

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

**YEAR 1 – 2011**

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

**SLOVENIA**

**VERSION: FINAL**

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

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## LIST OF ABBREVIATIONS

- CBC Cross-Border Cooperation
- ERDF European Regional Development Fund
- EC European Commission
- EU European Union
- GDP Gross domestic product
- IB Intermediate Body(ies)
- ICT Information Communication Technology
- IEEC Inter-Entrepreneurial Education Centres
- IPA Instrument for Pre-Accession Assistance
- MA Managing Authority
- NSRF National Strategic Reference Framework
- OP Operational Programme
- OP ETID Operational Programme 'Environmental and Transport Infrastructure Development
- OP HRD Operational Programme Development of Human Resources
- OP SI-AT Operational Programme of cross-border cooperation Slovenia-Austria 2007-2013
- OP SI-HU Operational Programme of cross-border cooperation Slovenia-
- OP SRDP Operational Programme Strengthening Regional Development Potentials
- SME Small Medium Enterprise(s)

## EXECUTIVE SUMMARY

According to the data available, financial absorption of the Operational Programme (OP) 'Strengthening Regional Development Potentials' is even better than originally planned. 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 first of all due to: bureaucratic and administrative deferrals in preparing planning legislation, problems with public procurement (reviews of public procurement award procedures usually lead to projects being postponed for months or even years) in the case of transport and environmental projects, problems of inclusion of municipalities in respect of waste management in some cases (Gorenjska region, Goriška region, Coastal-Karst region, Notranjsko-kraška region), problems with the co-financing ability of municipalities and insolvency problems of Slovene construction companies (delay in the construction of approved projects), problems with land acquisition. Despite the problems, implementation accelerated in the year 2010 and in the first part of the year 2011.

Due to the negative economic developments in 2009 and 2010 and delays in implementing the Operational Programme Environmental and Transport Infrastructure Development (OP ETID), amendments of the Operational Programme Strengthening Regional Development Potentials (OP SRDP) and the Operational Programme 'Environmental and Transport Infrastructure Development (OP ETID) were necessary. Therefore, in July 2010 the Government decided to amend its Cohesion Policy Operational Programmes under the Convergence Objective. The funds available in the framework of the European Cohesion Policy can additionally contribute to the development-related financial potential at the time of exit from the crisis only on condition that programme documents defining the financial structure and investment areas are correspondingly modified. The amendments were proposed under the motto: From Walls to Innovation, Jobs and Sustainability. The harsher financial situation requires the Government to focus on the implementation of those programmes that, in the long run, will have the highest added value and will create the most jobs. Therefore, the focus of amended OPs is on financing development projects that directly contribute to innovation, strengthen the knowledge society and create jobs (innovation oriented measures). The European Commission (EC) approved the amendments in April 2011.

At the end of 2010 the results from European Regional Development Fund (ERDF) co-financed programmes were still relatively scarce, because most of the supported projects were still in the implementation phase then or had just been completed in the year 2010. The outcomes of OP SRDP are more or less in line with the targets or policy objectives set. Due to the effects of the economic crisis, the number of new gross jobs planned was above the achieved numbers, therefore in the amended OP SRDP the number is lower at the OP level (from 11,600 to 8,800) and at the level of priorities. Targets related to the size of supported business areas are not achieved, because only one logistics centre is supported.

The situation is different in the OP ETID, where implementation was not satisfactory. At the moment outcomes are in line with expectations. Some outcomes are modified in the amended OP ETID due to the underestimated value of investments in environmental projects or due to the increased intensity of support to projects for the sustainable use of energy or due to the better elaboration of transport projects (railway). Some new investments are proposed (new passenger terminal at the Airport of Ljubljana) and some cancelled (Building an operational coastline in the Port of Koper). The final outcomes to a large extent depend on projects that will be implemented.

On the basis of our knowledge, experience and the interviews carried out, the following recommendations for future implementation are suggested:

- **Enterprise oriented measures:** New innovative measures tendered in the years 2009 and 2010 in a given context promise significant results in the long-run, but due to their complexity intensive monitoring of supported projects is needed.
- **Transport and telecommunications:** a detailed assessment of the projects proposed is regularly needed. If the capacity to prepare and implement projects is weak additional technical support should be used (external experts, JASPERS). 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 (MA) and Intermediate Bodies (IBs) should make an additional effort to speed up the implementation of proposed projects (use of external support and intensive communication with municipalities should continue). Further elaboration of measures for the sustainable use of energy is needed (demonstration projects) and we propose to continue with the activities planned. In order to speed up implementation and enhance energy efficiency in small companies, a reduction of the minimal project size would be appropriate (EUR 120,000 for micro and small companies at the moment). It is important to promote energy efficiency at the local level – we propose to include energy restoration of buildings owned by municipalities. In the case of de-commitment additional funds could be shifted to the priority.
- **Territorial development:** in tourism, more emphasis should be given to the further development of organisational structures for common planning, development and marketing of tourist destinations. Support from external experts and networking of all regional destination organisations are advised. In the future, closer coordination between cultural, nature and sporting activities is needed. As regards the Priority “Development of the regions”, there should be greater focus on regional projects where municipalities and the business sector have common objectives (6<sup>th</sup> Call).
- **Cross-border programmes:** Almost 100% of all available programme funds for operations will have been committed by the end of year 2011, therefore recommendations could be used in the next programming period, where more focus

on concentration (avoid the support of too many similar projects), inclusion of the business sector and synergy between projects will be needed in order to achieve adequate effects.

- **Management and Implementation System:** 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) and evaluation 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, development centres of Slovene economy, financial engineering, support for the construction and maintenance of broadband networks in local communities) which are new (new management and financing models).

Despite budgetary constraints stemming from fiscal consolidation, focus on EU-funded projects should remain a high priority and additional national funds should be mobilised in order to prepare adequate project documentation for transport and environmental projects.

## 1. THE SOCIO-ECONOMIC CONTEXT

Slovenia is a small open economy with a population of just 2 million. 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.

The Slovenian economy has been hit hard by the international financial crisis, leading to a severe fall in external demand and the deterioration of financing conditions for the real sector. The recession which had taken hold by the first quarter of 2009 led to a negative GDP growth of 8.1% in 2009, one of the highest negative real growth rates in the euro area, therefore 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 1<sup>1</sup>. The global crisis exacerbated previous imbalances in the fiscal, financial, and real sectors. Easy external financing conditions and expansionary fiscal policy before the crisis led to a credit boom, rising debt in the corporate sector, and increasing wages. The global financial crisis and the sharp fall in external demand brought the domestic boom to an abrupt end. The legacy of the boom-bust cycle is an over-indebted corporate sector and weaker banks. It also contributed to current large fiscal deficits, higher unemployment, and deteriorated competitiveness. More importantly, high pre-crisis growth fed the expectation that Slovenia could grow out of its structural problems, leading to postponement of long-overdue reforms<sup>2</sup>.

Supported by economic stabilization in Europe and a counter-cyclical fiscal policy with full activation of automatic stabilizers, the recession turned into modest recovery in 2010 as dictated by external demand and continued deleveraging of the economy. In 2010, Slovenia's GDP rose by 1.2%, thus recording a slower recovery than the euro area as a whole (1.7%). The recovery of Slovenia's economy continued in the year 2011. The recovery was chiefly a result of the recovery in Slovenia's main trading partners in the EU. It is important that growth in merchandise exports (at 10.2%) was largely based on technology-intensive goods<sup>3</sup>. The pace of the economic recovery is also held back by the difficulties of the banking sector<sup>4</sup>. It is important to underline the collapse of the Slovene construction sector as a consequence of economic crisis, liquidity problems, bad management and insolvency problems. As a result the share of the construction sector in BDP and employment has decreased significantly in the last three years and almost all Slovene large construction companies are involved in bankruptcy procedures.

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<sup>1</sup> See Excel file for Table 1.

<sup>2</sup> <http://www.imf.org/external/np/ms/2011/032111.htm>

<sup>3</sup> Slovenia: Stability Programme 2011 Update, p. 7.

<sup>4</sup> At 11.3%, the capital adequacy ratio of the banking sector is one of the lowest in the EU, meaning that the ability to absorb further shocks is limited.

The labour market is reacting to the economic cycle with a considerable time-lag and employment continued its downward trend in 2010. The employment rate fell from 73% in 2008 to 70.3% in 2010. In 2010, the unemployment rate continued to increase as a result of the economic crisis, but according to the internationally comparable survey, it remained below the EU average. December 2010 saw the highest number of registered unemployed since March 2000 (110,021), but in 2010 as a whole, the average number of unemployed persons increased less than in 2009<sup>5</sup>, year-on-year. Labour market conditions remained relatively stable in the first part of the year 2011. At the end of April, the number of unemployed persons (111,561) was nevertheless still much higher than in the same month of 2010 (12,245 or 12.3%)<sup>6</sup>.

In Slovenia the general government deficit narrowed only marginally in 2010, remaining at a high level (5.6% of GDP). Following a significant deterioration in public finances in 2009, no major improvement was recorded last year. The gap between revenue and expenditure even widened in the first half of the last year, with the bulk of the revenue shortfall being the consequence of lower corporate income-tax receipts. The government therefore adopted a supplementary budget in mid-2010 to adjust the outlays to lower revenue. The current precarious state of public finances is thus to a significant degree the product of fiscal policy in the year preceding the crisis, while the financial and economic crisis only worsened the situation. However, the net position relative to the EU budget improved in this period, which, along with the record inflow of EU funds last year, indicates an improved capacity to absorb EU funds<sup>7</sup>.

Differences in levels of economic development and living conditions for the population between individual areas of the country are measured at the NUTS-3 level (statistical regions). Disparities are linked mainly to the concentration of economic activities and population, leading to significant differences in the spatial distribution of jobs, GDP per capita, unemployment, R&D intensity, education levels, etc. Moreover, some areas (statistical regions, sub-regions) have poor transport connections.

The differences among Slovene regions regarding GDP in the absolute terms are high and increasing. In 2008 the Osrednjeslovenska region alone produced more than one third (36.1%) of the total Slovenian GDP. The Osrednjeslovenska region (EUR 13,479 million) has an almost 25 times higher GDP than the smallest region, Zasavska (EUR 540 million). In the 1995–2008 period, the position of majority of less developed regions (Zasavska, Pomurska, Koroška, Notranjsko–kraška) measured by the GDP per capita index deteriorated. 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

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<sup>5</sup> The unemployment rates of young people and persons with lower levels of education increased the most during the crisis in 2009 and 2010; the unemployment rate for women remains lower than that for men.

<sup>6</sup> Economic Mirror, May 2011, p. 3.

<sup>7</sup> Economic Issues 2011 2011, p. 7.



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. Nevertheless, according to the latest data for 2008, regional variation in GDP per capita slightly decreased; however, it has been rather stable since 2003<sup>8</sup>. Disparities in GDP per capita at the NUTS-3 level in Slovenia are rather low compared with those in other EU Member States. Slovenia ranks among the top quarter of EU Member States with the lowest disparities, which also includes the Nordic countries. As in most other EU countries, in Slovenia economic activity is concentrated in the region with the state capital, i.e. Osrednjeslovenska; however, differences between the two regions at the far ends of the country are much smaller than in most other EU Member States.

The recent economic recession affected regions differently. Lagging regions characterised by low GDP per capita, high unemployment rates, low employment rates, low educational level, low R&D activity and often by poor transport connections (Koroška, Zasavska, Spodnjeposavska, Savinjska, Zasavska and Pomurska region) are affected more than others. They are dominated by low value added industries, including textiles, construction, agriculture, mining and others which have been increasingly exposed to competitive pressures. Much the same happened at the level of sub-regions, where some parts, for example Pokolpje, were dramatically hit by the economic crisis. According to the data available (unemployment rate), Slovene regions are not recovering at the moment, because modest GDP growth does not lead to new jobs. Slovenia had the strongest contraction in the share of the employed with a new job (number of employed persons who started a new job in the last three months) among the EU-27 Member States (-0.4 p.p.)<sup>9</sup>. In general, regions are not being affected differentially by the current macro-economic policy. Policies of fiscal consolidation are not reducing the funds available for supporting regional development significantly, because regional development support is predominantly financed from the Structural Funds available under EU Cohesion Policy.

## **2. THE REGIONAL DEVELOPMENT POLICY PURSUED, THE EU CONTRIBUTION TO THIS AND POLICY ACHIEVEMENTS OVER THE PERIOD**

### **THE REGIONAL DEVELOPMENT POLICY PURSUED**

- The main priorities of development policies in the regions eligible for support under the Convergence Objective are defined in strategic documents, such as Slovenia's Development Strategy, accepted by the Government of the Rep. of Slovenia in June 2005, the Spatial Development Strategy of Slovenia, regional development programmes and National Strategic Reference Framework (NSRF). In general the aim of the NSRF is to improve the welfare of the Slovenian citizens by promoting

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<sup>8</sup> Development Report 2011, 2011, p. 63.

<sup>9</sup> Eurostat Statistics in focus 8/2011.

economic growth, job creation, strengthening of human capital and guaranteeing a balanced and harmonious development, in particular of the regions.

- The priorities of the National Strategic Reference Framework are implemented through three operational programmes: the OP SRDP, the OP ETID and the OP HRD.
- The purpose of the OP SRDP funded by the ERDF is to support those orientations which promote competitiveness, economic and territorial cohesion and at the same time help to reduce regional differences – in accordance with the principles of sustainable development. Support is focused on investments in Research, Development and Innovation (RD&I), including economic/development infrastructure, on support for entrepreneurship, including tourism and culture, and on support of regional development.
- The strategy behind the OP ETID funded by both the ERDF and the Cohesion Fund 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, a balanced regional development. Slovenia aims to invest over EUR 900 million to improve transport infrastructure and thus increase the accessibility of its territory to core markets and almost EUR 500 million to improve the environment.

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. Despite the internal and external coherence of existing programming documents, negative economic developments in 2009 and 2010 and delays in implementing OP ETID required a modification of the existing operational programmes. Therefore the Government decided in July 2010 to amend its Cohesion Policy operational programmes under the Convergence Objective. The funds available within the framework of European Cohesion Policy can additionally contribute to the development-related financial potential at the time of exit from the crisis only on the condition that programme documents defining the financial structure and investment areas are correspondingly modified.<sup>10</sup> The amendments were proposed under the motto: From Walls to Innovation, Jobs and Sustainability. The harsher financial situation requires the Government to focus on implementing those programmes that, in the long run, will have the highest added value and will create the most jobs. Therefore, the focus of the amended OPs is on financing development projects that directly contribute to innovation, strengthen the knowledge society and create jobs (the innovation oriented measures). The proposed amendments have undergone a month of public discussion open to all interested parties, and were also debated in both houses of Parliament. The Ministry of the Environment and Spatial Planning also carried out an environmental assessment of the proposed amendments, which were then sent to the European Commission and approved in April 2011. Slovenia had started to

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<sup>10</sup> Slovenian Exit Strategy, 2010, p. 16.

implement amended OP SRDP (competence centres, development centres of Slovene economy) already in 2010.

**Table A – Amendments to OP ‘Strengthening Regional Development Potentials’ and OP ‘Environmental and Transport Infrastructure Development’**

FROM		TO	
DP/PG		DP/PG	
ETID 2.2.	Maritime sector: EUR 34.5 million	ETID 2.	Road sector: EUR 14.1 million
		ETID 5.1	Development priority Environment protection – water sector: EUR 17.4 million
		ETID 7.	Technical assistance: EUR 3.0 million
ETID 3.	Development priority “Transport infrastructure – ERDF”: EUR 58.5 million	SRDP 1.1.	Competitiveness and research excellence: EUR 28.5 million
		SRDP 2.4.	Emergency medical centres network: EUR 30.0 million
ETID 4.	Municipal waste management: EUR 50.0 million	ETID 5.1.	Development priority Environment protection – water sector: EUR 50.0 million
SRDP 2.1.	Economic–development–logistics centres: EUR 157.5 million	SRDP 1.1.	Competitiveness and research excellence: EUR 167.5 million
SRDP 3.2.	Integration of natural and cultural potentials: EUR 10.0 million		

Support provided by the ERDF and Cohesion Fund helped to offset budget constraints by maintaining public investment levels, especially in some policies such as entrepreneurship promotion, research and development, regional development, environmental policy and others. Supplementary budget in 2010 and proposed supplementary budget in 2011 have preserved EU–funded investments untouched.

Slovenia borders Italy to the west, Austria to the north, Hungary to the northeast and Croatia to the southeast, with a 47 km– (30 mile–) Adriatic Sea coastline, where the main port is Koper. Slovenia is involved in 13 programmes under the European Territorial Cooperation Objective, with a dedicated budget of EUR 104 million:

- four cross–border programmes with Italy, Hungary, Austria, as well as with Croatia (under the Instrument for Pre–Accession Assistance – IPA);
- five transnational programmes: ‘Alpine Space’, ‘Central Europe’, ‘Mediterranean’, ‘South– East Europe’ as well as the ‘Adriatic’ (under the Instrument for Pre–Accession Assistance – IPA);
- all four interregional cooperation programmes (total budget for all the 27 EU Member States: EUR 443 million): INTERACT II, URBACT II, ESPON/ORATE and INTERREG IV C.

The Operational Programme of cross–border cooperation Slovenia–Austria 2007–2013 (hereinafter OP SI–AT) consists of the following Priority Axis: 1st Priority Axis – Competitiveness, knowledge and economic cooperation including: SME development; Tourism; Framework for knowledge–based economy; Thematic fields of strengths. 2nd Priority Axis – Sustainable and balanced development including: Management of natural

resources; Environment and energy; Urban and regional development; Social and cultural development. 3rd Priority Axis – Technical assistance. The Operational Programme of cross-border cooperation Slovenia–Hungary 2007–2013 (hereinafter OP SI–HU) consists of the following Priority Axis: Priority Axis 1: Increasing attractiveness of the cooperation area including Development of Joint Tourist Destination; Preservation and Development of Culture; Improvement of Cross border Traffic Connections. Priority Axis 2: Sustainable development including Regional Development Cooperation; Preventative Health Care; Environment Protection and Management; Efficient Energy Use and 3rd Priority Axis – Technical assistance.

Objectivities (priorities) are appropriately set, taking into account characteristics of the programme area. Allocation of ERDF funds between economic and sustainable development is balanced. Nevertheless, it is difficult to make a detailed assessment, because projects are still in the phase of implementation (OP SI–AT) or still have to be selected (2<sup>nd</sup> Call for Proposals of the OP SI–HU).

Because Slovenia was not able to implement comprehensive regional policy on the basis of existing legislation in order to stop the increase in regional disparities and to use endogenous potentials, the government approved the draft law “On more balanced regional development” in October 2010, and parliament adopted the law in March 2011. The new legislation, which represents an overhaul of the regional development law adopted in 1999, is intended to place regional development policy on a more consistent, systematic footing and thus to reduce the demand for ad hoc interventions in specific regions. Provisions concerning particularly vulnerable regions, such as those hit by exogenous shocks, are meant to enable the government to respond rapidly to regional problems without the necessity of adopting specific legislation like the 2009 law on the Pomurje region. Special attention is devoted to the border problem areas and temporary measures for problem areas with high unemployment rates in the new Law on more balanced regional development. It is planned that more than EUR 14 million will be spent for the investment promotion in border areas for the years 2011 and 2012, but the rebalancing of the state budget could slow down the implementation of the law. This year a special programme for Pokolpje has been prepared and in May 2011 the first call for investments promotion was published.

## **POLICY IMPLEMENTATION**

- Implementation of the OP ‘Strengthening Regional Development Potentials’ was satisfactory until the end of 2009 (comparing the tendered or contracted resources to the total allocation available). Nevertheless, there were 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.

- The situation was less satisfactory in implementation of OP 'Environmental and Transport Infrastructure Development', where delays were reported in almost all development priorities. There were various implementation problems. Railway projects were not ready, in the case of "Transport infrastructure – ERDF", lengthy procedures involved in road construction have caused delays in the implementation of approved projects. There were problems in including municipalities in waste management, bureaucratic and administrative delays in the preparation of planning legislation (rigid spatial planning) and public procurement had delayed preparation of implementation of selected projects. Lack of administrative capacity arising from lack of experience with large scale projects and 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) caused additional delays.

According to the data available at the end of 2010, financial absorption of the OP 'Strengthening Regional Development Potentials' was even better than was originally planned. Majority of funds was committed in the years 2007–2010. The economic crisis influenced the behaviour of the business sector but in general projects approved in the year 2009 have been implemented in line with what had been planned. There were delays in the implementation of some measures such as investment in higher education and research infrastructure (Faculty of Chemistry and ICT Ljubljana, Faculty of Medicine of Maribor), but the situation has improved during the year 2011. Funds from the development priority "Economic development infrastructure" (especially logistics centres – infrastructural platforms) which was in a critical situation at the end of 2009 have been shifted to the development priority Competitiveness and research excellence, the same happened with the funds from development priority "Networking of cultural potentials". Until the end of year 2010 the following was achieved:

- Tendered funds: EUR 1,595.4 million or 93.3% of available EU funds as determined in the OP SRDP for the period 2007–2013.
- Allocated funds: EUR 1,110.9 million or 65.0% of available EU funds as determined in the OP SRDP for the period 2007–2013.
- Signed contracts accounted for EUR 1,065.4 million or 62.3% of available funds as determined in the OP SRDP for the period 2007–2013.
- In total, EUR 729.1 million were paid out from the budget (EU part) representing 42.6% of available funds as determined in the OP SRDP for the period 2007–2013.
- Claims for reimbursement submitted to the paying authority amounted to EUR 562.1 million (EU part) or 32.3% of available funds as determined in the OP SRDP for the period 2007–2013.

Implementation of OP 'Environmental and Transport Infrastructure Development' is still not satisfactory, but is improving. Delays have been reported first of all due to: bureaucratic and administrative deferrals in preparing planning legislation, problems with public procurement

(reviews of public procurement award procedures usually lead to projects being postponed for months or even years) in the case of transport and environmental projects, problems of inclusion of municipalities with respect to waste management in some cases (Gorenjska region, Goriška region, Coastal–Karst region, Notranjsko–kraška region), problems with the co-financing ability of municipalities and insolvency problems of Slovene construction companies (delay in construction of approved projects), and problems with land acquisition. Despite these problems, implementation accelerated in the year 2010 and in the first part of the year 2011. Until the end of year 2010 the following was achieved:

- Tendered funds EUR 756.3 million or 46.2% of available EU funds as determined in the OP ETID for the period 2007–2013.
- Allocated funds: EUR 739.1 million or 45.2% of available EU funds as determined in the OP ETID for the period 2007–2013.
- Signed contracts accounted for EUR 479.7 million or 29.3% of available funds as determined in the OP ETID for the period 2007–2013.
- In total, EUR 242.2 million were paid out from the budget (EU part) representing 14.8% of available funds as determined in the OP ETID for the period 2007–2013.
- Claims for reimbursement submitted to the paying authority amounted to EUR 218.3 million (EU part) or 13.3% of available funds as determined in the OP ETID for the period 2007–2013.

Slovenia is facing the following difficulties in the implementation of OP ‘Environmental and Transport Infrastructure Development’:

1. The situation in implementing transport projects is:

- Railway projects are still critical, although the situation improved in 2010 when the first major project was approved (Posodobitev obstoječe železniške proge Divača–Koper, faza II: obnova obstoječe železniške proge); nevertheless, other projects are still in the phase of preparation, therefore the implementation of projects proposed is still uncertain.
- The situation is much better for ‘Road and maritime infrastructure’, where two sections of motorway Pluska–Ponikve and Ponikve – Hrastje were completed in 2010 and the project Building of operational coastline in the Port of Koper was cancelled.
- 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 2010; an additional problem is delay in the preparation of project documentation, therefore the list of priority projects was modified and new projects were added such as building a new passenger terminal at the Airport of Ljubljana.

2. Implementation of environmental projects is improving. There are still difficulties in including municipalities in waste management projects in the Western part of the

country; in other parts of the country waste management projects are underway. Projects of collection and treatment of wastewater and projects of drinking water supply are implementing well. Projects aiming to reduce water damages are delayed. The priorities and reserve projects of all environmental projects were revised at end-2010.

3. Due to organisational and implementation problems, implementation of projects for the sustainable use of energy was not satisfactory; however, the situation improved considerably in the second part of 2010 and in 2011, when several new tenders were issued. Transfer of responsibility from the Ministry of the Environment and Spatial Planning to the Ministry of the Economy in 2009 and intensive efforts of the MA have accelerated implementation.

The Managing Authority and IBs have undertaken different activities to accelerate implementation:

- General activities: improvement (simplification) of the managing and implementation system through improved inter-ministerial coordination, rationalization of controls (Article 13(2)), pre-payment, introduction of flat rate costs at the beginning of the year 2011, simplification of reporting, acceleration of appraisal and project selection, improvement of the information system (ISARR), amendments of OPs.
- Cohesion Fund specific activities: all investment projects proposed (priority projects, reserve projects) in the field of environment and transport were checked and detailed time-schedule and critical points defined, ministerial cooperation between MA and IBs was accelerated, political level (ministers, mayors, RDAs) was involved.

Implementation of cross-border programmes is well under way, especially in the case of OP SI-AT, where the majority of funds has already been committed (84%). Due to the financial crisis, some project partners had significant liquidity problems and some operations were also subject to project partnership change. Therefore, also the reporting on the operations did not follow the indicative reporting plan prepared by the beneficiaries at the beginning of the operations. In the case of OP SI-HU the implementation was much slower. Until the end of 2010 19 projects were approved, 44% of total available community funding.

## 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. Until the end of 2009 the following was achieved:

- **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). Slovenia decided for a combination of traditional measures (subsidies, guarantees, favourable loans for enterprises, new research and higher education infrastructure) and 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). ERDF played an extremely important role in innovation promotion. Since 2008 almost all innovation related measures have been financed from Structural Funds, especially from the ERDF, only few “small scale” measures have been financed solely from national funds (Innovation voucher, Promotion of R&D projects in SMEs, Co-financing of start-up of innovative companies, Financial assistance to institutions supporting innovation activity, etc.). The results from ERDF co-financed programmes were scarce. Nevertheless, interviewees emphasised that 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. Measures implemented are appropriate because they support closer cooperation between public R&D institutions, universities and the business sector; are not underfinanced as 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). New or original measures in a given context promise significant results in the long run. 553 gross jobs were created and cumulative EUR 178.7 million investment induced.

- **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. The current state of the rail and state road network clearly requires intensive public investments. Two motorway sections, Beltinci – Lendava and Slivnica – Draženci were completed in 2008 and 2009 respectively and time saving from investment in roads including motorways amounts to EUR 21.4 million a year. 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. Up until the end of 2009, the Regional waste management centres in Ljubljana, Zasavje and Koroška were approved. There was scarce effective cooperation in the implementation of investment between the central Government and local level, and between different municipalities at local level. In the collection and treatment of urban waste water and in the drinking water supply most planned projects were still in the planning phase. Due to the organizational and implementation problems involving projects for the sustainable use of energy, only two tenders were issued up to the end of 2009.
- 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, create new jobs and make the regions more attractive for new investment. In terms of relative volume of tourist capacity and number of tourism operators in Slovenia, as well as tourism traffic and employment in tourism (in view of Slovenia's natural attractions), Slovenia still lags behind other comparable countries and regions in Europe<sup>11</sup>. Private investment, including in SMEs, was supported; especially in accommodation facilities, as well as public investment, especially in cultural heritage and in sports centres. In times of economic crisis public support makes it possible to continue investment, 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 it<sup>12</sup>. 320 gross jobs were created in projects supporting tourism, cultural and sports infrastructure. 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,

<sup>11</sup> [http://www.slovenia.info/?ppg\\_strategija\\_slovenskega\\_turizma=0&lng=2](http://www.slovenia.info/?ppg_strategija_slovenskega_turizma=0&lng=2)

<sup>12</sup> [http://www.euromonitor.com/Travel\\_And\\_Tourism\\_in\\_Slovenia](http://www.euromonitor.com/Travel_And_Tourism_in_Slovenia)

and social infrastructure. 446 gross jobs were created, 4,842 inhabitants connected to sewage systems in agglomerations of less than 2,000 people per square and 29,602 inhabitants gained access to improved and safer water supply: +29,602

- **Cross-border cooperation co-operation:** The ERDF provided support for cross-border cooperation projects and institutions (OP Slovenia–Austria, OP Italy–Slovenia). 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<sup>13</sup>. Inclusion (financing) 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.

At the end of 2010 the results from ERDF co-financed programmes are still relatively scarce, because most of the supported projects are still in the implementation phase or were completed in 2010. None of the evaluations conducted for the period 2007–2013 are related to the activities financed from ERDF, with the exception of Development priority “Transport infrastructure – ERDF”. The outcomes of OP SRDP are more or less in line with the targets or policy objectives set. Due to the effects of the economic crisis, the number of new gross jobs fell short of the planned number, therefore in the amended OP SRDP the number decreased at the OP level (from 11,600 to 8,800) and at the level of priorities. Targets related to the size of supported business areas are not achieved, because only one logistics centre is supported.

The situation is different in OP ETID, where implementation was not satisfactory. At the moment outcomes are in line with expectations. Some outcomes have been modified in the amended OP ETID due to: underestimated value of investments in environmental projects; increased intensity of support in projects for the sustainable use of energy; the better elaboration of transport projects (railway). Some new investments are proposed (new passenger terminal at the Airport of Ljubljana) and some cancelled (construction of an operational coastline in the Port of Koper). The final outcomes to a large extent depend on projects that will be implemented.

### **Enterprise support and RTDI**

The Slovenian enterprise (corporate) sector is still facing significant structural problems. The crisis has exposed numerous structural weaknesses, particularly the fact that Slovenia’s GDP growth is overly dependent on low-technology industries and traditional services, which limit the competitive edge of its economy<sup>14</sup>. Projects approved helped the government and

<sup>13</sup> According to the opinion of the evaluator complementarity between selected projects in the 1<sup>st</sup> Call is relatively limited, because many similar projects are approved, especially in the field of innovation promotion (different projects targeting the same target group with similar activities).

<sup>14</sup> Bučar, Jaklič, Udovič: National System of Innovation in Slovenia, 2010, p. 15.

business sector to prevent a slowing down of the business sector's investment in research and development (R&D).

After financing of "traditional" innovation-oriented and financial measures in the years 2008 and 2009, new innovative measures were introduced in 2009 and 2010. New innovative 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, especially in the case of comprehensive measures such as centres of excellence, competence centres, and development centres of Slovene economy. In 2010 a public tender for capital investments by the Republic of Slovenia in private venture capital companies was published and 6 private venture companies have been selected (mid-2011).

Many projects are still in the implementation phase and the results will become available at the closure of the projects and programmes (in some cases) at the earliest. Indicators achieved are more or less in line with the values planned. Until the end of 2010 more than 3,000 research man-years were achieved in the private sector as a consequence of co-financed activities. That exceeded expectations (1,936) and so did the number of supported private R&D projects, while the number of innovations/patents and investment induced is very close to the number planned. With the measures implementing Development Priority Competitiveness and research excellence 669 gross new jobs were created (jobs maintained are not measured) and more than 1,600 SME projects were supported until the end of 2010<sup>15</sup>. The number of supported projects already exceeds the planned number.

### **Human Resources**

In 2010 ERDF support for a few investment measures (information infrastructure) for the OP 'Human Resources Development' was provided. The ERDF supported foremost Priority axis "Equal Opportunities and reinforcing social inclusion" and especially "Institutional and administrative capacity", where ERDF cross-financing (complementary financing in accordance with Art. 34 of the general regulation) fostered the improvement of administrative and institutional capacities of the Slovene public administration. In the year 2010 first inter-entrepreneurial education centre (IEEC) co-financed with ERDF was finished (facilities). IEECs could play an important role in the socio-economic development of regions in the long run, because educational/training programmes are prepared in cooperation with the business sector.

### **Transport and telecommunications**

Few road projects had been completed by the end of 2010, including highways, national roads and network of cycling routes. The completed highways have already decreased congestion on main routes and enabled time saving. Value for time saving in Euro/year stemming from investments in highways exceeds the planned value (EUR 36 million

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<sup>15</sup> 2010 Annual Report of OP 'Strengthening Regional Development Potentials'.

planned, more than EUR 39 million achieved) and 52.4 km of new highways were constructed. After completion, national road projects will improve safety and reduce congestion in urban centres and network of cycling routes will have a positive impact by attracting tourists and by improving the health of the population. In telecommunications co-financing of R&D projects in e-services and e-content selected in 2009 have been implemented. 12 projects supporting construction and maintenance of broadband networks in local communities were finished during 2010 and a new tender for the years 2011, 2012, 2013 has been issued. There is 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. The number of additional population covered by broadband access as a consequence of co-financed activities is more than 55,000. This is already much more than planned.

### **Environment and energy**

The key focus as regards the environment is still on the EU environmental legislation listed in chapter 'Compliance with European and Slovenian development documents'.

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. Besides the regional waste management centres in Ljubljana, Zasavska, Koroška, that were approved at the end of 2009 and are still under construction, the regional waste management center in the Pomurska region was approved in the year 2010. Effective cooperation between different municipalities at local level, especially in the Western part of the country is still very weak. Projects of collection and treatment of wastewater and projects of drinking water supply are also well underway; projects aiming to reduce water damage are still under preparation.

The results will become available at the closure of the projects. 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.

With the transfer of responsibility from the Ministry of the Environment and Spatial Planning to the Ministry of the Economy in 2009 and the intensive cooperation with the MA in the year 2010, problems in the implementation of projects for the sustainable use of energy have been solved at the moment. Cohesion Fund support in Slovenia is focused on energy efficiency in industry and public buildings and only to small extent on renewable energy support (use of biomass). Activities conducted will increase energy saving and only partially promote development of renewable energy sources. It takes on average 50% more energy to produce a unit of GDP in Slovenia than it does in Western Europe. Thus the potential for

energy savings is huge. Cohesion Fund support could help to secure massive energy savings across the economy and thus reduce energy bills for businesses but also schools, hospitals, and other public buildings. Therefore economic (support for the development of the economy, energy savings) and especially environmental returns (reducing negative environmental impacts) of Cohesion Fund support are considerable.

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

The comprehensive approach to tourism proved effective. Number of overnight stays increased from 7.6 million in the year 2007 to 8.9 million in 2010, partially as a result of ERDF support. Investments induced (EUR millions) have achieved the target set and 541 gross jobs were created until the end of 2010. In the future emphasis on the development of organisational structures for the common planning, development and marketing of tourist destinations could multiply achievements of Cohesion Policy interventions. In 2010 the Ministry of Economy made an additional effort to promote Slovenia as a tourist destination, supported the creation of regional tourist destinations and supported the promotion of thematic tourist products. 9 cultural heritage/public cultural heritage infrastructure facilities were renovated and almost 60,000 visitors visited renovated facilities. Almost 85,000 sq. m. of new and renovated sporting and recreational areas were built/renovated. The 2011 World Rowing Championships in Bled was the biggest sporting event organised in Slovenia in 2011 and facilities (the Rowing centre in Bled) were renovated with assistance from ERDF.

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 existing infrastructure is suited to the region in question. The priority "Regional development programmes" includes and links the measures which are in the Development Programmes related to self-governing local communities. In 2010 additional 169 operations were approved (656 operations in total in the period 2007–2013), 913 gross jobs were created and roads and environmental infrastructure constructed (sewage systems, better and safer water supply). 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 not enough time to submit applications. As a consequence of the too short deadlines for submission of applications, transport infrastructure projects prevail since they are easy to submit and implement within the planning deadlines<sup>16</sup>.

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<sup>16</sup> Vrednotenje četrte razvojne prioritete 'Razvoj regij' Operativnega programa krepitve regionalnih razvojnih potencialov za obdobje 2007–2013, 2009, p. ii.

### **Cross-border co-operation**

The ERDF provided support for cross-border cooperation projects and institutions. Experiences with the implementation of the cross-border programmes in Slovenia in the period until 2007 are positive, especially with the cross-border programme Slovenia–Austria. However, the projects are not coherent. Therefore, it can be assumed that the potential for co-operation on both sides in terms of project content and involvement of relevant partners has not yet been sufficiently exploited<sup>17</sup>. In the period 2007–2013 the situation has improved with the extension of the eligible territories and with the centralized management and implementation system and the increased budget. Priorities are adequately set, taking into account capacities of the regions involved and challenges that eligible regions are facing (globalisation, technological changes, demographic changes, and depopulation). Within the 1<sup>st</sup> deadline of the 2<sup>nd</sup> call 22 projects were approved in May 2010: 10 projects within Priority 1 and 12 projects within Priority 2. Participation of companies in the approved projects has strengthened and that could strengthen the effects of cross-border cooperation. OP Slovenia–Austria 2007–2013 was one of first Cross-Border Cooperation (CBC) OPs approved by the European Commission (EC) and due to the early start of the program has already obtained many concrete results through the implementation of the approved projects. In the frame of the indicators reflecting cross-border cooperation it is evident that most of the targets have been achieved as planned, nevertheless the majority of the projects are still in the implementation phase, therefore actual success of the programme will be seen at the end of the financial period, after 2015.

In OP Slovenia–Hungary almost 50% of all available programme funds for operations were committed at the end of 2010, the rest will be committed in the first half of the next (2011) year. Due to the financial crisis some project partners had significant problems with liquidity and some operations were also subject to project partnership change. Consequently, the reporting of the operations did not follow the indicative reporting plan prepared by the beneficiaries at the beginning of the operations. Nevertheless it is foreseen however that target values of indicators will be reached through 2<sup>nd</sup> call, except on the number of projects monitored<sup>18</sup>.

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<sup>17</sup> Operational Programme: Cross-border Cooperation Slovenia – Austria 2007–2013, p. 36.

<sup>18</sup> 2010 Annual Implementation Report OP Slovenia–Hungary 2007–2013, 2011, p. 11.

**Table B – Effects of interventions by policy area**

Topic	Main indicators	Outcomes and results
Enterprise support, including assistance to large firms, SMEs and handicrafts, RTDI	Number of gross jobs created	669
	Number of research man-years in the private sector as a consequence of co-financed activities	3,000
	Number of innovations/patents	205
	Investment induced – cumulative	EUR 304.3 million
	Number of supported projects for SMEs	1,676
Human Resources	No visible effects	
Transport and telecommunications	Value of time saving from investment in roads including motorways	EUR 39.8 million a year
	Km of new highways	52.4
	The number of additional population covered by broadband access as a consequence of co-financed activities	55,849
Environment and energy	Delays in implementation: no visible effects until now	
Territorial development (urban areas, tourism, rural development, cultural heritage, health, public security, local development)	Gross jobs created	1,486
	Number of tourist overnight stays	8.9 million
	Increase in number of visitors in renovated cultural heritage and public cultural heritage infrastructure facilities	59,351
	Investments induced in tourism (EUR million)	406.7
	New and renovated sporting and recreational areas	85,000 sq. m.
	Population connected to sewage systems in agglomerations of less than 2,000 people per square km	+13,201
	Population with access to improved and safer water supply	+29,602

### 3. EFFECTS OF INTERVENTION

The results from ERDF and Cohesion Fund co-financed programmes are relatively scarce; nevertheless some judgments on the wider effects of intervention can be made, especially for ERDF co-financed activities. Due to lack of evaluation evidence the following can be concluded on the basis of statistical data, outcomes of the programme and interviews:

- 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 slowdown in business sector investment in

R&D<sup>19</sup> and to support SMEs with limited access to credit or loans (guarantees, favourable loans for enterprises) in order to overcome liquidity crisis caused by the credit crunch. The funds therefore helped to combat the after-effects of the recession by maintaining public investment levels, creating new jobs and maintaining existing ones. At the moment the majority of the Slovene manufacturing companies still focus their efforts on lowering costs and implement only R&D project co-financed with public funds (EU, national)<sup>20</sup>. Evaluation of publicly supported business R&D projects concluded that for every EUR of public support companies were able to increase their income by EUR 6.7 and increase value added by EUR 3.9. Public support of R&D projects had also positive effects on the number of people employed<sup>21</sup>. Innovative measures promise significant results in the long run. The evaluation of the impact of Centres of Excellence on the business sector in the period 2004 to 2006, showed that in many centres cooperation with the business sector has intensified, especially in the joint exploitation of the research equipment. This opened the door to more intensive contacts and in several cases resulted in improved collaboration of the partners. All these positive changes are expected to have, if the support is maintained over a longer period of time, spill-overs in improved technological level of the business sector<sup>22</sup>.

- 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 has 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 the early start of implementation (first calls in 2007) effects of interventions are visible, especially in tourism and at the regional level. Investments induced (EUR 406.7 million) have achieved the target set, 541 gross jobs were created until the end of 2010 and the number of tourist overnight stays has increased. ERDF co-financed projects are strengthening the role of tourism in the Slovene economy. Tourism is becoming one of the leading sectors of Slovene economy and thus makes a major contribution to the achievement of the Slovene development objectives in terms of GDP growth, new jobs/employment growth, balanced regional development, strengthening the cultural identity and increasing the recognisability of the country. Projects co-financed at the regional level are

<sup>19</sup> Expert Evaluation Network delivering Policy Analysis on the Performance of Cohesion Policy 2007–2013: Task 1: Policy Paper on Innovation. Ljubljana: Institute for Economic Research, 2010, p. 12.

<sup>20</sup> <http://www.delo.si/gospodarstvo/posel-in-denar/kako-je-kriza-spremenila-menedzerje.html>

<sup>21</sup> 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, p. 6.

<sup>22</sup> Mešl Mateja, Bučar Maja: Evalvacija gospodarske relevance rezultatov in programov centrov odličnosti. Ljubljana: Koncept, 2008, p. 2–3.



improving the quality of life of the local population, but the effects on the competitiveness of Slovene regions are relatively minor. The major weakness or failure in the implementation of the development priority is a lack of regional projects (operations with the regional impact). Operations within the priority guideline 'Regional development programmes' are municipal projects that were approved by mayors after prior allocation of resources by regions<sup>23</sup>. 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.

In 2010 the study "Methodology and assessment of micro-economic and macro-economic effects of Cohesion Policy in Slovenia" was prepared by the Economic Institute at the School of Law, Ljubljana and Faculty of Economics Ljubljana. The study analyses existing macro-economic models, with the emphasis on the HERMIN model, and results of micro-economic studies analysing relations between investments in business R&D and performance of companies. After the preparation of the HERMIN model for Slovenia and micro-economic assessment of innovation-related support and promotion of entrepreneurship investment co-financed by ERDF (OP SRDP: priority orientations 1.1. and 1.2. and SPD RS 2004–2006: measures 1.1. and 1.3.) in the period 2004–2008, a combined micro-macro-economic model for Slovenia was prepared (EUR 128 million, including EUR 92 million of grants). The results are:

- Micro-economic effects: growth of value added per employee in companies receiving innovation-related support was 6.4 % higher than in companies without support. Growth of total factor productivity was 1.8 % higher than in companies without support. It was higher in the service sector than in manufacturing.
- Macro-economic effects: the results obtained show that Cohesion Policy is going to increase Slovene GDP on average by 1.18 % in the period 2004–2020 and GDP is/will be above the scenario (baseline levels) without Cohesion Policy by 1.78% in the period 2007–2015. Unemployment rate is/will be 0.87% lower in the period 2004–2020 and –1.36% below the scenario without Cohesion Policy in the period 2007–2015. Employment rate is/will be on average 0.87% above the scenario without Cohesion Policy in the period 2007–2015.
- Based on the results obtained, it is possible to ascertain positive effects of Cohesion Policy on macro-economic results and on the performance of Slovene companies.

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<sup>23</sup> Vrednotenje četrte razvojne prioritete 'Razvoj regij' Operativnega programa krepite regionalnih razvojnih potencialov za obdobje 2007– 2013. Ljubljana: Pitija, 2009, p. vi.

## 4. EVALUATIONS AND GOOD PRACTICE IN EVALUATION

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 2010, only two evaluations 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 and 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<sup>24</sup>.

A tender for framework contracts for the on-going evaluation of Operational Programmes was published in November 2009 and potential evaluators were selected in August 2010. The evaluation plan seems to be appropriate for evaluating the effects of interventions co-financed by the ERDF and Cohesion Fund and delays in its implementation. Capacity for undertaking evaluations has been improving, especially on the supply side (experts available). On the demand side there is still a lack of awareness of the utility of evaluation studies. Politicians and many civil servants do not understand the value of evaluation and do not have realistic expectations about its use. Evaluation is usually understood as control. At the moment in Slovenia there is no systematic demand for evaluation work. Evaluation is not linked to the budget process nor to policy debates & choices. Nevertheless, evaluations conducted in the framework of Cohesion Policy are very often an important input into the policy-making process.

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<sup>24</sup> Main features of the evaluation are described in the Expert Evaluation Network delivering Policy Analysis on the Performance of Cohesion Policy 2007–2013: Task 2: Country Report on Achievements of Cohesion Policy. Ljubljana: Institute for Economic Research, 2010.

Title and date of completion	Policy area and scope	Main objectives	Main findings	Full reference or link to publication
Mid-term evaluation of the Operational Programme 'Environmental and Transport Infrastructure Development'; 19.10.2010	Environment, Transport, Sustainable use of energy	Relevance Feasibility	66 projects out of 111 could be implemented until 30.6.2015, Transport projects strengthening gravitational influence of major urban centres, but opening of Slovenia internationally, the establishment of connections between major urban centres and the enhancement of traffic flow efficiency and mobility inside these conurbations. Environmental projects are in line with the needs. Despite delays, sustainable use of energy projects should be implemented as planned	<a href="http://www.eu-skladi.si/skladi/crpanje-evropskih-sredstev/studije-in-vrednotenja/studije-in-vrednotenja-za-programsko-obdobje-2007-2013/vrednotenja-2007-2013/operativni-program-razvoja-okoljske-in-prometne-infrastruktura">http://www.eu-skladi.si/skladi/crpanje-evropskih-sredstev/studije-in-vrednotenja/studije-in-vrednotenja-za-programsko-obdobje-2007-2013/vrednotenja-2007-2013/operativni-program-razvoja-okoljske-in-prometne-infrastruktura</a>
Evaluation of the "Regional development" priority axis of the Operational Programme 'Strengthening the regional Development Potential'; 23.4.2009	Regional development	Relevance Effectiveness Efficiency	The analysis of 458 operations. Achievements of operations are in line with objectives of OP SRDP and the Balanced Regional Development Act. The major weakness in the implementation of the development priority is the lack of regional projects.	<a href="http://www.eu-skladi.si/skladi/crpanje-evropskih-sredstev/studije-in-vrednotenja/studije-in-vrednotenja-za-programsko-obdobje-2007-2013/vrednotenja-2007-2013/operativni-program-krepitev-regionalnih-razvojnih-potencialov">http://www.eu-skladi.si/skladi/crpanje-evropskih-sredstev/studije-in-vrednotenja/studije-in-vrednotenja-za-programsko-obdobje-2007-2013/vrednotenja-2007-2013/operativni-program-krepitev-regionalnih-razvojnih-potencialov</a>

In 2010 only a mid-term evaluation of the Operational Programme 'Environmental and Transport Infrastructure Development' was prepared.

Mid-term evaluation covers all projects proposed in the OP ETID. The main evaluation questions were:

1. Relevance of projects proposed:

- for transport projects, the impact of projects on objectives set in the Resolution on Transport Policy of the Republic of Slovenia (2006) and the Spatial Development Strategy of Slovenia (2004) was assessed;
- for environmental projects, compliance of projects proposed with the

requirements of the EU environmental “acquis communautaire” was assessed and outcomes of projects implemented estimated.

2. Feasibility of projects proposed: critical points of all projects proposed were assessed (project documentation, building permission, public procurement, time–schedule) and 66 projects out of 111 could be implemented until 30.6.2015. Other projects were postponed and replaced with reserve projects.

The methods used were interviews/focus groups with the Managing Authority and with the Intermediate Bodies combined with analysis of project documentation, legislation, national documents, existing contracts and reports. Financing the large number of projects proposed and the relatively short time for the evaluation (6 weeks) created technical difficulties, therefore the methodology used seems to be appropriate.

The results of the evaluation were very useful, especially for the implementation of OP ETID in the years to come. All projects were assessed and critical points of their implementation defined. At the end of 2011 all projects will be checked again in order to avoid potential de-commitment.

In the years to come the Managing Authority is planning to continue with the implementation of Evaluation Plans. For the year 2010 the following evaluations are planned<sup>25</sup>:

1. On-going evaluation of innovation-oriented measures of OP SRDP (priority orientations 1.1., 1.2., 2.1., 2.3.).
2. On-going evaluation of the “Regional development” priority axis of the Operational Programme ‘Strengthening the regional Development Potential’ (ERDF): focus will be on regional projects, but content is still open.

Due to the small number of evaluations conducted and short time for their implementation there are no evaluations.

Results of both the evaluations conducted for the period 2007–2013 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 on-going. The major weakness of the evaluation of the “Regional development” priority axis of the Operational Programme ‘Strengthening the regional Development Potential’; 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.

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<sup>25</sup> Predstavitev izvajanja Načrta vrednotenja OP RR in OP ROPI za obdobje 2007–2013 presented at the 5<sup>th</sup> regular session of the Monitoring Committee of OP SRDP and OP ETID on 5th June 2010.

## 5. CONCLUDING REMARKS – FUTURE CHALLENGES

In the 2010 country report the following recommendations were made:

- **Enterprise oriented measures:** further support is needed, but a more focused approach should be implemented. There should be moves from: supporting investment in new equipment to a further strengthening of support for business R&D projects; from 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); from a broad range of activities to more concentrated support for selected technological (sectoral) priorities; from 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 more to foster the need for expansion than the need to support entrepreneurship.
- **Transport and telecommunications:** a detailed assessment of the projects proposed is needed. If there are projects experiencing difficulties in meeting the “n+2” (or “n+3”) rule, new projects should be proposed and/or financial allocations should be reduced.
- **Environment and energy:** the Managing Authority and Intermediate Bodies should devote additional efforts 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. 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. 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 fund projects in different areas of development (infrastructure, tourism, culture, SME support, social inclusion, R&D, development of protected areas and so on), but concentration (avoid supporting too many similar projects) and synergy between projects are needed in order to achieve adequate effects.
- **Management and Implementation System:** 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 run effects.

According to the data available, financial absorption of the OP 'Strengthening Regional Development Potentials' is even better than originally planned. 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. On the basis of our knowledge, experience and the interviews carried out, the following recommendations are suggested:

- **Enterprise oriented measures:** New innovative measures tendered in the years 2009 and 2010 in a given context promise significant results in the long run, but due to their complexity intensive monitoring of supported projects is needed.
- **Transport and telecommunications:** a detailed assessment of the projects proposed is regularly needed. If the capacity to prepare and implement projects is weak proposed additional technical support should be used (external experts, JASPERS). 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 and intensive communication with municipalities should continue). Further elaboration of measures for the sustainable use of energy is needed (demonstration projects) and we propose to continue with the activities planned. In order to speed up implementation and to support implementation of energy efficiency in small companies the minimal amount of the projects should be lowered (EUR 120,000 for micro and small companies at the moment). It is important to promote energy efficiency at the local level – we propose to include energy restoration of buildings owned by municipalities. If de-commitment creates problems additional funds could be shifted to the priority.
- **Territorial development:** in tourism, more emphasis should be given to the further development of organisational structures for the common planning, development and marketing of tourist destinations. Support of external experts and networking of all regional destination organisations is advised. In the future closer coordination between cultural, nature and sporting activities is needed. As regards the Priority "Development of the regions", greater focus on regional projects where municipalities and the business sector have common objectives is needed (6<sup>th</sup> Call).
- **Cross-border programmes:** Almost 100% of all available programme funds for operations will be committed till the end of year 2011, therefore recommendations could be used in the next programming period. It is potentially beneficial to fund

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), inclusion of the business sector and synergy between projects are needed in order to achieve adequate effects.

- **Management and Implementation System:** 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) and evaluation 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, development centres of the Slovene economy, financial engineering, support for the construction and maintenance of broadband networks in local communities) which are new (new management and financing models).

Despite the fact that budgetary constraints, stemming from fiscal consolidation and affecting EU-funded projects, should remain a high priority, additional national funds should be devoted to the preparation of adequate project documentation for transport and environmental projects.

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## INTERVIEWS

Josip MIHELIC	Managing Authority (Government Office for Local Self-Government and Regional Policy): Head of the sector ERDF
Irena BRCKO KOGOJ	Managing Authority (Government Office for Local Self-Government and Regional Policy): Head of the sector Cohesion Fund
Andreja ŠTEFULA	Managing Authority (Government Office for Local Self-Government and Regional Policy): sector Cohesion Fund
Iba ZUPANČIČ	Evaluation (Managing Authority)

## TABLES

See Excel file for Tables 1 – 4:

Table 1 – Regional disparities and trends

Table 2 – Macro-economic developments

Table 3 – Financial allocation by main policy area

Table 3 CBC – Financial allocation by main policy area

Table 4 – Commitments by main policy area (by end-2010)

Table 4 CBC – Commitments by main policy area (by end-2010)

### Annex Table A – Broad policy areas and correspondence with fields of intervention (FOI)

Policy area		Code	Priority themes
1. Enterprise environment	RTDI and linked activities	01	R&TD activities in research centres
		02	R&TD infrastructure and centres of competence in a specific technology
		05	Advanced support services for firms and groups of firms
		07	Investment in firms directly linked to research and innovation (...)
		74	Developing human potential in the field of research and innovation, in particular through post-graduate studies ...
	Innovation support for SMEs	03	Technology transfer and improvement of cooperation networks ...
		04	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)
		06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (...)
		09	Other measures to stimulate research and innovation and entrepreneurship in SMEs
		14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)
		15	Other measures for improving access to and efficient use of ICT by SMEs
	ICT and related services	11	Information and communication technologies (...)
		12	Information and communication technologies (TEN-ICT)
		13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)
	Other investment in firms	08	Other investment in firms
2. Human resources	Education and training	62	Development of life-long learning systems and strategies in firms; training and services for employees ...

Policy area		Code	Priority themes
		63	Design and dissemination of innovative and more productive ways of organising work
		64	Development of special services for employment, training and support in connection with restructuring of sectors ...
		72	Design, introduction and implementing of reforms in education and training systems ...
		73	Measures to increase participation in education and training throughout the life-cycle ...
	Labour market policies	65	Modernisation and strengthening labour market institutions
		66	Implementing active and preventive measures on the labour market
		67	Measures encouraging active ageing and prolonging working lives
		68	Support for self-employment and business start-up
2. Human resources (Cont.)	Labour market policies (Cont.)	69	Measures to improve access to employment and increase sustainable participation and progress of women ...
		70	Specific action to increase migrants' participation in employment ...
		71	Pathways to integration and re-entry into employment for disadvantaged people ...
		80	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders
3. Transport	Rail	16	Railways
		17	Railways (TEN-T)
		18	Mobile rail assets
		19	Mobile rail assets (TEN-T)
	Road	20	Motorways
		21	Motorways (TEN-T)
		22	National roads
		23	Regional/local roads
	Other transport	24	Cycle tracks
		25	Urban transport
		26	Multimodal transport
		27	Multimodal transport (TEN-T)
		28	Intelligent transport systems
		29	Airports
		30	Ports
		31	Inland waterways (regional and local)
		32	Inland waterways (TEN-T)
4. Environment and energy	Energy infrastructure	33	Electricity
		34	Electricity (TEN-E)
		35	Natural gas
		36	Natural gas (TEN-E)
		37	Petroleum products
		38	Petroleum products (TEN-E)
		39	Renewable energy: wind
		40	Renewable energy: solar

Policy area		Code	Priority themes
		41	Renewable energy: biomass
		42	Renewable energy: hydroelectric, geothermal and other
		43	Energy efficiency, co-generation, energy management
	Environment and risk prevention	44	Management of household and industrial waste
		45	Management and distribution of water (drinking water)
		46	Water treatment (waste water)
		47	Air quality
		48	Integrated prevention and pollution control
		49	Mitigation and adaptation to climate change
		50	Rehabilitation of industrial sites and contaminated land
		51	Promotion of biodiversity and nature protection (including Natura 2000)
		52	Promotion of clean urban transport
		53	Risk prevention (...)
		54	Other measures to preserve the environment and prevent risks
5. Territorial development	Social Infrastructure	10	Telephone infrastructure (including broadband networks)
		75	Education infrastructure
		77	Childcare infrastructure
		78	Housing infrastructure
	Tourism and culture	79	Other social infrastructure
		55	Promotion of natural assets
		56	Protection and development of natural heritage
		57	Other assistance to improve tourist services
		58	Protection and preservation of the cultural heritage
		59	Development of cultural infrastructure
	Planning and rehabilitation	60	Other assistance to improve cultural services
	Other	61	Integrated projects for urban and rural regeneration
		82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation
		83	Specific action addressed to compensate additional costs due to size market factors
6. Technical assistance		84	Support to compensate additional costs due to climate conditions and relief difficulties
		81	Mechanisms for improving good policy and programme design, monitoring and evaluation ...
		85	Preparation, implementation, monitoring and inspection
		86	Evaluation and studies; information and communication

## ANNEX

### Evaluation grid for examples of good practice in evaluation

<b>BASIC INFORMATION</b>		
<b>Country:</b> Slovenia		
<b>Policy area:</b> Single Programing Document RS 2004–2006 (all priorities, Management and Implementation System)		
Title of evaluation and full reference: Vrednotenje postopkov prijave in izbire projektov iz strukturnih skladov EU; available at: <a href="http://www.svlr.gov.si/si/delovna_podrocja/podrocje_evropske_kohezijske_politike/enotni_programski_dokument_2004_2006/vrednotenja/">http://www.svlr.gov.si/si/delovna_podrocja/podrocje_evropske_kohezijske_politike/enotni_programski_dokument_2004_2006/vrednotenja/</a>		
<b>Intervention period covered (2000–2006; 2007–2013; specific years):</b> 2004–2006		
<b>Timing of the evaluation</b> (when it was carried out): Second part of the year 2005, published on 20 <sup>th</sup> of January 2006		
Budget (if known): EUR		
<b>Evaluator:</b> External evaluator (OIKOS)		
<b>Method:</b> analyses of applications submitted (sampling), interviews, analyses of programming documents, analyses of legislation, analyses of tools and instructions		
<b>Main objectives and main findings</b> (very short description – 3–4 lines) Main objective was to evaluate relevance of priorities proposed and to assess management and implementation system. Main findings are the following: programming should be based on SWOT analysis, not just on problems identified; lack of synergy between instruments (concentration is needed), the quality of tenders should be improved, management and implementation system need improvement.		
<b>Appraisal</b> (Why you consider the evaluation an example of good practice: – 2–3 lines) The report deals with content evaluation and evaluation of the implementation system and gives recommendations for further development. According to the recommendations reorganization of the management and implementation system of Cohesion Policy occurred in March 2006.		
<b>CHECK LIST</b>	<b>YES</b>	<b>NO</b>
<b>UTILITY</b>		
<b>Report Clarity and Balance</b>		
Are the objectives, methods and findings of the evaluation clearly described?	X	
Are the conclusions and recommendations clearly supported by the analysis?	X	
Are the strengths and weaknesses of the intervention being evaluated fairly assessed and reported?	X	
Is the outcome of the intervention clearly reported?	X	
<b>RELIABILITY OF FINDINGS</b>		
<b>Evaluation design</b>		
Is the approach adopted by the evaluation and method used clearly set out?	X	
Is the approach and methods suitable given the objectives of the valuation and the intervention being assessed?	X	
Are the details of the operation of the intervention clearly described?	X	
Are the mechanisms through which the intervention is intended to achieve its objectives clearly identified?	X	
<b>Context</b>		
Is the socio-economic and policy context clearly set out?		+
Are the effects of the economic and/or policy context on the outcome of the intervention clearly described?		+
<b>Information Sources</b>		
Are the quantitative and/or qualitative data used suitable for the purpose for which they are used?	X	
Is the reliability of the data fairly assessed and described?	X	
<b>Analysis</b>		
Are appropriate procedures/techniques used to analyse the data and/or qualitative information?	X	
Are suitable procedures used to check the validity of findings?	X	

Is the validity of the findings reached clearly demonstrated?	X	
Do the policy recommendations follow clearly from the findings of the analysis?	X	