

Study on the relevance and the effectiveness of ERDF and Cohesion Fund support to Regions with Specific Geographical Features – Islands, Mountainous and Sparsely Populated areas

Second Intermediate Report

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Study coordinated by ADE

This report has been prepared by ADE
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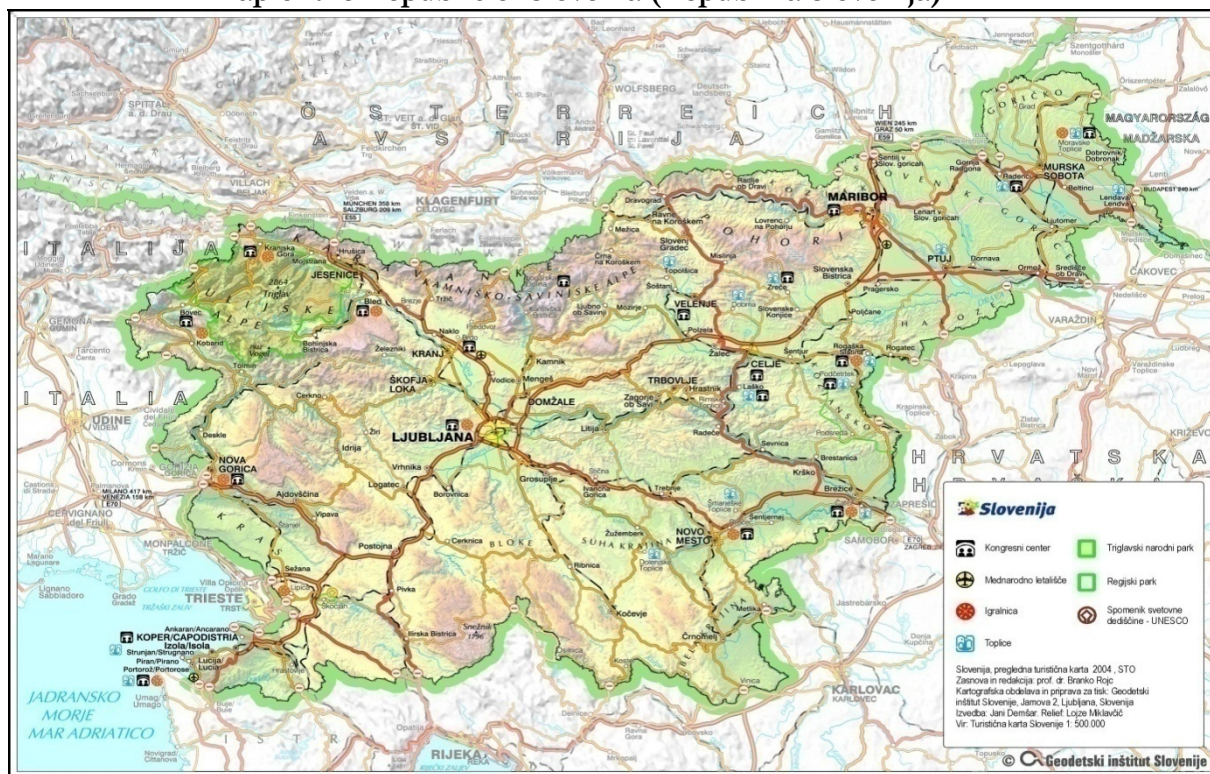
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3.5 Vzhodna Slovenija

Introduction

Slovenia is a small open economy with a population of just two million and it is one of the most developed new EU-12 members. Slovenia is a unitary state with two tiers of administration – central government and municipalities. There are 58 administrative units and 211 municipalities. Additionally, twelve development regions at the NUTS3 level were established through the 2005 Law on Balanced Regional Development. These are functional regions with no political decision-making structure. Their role is limited to statistical purposes and to the planning of social and economic cohesion policy at the sub-national level, involving the preparation of Regional Development Programmes. The two cohesion regions, Eastern Slovenia and Western Slovenia, were introduced based on the Promotion of Balanced Regional Development Act and determined with the resolution of the Government of RS (83rd regular session of the Government of RS, 54910-3/2005/12, 7th November 2005). The Government filed a motion to the Commission on their notification as statistical territorial units NUTS2. Eastern Slovenia includes development regions (NUTS3 territorial units): Pomurska, Podravska, Koroška, Savinjska, Spodnjeposavska, Zasavska, Southeastern Slovenia and Notranjsko-kraška. Western Slovenia includes development regions: Central Slovenia, Gorenjska, Goriška and Coastal-Karst. The Statistical Programming Board at Eurostat cleared on Thursday, 16 November 2006 Slovenia's request to being split into two regions.

Map of the Republic of Slovenia (Republika Slovenija)



Level	Code	NUTS-Code	Description
1	14910	SI	SLOVENIJA
2	14920	SI0	SLOVENIJA
3	14930	SI01	Vzhodna Slovenija
4	14940	SI011	Pomurska
4	14950	SI012	Podravska
4	14960	SI013	Koroška
4	14970	SI014	Savinjska
4	14980	SI015	Zasavska
4	14990	SI016	Spodnjeposavska
4	15000	SI017	Jugovzhodna Slovenija
4	15010	SI018	Notranjsko-kraška
3	15020	SI02	Zahodna Slovenija
4	15030	SI021	Osrednjeslovenska
4	15040	SI022	Gorenjska
4	15050	SI023	Goriška
4	15060	SI024	Obalno-kraška

Source: Eurostat, 2011.

1. Identification

1.1. Identification of NUTS2 area and corresponding NUTS3 region(s)

NUTS2: SI01 Vzhodna Slovenija

NUTS3: SI013 Koroška, SI014 Savinjska, SI015 Zasavska, SI018 Notranjsko-kraška

1.2. Identification of relevant programmes supported by ERDF or Cohesion funds

- 2000-2006: *Regional and national thematic Objective 1 or 2 OPs, Cohesion funds.*

Single Programming Document of the Republic of Slovenia for the Programming Period 2004-2006

- 2007-2013: *Regional competitiveness / Convergence objectives, Cohesion funds*

OP 'Environmental and Transport Infrastructure Development' (2007SI161PO002)

OP 'Strengthening Regional Development Potentials' (2007SI161PO001)

The analysis focuses mainly on Regional OPs. Nevertheless, other programs (e.g. national) will be also considered, but with a more direct focus on relevant fields and implementation modalities.

2. Regional features and Domestic Policy Responses

2.1. Main characteristics of NUTS2 and NUTS3 regions:

The NUTS3 regions selected as mountainous regions have at least 50% of their population living in topographic mountain areas; high mountains are located in Gorenjska and Goriška region.

The common characteristic of the selected mountainous regions is the relative lack of employment opportunities and the consequent need to travel for work to neighbouring regions, especially to Osrednjeslovenska region. In addition, the population in the regions tend to have relatively low levels of educational attainment as well as relatively larger shares of employment in the industrial sector, including energy and construction, which have suffered quite badly during the recent economic crisis in the last three years.

Handicaps of the selected regions include the following:

1. Poor accessibility to other parts of Slovenia (Koroška region);
2. Poor interregional transport links (Savinjska region);
3. Relatively higher share of 'old' industries, including energy sector (coalmines) in the past (Zasavska region).

Assets in their development are at least the following:

- Presence of natural spas in Savinjska region and favourable geographical position;
- Higher share of NATURA 2000 sites (Notranjsko-kraška region);
- Active restructuring process in Zasavska region (brownfields redevelopment),
- Tourism potential in the Notranjsko-kraška region (the intermittent Cerknica Lake, karst caves (Postojna, Križ, and Škocjan), and rich cave fauna such as the "human fish" (*Proteus anguinus*));
- Tourism potential in the Koroška region.

Vzhodna Slovenia is well behind Zahodna Slovenija in terms of socio-economic development (GDP per capita, unemployment rate, employment rate, and so forth). Disparities are mainly linked 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.

2.2. Position, trends and dynamics

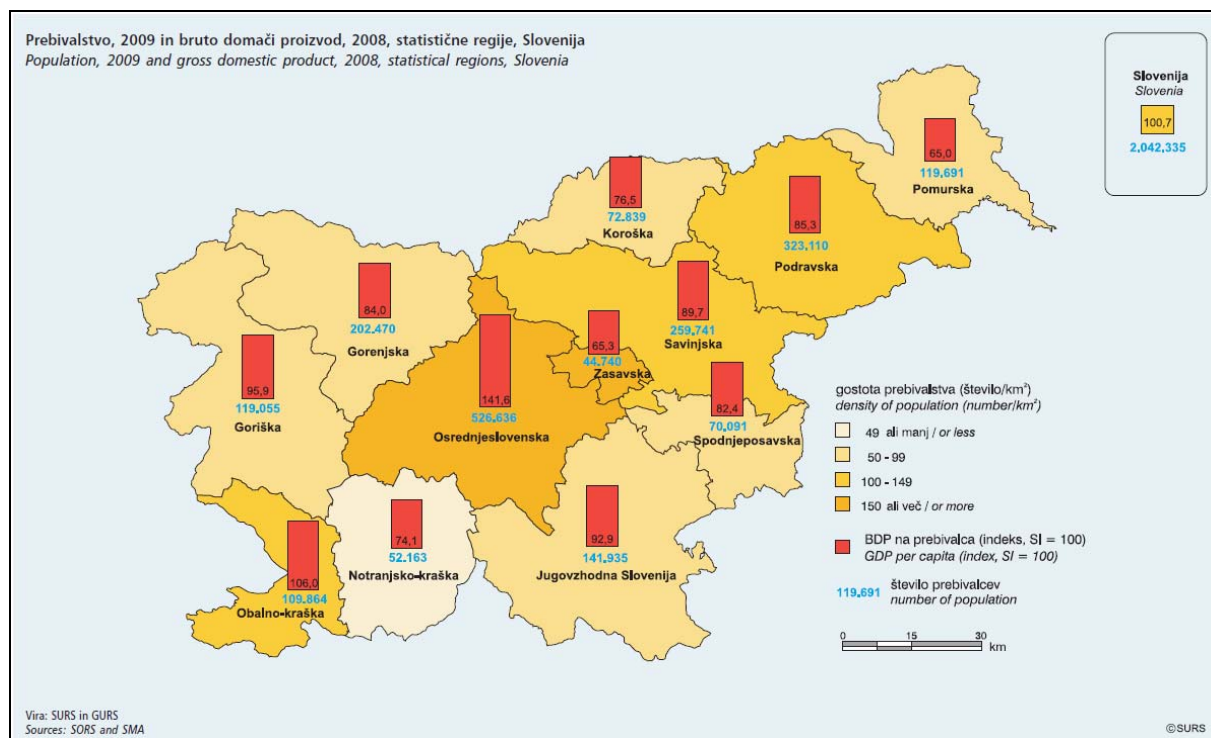
Slovene NUTS3 regions are relatively small and their economic performance often depends on a small number of companies.

• ***Population and demographic trends:***

The population of Slovenia is two million and given that the population density is 98 inhabitants per square kilometre, it is a relatively sparsely populated Member State. According to data included in the Rural Development Programme 2007-2013 baseline figures showed that 60% of the population live on less than 20% of the surface namely in the valleys and basins whilst the population density is much more sparse in the hilly areas.

In rural areas, the demographic structure is posing certain challenges given that it holds a larger share of older citizens and many young people have left to find opportunities elsewhere. However, in the rural areas close to urban centres, population increases have been registered, whilst for more peripheral regions there are negative demographic trends and even abandonment.

Selected NUTS3 regions differ in their size and in the number of population. According to the number of inhabitants Zasavska region is the smallest with the app. 47.000 inhabitants in the year 2009, following by Notranjsko-kraska region with app. 52.000 inhabitants, Koroska region with app. 73.000 inhabitants and Savinjska region with app. 260.000 inhabitants, which is by far the biggest region in terms of number of population. Koroška and Zasavska had faced negative demographic trends in the last nine years (decline in the number of inhabitants), due to outmigration. Notranjsko-kraska and Zasavska region are among the least populated regions in Slovenia with the density lower than 70 inhabitants per square km.



Source: SORS

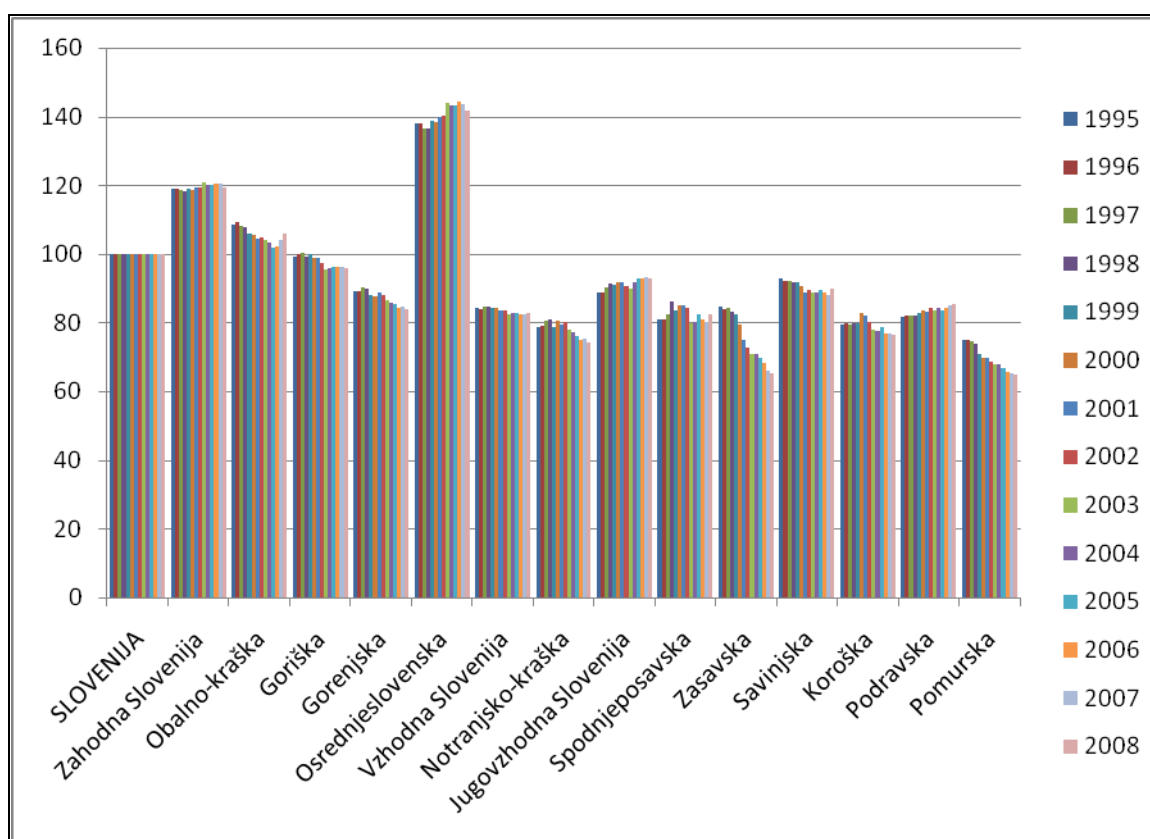
- **Economic growth:**

The differences amongst Slovene regions regarding GDP are high. In 2008 the Osrednjeslovenska region alone produced more than one third (36.1%) of the total Slovenian GDP. The Osrednjeslovenska region (13,479 million Euros) has a GDP almost 25 times higher than the smallest region, Zasavska (540 million Euros). In the 1995-2008 period, the position of Zasavska region measured by the GDP per capita index deteriorated the most (always in comparison to Slovenia in the same year, whose index therefore always equals 100), by 19.5 percentage points (from 84.8 in 1995 to 65.3 in 2008), which is considerably more than the second region with the worst trend, Pomurska, whose position

deteriorated by 9.9 percentage points (from 74.9 to 65.0). Nevertheless, all regions experienced a real growth in GDP per capita in this period. Regions that improved their position in terms of the Slovenian average, in the descending order, are: Jugovzhodna Slovenija (4.2 percentage points), Podravska (3.7), Osrednjeslovenska (3.6) and Spodnjeposavka (1.5). The position of other regions compared to Slovenian average deteriorated: Obalno-kraška (-2.5, that is deteriorated its position or dropped by 2.5 of a percentage point), Koroška (-3.1), Savinjska (-3.3), Goriška (-3.4), Notranjsko-kraška (-4.6), Gorenjska (-5.2), Pomurska (-9.9), and Zasavska (-19.5).

GDP per capita in Vzhodna Slovenija and in the selected NUTS3 regions is still below the EU average.

Regional gross domestic product, current prices, Slovenia, annually



Source: SORS

Regional imbalances in registered unemployment rate in Slovenia are relatively high and increasing. After several years of decline, which varied from region to region, regional unemployment rates raised again in 2008 after 2001, whereas the gap between regions recording the lowest and highest unemployment rates narrowed slightly. In the year 2007 the unemployment rate increased in Spodnjeposavska, Podravska and Pomurska region, which replaced Podravska as the region hit hardest by unemployment. Goriška region still has the lowest registered unemployment rate, but the other four regions (Koroška, Zasavska, Spodnjeposavska, and Pomurska) are specialized in agriculture and especially

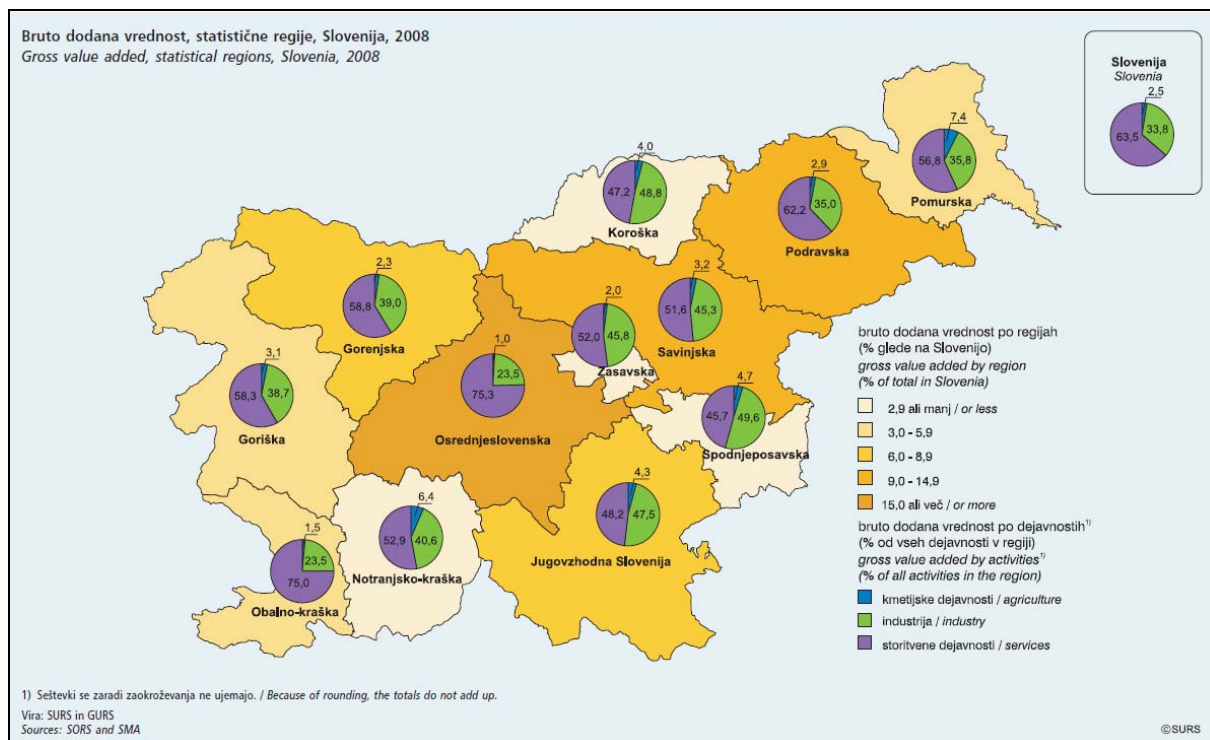
labour-intensive industries such as textiles, which are increasingly exposed to competitive pressures, so that further major reductions in employment could be seen. Regional unemployment rates rose again to around 40% in 2008, 2009 and the first half of 2010 and negative trends have continued ever since. The economic crisis has had different regional impacts. The registered unemployment rate has also increased in regions where before the crisis the rate was above the national average. Koroška, Zasavska, Spodnje Posavska, Savinjska, Zasavska and Pomurska regions are hit hardest by unemployment, because they are dominated by low value added industries, including textiles, construction, agriculture, mining and others which are increasingly exposed to competitive pressures, so that further major reductions in employment have occurred in recent years.

- **Economy structure:**

The structure of Slovenia's economy is gradually approaching that of the well-developed European economies as the significance of agriculture and industry is diminishing, while the significance of services is increasing. However, the economic structure of Slovenia is still largely comparable with eastern European countries. The service sector generates the largest share of economic performance with roughly 60%, followed by industrial firms with approx. 25% and construction with 8 %. The once flourishing agricultural sector now plays only a marginal role with slightly more than 2%.

In the selected regions industry still has above average share in value added and in employment. There are different reasons for this:

- *Tradition (old industrial areas).* In the framework of industry the importance of the manufacturing sector is falling most rapidly. Structural shifts of manufacturing are positively aimed at strengthening technology – intensive industries. Unfortunately they are carried out too slowly, because Slovenian enterprise (corporate) sector is facing significant structural problems. A considerable share of the added value in the manufacturing sector is still created by low technology activities. In order to make a breakthrough in competitiveness and keep economic growth in the state sustainable in the long run, it is necessary to make important shifts based on technological restructuring, higher investment in R&D, ICT, innovation in general and the increased role of the knowledge-based services. The regions selected, especially Koroška and Savinjska were hit by bankruptcy of important manufacturing/construction companies.
- *Three of the selected regions do not contain a larger city.* Only in Savinjska region are relatively larger cities located (Celje, Velenje). Due to the lack of critical mass the share of service sector (business, public) is below the Slovene average.

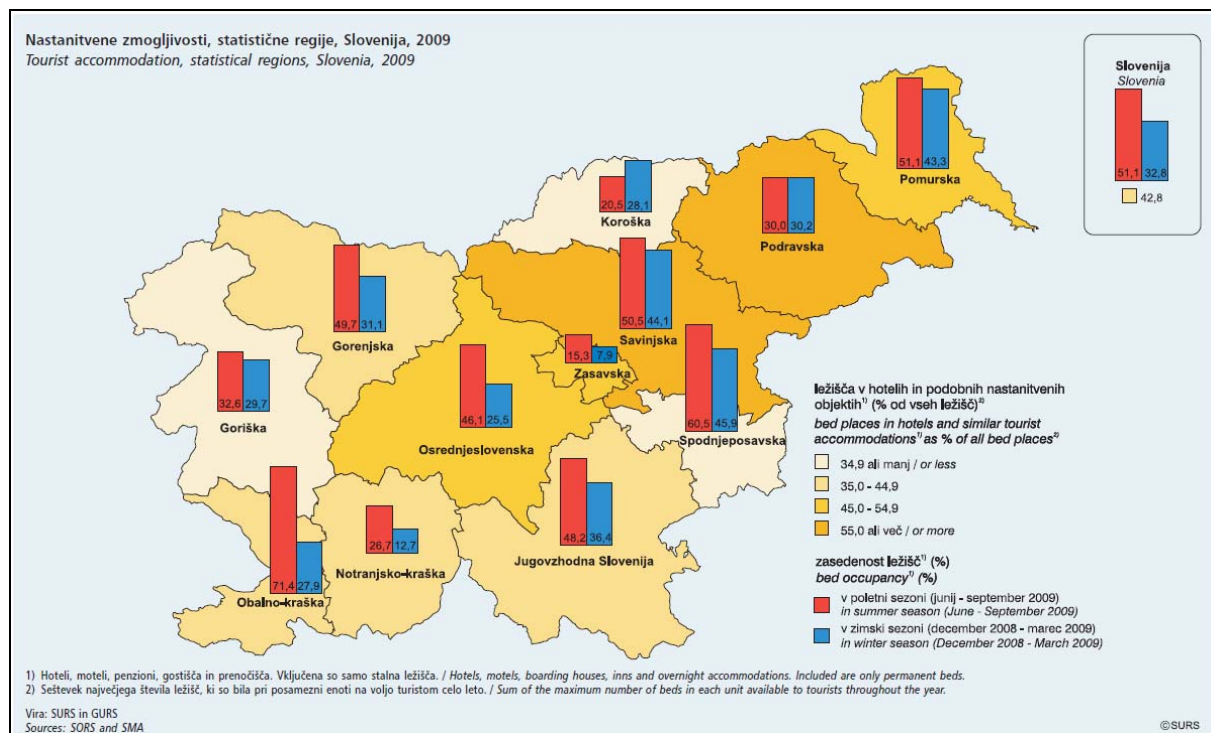


Source: SORS

• Others:

The Information Society is well developed in Slovenia, as shown by the indicators such as broadband penetration and use of internet for which the evolution was depicted against the average levels of the EU Member States (EU27). Nevertheless, the share of Slovenian Internet users aged 16–74 in 2009 rose to 62%, narrowing the gap to the EU average (65%). Despite some positive shifts in the use of the Internet among the middle-aged (35–54 years) and low-skilled population, Slovenia still lags behind the EU average in this respect. The share of households with Internet access in 2009 reached 64% and is fully comparable with the EU average. Both in the EU and Slovenia, more than half of all households have a broadband connection, which allows access to new services offered by businesses and public institutions. However, the data-transmission speed in Slovenia is much lower, since availability of broadband Internet with transmission capacity above 2 Mbit/s is half the capacity in the EU and the Internet is used relatively less for complex communication services. There are regional differences in access to broadband connection. Regions without larger cities still lack adequate broadband connections.

Tourism offers an important development and business opportunity for Slovenia. The sector is set to become one of the leading branches of industry in the Slovenian economy in the coming years, making a significant contribution to the achievement of the country's development objectives. Selected regions are characterised by tourism potential that is still not fully exploited. Tourism is a priority of all selected regions.



Source: SORS

As regards accessibility Koroška region is characterised by poor accessibility to other parts of Slovenia. Notranjsko-kraška region and Savinjska region are characterised by poor interregional transport links. The accessibility of the Zasavska region has improved due to the completion of a major highway and the Trojane tunnels.

The issue for the selected mountainous regions are the very worrying are negative trends in terms of GDP per capita. Despite some positive developments in the last year (investments into business zones, new highways, environmental infrastructure, strengthening of development institutions) regional disparities are due to market forces increasing (GDP per capita, R&D intensity, number of working places). According to the studies undertaken in recent years and according to the strategic documents (e.g. the Strategy of regional development in Slovenia (SRDS) adopted in 2001), the main problems are: i) a lack of endogenous development factors (human capital, entrepreneurship, lack of domestic or foreign investments) in less developed regions; ii) increased competition in the Single Market - those areas that depend on low to medium technology industries may see further business closures; iii) inability to implement comprehensive regional policy on the basis of existing legislation.

The concentration of economic activities and inhabitants in only some areas in the past caused heterogeneous conditions for life and work (significant differences in the spatial distribution of jobs, unemployment rate and education structure of inhabitants), poor transport connections between regions and unequal access to social infrastructure inside regions. The problems are especially distinctive in structurally underdeveloped areas with a weak economy and with mainly agrarian characteristics, in areas with demographic problems and a low income level per capita and in economically and socially unstable areas.

With the accession of Slovenia to the EU such structural problems became evident and in some areas they even intensified (National Strategic Reference Framework Slovenia 2007-2013, 2007, p. 45).

2.3. Domestic Policy Responses

There are no specific domestic policy (regional policy) instruments that address specific geographical features. Policies relating to tourism, rural development or active labour market policy indirectly influence areas with specific geographical features, but not as a primary goal. There are also other policies as environmental policy (management of protected areas), transport policy, which clearly have an impact on the economies of the mountainous areas without having a specific focus on them.

Slovenian experiences with regional policy go a few decades back. In the framework of regional policy developed during the former Yugoslavia, less developed areas were introduced in 1971 for the first time with the Law on the Promotion of Balanced Regional Development. Subsequently, from 1971 until 1999 regional policy was based on supporting less developed areas and the goal of reducing regional disparities had been a core objective of this regional policy approach.

From 1999, the Law on the Promotion of Balanced Regional Development adopted (theoretically) an increasingly refined approach which went beyond narrow socio-economic disparities to focus on broader competitiveness factors and views of regional potentials. Implementation of regional policy in the entire territory of the Republic of Slovenia has been one of the key principles since 1999. Over time, regional policy has moved from being a policy primarily concerned with territorial equity to one promoting regional growth and competitiveness. With the onset of the financial crisis the areas that were most severely hit by the economic crisis received special attention (law, preparation of the programme) from the Slovene Government in the years 2009 and 2010 (Pomurje region, Bela krajina).

Nevertheless, there are still policy measures designed for specific types of areas (problem areas), these are:

- Programme Promoting the Development in the Posočje Region 2007–2013 (Soča 2013): the area is subject of post-earthquake reconstruction (earthquakes in 1998 and 2004);
- Development of the Roma settlements;
- Support to the areas of the both autochthonous national minorities;
- Development of border areas with Croatia (financed from EU Cohesion Policy funds): the least developed areas of Slovenia are found here, and mostly small and financially weak local communities (in 7 statistical regions). To these areas the regional policy aims to attract initial investments of enterprises and to improve accessibility to public functions and services for population living in close proximity to the checkpoints on the border with Croatia. The inclusion of Slovenia in the Schengen regime intensified the need to focus on areas in the southern border region;
- The Law for support to the Pomurje region was introduced in late 2009 after the area had been severely hit by the economic crisis.

Two programmes are closed already:

- Programme Promoting the Development in the Posočje Region 2002–2006 (Soča 2006).
- Restructuring of the Zasavje region (ZPZRTH) in the period 2002-2006 as part of Regulating the Gradual Closure of the Trbovlje-Hrastnik Mine and Development Restructuring of the Region Act.

Supporting infrastructure investments of municipalities according to the Article 21 of the Financing of Municipalities Act covers the whole country, but the allocation of funds is based on the formula defined in the Law. There is a special Call for them each year.

It is important to note that the whole country is eligible under the Convergence Objective and so is also eligible for regional state aid. Furthermore, domestic regional policy in Slovenia is very much linked to EU Cohesion policy. Slovenia has tried to follow the focus on all-region approach combined with region specific interventions. The main financial source for Slovene regional policy is no doubt EU Cohesion policy, especially with the Operational programme for strengthening regional development policy (OP SRDP).

A new Law on Balanced Regional Development was passed in the Slovene Parliament in March 2011 which ensures that border areas and areas with high unemployment rates will get special support from domestic and EU regional policy.

3. ERDF and CF Programme priorities and fields of intervention

For 2004-2006, there was a single sectoral Objective 1 SPD. Financial allocations amounted to 337 million Euros of EU funding and domestic co-financing, 40.7 percent of which was provided by the ERDF. In total, 137 million Euros of ERDF funding was allocated to Objective 1.

Due to the fact that the whole of Slovenia is eligible for ERDF support it is very difficult to differentiate programme priorities and fields of intervention between Zahodna Slovenija and Vzhodna Slovenija. Nevertheless based on the SWEKO study, for mountainous areas we can conclude that in the period 2004-2006 there was diversity of strategies between NUTS2 and selected NUTS3 regions and amongst NUTS 3 regions:

1. Particularly significant investment (46-61 per cent in SI013, 014, 015) in environmental infrastructure;
2. Relatively larger investment in telecommunication infrastructures (SI018, 015, 013);
3. Particularly significant investment in tourism (28 per cent in SI018).

Fields of intervention	Territorial level (Nuts)	EU	EU	SI	SI01	SI013	SI014	SI015	SI018
	Name		Mountains	Slovenija	Vzhodna Slovenija	Koroška	Savinjska	Zasavska	Notranjsko-kraška
	Region eligibility	Obj. 1	Obj. 1		Obj. 1	Obj. 1	Obj. 1	Obj. 1	Obj. 1
	SGF		M			M-	M-	M-	M-
11 Agriculture		0,1%	0,1%		0,0%				
12 Forestry		0,0%			0,0%				
13 Promoting the adaptation and the development of rural areas		0,4%	0,3%		0,0%				
14 Fisheries		0,1%	0,2%		0,0%				
15 Assisting large business organisations		5,8%	4,8%		0,0%				
16 Assisting SMEs and the craft sector		9,6%	12,6%	6,5%	8,2%	13,2%	8,0%	5,8%	15,6%
17 Tourism		2,9%	4,5%	11,7%	11,7%	2,8%	7,9%		28,0%
18 Research, technological development and innovation (RTDI)		6,2%	4,1%	7,0%	1,3%	0,2%	2,0%	0,1%	0,2%
21 Labour market policy		0,1%	0,0%		0,0%				
22 Social inclusion		0,1%	0,0%		0,0%				
23 Developing education and vocational training		1,5%	0,8%		0,0%				
24 Workforce flexibility, entrepreneurial activity, innovation, ICT		0,0%	0,0%		0,0%				
25 Positive labour market actions for women					0,0%				
31 Transport infrastructure		34,0%	33,6%	32,6%	35,9%	20,1%	16,6%	17,9%	30,4%
32 Telecommunication infrastructure and information society		3,2%	3,9%	2,0%	2,2%	6,4%	0,9%	7,0%	9,1%
33 Energy infrastructure		1,0%	1,0%	0,8%	0,9%	2,7%	0,4%	2,9%	3,7%
34 Environmental infrastructure		19,3%	17,3%	33,9%	35,6%	46,6%	60,6%	60,4%	3,7%
35 Planning and rehabilitation		10,1%	10,7%	0,8%	0,9%	2,7%	0,4%	2,9%	3,7%
36 Social and public health infrastructure		4,2%	4,6%		0,0%				
41 Technical Assistance and innovative actions		1,4%	1,5%	4,8%	3,3%	5,4%	3,2%	2,9%	5,6%
Total		100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
<i>Total 1 Productive environment</i>		<i>25,1%</i>	<i>26,7%</i>	<i>25,2%</i>	<i>21,2%</i>	<i>16,2%</i>	<i>17,9%</i>	<i>5,9%</i>	<i>43,8%</i>
<i>Total 2 Human resources</i>		<i>1,8%</i>	<i>0,9%</i>		<i>0,0%</i>				
<i>Total 3 Basic infrastructure</i>		<i>71,7%</i>	<i>71,0%</i>	<i>70,1%</i>	<i>75,5%</i>	<i>78,4%</i>	<i>78,9%</i>	<i>91,2%</i>	<i>50,6%</i>
<i>Total 4 Technical Assistance</i>		<i>1,4%</i>	<i>1,5%</i>	<i>4,8%</i>	<i>3,3%</i>	<i>5,4%</i>	<i>3,2%</i>	<i>2,9%</i>	<i>5,6%</i>

Source: Sweco, 2008.

For the 2007-13 period, Slovenia has been allocated 4.101 billion Euros (current prices) of Structural Fund and Cohesion Fund financing under the Convergence Objective. To complement the EU investment, Slovenia's overall annual contribution is expected to reach 957 million Euros. For the 2007-13 period, all of Slovenia is eligible under the Convergence objective.

The priorities of the National Strategic Reference Framework (NSRF) are implemented through three operational programmes. The first, the operational programme for Strengthening Regional Development Potentials will receive funding from the European Regional Development Fund (ERDF). The second, designated as the operational programme for Human Resources Development, will be funded by the European Social Fund (ESF). Finally, the third programme, the operational programme for Environmental and Transport Infrastructure Development, will be funded by both the ERDF and the Cohesion Fund (CF). The ERDF will also finance initiatives under the European Territorial Cooperation objective consisting of three strands for cross-border, transnational and interregional cooperation. Under this Objective, Slovenia will be taking part in 13

operational programmes: five on cross-border cooperation, four on transnational cooperation and four on interregional cooperation⁶⁶.

NSRF financial table

Operational Programme	Fund	Total
Community Contribution		
Human Resources Development	ESF	755 699 370
Strengthening Regional Development Potentials	ERDF	1 709 749 522
Environmental and Transport Infrastructure Development	ERDF	224 029 886
Environmental and Transport Infrastructure Development	CF	1 411 569 858
Environmental and Transport Infrastructure Development	ERDF + CF	1 635 599 744
Total	ERDF	1 933 779 408
Total	CF	1 411 569 858
Total	ESF	755 699 370
Total NSRF 2007-13	All funds	4 101 048 636

Source: http://www.ec.europa.eu/regional_policy/atlas2007/fiche/sl_en.pdf

In the period 2007-2013 there are different development priorities influencing selected NUTS3 regions:

1. The development priority “Regional development programmes” (OP ‘Strengthening Regional Development Potentials’): whereas other development priorities are directed towards developing growth centres and projects of national importance, the priority for regional development is to ensure that complementary infrastructure exists which is suited to the region in question. The priority “Regional development programmes” includes and links the measures which are in the Development Programmes in respect of self-governing local communities. In principle, major projects of national importance are financed under other priorities, while complementary local or regional projects are financed under the development of regions. In total 487 operations were approved in four calls for proposals until the year 2010 in the following priority areas: economic and educational infrastructure, transport infrastructure, environmental infrastructure, development of urban areas, public infrastructure in areas with special environment protection and tourist areas, and social infrastructure. The major weakness or failure in the implementation of the development priority is a lack of regional projects. Operations within the priority guideline ‘Regional development programmes’ are municipal projects that were approved by mayors after prior allocation of resources by regions.
2. Other development priorities: project selected are located in the selected NUTS3 regions, including investment into environmental infrastructure (regional waste management centres in Ljubljana, Zasavje and Koroška), enterprise support, including assistance to large firms, SMEs and handicrafts, RTDI, investment into broadband access, etc.

⁶⁶ http://www.ec.europa.eu/regional_policy/atlas2007/fiche/sl_en.pdf

Indicative allocation of ERDF funds to regions

Region	ERDF resources per capita (EUR current prices)	ERDF resources 2007-2013 (in mio EUR, current prices)
Vzhodna Slovenija	407,2	439
Pomurska	573,1	70
Notranjsko kraška	456,2	23
Podravska	419,7	134
Spodnjeposavska	419,7	29
Zasavska	409	19
Koroška	373,4	28
Jugovzhodna Slovenija	365,3	51
Savinjska	331,6	85
Zahodna Slovenija	158,8	146
Goriška	337	20
Gorenjska	298,5	59
Obalno-kraška	296,1	31
Osrednje-slovenska	31,4	16
Slovenia	292,8	586

Source: European Commission, 2011.

As regards other priorities we do have only data for a whole Slovenia. Slovenia is heavily investing:

- in innovation (p. 1-4, 7, 9), especially in the networks (centres of excellence, competence centres, development centres of Slovene economy);
- in transport infrastructure as rails and roads (p. 16-23), nevertheless especially investments into rail infrastructure;
- in environmental protection and infrastructure (p. 44-52, 54);

There is partial shift in priorities between the two periods although it is important to bear in mind the following points:

1. the total amount of money available is much bigger in the current financial perspective compared to the previous period;
2. data is not really comparable;
3. there is a difference between allocation and spending.

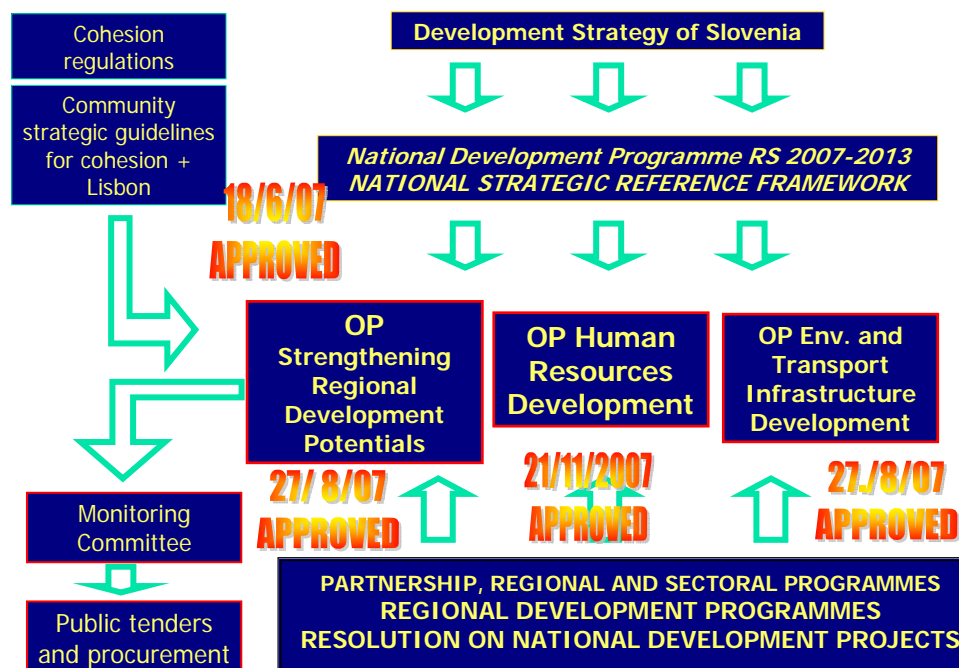
SI (2 programmes covering all the Slovenia)	OP Budget	
2007SI161PO001 - OP Strengthening Regional Development Potentials) 2007 - 2013 EC decision C(2007) 4080 - 27/08/2007		
2007SI161PO002 - OP Environmental and Transport Infrastructure Development 2007 - 2013 EC decision C(2007) 4081 - 27/08/2007	(EU amounts)	in % of total
A. Innovation & RTD (1-4;7;9)	765.035.924	23%
B. Entrepreneurship (6-7;8)	175.676.768	5%
C. Information society (10-15)	108.596.729	3%
D1. Transport - Rails (16-19)	449.567.581	13%
D2. Transport - Roads (20-23)	434.291.781	13%
D3. Transport - Other (Multimodal, air, boats) (24-32)	102.344.745	3%
E2. Energy - Renewable (39-43)	159.886.553	5%
F1. Environment protection and infrastructure (44-52;54)	672.075.038	20%
F2. Risk prevention (53)	97.462.141	3%
G. Tourism and culture (55-60)	162.589.690	5%
H. Urban and rural regeneration (61)	61.944.263	2%
L. Investment in social infrastructure (75-79)	98.181.098	3%
M4. Technical assistance (85-86)	57.696.955	2%
Grand Total	3.345.349.266	100%

Source: European Commission, 2011.

4. ERDF and Cohesion Fund strategies and relevance

ERDF and CF Operational Programmes (OPs) do not deal with geographical specificities and their consequences. In the analytical part of the OP 'Strengthening Regional Development Potentials' the relatively poor accessibility of mountainous regions and the out-migration of inhabitants to lowland areas is mentioned. Of course, that is not to say that programme priorities are not relevant to the socio-economic development of the selected regions because they are. In particular, the development priority "Regional development programmes" (OP 'Strengthening Regional Development Potentials') enables regions to select projects that are in line with the regional development programmes for the period 2007-2013, prepared and adopted in Slovene statistical regions.

Relations between strategic documents and Cohesion policy documents in Slovenia



Source: European Commission, 2011

The OP Strengthening Regional Development Potentials (SRDP): The key orientation of the OP SRDP is to achieve the following goal: Innovative, dynamic and open Slovenia, with developed regions and competitive, knowledge- based economy.

The OP Environmental and Transport Infrastructure Development: The strategy in the implementation of this Operational Programme is to ensure the conditions for growth by providing sustainable mobility, better quality of the environment and suitable infrastructure and at the same time also to fulfil the fifth objective of the NSRF, which is balanced regional development.

The review of Operational Programmes does not provide any proof of special treatment for mountainous areas. Geographical characteristics of selected regions are not considered by regional or national authorities as a main problem hence there are no particular measures used to deal with geographical specificities.

5. Quantitative results of the ERDF/CF programme

Due to the lack of evaluation evidence available in Slovenia for the period 2007-2013 but also 2004-2006 and weak quantitative evidence (main indicators of output, results and impacts) assessment is based mainly on qualitative evidence.

There was a list of different indicators (output, result, impact). Values set for the period 2004-2006 had been achieved. There is still limited data for the period 2007-2013. At the moment little data exist on on-going projects, since most are in the implementation phase and the results will be reported at the closure of the projects and programmes (in some cases) at the earliest.

2004-2006

Support from the Structural Funds, subject to programming within the Single Programming Document (SPD), represents one of the key policy tools for promoting the strategic development objectives of Slovenia. In order to achieve further convergence in the levels of economic and social development with the EU and - at the same time - to mitigate internal imbalances within Slovenia, the principal targets of the SPD were set as follows:

- Average annual growth of GDP should be higher than that of the EU-15, which would reflect in the gradual closing of the gap in GDP per capita with the EU average.
- Employment growth; Creation of over 3000 net new jobs due to the Structural Funds interventions is expected.
- Balanced regional development objective will be pursued through a spatial targeting approach, which should ensure that growth will also improve the welfare in disadvantaged, usually also more peripheral regions. The main objective in the period to 2006 is to prevent further increases of regional disparities, measured as the ratio in GDP per capita (PPP terms) between the most and least developed region. The present ratio, which refers to year 2001, stands at 1:1,9.

Based on the information from the Final Report on the Implementation of the Single Programming Document of the Republic of Slovenia for the Programming Period 2004-2006 principal targets had been achieved. Only the balanced regional development objective was not achieved, but due to the small amount of money compared to the total public expenditure, the objective set was inappropriate.

2007-2013

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

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

As described above, absorption for the period 2004-2006 was even more than 100%. In the period 2007-2013 the value of signed contracts at the end of March 2011 reached 59.2% of commitments for the OP 'Strengthening Regional Development Potentials' and only 28.5% for the OP 'Environmental and Transport Infrastructure Development'.

Effects of interventions by policy area

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

Source: Expert Evaluation Network delivering Policy Analysis on the Performance of Cohesion Policy 2007-2013: Task 2: Country Report on Achievements of Cohesion Policy: Slovenia, 2010.

Based on the information available, qualitative and quantitative evidence (annual reports, evaluations conducted) the overall assessment of the effectiveness of the ERDF programme for the period 2004-2006 is positive. For the period 2007-2013, however, it is too early for judgment, but it is clear that supported interventions are having an influence on the potential for improving regional economic development.

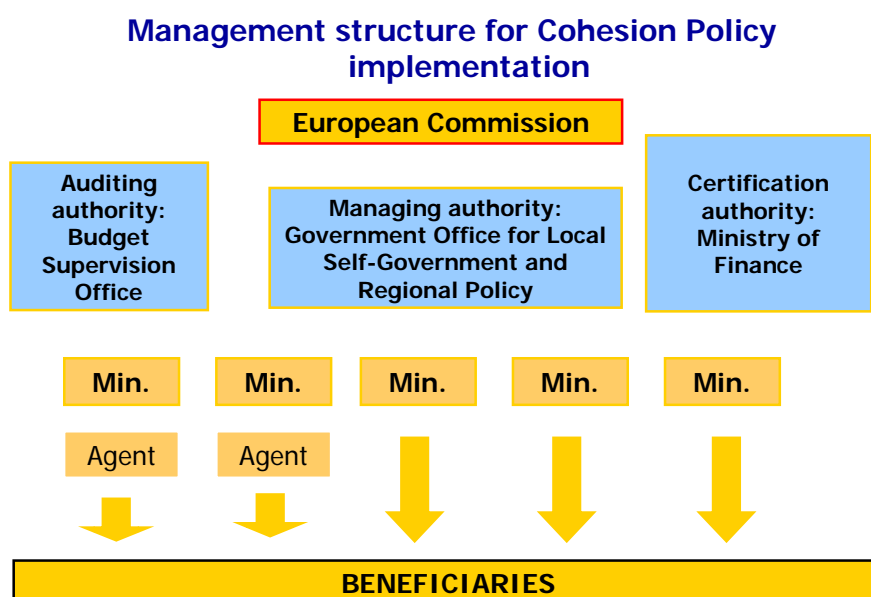
6. ERDF Governance and complementarities with other sources of funding

On the basis of the experience acquired during the implementation of pre-accession instruments, it was decided to maintain centralised institutional arrangements for the management of Structural and Cohesion Funds. There was one Managing Authority (the GORP) and one Paying Authority (the Ministry of Finance). In their role as Intermediate

Bodies, three ministries – the Ministry of the Economy (ERDF), the Ministry for Labour, Family and Social Affairs (ESF) and the Ministry of Agriculture, Forestry and Food (EAGGF and FIFG) - were responsible for the coordination of activities supporting individual Funds. The Managing Authority was responsible for the overall coordination of programme preparation, including negotiations with the European Commission and with the three fund-related ministries. From March 2006, only the Ministry of Agriculture, Forestry and Food remained as an Intermediate Body. The transfer of Intermediate Body functions for ESF and ERDF to the Managing Authority eliminated one level of coordination and significantly improved the responsiveness, effectiveness and transparency of the system. The system was also simplified, with a view to optimising implementation procedures. The amount tendered/spent was more or less in line with initial intentions. Division of expenditure accurately reflect policy (strategy), because the majority of money was spent on Priority 1.

For the period 2007-2013 Implementing structure for both Structural funds and the Cohesion Fund – period 2007 – 2013 was prepared according to the EU regulations and the legislation of the Republic of Slovenia. In order to fully meet the requirements of the EU legislation and in order to create a suitable and effective system for implementation of the activities concerning the structural funds and the Cohesion fund, a clear demarcation of tasks is needed as well as the definition of relationship between the involved institutions:

- Managing Authority: Government Office for Local Self- Government and Regional Policy (internal organizational units, defined in the act on internal organization and systematization of jobs in the GORP)
- Certifying Authority: Ministry of Finance, National Fund
- Audit Authority: Ministry of Finance – Budget Supervision Office



Source: European Commission, 2011

Besides being involved in the programme design, partners, including regional development agencies were included in appraisal and selection (the Programme Councils in the case of the ESF, EAGGF and FIFG), monitoring (MC) and publicity (all stakeholders except the disabled have been invited).

In the period 2007-2013 there are two changes from 2000-06 programming period:

- Programme councils were eliminated and selected socio-economic partners took place in programme councils. That is weakening partnership.
- On the other hand we expect that social partners will participated in actions founded from the ESF. That will strengthen social dialogue.
- Representatives of a regional level are involved in the implementation of the development priority "Development of regions", especially priority orientation Regional development programmes due to its comprehensive implementation. Priority orientation includes and links the measures, defined in the regional development programmes, which are in the domain of self-governing local communities or for which it is sensible to be implemented in accordance with the characteristics of local environment. After the adoption of the regional development programmes for the period 2007-2013 (hereinafter RDPs), the regional development councils, which are partner bodies of communities, economy and nongovernmental sector, prepared implementation plans for the period 2007-2009 and for 2010-2012, which include priority regional projects. In the view of the fact that, as a rule, the communities provide funds for domestic public co-financing, the implementation plans for RDPs are approved by the regional councils as political representative bodies of the development regions. The RDP implementation plans were submitted for approval to the authorized institution for regional development at national level (the Government Office for Local Self-government and Regional Policy). This institution examines the compliance of proposed projects with the strategic goals of OP and formal adequacy of these projects and issues a decision on co-financing of compliant projects.

Domestic and EU regional policy interact very much in Slovenia. Majority of measures is financed out of Cohesion policy programmes. For 2004-2006, there was a single sectoral Objective 1 SPD. Financial allocations amounted to 337 million Euros of EU funding and domestic co-financing, 40.7 percent of which was provided by the ERDF. In total, 137 million Euros of ERDF funding was allocated to Objective 1. Slovenia identified balanced regional development as one of the pivotal goals of the SPD and laid down that the least developed regions A and B have access to indicative allocation of 60 % of available EU funds (horizontal priority). Slovenia has tried to follow focus on all-region but region specific interventions. Government adopted the Governmental decree on preferential areas of regional policy in the year 2004 when 12 statistical regions were classified into A, B, C and D. Group A comprises: Pomurska, Podravska, **Zasavska** and Spodnje-posavska. Group B comprises **Savinjska**, **Koroška**, **Notranjsko-kraška** and Southeast Slovenia. Group C comprises Goriška and Gorenjska, whereas Group D comprises Obalno-kraška and Osrednjeslovenska region. List of regions was prepared according to the endangered development index, which was built upon factor analysis of more than 30 indicators weighted by GDP and population data. In the Single Programming Document of the Republic of Slovenia for the Programming Period 2004-2006 Slovenia defined balanced

regional development as one of the central objectives of the SPD and laid down that the least developed A and B regions should have access to indicative allocation of 60 % of available EU funds. In 2005, the Instructions for complying with the regional criterion in the implementation of the SPD 2004-2006 were adopted. In 2005, also the new Promotion of Balanced Regional Development Act was passed as the system upgrade for the attainment of goals. This Act redefined the objectives, principles and organisation for the promotion of balanced regional development. According to the new law “the Government shall, following a proposal by the competent minister for regional development, by way of conclusion, adopt a survey of regions, classified according to their stages of development. In the classification of the regions, the development threat index shall be used”.

1. For the 2007-13 period Slovenia changed its approach towards balanced regional development. Balanced regional development is not a horizontal priority anymore and therefore the fulfilment of regional development objectives is not the task of other policies. The priority “Regional development programmes” includes and links the measures, defined in the Regional Development Programmes, which are in the domain of self-governing local communities or for which it is reasonable to be implemented in accordance with the characteristics of local environment. In principle it stands that within the framework of other priorities major projects of national importance will be financed, while within the framework of the development of regions complementary local/regional projects are/will be financed. Together with the number of inhabitants the Development threat (risk) index was used for indicative allocation of ERDF funds for the 2007-2013 programme period to the development regions in the framework of development priority “Development of Regions” that comprises the following priority orientations: Regional development programmes and Development of border areas with Croatia.

Objectives of regional policy in Slovenia have not changed considerably in recent years and are very general (no clear strategic objectives) and objectives of Cohesion policy also include regional dimension.

The estimate of indicative allocation of allocated and/or paid out funds⁶⁷ from the Structural Funds at the level of the SPD (EU and national co-financing) at the end of the programme showed that less developed regions A and B were allocated 54,2 % of the funds and economically developed regions C and D 45,8%. Space-oriented approach to the allocation of the funds is adjusted to individual policies, which has brought about a compromise between the effectiveness of Slovenia as a whole and the achievement of internal cohesion. With 31 % of the SPD funds the regional allocation was not possible to determine.

⁶⁷ For Priority 1 and 3 the data on allocated funds were used whereas for Priority 2 estimation was made based on the funds paid out. The method of weighted average calculation was applied and based on all the allocated funds a comparable result was provided.

2007-2013

Coordination between different funds is organised at the level of programmes in the period 2007-2013 and in the period 2004-2006 guidance part of EAGGF and FIFG were part of the Single Programming Document. Only one officially available evaluation of designated area policy has been conducted. That is mid-term evaluation of the program Programme Promoting the Development in the Posočje Region 2002–2006 (Soča 2006). Evaluators assessed the programme as relevant and useful, but with some problems in implementation.

Regarding the implementation of the »Regional development« priority axis of the Operational Program of Strengthening the regional Development Potentials (ERDF) there was an evaluation study conducted in 2009. The evaluation report exposes the main weaknesses and strengths of programme implementation, with the purpose of eliminating or mitigating the weaknesses and observing the strengths in upcoming public calls for proposals. A total of 487 operations were approved in six calls for proposals. The analysis of achieving target values of indicators included 458 operations.

The major weakness or failure in the implementation of the development priority is the lack of strategic regional projects. Although operations within the priority guideline Regional development programmes originate in operational plans of Regional development programmes and were as such adopted by regional councils, the majority among them are municipal projects that were approved by mayors upon prior allocation of regional quota into municipal quota. There are several reasons for this, including the inappropriate composition of regional councils, which are composed of mayors exclusively, belated communication to regions of contents that will be subject to co-financing within individual calls for proposals, and too short deadlines for submission of applications. Short deadlines for submission are also one of the reasons that each year the share of transport infrastructure operations is so high, as such operations are easy to submit in and implement within the planned deadlines. The definition of fundamental characteristics or criteria for determining projects of regional importance has not been adopted for the needs of implementing this development priority.

7. Conclusion

ERDF/CF programmes are important for the development of NUTS3 regions, but are not focused on region's specific geographical features. Therefore there are no NUTS3 examples in Slovenia that should be analysed more deeply.