journal of Slovenia and all relevant document published on NARD web-site.
- Evaluation Committee, Assessment Groups and Steering Committee nominated, evaluation process executed and Evaluation Report approved by the European Commission.
- Grant contracts together with background dossier as well as with dossier for each grant contract prepared by Contracting Authorities.
- Grant contracts signed and sent to the each successful applicant.
- Grant contract award notice for the Grant Scheme sent to the European Commission.
- Project List together with signed Grant contracts sent to the European Commission for information.
- Implementation of works and services and presentation of the results to the public.
- On-going monitoring by Contracting Authorities and Steering Committee.
- Regular meetings of the Steering Committee; first, 1 month from the time of signing the contracts with successful applicants, then every 6 months during the period of executing the Grant Scheme and the last meeting 1 month before time of last grant contract expires.
- Monitoring and Evaluation Reports prepared by Contracting Authorities two weeks before each of the Steering Committee meetings and submitted to the NARD. The NARD prepares Joint Monitoring and Evaluation Report for each meeting of the Steering Committee.
- Final Report to the Grant Scheme prepared by NARD and approved by the Steering Committee.
**Annexes to project Fiche**

<table>
<thead>
<tr>
<th>Annex</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Logical framework matrix in standard format.</td>
</tr>
<tr>
<td>2</td>
<td>Detailed implementation chart.</td>
</tr>
<tr>
<td>3</td>
<td>Cumulative Contracting and Disbursement schedule (Phare in MEUR).</td>
</tr>
<tr>
<td>4</td>
<td>Reference to feasibility / pre-feasibility studies.</td>
</tr>
<tr>
<td>5</td>
<td>List of relevant Laws and Regulations.</td>
</tr>
<tr>
<td>6</td>
<td>Reference to relevant Government Strategic plans and studies.</td>
</tr>
<tr>
<td>7</td>
<td>Council for Structural Policy Decision (Point 2) of 23rd February 2001.</td>
</tr>
<tr>
<td>8</td>
<td>Map of Areas with special development problems in Slovenia and Explanatory Note.</td>
</tr>
<tr>
<td>9</td>
<td>Decree on Values of Criteria for determining Areas with Special Development Problems and determining municipalities fulfilling these criteria.</td>
</tr>
</tbody>
</table>
### LOGFRAME PLANNING MATRIX FOR

**Strengthening Slovenia on the Local Level**

**OVERALL OBJECTIVE**

*In conformity with the objectives of Economic and Social Cohesion, to resolve certain human resource and infrastructural problems in Areas with Special Development Problems in Slovenia, with a view to creating a basis for employment-creating business development in the areas in question.*

**OBJECTIVELY VERIFIABLE INDICATORS OF ACHIEVEMENT***

- Increased capacity at regional, sectoral and educational level for HRD planning and implementation;
- Increased linkages between employers and training providers leading to improved quality and relevance and training provision;
- Increased and more effective provision to assist unemployed persons into the labour market;
- Increased and more effective provision to assist employed persons from sectors facing restructuring;
- Reduction of municipal point sources of pollution to waters in sensitive areas

**SOURCES AND MEANS OF VERIFICATION**

- Statistical Office of the Republic of Slovenia – regular analyses and reports;
- Council of Structural Policy of the Government of the RS;
- Employment Service of the Republic of Slovenia – regular analyses and reports;
- The Slovene Chamber of Commerce – regular reports and analyses;
- The Slovene Chamber of Crafts – regular reports and analyses;
- Office for Macroeconomic Analyses and Development – regular reports and analyses;
- Delegation of European Commission / DG EMPLOYMENT / DG REGIO / DG ENVIRONMENT;
- Annual Report of the NARD to the Council of Structural Policy;
- Regular reports to PHARE Monitoring Sub-Committee for economic and social cohesion

**ASSUMPTIONS**

- Commitment and co-operation of all the involved partners at national & local level expressed and confirmed;
- Phare and national funds for the project implementation available.

---

**Programme name:**
**and number:**

Ecconomic and Cohesion, SI0106.01

**Date of drafting:**

June 2001

**Contracting period expires:**

15/12/2003

**Disbursement period expires:**

15/12/2004

**Total Budget of Grant Scheme:**

10,452,375 EUR

**Total PHARE Budget:**

3,500,000 EUR
<table>
<thead>
<tr>
<th>PROJECT PURPOSE</th>
<th>OBJECTIVELY VERIFIABLE INDICATORS OF ACHIEVEMENT*</th>
<th>SOURCES AND MEANS OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| The project purpose is to provide training in the field of human resources development with an aim to increase employability of unemployed and employed persons (from sectors facing restructuring) and the adaptability of enterprises. | - HRD staff from regions, enterprises and educational institutions involved in training on HRD planning (by region, sector, …)  
- max 200 unemployed and employed persons participating in short educational & training programmes (by age, gender, field, region, …)  
- max 200 unemployed and employed persons acquiring vocational or technical education titles (by age, gender, field, region, …)  
- max 500 unemployed and employed persons participating in training programmes for the acquisition of vocational certificates  
- max 500 persons successfully acquired vocational certificates (by age, gender, field, region, …)  
- number of persons employed or self – employed (by, age, gender, sector, region, …) | - Steering Committee’s regular and on-going reports  
- Assessment Group’s reports to the Evaluation Committee  
- Implementing institutions status reports  
- Employment Service of the Republic of Slovenia – regular status reports & analyses | - Provision of conditions enabling unemployed and employed persons to improve their knowledge & skills and to increase their employment possibilities assured |
<table>
<thead>
<tr>
<th>RESULTS</th>
<th>OBJECTIVELY VERIFIABLE INDICATORS OF ACHIEVEMENT*</th>
<th>SOURCES AND MEANS OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| Established and fully operational Financial Scheme for the support of NDP priorities and sector strategies that are in scope of the national development priorities. | Under Activity 1  
HRD staff from regions, enterprises, educational institutions properly trained, TNA & F prepared, institutions properly equipped and supported.  
- HRD staff from regions, enterprises and educational institutions involved in training (by regions, sectors…)  
- TNA & F prepared (by region, sector)  
- equipment & software provided  
- consultation support (by regions, sectors,…) provided  
- existing short regular educational and training programmes implemented (by regions, sectors, target groups, occupations,…)  
- max 200 participants in existing short regular educational and training programmes (by gender, age, educational attainment level, sector, region,…)  
- vocational or technical educational titles acquired (by field, age, gender,…)  
- new educational and training programmes, according to TNA & F, identified and prepared  
- new educational and training programmes, according to TNA & F, implemented (by regions, sectors, target groups,…)  
- vocational or technical education titles acquired (by field, age, gender,…)  
- number of persons employed or self-employed (by age, gender, sector, region,…)  
- max 500 persons participating in training for the acquisition of future vocational certificates (by age, gender, educational attainment level, sector, region, employment/unemployment status)  
- max 500 persons successfully acquired vocational certificates (by age, gender, educational attainment level, sector, region, employment/unemployment status)  
- number of persons employed or self-employed (by age, gender, sector, region,…) | - Evaluation Committee: evaluation of periodical reports and final report  
- Delegation of EC/ DG ELARG, DG EMPLY  
- Regular reports to PHARE Monitoring Sub-Committee for economic and social cohesion  
- Training of HRD staff from regions, enterprises and educational institutions on HRD planning assured  
- equipment and SPSS software provided  
- consultation support assured  
- max 200 participants selected to attend short regular education & training courses, for the acquisition of vocational education titles and improvement of basic knowledge & skills  
- max 500 participants selected to attend training programmes for the acquisition of vocational certificates | - training of HRD staff from regions, enterprises and educational institutions on HRD planning assured  
- equipment and SPSS software provided  
- consultation support assured  
- max 200 participants selected to attend short regular education & training courses, for the acquisition of vocational education titles and improvement of basic knowledge & skills  
- max 500 participants selected to attend training programmes for the acquisition of vocational certificates |
| Under Activity 2  
Vocational or technical education titles acquired and knowledge & basic skills improved for 200 participants |  |  |
| Under Activity 3  
Approximately 500 participants trained for future acquired vocational certificates |  |  |
<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>MEANS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activity 1</strong>&lt;br&gt;Training of HRD staff in regions, enterprises and educational institutions :&lt;br&gt;- workshop(s) (6 school hours) for HRD staff from regions organised&lt;br&gt;- training workshops for HRD staff in enterprises (professional career building) organised&lt;br&gt;- training for teachers and counsellors (focusing on work, learning and motivation approaches)&lt;br&gt;- TNA &amp; F prepared&lt;br&gt;- SPSS software &amp; computers (if required) provided&lt;br&gt;- consultations provided</td>
<td>PHARE funds: 1,925,000 EUR&lt;br&gt;Slovene funds: 2,568,000 EUR</td>
<td>- funds (Phare &amp; national) provided on time;&lt;br&gt;- HRD staff from regions, enterprises and educational institutions to participate on training workshops selected on time&lt;br&gt;- workshop(s) implemented as scheduled&lt;br&gt;- TNA &amp; F prepared as scheduled&lt;br&gt;- equipment &amp; SPSS software provided&lt;br&gt;- consultation provided</td>
</tr>
<tr>
<td><strong>Activity 2</strong>&lt;br&gt;Implementation of short regular education &amp; other training programmes enabling the approximately 200 participants to acquire vocational or technical education titles and to improve their knowledge &amp; skills&lt;br&gt;- short regular educational programmes (up to 1 year) – vocational courses implemented&lt;br&gt;- short training programmes (up to 10 months)</td>
<td>- funds (Phare &amp; national)&lt;br&gt;- premises&lt;br&gt;- short regular education and training programmes&lt;br&gt;- human resources</td>
<td>- funds (Phare &amp; national) provided on time;&lt;br&gt;- short regular educational programmes and training programmes identified&lt;br&gt;- participants selected</td>
</tr>
<tr>
<td><strong>Activity 3</strong>&lt;br&gt;Implementation of training programmes enabling the participants to acquire vocational certificates</td>
<td>- funds (Phare &amp; national)&lt;br&gt;- premises&lt;br&gt;- training programmes&lt;br&gt;- human resources</td>
<td>- funds (Phare &amp; national) provided on time;&lt;br&gt;- training programmes for the acquisition of vocational certificates identified&lt;br&gt;- participants selected</td>
</tr>
</tbody>
</table>

**PRE-CONDITIONS**<br>NDF approved by the Slovene Council for Structural Policy
## 2. SUB-MEASURE: LOCAL INFRASTRUCTURE

<table>
<thead>
<tr>
<th>PROJECT PURPOSE</th>
<th>OBJECTIVELY VERIFIABLE INDICATORS OF ACHIEVEMENT*</th>
<th>SOURCES AND MEANS OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| Heightening the attraction of the area for enterprise development and improving services to the local community. The initial phase of the scheme the type of infrastructure to be provided will be limited to fresh water supply and/or waste water treatment. | - To construct local small waste water treatment facilities.  
- To connect number of population units in Areas with Special Development Problems connected to waste water infrastructure (500 PU – 2000 PU).  
- To establish and improve water supply system. | - Steering Committee’s regular and on-going reports  
- Assessment Group’s reports to the Evaluation Committee  
- Implementing institutions status reports  
- Employment Service of the Republic of Slovenia – regular status reports & analyses | - Input of qualified technical assistance provided  
- Time schedule of different parties co-ordinated and agreed |

### RESULTS

<table>
<thead>
<tr>
<th>OBJECTIVELY VERIFIABLE INDICATORS OF ACHIEVEMENT*</th>
<th>SOURCES AND MEANS OF VERIFICATION</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| - Established and fully operational Financial Scheme for the support of NDP priorities and sector strategies that are in scope of the national development priorities.  
- Reduction of municipal sources of pollution to waters, proclaimed for sensitive areas.  
- Protect environment in the connection with economic activities and construct regional economic infrastructure. | - Constructed small (for population equivalent 500-2000 PU) waste water treatment facilities.  
- Number of PU in Areas with Special Development Problems connected to waste water treatment plants.  
- Number of established and improved water supply systems. | - Evaluation Committee: evaluation of periodical reports and final report  
- Delegation of EC/DG ENLARG, DG REGIO, DG ENVIRONMENT  
- Regular reports to PHARE Monitoring Sub-Committee for economic and social cohesion | - Institutional Framework for regional development operational  
- Capacity of the Implementing Agency established  
- Commitment of local authorities to the implementation of the programme |

### ACTIVITIES

<table>
<thead>
<tr>
<th>MEANS</th>
<th>ASSUMPTIONS</th>
</tr>
</thead>
</table>
| PHARE funds: 1,575,000 EUR  
Slovene Budget: 7,884,375 EUR | National budget available |

### PRE-CONDITIONS

- NDP approved by the Slovene Council for Structural Policy
ANNEX 2

Detailed implementation chart

<table>
<thead>
<tr>
<th>Activities</th>
<th>Project period in quarters of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Guidelines for Applicants drafted</td>
<td></td>
</tr>
<tr>
<td>2. Advance publication of the Grant Scheme</td>
<td></td>
</tr>
<tr>
<td>3 Tender Dossier preparation</td>
<td></td>
</tr>
<tr>
<td>b. Implementation of Financing Scheme</td>
<td></td>
</tr>
<tr>
<td>1. Local Call for Proposals</td>
<td></td>
</tr>
<tr>
<td>2. Evaluation process</td>
<td></td>
</tr>
<tr>
<td>3. Prepared and concluded contracts for</td>
<td></td>
</tr>
<tr>
<td>implementation of financing scheme,</td>
<td></td>
</tr>
<tr>
<td>project selection and signing of contracts</td>
<td></td>
</tr>
<tr>
<td>4. Implementation of projects</td>
<td></td>
</tr>
<tr>
<td>c. Monitoring and Evaluation</td>
<td></td>
</tr>
<tr>
<td>1. Site-visits*</td>
<td></td>
</tr>
<tr>
<td>2. Steering Committee meetings</td>
<td></td>
</tr>
<tr>
<td>3. Final Report</td>
<td></td>
</tr>
</tbody>
</table>

*Site visits shall be made according to the Inception and Final Report.
ANNEX 3
Cumulative Contracting and Disbursement schedule (MEUR)
Phare funds only

<table>
<thead>
<tr>
<th>Activities</th>
<th>Project period in quarters of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRANT SCHEME</td>
<td></td>
</tr>
<tr>
<td>Commitment</td>
<td>3.5</td>
</tr>
<tr>
<td>Disbursement</td>
<td>2.8</td>
</tr>
</tbody>
</table>
ANNEX 4

Reference to feasibility / pre-feasibility studies.

Not applicable.
ANNEX 5
List of relevant Laws and Regulations

Act on Promotion of Balanced Regional Development (O.J. RS, No 60/99),
Environment Protection Act (O.J. RS, No 32/93, 44/95, 01/96 and 09/99),
Law on Public Institutes (O.J. RS, No 12/91),
Law on Public Procurement (O.J. RS, No 39/00)
Law on employment and ensuring for the case of unemployment
Law on education of adults

The transition to market economy after 1990 sparked off structural changes, namely transition from social to private ownership, shift towards service-based economy, shift from large to small companies, as well as transition from supplied economy to demand led economy. All these changes reflected in even bigger economic differences among Slovenian regions and set state functioning and organisation to totally new environment as before.

Environmental legislation introduced after 1993 set up an environmental framework for industrial and other activities. After this several other regulations were introduced to protect the environment and natural resources. All modern and EU environmental standards were introduced in Slovenian legal system.

In 1999 the Law on Balanced Regional Development has been adopted by the Slovene Parliament and one year later the secondary legislation to the Law was introduced. The Law enables the implementation of the regional policy in Slovenia and is in line with the requirements of the Aquis. Slovenian regional development is focused to reducing economic gap between Slovenia and the European union and to reduce economic differences within Slovenia.
ANNEX 6

Reference to relevant Government Strategic plans and studies

- priorities and objectives stated in the AP Slovenia,
- National Programme for the Adoption of the Acquis,
- Joint Employment Assessment Report (LMR),
- National investment priorities in the NDP 2001-2006 (Human Resources Development and Employment);
- White Book on Education in Slovenia, 1995,
- professional starting points for the National programme for Higher Education and Adult Education;
- Phare SI-9706 MOCCA reports, in particular the Pre-accession strategy in the field of Human Resources Development in Slovenia, 2000, and Memorandum on Vocational Education and Training, 2000;
- draft Strategy for Economic Development of Slovenia in the light of EU accession, Government Office for Macro-Economic,
- Proposal of strategic goals of Labour Market Development up to 2006, Employment Policy and its implementation programmes, 7.3.2001 and other strategic documents in the field of human resources development and employment,

- National environmental action plan

- Programmes of Ministry of Economy:
  Local drinking water supply program
ANNEX 7

Council for Structural Policy Decision of 23rd February 2001

Point 2: Programme PHARE 2001, economic and social cohesion

Decision: Target regions of the programme PHARE economic and social cohesion expand from the three pilot regions (Pomurje, Savinjska, Zasavje) to the whole statistical SCTU 2 levels. The proportion of the priorities of the proposed allocation in the Phare programme is following: 55% for the Human Resources Development and Employment Policy on the local level and 45% Development of Regional Infrastructure.

National Agency for Regional Development adjusts the preparing of the tender contents of Grant Scheme with following ministries: Ministry of Labour, Family and Social Affairs, Ministry of Education, Science and Sports, Ministry of Environment and Spatial Planning and Ministry of the Economy. In the 2002 state budget the previous mentioned ministries assure the co-financing of the programmes that are eligible for implementation in accordance to the ‘rules’ for Grant Scheme.

Elements for establishment of the financial scheme

State Budget Items in 2001, eligible to the co-financing of Grant Scheme

In accordance to the calculation of the state budget items of the contents framework, that are going to be financed from the Grant Scheme for year 2001, the financial table has been made. To result from the adequate state budget items 55% of the financial resources are assigned to the Human Resources Development and 45% to the Regional Infrastructure.

Table: Table of contents, adequate for Grant Scheme, Economic and Social Cohesion PHARE 2001 in the State Budget of Republic of Slovenia 2001:

<table>
<thead>
<tr>
<th>Contents/Priorities</th>
<th>Ministries</th>
<th>TOTAL</th>
<th>% TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/ Regional infrastructure</td>
<td>Ministry of the Economy</td>
<td>1.992.000.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ministry of Environment and Spatial Planning</td>
<td>688.278.000</td>
<td></td>
</tr>
<tr>
<td>B/ Human Resources Development and Employment</td>
<td>Ministry of Education, Science and Sports</td>
<td>887.075.000</td>
<td></td>
</tr>
<tr>
<td>Policy</td>
<td>Ministry of Labour, Family and Social Affairs</td>
<td>2.340.000.000</td>
<td></td>
</tr>
<tr>
<td>TOTAL A/</td>
<td></td>
<td>2.680.278.000</td>
<td>45</td>
</tr>
<tr>
<td>TOTAL B/</td>
<td></td>
<td>3.227.075.000</td>
<td>55</td>
</tr>
<tr>
<td>TOTAL (A+B)</td>
<td></td>
<td>5.907.353.000</td>
<td>100</td>
</tr>
</tbody>
</table>

According to the indicative allocations and structure of the proposed projects in regions, the criteria for the allocation of the financial resources within the framework have been made. The proportion between the available funds within the framework, assigned for the priority fields were discussed at the meeting of Council for structural policy. The following relation of the co-financed financing resources for priorities is suggested:

- 55% for Human Resources Development and Employment Policy and
- 45% Regional Infrastructure.

Slovenia
ANNEX 8
Map of Areas with Special Development Problems in Slovenia with Explanatory Note.
EXPLANATORY NOTE ON THE DECREE ON VALUES OF CRITERIA FOR DETERMINING AREAS WITH SPECIAL DEVELOPMENT PROBLEMS AND DETERMINING MUNICIPALITIES FULFILLING THESE CRITERIA

The Act on the Promotion of Balanced Regional Development in Article 23 defines three groups of areas with special development problems which are more closely defined by the Decree on Values of Criteria for Determining Areas with Special Development Problems and Determining Municipalities Fulfilling These Criteria. They are:

1. Economically weak areas:
   a. the taxable gross earnings per capita are less than or equal to 80% of the national average,
   b. decreasing population;

2. Areas with structural problems and high unemployment rate:
   a. the registered rate of unemployment exceeds the national average by over 20%,
   b. the proportion of agricultural population exceeds the national average by more than 20%;

3. Developmentally limited border areas and areas with limited potentials:
   a. a proportion of the area of the municipality with limited potentials and decreasing population,
   b. a proportion of the area of the municipalities in a border belt in relation to the entire area of the municipalities and decreasing population in the municipality.

In Article 24 of the Act on Promotion of Balanced Regional Development it is determined that the value of criteria for the defined types of areas and municipalities fulfilling these criteria are determined by the government by special decree.

For a quality definition of parameters a time series of at least three years would be necessary for the majority of data, and for an increase or decrease of population a time series of at least ten years, or ideally, twenty years would be necessary. These kinds of data are available only for the former 62 municipalities. For 147 municipalities established in December 1994 a considerably smaller amount of data is available. For the new 192 municipalities, however, there are very few data, since some of the municipalities were established only in August 1998.

In view of the constraints stated it was necessary, when preparing detailed criteria and their parameters, to limit them to the following available data: the territory of the municipality, the number of inhabitants according to the situation on 31.3.1999 of the population register, the increase of population in the period from 1991 to 1999, the registered unemployment rate in the period January-June 1999, the taxable gross earnings per capita in 1997, the proportion of active population of the total population employed in agriculture in October 1999.

The Decree on Values of Criteria for Determining Areas with Special Development Problems and Determining Municipalities Fulfilling These Criteria is therefore framed so that in Article 2 a definition of criteria is given as assistance down by the law and in Article 3 the municipalities fulfilling these criteria are defined with regard to the statistical data currently available for the first programming period 2000-2006.

Since the data base of the municipalities with special development problems is expected to improve each year, it will be possible in the future to define criteria for determining areas with special development problems much more efficiently. For the realisation thereof Article 4 of the decree states that the Ministry responsible for the development, annually monitors and examines the fulfilling of the criteria and, should the need arise, may suggest an alteration of the decree.

For the first programming period the following criteria were applied for determining areas with special development problems:

Slovenia
Economically weak areas are municipalities in which the taxable earnings per capita of its population for the year 1997 were less or equal to 80% of the national average or municipalities in which population growth index for the period of 1991-1999 was less than 96. This criterion is fulfilled by 91 municipalities which occupy 32.6% of Slovenia’s territory and represent 22.4% of Slovenia’s population.

Areas with structural problems are those municipalities in which the registered unemployment rate in the first half of 1999 exceeded the national average by over 20%. This criterion is fulfilled by 63 municipalities and they occupy 24.1% of Slovenia’s territory and represent 27.9% of Slovenia’s population.

Areas with structural problems are also those municipalities in which the proportion of active population of the total population employed in agriculture exceeds 20% of the national average. This criterion is fulfilled by 97 municipalities which occupy 43% of Slovenia’s territory and represent 28.2% of Slovenia’s population.

Developmentally limited border areas are municipalities along the border with Austria, Italy and Hungary if more than half of the municipality’s territory lies in the ten-kilometre border belt and in which the population growth index has been less than 96 for the period 1991-1999. Developmentally limited border areas are also municipalities along the border with Croatia if more than half of the municipality’s territory lies inside the ten-kilometre border belt. Developmentally limited areas thus defined comprise 48 municipalities, occupy 23.7% of Slovenia’s territory and represent 13.4% of Slovenia’s population.

Municipality areas in which limiting factors are present in over 50% of the municipality’s territory and in which the population has decreased in the period 1991-1999 so that the growth index is less than 96 are also defined as developmentally limited areas. There are 26 such municipalities occupying 9.5% of Slovenia’s territory and representing 5.4% of Slovenia’s population.

Some municipalities fulfil several different criteria simultaneously so that these data cannot be added together. Altogether, however, there are 129 municipalitites defined as areas with special development problems and they occupy 57.2% of Slovenia’s territory and represent 48.7% of Slovenia’s population.
ANNEX 9

Decree on Values of Criteria for determining areas with special development problems and determining municipalities fulfilling these criteria.
On the basis of Article 24 of the Promotion of Balanced Regional Development Act (Official Gazette of the Republic of Slovenia (hereinafter: OG RS), 60/99), the Government of the Republic of Slovenia hereby issues the following:

**DECREE ON VALUES OF CRITERIA FOR DETERMINING AREAS WITH SPECIAL DEVELOPMENT PROBLEMS AND DETERMINING MUNICIPALITIES FULFILLING THESE CRITERIA**

**Article 1**

This Decree lays down the values of criteria for determining areas with special development problems and the municipalities that fulfil these criteria.

**Article 2**

Areas with special development problems shall be determined on the basis of the following criteria:

1. Economically weak areas and/or municipalities shall be areas covered by those municipalities in which, in the last three years, taxable earnings per capita amounted to less than or equal to 80 per cent of the national average. Economically weak areas shall also be municipalities in which a population decrease has been recorded in the last ten years.

2a. Areas with structural problems and a high unemployment rate shall be municipalities in which the registered rate of unemployment in the last three years exceeded the national average by more than 20 per cent.

2b. Areas with structural problems shall also be those municipalities in which, in the last three years, the active population employed in agriculture, as a percentage of the total population, has exceeded the national average by more than 20 per cent.

3. Developmentally limited border areas and areas with limited potentials shall be municipalities:

   a. in which areas with limited potentials extend across more than 50 per cent of the municipality’s territory and in which, at the same time, there has been a population decrease in the last ten years;

   b. that lie along the border with Austria, Italy and Hungary, if more than half the municipality’s territory lies in the ten-kilometre border belt and the population in the municipality has decreased in the last ten years; and municipalities along the border with Croatia, if more than half the municipality’s territory lies within the ten-kilometre border belt.

**Article 3**

In compliance with the criteria defined in Article 2 of this Decree and regarding the data available, the following areas and/or municipalities with special development problems have been identified for the 2000-2006 programme period.

1. Economically weak areas shall be municipalities in which the taxable earnings per capita for 1997 were less than or equal to 80 per cent of the national average. Economically weak areas shall also be municipalities in which the population growth index for the 1991-1999 period was less than 96. They are: Beltinci, Benedikt, Bistrica ob Šotli, ...

2a. Areas with structural problems shall be municipalities in which the registered unemployment rate for the first half of 1999 exceeded the national average by over 20 per cent. They are: Benedikt, Cankova, Celje, ...

2b. Areas with structural problems shall be also those municipalities in which the active population employed in agriculture, as a percentage of the total population, exceeded the national average by over 20 per cent in October 1999. They are: Beltinci, Benedikt, Bistrica ob Sotli, ...
3a. Areas with limited potentials are those in which limited potentials are present in over 50 per cent of the municipality’s territory and in which the population growth index was below 96 for the 1991-1999 period. They are: Bistrica ob Sotli, Crna na Koroškem, Dobje, ...

3b. Developmentally limited border areas shall be municipalities along the border with Austria, Italy and Hungary, if more than half the municipality’s territory lies in the ten-kilometre border belt and in which the population growth index was below 96 for the 1991-1999 period. Developmentally limited border areas shall also be municipalities along the border with Croatia, if more than half the municipality’s territory lies within the ten-kilometre border belt with the exception of town municipalities. They are: Bistrica ob Sotli, Brežica, Cankova, ...

Article 4

The ministry responsible for development shall carry out annual checks on the fulfilment of these criteria and, if necessary, propose appropriate amendments to this Decree.

This Decree shall enter into force on the eighth day after its publication in the Uradni list Republike Slovenije (OG RS)

Ref. no.: 303-05/2000-1
Date: 22 June 2000

Government of the Republic of Slovenia
Dr Andrej Bajuk
President
ANNEX 10

SLOVENIA IN THE EUROPEAN UNION
Strategy for Economic Development of Slovenia

SUMMARY OF THE FIRST DRAFT
16 February 2001

This is a summary of the draft of the Strategy presented at 3rd working conference on the Strategy for Economic Development of Slovenia held on 4-5 December 2000 (http://www.gov.si/ZMAR/SGRS/). Comments and amendments proposed after the conference have been taken into account. The whole text is scheduled to be discussed by the Government in the first quarter of 2001.
Introduction

Slovenia as an independent state first formulated its overall strategy for economic development in 1995 and laid it down in the document *The Strategy for Economic Development of Slovenia: Approaching Europe – Growth, Competitiveness and Integration (SEDS)*. This was followed by *The Strategy of International Economic Relations: from Associated to Full-fledged Membership in the European Union (SIER)*, and *The Strategy of the Republic of Slovenia for Accession to the European Union: Economic and Social Part (SAEU)*.

Now, Slovenia needs a new strategy for economic development for three main reasons:

*Changes in the international environment.* With accession to the EU, the domestic market will no longer be Slovenia with its two million people, but the whole EU. In parallel with integration processes in Europe, the process of globalisation is deepening, which is primarily due to information technologies that reduce the cost of production and trade as well as that of other international activities. This leads to a stiffer international competition and enhances the roles of adaptability and learning.

*Exhaustion of the current developmental patterns and the emergence of new factors of development.* The main tasks laid down in previous strategies were the creation of an efficient market economy (in the sense of macroeconomic stabilisation and microeconomic restructuring) and the adaptation of the institutional framework. Even though the processes of transition and harmonisation with EU regulations have not yet been completed, tasks are focused on other particular areas. It is urgent to bring those processes to an end as soon as possible, however, they alone will not be able to ensure dynamic development in the future. At the current level of development and with changes in the international environment, the *key factors of development* are (i) stronger competitiveness and greater adaptability of the economy and the state, which should help take advantage of development opportunities and control the risks of being open and integrated into global economic, social, and cultural changes, and (ii) the development of human resources and knowledge, with lifelong learning and the ability to adapt playing a major role.

*More comprehensive developmental goals.* The new Strategy’s developmental goals have been founded on sustainable development and an equal contribution of the three welfare components, i.e. economic, social, and environmental aspects. Such an approach takes into account changes in value orientations and a modern interpretation of development laid down in EU documents. *Sustainable development* enables current generations to meet their needs without impeding future generations to meet theirs. The enrichment of current generations is acceptable only if it (i) strengthens welfare resources (produced and non-produced ones), (ii) exploits the environment (natural resources and environmental services) to the extent that enables its regeneration, or (iii) invests in those components of development that enable future generations to create welfare (infrastructure, technical progress, human capacities and abilities). Development must result in long-term and balanced improvement of all three welfare components, which is why the main source of economic development should be the strengthening of the economy’s competitiveness and a better environmental and social efficiency of produced assets. Balanced development means that all social strata or regions benefit equally from the improved welfare. It is therefore necessary to achieve a balanced regional development in addition to social and environmental improvement.

The *main goal of the Strategy* is to increase the welfare of Slovenia’s inhabitants in line with the above orientations, including the non-material aspects, such as personal development and self-realisation, inclusion into society and security, co-operation, individual and cultural identity. The realisation of the goal will be reflected in an overall increase in welfare measured by traditional economic criteria (gross domestic product) as well as new criteria of development (human development index, genuine savings index, sustainable development indicator).
Even though based on a comprehensive understanding of development and a widely defined main goal, the Strategy focuses on economic aspects of development and economic sides of social and environmental development when it lays down concrete goals, analyses relevant issues and formulates its orientations. Non-economic aspects, including culture and values, are underlying elements of the Strategy.

**Operational goals of the Strategy**, whose aim is to ensure a sustainable increase in welfare, are:

(a) **Strengthen the competitiveness of the state and the economy**. The main goals in this area are to (i) build a flexible and efficient state that will improve national competitiveness and create favourable conditions for the inflows of foreign corporate and human capital by taking appropriate steps and creating a competitive economic environment, (ii) build a competitive corporate sector that is capable of responding quickly to changes in technology and global markets, and achieves a better competitive position by increasing the content of highly skilled human resources and decreasing the content of energy and material resources in products, (iii) provide conditions for the co-operation between small and medium-sized enterprises and their internationalisation; (iv) build an efficient public sector by increasing the role of private providers of services and personalising their supply, and (v) create an efficient non-tradable sector by ensuring price regulation, granting licences and concessions and creating artificial competition.

(b) **Strengthen the development of the human factor and social cohesion**. The Strategy’s main goals in this area are to (i) raise the quality and skills of the human capital by education, training and lifelong learning, and (ii) restructure labour supply by stimulating creativity and the contribution of human resources to development as the key factor of competitiveness. The Strategy’s goal is to maintain high social inclusion in the long term and retain the relatively high standards of social development.

(c) **Improve economic infrastructure and infrastructural services, including local public services of environmental protection**. The Strategy’s main goals in this area are to (i) provide reliable and cost-effective infrastructural services that take into consideration the issues of safety, mobility of people and goods, economical use of energy and environmental protection, and (ii) treat equally the minimum standards of environmental protection imposed on companies and the minimum standards of providing communal services to people. By providing high-quality services, the infrastructure will contribute to improving the global competitiveness of the state, primarily its attractiveness as regards location. The improved infrastructure will gradually offer alternative solutions to meeting basic needs, thereby creating conditions for economic agents to take more complex or adaptable decisions.

(d) **Contribute to balanced regional development**. The aim of balanced regional development is to create conditions that will help reduce the development gap of Slovenia behind the EU and contribute to reducing economic and social disparities between regions. Balanced regional development will therefore focus on preventing new regions with development problems to emerge, on promoting an environmentally friendly economy, protecting natural resources, natural and cultural heritage, and on maintaining the settlement of Slovenia’s entire region based on the polycentric system of settlement.

The extent to which the Strategy’s goals are implemented effectively depends on two groups of factors. On the one hand, there are factors representing **preconditions and limits**. On the other, there are **mechanisms and instruments** used by economic and social policy makers that enable an effective implementation of the Strategy’s goals.

**Preconditions and limits**

The preconditions and limits determining the implementation of the Strategy’s goals can be divided into two groups.

The first group consists of preconditions and limits whose role is to **provide an economic component of sustainable development and a stable and development-oriented economic environment**. In order to meet these two strategic goals, Slovenia should, first, conclude the
process of institutional reforms pertaining to transition and, second, ensure and maintain macroeconomic stability in the country.

In order to conclude the process of institutional reforms pertaining to transition, Slovenia will have to:

(a) complete the transitional restructuring of the corporate and financial sectors,
(b) complete the public utilities reforms,
(c) improve economic infrastructure,
(d) accelerate adjustments and changes necessary in the labour market,
(e) adapt fiscal policy to be able to absorb EU structural funds and reflect the regional division of the country,
(f) complete the pension reform,
(g) reduce the implementation deficit in the area of environmental protection,
(h) establish an efficient system of harmonising and promoting development efforts at a regional level,
(i) create an effective legal framework for a market economy, and
(j) last but not least, effect the reform of the public and state administration.

In order to ensure and maintain macroeconomic stability, Slovenia will:

(a) in the field of monetary policy (i) liberalise capital flows with the rest of the world, (ii) set reference interest rates through the operations of open market and de-indexation of interest rates, and (iii) become member of ERM 2, i.e. the fixed exchange-rate system allowing certain fluctuation;
(b) in the field of incomes policy (i) reach an agreement on incomes policy in the private sector, which should ensure that wages rise below the rate of labour productivity growth, and (ii) introduce a systemic regulation of wages in the public sector;
(c) in the field of fiscal policy (i) eliminate gradually the general government deficit and reduce general government expenditure as a percentage of GDP to about 42% of GDP, (ii) engage the private sector to provide and finance public services, (iii) reduce public debt by using receipts from privatisation, and (iv) restructure general government expenditure towards increasing the share of expenditure for development.

The second group consists of preconditions and limits whose role is to ensure that the other two main components of sustainable development are brought into effect. They are environmental issues and social issues, both of which should be included as part of the overall sustainable development of the country.

Priorities to stimulate the development of the environment are:

(a) introduce systematic monitoring, analysing and projecting changes in the state of the environment and its functionality for development,
(b) take systemic measures to increase the role of environmental issues in laying down development orientations, programmes and measures: restricting the impact of the implementation deficit on the state of the environment, increasing the financial efficiency of environmental policy, and laying down systemic bases for the implementation of sustainable development,
(c) deepen the environmental tax reform; results will be shown as increasing energy and fuels prices, and the raising of cost of environmental degradation for the national economy,
(d) optimise the development of environmental capital; optimise the intensity of economic or GDP growth with regard to environmental capital used, and
(e) bring closer together environmental and social issues of economic development.

The policy of social development will be founded on investing in people and preventing social exclusion and it will place greater emphasis on expanding the possibilities for social participation, investment in human resources and measures tailored to an individual.
(a) Corrections made to the social security system will be focused on improving the conditions of the most socially deprived within the framework of solidarity on the one hand and introduce the systems of supplementary social security on the other. The active social policy will continue to be stimulated systemically and it will place special emphasis on integration and re-integration of individuals and social groups (it will combine social benefits with active measures of help).

(b) Public services will develop towards eliminating inequality in access to services, giving the individual the right to choose, tailoring services and their provision to individuals, raising the quality of services, deinstitutionalisation, rationalisation of organisation, plurality, and breaking up monopolies in providing public services. The provision of public services will not be based solely on public institutions owned by the state; other providers will be engaged on equal terms. State-owned providers of public services will be privatised in the areas where this will result in greater rationalisation; at the same time, the public interest will be protected.

Mechanisms and instruments used to attain the Strategy’s goals

The common denominator or the premise underlying the attainment of the Strategy’s goals is the concept of complex competitiveness of the state. Competitiveness of the national economy is defined as a measurable capacity to produce internationally competitive products and services in a way that gives its citizens sustainable development and satisfactory living standards. The preconditions and limits posed to the realisation of the Strategy’s goals, together with the environmental and social aspects of sustainable development, came from that part of economic policies that played a key role in transition: the establishment of an institutional framework for a market economy and ensuring and maintaining macroeconomic stability. However, the mechanisms necessary to attain the Strategy’s goals incorporate such active structural development policies that will make up a key part of Slovenia’s future economic policy. These mechanisms are (i) transition to a knowledge-based society, (ii) strengthening the competitiveness of the economy, (iii) strengthening the competitiveness of the state, (iv) policies for Slovenia’s integration into the EU internal market, and (v) a regionally balanced development.

Transition to a knowledge-based society

This mechanism incorporates the policies of human resources development (formal and informal education, greater flexibility in the labour market, migration policy), information infrastructure and new services, research and development activities, and technological development, which actively creates a knowledge-based society and is a key element of enhancing corporate competitiveness.

(1) Education and training policy

(a) Ensure education of high quality at all levels,
(b) increase total investment in education and training,
(c) distribute the available public funding for education in a way that all regions and social groups benefit the same quality of compulsory education, and that more funding is earmarked for co-financing adult education,
(d) ensure that educational attainment and literacy are more evenly distributed among people by encouraging those from lower social classes, those without secondary education, those with low functional literacy, and adults to enrol in basic and further education programmes,
(e) provide financial and other incentives to motivate a larger number of adults to enrol in education programmes, particularly those with less than secondary education, and to motivate companies to invest in employee training programmes (not exclusively the executives),
(f) reduce regional disparities as regards the educational network, particularly in the field of adult education, and improve the network in some regions,
(g) the reform of primary and secondary education, which is beginning to be implemented, is to be continually evaluated and corrected if necessary,
(h) monitor regularly the losses in the educational process (dropouts, repeaters) and make efforts to reduce them,
(i) monitor the efficiency and equity in earmarking and using public funds for education.

(2) **Policy of employment and labour force mobility**

(a) The main goals are to raise the educational attainment level, reduce mismatches in the labour market, increase employment and reduce unemployment, and quickly re-integrate the unemployed by providing training programmes or jobs.
(b) The four main pillars of the employment policy are improving employability (first pillar), promotion of entrepreneurship (second pillar), encouraging the adaptability of businesses and employees (third pillar), and equal employment opportunities (fourth pillar).
(c) Programmes and measures to improve employability (first pillar) will focus on reducing long-term unemployment, raising the level of qualification, and reducing mismatches between supply and demand in the labour market.
(d) Programmes and measures to promote entrepreneurship (second pillar) will focus on eliminating barriers to the establishment and development of small- and medium-sized enterprises and promoting entrepreneurship in general.
(e) In the field of encouraging the adaptability of businesses and employees (third pillar), efforts will be focused on increasing the role of negotiations between social partners as regards shorter working hours and atypical forms of employment relationship.
(f) The policy of equal employment opportunities for men and women (fourth pillar) will be focused on ensuring equal opportunities as regards access to the employment market, career advancement, earnings, and reconciling professional and family life.
(g) An important aspect of employment policy has become its regionalisation.
(h) Housing policy should take into account the need for greater mobility of people, which is a precondition of labour force mobility.
(i) Employment policy will be faced with the problem of activating unutilised human resources. Greater significance will be attached to migration policies (internal and cross-border) and incentives to increase the activity rate.

(3) **Information and communications infrastructure and the development of new, knowledge-based services.**

The key guidelines to create information society are:

(a) in line with education policy, investment in education and training will give significant attention to the needs of a modern information society,
(b) deregulation of telecommunications, the building of modern telecommunications infrastructure and development of new services,
(c) more investment in the research and development of technologies that facilitate transition to information society alongside with closer co-operation between the corporate sector, state administration and research and education, and
(d) the creation of a modern and efficient state administration widely based on the use of information and telecommunications infrastructure.

In the field of **information and communications infrastructure**, the state will act in line with the following guidelines:

(a) modernise telecommunications infrastructure by joint investments of the private sector and the state,
(b) liberalise the telecommunications market and privatisate the dominant telecommunications operator,
(c) ensure access to the public telecommunications network on the principle of open and general access and ensure inter-network links, and
(d) ensure wide access to the Internet at competitive prices.
In the field of *stimulating the development of new services*, the following steps and activities should be taken:

(a) establish a business-support network to provide specialist services,
(b) establish risk capital funds to promote new technologies and services,
(c) build technological parks and centres to stimulate new technologies and services,
(d) stimulate the state’s electronic operations with other agents, and
(e) attract foreign direct investors to develop new services.

(4) Research and technological development

Investment in research and development will increase in the public sector and the private sector in particular, together with the share of applied and development research and the share of research staff in the corporate sector. Investment in the field of technological development will be the strongest in the corporate sector. The state will invest in line with those trends. Technological development will to the greatest extent be stimulated by the corporate sector and it will depend less on direct financial incentives from the state.

Slovenia’s openness and its accession to the EU will impose the following priorities to technological and innovation policy:

(a) create a culture of innovation and facilitate and stimulate the setting-up of technology-based companies,
(b) expand the use of modern technologies in the whole economy, and
(c) put the focus of technological and innovation policy not on individual companies but on increasing their capacity to co-operate with counterparts and with research institutions (industrial clusters, proficiency centres, etc).

In the field of innovation, research and development, and technological progress, the Strategy envisages to:

(a) earmark more research financing for innovation projects in manufacturing companies,
(b) facilitate and promote the setting-up of high-technology and innovation companies (guarantees, location in technological parks, risk capital funds, research on the state of innovation, protection of intellectual property, etc).
(c) In order to maintain and increase the number of jobs in companies’ research and development departments, the Government will subsidise part of the wages for highly-skilled workers employed for a fixed-term, co-finance training in the areas of (i) innovation strategies, (ii) communication with partners concerning confidential information, and (iii) intellectual property and its protection.
(d) Encourage technological parks to expand their activities to incorporate innovation consultancy; set-up a sample innovation company.
(e) Prompt universities to incorporate in their programmes topics such as intellectual property, innovation management, and market innovation research.

A great deal of room for manoeuvre in improving research and technological development policy can be found in the way measures are put into effect. Attention will be given to (i) co-ordinated action to be taken by competent ministries, (ii) repeated or open measures and invitations, (iii) flexible and simple procedures, and (iv) continuous evaluation of results.

*Strengthening the competitiveness of the economy*

Another mechanism is policies that promote the strengthening of competitiveness of the corporate sector and the economy as a whole. They are company restructuring and increasing the competitiveness of the corporate sector, development of an efficient financial system, and development of an efficient economic infrastructure.
(1) Company restructuring and increasing the competitiveness of the corporate sector

The situation in Slovenia’s corporate sector, as established by an analysis, calls for the following steps to raise the competitiveness of the corporate sector, which are at the same time economic policy goals in this area: (i) accelerate entries of domestic and foreign companies and create conditions for a faster development of the corporate sector and the competitiveness of the Slovenian economy, (ii) bring to an end the transitional restructuring of the corporate sector by consolidating ownership, putting in place appropriate corporate governance and long-term owners in companies, and (iii) find a definite solution to the problem of loss-making companies without any prospect of development.

Measures to conclude the transitional (defensive) restructuring fall into two categories:

(a) Accelerate the process of ownership consolidation, and put in place appropriate corporate governance and long-term owners in companies.

Steps to be taken by the state are:
- accelerate the development of the capital market and lift barriers to its development, mainly by liberalising capital flows,
- introduce a policy of free mergers and acquisitions (in line with competition policy guidelines),
- accelerate foreign investment,
- pass regulations that restrict the distribution of profit as wages, prevent the abuse of position of internal owners, allow ownership rights to be exercised, and ensure that the rights of different ownership categories may be exercised in practice.

(b) In order to conclude transitional restructuring, it is necessary to reduce rapidly the number of large, non-privatised, loss-making companies in a way that is socially and financially acceptable.

The following measures shall be taken:
- the state will accelerate the process of separating and privatising vital parts of companies and winding-up critical ones in state-owned companies that are included in various rehabilitation and restructuring schemes (Slovene Development Corporation, sensitive industries),
- the state will be selective in offering assistance to companies; restructuring will take place through regional measures and schemes,
- the state will restructure the textiles and leather industries, industries not defined as sensitive in the EU.

The key factors of increasing the competitiveness of Slovenia’s corporate sector are (i) improving managerial skills, and (ii) strengthening investment capacity, particularly in the areas of human resources, information technology and technological development. The main agent boosting competitiveness is the company. The state will help companies overcome their internal weaknesses with the following measures:

(a) Improve managerial skills. Support will be given to the programmes of obtaining managerial skills, coupled with (i) co-ordinated action of different government departments, (ii) introduction of innovation consultancy, and (iii) regional development agencies as the main providers of assistance to innovative entrepreneurship.

(b) Stimulate investment, particularly those in human capital and research and development.

(c) Stimulate the setting-up of new, high-technology companies.

(d) Stimulate company integration into clusters and consortiums.

(e) Organise consultancy services to help the management in implementing the strategy of boosting competitiveness related to innovation and technology consultancy.

(f) Stimulate the setting-up and functioning of corporate-technological centres within the framework of the existing regional development agencies.

(g) Establish sample companies.
(h) Education. Schools of higher education will introduce microeconomic methods of improving value added and reducing operating costs in their curricula; practical work of post-graduate students in domestic and foreign companies will be stimulated.

**Internationalisation** is becoming an increasingly important element of boosting corporate sector competitiveness. Slovenia’s internationalisation policy will be based on the following guidelines: (i) lift barriers to internationalisation, (ii) tailor measures to the actual needs of companies, (iii) design flexible and transparent guidelines with a long-term perspective, (iv) make policy adaptable and changeable, and (v) found policy on a holistic concept of internationalisation. Inward and outward foreign direct investment (FDI) are becoming increasingly important in the context of internationalisation:

(a) **Slovenia’s strategic guidelines in the field of inward FDI** are (i) stimulate FDI in the post-privatisation period, (ii) open the privatisation of state-owned assets to strategic and institutional investors, (iii) stimulate foreign investment in the sector of business services, and (iv) stimulate private investment in industrial estates where the state will provide appropriate infrastructure. **Priorities of Slovenia’s policy of attracting inward FDI** are:
- adapt the existing economic incentive schemes so that they are accessible to new foreign investors and comparable to those in competing countries,
- establish a state-owned company to manage industrial estates and assign state-owned companies with spatial potential the task of providing a competitive supply of land to domestic and foreign investors,
- help local communities to attract FDI,
- set up an institution responsible for attracting FDI with a clear legal mandate, supervisory body, sufficient staff, and budgetary funding.

(b) The state will take the following steps to help **Slovenian investors abroad**:
- collect and provide information about the investment opportunities abroad and concrete projects, make initial contacts with potential foreign partners, get more help from diplomatic or consular representatives,
- improve the climate and regulatory framework in Slovenia for outward FDI,
- stimulate the establishment of risk capital funds to facilitate activities necessary to invest abroad,
- provide help in training staff,
- introduce internationalisation-related subjects in the curricula of schools of higher education, stimulate practical work of post-graduate students in domestic and foreign companies that gained some experience in internationalisation.

A successful development of small- and medium-sized enterprises will contribute to the growth and stability of Slovenia’s economy. The main goal of small- and medium-sized enterprise policy is to create conditions that will strengthen their competitive advantage. The state will stimulate the small business sector as a whole and its rapid-growing and innovation units in particular. Significant attention will be given to job creation. The promotion of development of small- and medium-sized enterprises will take place at a national level (national development agency) and at regional and local levels (regional development agencies). Activities to **stimulate the development of small- and medium-sized enterprises** will be focused on:

(a) promoting entrepreneurship,
(b) promoting the transfer of technologies that enable penetration and survival in international markets,
(c) establishing risk capital funds and bringing together private and public funding,
(d) creating conditions that will support the development of small- and medium-sized enterprises as regards land development (appropriate infrastructure and land supply, investment in infrastructural projects, skilled managers in infrastructural organisations, etc).

**Lifting administrative barriers to investment and business operations** is one of the tasks that lies within the domain of the state by definition. Slovenia is an environment that is relatively hostile
to entrepreneurship and investment: foreign and domestic entrepreneurs and investors are faced with significant administrative barriers while carrying out their projects. In order to resolve problems in this area, the state will:

(a) analyse regulations and administrative procedures that pose a problem for companies when establishing and running new companies and investing,
(b) compare procedures in Slovenia with the most efficient ones in EU member states,
(c) implement solutions that are most stimulating for companies.

2. Development of an efficient financial system

An efficient financial system for collecting and allocating national savings is one of key determinants of competitiveness of the corporate sector. Economic policy measures necessary for establishing an efficient financial system can be divided into three groups: (i) increasing competitiveness of the providers of financial services, (ii) ongoing restructuring of the providers of financial services; and (iii) improving the control system. However, the relative importance of these groups of measures differs for individual segments of the financial system:

(a) Increasing competitiveness of the providers of financial services is of key importance for the Slovenian banking and insurance sectors. Therefore, Slovenian financial sector has to be opened to new participants. In addition, in the banking sector, the process of privatisation of both state-owned banks, i.e. Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKB), has to be accelerated. The capital market remains under-developed; its further development calls not only for increased capitalisation of the market and increased liquidity but also for diversification of investors and opening of new business opportunities to all participants on the market.
(b) The ongoing restructuring of providers of financial services; banks and insurance companies have to continue with the process of internal restructuring and consolidation. The process involves a set of measures aimed at increasing efficiency, including downsizing of employment and intensive training.
(c) Improving the control system; the processes of increasing competitiveness and restructuring of the financial sector as well as development of the capital market have to be accompanied by an adequate control system. A global trend of developing financial conglomerates speaks in favour of a single control institution covering all three segments of the financial market.

The concrete economic policy measures in the financial sector will be the following:

(a) prepare the program of privatisation of the NLB and NKB and implement it in accordance with the accepted schedule;
(b) complete the exchange of privatisation vouchers for state property and thereby create the conditions for transformation of authorised investment companies to standard forms of financial institutions engaged in portfolio investments or to public limited companies for managing other companies;
(c) take measures in the area of tax and other policies, whereby the state would stimulate long-term forms of savings, e.g. for housing construction and pension insurance;
(d) take measures in the area of tax and other policies, whereby the state would create conditions for the primary securities market to become a more important source of financing of the Slovenian corporate sector;
(e) continue strengthening the control of financial institutions, either by setting up a single control institution for all three segments of the financial sector or by an enforcing co-operation between the existing three control institutions.

3. Development of an efficient economic infrastructure

The strategic goal of the development of Slovenian economic infrastructure is to ensure reliable cost-effective services in the sectors of energy, transport and telecommunications, and utilities
infrastructure. The government will continue with the structural reforms of the economic infrastructure sectors. The reforms will incorporate several sets of economic policy measures whose common denominator will be a market-oriented approach to development of economic infrastructure. Greater commercialisation of services provided within the framework of economic infrastructure will be the *fil rouge* of practically all reforms in these sectors. The elements of the reforms that will contribute to market-oriented development of economic infrastructure will be cost-effective production, managerial independence of economic subjects, increasing of competitiveness, efficient regulation and control, and investment to economic infrastructure. The concrete economic policy measures for the development of efficient economic structure will be the following:

(a) prepare the programmes of privatisation and participation of private capital in individual segments of economic infrastructure;
(b) prepare the legislation which would define the procedures for participation of private sector in constructing and financing of economic infrastructure as well as in providing infrastructure services;
(c) set up an institution which will offer assistance to ministries and municipalities in preparing the projects which foresee participation of private capital;
(d) introduce systemic solutions which would allow financing of utilities infrastructure;
(e) meet the personnel, organisation and financial conditions for quality functioning of independent institutions exerting control of individual segments of infrastructure activity;
(f) increase the transparency of public tendering processes.

**Strengthening competitiveness of the state**

Reform of the public administration is crucial for strengthening the competitiveness of the state. It will permit more suitable organisation of planning, monitoring and evaluating of the development policy as well as increase the development role of public finances.

1. *Organisation of the state for implementing economic and development policies*

The main orientations of the public administration reform, which would contribute to more efficient, flexible, professional, and skilled as well as consumer-friendly public administration, are the following:

(a) *Raising the expertise and professionalism of public administration:* (i) make a clear distinction between political orientations and professional independence and accountability of civil servants, (ii) allocate more funds to training of civil servants, (iii) affirm expertise and professionalism at work as a criterion for remuneration and promotion of civil servants; (iv) introduce a uniform system of wage formation in the public sector.
(b) *Following the principles and procedures of new public management:* (i) introduce a more flexible organisation structure, (ii) abolish bureaucratic barriers in regulations, procedures and practice, (iii) modernise operations and introduce electronic communications with customers, (iv) consider customers’ satisfaction as an important criterion of efficiency.
(c) *Excluding non-administrative functions from under direct state authority:* (i) corporativisation of state property in contractor organisations; (ii) de-bureaucratisation of institutions; (iii) granting of a status of institution to most if not all institutions engaged in social activities; (iv) introducing co-management of the representatives of civil society in programme or expert matters.
(d) *Establishing partnership between the state and its citizens:* Apart from social dialogue, other forms of partnership have to be developed, in particular between the state and municipalities or regions, the state and non-government organisations and the state and corporate sector.
(e) *Suitable organisation of the government for implementing economic and development policies:* (i) Formal organisational solutions have to be sought for, which will ensure horizontal co-operation and co-ordination of ministries when formulating the principal orientations and measures, and systematic monitoring and evaluating of results. (ii) A uniform
system of planning will have to be established, which will allow preparation of consistent long-term development orientations and ensure substantive and formal consistency of short-term measures with them.

2. Development role of public finances

A balanced general government account is an objective which is important not only in terms of meeting individual criteria but also because the balanced public finances give a signal to other macroeconomic policies that public finances will not allow realisation of their goals if this means an obstacle to functioning of other policies. Other economic subjects as well consider balanced general government account a value which facilitates their operations. The main strategic orientation is, therefore, to keep a lid on general government deficit and gradually balance the general government account, along with restructuring of revenues and expenditures.

General government revenues:

(a) Given the existing determinants of the extent of public expenditures, the level of tax burden cannot be reduced. The structure of revenues will have to be changed to support economic competitiveness, but not at the expense of the total share of revenues in GDP, which should remain unchanged or even slightly increase.

(b) Personal income tax will have to change; fewer tax bands with narrower ranges between them will have to be accompanied by fewer and less extensive tax exemptions, in particular those that were claimed largely by the high income-group population. On the other hand, the tax exemptions intended for (social) supplementary insurance will have to increase, as well as those for performing of some functions (e.g. upbringing of children, care for elderly, etc.), which presently use a large amount of public expenditures through the system of social benefits.

(c) Social security contributions paid by the population will not be lower. All prognoses point to an increase in the necessary expenditures. Because in social insurance the contributions are generally paid by the future beneficiary, a possibility of their increase should not be neglected.

(d) The capital which individuals accumulate with the intention of providing for their financial and material security for the cases which are presently covered by the social insurance should be as much as possible exempt from taxation. Today, this applies to the accumulation of capital in the pension supplementary insurance schemes, but this should also be expanded to health insurance, insurance for long-term care and perhaps to the formation of schooling funds. This capital would be managed by special institutional investors or financial intermediaries.

(e) Value added tax. Improving of competitive position by low VAT rates at the same time when other tax sources are not substantial is a signal to commercial companies that they should not endeavour so much for increasing of competitiveness themselves but rather for lowering of tax rates. In public finance terms, the value added tax is one of the most neutral taxes which is not a direct burden for a human factor, therefore its increase could be a manner how to offset for decreased inflows from other sources. Taking both aspects into account (competitiveness and public finance sources), Slovenia should consider increasing the general VAT rate.

(f) Profit tax. In Slovenia, the effective profit tax rate is very low. It is attractive but unsuitable from the public finance point of view, unless other conditions are established affecting the level of profit (re)investments.

(g) Capital tax. It is not only the problem and challenge of Slovenia but of the world in general how to incorporate these types of tax sources into tax and general social systems.

General government expenditures:

(a) In order to achieve a balanced general government account, the proportion of general government expenditures in GDP will have to be reduced by one or two percentage points in

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the coming years. At the same time, some expenditures will have to be curtailed to create a possibility for a relative increase of more development-oriented expenditures.

(b) The general government expenditures received by the population are largely related to social security. Since it is difficult to reduce the number of beneficiaries, at least in the most generous social systems, the level of expenditures can be regulated by the money value of each benefit. This is achieved by changing the rules for setting their basic levels, by waiving or adding discounts for connected persons, changing the rules for adjusting of values of individual benefits to the reference values.

(c) Wages and material costs constitute the major cost factor within the price of services financed by the general government expenditures. Therefore, the expenditures for these services can only be held down by a suitable wage policy in the public sector and by such an organisation of operations that does not allow excessive rising of material costs. The number of services is more affected by the organisational elements of an activity.

(d) Part of activities which provide the services financed by general government expenditures can be transformed to business activities with a character of public service or even to activities freely competing on the market. These parts of activities could then be financed also from other sources than public funds or general taxes.

(e) Those tasks have to be abolished that cause doubling of procedures and costs of public services. This altogether calls for a thorough reform of functioning of the state when performing its public function.

(f) Granting aid to commercial companies from the general government sources has been increasingly limited and can only be allowed for special purposes. This aid is absolutely restricted if it contributes to a competitive advantage of a company on the market.

Policies for integration into the EU internal market

The policies enabling effective operative integration into the EU internal market are the competition policy and policies of state aid and international economic relations.

1. Competition policy

In the process of Slovenia's integration into the European Union, also its competition legislation is being harmonised with the Acquis. However in view of its main goal, which is protection of competition, Slovenia in its operative policy also follows the objective of increasing the competitiveness of its economy. This calls for coherent implementation of microeconomic and competition policies. Slovenia has to ensure an early implementation of transparent competition policy, which requires: (i) formulation of explicit and co-ordinated goals in the area of encouraging competition and the competition policy; (ii) implementation of institutional practices used by foreign countries which are comparable to Slovenia; (iii) use of empirical methodological approaches of economic analysis in the application of competition law; and (iv) transparent following of the events on domestic and foreign markets, which will contribute to lowering of the factors of unpredictability and risk. For Slovenia to be able to reach this objective, it has to prepare a coherent competition policy, which entails the following:

(a) Co-ordination of goals of microeconomic and competition policies with the development paradigm of Slovenia and the trends of competitiveness and competition policy in the EU and other world economies;
(b) Transparent implementation of the competition policy, using the contemporary legal and economic mechanisms as required by the European system and the principles of the World Trade Organisation;
(c) Assessment of the effects of the microeconomic policy of increasing the competitiveness of Slovenian economy on competition and of the secondary effects on producers, consumers and population welfare in general;

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(d) Taking into account the decisions and orientations of private civil procedures at courts with regard to basic rights and freedoms of competition and co-operation on the market of domestic and foreign injured parties.

2. State aids

Upon Slovenia’s accession to the European Union and incorporation of Slovenian companies into the EU internal market, Slovenia will lose almost all its influence on decision making in the area of state aids (with the exception of group exemptions and "de minimis" state aids). However, the rules concerning state aids, except some sector-specific rules, are loose enough to enable Slovenia to solve its presently most pressing economic problems and to ensure long-term development by a systemic approach and rational selection of priorities. In its state aids policy, Slovenia will thus take into account the following:

(a) The most favourable solution can be sought for in the horizontal rules which allow state aids for research and development, environment protection, small- and medium-sized enterprises, employment and training and - under specific conditions - also for rescue and restructuring of small and medium-sized enterprises.

(b) State aids for rescue and restructuring of large-sized enterprises and for their regular operations are strictly limited. They are only allowed under the regional criteria of least developed regions. Therefore, Slovenia will solve its most pressing problems of restructuring of large-sized enterprises in a selective manner through the regional criteria, depending on the influence an enterprise has on development of its region.

(c) Slovenia will accelerate technological development by various categories of horizontal aids, i.e. aids for research and development (mostly prior to the development of prototypes), aids for environmental protection (investment to technology for ecological modernisation of production and development of new, environmentally friendly products), aids for small-and medium-sized enterprises (transfer of new technologies) and regional aids (priority promotion of investment to technological modernisation).

(d) Ecological problems in companies will also be solved by various horizontal aids, as well as some aids allocated within the framework of special sector-specific aids.

(e) In the pre-accession period as well as after accession to the EU, Slovenia also counts on the EU structural assistance. A large part of the EU structural assistance is directly related to state aids. The most direct is the relation between structural assistance and regional state aids.

As regards the selection of state aids, the most recommendable from the point of view of transparency is the use of grants, which are, however, the most unsuitable form the aspect of public finance effects and effects on economic growth. The aids in the form of tax relief, loans under favourable terms and state guarantees and similar instruments are cheaper for the state and its public finances, and their use by beneficiaries is more strictly controlled. Should the state decide to use less transparent instruments, it would have to establish an additional system of monitoring and recognising the elements of state aids to ensure proper transparency of the instruments. In addition, the state would have to ensure - apart from the system of ex-ante and ex-post control, also stipulated by the Acquis - an adequate system of control of the effects of allocated state aids.

3. Policy of international economic relations

Although the main goal of Slovenia upon it accession to the EU is to strengthen the position of its economy on the EU internal market, it has a global orientation in its international economic relations. The notion of strengthening the position of its economy on the EU internal market means in particular that Slovenia will pursue to expand its present concentration of co-operation with Germany, Italy, Austria and France or even with some regions within these countries to other existing and future Member States. The global orientation means strengthening of economic relations with the USA, and - with some products - also with Japan and the most
propulsive developing countries. Once Slovenia becomes a Member State, it will also have to take greater advantage of its specific position in economic relations with South-eastern European countries.

Upon its accession to the EU trade policy, Slovenia will no longer be able to form by itself the instruments which are part of the common foreign trade policy. Instead, the government will pay special attention to the following co-ordination activities:

(a) Enhance co-operation between the subjects engaged in international economic relations: (i) the ministries which will implement the policies complementary to the EU common foreign trade policy, (ii) the Commission and the Slovenian Government, and (iii) the European institutions and Slovenian businessmen.

(b) Prepare Slovenian companies and public administration for accession to and use of services of various formal and informal structures in the EU (e.g. industrial associations, interest groups, databases, support activities at the EU level, etc.). On the Slovenian side, this means to connect the government services responsible for international economic relations as well as enhance and connect various domestic sources of information about foreign markets and Slovenian offer. The Office for Economic Promotion and Foreign Investment would be in charge of co-operation and will focus on important export projects and new markets.

(c) Ensure quality and permanence of staff in the Government and Chamber of Industry and Commerce in the area of international economic relations.

(d) Establish a system of notifying different EU commissions comprising experts on market policies from the EU Member States, about all (new) problems in international trade (e.g. a market barrier in the third country market) encountered by state institutions, trade associations or individual groups of businessmen. The task of these commissions is to find a proper solution for each trade barrier.

Regional and spatially-balanced development

The mechanisms of regional and spatially-balanced development comprise a number of policies, namely regional policy, spatial planning, land policy, rural settlement policy, protection of cultural heritage policy etc., which all - together with increasing the independence of regions regarding promotion of their development - contribute to diminishing regional development disparities.

Although Slovenia is not yet an EU member, its main orientations of regional and spatial regulations are comparable with the EU policies in this area. Thus, the basic principles of Slovenian regional and spatial development policies are sustainable development, national cohesion, and balanced competition. Spatial and regional policies will pursue a coherent endogenous development aimed at overcoming unfavourable regional and spatial relations. They will be based on multi-level regionalisation and promote co-operation between regions in Slovenia and with regions across the border, as well as Slovenia's integration into European regional networks. It is important that development is pursued across all borders and that the vertical division into four levels (international, state, regional and local) exists only for the sake of division of powers and accountability in the system of promoting balanced regional and spatial development. Changing of economic structure also affects spatially relevant structures, such as social and economic structure of population, settlement development, construction of technical infrastructure, etc., and in particular their inter-connection. A balanced polycentric development will only be achieved by promoting functional complementarities (setting a centripetal force) and co-operation: between the states, regional and municipal centres or small and medium-sized towns, which means the following:

- strengthening of economic power of medium-sized towns - regional centres and establishing of solid economic basis of the centres in agrarian areas. This is specially recommended for small (isolated) centres “in the middle” of rural areas where population stagnates or even decreases. The same is true for towns in border regions;
− improving of communications on (inter)regional and local levels and increasing of balanced accessibility (public transport);
− improving of the centripetal force, equipment with public functions, and attractiveness of towns for mobile investments, in particular in "neglected" (with widespread hinterland and less developed) areas;
− diversification of economic bases in towns, in particular those towns depending heavily on one activity (sector);
− devising of a strategy for providing settlement conditions (or preventing abandoning of settlements) in rural areas by developing endogenous potentials in rural areas, promoting sustainable farming and introducing environmental standards to agrarian areas;
− maintaining of minimum equipment of local centres (the lowest levels of functions).

The future network of central towns will depend on the establishment of social and technical infrastructure, economic development and their mutual inter-connection. The following measures are particularly important for establishing social, personal and technical infrastructure:

− Planned and co-ordinated distribution of public services (educational, research, health-care, etc.) and other infrastructure;
− Taking into account the expected changes in population development and demographic structures;
− Continuation of settlement on the outskirts of all the existing towns - especially in urban regions and central towns having regional or municipal importance - which is particularly important for the construction of technical and utilities infrastructure.
− Promotion of mutual co-operation between (too) small municipalities in infrastructure services (social-personal, technical, utilities and institutional infrastructure).

The following measures will be important for the establishment of regional structures, their development and inter-connection:

− Improvement of economic structure in areas with predominant rural orientation;
− Creation and provision of industrial and production-related jobs in rural areas;
− Provision of suitable areas for the development of industry and crafts;
− Preservation and improvement of trade and services in the lowest-level centres;
− Division of costs and benefits of the "equipment" with regional importance between functionally related municipalities (optimisation and financial settlements).

The polycentric development is also related to landscape planning, where the following measures are of importance:

− Concentration of development in suitable settlements - centres of regional importance and inter-community centres;
− Economical use of land;
− Sufficient qualitative and quantitative supply of available - accessible land for housing construction;
− Taking into account of spatial conditions and specific "social" needs of population;
− Protection of cultural goods, architectural heritage and increased concern for the landscape image of settlements;
− Ensuring landscape and cultural diversity;
− Increasing of functional diversity of central settlements and thereby decreasing daily labour migration, as well as the so called "shopping migrations";
− Establishment of an efficient public transport system, especially in progressive areas;
− Prevention and rational solving of conflict situation in natural environments.

As regards spatial development, certain activities will mostly be required in the following fields:
− Insufficient legal bases (Slovenia has no spatial planning act, no spatial development strategy, no modern regional spatial plans; Slovenia uses less than a fifth of around 50 land policy instruments known to Europe (planning, taxation, market, financial and administrative instruments);
− Insufficient spatial registers (land register, land cadastre and other spatial registers);
− Inefficient control (inspection and control of municipalities' planning acts);
− Inappropriate division of powers and lack of inter-ministerial co-ordination (e.g. relations between the Ministry of Environment and Spatial Planning - Ministry of Transport and Communications, and between the Ministry of Environment and Spatial Planning - Ministry of Economic Relations and Development, etc.);
− Inappropriate regional organisation (around 200 municipalities, 58 administrative units, 8 regional water-protection communities, 7 (undivided) Institutes for Protection of Natural and Cultural Heritage, 12 regional units of Forest Administration with 46 local offices, regional forest management, etc.), development agencies, etc;
− Lack of co-operation between municipalities and private entities (public-private partnership, contracting urban planning, etc.);
− Incoherent development policies of individual sectors.

The regional policy measures will be the following:

(a) International and state levels
- To organise an efficient public administration which will be able to prepare quality programmes, provide for adequate co-financing on the side of Slovenia, and ensure proper implementation in accordance with the rules of the structural funds, state aids and the EU priorities.
- In order to be able to draw funds from the structural funds intended for regions lagging the most behind in development (Objective 1), Slovenia will prepare a National Development Plan which will incorporate operative programmes of both SCTU-2 regions.
- On the national level, the goals of regional spatial development will be taken into account in the formation and implementation of sector-specific and regional policies. These funds will go mostly to statistical regions which record the greatest lag-behind in development and to municipalities defined as areas with special development problems. These funds will be used to promote the projects aiming at implementation of a coherent regional development programme.

(b) Regional level
- Introduction of regions to Slovenia requires a new territorial division of powers between the state, regions and municipalities. Taking into account the principle of subsidiarity and contemporary trends in Europe regarding local self-management, several powers of the state have to be decentralised and thus delegated to municipalities, common inter-municipality bodies, urban municipalities and future regions. Regions should manage the local matters which are beyond the scope of municipalities and certain matters of regional importance regulated by specific acts. Introduction of regions also means disburdening of the state, as certain tasks of the state will be delegated to regions.
- In the constitution, certain provisions will have to be amended, namely the provisions prohibiting introduction of regions and those hindering decentralisation of powers from the state to municipalities and normal organisation of in-the-field public administration.
- The regions should be introduced by an act, in the cases when at least a broad consensus of municipalities about the regional borders is achieved as a result of voluntary interest-based amalgamation of municipalities. The Government measures will promote formulation of relatively large regions, this being important for their strategic relations and competition on the EU internal market.
- Introduction of regional partnership in the decision-making process on the level of the state is the first step towards the transfer of powers and finances to the regional level, which is Slovenia's long-term strategic goal. To allow this, Slovenia has to promote an interest-based
organisation of local communities on the regional level and ensure concentration of human and financial potentials on the regional level.

- As long as the regions have not been introduced, Slovenia will use - for pursuing its regional policy and participating in the structural and cohesion policies - the division of territory on the basis of the Statistical Classification of Territorial Units, i.e. 12 statistical region at the level of SCTU-3 and 2 groups of statistical regions at the level SCTU-2 (Ljubljana Urban region and Rest of Slovenia region)

- Regional development programmes, comprising of strategic and operative parts and based on the Strategy of Regional Development of Slovenia and the Spatial Plan of Slovenia, are basic programme and operative documents on the regional level. Regional development programmes are an example of integral approach to development because they contain economic, social, environmental and spatial aspects of development. Only on the basis of regional development programmes, regions will be able to obtain co-financing on the side of the state.

- Regional development programmes will be consistent with the relevant spatial acts on the regional level. Municipalities which decide for a common preparation of the regional development programme start together the procedures for the preparation of a relevant spatial act in the part relating to their territories at the Ministry of Environment and Spatial Planning.

- Slovenia will ensure a co-ordinated use of the network of regional development agencies for co-ordination of the programmes of ministries, which are carried out on the regional level. This will lead to systematic connecting of the institutions supporting regional development with the institutions for promotion of entrepreneurship, development of rural areas, employment within the framework of local employment centres, and promotion of innovation.

- Regional development agencies will remain the institutions of local partners. The state will participate with capital only as a minor owner. It will provide co-financing only on the basis of concrete programmes which it will implement on the regional level. The extent of programmes which the ministries will carry out on the regional level will increase.

(c) Local level

- At the lowest territorial levels (municipalities, communities of municipalities), the economic policy will also promote development planning and connecting with the aim of realising development tasks, by using indirect instruments (co-financing of activities). Common development programmes will be prepared for what is called local development coalitions, which are formed with the aim of jointly solving of spatial problems (e.g. road connections, communal waste, using of a river for tourism purposes, rural development programme). Common development programmes will relate to matters of inter-municipal co-operation, to individual problems (e.g. communal waste) or a group of problems (e.g. rural area in the case of integral rural development programmes). Common development programmes will be carried out as parts of regional development programmes.

- Local development institutions will perform the tasks empowered to them by municipalities. The state will encourage their connecting, specialisation for certain tasks in wider areas, and division of work in the procedures of preparing regional development programmes. Local development institutions are expected to co-operate with regional development agency in promoting development of their region.

- Municipal spatial plans are of great importance for a coherent regional and spatial development. The state will ensure greater flexibility of spatial documents at the municipal level by separating strategic provisions and regulations setting out a compulsory legal regime of the utilisation of space.

- Spatial development policy will endeavour that a partnership relation is established between the state and municipalities, before the legal obligation. Local communities will be responsible for sustainable and mixed use of space and economical use of land. When planning and deciding on investments, they will ensure direct participation of all the involved.