



**EXPERT EVALUATION NETWORK
DELIVERING POLICY ANALYSIS ON THE
PERFORMANCE OF COHESION POLICY 2007–2013**

**TASK 2: COUNTRY REPORT ON
ACHIEVEMENTS OF COHESION POLICY**

SLOVENIA

**VERSION: FINAL
DATE: NOVEMBER 2010**

**DAMJAN KAVAŠ
INSTITUTE FOR ECONOMIC RESEARCH, LJUBLJANA**

**A report to the European Commission
Directorate–General Regional Policy**

Contents

EXECUTIVE SUMMARY	3
SECTION 1 – SOCIO-ECONOMIC CONTEXT	4
SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED.....	7
SECTION 3 – EFFECTS OF INTERVENTION.....	17
SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION	18
SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES	19
REFERENCES.....	24
INTERVIEWS	25
TABLES	25

EXECUTIVE SUMMARY

Implementation of the OP ‘Strengthening Regional Development Potentials’ and OP ‘Environmental and Transport Infrastructure Development’ started successfully in 2007, but in 2008 and at the beginning of 2009 the situation deteriorated, because of the business sector’s reaction to the economic crisis and difficulties with the management and implementation system. The situation has improved in the second part of 2009 and in 2010, due to extensive efforts of the Government to reduce delays in the absorption of the EU funds.

According to the data available, financial absorption of the OP ‘Strengthening Regional Development Potentials’ is satisfactory, but the situation is less satisfactory with the projects financed by the Cohesion Fund (OP ‘Environmental and Transport Infrastructure Development’), where delays have been reported in almost all development priorities first of all due to: bureaucratic and administrative delays in preparing planning legislation and procurement in the case of transport and environmental projects, problems of inclusion of municipalities in respect of waste management, and organizational and implementation problems in the case of projects for the sustainable use of energy.

The results from ERDF and Cohesion Fund co-financed programmes are extremely limited. Up until the end of 2009 only one evaluation related to the ERDF or Cohesion Fund for the period 2007–2013 had been conducted. Nevertheless funded interventions have had an influence on the potential for development, because ERDF funds enabled the government to prevent a slowing down of the business sector investment in R&D, and support SMEs, which are facing limited access to financing sources (guarantees, favourable loans for enterprises) and have only a small tendency to innovate, as well as investment in tourism and that of municipalities.

Adverse economic developments in Slovenia in the last two years (2009 and 2010) and problems in implementing some development priorities require a modification of the existing Operational Programmes. Changes should be based on the current socio-economic situation (slow economic growth, credit crunch, reduced competitiveness of the Slovene business sector, budget deficit), the experience with the implementation of existing OPs (outputs, results, problems identified, meeting the n+2 (n+3) rule) and new strategic documents on the exit strategy from recession. There is a case for there being a change in focus from supporting physical investment to supporting innovations, new jobs and sustainable development, especially in the case of the OP ‘Strengthening Regional Development Potential’. Based on our knowledge, experience and interviews, the following recommendations are proposed in the following areas:

- Enterprise oriented measures: further support with a more focused approach is needed;

- Transport and telecommunications: a detailed assessment of proposed projects is needed to check whether they can be carried out within the time allowed by the n+2 (n+3) rule;
- Environment and energy: additional efforts are needed to speed up implementation of proposed projects; Measures relating the sustainable use of energy should be maintained and obstacles to implementation removed;
- Territorial development: in tourism more emphasis should be put on the development of organisational structures for common planning, development and marketing of tourist destinations and care should be taken to invest in locations where tourism is likely to grow. There needs to be careful planning to avoid generating excessive operating and maintenance costs as regards cultural and sports infrastructure and more focus on regional projects, where municipalities and businesses have common objectives;
- Cross-border programmes: concentration to avoid support of too many similar projects is needed.

Managing Authority and Intermediate Bodies should focus more on the content of development priorities and less on the formal control of projects. Monitoring (indicators, steering committees) of on-going projects should be strengthened.

SECTION 1 – SOCIO-ECONOMIC CONTEXT

Slovenia is a small open economy with a population of just 2 million and it is one of the most developed new EU-12 members. In the economic sphere, Slovenia's level of development is relatively quickly catching up with that of the EU. In the year 2008 Slovenia achieved 91.4% of the EU-27 average GDP per capita and has had a high rate of GDP growth since 2000. Slovenia's economic structure has gradually been approaching the structure of the developed market economies in the last twenty years, as the significance of agriculture and industry has diminished, while the significance of services has increased. After the significant decline of economic activity in 2009, the level of GDP per capita in purchasing-power parity declined in comparison with the EU average. Recording a much steeper GDP decline than the EU as a whole (-8.1%), Slovenia slipped further behind the EU average to the level of 2007 (87%) – see Table 1¹.

Economic conditions in Slovenia began to deteriorate in the final quarter of 2008 due to the impact of the financial and economic crisis, while economic activity fell sharply in the first half

¹ See Excel file for Table 1.

of 2009. The manufacturing and construction sectors, where activity in the first six months of 2009 was down around 20% on the same period the year before, have been hit the hardest. As a result of the crisis the registered unemployment rate increased and more than 40,000 jobs, especially in manufacturing, were lost. The labour-market situation had already started to deteriorate towards the end of 2008 and deteriorated further in 2009 when unemployment rose while employment declined. Intervention measures put in place by the government prevented a further deterioration of the situation (subsidies to preserve jobs, a higher volume of active employment-policy programmes, special allowance for socially disadvantaged people). A sharp drop in foreign demand, limited financing possibilities (credit crunch), structural weaknesses of the Slovenian economy (especially a relatively large share of low- and medium-technology industries) were the main reasons for the decline in Slovenian exports and fixed capital formation, the key drivers of economic growth in previous years. Owing to Slovenia's high dependence on exports, conditions in the international economic environment have also had a significant impact on corporate investment decisions regarding the purchase of equipment and machinery. Slovenian enterprise (corporate) sector is facing significant structural problems. Nearly a third of value added in manufacturing sector is still produced in low technology activities.

During the economic crisis, we have therefore witnessed passive restructuring, i.e. intensive changes in the economic structure brought about by the failure of less competitive sectors of the economy, rather than planned efforts aimed at restructuring and the creation of high value-added jobs. The insufficient competitive capacity of the economy has also been a consequence of the inefficient use of knowledge in economic development (Development Report 2010, p. 9).

The global economic crisis hit the Slovenian tourist industry and temporarily reversed its development. Compared to 2008 the number of tourist arrivals and the number of tourist overnight stays decreased in the 2009 (index 97).

After significant decline in economic activity in the first months of 2009 slight recovery began in the second half of 2009, which was underpinned by a rebound in exports. The pace of growth should pick up gradually through 2010 and 2011 as the forces constraining domestic demand recede. Although the unemployment rate has stabilised in recent months, a further increase is likely later in 2010 as government short-time work measures are phased out. Inflation is likely to remain moderate owing to the large slack in the economy. The budget deficit was 5.8% of GDP in 2009 (see Table 2)^{2 2} and is expected to exceed 6% in 2010. From 2011, with the recovery, more effort will be necessary to restrain government expenditure

^{2 2} See Excel file for Table 2.

growth and implement structural reforms of the pension and healthcare systems. The government agreed to a substantial increase in the minimum wage in 2010, which is likely to weaken competitiveness and the economic recovery in the next years³.

The differences among regions regarding GDP and other indicators have increased in the last three years. Slovenia is a unitary state with two tiers of administration – central government and municipalities. There are 58 administrative units and 210 municipalities. Additionally, twelve development regions at the NUTS 3 level were established through the 2005 Law on Balanced Regional Development. These are functional regions with no political decision-making structures. Their role is limited to statistical purposes and to the planning of social and economic Cohesion Policy at the sub-national level, involving the preparation of Regional Development Programmes. The two cohesion regions, Eastern Slovenia and Western Slovenia, were introduced following the Promotion of Balanced Regional Development Act and the resolution of the Government of RS (83rd regular session of the Government of RS, 54910-3/2005/12, 7th November 2005). Eastern Slovenia includes development regions (NUTS-3 territorial units): Pomurska, Podravska, Koroška, Savinjska, Spodnjeposavska, Zasavska, South-eastern Slovenia and Notranjsko-kraška. Western Slovenia includes development regions: Central Slovenia, Gorenjska, Goriška and Costal-Karst. In November 2006, the Statistical Programming Board at Eurostat cleared Slovenia's request for being split into two regions.

The process of economic restructuring, integration and growth is geographically not even. Central Slovenia (Osrednjeslovenska) is the most developed part of Slovenia with the capital city Ljubljana. In 2007 this region alone produced more than one third (36.1%) of the total Slovenian GDP, and together with the Podravska region one half of the total Slovenian GDP (49.6%)⁴. It should be noted, however, that in some regions the GDP per capita figures are significantly influenced by commuter flows. Net commuter inflows in these regions push up production to a level that could not be achieved by the resident active population on its own. The result is that GDP per capita may be overestimated in these regions and underestimated in regions with commuter outflows. It is estimated that 80,000 people commute to Ljubljana every day.

Regional imbalances in the registered unemployment rate in Slovenia are relatively high and increasing. After several years of decline, which varied from region to region, regional unemployment rates rose again to 6% in 2009 and negative trends have continued since. The economic crisis has had different regional impacts. The registered unemployment rate has also increased in regions where before the crisis the rate was above the national average. Koroška,

³ http://www.oecd.org/document/37/0,3343,en_33873108_38910029_45274789_1_1_1_1,00.html

⁴ http://www.stat.si/eng/novica_prikazi.aspx?id=2788.

Zasavska, Spodnje Posavska, Savinjska, Zasavska and Pomurska regions are hit hardest by unemployment, because they are dominated by low value added industries, including textiles, construction, agriculture, mining and others which are increasingly exposed to competitive pressures, so that further major reductions in employment will occur in the second part of 2010.

According to the studies undertaken in recent years and according to the strategic documents (e.g. the Strategy of regional development in Slovenia (SRDS) adopted in 2001), the main problems are: i) a lack of endogenous development factors (human capital, entrepreneurship, lack of domestic or foreign investments) in less developed regions; ii) increased competition in the Single Market – those areas that depend on low to medium technology industries may see further business closures; iii) inability to implement comprehensive regional policy on the basis of existing legislation.

The concentration of economic activities and inhabitants in only some areas in the past caused heterogeneous conditions for life and work (significant differences in the spatial distribution of jobs, unemployment rate and education structure of inhabitants), poor transport connections between regions and unequal access to social infrastructure inside regions. The problems are especially distinctive in structurally underdeveloped areas with a weak economy and with mainly agrarian characteristics, in areas with demographic problems and a low income level per capita and in economically and socially unstable areas. With the accession of Slovenia to the EU such structural problems became evident and in some areas even intensified (National Strategic Reference Framework Slovenia 2007–2013, 2007, p. 45).

SECTION 2 – THE REGIONAL DEVELOPMENT POLICY PURSUED

There is hierarchy of strategic documents in Slovenia. Relations between strategic documents are not very clear, methodologies differ and official titles of strategic documents differ (strategy, resolution, programme), some policies are based on laws only (housing). Strategic documents are rarely monitored and evaluated.

Objectives of national policies identified as contributing to economic social and territorial cohesion are partly incorporated in Slovenia's Development Strategy – Official government strategy paper, accepted by the Government of the Rep. of Slovenia in June 2005 as the main long-term development programme. Due to the financial and economic crisis a new strategy is currently under discussion. The Spatial Strategy is the basic strategic spatial development document and an integrated planning document which implements the concept of sustainable spatial development. Together with Slovenia's Development Strategy, it represents the umbrella document for guiding development and forms the basis for the harmonization of sectoral

policies. All regions have prepared Regional Development Programmes (RDPs) that set out the tasks of the State and the municipalities in the sphere of economic, social, spatial, environmental and cultural development in the regions. RDPs represent the legal basis for the implementation of regional projects financed by Cohesion Policy.

The National Strategic Reference Framework (NSRF) is based on Slovenia's Development Strategy (SDS) and on the National Development Plan and it is consistent with the Community Strategic Guidelines on Cohesion, the National Programme of Reforms (Lisbon Strategy) and the Joint Report on Social Inclusion. In general the aim of the NSRF is to improve the welfare of the Slovenian citizens by promoting economic growth, job creation, strengthening of human capital and guaranteeing a balanced and harmonious development, in particular of the regions. Specific thematic and territorial priorities that Slovenia will follow are thus as follows:

1. promotion of entrepreneurship, innovation and technological development;
2. improvement of the quality of educational and training systems as well as research development activities;
3. improved labour market flexibility along with guaranteeing employment security in particular by the creation of jobs and the promotion of social inclusion;
4. ensuring conditions for growth by providing sustainable mobility, improving quality of the environment and providing relevant/appropriate infrastructure;
5. balanced regional development.

The priorities of the National Strategic Reference Framework are implemented through three operational programmes. The purpose of the Operational Programme 'Strengthening Regional Development Potentials' (OP SRDP) is to support those orientations which promote competitiveness, economic and territorial cohesion and at the same time contribute to the reduction of regional differences – in accordance with the principles of sustainable development. The strategy behind the Operational Programme 'Environmental and Transport Infrastructure Development' aims to ensure conditions for growth by providing sustainable mobility, better quality of the environment and suitable infrastructure and at the same time also to fulfil the fifth objective of the NSRF, which is a balanced regional development.

The priorities of the National Strategic Reference Framework were adequately set, taking into account the socio-economic situation during its preparation (high economic growth, excessive demand on foreign markets, easy access to bank credits) and objectives were not modified until the end of 2009. There is no mismatch between Cohesion Policy objectives and national objectives, which are under revision at the moment, because national strategic documents (Slovenia's Development Strategy adopted in 2005, National Development Programme adopted

at the beginning of 2008, Spatial Development Strategy adopted in 2004) were prepared in times of high economic growth.

It seems that financial allocation both between and within policy areas reflects the stated objectives of policy. Thus ERDF, ESF and the Cohesion Fund have been allocated as follows: around 29% to the field of enterprise development, 47% to infrastructure (transport & environment and energy), 12.5% to the field of human resources, 9.5% to territorial development and 2.5% to technical assistance⁵. Limited number of development priorities chosen allows easier implementation and considerable results and impacts by strengthening competitiveness and creating conditions for sustainable economic growth. Nevertheless, some development priorities were very optimistically planned at the very beginning (priority Economic development infrastructure: especially development guideline Economic–development–logistics centres) and Slovenia has had problems in the implementation of infrastructure projects since its independence (delays in the implementation, costs overrun).

The new approach must pursue the objective of balanced regional development. In the 2007–2013 period balanced regional development is no longer a horizontal priority. The priority “Regional development programmes” includes and links the measures, defined in the Regional Development Programmes, which are in the domain of self-governing local communities.

Despite the internal and external coherence of existing programming documents, negative economic developments in the last two years (2009 and 2010) require a modification of the existing operational programmes, including OP SRDP, taking into account the existing socio-economic situation, the experience with the implementation of existing OPs and new strategic documents as exit strategy. As a response to the crisis the Government adopted a Slovenian exit strategy 2010–2013 in February 2010. The exit strategy was conceived as a combination of economic policy measures and structural changes that simultaneously maintain fiscal sustainability and alleviate the social conditions of the most vulnerable groups, while strengthening the competitiveness of the economy and facilitating the creation of new jobs. As part of the exit strategy, institutional adjustments have been planned with the view to improving the functioning of markets and public administration system. One of the key tasks is to ensure consistency of short-term anti-crisis measures with objectives of long-term structural changes. In this way, the promotion of creativity and innovation will pave the way to a competitive, socially and environmentally responsible knowledge-based economy and will consequently lead to an increase in the quality of life.

⁵ See Table 3 in the Excel folder.

POLICY IMPLEMENTATION

Implementation of the OP ‘Strengthening Regional Development Potentials’ and OP ‘Environmental and Transport Infrastructure Development’ has started successfully, because the first calls were announced in 2007 (ten calls were announced in 2007 altogether). There was excess demand for funding from the very beginning. Application rates were high, but some applications (projects) in the first calls did not meet formal requirements, but during the following calls the quality of applications improved considerably.

Because of excess demand for funding and experience gained in the period 2004–2006 the Managing Authority did not expect spending challenges. During 2008 and in the first part of 2009 the situation changed considerably. There are different reasons:

- The economic crisis influenced the behaviour of the business sector: credit crunch and negative conditions in the international economic environment had a significant impact on corporate investment decisions regarding, investments, R&D projects and the purchase of equipment and machinery;
- Due to the significant increase in Structural Funds allocations to Slovenia, implementation became very challenging and the management and implementation system did not function well at the beginning. There are different reasons: lack of experienced staff, unclear guidelines in some cases (eligible costs, reporting etc.), lack of leadership, weak inter-ministerial coordination, problems in financial management (problems with the information systems, problems with Article 13(2) dealing with controls), overlapping of programming periods, unrealistic spending plan, especially in 2008. One of the key reasons for delays in spending is a very comprehensive management and implementation system introduced in 2007, which includes many institutions. There is one managing authority (Government Office of the Republic of Slovenia for Local Self-Government and Regional Policy), one paying authority (Ministry of Finance) and one independent financial supervisory authority (Ministry of Finance – Office for Budget Supervision). Individual ministries in the role of the intermediate body and their agents are responsible for the implementation of the instruments. There are 11 ministries and agents involved in Cohesion Policy implementation. The complex co-ordination among these institutions hinders and slows down implementation.

It seems that problems of the Management and Implementation System (MIS) for Cohesion Policy in the period 2007–2013 are very similar to those of the 2004–2006 period⁶.

⁶ Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000–2006): Work Package 11: Management and implementation: National Assessment Report Slovenia.

According to the data available, financial absorption of ERDF is satisfactory (comparing the tendered or contracted resources to the total allocation available). Nevertheless, there are delays in implementing some new measures such as education centres for entrepreneurs and investment in higher education and research infrastructure, but the situation is not critical at the moment. The progress of development priority “Economic development infrastructure” (especially logistics centres – infrastructural platforms) was in a critical situation at the end of 2009 and the Managing Authority, therefore, proposed changes to the OP ‘Strengthening Regional Development Potentials’ in April 2010. The problems that arose in financing economic–development–logistic centres were due to: their unrealistic planning and locating them in too many places (9 altogether), overestimating the demand for their services, a lack of experience with public–private–partnership and very strict tender documentation requirements (Koman et al., 2007). In addition, the economic crisis has reduced private sector investment.

The situation is less satisfactory with the projects financed by the Cohesion Fund (OP ‘Environmental and Transport Infrastructure Development’), where delays are reported in almost all development priorities. There are various implementation problems:

1. Slovenia is still facing problems in implementing transport projects:

- railway projects were not ready in time and as a consequence none of them was approved until the end of 2009, but the situation improved in 2010;
- the situation is much better for ‘Road and maritime infrastructure’, where two sections of motorway Beltinci – Lendava and Slivnica – Draženci were completed in 2008 and 2009 respectively;
- in the case of “Transport infrastructure – ERDF”, lengthy procedures involved in road construction have caused delays in the implementation of approved projects; a single ticket project which is planned to support improvements in public transport and make it easier and simpler to use different modes of transport did not start until the end of 2009.

Implementation problems are due, on the one hand, to bureaucratic and administrative delays in the preparation of planning legislation and public procurement (reviews of public procurement award procedures usually lead to projects being postponed for months or even years) and, on the other, to a lack of management capacity. Excessively rigid spatial planning documents were produced under existing arrangements, which, at the local level in particular, went into too much detail. This led to frequent changes in the documents which were extremely time–consuming to make. In practice, this meant that in many cases, the activity which had been planned did not take place at all. The procedures for obtaining building permits were similarly complicated, time–consuming, and expensive (Perpar et al.,

2008). Careful attention needs to be paid to administrative capacity as experience with large scale projects is lacking (Strategic Evaluation on Transport Investment Priorities under Structural and Cohesion Funds for the Programming Period 2007–2013: Country Report Slovenia, 2006, p. 70).

2. Problems in including municipalities in waste management and with bureaucratic and administrative delays in preparing planning legislation for environmental projects. One of most striking problems is the failure to communicate. Local authorities rarely communicate with each other and have insufficient systems of consultation with local stakeholder groups.
3. Organisational and implementation problems in projects for the sustainable use of energy (responsibility transferred from the Ministry of the Environment and Spatial Planning to the Ministry of the Economy in 2009).

The overall situation improved in the second part of 2009 and in 2010, due to extensive efforts of the Government to reduce delays in the absorption of the EU funds. This led to improvements in performance which in turn improved the system. EU funds were recognised as one of major instruments of a strategy for exiting the recession.

ACHIEVEMENTS OF THE PROGRAMMES SO FAR

Given the relatively early stage of programming and implementation delays few results and impacts achieved could be reported until the end of 2009. Due to the lack of evaluation evidence available in Slovenia for the period 2007–2013 but also 2000–2006 and weak quantitative evidence (main indicators of output, results and impacts) assessment is based on qualitative evidence (subjective opinion, interviews, news) that takes into account national and regional developments in Slovenia summarised in Section 1 above.

Enterprise support, including assistance to large firms, SMEs and handicrafts, RTDI

In the field of enterprise support the resources were mainly directed to the support of innovation (RTDI and linked activities, support for innovation in SMEs) and other investments in firms. Slovenia decided for a combination of:

- most commonly used measures such as: subsidies for investment in new technical equipment for SMEs; strategic research projects in the business sector, guarantees, favourable loans for enterprises, development of higher education as well as research infrastructure of national importance;
- new or original measures in a given context such as: R&D centres of excellence, inter-entrepreneurial education centres (IEEC), economic–development–logistics centres,

support for fast growing and innovative SMEs with equity resources (venture capital funds).

The results from ERDF co-financed programmes are scarce, because most of the supported projects are still in the implementation phase and none of evaluations conducted for the period 2007–2013 are related to enterprise support or RTDI. Nevertheless, the availability of the additional financial resources through the Structural Funds has been of great importance for the Slovenian R&D system, especially for the business sector. The Slovenian enterprise (corporate) sector is facing significant structural problems. Nearly a third of value added in manufacturing sector is still produced in low technology activities. In order to make a breakthrough in competitiveness and maintain economic growth sustainable in the long run, it is necessary to move towards technological restructuring based on higher investment in R&D, ICT, innovation in general and an increased role of the knowledge-based services. In the time of economic crisis, ERDF funds helped the government to prevent a slowing down of business sector investment in research and development (R&D). New or original measures in a given context promise significant results in the long run, but due to their innovative nature (lack of experience, new management and financing models) intensive monitoring of supported projects is needed.

Measures implemented are appropriate because they:

- support closer cooperation between public R&D institutions, universities and the business sector;
- are not underfinanced as it was usual until 2007;
- support SMEs facing limited access to financing sources (guarantees, favourable loans for enterprises) and were usually not innovative in the past (subsidies for investments in new technical equipment for SMEs). One of the areas where continuous policy attention should be focused is in large sector of non-innovative SMEs. The lack of interest in some industries in RD&I, and especially of SMEs, is due to several, sometimes conflicting, reasons: from lack of competition (especially in certain services) to lack of financial and human resources in long-neglected sectors, which were traditionally not considered important in terms of R&D (INNO Policy TrendChart Country report for Slovenia 2009, 2009, ii).

Little data exists on on-going projects, since most are in the implementation phase and the results will become available at the closure of the projects and programmes (in some cases) at the earliest. With the measures implementing Development Priority 553 gross new jobs were created (jobs maintained are not measured) and more than 1,400 projects supported until the end of 2009 (2009 Annual Report of OP 'Strengthening Regional Development Potentials'). The

number of supported projects already exceeds the planned number, but due to the economic crisis, the number of new gross jobs planned could be questionable.

Human Resources

In 2009 support for a few investment measures (information infrastructure) for the OP 'Human Resources Development' were provided. The ERDF supported Priority axis 'Equal Opportunities' and 'reinforcing social inclusion' and especially "Institutional and administrative capacity", where ERDF cross-financing (flexibility facility) contributed to the improvement of administrative and institutional capacities of the Slovene public administration.

Transport and telecommunications

The geographical location of Slovenia within Europe makes it an important transit country. Two TEN-T corridors cross the relatively small country. Transit traffic is high, both on the motorways (approx. 15 and 30% transit traffic for passengers and freight, respectively) and the port of Koper and connected railway linkages. The position of rail in freight transport is strong. There is a relatively high level of car ownership. The country embarked on an ambitious programme of motorway construction in the past which will be completed in the near future. The current state of the rail and state road network clearly requires intensive public investments (Strategic Evaluation on Transport Investment Priorities under Structural and Cohesion Funds for the Programming Period 2007–2013: Country Report Slovenia, 2006, p. 19).

At the moment it is difficult to assess outputs, results and impacts of approved projects, because few were completed up to the end of 2009. Once projects are completed, the following achievements are expected:

- Road projects will reduce congestion on main routes and in urban centres and improve safety. With the construction of bypasses some bottlenecks will be eliminated and safety in urban centres will be improved;
- A network of cycling routes will have a positive impact by attracting tourists and it is also expected to have a positive effect on the health of the population (this impact is not measured at the moment).

In telecommunications the following measures have been implemented: co-financing of R&D projects in e-services and e-content, support to construction and maintenance of broadband networks in local communities (public tender by the Ministry of the Economy - 12 municipalities supported). There was great interest in the tender by municipalities, because deployment of telecommunications networks in rural areas is not economically sustainable for private investors. Investment in the telecommunications networks will increase access to high-speed lines.

Environment and energy

The key focus as regards the environment is on the EU environmental legislation listed in the chapter 'Compliance with European and Slovenian development documents'. In addition, the key orientations are based on the fact that in the pre-accession period Slovenia committed itself to satisfying the requirements of the EU environmental *acquis communautaire*. Most of these need to be satisfied by the end of the OP ETID programming period.

In waste management the technical/technological and economic characteristics of the facilities and equipment needed – especially for the processing and elimination of waste – call for the construction of infrastructure in the form of regional or inter-municipality centres for waste management. Up until the end of 2009, the Regional waste management centres in Ljubljana, Zasavje and Koroška were approved. There is still no effective cooperation in the implementation of investment between the central Government and local level, and between different municipalities at local level. Since the majority of investment is within the competence of local communities, the extent of this cooperation affects the quality of projects. This is not only related to the technical-technological aspect but also to the organisational aspect where the coordination of time and mutual provision of information are of key importance for joint success.

In the collection and treatment of urban waste water and in drinking water supply most planned projects are still in the planning phase and intensified implementation is needed in the coming years. After completion, the waste water treatment plants will have a positive impact on the environment in line with regulations (compliance with international standards) and improved water supply will improve the quality of ground water as a source of clean drinking water and as a consequence improve the health of the population (indicators: reduction in population exposed to inadequate fresh water and potentially exposed to chemical or microbiological pollution of fresh water).

Due to the organizational and implementation problems in the case of projects for the sustainable use of energy, only two were completed up to the end of 2009. These will increase energy saving and promote development of renewable energy sources, but faster implementation in the coming years is needed by strengthening institutional capacity.

Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development)

Special emphasis was given to tourism, since it was believed that it would contribute to the recognition of Slovenia as a holiday destination and create new jobs and would make the regions more attractive for new investment. The comprehensive approach to tourism proved effective. Private investment, including in SMEs, was supported; especially in accommodation

facilities, as well as public investment, especially in the cultural heritage and in sports centres. Despite distinctly positive effects in terms of balanced regional development and job creation some doubts were expressed as to possible deadweight, especially in the period 2004–2006. Nevertheless public support in times of economic crisis enables investment to be continued, which will help transform and expand the industry and move it up the value chain. The initial investment, which started in 2007, was already underway when the crisis hit, and this helped some companies to weather the storm exactly when they needed it⁷. More emphasis should be put on the development of organisational structures for the common planning, development and marketing of tourist destinations (in 2010 the Ministry of Economy devoted additional effort to promoting Slovenia as a destination for tourists). Closer coordination between cultural, nature and sporting activities is, however, needed.

Whereas other development priorities are directed towards developing growth centres and projects of national importance, the priority for regional development is to ensure that complementary infrastructure exists which is suited to the region in question. The priority “Regional development programmes” includes and links the measures which are in the Development Programmes in respect of self-governing local communities. In principle, major projects of national importance are financed under other priorities, while complementary local or regional projects are financed under the development of regions. In total 487 operations were approved in four calls for proposals in the following priority areas: economic and educational infrastructure, transport infrastructure, environmental infrastructure, development of urban areas, public infrastructure in areas with special environment protection and tourist areas, and social infrastructure. The major weakness or failure in the implementation of the development priority is a lack of regional projects. Operations within the priority guideline ‘Regional development programmes’ are municipal projects that were approved by mayors after prior allocation of resources by regions.

Cross-border cooperation co-operation

The ERDF provided support for cross-border cooperation projects and institutions (OP Slovenia–Austria, OP Italy–Slovenia, OP Slovenia–Hungary, OP IPA Slovenia–Croatia, the IPA Adriatic Cross-border Cooperation Programme). In the case of OP Italy–Slovenia, projects under the first call were selected with a delay and in the case of the IPA Adriatic Cross-border Cooperation Programme, projects are still awaiting selection. Selected projects could have effects in the cross-border area, nevertheless it seems that complementarity between selected projects is limited and companies are not directly involved in the projects. Inclusion (financing)

⁷ http://www.euromonitor.com/Travel_And_Tourism_in_Slovenia.

of companies in selected innovation-oriented projects could strengthen the effect of inter-regional cooperation in the period after 2013. Nevertheless because the majority of the projects were started at the end of 2009 it is very difficult to give a comprehensive assessment of cross-border programmes and projects.

SECTION 3 – EFFECTS OF INTERVENTION

The results from ERDF and Cohesion Fund co-financed programmes are scarce. Given the relatively short time which has elapsed since the programming period began, it is difficult to identify significant effects. At the moment little data exist on on-going projects, since most are in the implementation phase and the results will be reported at the closure of the projects and programmes (in some cases) at the earliest. But interventions are having some positive effect on development potential (Table A).

Table A – Effects of interventions by policy area

Topic	Effects of intervention
Enterprise support, including assistance to large firms, SMEs and handicrafts, RTDI	<ul style="list-style-type: none"> • Gross jobs created: 553 • Investment induced – cumulative: EUR 178.7 million
Human Resources	<ul style="list-style-type: none"> • No visible effects
Transport and telecommunications	<ul style="list-style-type: none"> • Value of time saving from investment in roads including motorways amounts to EUR 21.37 million a year • Delays in implementation
Environment and energy	<ul style="list-style-type: none"> • Delays in implementation
Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development)	<ul style="list-style-type: none"> • Gross jobs created: 446, many projects still not completed • Population connected to sewage systems in agglomerations of less than 2,000 people per square km: +4,842 • Population with access to improved and safer water supply: +29,602
Cross-border co-operation programmes	<ul style="list-style-type: none"> • No visible effects

Based on available evidence the following can be concluded:

- Enterprise oriented measures, co-financed by the Structural Funds, provide support for the restructuring of the business sector. During the recession, ERDF funds enabled the government to prevent a slow down in business sector investment in R&D and to support SMEs with limited access to credit or loans (guarantees, favourable loans for enterprises). The funds therefore helped to combat the after-effects of the recession by maintaining public investment levels. Innovative measures promise significant results in the long run;
- In human resource development, the relatively small amount of funds provided has not had significant direct effects;
- In transport and telecommunications, as well as in the environment and energy, delays in implementation mean that there have been limited effects up until now. The construction of motorways, however, can be expected to have positive effects on regional development by reducing travel times, but it is also important from a European perspective since it will improve links with neighbouring countries;
- In Territorial development, due to early start of implementation (first calls in 2007) effects of interventions are visible, but many projects are still being initiated and accordingly the objectives set in the Operational Programme “Strengthening the regional Development Potentials” have not as yet been achieved.

SECTION 4 – EVALUATIONS AND GOOD PRACTICE IN EVALUATION

It has to be said that there is no evaluation tradition in Slovenia. Evaluation processes have only been introduced as a result of Structural Funds requirements. Hence, taking into account the short first programming period (2004–2006) there was no integral mid-term or ex-post evaluation of the SPD. Up to the end of 2009 only one evaluation related to the ERDF or Cohesion Fund for the period 2007–2013 had been carried out. In total only two evaluations for the period 2007–2013 and 9 for the period 2004–2006 have been undertaken, leaving aside ex-ante evaluations.

The Monitoring Committee adopted the Evaluation plan prepared by the Managing Authority in June 2008. According to the Plan, evaluation of the “Regional development” priority axis of the Operational Programme ‘Strengthening the regional Development Potential’ (ERDF) was tendered in 2008. The evaluator (company Pitija) submitted the final report in April 2009. This identifies the main weaknesses and strengths of programme implementation, with the aim of tackling the former and highlighting the strengths in future public calls for proposals. A total of 487 operations were approved in four calls for proposals. The analysis of the achievement of

targets involved 458 operations. The methods used were interviews with the Managing Authority, with the Intermediate body and with the final recipients combined with analysis of tender documentation, contracts, and reports.

The major weakness in the implementation of the development priority is the lack of regional projects. There are several reasons for this, including the inappropriate composition of regional councils, which are composed exclusively of mayors, delayed communication to regions of contents subject to co-financing within individual calls for proposals, and too short deadlines for submission of applications. The latter is one of the reasons for the large share of transport infrastructure projects since these are easy to submit and implement within the planning deadlines.

Results of the evaluation were useful, especially for the implementation of the next calls. The large number of projects financed and the relatively short time for the evaluation created technical difficulties. The methodology used seems to be appropriate, especially considering that many projects evaluated were still ongoing. The major weakness of the evaluation is the lack of recommendations relating to the contents of existing and future projects: the allocation of funds between different priorities, the definition of regional projects and how to encourage municipalities to prepare joint projects.

A tender for framework contracts for the ongoing evaluation of Operational Programmes was published in November 2009 and potential evaluators were selected in August 2010.

While the list of indicators is adequate, in the context of the economic crisis and implementation delays, the targets set, however, seem too optimistic. At the moment the monitoring system provides adequate information on outputs and results in different policy areas and makes it possible to measure the progress towards achieving targets and wider objectives.

SECTION 5 – CONCLUDING REMARKS – FUTURE CHALLENGES

Implementation of the OP ‘Strengthening Regional Development Potentials’ and OP ‘Environmental and Transport Infrastructure Development’ started successfully in 2007 with excess demand for funding from the very beginning, but during 2008 and 2009 the situation deteriorated. There are different reasons for this:

- The economic crisis affected the behaviour of the business sector: the credit crunch and adverse conditions in the international economy have had a significant impact on corporate decisions on investment, R&D projects and the purchase of plant and equipment;

- A significant increase in Structural Fund allocations to Slovenia made implementation very challenging and the management and implementation system did not function well at the beginning of the period. The reasons for this include the very comprehensive management and implementation system introduced in 2007, a lack of experienced staff, unclear guidelines in some cases (eligible costs, reporting etc.), a lack of leadership, weak inter-ministerial coordination, problems in financial management (problems with the information systems and with Article 13(2) dealing with controls), overlapping of programming periods, and unrealistic spending plans, especially in 2008.

The management and implementation system improved as did performance in the second half of 2009 and in 2010, due to extensive efforts of the Government to reduce delays in the absorption of EU funding (simplification, intensified inter-ministerial coordination, strengthened information and publicity on Cohesion Policy, improved financial management, prepayment, VAT as an eligible cost and so on). According to the data available, financial absorption of ERDF is satisfactory (comparing the tendered or contracted resources to ex ante allocation). The situation is less satisfactory in the case of the projects financed by the Cohesion Fund (OP 'Environmental and Transport Infrastructure Development'), where delays are reported for almost all development priorities. There are a number of problems of implementation:

- Problems of bureaucratic and administrative delays in preparing planning legislation and of public procurement in the case of transport projects;
- Problems in inclusion of municipalities as regards municipal waste management and problems with bureaucratic and administrative delays in preparing planning legislation in environmental projects. Local authorities rarely communicate with each other and have insufficient arrangements for consulting with local stakeholder groups;
- Organizational and implementation problems in projects concerning the sustainable use of energy (responsibility transferred from the Ministry of the Environment and Spatial Planning to the Ministry of the Economy in 2009).

The results of ERDF and Cohesion Fund co-financed programmes are limited. Due to the lack of evaluation evidence and given the relatively short time which has elapsed since the programming period began, it is difficult to identify significant effects. At the moment little data exist on on-going projects, since most are in the implementation phase and the results will be reported only at the closure of the projects and programmes (in some cases) at the earliest. Nevertheless interventions supported have a positive effect on the potential for development. Based on available evidence the following may be concluded:

- Enterprise oriented measures, co-financed by the Structural Funds, support the restructuring of the business sector: During the recession, ERDF funds enabled the government to prevent a slow down of business investment in R&D and to support SMEs, which had limited access to credit (guarantees, favourable loans for enterprises) and had usually not been innovative in the past (subsidies for investment in technical equipment for SMEs). ERDF funds therefore helped to combat the after-effects of the recession by maintaining public investment levels. Innovative measures promise significant results in the long-run;
- Transport and telecommunications and the environment and energy: delays in implementation mean that there are limited effects up until now;
- Territorial development: due to an early start of implementation (first calls in 2007) effects of interventions are visible, but many projects are still at an early stage, so that the objectives set in the Operational Programme “Strengthening the regional Development Potentials” have still not been achieved;

Adverse economic developments in the past two years, especially in the second half of 2008 and in the first half of 2009 and problems in the implementation of a few development priorities call for a modification of the existing Operational Programmes. Managing Authorities should speed up the evaluations planned, because the changes proposed should be based on the existing socio-economic situation (slow economic growth, credit crunch, decreased competitiveness of the Slovene business sector, budget deficit etc.), experience of the implementation of existing OPs (outputs, results, problems identified, meeting the n+2 (n+3) rule) and new strategic documents. We support the change of focus from physical investment to innovation, new jobs and sustainable development, especially in the case of the OP “Strengthening Regional Development Potentials”. On the basis of our knowledge, experience and the interviews carried out, the following recommendations are suggested:

- Enterprise oriented measures: further support is needed, but a more focused approach should be implemented in the coming years. In order to make a breakthrough in competitiveness and maintain economic growth which is sustainable in the long-run, it is necessary to move towards technological restructuring based on increased investment in R&D, ICT, innovation in general and an increased role for knowledge-based services. Current R&D and innovation measures, co-financed by the Structural Funds, support the restructuring of the business sector, but a more focused and courageous approach is needed in order to support active restructuring. There should be moves from:
 - supporting investment in new equipment to a further strengthening of support for business R&D projects;

- supporting existing (ordinary) activities of companies to encouraging more long-term oriented R&D projects based on the capacity of businesses and research centres (completely new projects, use of existing technology in other sectors);
- a broad range of activities to more concentrated support for selected technological (sectoral) priorities;
- non-repayable aid in the case of investment in new equipment to subsidised loans, interest subsidies and credit guarantees.

Stronger support of non-technical innovation (industrial design, new business models) is needed. As regards education and research infrastructure, new investment is required predominantly because of the need for expansion and less because of a need to support entrepreneurship.

- Transport and telecommunications: a detailed assessment of the projects proposed is needed. If there are projects experiencing difficulties meeting the n+2 (or n+3) rule, new projects should be proposed and/or financial allocations should be reduced. Due to rapid technological development, activities relating to the support of construction and maintenance of broadband networks in local communities and co-financing of R&D projects in e-services and e-content should be regularly assessed.
- Environment and energy: the Managing Authority and Intermediate Bodies should devote additional effort to speeding up the implementation of proposed projects (use of external support is an option together with extensive communication with local authorities). Measures for the sustainable use of energy should not be abandoned. Instead, obstacles for inadequate implementation should be identified.
- Territorial development: in tourism, more emphasis should be given to the development of organisational structures for the common planning, development and marketing of tourist destinations in order to exploit the existing potential of Slovenia (in 2010 the Ministry of Economy put additional effort into promoting Slovenia as a tourist destination). Synergy between cultural, nature and sporting activities needs to be developed. There needs to be a careful approach to investment in tourist infrastructure (concentrating it in areas where there is a serious lack of infrastructure or where existing facilities are poor), because demand has been declining in the last two years. As regards investment in the modernisation, restoration and regeneration of the cultural heritage and investment in public sports and recreational infrastructure, careful planning is advised. It is important to calculate all costs over the lifetime of the facility. At the moment operating and maintenance costs are draining public resources which could be used for other important projects. As regards the Priority "Development of the

regions” more focus should be put on regional projects where municipalities and the business sector have common objectives.

- Cross-border programmes: It is potentially beneficial to give funding to projects in different areas of development (infrastructure, tourism, culture, SME support, social inclusion, R&D, development of protected areas and so on), but concentration (avoiding supporting too many similar projects) and synergy between projects are needed in order to achieve adequate effects.

Managing Authorities and the Intermediate Bodies should focus more on the content of development priorities and less on the formal control of projects. Monitoring (indicators, steering committees) of on-going projects should be strengthened, especially in the case of new or original measures in a given area (such as the development of Centres of Excellence, competitiveness centres, support for the construction and maintenance of broadband networks in local communities) which are new (new management and financing models) and likely to have positive long –un effects.

REFERENCES

1. 2007 Annual Report of OP Environmental and Transport Infrastructure Development.
2. 2007 Annual Report of OP Strengthening Regional Development Potentials.
3. 2008 Annual Report of OP Environmental and Transport Infrastructure Development.
4. 2008 Annual Report of OP Strengthening Regional Development Potentials.
5. 2009 Annual Report of OP Environmental and Transport Infrastructure Development.
6. 2009 Annual Report of OP Strengthening Regional Development Potentials.
7. Bučar Maja et al.: Učinkovitost ukrepov Ministrstva za visoko šolstvo, znanost in tehnologijo za spodbujanje inovacij in tehnološkega razvoja v slovenskih podjetjih v letih 2005–2007, 2009.
8. Bučar Maja: INNO Policy TrendChart Country report for Slovenia 2009, 2009.
9. Bučar Maja: Strategic Evaluation on Innovation and the Knowledge Based Economy in relation to the Structural and Cohesion Funds, for the programming period 2007–2013: Country Report: Slovenia, 2005.
10. Development Report 2010, 2010.
11. Evaluation of the »Regional development« priority axis of the Operational Program of Strengthening the regional Development Potentials, 2009.
12. Ex Post Evaluation of the ERDF in Objectives 1 & 2 (2000–2006): Work Package 11: Management and implementation: National Assessment Report Slovenia.
13. http://www.oecd.org/document/37/0,3343,en_33873108_38910029_45274789_1_1_1_1,00.html
14. http://www.stat.si/eng/novica_prikazi.aspx?id=2788.
15. Koman Klemen et al.: Študija dobrih praks partnerskega vzpostavljanja gospodarsko razvojne infrastrukture in možnost prenosa le teh v okvir izvajanja evropske kohezijske politike v Sloveniji, 2007.
16. Mešl Mateja in Bučar Maja: Evalvacija gospodarske relevance rezultatov in programov centrov odličnosti, 2008.
17. Ministerial report on the OECD Innovation Strategy: Innovation to strengthen growth and address global and social challenges: Key Findings, May 2010.
18. National Development Programme (NDP).

19. National Strategic Reference Framework Slovenia 2007–2013. Government Office for Local Self–government and Regional Policy. Unofficial translation of the NSRF approved on 18 June 2007.
20. OECD: Economic Survey on Slovenia: Executive Summary, 2009. Available at [http://www.oecd.org/document/40/0.3343.en_2649_33733_43173288_1_1_1_1.00.html](http://www.oecd.org/document/40/0,3343,en_2649_33733_43173288_1_1_1_1.00.html).
21. OP Environmental and Transport Infrastructure Development.
22. OP Strengthening Regional Development Potentials.
23. Perpar Anton et al.: Analysis of regional spatial planning and decision making strategies and their impact on land use in the urban fringe – case study Koper, 2008.
24. Slovenia's Development Strategy.
25. Slovenian exit strategy 2010–2013.
26. Slovenske regije v številkah 2010, 2010.
27. Spatial Development Strategy.
28. Spremembe operativnih programov kohezijske politike Cilja 1 v Sloveniji: predstavitev z utemeljitvijo in vrednotenjem, April 2010.
29. Strategic Evaluation on Transport Investment Priorities under Structural and Cohesion Funds for the Programming Period 2007–2013: Country Report Slovenia, 2006.
30. Strateško poročilo o izvajanju Nacionalnega strateškega referenčnega okvira v Sloveniji za obdobje 2007–2013 za leto 2009, 2009.

INTERVIEWS

Peter WOSTNER	Managing Authority (Government Office for Local Self–Government and Regional Policy): Deputy Director
Iba ZUPANČIČ	Evaluation (Managing Authority)

TABLES

See Excel file for Tables 1, 2, 3, and 4

Table 1: Regional disparities and trends

Table 2: Macro–economic developments

Table 3: Financial allocation by main policy area

Table 4: Commitments by main policy area