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# **Operational Programme for Strengthening Regional Development Potentials for Period 2007 – 2013**

**UNOFFICIAL TRANSLATION!**

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# 1 INTRODUCTION

## *1.1 Platforms for the preparation of the Operational Programme*

The Operational Programme for Strengthening Regional Development Potentials for the period 2007 – 2013 (hereinafter OP SRDP) represents the mutual programming document of Slovenia and the European Union (hereinafter EU), which is adopted upon proposal by a Member State following the coordination with the European Commission (hereinafter EC), when the latter adopts the decision on approval and both partners implement and finance it together. Slovenia will direct the available assets of the European Regional Development Fund (hereinafter ERDF), other financial resources and assets of its own appropriate co – financing into the economic convergence of the State, based on criteria of sustainable development, primarily by improving conditions of growth and employment by investing into physical and human resources, innovations of knowledge-based society, ability to adapt to the economic and social changes and protection of the environment. In so doing, Slovenia strives to achieve a long-term vision and goals of its own development.

The OP SRDP is ultimately based on Slovenia's Development Strategy (hereinafter SDS), which was adopted in the first half of the year 2005 by the Government of the Republic of Slovenia (hereinafter Government)<sup>1</sup>. In 2004 the Government also adopted the Plan of Preparations of the National Development Programme (hereinafter NDP) and supplemented it accordingly in the middle of the year 2005, thereby defining the preparations of the NDP and the strategic documents for the implementation of the Cohesion Policy of the EU in Slovenia based on it. The Plan of the preparations of the NDP determines that the document can serve as an expert groundwork for the preparation of the National Strategic Reference Framework (hereinafter NSRF), where the latter represents an upgrade of the NDP in the specific field of the Cohesion Policy of the EU, while the OP ETID is prepared on the basis of the NSRF too.

Placing of the Cohesion Policy into the implementation of the renewed Lisbon Strategy appears in the document of the EC under the title *The Cohesion Policy for the Support of Growth and Jobs: the Strategic Guidelines of the Community, 2007 – 2013*<sup>2</sup>. The basic goal of these guidelines is to define priorities of the Community, which will benefit from the support of the Cohesion policy – under the head of both Structural Funds, the ERDF and the European Social Fund (hereinafter ESF), the Cohesion Fund (hereinafter CF) – with a view to contributing to the strengthening of synergies with the Lisbon Strategy as it is defined in the integrated guidelines for growth and new jobs, and to assist in its implementation. The Strategic Guidelines of the Community represent one of the strategic foundations, which Member States must closely abide by when preparing the NSFR and the Operational Programmes resulting thereof (hereinafter OP) and in particular for the formulation of the development priorities<sup>3</sup>.

In the continuation the legal status of the OP SRDP is defined at the level of the EU in the Council Regulation of the EU 1083/2006<sup>4</sup> regulating the implementation of the ERDF, the ESF and the CF. On this basis the OP is defined as:

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<sup>1</sup> Government of the Republic of Slovenia; 30000-2/2005/2004, June 23, 2005

<sup>2</sup> Cohesion policy for support of growth and new jobs: Strategic guidelines of the Community, 2007-2013, Brussels, May 7, 2005, COM (2005) 0299

<sup>3</sup> Terms “development priority” and “priority axis” are used as synonymous in the OP.

<sup>4</sup> Council Regulation (EC) No 1083/2006 of 11 July, 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

*“ ... document submitted by by a Member State and adopted by the Commission setting out a development strategy with a coherent set of priorities to be carried out with the aid of a Fund, or, in the case of the Convergence objective, with the aid of the Cohesion Fund and the ERDF...«*

At a national level the OP SRDP is defined in the Public Finance Act (O.G. RS, No. 79/1999, 124/2000, 79/2001, 30/2002, 56/2002) and the Decree on the Criteria and Procedures for Preparing the Draft National Budget based on it (O.G. RS, No. 45/02). The latter defines the Single Programming Document (hereinafter SPD)<sup>5</sup>, but within the framework of definition of documents of the long-term development planning the aforementioned decree also allows the possibility of adjustment to new situations.<sup>6</sup>

While planning the OP SRDP, all adequate normative bases at the EU level and at the national level were taken into consideration.

## ***1.2 Principle of Partnership***

Being aware of the European<sup>7</sup> and the National normative bases concerning the role of partnership, in the procedure of preparing the OP SRDP, Government Office for Local-Self-government and Regional Policy (hereinafter GORP) paid great attention to the establishment of spectrum of networks in order to form a close cooperation between the partners – the State and the EC on the one hand and other authorities and bodies on the other (competent regional, local and other public bodies, economic and social partners as well as other appropriate authorities which represent the civil society, environmental partners, non-governmental organisations and bodies, responsible for the promotion of gender equality, etc.).

The partnership does not involve only preparations, but also builds a further partnership in the implementation, monitoring and evaluation of the OP SRDP. Considering the principles of the European governance<sup>8</sup> in the formation of cooperation networks (openness, participation, accountability, effectiveness, coherence) a successful realization of efforts for the preparation of the OP SRDP and later on also a successful implementation of the OP SRDP is ensured. Within this framework the implementation of partnership is later on necessarily associated with the consideration of subsidiarity and proportionality. The aforementioned builds on experiences to date and knowledge in programming and implementing of the National Development and Cohesion Policy of the EU in Slovenia in the preceding and future periods (pre-accession, present and future time of the full membership of Slovenia in the EU).

The implementation of the principles of partnership contains informing partners (mediation of facts and presentation of the key contents in the form of key messages for partners) as well as communication with partners (establishing and preserving networks). New instruments

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<sup>5</sup> ...SPD is a document of an EU member state with which the member state presents the strategy of development of the state; it is the basis for implementation of long-term development policy and long-term budget planning....”

<sup>6</sup> “...Document of long-term development planning is adapted to changed circumstances, if such deviations in platforms on which it is based are found that it is no longer applicable or if this is necessary for other, well-founded reasons

<sup>7</sup> Ordinance of the Council on General provisions on ERDF, ESF and the CF (Article 10)

<sup>8</sup> European Governance, White Paper, EU Commission, Brussels, 25 July, .2001, COM(2001) 428 final

(interactive forms) were established where it was necessary. The activities of the principles of partnership were implemented by the GORP as well as by the governmental bodies within the framework of specific fields and competences.

The procedure of preparing of the OP SRDP was announced in the framework of “The Plan of Preparations of the National Development Programme 2007 – 2013”, which was adopted by the Government in the middle of 2004 and supplemented in the middle of 2005. The Plan of Preparation of the NDP determines that the document can serve as an expert groundwork for preparation of the NSRF, where the latter represents an upgrade of the NDP in the specific field of the Cohesion Policy of the EU. As said above, the NSFR represents the strategic framework for the preparation of the OPs, so that the introduction of the active cooperation networks between partners was being carried out already from the beginning of the preparation of the NDP and until the announcement of the Draft OP SRDP.

The GORP had prepared the OP SRDP Draft by July 4, 2006, which contained key programming contents and therefore represented the basis for an intensive exchange of views with partners. Therefore the summary of the key activities within the framework of information and communication with partners in two time periods is represented below: before and after the announcement of the OP SRDP Draft. The chapter completes the presentation of key contents, created in the framework of the implementation of the principle of partnership.

#### ***Cooperation between partners before the announcement of the OP SRDP Draft***

A milestone in the beginning of a cooperation cycle with the broadest circle of partners was the public presentation in the Centre of Europe (Ljubljana, June 22, 2005), with the title “The Programming of the Development and Cohesion Resources in Slovenia for the period 2007 – 2013”, where the assistants of the GORP presented the preparation of the programming documents, where Slovenia would define the contents, for which the development assets of the EU would be granted up to 2013. After the conclusion of the negotiations of the New Financial Perspective of the EU, until the announcement of the OP SRDP Draft, the aforementioned event was followed by a similar event and included a broad circle of partners. One of the key events in this segment of partnership was the implementation of 4<sup>th</sup> session of the Sustainable Development Council (Ljubljana, June 22, 2006), the central consultation body of the Government. Its intention was a dialogue with civil society and social partners on all basic questions of the sustainable development, which among other also considered the OP SRDP Draft, presented by the Minister without portfolio responsible for local self-government and regional policy. In the session it was concluded that the presented material gave appropriate answers to the challenges of development promotion according to the principles of sustainability - in so doing it would be important to ensure the promotion of the principles of sustainability also at level of the consideration of individual projects. It was also agreed upon that the development promotion in the Natura 2000 areas had to be enabled to a great extent by the implementing documents at level of the competent Ministries.

Furthermore, a more directed implementation of the principle of partnership took place in the cycle of cooperation with partners. We particularly stress two of the implemented consultations, conducted by the Minister without portfolio responsible for local self-government and regional policy with his assistants. In the aforementioned way the consultation with representatives of the non-governmental organisations (hereinafter NGO) was organised with the help of the Centre for Information, Cooperation and Development of the NGO and with the representatives of economy and the research sphere, in cooperation with the Chamber of Commerce and Industry of Slovenia. During the first consultation a discussion was held in the field of integration of the

principles of sustainable development with a special stress on balanced development. Satisfaction with readiness to integrate the aforementioned contents was expressed and at the same time an opinion that it was necessary to ensure the protection of the environment within the implementation of the OP SRDP (in addition to ensuring the corresponding part of direct financial assets). In defining and implementing the protection of the environment an opinion was expressed that the GORP should especially cooperate with the representatives of the corresponding NGOs. This cooperation had improved compared to the preparation practice of previous development documents, but it still hadn't completely fulfilled the expectations. The consultation with the representatives of economy and the research sphere drew attention to the necessity of concentrating the development assets and promoting the preparation of quality projects in the framework of the implementation of the OP SRDP.

The implementation of the principle of partnership with representatives of regional and local bodies (local development agencies, communities) took place at a mutual level and individually. In the first case several workshops were conducted which dealt with the aspects of preparation of the OP SRDP (Kranj, January 19, 2006). On the other hand, meetings of individual representatives of regional or local bodies with representatives of the GORP (visits in regions in July 2005 or at the premises of the GORP) were held. The consistency of possible contents of the OP SRDP with regional development programmes was checked, and possible inclusion of local development needs within this framework. The conclusion made was that for such development needs a special development priority is formed in the OP SRDP (development of regions), which reflects the regional and local development needs. Certain doubts were expressed about the sufficiency of the planned assets for the implementation of the aforementioned development priority of the OP SRDP, compared to the planned development activities of regions.

In the framework of preparation of the NSRF (also the NDP) and the OPs based on it, an official website was created, which offers information on events and contents of preparation of the OP SRDP to all interested (<http://www.svrl.gov.si/>). Furthermore the information can be obtained also on the website of the EU Funds (<http://www.gov.si/euskladi/>). In terms of informing, press conferences were also held by the Minister without portfolio responsible for local self-government and regional policy, where the OP SRDP was presented among other programmes. Two e-mail addresses for submitting contents proposals, remarks or questions were made available ([drp.svrl@gov.si](mailto:drp.svrl@gov.si), [josip.mihalic@gov.si](mailto:josip.mihalic@gov.si)).

One of the first big partnership events - a consultation with the representatives of the government bodies took place in Brdo pri Kranju, on June 27, 2005. In this way the governmental bodies were acquainted with the platforms of preparation and invited to creatively participate in preparation of the NDP, the NSRF and the OPs. In addition to numerous bilateral meetings with the representatives of the government bodies two wider consultations were organized until the announcement of the OP SRDP Draft. The key identified governmental bodies for preparation of the OP SRDP were: the Ministry of the Economy, the Ministry of the Environment and Spatial Planning, the Ministry of Education and Sport, the Ministry of Higher Education, Science and Technology, the Ministry of Culture, the Ministry of Finance, the Institute of Macroeconomic Analysis and Development, the Government Office for Growth, the Office of the Prime Minister. The aforementioned government bodies contributed content bases for the preparation of the OP SRDP.

### ***Cooperation between partners after the announcement of the OP SRDP Draft***

After the announcement of the OP SRDP Draft, the cooperation activities between partners were further intensified. One of the key events was the 5<sup>th</sup> session of the Sustainable Development Council (Ljubljana, September 28, 2006), the central consultation body of the Government. Its intention was a dialogue with civil society and social partners on all basic questions on the sustainable development. Among other things it also considered the OP SRDP Draft. In terms of wider approach, exchanges of opinions and proposals were realized between more representatives of different NGOs and representatives of the GORP (for example: Ljubljana, Information Centre of the Council of Europe, September 21, 2006), where one of the key conclusions was that the promotion of social entrepreneurship was also expected to be included into the framework of the promotion of entrepreneurship. In this part an agreement was expressed that the aforementioned content was a logical part of the priority guidelines for promoting entrepreneurship and were supplemented by the contents of the Operational Programme for Strengthening Human Resources. The problems of administrative capacity of the non-governmental sector and ensuring the liquidity assets were pointed out. Furthermore, expectations for a strong institutional support from the Government and a need for a significant increase of available means for this sector were also expressed. In the field of more specific partnership events we should highlight the domain of including principles of sustainable development with emphasis on natural development. One of such discussions took place with representatives of the E – forum. (Ljubljana, July 11, 2006). The discussions at the mentioned events usually referred to promotion of life-long learning and linking of research institutions with economy – which was one of key lines in the preparation of OP SRDP. The meetings confirmed the right direction of the preparation of the OP SRDP and guidelines into preparation of the horizontal development priority of the OP SRDP (sustainable development) and further focus on implementation of the OP SRDP, which was to ensure the concentration of contents (projects) to achieve the greatest positive effects on environment. However, the expectation remained that more means should be devoted to implementation of the OP SRDP than it was planned in hitherto part of preparation of the OP SRDP, and the expectation that the environmental aspect in the sense of horizontal priority needed to be defined clearly enough.

The partnership with the representatives of the regional and local bodies (regional development agencies, communities) also belongs to the framework of focused cooperation. In this way, a consultation was organised, conducted by the Minister without portfolio responsible for local self-government and regional policy with assistants (Celje, July 21, 2006). In these frameworks special attention was paid to the development priority of the Development of Regions, which should ensure the implementation of development initiatives in accordance with the bottom-up approach and should include the widest possible set of activities (without overlimitation by the State). The key discussion contents addressed precisely the domain of ICT, where it is necessary to ensure the help of the ERDF in the areas with no commercial interest for this, the domain of public transport for the reduction of the demographic endangerment, the areas of building business zones and technological parks in the manner of revitalization / regeneration of the areas, the domain of community roads which should ensure the independence of communications, the areas where the assurance of safety in case of floods is important, and domains of implementation by the use of the public-private partnership. A conclusion was made that the content concerned appear in the OP SRDP Draft, or needs to be defined more clearly either in the OP itself or in the more detailed implementation documents. Partnership events with representatives of regional and local bodies took place at different intervals until January 2007 (Dravograd, January 12, 2007). The meetings went on in the final stage of the preparation of the OP SRDP and other programming documents, brought mostly concrete content of future implementation of OP SRDP (implementation structure, involvement of subjects of regional



development) as well as suggestions for further preparation of implementing documents. For representatives of regional bodies special events were organized where presentations and discussions about the implementation of cohesion policy in Slovenia took place (for instance “The importance of partnership cooperation for realization of projects related to the area of development of human resources in the Gorenjska region in the period 2007-2013, Kranj, November 22, 2006; “Together into future: Partnership yesterday, today and tomorrow”, Žalec, December 12, 2006).

In the case of providing information on OPs, press conferences were organized, where one of them represented OPs as bases for allocating resources of the European Cohesion Policy in the period 2007 – 2013 (Ljubljana, July 11, 2006). Also, the representatives of GORP presented OP SRDP also at other specific events where discussion was possible (Gala opening of Slovenian-European research centre of natural sciences, Maribor, December 15, 2006; Expert consultation on the Day of People's Universities of Slovenia 2006, December 4 and 5, 2006). Discussions mostly dealt with promoting life-long learning and connecting research institutions with economy, which was one of the leitmotifs of the preparation of the OP SRDP. Quite a few different partners submitted their proposals, remarks and questions to the websites and e-mail addresses after the announcement of the OP SRDP Draft. In this framework we especially emphasize the contributions of the Regional Environmental Centre for Central and Eastern Europe and the Society of Slovenia for Observing and Studying Birds, which indicate the connection between tourism and protection of nature on the one hand and draw attention to the necessary consideration of the nature conservation on the other. Concern was expressed that the protection of nature was not enough stressed and at the same time inconsistently discussed. In the following preparations the mentioned content was appropriately completed. Additional part of discussions was also the importance of directing the resources of OP SRDP into technology, talents, tolerance, tourism and sustainable development. In respect thereof a special study was conducted which identified the fields of the local and regional projects for adequate identification in the OP SRDP<sup>9</sup>. Other contributions mostly focussed on questions and development comments in general. Public discussion involving the preparation of the OP SRDP, which took place with the help of e-communications, mostly concentrated on the questions concerning exploitation of the ERDF funds within the framework of OP SRDP. GORP prepared several answers to these questions which justified certain activities and possibility of participation in implementation of these activities in the framework of OP SRDP (for instance inclusion of Slovenian Engineering Association into regional and national development in the area of engineering, encouraging of small and medium-sized providers of accommodation facilities in tourism). Even after the closure of this part of public discussion similar partnership activities were carried out. The partnership for implementation of the OP SRDP was established through further forwarding of questions (without opinions) about the implementation of the OP SRDP (possibility of co-financing activities of SMEs in the field of bio-fuel production). Also, the aforementioned questions and suggestions in some cases pointed to possible unclear content of the OP SRDP, which was later eliminated.

The partnership events with the representatives of the Government and other public bodies, carried out in this phase of the preparation of the OP SRDP, were, besides series of bilateral events, concentrated in the fields of development priorities of the OP SRDP. In this case the government bodies forwarded amendments of already submitted materials for the preparation of the OP SRDP. The work of the Ministry of Public Administration, which in the framework of its own cooperative activities with the representatives of the Non-Governmental Sector submitted a

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<sup>9</sup> Study on indicators of creativity of Slovenian regions, Report on activities phase 5, University of Ljubljana, Faculty of Economy, head of the project professor Janez Malačič, PhD.

special report which contained remarks and opinions on various development document drafts, among them only indirectly on the OP SRDP. The key conclusion is that it is necessary to ensure a system of implementation of the OP SRDP (debureaucratization) as simple as possible which is at the same time in accordance with adequate normative bases. One of the important events of this part was a meeting of the sectors involved in the implementation of the EU cohesion policy in Slovenia, at this meeting the final OP SRDP Draft was presented and on its basis the guidelines for its implementation (Ljubljana, December 11, 2006). GORP was of the opinion that the principle of partnership needs to be carried out also in the phase of implementation of the OP SRDP, thus this kind of activities went on already in the beginning of 2007, when bilateral meetings took place with all the sectors involved in the future implementation of the OP SRDP and where the last vagueness in the proposal of the OP SRDP was eliminated and guidelines were set forth for the preparation of implementing documents. Belonging within the framework of bilateral, but content-specific events was also the meeting with the representatives of Government Office for Growth, where coordination took place and demarcation with the Resolution on National Development Projects 2007-2023, the OP SRDP and other strategic documents referring to implementation of the EU cohesion policy in Slovenia. At the end of this phase another important meeting took place - presentation and discussion on the NSRF and programmes based on it referring to implementation of the EU cohesion policy in Slovenia within the authorized committee of the National Assembly of the RS (Ljubljana, December 15, 2007). This committee gave a favourable assessment of the submitted Draft documents. Before this event the parliament group GLOBE Slovenia and Environment Protection Council carried out a discussion in the National Assembly of the RS on NDP and on NSRF and the OPs (Ljubljana, November 14, 2006). The key issues of the event referred to the domain of sustainable development (agriculture, management of environment). The Environment Protection Council of the RS was founded by the National Assembly of the RS and is focused on monitoring the quality and protection of environment in Slovenia and its linking with global actions; exerting influence on the current situation with its standpoints and initiatives; informing the public on assessment of environment situation, on the strategy of national environment protection policy and on coordination of development interests of the state, on regulation of environmental issues. The members of the Environment Protection Council of the RS are experts in different fields and researchers, which enables a comprehensive evaluation of events and situation in the environment - from the aspect of protection of all natural riches and a balanced management of it. All opinions were observed and taken into account when it came to the content of the OP SRDP.

### ***1.3 Ex – ante Evaluation***

The purpose of ex-ante evaluations is optimal distribution of resources to OPs and the improvement of the quality of programming. The evaluation establishes and assesses medium and long-term needs, goals which have to be achieved, expected results, measured objectives, if necessary, coherency of the proposed regional strategy, added value of the Community, the extent of considered priority tasks of the Community, new knowledge acquired from previous programming and quality of the procedures of implementation, monitoring, evaluation and financial management<sup>10</sup>. The implementation of strategic environmental assessment also belongs to the framework of ex-ante evaluation. The purpose of the strategic environmental assessment is to ensure the high level of environmental protection and contribute to the inclusion of the environmental aspects into the preparation and adoption of plans and programmes in order to

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<sup>10</sup> Ordinance of the Council on General provisions on ERDF, ESF and the CF (Article 47)

promote sustainable development. This can be achieved by ensuring the environmental assessment of some plans and programmes which will probably have a significant impact on environment<sup>11</sup>.

With the beginning of the procedures of the preparation of the OP SRDP in the framework of responsibility and competences of the GORP for the preparation and coordination of the OP SRDP with the EC, the formalities of the ex-ante evaluation of the OP SRDP were carried out and within the same framework the implementation of strategic environmental assessment of the OP SRDP<sup>12</sup>.

The ex-ante evaluation of the OP SRDP is divided into two content sets:

1. The ex-ante evaluation is a process carried out to establish the adequacy of the programmes regarding the needs and programme frameworks of each individual programme. It is intended for understanding the process effectiveness of individual programme proposals as well as for understanding the effectiveness of the results achieved by implementation of programmes. The evaluation especially considers the applicability and sustainability of the results. The result of this project set is: the Report on the Ex-ante Evaluation of the OP SRDP.
2. The purpose of strategic environmental assessment is to establish the consistency of the programme with the environmental objectives of the legislation and strategic documents at the appropriate level, to assess their impacts on environment, nature, health and cultural heritage and to form effective measures to mitigate the impacts which will be included in the programme, so that its impacts will be acceptable. The results of the comprehensive assessment of environmental impact are: the Environmental Report of the OP SRDP and the adjusted programme. The Environmental Report is a document in which the whole process and key findings, possible alternatives, impact evaluations and mitigation measures are described. At the same time the process of the Strategic environmental assessment also promotes the inclusion of public into the decision procedures in adopting the programmes.

In this phase the performer of the ex-ante evaluation of the OP SRDP (including the strategic environmental assessment) ensured to be available for the on-line content and organisation-wise coordination and assistance to the GORP and other relevant bodies – Ministries and Government Offices in the preparation of the OP SRDP. So in this part the performer cooperated in the preparation of the OP SRDP with the representatives of the GORP and other bodies included in the aforementioned preparation at organized bilateral and joint meetings with the representatives of competent regional, local and other public bodies, economic and social partners and other adequate authorities, which represent the civil society, environmental partners, NGOs and bodies, responsible for promoting gender equality. In this part the proposed content and other procedural content-wise advice or proposals were included into the proposed content of the OP SRDP, especially in the analytical, strategic and implementing part of the proposed contents of the OP SRDP.

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<sup>11</sup> Guideline of the European Parliament and Council 2001/42/EC dated June 27, 2001 on Assessment of Impacts of Certain Plans and Programmes on Environment

<sup>12</sup> New programming period, 2007-2013: methodological work documents, Work documents for the field of ex-ante evaluation (2.3.)

### ***Ex-ante Evaluation Implementation Process***

In the preparation of the ex-ante evaluation of the OP SRDP its performer submitted two reports on the ex-ante evaluation of the OP SRDP, the interim and final report. The key emphases of the first report on the ex-ante evaluation are presented in the continuation:

- In its original proposal the OP SRDP did not contain all prescribed contents. In the following versions of the document it had to be coordinated with the decree proposal (the field of financial tables, the field of defining indicators, the field amendment of measures which are co-financed by the European Agricultural Rural Development Fund and the European Fisheries Fund, the field of consistency with the competitiveness rules and the field of codification of help). The authors agreed upon and took full account of all the submitted detailed guidelines of the adequate preparation of the OP SRDP.
- The OP SRDP in its original proposal did not contain all the fields of possible interventions which are provided by the Decree on the ERDF, whereby the platform of such material was that the analysis of all possible interventions of the Cohesion Policy of the EU should be covered by the NSRF. The analytical part of the OP SRDP should, however, lean only on those fields of activities, which are already indicated in the NSRF. At the same time it is noted that there are fields, where the described situation in the public sector is mostly well represented, whereas the descriptions of the economic sector lack the analytical bases. In this context a general deficiency was noted that the analytical findings were sometimes only partly present in the SWOT analyses. This deficiency was eliminated in the further preparation of the OP SRDP.
- The set objectives of the OP SRDP had to be considered, which was done in the following preparation of the OP SRDP.
- It was apparent from the material of the performers of the ex-ante evaluation of the OP SRDP, that they supported the concentration of development guidelines in the framework of the limited number of development priorities while submitting more specific proposals on changing the proposed content of development priorities, especially in the part of the priority guidelines of competitiveness of tourist economy and the development priority "Development of Regions". In the first case it was principally the question of environmental impacts, delimitation of public and private sphere and the question of financing the tourist contents from bigger development priorities. The performers of the OP SRDP considered that none of the Slovenian tourism strategies, neither the existing one nor the new development plan for the period 2007 – 2011, provide for the development of the mass tourism, for which we could claim that it had a negative environmental impact. Furthermore, certain destinations still lack adequate accommodation capacities. Therefore the possibility of co-financing private accommodation capacities is still allowed, whereby a significant stress will be made particularly on the small and medium-sized enterprises. Finally, in the delimitation of the tourist contents into development priorities complementary contents were clearly defined in the framework of the individual development priority. In this context it was estimated, that at the same time it was necessary to consider the added value of deciding on the regional projects in a top-bottom way. Adequate activities for considering the potential deficiencies in the implementation phase have already started.
- The evaluation showed that the objectives and guidelines of the National and European Strategic Documents had been taken into full consideration in the OP SRDP and that the priorities of the OP SRDP were in accordance with them. In this context the representatives of the performers of the OP SRDP adequately amended the proposed system of monitoring in order to ensure equal possibilities and prevent discrimination.

The key emphasis of the second report and the measures of the preparer of the OP SRDP implemented on this basis are the following:

- in the analytical part of the OP SRDP the performer was of opinion that the area of financial market in Slovenia should be more emphasized, which was observed as much as possible,
- it is evident that the SWOT tool was not used optimally, which was improved in further preparation of the OP SRDP,
- the ex-ante evaluation showed that in the OP SRDP goals and orientations of national and European strategic documents were observed and that the priorities of the OP SRDP comply with them,
- in case of some of the strategic parts of the OP SRDP (information society) more detailed defining was needed due to the set of planned activities, which was observed in further preparation of the OP SRDP,
- the strategic part that refers to the increase of competitiveness of tourist industry, therefore the part relating to the support of new accommodation capacities, was found by the performer of the ex-ante evaluation a bit questionable, but the content remained the same, for the analysis showed that the intervention in this area was necessary,
- the performer of ex-ante evaluation suggested that at the level of the OP SRDP the field of indicators be corrected, which was observed in continuation,
- the ex-ante evaluation showed deficiencies in the financial part and in the part of implementation of the OP SRDP, which the authors of the OP SRDP fully observed and amended the chapter.

On the basis of ex-ante evaluation of the OP SRDP the independent external implementor concluded that with the implementation of proposed recommendations, the proposal of the Operational Programme for strengthening Regional Development Potentials is acceptable. The final report on ex-ante evaluation of the OP SRDP is available on the web sites of the Government Office of Self-government and Regional Policy.  
([http://www.svlr.gov.si/si/delovna\\_podrocja/podrocje\\_evropske\\_kohezijske\\_politike/](http://www.svlr.gov.si/si/delovna_podrocja/podrocje_evropske_kohezijske_politike/)).

### ***Comprehensive environmental impact assessment***

The implementation of the comprehensive environmental impact assessment for the Operational Programme for Strengthening Regional Development Potentials was carried out in line with the Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment transferred into the Slovenian legal system<sup>13</sup>. In the initial phase of the OP SRDP the Government office for Local Self-Government and Regional Policy in line with Slovene regulations submitted an application explaining the intention to prepare both plans to the Ministry of Environment and Spatial Planning (hereinafter: the MESP) The application contained all the necessary data on the OP SRDP. Having received the application, the MESP, Department of Comprehensive Environmental Impact Assessment issued a decision stating that a comprehensive environmental impact assessment needs to be conducted whereas the assessment of acceptability of impacts caused by the execution of plans and activities affecting nature in protected areas was not

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<sup>13</sup> The Environmental Protection Act, O.G. of the RS, No 41/04, 20/06, 39/06. The Decree on the Environmental Report and Detailed Procedure of the Comprehensive Assessment of the Implementation Impact of the Plans on the Environment, O. G. of the RS, No 73/05. The Decree on Categories of Activities Affecting the Environment, for which the Environmental Impact Assessment is Mandatory, O. G. of the RS, No 66/96, 12/02, 83/02. The Decree on Special Protection Areas (Natura 2000 areas) O.G. of the RS, No 49/04, 110/04. The Rules on Assessment of Acceptability of Implementation Impacts of Plans and Activities Affecting Nature in Protected Areas, O. G. of the RS, No 130/04, 53/06.

required (published on the official website of the MESP: [http://www.mop.gov.si/fileadmin/mop.gov.si/pageuploads/podrocja/okolje/pdf/cpvo/min\\_za\\_okolje\\_objava\\_sept06.pdf](http://www.mop.gov.si/fileadmin/mop.gov.si/pageuploads/podrocja/okolje/pdf/cpvo/min_za_okolje_objava_sept06.pdf)).

The preparation of the environmental report on the OP SRDP was a process parallel to the preparation of the OP SRDP and the ex-ante evaluation so that simultaneously the exchange of information on the findings and proposals of amendments was in place.

Introductory »scoping« was held and attended by the representatives of the Government office for Local Self-Government and Regional Policy, the MESP, Department of Comprehensive Environmental Impact Assessment and the authors of the environmental report where an agreement was reached on the methods used in the preparation of environmental reports, the objectives and indicators and the communication throughout the process of the comprehensive assessment of the impacts of the OP SRDP on environment. While preparing the environmental report some more coordination meetings were organised where a discussion focused on the findings and the coordination of the content and the preparation of the OP SRDP with the findings of the environmental report..

On 20 December, 2006, the environmental report was sent to the MESP. After a consultation with the other bodies (the Ministry of Culture, the Ministry of Agriculture, Forestry and Food, the Ministry of Health and The Institute of the Republic of Slovenia for Nature Conservation) the environmental report was amended in the beginning of February 2007 in accordance with the remarks of these bodies. Consequently, the MESP submitted its opinion that the **environmental report on the OP SRDP was adequate**. Thus the precondition for a public display of the OP SRDP, the operational programme and the report on the environmental report audit was met.

The Government Office for Self-government and regional policy published the information (6 February, 2007 in Dnevnik, a daily) on the public display that was held from 6 February to 8 March. This information together with other documents (the environmental report, OP SRDP, audit report) was at the same time published on the official website of the Government Office ([http://www.svlr.gov.si/si/delovna\\_podrocja/podrocje\\_evropske\\_kohezijske\\_politike/](http://www.svlr.gov.si/si/delovna_podrocja/podrocje_evropske_kohezijske_politike/)). The before mentioned information also contained an announcement of a special public discussion that was organised on 12 February 2007. In addition to the general public also environmental non-governmental organisations were invited (a special invitation of the minister responsible for local self-government and regional policy). The discussion was attended by the representatives of the environmental NGOs, local communities and companies dealing with environmental issues. In the introduction to this event the processes of the environmental report preparation, key findings and mitigation measures were presented. This quite limited discussion mainly referred to the problem of a lack of coordination between transport planning and transport infrastructure at the national and local level since Ljubljana as the capital of Slovenia and the main transport crossing is heavily burdened.

In the publication of the announcement of a public display as well as during the public display of the environmental report on the OP SRDP (with reports on the environmental report audit) a special e-mail address was provided ([josip.mihalic@gov.si](mailto:josip.mihalic@gov.si)) where the public could submit its opinions and proposals. This public discussion generated a document that was signed by the following non-governmental organisations: Umanotera, Slovenian Foundation for Sustainable Development, CIPRA Slovenia – the Society for the Protection of the Alps, Slovene e-Forum – the Society for Energy Economics and Ecology and FOCUS – the Society

for sustainable development. A group of non-governmental organisations in its comments regarded the environmental reports as “extremely complex and quality” but at the same time doubt was expressed that the Government would actually take these comments and proposals into consideration. This was clear from the operational programmes that were too general in their definitions. Based on these conclusions the organisations required that mitigation measures had to be included in the programmes through concrete, prepared and measurable measures and alternative solutions in transport had to be considered. We assessed these standpoints as unsubstantiated. On the contrary, the joint remarks of all four NGOs have been regarded as a very useful. They also suggested the expansion of the NSRF objectives by determining a new one: “Intergenerational and sustainable development objective of the promotion of the sustainability principle as the main quality criterion in all development fields including the objective of sustainable regeneration of the population”. The field of climate changes should be expanded with the “objectives being currently adopted by the EU, which is conditional 30-percent emission reduction by 2020 and anticipated even more demanding reduction by 60-80% by 2050 whereas in the transport sector the representatives of various organisations suggested the support to permanent mobility projects in urban areas.

The government Office and the preparator of the environmental report on the OP SRDP were of the opinion that this was a very useful contribution and seriously assessed joint remarks of four environmental NGOs. The proposal by environmental NGOs on the expansion of the NSRF with intergenerational and sustainable development objective was fully supported and consequently summarised in the OP SRDP. The opinion about the unwillingness to consider recommendations was thus assessed as unjustified. In the operational programmes the area of environment and the environmental dimension of sustainable development respectively were determined as horizontal orientation since the aspect of environmental sustainability as well as intergenerational sustainability need to be considered with all activities that will be co-financed on the basis of the operational programmes of the Structural Funds. For this purpose Chapter 3.6.1 “Sustainable development with emphasis on environmental dimension” was supplemented by a commitment that “all the selected activities will take into account basic principles of long-term sustainable development” and “for this purpose the Ministry of Environment and Spatial Planning will prepare special recommendations and guidelines respectively on how to integrate environmental principles and criteria in project implementation”. Similarly, the commitment to include horizontal orientation was clearly defined in the implementing chapter. When deciding on concrete statements in the operational programmes it needs to be taken into account that operational programmes in their character are strategic documents prepared for a nine-year period (2007-2015) and that best practices, threshold values, technologies and similar will be subject to changes in the programming period and is therefore inappropriate to be precisely defined. However, it is of utmost importance that the conclusions and recommendations of the comprehensive impact assessment are included into the OP. And in case of the OP SRDP this definitely is the case. In the OP SRDP more stress was placed on sustainable mobility whose definition is now clearer. More importantly, the scope of concrete projects for this area depends on regions but since the access to co-financing of social infrastructure is restricted quite some funds have been allocated to this field indicatively.

Apart from the discussion implemented within the comprehensive environmental impact assessment of the OP SRDP the field of environment was dealt with in a general public discussion held within the preparations of the OP SRDP and by taking into account the principle of partnership which is presented in detail in chapter 1.2 of the OP SRDP.

The Government Office for Local Self-government and Regional Policy (GOLSRP) ensured adequate amendments of the environmental report on the OP SRDP as well as the OP SRDP itself and thus satisfy all the requirements defined in the Guidelines 2001/42 and in the Decree on environmental report and a detailed procedure of comprehensive environmental impact assessment of the plans (Official Journal of the RS, No 73/05). Thus all the conditions were met for the adoption of the OP SRDP.

The environmental report of the OP SRDP prepared on the basis of all the necessary and implemented procedures determines **the OP SRDP as acceptable in view of the impacts of the implementation of the plan on environment, human, cultural heritage and nature along with the implementation of proposed mitigation measures.**

The alternative option to reduce negative impacts and increase the positive ones, the environmental report on the OP SRDP deals with the so called “zero alternative” – the situation in environment without the implementation of the plan. In the time between the draft preparation of the environmental report (July 2006) and the preparation of the final version there were a number of content changes introduced as the consequence of the consultation with the European Commission, the adoption of regulations on the Cohesion policy as consultations in relation to the ex-ante evaluation of the OP SRDP and the results of the environmental report. These amendments can to a certain extent be regarded as the adjustments of the OP SRDP due to initially proposed mitigation measures. Apart from the zero alternative no other alternative was proposed. However, it was established that the OP SRDP could contribute to alternative options proposed in the environmental report on the OP ETID by supporting research, development and entrepreneurship in the fields covered by the alternative options in the OP ETID. Thus a synergy effect of the absorption of the resources from the European Regional Development Fund and the cohesion Fund would be achieved. The decision on the integration of the criteria based on these alternatives into the selection criteria for the projects co-financed from the OP SRDP depends only on the decision of the preparator concerning the connections between individual operational programmes.

The environmental report indicates mitigation measures to reduce the impacts of the OP SRDP impact on environment. The mitigation measures are provided based on the goals of the OP SRDP and cumulative impacts. They have been designed in such a way that co-financed projects will contribute to environment protection to the greatest extent possible or so that potential negative impacts will be reduced or eliminated. **The body ensuring the implementation of the mitigation measures is the managing authority of the OP SRDP and mostly also the final users. The mitigation measures need to be carried out during the programming period. The control over the mitigation measures implementation will be conducted within the control of the implementation of projects and the utilisation of funds.**

The implementation of the mitigation measures will also be ensured in the way that some of them will be defined as a condition for the implementation of a project, as horizontal mitigation measures included into criteria for the selection of projects. The mandatory horizontal mitigation measures for individual projects co-financed from the OP SRDP are:

- efficient use of natural sources (energy efficiency, efficient use of water and raw materials)
- environmental effectiveness (the use of best available techniques, use of reference documents (BREF), emission and risk controls, reduction of waste quantity, separate collection of waste),



- sustainable accessibility (promotion of environmentally friendly transport),
- reduction of environmental impacts (preparation of reports on environmental impacts and expert environmental assessments for interventions where necessary).

The key mitigating measures, as above proposed extra activities, can be used also for selecting projects out of development priorities and some additional criteria can also be applied:

- adopted environment management standards,
- Innovative measures to treat water – water saving, the use of alternative water sources, rainwater management,
- Placement of new development centres in the vicinity of transport routes,
- The contribution of a project to maintaining and improving the situation of wild fauna and flora, habitats and landscape,
- The contribution of a project to preserve and improve the conditions in cultural heritage and values,
- The contribution of a project to maintain and improve the quality of living space,
- The contribution of a project to strengthen environmental awareness, education and training in cultural heritage and environment protection.

The monitoring of the state is based on the State monitoring - the Environment Agency, statistical data of the Statistical Office of the Republic of Slovenia and on the system of monitoring the state of qualification species and habitat types, protected by the network Natura 2000 areas, which is established by the Institute of the Republic of Slovenia for Nature Conservation. The state of the environment will be monitored by the indicators, specified in the environmental report in such a way that their initial value will be checked at the beginning of the implementation of the OP SRDP. After that their state will be monitored at the time of the mid-term evaluation of the implementation and at the end of the implementation of the OP SRDP.

## 2 ANALYSIS OF THE SOCIO-ECONOMIC SITUATION

### *2.1 Competitiveness of Slovenia's Economy*

One of the main indicators of the economic competitiveness of a state is the labour productivity. In 2005 the labour productivity in Slovenia reached the level of GDP per capita equalling SIT 7.226 million or EUR 30,168. According to current prices this implies 56.2% (in 2004: 55.0%) and in terms of purchasing power 76.8% of the EU-25 average. Due to the slow growth of labour productivity in most of the EU developed Member States, Slovenia's lag behind the EU average in this respect is narrowing. In terms of current prices it has narrowed by 11.3% by 2005 compared to 1995 and by 13.4 percentage points in terms of purchasing power compared to 1996. Slovenia still has the second highest labour productivity level among the new EU members (following Malta). In 2005, the average productivity growth in the EU was low, only 0.7% and in only 10 member states the productivity increased by more than 2%. The Baltic states experienced growth higher than in Slovenia (the highest in Latvia, 8.5%) and Slovakia, Czech Republic and Hungary<sup>14</sup>. Compared to 2004, labour productivity in 2005 increased by 3.7% and the assessments for 2006 indicate labour productivity increased by 4.0% compared to 2005, which is by 0.3 percentage point more than in 2005 and 0.1 percentage point more than in 2004 when growth became stronger. Productivity growth (expressed as gross domestic product per active population according to the methodology of national accounts) in 2006 was higher than the average annual growth in the period 2003-2005 (3.3%) but lower than the average in the second half of the nineties (4.5%)<sup>15</sup>. Forecasts for the years to come are the following: for 2007 a growth of 3.8% can be estimated and for 2008 3.6% whereas for 2009 a 3.4% growth of labour productivity<sup>16</sup> can be anticipated. Therefore the gap of Slovenia behind the average productivity in the EU continues to narrow, yet any faster convergence will not be impossible without strengthening various factors of competitiveness, among the latter there are more qualified labour force and adequate technological, organisational and market restructuring, supported by more dynamic enterprise sector.

As far as the sector structure of economy is concerned, one may determine that in the period 1995 – 2005 Slovenia progressively followed the structural changes in developed economies, because the importance of agriculture and industry continues to decrease, while the importance of services is on the increase. Nevertheless, the industry's share in the GDP in Slovenia is still much higher than the EU average, so the industry still represents an important part of Slovenian economy. 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. Less than a third 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.

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<sup>14</sup> Source: IMAR; Development Report 2007 – Labour productivity (page 20)

<sup>15</sup> Source: IMAR; Development Report 2007 – Labour productivity (page 20)

<sup>16</sup> Source: IMAR: Spring forecast of economic trends – Statistical annex (Table 1)

As far as services are concerned, market services as well as public services have strengthened over the last few years. However, growth in market services, primarily business and financial ones, was too slow to reduce the lag behind the EU average. On the contrary, in the share of public services in the structure of economy, Slovenia came much closer to the EU average. The general picture shows that in 2005 service activities created 63.43 % of added value in Slovenian economy. The assessment for 2006 indicates a 63.0% share of the added value in GDP and for 2008 and 2009 it is expected that service activities will represent 63.3% and 64.0% share of added value of the GDP<sup>17</sup>. In 2005, this sector employed 53.9 % of the entire active population. In 2006 the employment in this sector raised by 1.0% (54.9%) and compared to 2006 it is anticipated that in 2007 it will further increase by 1.3% and will amount to 56.2% of the population in employment. In 2008 and 2009 the shares of the employed in service sector<sup>18</sup> are assessed to be 57.3% and 58.3%

With the creation and development of new high-tech enterprises and thereby increasing the share of high technologies, a very important role is played by the subjects of supporting entrepreneurial environment like, for example technology parks, business incubators and zones, technological centres and the comparability of a metrological system. In Slovenia the subjects of supporting entrepreneurial environment have been promoted ever since 2001, but so far they haven't been able to ensure a comprehensive and harmonised supporting environment for Slovenian economy. Further promotions are necessary for their growth and integration into so-called economic centres, which are going to represent the driving force of economic development in individual regions as well as on the whole Slovenian territory.

Furthermore, to increase efficiency of technological development promotion, defining priorities is of key importance. Among the priority technological areas<sup>19</sup> in Slovenia there are energy and environment (generation, production, storage, distribution and use of energy, especially stressing the aspect of renewable and alternative sources, energy efficiency and in the aspect of environmental impact), ICT (hardware and software and applications, telecommunications, networks, interoperability, safety and protection) and progressive new materials and nanotechnologies (ceramics and composites, polymers, special fluids, multimaterial systems, materials with particular features, foliage, nanotechnologies). Among the above listed important technological fields there are biotechnology, pharmacy, process technologies, chemical technologies, technologies in the field of medicine, complex systems, cybernetics, innovative technologies of process management, electric equipment (without ICT) and finally industrial design and logistics as special horizontal segments.

Further competitiveness factor of Slovenian economy is input direct foreign investments (hereinafter DFI), which are conditioned by the attractiveness of entrepreneurial environment. In this respect, Slovenia is significantly lagging behind its potentials. The performance of an individual country in attracting DFI is measured as the ration between the index of potentials and the index of actual performance in attracting DFI<sup>20</sup>.

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<sup>17</sup> Source: Spring forecasts of economic movements 2007 – Statistical annex (Table 1)

<sup>18</sup> Source: Spring forecasts of economic movements 2007 – Statistical annex (Table 14)

<sup>19</sup> Determination of technological priority areas is based on guidelines of SDS, guidelines 7 OP, data provided by the Chamber of Commerce. The technological priority areas, which are mostly in accordance with the OP SRDP priority areas will have to be constantly changed and modified; within them narrower areas will have to be defined in the sense of promising market niches.

<sup>20</sup> Definition of both indices of UNCTAD, 2004

**In 2006, the trend of rapid increase in Slovene direct investments abroad continued whereas the inflow of DFI significantly dropped.** In the period 200-2005 relative input DFI increased from 14.8% to 21.9% of GDP (EUR 5,980.17 million) and the outflow of DFI from 3.9% to 10.9% of GDP (EUR 2,969.9 million). In 2005, the share of inflow DFI went up by 0.6 percentage point and the outflow by 2.4 percentage points. The current volume of DFI I Slovenia is a result of increased inflows after the year of 2000. However, considerable fluctuations can also be identified. After record inflows of DFI in 2002 amounting to EUR 1,721.7 million the inflows in the years that followed were not that significant anymore. In 2006, the inflows equalled EUR 264.2 million, which is considerably lower than in 2005. The outflow DFI from Slovenia constantly and rapidly increases, from EUR 71.7 million in 2000 to EUR 503.4 million in 2005 and EUR 567.9 million in 2006. Slovenia noted the highest net DFI outflows in 2006 that totalled EUR 303.6 million<sup>21</sup>.

**Among the new EU member states Slovenia has the lowest share of input DFI.** Among the old member states only Germany, Italy, Greece and Austria had a lower share and among the new member states it was Slovenia that had the lowest share of DFI in GDP. Of the new member states the highest shares are in Estonia (93.6%), Hungary (55.9%), Cyprus (52.7%) and Czech Republic (48.1%). The countries that were analyzed increased the share of DFI in GDP in the period 2000-2005. In the EU-25 the share was higher by 7.2 percentage points and the average of the new member states was by 13.6 percentage points higher whereas in Slovenia by 7.1 percentage points (UNCTAD 2005). In Slovenia the situation is, compared with other new member states, more favourable in the field of output DFI: Slovenia was only overtaken by Cyprus, Malta and Estonia. As regards the share of output DFI in GDP, as expected, Slovenia is lagging behind the EU old member states<sup>22</sup> with the exception of Greece.

Intensive internationalization of Slovenian enterprises is also demonstrated in the increasing (and already comparably high) export orientation. The share of net incomes from sales on foreign markets in manufacturing was 57.9 % in 2003, 58.5 % in 2004 and 60.7 % in 2005. For the entire Slovenian economy in 2005 it was 29.5 % which is by 1.2 % higher compared to the preceding year's data.<sup>23</sup>

Investments into ICT are also of fundamental importance for the increase of competitiveness of Slovenian economy. In 2004 they amounted to only 5.2 % of GDP, while in the EU 25 they were on average 6.4 % of GDP. In 2005, the share of investments in ICT in the EU did not change and in the same year Slovenia improved the share of investments in ICT by 2 percentage points to 5.4% of GDP<sup>24</sup>. Movements are much favourable in the area of the Internet use, where the share of users in 2005 compared to the year before increased from 37 % to 47 %. In the EU 25 this share was 51 %. In the first quarter of 2006, 54% of households had the access to the Internet. More than 900,000 persons aged 10 to 74 used the Internet and 90% of the households had at least one mobile phone and 65% of the households had a personal computer. Compared to the same period last year a significant drop in the number of households with fixed phones can be identified, from 90% to 88%. The access to the Internet is getting more advanced and faster. The share of households with a broad-band access (ADSL, VDSL; cable Internet) to the Internet equalled 345 in the first quarter of 2006. According to the EU average the number of households in Slovenia with the Internet<sup>25</sup> was higher by 2 percentage points in this period.

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<sup>21</sup> Source: IMAR; Development Report 2007 (indicators); II. Development indicators of Slovenia (page 31)

<sup>22</sup> Source: IMAR; Development Report 2007

<sup>23</sup> IMAD. Workbook 10/6, Activities of Slovenian economy in the light of companies' operation in the year 2005

<sup>24</sup> Estonia 9.6 % of GDP and Hungary 8.1% of GDP.

<sup>25</sup> Source: SORS; Statistical information on 17 November, issue 187;

### **Key challenges**

*In the economic sector structural problems can still be detected which are connected with the achieved level of Slovenia's economy development and quality factors of production available. Therefore they cannot be solved in the short term. The following problems can be listed among them:*

- *The gap of productivity (measured with GDP per economically active population) behind the EU average (in current prices at level 56.2 %, in terms of purchasing power at level 76.8 % of the EU 25 average in 2005). This gap is evident particularly in medium-sized and large enterprises, among which there are only few globally competitive. The reasons are low innovativeness, inefficient qualification of management and employees, as well as in poor organization and weak market orientation.*
- *Slovenian enterprises neglect some price non-related factors of the competitive advantages, particularly the technological development and market factors (enforcement of own trademarks, modern distribution methods etc.), which are the key element of the modern competitiveness. That is why they do not invest much in the RDP and do not integrate enough in development and market activities.*
- *The cooperation of enterprises in implementing individual business functions is insufficient, which applies for all sectors and industries as well as all enterprises irrespective of their size. This is among other things the consequence of the lack of common goals, mutual trust and cooperation.*
- *Most of the employees lack education and knowledge, necessary for managing modern technologies and organisation. Their motivation for responsible work, learning and personal professional development is also very low.*
- *Management of enterprises lacks modern business knowledge and foreign experiences as well as precise focusing on market and business. The systems of development (education) and motivation of different groups of employees are not sufficiently advanced.*
- *In the structure of manufacturing the shift in the shares of production and employment from the traditional industry (textile, leather and wood-processing) towards industries, which are the driving force of economic growth (computer and communication equipment, conductors and biotechnology) is also too slow. Furthermore, this will hinder the future economic development and competitiveness of Slovenian economy. Traditional industries introduce technological and organisational innovations too slowly too.*
- *The export is still based on non-differentiated products and services with lower added value that reach adequate quality level. The share of high-tech products is relatively modest. The technological complexity of the export of goods that has a long-term impact on the competitiveness of the economy worsened in 2004 and 2005 but direct indicators for 2006 indicate that there have been some positive shifts. After the share of high technologically intensive products in the export of goods decreased by 0.7 percentage point in 2004, it dropped again in 2005 (by 1.2 percentage point) to 16% of the export of goods<sup>26</sup>. Slovenia is strongly lagging behind the European average (27.9% in 2005)<sup>27</sup>.*
- *The share of knowledge-based market services in Slovenia is considerably smaller than in the EU 15.*
- *The inflows of the FDI in Slovenia are small because of the non-stimulating business environment. One of the numerous reasons is spatially and price inadequate business zones.*

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<sup>26</sup> Source: IMAR; Development Report 2007, page 22

<sup>27</sup> According to the data of the European Innovation Scoreboard (2006) prepared by the European Commission and are based on more detailed classification, and thus only take into account more technologically advanced products in the export of goods in Slovenia, Slovenia's lagging behind is even more considerable: According to these data the export of such products amounted to 5.2% whereas in the EU-25 it totalled 18.4%.

### ***Analysis of Strengths, Weaknesses, Opportunities and Threats***

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Good geo-strategic position in Central Europe and within The EU (vicinity of important European regions in northern Italy, Germany and Austria).</li> <li>- The export orientation of Slovenian economy.</li> <li>- The strengthening of service activities.</li> <li>- Partly already established supportive environment.</li> <li>- Basic restructuring in more successful enterprises completed</li> <li>- Defined areas of technological priorities in key strategic documents.</li> </ul>	<ul style="list-style-type: none"> <li>- Slow restructuring of production and service sector towards higher added value (high share of traditional industries, small share of knowledge-based market services, the traditional industries are too slow in introducing technological and organizational novelties)</li> <li>- Low level of networking in domestic economy and formation of strategic alliances with foreign partners.</li> <li>- Low share of innovative companies in the economy</li> <li>- Lack of management staff with contemporary business knowledge and experience obtained abroad.</li> <li>- Lack of trained staff, particularly in technical professions and staff for comprehensive management of business processes.</li> <li>- Bad integration of technological and business development.</li> <li>- Uncoordinated functioning of innovative supporting environment at national and regional level.</li> <li>- Low inflows of FDI due to unstimulative business environment</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Development of SE EU states</li> <li>- Continuing conjuncture of biggest trade partners</li> <li>- Further development of Russian economy.</li> <li>- Inflow of FDI, particularly in the business service sector.</li> <li>- Exploitation of market opportunities (market niches) and technological specialization in the homogeneous European Economic Area.</li> </ul>	<ul style="list-style-type: none"> <li>- Slowing down of enlargement of EU to SE Europe</li> <li>- Instability on largest export markets</li> <li>- Cost pressures in the case of further development of Indian and Chinese economies.</li> <li>- Small interest of foreign investors in investments into high-tech enterprises, projects and products in Slovenia</li> <li>- Brain drain (technical staff going abroad)</li> <li>- Lack of trained labour force</li> </ul>

## ***2.2 Knowledge for development***

Characteristics of the states dynamically developing in the direction of knowledge-based society, are the following:

- intensive investing into development and research,
- close connection between public research and education sectors and economic sector,
- high level of innovation,
- high level of training of labour force
- adequate information infrastructure with support institutions.

This is a result of strict development policy, having high level of social consent and well coordinated measures in all fields, not only in the narrow fields of development and research. A lot of work still has to be done in order for Slovenia to establish all these qualities.

According to the share of domestic expenditure for the R&D in GDP (1.49% GDP in 2005), Slovenia scores 80.5% of the EU 25 average (1.85%GDP in 2005)<sup>28</sup>. In the year 2005 the Government financed domestic expenditure for R&D and they amounted to 0.60% of GDP or to 0.46 % of GDP if we take into account also public sources from abroad; this amounts to mere 60% of the value of the Barcelona objective, which is 1 % of GDP for public investments into R&D until 2010. Investments into R&D, done by business sector, in 2004 amounted to 0.85 % of GDP or mere 43 % of value of the Barcelona Objective, being 2 % of

<sup>28</sup> Source of data on DR and innovations always – if not indicated otherwise, Eurostat database New Cronos on the internet page of the European Statistic Office

GDP until the year 2010. In the period 2000-2004 the investments into R&D done by the business sector grew at average annual rate of 6.1%. This was by 2.4 % higher than the comparable rate of growth of total expenditure for R&D, but still not sufficient for the Barcelona Objective to be met. In order to achieve business sector objective, the business sector investments into R&D should grow, in the years 2004-2010, at average annual rate of 22.5 %. Despite this slow growth in the investments into R&D, of all new member states Slovenia still has the best base.

If the situation in the level of investments in R&D is not very advantageous, better situation can be observed in the structure of sources of financing, where financing of R&D by business sector in 2004 scores 54.9% of all the R&D investments, compared to 54.9% of all investments in EU 25.<sup>29</sup> The Barcelona Objective envisages ratio 1:2 between the investments of the public funds and the investments of the business sector. Therefore, with more intensive increase of all sources of financing of R&D, the investment of business sector will have to be promoted the most. Measures introduced by the state and directed towards encouraging the business sector to invest into R&D are of key importance; what is of equal importance is creating favourable climate for business and innovation; all this involves legislation, financial markets, infrastructure and adequate assistance of the research and education systems.

Apart from increase in investments into R&D it is also important to ensure better effectiveness of these investments, which Slovenia will achieve by gradual enhancement of concentration of budget funds in the priority areas of research and technological development. The Resolution on National Research and Development Programme (hereinafter NRDP), adopted by the National Assembly in December 2005, which is a core development document of Slovenia for the field of R&D, defines the following areas of research and technological development, which are especially perspective for Slovenia and show the greatest potential for increase of competitiveness of the economy:

- information and communication technologies – ICT - (including computer science and informatics),
- advanced (new) synthetic metal and non-metal materials and nanotechnology,
- complex systems and innovative technologies (including process management technologies),
- technologies for sustainable economy (energy and environment protection technologies, technologies for economic use of energy, for utilization of renewable energy sources, for safe and healthy environment, for sustainable building, for ensuring monitoring of quality of the environment (soil, forests, water, air), food, health, products,....
- health and science on life (interdisciplinary research in the area of natural sciences/technology/biotechnics/pharmaceutical and medical sciences, which are related to the requirements of the EU directives referring to quality of life).

Of course the measures applying to research and innovation policy need time to start working, therefore the weaknesses of the existing system reflect in poor innovation of Slovenian enterprises. In The Summary Innovation Index, 2006, which gives the picture of relative total performance of a state, the innovation department in EU 25 scores 0.45, in the USA 0.54, while in Slovenia only 0.35.<sup>30</sup> Only one fifth of all enterprises is innovative, which puts Slovenia among the last four countries of the enlarged EU. So the share of all innovation-active companies in Slovenia is only about 21 % (average EU 25: 44 %); it also decreases

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<sup>29</sup> Towards a European Research Area: Science, Technology and Innovation: Key Figures 2005, Brussels: European Commission – Research Directorate General, 2005, EUR 21264 EN

<sup>30</sup> Source: Innovation Scoreboard 2005.

with the size of the enterprise (share of small enterprises: 12.7 %). This data generated by a Slovenian statistical study on innovation 2001-2002,<sup>31</sup> can be compared with the results of CIS 3 (Third Community Innovation Survey). The initial data of SORS on the innovation activities 2002-2004<sup>32</sup> show improvement: according to this data 26.9 % of all the enterprises are as active as are 19.1 % of small enterprises.

The task of the state is to develop the institutions of knowledge which ensure high quality of research and education and at the same time the results and the study material that meet the needs of economy and other development sectors.

The Slovenian research sphere possesses considerable capacity for creating excellent science. Where the number of scientific publications per million people is concerned, Slovenia significantly exceeds the EU 25 average and ranks even higher than USA (in the year 2003 SI: 827, USA: 809 and EU25: 639 publications).<sup>33</sup> Even if the number of highly cited publication per million of inhabitants is still unsatisfactory, Slovenia, by its citation impact, rates third in the world in computer sciences, and is right behind the leading USA and Israel – by publications related with nanotechnology per million of inhabitants Slovenia is 15<sup>th</sup> in the world.<sup>34</sup>

Scientific productivity in Slovenia, measured by scientific publications, is therefore satisfactory. Technological productivity is a weaker point; it is measured by number of patents per million inhabitants. It shows the capacity of putting scientific findings into economic use and placing them on the market. In 2003 the number of “European patents”<sup>35</sup> for EU25 was 136.7, while for Slovenia it was only 50.4 per million inhabitants.<sup>36</sup> These poor results are mainly the result of poor cooperation between the institutions of knowledge and the economy, which is one of the weakest points in the cycle of generation, transfer and use of knowledge in Slovenia. The studies carried out at the national institutes and universities are still not focused enough on areas which possess development potential and are interesting for the economy. Having defined the priority areas of research and of technological development in the new NRDP for the period 2006-2010 and in other documents<sup>37</sup>, this situation is slowly improving. Apart from this, in the NRDP 2006-2010, which features 60 measures, 10 of these measures (17%) directly refer to promotion of cooperation between public research sphere and enterprises. In the key development documents, including the Reform Programme for the Implementation of Lisbon Strategy in Slovenia, measures are planned to promote turning of the academic bodies to the world and to the needs of (local) economy. It also features the measures promoting close cooperation between public research organizations and academic bodies, with emphasis on the responsiveness to the needs of big enterprises. A lot of attention is given also to strengthening of institutions - providers of knowledge, which are important subjects in the innovation environment. 6 of 60 measures in the NRDP 2006-2010 refer to these subjects.

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<sup>31</sup> Innovation activity in the processing industry and selected service activities: Slovenia: 2001-2002, SORS, Statistic Data No. 370, December 30, 2004.

<sup>32</sup> Innovation activity in the processing industry and selected service activities: Slovenia: 2001-2002, Temporary data, SORS, first edition, July 13, 2006.

<sup>33</sup> Towards a European Research Area: Science, Technology and Innovation: Key Figures 2005, Brussels: European Commission – Research Directorate General, 2005, EUR 21264 EN.

<sup>34</sup> See Third European Report on S&T Indicators, European Commission, 2003; p. 291 and 395.

<sup>35</sup> Patents approved by the European Patent Office, EPO.

<sup>36</sup> European Innovation Scoreboard 2005.

<sup>37</sup> Resolution on NRDP for the period 2006-2010, O.G. of the RS No.3, January 10, 2006 and Programme of Measures for Promotion of Entrepreneurship and Competition for the period 2007-2013, Ljubljana, Government of the Republic of Slovenia, June 19, 2006



One of the specific problems in Slovenia is dispersion and lack of communication within the research sphere, i.e. between the research organizations and groups. This is in contradiction with current trends of cooperation of the researchers in the developed countries; we are slowly following in this direction by establishing centres and networks of excellence.

With regard to the share of inhabitants aged 25-64 with tertiary education Slovenia is below EU25 average by 12.3 % (2nd quart 2005 SI: 20 % and EU25: 22.8 %), but gradually it is nearing it, because the rate of involvement in tertiary education is rapidly rising. The number of students involved in tertiary education has, in the past decade, increased by factor 2.4; their number per 1000 inhabitants has already exceeded 50 (in 2004 SI: 523 and average EU25: 37.9). Also the number of students in the higher education – graduate or postgraduate - more than doubled in the period 1995-2005 (by factor 2.1).

In Slovenia there are 3 public universities (Ljubljana, Maribor, Koper) and one private (Nova Gorica). Unfortunately the strengthening of infrastructure and other conditions for functioning of these higher education institutions never managed to catch up with the growth of student population. Annual expenditure for educational institutions per one tertiary education student only amount to 71 % of average expenditure in EU25 (in 2006 SI: 5743 EUR PPS and EU25: 8060 EUR PPS<sup>38</sup>). But the total expenditure on tertiary education is relatively high due to a high share of a generation that enrolls in the first year of higher education institutions (above 50%). We are also lagging behind where accessibility and equipment of libraries are concerned. According to standards of the American Library Association set in 1995, university where less than half of the students live on campus the ratio between reading (study) seats and students should be 1:5. This means that approximately 57,000 students of the University of Ljubljana would need approximately 11,400 reading (study) seats. If we add the professors and researchers employed by the University, this number should rise to about 13,500 seats. While all libraries of the University of Ljubljana, including National and University Library (NUL), provide only about 2,000 seats.<sup>39</sup> The situation is even worse where computer equipment is concerned. Although there are no strict standards in the developed world, but the trend is to provide with internet access as many reading or study seats in the university libraries as possible – if not desktops, at least laptop connectors are provided or wireless access. According to data from 2004, the libraries of the University of Ljubljana provide the users with only 458 PCs, together with NUL they provide 527 PCs.<sup>40</sup> The NUL and the Central Technical Library (CTK) represent a key link in the research and higher education infrastructure. In the computerized catalogue of the NUL 17 % of titles refer to monographies and serial publications from the field of natural sciences and technology. Where bibliographical material is concerned the ratio between NUL and other university libraries in Slovenia is 1:2.6, and where the reading seats are concerned, it is 1:10. This means that the accessibility of NUL material to students and other users is significantly lesser than in case of other university libraries which are merely found to provide inadequate conditions. The CTK, as a central technical library, stores 5.4 % of bibliographical material of all Slovenian libraries, has 6.4 % of all seats and 6.6 % of all computers available to users.

Where higher education in Slovenia is concerned the problem exists – here even more pronounced than elsewhere in the EU – that very small number of students decides on natural

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<sup>38</sup> PPS is a purchasing power standard or purchase power parity, expressed in EUR.

<sup>39</sup> Slovenian libraries in numbers, internet page <http://www.nuk.uni-lj.si/kis/podatki.html>, October 23, 2006 – data for the year 2004.

<sup>40</sup> On site.

sciences and technical studies With the number of graduate and post-graduate students of mathematics, natural sciences and technology per 1,000 inhabitants aged between 20-29<sup>41</sup> the state with the value of indicator 9.4 scored, in the year 2004, only 74 % of the average in EU25 (value 2004: 12.7). In the study term 2006/2007 more students enrolled on the natural science studies, but interest in technical studies is still decreasing. The share of graduates of technical studies fell, in the period 1995-2005 from 23 % to 13 %, while the share of graduates of natural science studies stagnated at 4 %, even when the total number of students significantly rose. On the labour market there is a lack of these experts; in the field of natural sciences and technology the equipment and facilities of higher education institutions and laboratories are poor, even if they are necessary for successful study and research. It is very clear that promotion of these studies will not bear fruit if study conditions are not changed.

In this context we must not forget that the basic novelty of the Bologna reform of higher education studies is independent work of students when acquiring their knowledge. And for work the students need well equipped and accessible labs, libraries open from morning to night, sufficient number of computer-equipped study seats, sufficient number of mentors etc.

Where research activities in Slovenia are concerned, they are characterized by huge share of government sector involvement. In the government sector, the core of which consists of 15 public research institutes (national institutes of national importance), 20 % of gross domestic expenditure go for R&D, while in the higher education sector only 13 %. Universities are indispensable where training of staff, research and development of science to serve the needs of economy are concerned. But the national institutes, especially the bigger ones involved in natural sciences and technical fields<sup>42</sup> have biggest concentrations of researchers and research activities and are thus the most powerful points of generation of new knowledge in the state. Here the construction of infrastructure also has not always caught up with the needs, so that the problems like lack of space are often encountered, as well as inadequate work conditions. Also, due to 50 years of poor planning, the institutions with similar fields of interest are dispersed - this being a huge problem where the common use of equipment would be a solution or where the exchange of knowledge is concerned.

### **Key challenges**

*With regard to the R&D expenditures among the EU25, Slovenia is somewhere in the middle, more precisely, we hold the 11<sup>th</sup> place. Where the investments into R&D with regard to GDP are concerned, we lag behind the most successful EU states by factor 2.5 and by a little less where Lisbon objectives are concerned. In the past years the number of scientific publications has grown rapidly, but even so we are still behind European average where scientific and technological productivities are concerned - this shows the most in the citation impact and granted patents. Currently Slovenia is not successful enough in the use of assets (especially in terms of concentration of these assets on research and technological development priority areas and increasing the share of R&D expenditures) and in the use of the results of R&D activities for acceleration of economic and social development. The situation in the department of use of knowledge is worrying, for only one fifth of enterprises is innovation-active – the fact that places us among the last four states of the enlarged EU. Further increase in gap between Slovenia and the developed countries would hinder economic growth and deter the achievement of other development targets. In order to improve the situation,*

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<sup>41</sup> It is the case of broader group of study areas (i) natural sciences, mathematics, and computer science and (ii) technics, production and processing technologies and construction.

<sup>42</sup> For instance the Institute of Jožef Stefan (554 researchers), Institute of Chemistry (194 researchers), National institute of biology (83 researchers). Technical staff not included

*public investments into R&D have to be strengthened; business sector has to be stimulated to make such investments and innovations, and support has to be provided in the form of competent knowledge and a network of institutions for transferring the research results into commercial use.*

*In order to increase economic competitiveness it is necessary to improve communication between public research institutions and higher education institutions, with emphasis on responding to the needs of the economy. The goal will be reached only if these institutions are well organised and equipped. In number of natural science and technological as well as metrological fields we encounter outdated equipment and unsuitable space conditions, not to mention that there are some new infrastructure elements needed for new research fields that we do not have in Slovenia. As said before, dispersal of institutions engaged in similar fields of research is also one of the big problems in Slovenia.*

*In higher education studies the number of students doubled in the years between 1995-2005; rapid growth of student population was not followed by strengthening of the infrastructure and other platforms necessary for functioning of the higher education institutions. Annual expenditure for educational institutions per one student involved in tertiary education only amount to 71 % of average in EU25. Trailing behind are also accessibility and equipment of libraries. As far as equipment with computers is concerned, the situation is even worse. Along with quality study programmes, comparable to international study programmes, the quality equipment and suitable spatial conditions are of utmost importance for successful and independent work of the students which is the main novelty of the Bologna reform. Development of the institutions for promotion of science, suitable scholarship policy and adequate higher education research infrastructure would significantly contribute to popularization of natural sciences and technical studies.*

***Analysis of strengths, weaknesses, opportunities and threats***

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Lively scientific and research activity in public sector, with well-established international cooperation, with excellent basic science in some fields.</li> <li>- Successful development of network of intermediaries between institutions of knowledge and economy; other manners of knowledge exchange between different spheres.</li> <li>- Increase in the share of researchers in business sector.</li> <li>- High share of expenditure for tertiary education in GDP</li> <li>- High involvement of young people in tertiary education.</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient investment into R&amp;D and slow growth of these investments in public and private sector.</li> <li>- Insufficient orientation of research and higher education towards solving of development problems and towards concrete results.</li> <li>- Insufficient focusing on priorities in the financing of R&amp;D</li> <li>- Poor cooperation between private business sector and public research and education institutions.</li> <li>- Low share of innovative enterprises and poor growth of highly technological enterprises.</li> <li>- Small number of patents, registered in Slovenia, and especially patents, registered on key markets (EU, USA).</li> <li>- Low share of expenditure for tertiary education per a student.</li> <li>- Outdated, insufficiently connected and insufficiently used research and higher education infrastructure, especially in the natural sciences/technology sectors</li> <li>- Slovenia not being interesting for foreign researchers and experts.</li> <li>- Too slow adapting of educational programmes to the needs and requirements of the market and to the changes in the field of technology and business environment.</li> <li>- Imbalance between supply and demand for technically educated human resources on the labour market and insufficient number of students enrolled in natural sciences/technical studies.</li> </ul>

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>- Increase in investment into R&amp;D and other investment into innovations, coming from public and private sectors, together with better effectiveness of these investments.</li> <li>- Accelerated direction of research towards concrete development research, therefore towards enterprises and the market; higher commercialization of development results on the basis of partnership between private and public sectors.</li> <li>- Increased investments into development cores in enterprises and promotion of linking with the institutions of knowledge.</li> <li>- University reforms in the sense of quality and internationally competitive system of flexible education and research responding to the needs of social environment.</li> </ul>	<ul style="list-style-type: none"> <li>- Decrease in the investments in R&amp;D and resulting closing down of research departments in industry and other sectors.</li> <li>- Insufficient interest of business sector to cooperate with public research organizations</li> <li>- Potential intensive “brain-drain” in case of slow providing of R&amp;D-friendly conditions</li> <li>- Non-implementation or slow implementation of measures envisaged in the Resolution on National research and development programme</li> <li>- Suppression of the process of higher education reform.</li> <li>- Stagnation in the scope and quality of research with intensive inclusion of researchers from public research institutions into pedagogic process of higher education with insufficient employment of new researchers.</li> </ul>

### ***2.3 Promotion of entrepreneurship***

Rapid growth of small enterprises and transition of labour force from big industrial companies to new small companies (98.5 % of all companies) – mostly services industry – (81 % of all the companies belong to service sector; they generate 66 % of total income), significantly changed the structure of Slovenian economy. With the size-change of the structure the structure of the employees significantly changed as well – regardless of the size of the companies – so in Slovenia the average was 5.97 employees per company, which is under the EU average, where in 2003 average number of employees per company was 7 (Slovenian Entrepreneurship Observatory 2005).

Despite rapid changing of the size structure the Slovenian enterprises do not have the same structure of economic power as in EU-19. According to the data published in the Slovenian Entrepreneurship Observatory 2005 the European micro companies employ almost 40 % of all the employed, while in Slovenia this percentage amounts to a little over 27 %. A lot of Slovenian micro companies are still very unstable; they are not well-established on the market – since apart from the handicraft businesses there were no private businesses in socialism. In Slovenia there is a relatively high number of middle-sized companies (1,2 %), which on average employ more people than these companies in EU (in Slovenia the average number is 104 employees, while in the EU this number is 98) and they employ bigger share of employees than the EU companies (in Slovenia almost 21 %, while in the EU a little less than 13%), but they are far behind where added value per employee is concerned (in Slovenia 25,970 EUR, in the EU 90,000 EUR). Middle-sized companies are “the weakest link” from the aspect of net profit per employee, as well as from the aspect of the share of own capital in financing, from the aspect of profitability and the average cost of work in the added value. According to the data published in the Slovenian Entrepreneurship Observatory 2005, in Slovenia big companies on the average employ 705 employees, while in the EU this number is 1,052 – for in the EU states some large multinational companies operate, while in Slovenia we do not have a single company of such size.

The entrepreneurship in Slovenia does not meet the needs of rapid re-structuring. According to the assessment of a study by Global Entrepreneurship Monitor (GEM), quoted by IMAD, in 2005 on the TEA index Slovenia was among last four EU member states included in the study. A mean value of the TEA index in the period 2002-2005 in Slovenia amounted to 3.9,

which placed us – for the entire period, among 12 member states, on the second last place, while Ireland is in the front. There are some other facts, characteristic of Slovenia:

- The Slovenians decide on the entrepreneurship mostly out of necessity, to avoid unemployment; few make this decision because they want to develop an attractive, profitable business opportunity.
- The Slovenians found companies mostly to be independent and less because they have a good business ideas and desire for dynamic growth.
- Many Slovenians who think about establishing a company change their mind and many newly established businesses do not make it
- Some groups of the population – mostly women, youth, certain ethnic groups – are less involved in entrepreneurship.

After the initial entrepreneurship wave which swept through Slovenia in the early 1990s things slowed down; in recent years founding of companies has stagnated for various reasons:

- the state has risen legal minimum of capital needed for founding a company,
- the “pool” of potential entrepreneurs has dried up,
- the pressure of competitiveness rapidly rose due to liberalization of import, due to founding micro companies operating in the same field of interest and due to reviving of big companies (it is harder and harder to find an interesting niche),
- the state kept reducing tax incentives for founding new companies, thus creating new jobs,
- still too many administrative obstacles exist in founding a new company or employing new workers (there are even more obstacles in relation with firing an employee),
- there is no favourable capital for new companies,
- increase in employment possibilities in the restructured big companies has decreased the need for self-employment.

Small and medium-sized enterprises in Slovenia are encountering certain problems which are characteristic for such enterprises elsewhere, too, but there they are less intensive. Upon founding they encounter huge start-up obstacles - access to the sources of capital is poor, there are problems with entrepreneurship support services, with development and research. They often encounter lack or run-off of qualified staff – in dynamic enterprises in less developed region this problem is especially serious. Slow, administrative solving of location issues is also a big problem. Business environment is not well developed, for the network of entrepreneurship centres has barely been set up; construction of business zones became an important local/regional development project only with adoption of Single Programming Document 2004-2006. Tax burdens on enterprises are high and the costs of work are also high. Social values are not exactly in favour of entrepreneurship, the businessmen do not have adequate social status – which is especially pronounced in less developed regions. The stagnation in founding of new enterprises and slow growth of newly founded enterprises is accompanied by unfavourable survival rate of new small and medium-sized enterprises; recently this situation has improved - according to the Agency of the Republic of Slovenia for Public Legal Records and Related Services data in 2005 - 13,164 business entities were founded while 7,799 went out of business.

According to the data by SORS that follows the evolvement of newly established companies, in 2003 there were 6,019 companies without a predecessor (in 2004 already 7,588) The number of companies that ceased to operate and have no successor totalled 5,553 in 2003. In 2002 the number of newly established companies without a predecessor that survived at least

1 year equalled 91.74% and in 2003, 92.68%. Long-term entrepreneurship development programme that started in 2002 aiming at ensuring comparable system of the promotion of entrepreneurship among young people is now being concluded. Its logical continuation is the introduction of entrepreneurship in a regular school system with which Slovenia wishes to encourage young people to develop their own entrepreneurial activities and provide these young people with the information on the possibilities of establishing their own companies. So far such education was only offered in business schools whereas in technical faculties and in humanities and entrepreneurship was not a part of curricula. The introduction of this kind of education into a broader range of schools will provide necessary information on the possibilities of entrepreneurship to school population.

In the world venture risk capital is very important, since risk capital investments create and broaden new business activities which enable new R&D investments, promote competitiveness and economic growth. Venture capital is directed into beginning phases («seed», »start up« and the expansion phase) of the life span of enterprises and makes it possible for new high-tech enterprises and risky projects to ensure equity capital and management experience. With few 100 million Slovene tolar of available risk capital Slovenia is, according to Eurostat, at the tail of the EU member states. According to GEM Slovenia 2005 the weaknesses – beside lack of venture capital funds – of business environment in Slovenia are related to poor development of capital market and non-adapted banking instruments for financing new and growing enterprises.

**Table 1: Summary of basic weaknesses in 2005**

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|---|
| <ul style="list-style-type: none"> <li>• Low level of knowledge and skills for identification and implementation of business ideas</li> <li>• Entrepreneurship has negative status in the society</li> <li>• The society does not acknowledge the role of entrepreneurship</li> <li>• Entrepreneurship is not a suitable career choice</li> <li>• Individuals are not prepared to take the risk</li> <li>• Society does not accept failure</li> <li>• Tax burdens are too high, tax policy is not in favour of entrepreneurship</li> <li>• Complex government regulations (administrative burdens) hinder founding and managing of small businesses</li> <li>• Labour legislation is not in favour of small businesses</li> <li>• Difficult access to the market due to numerous (administrative) obstacles</li> <li>• Slovenia 's inaccessibility for foreign capital</li> <li>• Concept of social state and protection of jobs</li> </ul> |
|---|

Source: GEM Slovenia 2005.

### **Key challenges**

*Most of new private companies established after 1990 are very small, remaining in the group of micro companies. The growth of these companies is relatively slow or the entrepreneurs do not decide on growth (there is only 5 % of dynamic companies). The share of small companies with new technologies is modest, clustering of these companies is insufficient to bring better regional development results. For Slovenian small and medium-sized (SME) enterprises high share of traditional activities, poor productivity and low rate of investment into knowledge and technological development as well as low rate of internationalization are characteristic. Slovenia is encountering entrepreneurship support problem:*

- *In the area of access to the financing sources; the most insufficient are ownership financing sources (venture capital), important for companies' growth; the source of the problem is inefficient bank system, not adapted to the needs of SME as well as*

*high costs of financial support, problems with securities, lack of venture capital, inadequate payment policy,*

- *In the area of transfer of development and research from academic sphere to companies, especially small, which do not have their own strong D&R departments,*
- *In the field of economic/developmental infrastructure, which is still in the process of being set up*
- *In the field of cultural and social norms which do not support entrepreneurship initiatives.*

***Analysis of strengths, weaknesses, opportunities and threats:***

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Export-oriented Slovenian economy.</li> <li>- Strengthening of service activities.</li> <li>- Numerous SMEs have introduced quality standards..</li> <li>- Established system of providing counselling and support services</li> </ul>	<ul style="list-style-type: none"> <li>- Small number and slow growth of high-tech companies.</li> <li>- Small share of export of high-tech products.</li> <li>- Poor network linking within domestic economy and small number of partnerships formed with foreign partners.</li> <li>- Availability and accessibility of suitable business premises (administrative obstacles, prices)</li> <li>- Slowing-down of the process of founding of new SMEs..</li> <li>- Poor innovation and entrepreneurship culture.</li> <li>- Insufficiently developed business zone network.</li> <li>- Low added value per employee.</li> <li>- Administrative obstacles present in business.</li> <li>- Lack of trained staff, mostly in technical fields.</li> </ul>

<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Redirection of activities into those with higher added value in production and services sectors.</li> <li>- Training in order to obtain necessary knowledge also in SMEs.</li> <li>- Exploitation of niches and technological specialization.</li> <li>- Development of financial instruments for financial investments.</li> <li>- Increase effectiveness and coordinated functioning of support environment</li> <li>- Inclusion of SME into R&amp;D groups (Clusters, technological platforms, Technological networks) and joint projects.</li> <li>- Improvement of scientific, technological and information infrastructure.</li> <li>- Promotion of innovation and entrepreneurship culture.</li> </ul>	<ul style="list-style-type: none"> <li>- Slovenia's further lagging behind the developed countries in the field of entrepreneurship.</li> <li>- Financial sources remaining off-limits for companies.</li> <li>- Tax legislation non-adapted to new demands in the field of business which hinders development of already existing companies and makes it harder for individuals to decide for entrepreneurship.</li> </ul>

## ***2.4 Information society***

The information and communication technologies (hereinafter ICT) and their use in business and life play an important role in further successful development of information society. Today the ICT represent the strongest driving force of growth and employment.

In Slovenia, in 2005, the Internet accessibility kept rapidly increasing. With regard to the information society indicators Slovenia meets the EU average. According to official data provided by a study carried out by the Statistical Office of the RS (2006), 61 % of households own a computer; in the beginning of 2005 48% of Slovenian households had the access to the Internet. We are lagging behind in the number of broadband connections, since the last officially comparable survey (first quarter of 2004) by statistical offices found that only every

10<sup>th</sup> household had a broadband connection. Within the framework of broadband connections in past years cable access had 40 % share, which was considerably more than in the EU states, where on the average this share was 20%. This is the result of highly developed cable network and low share of ADSL network connections in Slovenia (it is growing rapidly due to new providers entering the market). Where broadband connections are concerned the number of ADSL connections is increasing ADSL, as well as the number of cable connections and other technologies (9.85 connections per 100 inhabitants). In 2005 the number of ADSL connections increased considerably (currently the number of users exceeds 150,000), the share of competitive providers remains on the level of about 8 %. Despite negative trends the narrowband Internet access is still wide-spread in Slovenia (45 % of households), there are 12 narrowband Internet access providers on the market, none holding the majority share. The use of mobile phones is also traditionally high – the mobile communications cover major part of the market, with 44 % share of income, with 90 connection per 100 inhabitants. Such extent of development places Slovenia on the very top of the EU states (the average in the EU being 87). The number of subscribers is constantly increasing; the ratio between subscribers and pre-payers is also improving. The two major providers offer the GPRS service which has already achieved 5 % market share. In December 2003 the leading provider Mobitel, d. d. started marketing UMTS services. In the field of mobile public and radio services (GSM, DCS, UMTS) 2 providers actively operate.

Where the index of network readiness (the level of readiness of a state for cooperation and use of ICT) is concerned, Slovenia is ranked 30 among 102 assessed countries. The most critical aspects are the use of ICT in state administration, the political regulative environment, commercial environment and the use in business.

Where the use of ICT and the Internet is concerned, the indicators of the Internet use in the first quarter of 2005 (SORS, 2006) show that 56% of people aged between 10 and 74 are regular users of the Internet. It is especially encouraging that young people represent a big share of Internet users – according to Eurobarometer survey 58 % of parents confirmed that their children used the Internet; according to a SORS survey the share of users in the group aged 10 -15 is 99 %. The category that does not use the Internet much consists mostly of older people (11 % in the age group 55-74) and uneducated people (25 % with lower level education). With relatively good general coverage more stress should be given to bridging digital divide which is considerable, from the regional, educational and economic/social aspect. This shows that Slovenian population is split in two parts of which one is severed from the process of transition into information society.

The use of ICT for business activities is very important. In Slovenia Internet business (B2C, B2B) is still in the first stages of development. According to a survey by SORS (2006) the individual use of the Internet for e-shopping is low, only 12 % of inhabitants (age group 16-74) have already used this service. The situation is similar where enterprises are concerned - with 96 % enterprises with more than 10 employees that had the Internet access (SORS, 2005), only 15 % used this option in 2004, while 12% of enterprises received orders in this manner; only 2 % of the enterprises received payments via Internet (EUROSTAT, 2005). The enterprises use the Internet mostly for e-financial services (87 %) and for monitoring market situation (70 %); in the year 2005 only 59 % of enterprises employing more than 10 people had their own Internet site; most of these enterprises (98 %) promoted their products or services, half of them offered the access to their catalogues and prices of products or services, and 22 % offered post-sale services.



In general the situation in the area of e-business is not the best; this does not depend merely on the Internet access. One of the essential conditions is an adequate rear IT infrastructure including adequate hardware and software equipment. At the same time it calls for an adequate organization, certain business processes, their management and remodelling. One of the key deficiencies is that in enterprises e-business is based mostly on e-exchange of data and does not integrate internal and inter-organizational business processes. This reflects also in the fact that the CIO is a member of highest management only in 14 % of enterprises (39 % abroad), while investments into informatics only amount to 1.46 % of net income (Gartner 2002; EU 5.59 %, USA 7 %).

In general, with regard to The European e-Business Readiness Index, 2005, the situation in the area of e-business in Slovenia equals the EU average, from the aspect of the ICT adoption and from the aspect of ICT use. The reason for this is a relatively successful and mature ICT sector, offering broad spectre of services and products necessary for establishing adequate IT infrastructure in enterprises. This sector is also development-oriented - beside all major world IT providers it includes also local enterprises developing hardware and software and telecommunication equipment; this ensures adequate knowledge needed for further development. According to IDC survey in the year 2006 the sector achieved total market value of 1.556 billion EUR. It is also important that in 2004 the added value per employee in the ICT sector was almost three times bigger than in the entire industry sector, with income percentage being the highest in software development sector and IT telecommunication services (IDC, 2006).

The offer of ICT services is very modern, diverse and of high quality. The supply of e-contents of public nature is a little less satisfactory. There is a lack of e-contents on health (despite early computerisation of health care organisations a connectable health care information centre has not yet been set up since many information systems were developed internally and according to the needs of public health organisations and were mainly intended to satisfy their own needs but they cannot be connected and only thus the condition for further development of such services can be fulfilled) e-learning (despite the fact that the share of companies using e-learning services in training and education is above the EU average, there is still a relatively low share of companies actually making use of these services – the services are used in 42% of companies and similarly only 16.4% of individuals use them), cultural and scientific heritage, legislation, e-business (in SME), and e-customer support information. Not enough emphasis is given to establishing development environment for e-business and e-services, especially from the point of view of interoperability and open standards, which enable integration of now separated and unlinked systems and development of new, diverse and innovative products which can compete on the market.

The legislation necessary for further successful development of information society – both, in the field of telecommunications and e-business – has in general been adopted and it complies with the EU legislation.

### **Key challenges**

*In the field of ICT we encounter numerous problems, which also result from smallness of the market. The key problems in this field are the following:*

- *Low level of competitiveness on certain electronic communication markets - for instance line leasing, broadband networks and internal calls in fixed network*
- *Poor broadband network coverage of rural areas*
- *Insufficient use of ICT in learning processes*
- *Lack of e-publications of public nature in the Slovenian language- on science, education, health, culture, e-business and customers support*
- *Insufficient systemic introduction of interoperability and open standards*
- *Lack of population's knowledge and trust in e-business on the Internet*
- *Low level of public sector's service providing the enterprises via net.*

### **Analysis of strengths, weaknesses, opportunities and threats**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Comparatively high level of CT penetration (Internet users, mobile telephony) with regard to EU countries.</li> <li>- Relatively rapid development of e-communications.</li> <li>- Digitalized network to the telephone exchanges (100 %).</li> <li>- Gradual liberalization of the EC market.</li> <li>- Geographic position of Slovenia.</li> <li>- Relative effectiveness of the national telecommunications operator.</li> <li>- High level of investments in past years.</li> <li>- In the past the public trading service provided basic electronic communication services throughout the state</li> <li>- Competent ICT sector in all areas of ICT (HW, SW, TC) with a wide range of knowledge concerning development and introduction of e-services and e-business</li> </ul>	<ul style="list-style-type: none"> <li>- Low level of competition on certain electronic communication markets.</li> <li>- Relative lagging behind in e-communication services where the economy sector needs are concerned.</li> <li>- Supply of e-communication services is focused on economically stronger regions (poor coverage of less accessible regions with broadband connections).</li> <li>- Definition of universal services is narrow (but complies with the EU regulations).</li> <li>- Financing of the universal services not yet defined.</li> <li>- Insufficient use of ICT in learning processes.</li> <li>- Insufficient supply of e-contents and resulting low level of public sector's e-service providing for enterprises.</li> <li>- Insufficient supply of e-contents in Slovenian relating to info of public nature, sciences, education, culture-business and customer support.</li> <li>- Insufficient support of the introduction of e-business into enterprises</li> <li>- No links between separate IT systems, due to lack of interoperability</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Slovenia can become a crossing of e-communication roads for neighbouring countries.</li> <li>- Broad introduction of e-business in the segment B2B and B2C (especially SME) for significant increase of productivity, reduction of costs and greater operation competitiveness</li> <li>- Research and development of niche innovative IT products and services based on own knowledge of Slovenian ICT sector in the framework of national ICT platforms</li> <li>- Development and setting up of pilot interdisciplinary e-services and products from the aspect of testing and integration of various IT technologies and from the aspect of introducing innovative services for various user spheres</li> <li>- Integration of the Slovenian cultural space and increasing/ simplifying the access to knowledge by creating a site with scientific, educational and cultural e-contents in the Slovenian language</li> </ul>	<ul style="list-style-type: none"> <li>- Main e-communication lines passing around Slovenia.</li> <li>- Danger of stratification with regard to the digital divide.</li> <li>- Concentration of population in towns.</li> <li>- Slovenia not being attractive for multinational companies.</li> <li>- Uncompetitive industry due to non-introduction of ICT and e-business by the companies</li> <li>- Loss of safety, privacy and resulting loss of trust in the Internet resulting in loss of its commercial potential</li> <li>- Loss of R&amp;D potential in the field of ICT due to globalization of R&amp;D activities and world competition</li> <li>- Loss of digital cultural heritage due to inadequate system for preservation of digital objects</li> </ul>

## ***2.5 Tourism with nature and culture sectors***

The strategy of Slovenian tourism 2002-2006 estimates that tourism contributes 9.1 % to GDP, employs 52,500 people and with an income of 1.2 billion EUR represents approximately 1 % of Slovenian export. The tourist multiplication is supposed to be among the highest (1.8) due to connectedness of multiple economic activities, promotion of regional development and valorisation of natural and cultural heritage. In 2001 Slovenia was visited by 2 million domestic and foreign tourists; counting in one-day visits brings us to the total number of 6 million tourists. In the years between 2002 and 2004 the number of tourists increased by 3.8 %, while the number of overnight stays increased only by 2.5 %. The number of foreign tourists grew more quickly, but an average stay was relatively short. Data for the year 2005 show record results where the period after Slovenia's becoming independent is concerned – 2,395 million visits of domestic and foreign tourists were recorded or by 2.3 % more than in recent years the overnight stays have been increasing, too – in 2005 we recorded 7,573 million overnight stays (of these 58.1 % were foreign tourists). In recent years the average length of stay was 3 nights.

The data on tourist foreign currency inflow issued by the Bank of Slovenia show that the income from travel amounting to 1.45 billion EUR increased in mid-year by 10.3 %. High income from travel, with relatively low increase in the number of foreign tourist visits, shows the change in consumer behaviour of foreign tourists visiting Slovenia. Last year the expenditures for travel rose more slowly than the income, they amounted to 748 million EUR and were by 6.0 % larger than in 2004. The surplus in travel exchange, in the amount of 699 million EUR, was even bigger than the surplus in total exchange of services, achieved in the year 2004.

Tourism fails to achieve rapid, radical changes, which would enable it to bridge the stagnation it suffered in the 1990s (only from 1995 on we started nearing the level of visits and overnight stays we had before 1990). In recent years major changes have occurred in tourism - their impact will show in the coming years, for capital-strong investors are getting involved who have big enough assets (funds) to invest in major projects; on the other hand their holding structure is not strong in the field of expertise needed for each separate field and they do not have a long-term vision, so we can not expect that they will (in short term) fully develop key Slovenian destination resorts and invite other potential partners – at local and national level - to participate in building this vision. One of the key factors in the field of tourism, which has huge and yet unutilized potential, are small and medium-sized enterprises.

The weaknesses of Slovenian tourism, resulting in failure to attract quality tourists, are related to material basis (quality buildings, infrastructure), to the quality of employed staff (human resources) and to organization and connectedness in order to provide attractive tourist programmes.

In more detail, the weaknesses of Slovenian tourism are related to the following material platforms:

- poor transport infrastructure in certain tourist regions,
- insufficient number of quality tourist buildings,
- lack of facilities for different tourist activities.

Weaknesses in the field of employees:

- insufficient up-to-date management personnel,
- poor education and knowledge of the staff employed in tourism: hygiene, quality, punctuality,
- poor cooperation between staff in basic tourist facilities and individuals who offer separate services.

Key weaknesses in the field of cooperation in organizing are the following:

- poor cooperation of the entities at tourist destinations (comprehensive tourist products, joint marketing),
- lack of common information,
- low level of modern technology utilization (Internet supply),
- long-term designing of Slovenian and regional (or tourist resort) trademarks.

The weaknesses of Slovenian tourism result also in missed development opportunities such as:

- Great Britain (impacts of EasyJet presence),
- insufficient regard for changes in the needs in connection with tourism and other free time activities (relaxation, experiencing unspoiled nature, sports/recreation, numerous nature-related activities, camera-hunting, walking, mountaineering), which call for the need to provide preserved nature, cultural heritage and distinctive landscape,
- cooperation with foreign health organizations and insurance organizations in order to provide prevention programmes,
- passenger terminal in Koper and marketing of coastal resorts and the Karst region,
- utilization of the possibility of international TV programme exchange for good promotion of tourism,
- sufficient number of road signs guiding tourists to tourist destinations.

Despite numerous measures and numerous investment cycles we still witness blind development: in Slovenia the more important projects spring up blindly – for instance, the chain of wellness centres and golf courts the activities of which overlap (there is no local distinctiveness to them), so they do not complement each other to form a tourist-attractive whole. Also, despite important progress in the area of accommodation facilities, certain destinations still suffer lack in 3-4 star accommodation facilities, especially in high season. Also, there is insufficient supplementary offer intended for more demanding guests. Lack of readiness to cooperate reflects in unwillingness of certain involved parties to jointly market tourist destinations. This is the reason for the comprehensive effects not being achieved; there are blind spots in the offer and special scheme of tourist activities.

In the context of tourism Slovenia has relatively huge areas with preserved biodiversity. If we take into account the most detailed levels, there are a few hundreds of habitat types in Slovenia. Some of them need special nature-preserving attention due to their being endangered or representative. Unfortunately the situation related to endangered animal and plant species is bad: in Slovenia more than one third of mammals are endangered, almost half of bird species, three thirds of evidenced amphibious species, half of fresh-water fish and lumpreys, one tenth of seed phanerogams and tracheophytes. The situation is similar in neighbouring countries. Also, in the few past decades the area of wet grassland was reduced due to urbanization and intensive agriculture. Today dry grasslands are mostly of anthropogenic origin and they were also reduced in past decades. Especially in remote areas

these grasslands are being overgrown. The biggest part of alpine and sub-alpine grasslands, rocky areas and screed are found in the Alps, where the scope of distribution of species has not changed much. The state of still and running waters has changed in the past decades. The share of morphologically changed water courses is higher in the Pannonia area, where the quality of water courses is lower. This situation is in close connection with the situation related to flooded forests. Their magnitude was reduced in the flood areas of all the major rivers (Drava, Sava, Mura). On the other hand Slovenia is considered one of the most wooded areas in European Union. Today the continuous forests are the subject of fragmentation increase, which can endanger some umbrella species, especially in SE Slovenia. In the period 1985-2000 average defoliation of trees increased. The main impacts on maritime and coastal habitats are caused by urbanization and industrialization in the mainland and intensifying of agriculture.

With defining Natura 2000 areas (April 2004) Slovenia has extended the territory of biodiversity protection – from 10 % of the territory (classical type of preservation – parks) to 35 % of the territory (25 % of total territory of Natura 2000 is in the protected areas). With the Natura 2000 286 were defined, of these 260 on the basis of a directive on habitats and 26 on the basis of a directive on birds. Most parts of the areas are wooded or grasslands or are without vegetation. In view of great potential and recognizability of Slovenia due to most diverse and preserved natural environment (extent of Nature 2000 areas and of protected areas) and due to visible natural and cultural landscapes, the tourism should be built also by taking into account natural conservation and the development opportunities. At the state level 6 parks have been established and at the local level additional 35. Only two state parks have already developed the concept of information centres, which are at the same time tourist facilities. The network of walking tracks, learning tracks and cycling tracks and other park infrastructure are poorly developed. One of the important goals of the national environmental protection programme is to increase the share of protected areas of different categories by 5% of the territory of Slovenia by the year 2008 or by 10% of the territory of Slovenia by the year 2014. Positive impacts of building park infrastructure will reflect in stopping the decrease in biodiversity and in the development of tourism (more diverse and quality offer, greater recognizability, new tourist products).

In the area of cultural heritage we can say that the current network of museum institutions includes 49 museums, galleries and collections, together with 100 dislocated units and 103 other museums and galleries. These institutions record material (mobile heritage) in the field; in this way separate objects obtain the status of national heritage. By the end of 2001 the total number of recorded artefacts was 4 million. The immobile cultural heritage consists of 165 units which are monuments of national importance, 665 units of monuments of local importance and 6,913 units that are not in the group of monuments. It is important to emphasize that not all monuments have been registered; also, not all cultural heritage tracks have been completely established, since only in few cases tourist products are being offered along these heritage tracks. At the same time it is true that in Slovenia interest in including cultural heritage into tourist offer is increasing (Plečnik's Ljubljana, Lipica, Bled, Ptuj) and museums are becoming part of the tourist offer.

A special aspect of tourist offer is also sports and recreational offer, which represents an important element of comprehensive offer of tourist destinations. Slovenia is encountering problems related to outdated and poorly equipped sports and recreational infrastructure which is not enough interesting for the market – and, above all, there is a lack of these facilities in interesting tourist destinations. A modern sports and recreational infrastructure within tourist

destinations will offer new products in the area of tourism – sports&recreational tourism. In terms of healthy way of life, the awareness of foreign and domestic guests is growing. And this brings new requirements and the need to provide suitable environment. Natural conditions make it possible for us to offer quality stay to all categories of guests, and at the same time organize different events which generate additional multiplication development effects.

### **Key challenges**

*In the field of tourism we can find a set of deficiencies, which partly result from the past. In part they are due to slow promotion of new state on the international market and due to limited financial resources as well as to limited knowledge of those, employed in tourism. The deficiencies are the following:*

- *Insufficient recognizability of Slovenia as a state and as a tourist destination.*
- *Lack of visible comprehensive tourist projects, which would make tourist, spend more on different activities.*
- *Lack of distinctive, individually specialized offer of peace, relaxation, experiencing unspoiled nature, local natural and cultural sites, local history, events, customs and local cuisine.*
- *Insufficient number of recognizable tourist trademarks.*
- *Lack of clear development strategies within separate tourist fields.*
- *Dispersed and non-linked tourist offer.*
- *Insufficient quality of tourist buildings due to insufficient investment*
- *Insufficient number of high quality tourist facilities and poor tourist infrastructure in some regions.*
- *Insufficient quality of tourist products and services.*
- *Unused possibilities in the field of sports tourism*

*Reasons for this deficiency are mainly the following:*

- *Dispersed tourist offer, which does not allow for quality without central provider.*
- *Undeveloped transparent tourist information system.*
- *Insufficient innovativeness and adaptability, especially in the framework of former tourist companies.*
- *Insufficient market orientation.*
- *Low level of knowledge of tourist workers at all levels.*
- *Non-stimulating financial environment for investment in tourism, especially in tourist infrastructure.*
- *Poor organization – uncoordinated planning, designing and marketing of integral tourist products in destinations and in Slovenia.*
- *Relatively low level of inclusion of cultural heritage and natural potentials into tourist offer.*
- *Where cableway transport is concerned legislation is loose, so the situation is worrying: total length of access cableways is almost 18 kilometres, which is 15.5 % of the total length of cableways; there are 39 kilometres (34%) of chairlifts and 57 km (50.5%) of ski lifts. Average age of Slovenian cableways is more than 21 years, the average age of cables is 9 years.*
- *Mostly outdated and poorly equipped sports infrastructures – throughout the state there is a lack of adequate sports facilities which support tourist and other commercial activities.*

### ***Analysis of strengths, weaknesses, opportunities and threats***

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- transport and geographic position (central geographic position – central Europe, the closest Adriatic port, good accessibility and inclusion in EU Transit ways, closeness of world attractions - Venice, Salzburg, Vienna)</li> <li>- Closeness of central markets of Europe (Austria, Italy, Croatia, Hungary, Germany)</li> <li>- Extraordinary biodiversity and landscape diversity (Natura 2000 areas, natural parks, Karst landscape, Alpine landscape, sub-alpine landscape, Panonic region, natural beauties, Triglav national park, Soča Valley, Karst caves).</li> <li>- Tourist offer (unspoilt nature, forests, rivers, lakes).</li> <li>- Free access to open spaces of wood, mountains, coast, rivers, lakes and sea).</li> <li>- Easy access to different commercial offers within relatively small space (polycentric development and connectedness of offer with domestic environment).</li> <li>- Dispersed and relatively small tourist centres instead of mass tourism (personalized offer, ecological soundness).</li> <li>- Economically developed and politically stable state which ensures all forms of safety for foreign and domestic guests.</li> <li>- Population, interested in tourist development and resulting economic development and social safety in areas, where other forms of economic development are not possible.</li> <li>- Preserved natural values and cultural heritage within the framework of Slovenian historic towns and countryside.</li> <li>- Numerous sports/recreational events.</li> </ul>	<ul style="list-style-type: none"> <li>- Dispersal and non-connectedness of tourist offer (connective projects, network offer).</li> <li>- Non-specialization of agencies.</li> <li>- Insufficient attractiveness of products or services (too few tourist attractions).</li> <li>- Insufficient quality structure and insufficient accommodation capacities (especially in well-developed tourist resorts).</li> <li>- Insufficient small-hotel capacities of lower price categories and insufficient high category apartment facilities.</li> <li>- Insufficient quality of services not meeting the expectations of tourists.</li> <li>- Insufficient number of recognizable tourist trade marks.</li> <li>- Insufficiently developed transport infrastructure in some tourist areas.</li> <li>- Poor and inadequate offer of winter tourism (outdated cable ways and insufficient snowification .</li> <li>- Insufficient market orientation and poor business innovation (lack of attractive programmes).</li> <li>- Insufficiently recognizable identity of state and its public image in the European space.</li> <li>- Poor educational structure of the employed in tourism, low quality staff.</li> <li>- Lack of planning strategy at promoting of our culture, cultural and natural heritage.</li> <li>- Cultural heritage not being sufficiently acknowledged as a development potential.</li> <li>- Outdated and poorly equipped sports infrastructure – result of insufficient investment into sports.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Slovenia as a relatively undiscovered and untraditional tourist destination within mid-European space.</li> <li>- Manageability of different local tourist destinations and programmes and their linking into integral tourist products.</li> <li>- Possibility of offering unspoilt nature, healthy and safe environment, distinctive landscape, genuine natural and culturally authentic tourist products and programmes (culinary products, traditional crafts).</li> <li>- Development of tourist centres observing modern tourist trends (spa tourism, beach-resort tourism, mountain tourism, business tourism, rural tourism).</li> <li>- Connectedness of local tourist offers, at regional and state level into integral joint tourist programmes (integral tourist products/services).</li> <li>- Connecting with other regions in order to promote Slovenia on remote markets.</li> <li>- Opportunity to market Natura 2000 areas.</li> <li>- Opportunities for development of ecotourism and eco-agriculture (marketing of natural and cultural heritage).</li> <li>- Inclusion of cultural heritage as a new unexploited marketing potential in the area of service providing.</li> </ul>	<ul style="list-style-type: none"> <li>- Strong competition of 3 extremely developed neighbouring tourist countries and regions (Italy, Austria, Croatia).</li> <li>- Poor cultural infrastructure and equipment of public institutions.</li> <li>- Lack of public and private partnership.</li> <li>- Development of mass tourism</li> </ul>

## ***2.6 Environment, energy and transport***

In the light of sustainable development Slovenia is characterised by stable population and its burden on the environment and space, big dispersion, high number and small size of settlements, well preserved nature, exceptional landscape and biotic diversity but on the other hand there are excessive use of natural resources and the creation of various forms of burdening environment and space. The environmental globalisation brought the principle of planetary and inter-generational environmental responsibility, therefore, sustainable global acceptability of the scope of the use of natural sources per capita to the fore. One of the most important areas is potable water. In modern world it is becoming more and more appreciated strategic goods and provided that water management in Slovenia is more adequate, it can be an opportunity. The Development report establishes that in Slovenia the principle of sustainable development is becoming more established but at the same time some weaknesses and lack of balance of all three elements (economic, social and environmental) have been retained as well as energy intensiveness and weak integration of environmental, social and economic aspects of development.

Within the EU, Slovenia is among the countries with nature preserved above the average level. This applies to plant and animal species, landscape and biotic diversity and quality living environment in the majority part of the territory. However, there are some smaller areas of intensive and multi-layered degradation that represent traditional industrial-mining areas that are weak also as far as development is concerned. There are cases of inefficient use of space, various trends of burdening the environment among the population and in industry and a high level of energy and material intensity. The quality of water flows has been gradually improving since 1992 and waste water treatment plants that are being constructed will additionally contribute to improved conditions. The content of nitrates and pesticides in groundwater has been decreasing for a decade but some values are still high and consequently some stringent restrictive measures have been adopted. As recognized in the Strategic Environmental Assessment, Community standard values regarding air pollutants are frequently exceeded in Slovenia, in particular with the pollutants most damaging to human health such as particulate matter, ozone and nitrogen dioxide. Trends of deteriorating air quality are detected in a number of areas and comprehensive air quality plans on addressing the issue at a national and/or local/regional level still have to be put in place. Efficient urban waste management system has been established (e.g. separate waste collection, the share of population covered by regular waste collection has been going up). Every year the quantity of separately collected waste increases but the total quantity of waste per capita that is still below the EU average has been increasing. A more detailed analysis of individual areas is presented in the continuation.

**Where collection and treatment of waste water** is concerned we have, in recent years, reduced the emission of compounds into water by 450 000 PE - this was done by construction of new waste water treatment plants. In the field of treatment plants great progress can be noticed. The situation is not so good where construction of sewage system is concerned, for the construction progress is slow due to difficulties related to obtaining consents from the land owners. Since the communities were in favour of building water treatment plants rather than sewage systems, we decided to centralize the preparation and financing of investments from environmental dues, so that this trend would be changed and that the communities would go for construction of both, sewage system and water treatment plants. Therefore the financial assistance of the EU and of the state as well as centralized approach are necessary if we want



to meet, by 2015, all the requirements related to collecting and treatment of waste water – which Slovenia undertook to do by signing the accession agreement. The centralized approach simplifies the solving of problems encountered when obtaining approval from authorized services. The construction of the channel network and simple purification plants in the Republic of Slovenia began in 1970. These activities were especially lively in the period 1970- 1980, when the purification plants were built in major industrial centres such as Kranj, Škofja Loka, Jesenice. Towards the late 1980s smaller purification plants were built, especially in tourist centres.

With regard to the year 2004 the analysis of the agglomeration with regard to density shows the following:

- 10 % of Slovenian population lives in settlements inhabited by less than 50 people,
- 10 % of Slovenian population lives in settlements or settlement parts inhabited by 50 or more people where the population density is less than 10 people per hectare,
- 20 % of Slovenian population lives in settlements or settlement parts where the population density is 10 to 20 people per hectare,
- 60 % of Slovenian population lives in settlements or part of a settlement where the population density exceeds 20 people per hectare.

The analysis of the agglomeration with regard to density shows the following, due to regulation, which regulates discharge and purification of waste water (starting point of Programme of collection and treatment of waste water is Operational programme of collection and treatment of waste water, which was adopted by the Government in 2004) that connections on sewage system from 2004 to 2015 must be established for more than 1.5 million people. Programme defines 3,260 agglomerations at national level, which have to be, by the criteria and regulations, equipped with sewage system and on the end with waste water treatment plant.

In the database on **drinking water supply** systems 977 supply areas were recorded in the year 2004 which supplied 1,840.135 inhabitants, that is 92 % of inhabitants of Slovenia. In the year 2003 187 million of m<sup>3</sup> fresh water was pumped into the public water supply system. Most of this water came from groundwater, which is the fact that makes efforts to preserve enough quantities of groundwater and to keep it wholesome even more important. Loss of water due to decrepit water distribution networks is slowly being reduced, but is still significant problem in larger water supply networks (more than 30 %), which consequently evidenced in the rise of costs and prices of services. It was noticed that beside construction of waste dumps and waste water treatment plants in the communities, constructions of drinking water supply systems almost completely stopped. It was also noticed that most water supply systems were without reserve water sources which were necessary for system operating. Therefore communities indispensably need additional financial resources for constructing new water supply systems, reserve water sources for long-term prevention of vulnerability of Slovenia due to climate changes and to assure balanced economic development.

**In terms of waste activities**, Slovenia annually generates about 450kg of municipal waste per inhabitant (in EU15 500 kg/inhabitant/year). But the quantities are constantly growing. The share of population included in the system of regular collection and disposal of municipal waste increased from 67 % in the year 1995 to 95.5 % in the year 2004. Separate collection of waste is performed by all waste management services in the communities. Data on quantity of disposed non-hazardous waste which are for the year 2002, comparable also with the data of

Statistical Office of the RS show that the quantity of waste in 2002 decreased by 14 % in comparison to 2000, the reduction, however, is probably the result of weighing waste before disposal. Of the total quantity of non-hazardous waste in 2002 the share of municipal waste was about 85 %; of this the majority share (81 %) consisted of mixed waste and the rest of garden waste and separately collected fractions. Total share of remaining disposed waste generated by activities (construction waste, waste packaging, waste generated from organic chemical processes, wood processing waste and other waste) is 13 % of generally non-hazardous waste. Situation in the domain of waste management is unsatisfactory, mainly due to the quantities of disposed waste at landfills which are still too high and due to low share of separately collected fractions resulting from lack of collecting centres and distrust towards new environmental technologies and possibility of using waste–recycling to produce raw materials or fuel.

With constant growth of economy and emphasis on environment protection **renewable energy supply** is an essential part of current development programmes referring to energy supply and use. In terms of supply and use of energy in Slovenia it is characteristic that energy intensity is very high, which is still by 90 % higher than in EU15 and by 2.6 higher than in Denmark. This is partly also the result of the structure of our processing industry, within which there are still very energy intensive sectors: aluminium production, steel production, paper and cellulose production which have relatively low added value.

Share of renewable energy sources in Slovenia in 2003 per total energy supply was 10.8 % (2000: 11.9 %, EU15 only 5.5 %) and in total production of electricity 23.2,% (2000: 28.6 %). The average annual growth of primary energy consumption in Slovenia between 1992 and 2001 accounted for 1.9 %. In the 2004 primary energy balance, the largest share was recorded by liquid fuels (35.2 %) and solid fuels - coal (21.6 %). The share of renewable energy sources was divided among hydro energy (4.5 %) and wood and scrap wood (4.1 %), while new sources accounted for only 0.1 % of the primary energy balance. For district and local heating, wood biomass (scrap wood from the wood industry and wood from the forest) is the increasingly used local energy source, particularly on locations with outstanding natural conditions (forest cover, agriculture, industry, crafts, tourism).

Like other EU countries Slovenia is encountering the following big challenges: how to keep energy dependence at current level and how to reduce air pollution and greenhouse gas emissions. Not taking into account the fuel imported for the nuclear power plant Krško, Slovenia's dependence on energy import is about 50 % (in 2004 energy dependence of Slovenia was 52 %, which is for 4 percentage points more than in 2001) – like elsewhere in the EU. Especially problematic are fuel and gas supplies, for here the dependence is 100 %; as for electrical energy, the import/export levels are approximately the same. The EU is aware that only by implementation of intensive energy management measures the expected increase of dependence on energy import can be prevented – it is forecast that if the mentioned measures are not applied, the dependence on energy import will rise from present 50 % to 70 % by the year 2030.

With adopted Resolution on the national energy programme, it is clear that defined objectives are (also according to the EU regulation): to increase energy efficiency, to increase co-production of heat and electricity and to increase production of heat and electricity from renewable sources and share of biofuels in transport.

The development of economy was spontaneously followed by **transport policy** with priority investments in motorway cross and delay in financing reconstruction and construction of regional and local transport links and railway infrastructure. Due to intensive process of suburbanization (Central Slovenia, the Gorenjska and Coastal regions), due to construction of motorway cross, due to individual traffic increase, due to increasing transit transport within the trans-European corridors and due to forming urban structure adapted to car use, which additionally promotes the growth of traffic, delays occur in providing mobility and as a result reduction of competitiveness of economy and services.

In the domain of roads the main deficiency is poor connectedness of marginal regions with central Slovenia and with international long-distance roads (TEN network). Another deficiency is badly designed crossings of different traffic routes and resulting bad safety and insufficient capacity of existing roads that run in the direction of future motorways. In case that motorway network will not be finished, transport conditions in plan period of 20 years, will be critical on half of road networks. Most of 43 % of main national roads is in critical or even very critical conditions, which is one of the main factors hindering consistent regional development in areas which are not connected to motorway network. Those areas are becoming locally uncompetitive, although they have other factors crucial for development.

The situation in railway infrastructure is getting worse due to insufficient resources for its development and modernization. Only 25 % of the national programme for development of Slovenian railway infrastructure has been implemented. The situation reflects in damages and irregularities that occur on the tracks, contact wires, signalling and safety devices, switch points; it also reflects in reduced speeds. The outdated Slovenian railway network cannot any longer provide required transport services and cannot ensure sufficient network capacities to meet future needs (interoperability). So on certain main lines the wagons are being loaded by 15 % less than their capacity allows for. This is primarily due to severe wear of rails (in the length more than 90 km) and due to wear of contact wires (in the length of over 40 km).

In the area of maritime transport the port of Koper every year significantly increases the amount of freight transshipments, which has special development significance for Slovenia. The port of Koper is an important entrance/exit point for the states of central part of the Union between the maritime motorways of the Adriatic-Ionian corridor and transport routes of intermodal V. corridor in the framework of TEN-T network.

Due to increase in air transport in Slovenia and in order to meet the EU regulations and provisions of the Schengen agreement the need exists to modernize, upgrade and extend the existing air transport infrastructure. We can expect that within 10 years air traffic in Slovenia will rise to the current level in the EU. This means that the number of passengers will quadruple and that the air transport capacities in the EU will double by 2015. We expect that low price air carrier operators will appear on the market and that air transport prices will drop, which will additionally reflect in the increase in the number of passengers and the number of charter flights.

In the passenger motor transport in Slovenia the use of private cars prevails; 76% (693 million trips) of transport is done this way. The remaining 24% (220 million trips per year) of transport is done by public means of transport - of these 75 million trips by long-distance and suburban public buses, 130 million by urban public buses and 15 million by railway. This unfavourable ratio in choosing transport means can only be changed by long-term planning of clear and reachable goals.

## **Key challenges**

Reasons for these key problems are the following:

- constant increase in quantity of waste,
- extensive migrations of educated human resources from rural areas to towns
- insufficient number of enterprises involved in environmental technologies in the field of waste and collection and treatment of water,
- insufficient quality of bathing waters,
- wear of water supply systems and loss of water,
- undefined reserve water sources for existing water systems,
- large number of inadequately constructed water systems,
- with current trends of increased energy use there is a threat that in coming decades Slovenia's dependence on energy import will considerably increase (in the EU: without special measures the dependence of the EU on energy import would have increased from current 50% to 70% by 2030),
- in future we will not be able to meet international obligations in connection with Kyoto Protocol and the EU directives (for instance annual proving of 1 % saving of final energy, as laid down in the Directive on efficient use of final energy and energy services),
- decreased competitiveness of economy, especially in energy intensive sectors, in which the expenditures for energy represent major share of expenditures,
- high growth of electrical energy use,
- connecting effective use of energy and renewable sources of energy only with positive environmental impacts and not also with impact on competitiveness, regional development and employment,
- narrow scope of research and technological development of energy equipment and services in the field of efficient use of energy and renewable sources of energy,
- focusing of energy supply enterprises on investments in energy sector,
- bottlenecks on the roads running through settlements and resulting poor safety. Most of these bottlenecks cannot be eliminated in any other way than by building new roads,
- bad condition of road network and facilities,
- poor connectedness of marginal areas with central Slovenia and with international long-distance roads (TEN network),
- poorly designed crossings of different transport routes and resulting poor safety,
- generally insufficient safety in air transport and at the same time ensuring required capacity.

## **Analysis of strengths, weaknesses, opportunities and threats**

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Possibility of establishing good waste management system in short time.</li> <li>- High level of biodiversity.</li> <li>- Abundance of water sources and relatively good territorial coverage.</li> <li>- Relatively good monitoring of quality condition of water.</li> <li>- Extensive measuring of quantity of drinking water used.</li> <li>- Low use of water per inhabitant.</li> <li>- Huge unexploited potential for EEU (buildings) and RES (bio mass, geothermal energy, sun) and potential for reduction of GG emissions , improvement of local quality of air and increase in energy and economy effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>- Bad condition of roads, feeding motorway network and connecting regions and areas within regions.</li> <li>- Outdated systems and insufficient infrastructure for air traffic navigation and control of regional importance.</li> <li>- Insufficient quality of bathing waters.</li> <li>- Insufficient number of companies involved in environmental technologies in the field of waste and collection and treatment of water.</li> <li>- Migrations of educated human resources from rural areas to towns</li> <li>- Differences in the quality of drinking water supply (village systems, individual supply).</li> <li>- Wear of water supply systems and high water losses.</li> <li>- Most of the water supply systems do not have</li> </ul>

<ul style="list-style-type: none"> <li>- Compliance of NEP and other programmes with environmental and energy policy of EU in relation with meeting the obligations arising from Kyoto Protocol and other international obligations.</li> <li>- Knowledge, natural conditions and tradition (bio mass)</li> <li>- Already developed production of devices, equipment and services (construction materials, heating and air condition technology, measuring technology, information technology...), which is capable of accelerated development.</li> <li>- Trend of reduction of investment costs due to the scope of economy and maturity of technologies.</li> <li>- Relatively good monitoring of water situation.</li> <li>- Integration into European inland transport network.</li> <li>- Relatively strong transport sector, especially road sector.</li> <li>- High share of income of freight transport providers on the European market.</li> <li>- Transport tradition</li> </ul>	<ul style="list-style-type: none"> <li>reserve water sources.</li> <li>- Lack of initiatives for development of new environmental technologies for treatment of waste water and for waste management.</li> <li>- High and growing dependence on energy import.</li> <li>- High growth in electrical energy use, uneconomical treatment of energy management.</li> <li>- Institutional framework which gives priority to traditional energy sources.</li> <li>- Lack of trade investors, lack of existing infrastructures needed for some technologies.</li> <li>- Outdated and worn out water infrastructure.</li> <li>- Bad maintenance and high costs of maintaining water industry facilities</li> <li>- Insufficient exploitation of nature conservation development potential.</li> <li>- Continuous occurrences of exceeding values regarding air quality Community standards and corresponding adverse impacts on public health.</li> </ul>
<b>OPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Preservation of natural resources</li> <li>- Preservation of quality of water sources</li> <li>- Creation of new jobs</li> <li>- Regulated infrastructure as the competitive advantage of Slovenia</li> <li>- Positive impacts on economic and tourist development and use of new environmental technologies.</li> <li>- Preservation of water sources as strategic advantage of the state in times of climatic changes.</li> <li>- Quality drinking water as a competitive advantage of RS</li> <li>- Positive impacts on health of the population.</li> <li>- Possibility for increasing reliability of energy supply (diversification of sources, reduced dependence on fossil fuel, dispersed local supply)</li> <li>- Slowing down the construction of new big energy facilities and networks.</li> <li>- Promotion of local economy in the area of agriculture and forestry, linking with eco agriculture and tourism.</li> <li>- Positive impacts of biodiversity on development of economy and tourism.</li> <li>- Ensuring higher cost- effectiveness of energy supply and as a result increasing the competitiveness of economy.</li> <li>- Activation of private capital for renewable sources of energy and effective use of energy and thus long-term reduction of budget funds.</li> <li>- Geographical position</li> <li>- Unification and harmonization of transport systems</li> <li>- Development of transport technologies.</li> <li>- Development of new environmental technologies.</li> <li>- Unification of functioning of current infrastructure ; Slovenian service providers would supply integral and not merely partial logistic services.</li> <li>- Increase in utilization of capacities and facilities at regional airports in Slovenia as well as the capacities of individual buildings within infrastructural units, intermodal systems.</li> </ul>	<ul style="list-style-type: none"> <li>- Increased health risk</li> <li>- Further pollution of environment and loss of biodiversity and landscape diversity.</li> <li>- Decreased quality of living and accessibility to services.</li> <li>- Negative impacts on development of economy, withdrawal of capital, migration of population (within Slovenia)</li> <li>- Crumbling of infrastructural systems of drinking water supply.</li> <li>- Extraordinary rise in prices of drinking water.</li> <li>- Increased used of water due to international migrations.</li> <li>- Climatic changes.</li> <li>- Poorly adapted institutional framework for renewable sources of energy and effective use of energy.</li> <li>- Low level of awareness of users in relation to economic and other benefits.</li> <li>- Obstacles in development of energy supply systems due to poor organization within biomass market and due to rise in prices of biomass.</li> <li>- Low level of awareness of population regarding building within flood areas.</li> <li>- Increasing number of bottlenecks and decreasing safety of freight and passenger transport due to slow modernization of network</li> <li>- Increase in dispersal of settlements.</li> <li>- Stagnation of regional/local road network, which will not be capable of accommodating transport flows.</li> <li>- A sociably unacceptable degradation of living environment.</li> <li>- Non-meeting of requirements of Kyoto Protocol.</li> <li>- Increased health risk and loss of Slovenia's 'green image' through further degradation of air quality in particular in the urban areas.</li> </ul>

## 2.7 Regional development

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 educational 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 weak economy and with mainly agrarian characteristics, in areas with demographic problems and low income level per capita and in economically and socially unstable areas. With the accession of Slovenia to the EU such structural problems were clearly indicated and in some areas even intensified.

**Table 2: Basic statistical data and socio-economic indicators for cohesion regions and for Slovenia**

INDICATORS	Western <sup>1)</sup> Slovenia	Eastern <sup>2)</sup> Slovenia	Slovenia
Territory (in km <sup>2</sup> )	8,061	12.212	20.273
Population; year 2005 (June 30)	921.945	1.079.169	2.001.114
GDP by purchase power (in million PPS – purchase power standards); year 2003	18.288	14.705	32.993
GDP per capita by purchase power (in PPS – purchase power standards); year 2003	19.952	13.619	16.527
GDP per capita by purchase power (in %; EU-25=100); year2003	91,7	62,6	76,0
Employment rate; 2003-2005, in %	55,7	53,4	54,5
Employment rate; 2005, in %	56,7	54,3	55,4
Share of employed in service industry (G to O) <sup>3</sup> (in % of all employed in separate territorial unit) year 2005	61,1	46,8	53,5
Average number of years of schooling; year 2005 <sup>4</sup>	11,36	10,66	10,98
Dependency ratio; 2003-2005 (situation on 6.30 of each year)	106,1	103,6	104,7
Unemployment (in %); year 2005	5,3	7,6	6,5
Share of unemployed youth (in %); year 2005; younger than 25	25,1	26,4	25,9
Share of unemployed with 1 <sup>st</sup> and 2 <sup>nd</sup> level <sup>5</sup> of education, of all unemployed (in %); year 2005	20,6	26,5	24,3
Share of unemployed women (in %); year 2005	45,9	51,8	49,6
Life expectancy at birth (in years), 1999-2003	77,6	75,1	76,2
Connections to public sewage system; year 2002; in % <sup>6</sup>	60,4	41,0	49,9
Share of Natura 2000 areas; in %	38,4	33,6	35,5
Synthesized development indicator: development deficiency index <sup>7</sup>	73,0	127,0	100,0

1) Western Slovenia: Gorenjska region, Gorica region, Lateral-Karst region, Central Slovenia (all NUTS 3)

2) Eastern Slovenia: Pomurska region, Podravska region, Koroška region, Savinjska region, Southeastern Slovenia, Zasavska region, Spodnje-posavska region, Notranjsko-kraška region (all NUTS 3)

3) Activity classification NACE, economically active population

4) Source: SORS, the calculation is the evaluation based on Labour force survey and weighing, calculated on the basis of data in 2002 Census.

5) Completed or incomplete primary education.

6) Data from Census 2002

7) Development deficiency index is a synthesized indicator, calculated from indicators of economic development, labour market, population, education and environment, for 12 development regions

Sources:

- SORS
- All data referring to labour market come from the Labour Force Survey.
- Eurostat, New Cronos dpr GDP (situation on October19, 2006).

Problems are concentrated in the Eastern Slovenia cohesion region, which according to the latest data available for 2004 only reached 69.1% of the average EU-25 development level (GDP per capita according to purchasing power), whereas they are less present in the Western Slovenia cohesion region that this year reached 99.9% of the average EU-27 development level.

In directing the resources to less developed regions the regional policy uses a synthesized indicator, development risk index (see synoptic table 3), which is calculated for 12 development regions (NUTS III) and both cohesion regions (NUTS II)<sup>43</sup>

**Table2: Development risk index**

<b>Development regions (NUTS-3) and cohesion regions (NUTS-2)*</b>	<b>Index</b> (Index, SLO = 100)
<b>EASTERN SLOVENIA</b>	<b>127,0</b>
And the regions within	
POMURSKA	159,5
NOTRANJSKO-KRAŠKA	127,0
PODRAVSKA	116,8
SPODNJEPOSAVSKA	116,8
ZASAVSKA	113,9
KOROŠKA	103,9
JUGOVZH. SLOVENIJA	101,7
SAVINJSKA	92,3
<b>WESTERN SLOVENIA</b>	<b>73,0</b>
And the regions within	
GORIŠKA	93,8
GORENJSKA	83,1
OBALNO-KRAŠKA	82,4
OSREDNJSLOVENSKA	8,7

Source: GORP

- Proposal submitted by Slovenia for notification by the European Commission in November 2005

The calculation of the development risk index indicates a much better situation in the regions in western Slovenia, with a special stress on the Central Slovenia region. Eastern Slovenia is marked by higher values of development risk index, the highest being in Pomurje, which is also according to the GDP per capita (PPP) indicator the least developed Slovene region at the NUTS III level (index of 69). On the other hand the Central Slovenia region stands out (index of 142) and according to this indicator the development of all other regions is below the average.

<sup>43</sup> Development risk index is calculated by weighing indicators of economic development (GDP per capita, gross basis for income tax per inhabitant, number of jobs per economically active population in the region and companies gross added value per employee), labour market (rate of registered unemployment and rate of registered employment), inhabitants (dependency ratio), education (average number of schooling years) and environment (share of population connected to public sewage system, share of Natura 2000 areas and settlement indicator).

**Table 4: Gross Domestic Product per capita, indices; Slovenia = 100**

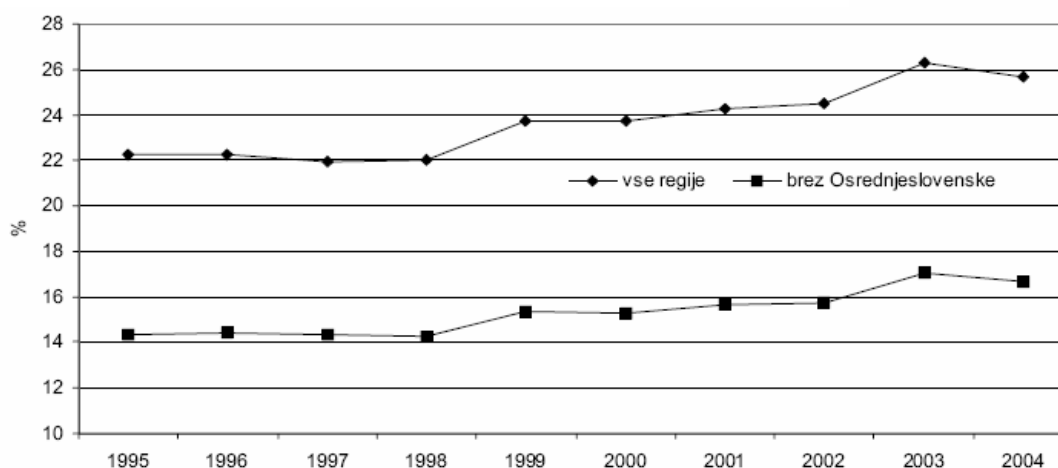
Tabela: Bruto domači proizvod na prebivalca, indeksi, Slovenija = 100

Statistična regija	1995	2000	2001	2002	2003	2004
SLOVENIJA	100,0	100,0	100,0	100,0	100,0	100,0
Osrednjeslovenska	137,1	139,7	140,6	140,9	144,1	142,9
Obalno-kraška	108,4	104,9	103,9	103,7	103,4	103,2
Gorenjska	88,6	87,4	88,3	88,0	86,9	86,1
Goriška	97,1	98,2	98,7	97,1	95,4	95,8
Savinjska	93,9	90,3	88,5	89,3	88,8	89,2
Jugovzhodna Slovenija	90,0	91,6	91,9	90,5	90,2	90,9
Pomurska	77,7	70,6	70,6	69,5	68,5	69,0
Notranjsko-kraška	76,4	79,4	78,2	78,6	76,4	77,0
Podravska	81,8	82,8	82,9	84,1	83,3	84,5
Koroška	79,3	81,8	81,5	80,4	78,0	77,5
Spodnjeposavska	83,5	84,5	85,4	84,4	79,9	79,6
Zasavska	83,6	79,3	75,1	72,8	71,7	71,8

Vir: Nacionalni računi, Regionalni bruto domači proizvod (SUR5), 2006.

In the period 1995-2003 the development gap between the two extremes even increased whereas in 2004 (last year with the data available) the trend turned into more favourable.

**Table 5: Coefficient of variation of the regional GDP; Slovenia, 1995-2004**



Source: report on development; IMIAK, 2006

The disparities between regions are big but they have been decreasing since 2002. Despite the reduction of the registered unemployment rate, in 2006, the structural problems in some regions even increased even in those that are not facing high unemployment rate. The regions with the unemployment rate above the average one are mainly in the eastern part of the country (Pomurje, Podravje, Savinjska region, Zasavje, Koroška).



**Table 6: Registered unemployment rate by regions in the period 2000-2006, in %**

Tabela: Stopnja registrirane brezposelnosti po regijah v obdobju 2000–2006, v%

	2000	2001	2002	2003	2004	2005	2006
SLOVENIJA	11,8	11,2	11,3	10,9	10,3	10,2	9,4
Osrednjeslovenska	8,8	8,0	7,7	7,5	7,5	7,6	7,2
Obalno-kraška	8,8	8,7	8,3	8,0	7,9	7,5	7,2
Gorenjska	9,7	8,7	8,2	8,0	7,6	7,3	6,4
Goriška	5,9	5,6	6,1	6,3	6,7	6,5	6,2
Savinjska	13,1	13,1	13,6	13,1	12,5	12,7	11,6
Jugovzhodna Slovenija	10,4	9,6	9,7	8,4	8,2	8,8	8,6
Pomurska	16,7	16,3	17,7	17,6	16,8	17,1	15,7
Notranjsko-kraška	10,4	9,4	8,8	8,6	8,1	7,9	7,0
Podravska	18,1	17,4	17,1	15,8	14,2	13,5	12,7
Koroška	9,9	9,9	11,3	12,2	11,4	10,6	10,1
Spodnjeposavska	13,4	13,9	14,1	14,6	12,7	11,5	10,5
Zasavska	14,9	14,3	14,8	15,6	14,4	13,8	12,0

Vir: SURS.

### Key challenges

On the level of NUTS-3 the discrepancies between separate regions and development problems are the most pronounced in the following areas:

- **Economic conditions and economic infrastructure facilities:** *Central Slovenia region and Lateral-Karst region stand out; in these regions GDP per inhabitant, measured in PPSs above the Slovenian average, while elsewhere it is lower. The share of tertiary sector is higher than 70 % only in the two regions, in other regions secondary sector is still important, especially in the Koroška and Zasavje regions, where more than 50% are employed in the secondary sector. The Pomurska and Spodnjeposavska region still have relatively high share of agriculture sector (more than 10 % of all employed). The share of employees in sectors based on knowledge, the regions that stand out are Central Slovenia region, Lateral-Karst region and Southeastern Slovenia. This share is extremely low in the Pomurje region and in the Spodnjeposavska region. The situation is similar where employment by innovation companies is concerned – here the Savinjska region and Zasavska region stand out. In recent years the number of jobs has grown most in the Central Slovenia region and in Southeastern Slovenia, whereas it decreased the most in Zasavska region and Spodnjeposavska region. With regard to business entities per 1,000 inhabitants Central Slovenia region and Lateral-Karst region stand out, while the situation is the worst in Zasavska and Pomurje regions. The regions lagging behind with regard to development are, as a rule, also poorly equipped with developed land for developing business zones, business incubators, technology centres and other economic infrastructure, which is one of the conditions for attracting investments and more rapid development of entrepreneurship. In these regions the companies are not sufficiently innovative, ignorance of world trends is characteristic here, as well as lack of marketing and organization skills and non-cooperation (lack of cooperation with other enterprises as well as with education and research institutions), which often results from inadequate structure of employed in enterprises.*
- **Human resources and education infrastructure facilities:** *where unemployment is concerned, in 2004 in all the regions the share of first-time job seekers grew; the share of long-term unemployed is also high – in all the regions it exceeds 45 % of all unemployed. The Gorica region and Central Slovenia region stand out; high levels of registered unemployment are recorded in Pomurska, Zasavska, Savinjska, Spodnjeposavska, Podravska and Koroška regions. Where the share of unemployed youth is concerned, the Pomurska, Savinjska and Zasavska regions stand out, where the share exceeds 25 %. The share of employed with completed higher education is above average only in the Central Slovenia region and in the Lateral-Karst region.*

*Standing out - in positive sense – with regard to the number of students in one generation are the Central Slovenia, the Lateral-Karst, the Gorenjska and the Goriška regions, the situation is not so good in the Pomurska and Spodnje Posavska regions. Brain-drain also represents one of the problems, since the educated people stay in university centres (especially in Ljubljana), where they have better opportunity for further development. The regional centres in less developed regions are poorly equipped with education infrastructure, especially in terms of higher education institutions which are mostly concentrated in the Central Slovenia region, Podravska and Lateral-Karst regions. Regional education centres are the ones that could link well the supply and demand on the labour market, in accordance with the needs of industry existing in the region. There are large differences also in the presence of scientific research institutions which are mostly found in the Central Slovenia region.*

- ***State of environment and the environmental infrastructure:*** *There are a lot of discrepancies in environment pollution between the regions. The regions that stand out in a positive way are the South-eastern Slovenia, Goriška region, Gorenjska and Koroška regions, while the situation is the worst in the Pomurska, Podravska, Spodnje Posavska and Central Slovenia regions. Where the share of people connected to water supply network are concerned, the region that trails behind most is the Koroška region (71.3 %), followed by Pomurje (81,7 %) and Savinjska regions (84.9%). In best developed regions, that is in the Central Slovenia region and in the Lateral-Karst region, this percentage amounts to 96%. Currently 20-40% of pumped water is lost due to wear of the pipes, which represents 15% share of material costs of water supply. Also, the majority of village water supply systems is inadequately constructed and can represent huge health risk. Most water supply systems operate without reserve water sources, which is risky in case of sudden pollution or cut-out of the system. In the Pomurje region, connectedness of the population to the sewage network amounts to mere 33.1 %, in the South-eastern Slovenia it amounts to 39.3%, while in the Savinjska region it amounts to 39.4 %. The highest percentage is recorded in the Central Slovenia region (66.2 %), Zasavje region (63.5 %) and Lateral-Karst region (59.5 %). The share of population, using public waste disposal services is the lowest in the Koroška region (below 90 %) the regions that follow are the Savinjska and Lateral-Karst regions. The highest quantity of municipal waste collected per inhabitant is recorded in the Notranjska-Karst region (459 kg) and the lowest quantity in Podravska region (194 kg). Air quality is exceeding the Community standards in particular in the larger agglomerations and in the Zasavje region.*
- ***Transport infrastructure:*** *Inter-regional connectedness is unsatisfactory. Less developed, more remote regions have poorer access to main transport infrastructure networks, in addition to having extensive relief-dependant local infrastructure, mainly road infrastructure. :*
- ***Public infrastructure in Natura 2000:*** *Major complexes of Natura 2000 areas are located mainly in more peripheral, demographically endangered regions, in sparsely populated areas – the regions that stand out in this respect are the Notranjska–Karst region, South-eastern Slovenia region, and Goriška region. These regions have huge development potential, which can only be utilized by implementing adequate investments. More prompt preparation of management plans for the Natura 2000 areas is needed, as well as ensuring conditions for functioning of management institutions and setting-up of communications and public tourist infrastructure in the areas with special environment regimes.*
- ***Border aspect:*** *Slovenia's becoming independent and setting-up of border with Croatia brought lengthening of Slovenia's borderline, which brought many problems.*

*While with Slovenia's joining the EU the borders with Austria, Italy and (partly) Hungary became less problematic (the EU as a common economic space), the border with Croatia remained and the control over it became even more severe. On the outer border of the EU the Schengen regime is being implemented. Since border areas were less developed even before Slovenia's independence and they depended on towns on the Croatian side (Zagreb, Varaždin, Čakovec, Karlovac) the existing problems were joined by negative impacts brought about by newly established border – for instance problems of employing foreigners. As a result these areas are becoming less and less populated, people are moving and the share of older people is increasing.*

### **Analysis of strengths, weaknesses, opportunities and threats**

<b>STRENGTHS</b>	<b>WEAKNESESS</b>
<ul style="list-style-type: none"> <li>- People feel strong regional affinity.</li> <li>- There are no extremely undeveloped regions – all have possibility of development;</li> <li>- Long history of promotion of polycentric development.</li> <li>- Links between people are mostly regional (local), which enables synergy and coordinated activities.</li> <li>- Implementation of regional development planning in bottom-up manner, which makes it possible for the regions to include their programmes into the national framework;</li> <li>- Diversity of rural areas, attractive countryside, diverse rural characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>- Concentration and centralization of economic activities in certain parts of Slovenia</li> <li>- The cohesion region Eastern Slovenia lagging behind in development, especially with regard to social-economic indicators</li> <li>- Inadequate transport connectedness of regions and unequal accessibility to public infrastructure.</li> <li>- Some regions have no strong regional centres.</li> <li>- Undeveloped public infrastructure and services sector in less developed marginal regions.</li> <li>- The regional centres of more marginal regions do not have critical mass for quick development</li> <li>- Differences in the rate of unemployment between separate regions.</li> <li>- In general the entrepreneurial culture in Slovenia is poorly developed. This goes especially for marginal regions where the problem is connected with public discontent, dislike and unwillingness to accept further reforms and necessary adjustments to new circumstances;</li> <li>- Low number of students from less developed regions engaged in higher education</li> <li>- Unexploited development potential of unspoiled nature.</li> <li>- Cultural events, creativity and education increasingly concentrating in urban areas.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- Specialization of regions on the basis of natural and created conditions as the foundation for improvement of competitiveness in regions, formation of clusters and joint breakthrough on foreign markets;</li> <li>- Increased inflows of foreign investments, especially into less developed areas.</li> <li>- More solid economic and general cooperation with the neighbouring regions – both, the EU regions and Croatia.</li> <li>- Regional institutional structures, effective and connected with their social and economic environments;</li> <li>- Polycentric development based on the concept of functional regions.</li> <li>- Development of metropolitan areas through joint development of complementary activities of urban areas and rural areas and development of regional system of public passenger transport..</li> <li>- Forming of implementation structures in cohesion regions and concentration of funds and instruments in cohesion region Eastern Slovenia which is lagging behind</li> </ul>	<ul style="list-style-type: none"> <li>- Asymmetrical influence of accession to the EU (different competitive capacities and economic structures in regions.)</li> <li>- Disadvantageous population trends concerning less developed regions.</li> <li>- Non-achievement of critical development mass in the urban network of Slovenia.</li> <li>- Directing of investments only into the areas where the profit is greatest, which can increase differences between regions and consequently the differences in the unemployment rate.</li> <li>- Giving up of agricultural production can lead to decrease in rural population and deterioration of cultural landscape and reduced biodiversity.</li> <li>- Further degradation of urban centres due to decreased accessibility and level of services (poor quality of living) and due to transferring of economic and service activities to suburban areas.</li> </ul>

## ***2.8 Cities and other settlements***

Numerous settlements are characteristic of Slovenia, with numerous areas of dispersed building. Dispersed settlements or dispersed building results in wasteful use of land, poorer functionality, poorer transport accessibility and development of land, higher energy use, uneven burdening of environment and endangering drinking water sources.

Current settlement pattern is the result of past rapid development of towns where jobs were available, of deagrarianization, expansion in building of new family houses in the 1960s and 1970s, traditional attachment to the rural hinterland, growing of suburban areas around urban centres, changed role and meaning of countryside due to penetration of urban lifestyle and non-agricultural activities, in past decade construction of motorway cross, dense settlement around towns and suburban areas which will continue to expand due to building of new apartment houses and demand for locations for building factories.

Moderate urbanization rate is characteristic of Slovenia, it is about 65%. The trends that can be noticed in Slovenia are long-term tendency of people to move from mountainous areas to lowland areas, migration of young families to rural town suburbs and tendency to quit agricultural activities. Ageing and stagnant number of inhabitants of Slovenia are (and will remain) a structural weakness on two thirds of Slovenian territory. It is estimated that in major towns, in suburban settlements and in lowlands the population will grow - optimistic forecasts say it will grow at an annual rate +0.5% - but at the expense of other areas, where the population will decrease.

In spatial sense the characteristics of settlement show two extremes – on the one hand in concentration of densely populated areas and dispersed settlement with low population density. Concentration and dispersal are evidenced in distribution of people, jobs, housing facilities, activities in the settlement network. Suburban areas, which encompass 12% of the territory, are inhabited by two thirds of all population; 3/4 of all jobs are there. In urban and chiefly urban settlements which make up for only 2%, dwells almost half of all population; here 55% of all activities are registered. Most jobs are found in 500 settlements (8.5 % of settlements), in which 94 % of all employed work. Ljubljana is the biggest job-providing centre - 22 % of all employed. This distribution of population causes high share of daily work migrations. 58 % of the employed do not work in their home settlements.

### ***Broader urban areas***

Due to expansion of suburban areas and due to linking and division of functions the urban structures will rapidly form urban regions. Due to spatial expansion of towns and growing number of activities, the neighbouring settlements get gradually attached. In Slovenia agglomerations have sprung up near Ljubljana (mostly in the direction of Domžale, Kamnik, Vrhnika, Škofja Loka and Grosuplje), in the coastal area (Koper - Piran - Izola), in the Koroška (Ravne - Prevalje), in the Savinjska region and in the vicinity of Nova Gorica, on the Drava plain and on Krško-Brežice plain.

More than half of all health care services, construction companies, services industry, cultural and transport activities, public and administration services, processing industries, gas stations are found in urban settlements. Unbalanced spatial distribution of economic, service and other activities shows in poorer accessibility to certain areas and settlements. In Slovenia this poor accessibility is especially pronounced in border and mountainous regions.

Where public transport is concerned the situation is critical due to poor quality of public passenger transport and non-motorized forms of transport in urban areas. In major Slovenian cities the traffic considerably exceeds the capacities of transport infrastructure, as well as spatial and environmental capacities. Individual motorized transport keeps increasing, at the expense of other means of transport and related services. Especially problematic is unconnectedness with urban development and the development of areas of daily migrations – the activities are not being developed in the areas of hubs with potentially greatest accessibility. The infrastructure for non-motorized mobility in towns is inadequate (bikers, pedestrians). New investments are therefore directed to areas outside urban centres and thus – in the long-term sense – put at risk economic and social development, since this makes the use of space and infrastructure impossible.

The social infrastructure networks are unevenly developed with regard to areas. Some small Slovenian towns lack functions for quicker development into regional centres. The opportunity lies in functional and institutional linking of towns and creation of networks of cooperation between towns within the framework of broader urban areas and, at state level, cooperation between the regions.

### ***Degraded urban areas***

In individual towns there are extensive degraded areas (mining, industrial, residential), resulting from different economic, social and spatial conditions. This is the question of non-structured development of settlements, resulting from partially designed and implemented town planning, from uneconomical utilization of existing buildings and traffic, which at the same time deepens problems related to security and social welfare.

By implementation of modern development processes industrial and other towns are being comprehensively rebuilt. The issues of renovation of settlement centres are more and more explored. Development of suburbs is important as well as better utilization of centres within agglomerations. The renovation of settlement centres is related to the development of the entire settlement and not only with acquiring new housing areas. Experience related to renovations at local level show that renovation and preservation of heritage (buildings) was relatively successful but that the communities rarely embark on renovation, only to increase the housing fund for separate buildings. So the renovation of town centres, revitalization and rehabilitation of degraded areas should be linked more to the development of the entire settlement.

### ***Regional settlement characteristics***

Regional diversity of Slovenia reflects mostly in economic and social backwardness of old industrial areas and areas near borders – compared to more quickly developing regions of central and western Slovenia. It needs to be stressed that there are large differences in spatial aspects between the regions. If, when talking about towns, we take into account not only supply functions but also employment conditions, indicators of economic power (GDP/inhabitant), density of infrastructure facilities and level of education of the population, we find that, for Slovenian standards, the above-average development potential can be attributed only to Ljubljana. Other well developed (above average) regional centres are Nova Gorica, Celje, Maribor, Velenje, Kranj, Postojna, partly Novo mesto and Domžale, Kamnik and Škofja Loka, the last three being almost part of the Ljubljana urban agglomeration (broader city area).

Future spatial development will depend on needs and development possibilities of Slovenia and on its integration into broader European integration and globalization processes. Further change of cultural landscape can be expected due to re-structuring of agriculture at accession to the EU; what can also be expected is increased spatial pressure due to foreign investments and interest of private capital and the pressure on Slovenian space within the infrastructure corridors in which neighbouring countries and other regions are interested. Towns and their suburbs which are situated near borders with the EU countries will change more quickly and will, at the same time, integrate into broader regional areas, also outside Slovenian borders.

***Analysis of strengths, weaknesses, opportunities and threats:***

<b>STRENGTHS</b>	<b>WEAKNESSES</b>
<ul style="list-style-type: none"> <li>- Formation of agglomerations in the vicinity of bigger urban centres,</li> <li>- In urban centres works the majority share of all employed in Slovenia, the majority of enterprises and activities is registered there,</li> <li>- Relatively well preserved town attractions as peaceful work environment with plenty of green areas,</li> <li>- Beside Ljubljana there are other regional centres that are well developed: coastal towns, Nova Gorica, Celje, Maribor, Velenje, Kranj, Postojna and Novo mesto.</li> </ul>	<ul style="list-style-type: none"> <li>- Insufficient development potential of small and medium-sized towns,</li> <li>- Insufficient cooperation between towns on the basis of which critical mass could be reached for development and greater competitiveness,</li> <li>- Dispersed building,</li> <li>- Suburbanization of urban centres,</li> <li>- Poor accessibility of border and mountainous regions.</li> </ul>
<b>OPPORTUNITIES</b>	<b>THREATS</b>
<ul style="list-style-type: none"> <li>- quality living environment in urban centres due to good accessibility and nearness of rural hinterland and manageable dimensions</li> <li>- Establishing of legal framework for public/private partnership</li> </ul>	<ul style="list-style-type: none"> <li>- Stagnation of urban areas development,</li> <li>- Desertion of town centres and decay of buildings</li> <li>- Spatial ineffectiveness and uncompetitiveness due to dispersed building and lavish use of resources,</li> <li>- Migration from border and mountainous regions and development stagnation of rural areas</li> <li>- Gravitation of border urban centres towards stronger urban centres abroad,</li> <li>- Poor connectedness of Slovenian towns with the European network of towns.</li> <li>- Increasing adverse health impacts due to air pollution.</li> </ul>

## **3. STRATEGY FOR DEVELOPMENT**

### ***3.1 Previous experiences***

In terms of activities financed by the OP SRDP Slovenia gained a lot of experience in the period 2004-2006. The SPD set as key goals economic growth, creation of jobs and balanced regional development; this was very close to Lisbon guidelines. The resources were directed into development of innovative environment and towards more accessible information, knowledge and finances for entrepreneurs. Special emphasis was given to the field of tourism, for it was believed it would contribute to the recognizability of Slovenia and creation of new jobs and that it would make the regions more attractive for new investments. The established lack of available locations for further development of companies and unfavourable investment conditions, resulting from administrative obstacles and high costs, were solved by ensuring competitive location conditions for new investments, with adequate support of the environmental, transport and telecommunication infrastructures.

In the field of innovation, research and development and in the field of centres of excellence huge interest of potential beneficiaries was observed; but they found that participation in the programme was very demanding in administrative aspect. This was especially obvious in case of those applicants who were at the same time engaged in implementation of other similar programmes, for instant in the sixth framework programme of the EU for the domain of R&D. In future, more simple access is to be ensured by detailing rules – by providing precise requirements referring to justified costs and methodological bases; special attention has to be placed also on the so-called indirect costs, which represent an important part of the administrative burden. Despite complicated procedures, effectiveness in exploitation of structural funds was achieved on the implementation level. It was also evident that the ERDF resources promoted cooperation of partners in consortiums and the achievement of goals.

The field of promotion of entrepreneurship proved one of the most successful instruments in the SPD. In addition to extraordinary interest in the refundable means and grants, expressed by medium-sized and small enterprises, it is possible to see extremely positive influence on productivity of the beneficiaries (through development-technological investments), and at the same time positive influence on creation of jobs. In the call for applications some stress was put also on horizontal priorities of balanced regional development, so that the measure was effective also in this respect. With respect to increase in the available funds Slovenia will be able to expand the existing set of instruments, which will additionally contribute to promotion of entrepreneurship and economic growth.

Due to limited funds the only projects, related to economic/development infrastructure and co-financed by the ERDF, were the business zones and the modernization of Maribor airport. The experience was positive; it was found that there was still some unused potential in the sense of public-private partnership, but at the same time there were investments that could not be implemented. Therefore in the future Slovenia must set up a clear concept for development of key economic centres, where all public infrastructures will be available based on regional specialization. In order to provide broadband connections, the planned activities will have to be reviewed in detail and coordinated with the rules referring to state aid – in the period 2004-2006 Slovenia had quite a few problems with this.

A comprehensive approach in the area of tourism proved to be suitable and adequate. Private investments were supported; among them key investments were housing investments, public investments – especially into cultural heritage – and investments into sports infrastructure. Despite distinctly positive effects in the sense of balanced regional development and job creation (majority share of funds was directed to less developed areas), some doubts were expressed in relation with possible cases where there were dead losses, because there were some projects financed in financially strong enterprises. With regard to needs it was assessed that the decision in given situation was well founded, but in the future emphasis will have to be put on medium-sized and small enterprises or public investments and projects. Synergy between the areas of culture, nature and sports is both needed and interesting, and special emphasis should be put on implementation of projects on the basis of public-private partnership.

Due to institutional and administrative limitations the local-regional projects were financed indirectly, on the basis of partnership between the state and the local communities; the projects were implemented one by one. In the future it will be possible to put more emphasis to this areas, which will enable implementation of broader range of infrastructural investments, which will be of special importance to some less developed areas, where the level of basic infrastructure situation is still problematic. In this way it will be possible, on the basis of provisions of Act on Promotion of Balanced Regional Development, to establish direct partnership between the state and regional councils which will jointly, on the basis of “bottom-up” approach, ensure that the goals of the operational programme are achieved.

When implementing the programme the attention will have to be given - in relation to all the instruments - to cross-sector approach, which will make possible for all the projects contributing to achievement of set goals to get access to public incentives. What will also be of great importance is ensuring synergy between the operational programmes, separate development priorities and separate projects, for in this way greater effectiveness will be achieved. So in already in the NSRF it was found that in the implementation structure special emphasis should be given to ensuring synergy and seizing opportunities. This will be achieved by quality planning, more active role of the Managing Authority and greater involvement of outside independent experts in the preparation, monitoring and evaluation of the implementation instruments.

### ***3.2 Key orientations and goals***

In accordance with the EU regulation the member state has to prepare programming documents at two hierarchical levels. The NSRF was thus prepared which defines general strategy of the member state for promoting convergence. Within this programme the analysis of situation was prepared, the strategy, the basic mechanisms for achieving goals were defined, including defining the number of operational programmes and basic financial allocations. Compliance with Strategic Guidelines of the Community for Cohesion and with the Lisbon Strategy was of key importance.

General orientation of the NSRF is:

**to improve the welfare of the Slovenian citizens  
by promoting economic growth, job creation, strengthening of human capital and  
guaranteeing a balanced and harmonious development, in particular of the regions.**



General orientation on the one hand defines welfare as a global goal, but on the other hand special emphasis is given to stimulation of growth and job creation, therefore main goals of the Lisbon Strategy, and of course to a balanced regional development. The NSRF also offers a clear orientation that the activities that are in line with the principle of inter-generational sustainability (the principle dictating that the needs of today's generations are satisfied in a way that does not limit the possibilities of satisfy the needs of future generations).

To "Lisbon expenditure" at a NSRF level, as defined in Article 9.3 of the General Regulation, Slovenia will indicatively allocate more than 60% of all the resources available. This does not only reflect additionally strengthened efforts towards the achievement of the Lisbon goals but at the same time represents one of the highest shares among the countries receiving the cohesion policy resources. Concrete or **specific goals** that Slovenia will follow will be the following:

- promotion of entrepreneurship, innovations and technological development,
- improvement of the quality of educational system and research-development activities,
- improved labour market flexibility along with guaranteeing employment security in particular by creation of jobs,
- ensuring conditions for growth by providing sustainable mobility, improving quality of the environment and providing adequate infrastructure,
- balanced regional development.

Within this framework the purpose of the OP SRDP is to support those orientations which promote competitiveness, economic and territorial cohesion and at the same time contribute to reduction of regional differences – in accordance with the principles of sustainable development. OP SRDP promotes competitiveness of the economy and contributes to higher level of economic growth, and especially promotes quick and more effective development of entrepreneurship and small and medium-sized enterprises. It is of key importance that we create such business environment where all the potentials – economic, R&D, natural, cultural, environmental and human - contribute to exploitation of development potentials of Slovenia and the entire economy.

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.***

Slovenia will, by using the available resources, strive to achieve best possible effects - especially in the long-term sense – by strengthening competitiveness and creating conditions for sustainable economic growth. This means that resources will be directed only into those domains or segments for which the market does not effectively provide goods or services. Apart from the principle of partnership, complementarity and proportionality the principle of equality will be respected in implementation of the programme (no conditions will be created which would encourage discrimination within the same target group) as well as principles of transparency and competitiveness. In 2007-2013 the principle of subsidiarity will be given

special weight, for within the framework of OP SRDP decision-making related to certain priorities will be transferred to lower levels, which will result in strong partnership between local/regional level and state level.

Apart from technical assistance the OP SRDP consists of four development priorities:

1. Competitiveness and research excellence,
2. Economic development infrastructure,
3. Integration of natural and cultural potentials,
4. Development of regions.

The first two priorities represent the backbone of the development and technological leap; they are allocated 47% of all funds of the operational programme. The mentioned development priorities are focused on centres and areas where Slovenia has greatest development potentials and which are already relatively propulsive. About half of all funds will be allocated directly to entrepreneurial initiative, for promotion of development - investment projects, technology centres, centres of excellence, while the other half will be allocated for setting up all necessary infrastructures - economic, information, research, education and such. Relative weight of the priority "Development of Regions", which is, in establishing efficient functional regions, complementary with the first two priorities, was determined on the basis of relative share of development expenditures financed from state budget in comparison to the share financed from community budgets. The share of the latter amounts to 23%, which also represents the share of this development priority in the weight of all the structural funds after exclusion of territorial cooperation. Part of the funds, a little over 15%, will be allocated for the development priority "Connecting natural and cultural potentials", which means creating added value and new jobs, especially in service industry, based on unexploited natural and cultural potentials found throughout Slovenia. Due to huge investment needed and due to needed comprehensive approach, the areas of transport, energy and environment will be financed within the framework of OP ETID. An exception can be the research/investment projects in the area of renewable energy use or those environmental investments which will be financed within the framework of regions.

As the "Lisbon programmes" the OP SRDP abides by article 9.3 of the General Regulation considering the following:

- The entire development priority »Competitiveness and research excellence« (codes: 01-09),
- The entire development priority »Economic development infrastructure« (codes: 02, 03, 10-12, 14),
- about 50% of the resources of the development priority »Integration of natural and cultural potentials«, the part that refers to the creation of new jobs by promoting entrepreneurship in private sector (code: 08),
- about 40% of the resources of the development priority »Development of Regions« (codes: 02, 03, 09, 14, 15, 28, 30, 52)

**Total value of so defined »Lisbon Programmes« on the level of OP SRDP amounts to about 65% of available resources.**

In the implementation of the OPs Slovenia will – where adequate – exploit also the possibility of complementary financial sources and instruments that can contribute to achieving goals of the NSRF. Apart from the international financial institutions such as the European Investment Bank the incentives of Jeremie, Jessica in Jaspers need to be exposed. So Slovenia hopes for further successful cooperation with the European Investment Fund and also expects support of the Jaspers programme, which is intended for assistance – counselling in the preparation of projects.

### 3.3 Indicators

OP Strengthening regional dev. potentials - quantified targets		Baseline (last available data)	2013 target	Source
<b>Output</b>				
1	Newly established business zones, including brownfields (in ha)		2.100	CIS
2	Number of new broadband connections	253.000	increase by 10.000	PECA
3	Increase in tourist accommodation capacities		5.000	CIS
4	Number of supported enterprises		625	CIS
<b>Result</b>				
5	Number of innovations and patents by beneficiaries *		150	CIS
6	Percentage of population regularly using internet	56	80	SORS
7	Number of tourist overnight stays ( in million)	7,6	8,4	SORS
8	Gross jobs created		11.600	CIS
<b>Impact</b>				
9	Increase in value added per employee in companies receiving aid (at least 24 months after the project completion at the end of financial year compared to the 31. december of the year of the project start)		by 7,6%	CIS
10	Prevention of increasing regional disparities: coeff. of variation in "Development Risk Index"		34,2%	SORS/GOSP
CIS: Central information system; SORS: Statistical Office of the Republic of Slovenia; GOSP: Government office for local self-government and regional policy; PECA: Post and Electronic Communication Agency of RS; * Innovation specified on the basis of SORS/OECD definition.				

### ***3.4 Compliance with Slovenian and European development documents***

The goals and development directions of OP SRDP are in compliance with key development documents of Slovenia. Its orientations support the implementation of SDS and the Reform Programme for implementation of the Lisbon Strategy in Slovenia. The key element of the strategy represents the NDP, which sets the framework of strategy, where the NDP serves also as a basis for preparation of the NSRF which represents strengthening of the NDP in the specific area of the EU cohesion policy. Because the **Resolution on National Development Projects for the period 2007-2023** (hereinafter RNDP) represents one of the key basis for the NDP, the strategy of the OP SRDP complies with the mentioned resolution, too. Compliance of the OP SRDP with the Spatial Development Strategy of Slovenia is also ensured. When defining the strategy of the OP SRDP, the EU level bases were also fully observed - the OP SRDP complies with the Strategic Guidelines of the Community for Cohesion for the period 2007–2013, which represent the priority of the Community and which will get support of the cohesion policy EU with the objective to strengthen synergy with the Lisbon Strategy and to its implementation.

#### ***Compliance with Slovenian Development Strategy***

The development priorities, defined in the SDS, represent a framework for programmes and actions of the NDP and the documents for implementation of the EU cohesion policy in Slovenia based on the NDP. The structure of the OP and its development priorities also observe the logic and priorities of the SDS. In the SDS the key emphasis is given to the welfare of all citizens of Slovenia.. Therefore it does not focus only on economic issues, but also on social, environmental, political, legal and cultural relations. Such setting of goals makes the SDS also a strategy for sustainable development of Slovenia. The OP thus mainly follows the logic of the first, the second and the fifth development priorities of the SDS, but at the same time does not exclude integration or links with the other two priorities of the SDS (third and fourth priority of the SDS).

With its first priority "Competitive economy and faster economic growth" the SDS wishes to promote the development of entrepreneurship and to increase competitiveness; it wishes to increase inflows of development-promoting domestic and foreign investments, to support internationalization of the economy – the three priorities of the OP are likewise oriented towards achievement of the same objectives. The common points are to promote technological development, to support areas with competitive advantages and the areas which are development-oriented and which, through their linking networks, positively affect development at regional and international level. The common points are also business networking, development of financial instruments for development of small and medium-sized enterprises, promotion and development of innovative environment and innovations, establishing of new technology zones, promotion of investments (domestic and foreign) into new, high-level technologies, attracting new foreign investments, promotion of internationalization of Slovenian enterprises and promotion of breakthrough of Slovenia as a tourist destination and a space for international cultural and economic integration all belong to the same framework.

The second development priority of the SDS is "Effective generation of knowledge, two-way flow and application of the knowledge needed for economic development and quality jobs"« and is in compliance with the first and second priorities of the OP where, similarly to SDS, the most important activities are related to enhancement of economic effectiveness and

investments into research and technological development through integration of economic activities and research potential; they are also related to rising the level of science in Slovenia and with forming of financial mechanisms for financing high-tech and innovative companies. The SDS in this priority gives considerable emphasis on improvement of the quality of education, which is also one of the key orientations of the first priority of the strategy of the OP.

Both documents also correspond with the fifth development priority of the SDS »Integration of measures to achieve sustainable development«, mostly from the aspect of more balanced regional development, which the OP covers in all its priorities, but is especially stressed in the third priority »Development of Regions«. In its fifth priority the SDS gives emphasis on development of national identity and culture, as such being in compliance with the OP where comprehensive preservation and development of natural and cultural heritage and its integration into modern life and creativity are concerned.

**Table 7: Compliance of development priorities of the OP SRDP with the SDS**

Priorities of OP	Activities of SDS
(1) Competitiveness and research excellence	<ul style="list-style-type: none"> <li>• fostering technological development</li> <li>• promotion of areas where Slovenia has competitive advantages</li> <li>• promotion of areas which are development-oriented and which, through their networks, positively affect development at regional and international level.</li> <li>• business networking</li> <li>• development of financial instruments for development of small and medium-sized enterprises</li> <li>• promotion and development of innovative environment and innovativeness</li> <li>• establishing new technology zones</li> <li>• promotion of investments (domestic and foreign) into higher levels of technology</li> <li>• attraction of new foreign investments</li> <li>• promotion of internationalization of Slovenian enterprises</li> <li>• promotion of linking of economic activities with development potential</li> <li>• rising the level of science in Slovenia</li> <li>• formation of financial mechanisms for financing high-tech and innovative companies</li> <li>• improvement of education quality</li> </ul>
(2) Economic development infrastructure	<ul style="list-style-type: none"> <li>• promotion of technological development</li> <li>• supporting areas where we have competitive advantages</li> <li>• promotion of areas which are development-oriented and which, through their networks, positively affect development at regional and international level</li> <li>• development of financial instruments for development of small and medium-sized enterprises</li> <li>• stimulation and development of innovative environment and innovativeness</li> <li>• establishing new technology zones</li> <li>• promotion of investments (domestic and foreign) into higher levels of technology</li> <li>• attraction of new foreign investments</li> <li>• promotion of internationalization of Slovenian enterprises</li> <li>• promotion of linking of economic activities with development potential</li> <li>• rising the level of science in Slovenia</li> <li>• formation of financial mechanisms for financing high-tech and innovative companies</li> <li>• improvement of education quality</li> </ul>

(3) Integration of natural and cultural potentials	<ul style="list-style-type: none"> <li>• promotion of breakthrough of Slovenia as a tourist destination and space for international cultural and economic linking</li> <li>• comprehensive maintenance and development of natural and cultural heritage and its integration with modern life and creation</li> </ul>
(4) Development of regions	<ul style="list-style-type: none"> <li>• increase of effectiveness in management of space and real estates</li> <li>• increase of development potential of preserved nature</li> <li>• observing regional component in the sense of promoting faster development of less developed regions</li> <li>• strengthening of development support for priority areas of the regional policy</li> </ul>

### ***Compliance of development priorities with the Reform Programme for implementation of the Lisbon Strategy in Slovenia***

In view of the fact that the measures for fulfilling the goals of the Lisbon Strategy are arranged in five development priorities, identical with development priorities in the accepted SDS, we can determine that the OP not only complies with the SDS, but also with the Reform Programme for implementation of the Lisbon Strategy.

Where the first priority is concerned, the accordance of both documents can be noticed in focusing on the activities for increasing inflows of development-promoting domestic and foreign investments – especially in the direction of reducing administrative barriers for operating and investing, reduction of admission costs for initial investments and elimination of deficiencies in functioning of market mechanisms in relation with accessibility of industrial land and marketing of Slovenia as a suitable location for FDI. Similar applies to the activities, oriented towards development of e-communications – including development of broadband data networks. In the Reform Programme strong emphasis is made on promotion of the development of entrepreneurship and innovation, on availability of financial sources to small and medium-sized enterprises, on establishing methods for better cooperation between enterprises and educational and R&D institutions and on encouraging enterprises to establish international cooperation, which is also the content of the strategy of the OP.

The second priority of the Reform Programme envisages measures for promotion of R&D activities and innovations and promotion of broader R&D/ innovation cooperation between enterprises and public research sphere as well as with the agents engaged in the transfer of research findings into enterprises. In this priority a lot of stress is put on the use of ICT, which will be increased by measures improving access to ICT, by acceleration of development of wireless networks and by providing suitable e-contents. Under the orientation “Knowledge for Development” the programme of reforms offers measures for restructuring higher education system, comprehensive restructuring of the University with an increase in number of providers, measures for improving the ability to adapt to the needs of economy and for increasing quality and competitiveness. Similar activities are envisaged in the strategy of the OP.

Where the fifth priority is concerned, the Reform Programme matches the strategy of the OP in measures such as development of polycentric urban system, development of regional centres and strengthening of development vitality and attractiveness of rural areas and recognizability of biodiversity as an economic development advantage and opportunity.

**Table 8: Compliance of the development priorities of the OP SRDP with the Reform Programme for Implementation of the Lisbon Strategy in Slovenia**

Priorities of OP	Activities of the Reform Programme
(1) Competitiveness and research excellence	<ul style="list-style-type: none"> <li>• improvement of quality and access to support services for small and medium-sized enterprises</li> <li>• improvement of access to initial and venture capital and simplification of banking loan procedures</li> <li>• collection and exchange of quality foreign trade information and counselling services; supporting promotion activities of enterprises abroad</li> <li>• education and training for international business operation</li> <li>• gradual changing of structure of public investments into R&amp;D, so that the additional public funds for R&amp;D will be allocated to technology and science in the ratio of 80 : 20 and that in the existing public funds the share for special applicable and development research will gradually increase in the sense of promotion of technological development and innovations</li> <li>• establishing of legal and financial environment which will encourage founding and growth of high-tech and innovative companies, especially small and medium-sized enterprises (strengthening of Slovenian entrepreneurial fund, co-founding and supporting venture capital funds and other support in the form of refundable resources)</li> <li>• inclusion of inhabitants into use of ICT and information service</li> </ul>
(2) Economic development infrastructure	<ul style="list-style-type: none"> <li>• setting up ways for better cooperation of enterprises with education and research institutions and promotion of mobility of staff</li> <li>• increasing the access to ICT by accelerating development of wireless networks, investing into passive infrastructure</li> <li>• restructuring higher education, higher specialized education and vocational training</li> <li>• comprehensive restructuring university by increasing the number of providers, greater adaptability to the needs of economy, better quality and competitiveness</li> </ul>
(3) Integration of natural and cultural potentials	<ul style="list-style-type: none"> <li>• revitalization of natural values and cultural heritage</li> <li>• protection of natural habitats and heritage</li> </ul>
(4) Development of regions	<ul style="list-style-type: none"> <li>• amendment of measures for preservation of settlement and cultural landscape and strengthening development vitality and attraction of countryside</li> <li>• strengthening park management and ensuring management in the Natura 2000 areas</li> <li>• increasing development potential of regions and creation of new jobs in relation to biodiversity</li> </ul>

***Compliance with the Spatial Development Strategy of Slovenia***

In the field of spatial development Slovenia defined the goals in the Spatial Development Strategy of Slovenia (Official Gazette of the RS 76/2004). The basic orientation of this strategy is sustainable spatial development, based on development upgrading of comparable advantages of Slovenia; it is defined by three basic spatial/development goals through which the priorities and orientations for achieving the spatial development goals are implemented:

- *effectiveness and competitiveness of towns and urban areas*, which mainly encompasses measures related to polycentric urban system and regional spatial development, vital and regulated towns and balanced development of broader urban areas,

- *improved access and effective connectedness*, which mainly encompasses measures related to equal integration of Slovenia into the European space and linked and balanced development of transport and settlement network,
- *development vitality and attractiveness of countryside*, which encompass measures involving vitality and attractiveness of countryside, strengthening of recognizability and quality of natural and cultural landscapes and spatial development in areas with special potential and problems.

The objectives and priorities of the spatial development are implemented through development programmes of individual sectors based on verified investment purposes at the national level and on the basis of spatially coordinated documents at the regional and local level.

The contents of the OP SRDP in particular determine what is necessary to be done in order to achieve better competitiveness of Slovenia whereas the Strategy of Spatial Development of Slovenia determines what development needs to be ensured to reach the goal of spatial development in Slovenia.

The economic and social development of Slovenia should aim at the most important urban centres that together with transport and information system form the skeleton of urban structure and with new infrastructure it represents the development network of Slovenia. This supplements the development of regions that is based on regional needs and potentials, improved accessibility to public services and jobs in urban settlements and retained vitality of rural areas through the diversification of activities.

The overview of the relations between the OP SRDP development priorities and the priorities of the SSDS are presented in the continuation:

**Table 9: Compliance of development priorities of the OP SRDP with the Strategy of Spatial Development of Slovenia**

Priorities of OP	Goals (G) and priorities (P) of SSDS
(1) Competitiveness and research excellence	<ul style="list-style-type: none"> <li>• G: Rational and effective spatial development</li> <li>• P: For balanced spatial development of Slovenia, promotion of a polycentric urban system, consisting of two-level structured network of centres of national and regional importance, to which the network of other centres is linked by suitably allocating functions and by suitably linking transport connections.</li> </ul>
2) Economic development infrastructure	<ul style="list-style-type: none"> <li>• G: Greater recognizability of Slovenian towns in the European space</li> <li>• P: For balanced spatial development of Slovenia, promotion of a polycentric urban system, consisting of two-level structured network of centres of national and regional importance, to which the network of other centres is linked by suitably allocating functions and by suitably linking transport connections.</li> <li>• P: Development of public infrastructure network – schools, health care, social security, cultural and other public services – in balance with the network of centres.</li> <li>• P: Increase of location attractiveness of towns, ensuring economic growth, taking care of quality of living and working environment, quality upgrading of infrastructure systems. Development of living, production and consumption activities in towns in accordance with spatial conditions and environmental limitations.</li> </ul>
(3) Integration of natural and cultural potentials	<ul style="list-style-type: none"> <li>• G: Cultural diversity as a basis for national spatial recognizability.</li> <li>• P: Promotion of preservation and quality management in the areas with distinctive natural and cultural qualities, in connection with economic possibilities, provided by these particularities.</li> </ul>



(4) Development of regions	<ul style="list-style-type: none"> <li>• G: Quality development and attractiveness of towns and other settlements</li> <li>• G: Balanced development areas with common spatial development characteristics.</li> <li>• G: Complementarity of functions of rural and urban areas.</li> <li>• P: Promotion of polycentric urban system.</li> <li>• P: Planning of spatial development of towns on the basis of inter-community cooperation - in order to economize traffic flows, in order to reasonably distribute jobs, housing facilities, services and production activities within broader urban areas encompassing several local communities.</li> <li>• P: In urban settlements within rural areas, promotion of creation of jobs and thus reducing daily work migrations.</li> <li>• P: Promotion of spatial development in areas with special potential and problems by strengthening of urban settlements, suitable distribution of public services, by ensuring necessary land and by providing effective infrastructure.</li> <li>• P: In the coastal area, in mountainous areas and in areas with natural and cultural qualities, ensuring spatial capacities for development of those activities which can use spatial potentials forming regional particularity of these areas.</li> </ul>
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### ***Compliance with the Strategic Guidelines of the Community for Cohesion***

The strategy of the operational programme is put into a framework, determined by the Strategic Guidelines of the Community for Cohesion for the period 2007-2013. This means that the strategy of the OP actively contributes to the EU goals in terms of cohesion, growth and creation of new jobs. In accordance with the revised Lisbon Strategy, which defined focusing on knowledge, research, innovation and human resources as a basic orientation, the Strategic Guidelines are based on three indicative priorities:<sup>44</sup>

- increasing attractiveness of the member states, regions and cities by improving access, ensuring suitable level and quality of services and preservation of environmental potentials;
- promotion of innovations, entrepreneurship and economic growth by means of research and innovation capacities, including new information and communication technologies;
- creation of new and quality jobs – with encouraging as many people as possible to get involved in employment or entrepreneurial activity, with improving flexibility of workers and enterprises, with increase of the investment into human resources.

In the first priority, under the orientation “Extension and improvement of transport infrastructure” the strategy of the OP coincides with the Guidelines from the point of view of focusing on development of the infrastructure which directly promotes economic growth (development of tourism, improvements for enhanced attractiveness of industrial areas and such). Also, under the orientation »Strengthening of synergy between environment protection and economic growth” both documents deal with understanding of environment protection which in connection mode fosters economic growth in three ways: by ensuring long-term sustainable economic growth, by reducing environmental costs and by promotion of innovation and creation of new jobs. The coherence is seen in the guideline which recommends insuring attractive conditions for economy and its highly qualified labour force. These conditions can be ensured by accelerated planning of use of area which reduces growth of urban areas, and by restoration of physical environment, including natural and cultural properties. The investments into this domain must be clearly linked with development of innovative economic activities which create new jobs. Consistency is evident also in the

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<sup>44</sup> COM 0299, 2005.

guideline which stresses the use of measures for reducing risks by improving management of natural resources, and by target-based research and better use of ICT.

The second priority of the Guidelines summarizes the guidelines under the title »Improvement of knowledge and innovativeness for growth«. The first guideline is »Enlargement and improvement of investments into development and research«; this guideline, like the strategy of the OP, finds that the key activities are strengthening of cooperation between enterprises and institutions of knowledge, strengthening of R&D in small and medium-sized enterprises and enhancement of capacities of R&D sector. In the second orientation »Promotion of innovations and entrepreneurship” the emphasis is made on promotion of business environment which promotes acquiring, spreading and use of new knowledge in enterprises; this should be achieved by strengthening the role of high-tech small and medium-sized enterprises, by improving financial subsidy services and by promoting entrepreneurship and development of new enterprises and linking of enterprises from the aspect of utilization of synergy and creation of poles of excellence. Where the third orientation – “Promotion of information society for all”- is concerned, compliance with the strategy of the OP can be seen: one of the underlying mechanisms for improvement of productivity and competitiveness of regions is spreading and use of knowledge related to the area of information/communication technology, whereby development of this knowledge is important as well as an adequate infrastructure. Like the strategy of the OP, the fourth orientation of the Guidelines, “Improvement of access to financial resources”, gives importance to financial instruments for supporting of R&D activities and newly founded enterprises. It stresses the importance of development of venture capital markets which are linked to innovation activities and improvement of regulative environment affecting entrepreneurship.

In the third group of guidelines »New and better jobs« other elements of consistency can be detected - promotion of designing and introducing of reforms in the systems of education and training, promotion of modernization of higher education and of development of human resources in relation to research and innovation, promotion of investments into education/training infrastructure (for instance ICT).

The guidelines encompass one other point which is in accordance with the strategy of the OP – namely observing spatial dimension. This aspect refers to capability of adapting development activities to special needs and types of challenges and opportunities in specific geographical regions (cohesion and development regions). Special attention should be paid to these special needs in order to prevent imbalanced regional development which can hinder the growth potential. The activities implemented in order to achieve enhanced spatial cohesion must include a dimension of support for achieving more balanced development, formation of sustainable communities in urban and rural areas as well as striving for better harmonization with other sectoral policies having spatial influence.

Where urban areas are concerned, we have to focus on improvement of competitiveness and netter development balance between economically strong towns and other urban networks. The supported activities include preparation of integral and sustainable strategies for controlling concentration of economic, environmental and social problems concerning urban areas and ensuring coherence of investments with the goals of spatial cohesion and quality of the environment; they include measures for promotion of entrepreneurship, local employment development of communities as well as measures for providing people with services while taking into account changes in demographic structures. Acquiring highly professional staff is also of great importance (by implementing measures related to accessibility, high quality education, offer of cultural events and opportunities in the field of R&D and innovations). The measures for restoration of physical environment are also very important – re-development of deserted industrial areas and restoration and development of cultural and

historic heritage (city centres). Restoration of public areas and industrial areas can play an important role in designing necessary infrastructures for sustainable economic development.

Where the rural areas are concerned the measures should be focused on supporting economic restoration of rural areas: they should participate in ensuring adequate level of access to services of general economic interest and to improvement of conditions necessary for attracting enterprises and trained staff and for reduction of migrations from these areas. What is also needed is connectedness with the main national and European networks and promotion of endogenous potentials in rural areas (for instance, development of tourism). The measures must take advantage of and strive for preservation of natural and cultural property; this can bring about important positive impacts on protection of natural habitats and biodiversity. The goal of this approach is to have a positive impact on tourist sector, local economy, employed in tourist sector, visitors and local population as well as on preservation of biodiversity and cultural heritage and spatial recognizability.

**Table 10: Compliance of development priorities of the OP SRDP with Community Strategic Guidelines for Cohesion**

<b>Priorities of OP</b>	<b>Strategic guidelines of the Community for cohesion</b>
(1) Competitiveness and research excellence	<ul style="list-style-type: none"> <li>• Strengthening of cooperation between companies and public research/education organizations by promotion of formation of regional and super-regional clusters of excellence</li> <li>• Promotion of R&amp;D activities in SME and providing access of SME to R&amp;D sector</li> <li>• Strengthening and enhancing R&amp;D sector capacities, including ICT, of research infrastructure and human resources in the areas with great growth potential</li> <li>• Enhancing effectiveness and accessibility of regional innovations and R&amp;D knowledge for companies, especially SME - for instance by establishing poles of excellence, which link educational SME with R&amp;D and technological institutions, or by establishing regional clusters around large companies.</li> <li>• Providing business support services, helping companies, especially SMEs, to improve competitiveness and to internationalize themselves, especially by utilization of possibilities created by domestic market. The business services must give advantage to exploitation of synergies (transfer of technologies, science parks, ICT centres, incubators and related services, cooperation with clusters)</li> <li>• Promotion of entrepreneurship, acceleration of establishment and development of new companies and promotion of establishing of business stems using technologies of research institutions and companies</li> <li>• Supporting refundable means instruments, such as loans, insured loans for subordinated debt, convertible instruments and venture capital (seed capital and venture capital). Non-refundable means must be used for building and maintaining of infrastructures which facilitate access to financial means (offices for technology transfer, incubators, "business angel" networks, investment promotion programmes). Mechanisms of guarantees and joint guarantees, especially for facilitating the access to micro loans for SMEs</li> <li>• Promotion of designing and introduction of reforms in the education systems and training</li> <li>• Promotion of modernization of higher education and development of human resources in research and innovation and investment into education infrastructure and training (ICT)</li> <li>• Development of infrastructure which directly supports economic growth (development of tourism, enhancing attractiveness of industrial areas)</li> <li>• Providing attractive conditions for economy and highly qualified staff. This can be done by accelerated planning of land use which reduces expansion of city areas,</li> </ul>
(2) Economic development infrastructure	<ul style="list-style-type: none"> <li>• Providing business support services, helping companies, especially SMEs, to improve competitiveness and to internationalize themselves, especially by utilization of possibilities created by domestic market. The business services must give advantage to exploitation of synergies (transfer of technologies, science parks, ICT centres, incubators and related services, cooperation with clusters)</li> <li>• Promotion of reform implementation in organizations of education and training</li> <li>• Promotion of higher education modernization and development of human potential for the purpose of research and innovations; investment in education and training infrastructure</li> <li>• Ensuring advantageous conditions for economy and its highly qualified labour force, done via carefully planned land use which prevents city areas from growing</li> <li>• Promotion of R&amp;D activities in SME and providing access of SME to R&amp;D sector</li> </ul>

(3) Integration of natural and cultural potentials	<ul style="list-style-type: none"> <li>• Renovation of physical environment, including natural and cultural properties. In this field the investments must be clearly linked with development of innovative economic activities, which create jobs in these areas</li> <li>• Implementation of measures for risk prevention by improving management of natural resources.</li> <li>• Preservation of natural and cultural properties, which can bring positive impact on preservation of habitats and biodiversity.</li> </ul>
(4) Development of regions	<ul style="list-style-type: none"> <li>• Support in achieving more balanced regional development.</li> <li>• Support for more even development within regions.</li> <li>• Building of sustainable communities in cities and in the countryside.</li> <li>• Striving for greater harmonization with other sectoral policies and promotion of measures in favour of sustainable development of regions.</li> <li>• Promotion of economic diversification of rural areas by enhancing development potentials of biodiversity – and thus creation of new jobs.</li> <li>• Discussing essential needs for investment into infrastructure, especially in the convergence regions, in order to harmonize with the environmental legislation sectors of water, waste, air and nature and species protection.</li> </ul>

## ***3.5 Development priorities***

### **3.5.1 Competitiveness and research excellence**

#### ***Description and justification***

Inventiveness, innovativeness and technological development with the accent on implementation of new technologies are key factors for competitiveness of economy and development of a knowledge-based society. For this not only accumulation of knowledge itself is needed, but also its affective transfer, use and its marketing, which are the qualities that define innovativeness. Innovativeness itself is not enough; it must have useful value and marketing potential. Countries known to be based on knowledge and inventiveness invest intensively into research and development, provide close connection between public research sector, education and economy, own a large share in innovative enterprises and have a highly qualified staff.

The first development priority “Competitiveness of companies and research excellence” is thus oriented towards the establishment key instruments that will assist Slovene economy in becoming competitive and innovative. A part of the development priority is aiming at the promotion of research-development activities in economy and the promotion of development and technological investments necessary for the development and manufacture of products and related high added value services. Apart from the cooperation at the level of economy, companies will gain the missing highly professional knowledge through their cooperation with knowledge institutions home and abroad.

A majority part of the development priority is directed towards more intense entrepreneurial activities and higher technology intensity, which play the main role not only in long term existence of processing activities but also in the acceleration of development and implementation of new activities in the area of high technology with high added value. Both elements require highly qualified staff that in global world represent the basic condition fulfilled for creating high added value and development, based on knowledge, research and innovations and their integration. On a short-term basis due to such measures enterprises may suffer negative employment effects resulting from increased productivity, on the other hand, taking into concern the multiplication effects on business development in broader aspect and dynamic medium-term and long-term effects – they have an extremely positive effect on creation of new jobs.

According to the established reasons for low competitiveness of Slovene economy, cooperation between the academic sphere and economy sphere concerning production and use of new knowledge is essential. Public-private partnership is crucial in combining knowledge, research and innovations. Within the development priority the connections between research and development potentials within the intermediaries of knowledge transfer will be supported. Better efficiency of results will be attained through the key role of the interest of private sector.

Beside the expected multiplication effects the priority “Competitiveness and research excellence” will also promote the development of businesses and enterprises in broader sense by ensuring the financial sources. In this respect the priority emphasis is on various forms of financing in order to help the development and investment of small and medium-sized enterprises by private financing sources such as venture capital funds, debt sources and grants.

The development priority “Competitiveness and research excellence” includes contents that will through private and public targeted investments ensure Slovenian economy the use of highly educated staff, more intensive investment into research and development, closer link with public research and educational sectors and efficient implementation of business and innovative supportive environment and thus ensure a higher level of innovativeness. By implementation of all above mentioned segments and their correlation Slovenia can become a state based on knowledge and innovativeness and will be able to make a development breakthrough.

### ***Goals***

The main goals of the development priority “Competitiveness and research excellence” are included in The Strategy of Development of Slovenia, are combined with goals of structural reforms and are committed to implement the Lisbon Strategy on research and development.

***Guaranteeing development - technological incentives for promotion of business and innovativeness***

**Table 11: Indicators at the level of the 1<sup>st</sup> development priority**

1. DP Competitiveness of companies and research excellence quantified targets		Baseline (last available data)	2013 target	Source
<b>Output</b>				
1	Number of research man-years (in FTE) as a consequence of co-financed activities - cummulative	(5254*)	700	CIS
	of which in business sector	(1936*)	500	CIS
2	Number of supported private RTD projects	8**	900	CIS
3	Number of research projects in the centers of excellence with enterprise co-financing	11**	60	CIS
4	Number of supported projects for SMEs	145**	800	CIS
	of which number of start-ups supported (venture capital fund)		21	CIS
<b>Result</b>				
5	Number of innovations and patents - cummulative ****	(243***)	150	CIS
6	Investment induced (mio €) - cummulative	53**	390	CIS
7	Number of companies using the services of the Centres of excellence	80	200	CIS
8	Number of gross jobs created - cummulative		3100	CIS
<b>Impact</b>				
9	Increase in value added per employee in companies receiving financial support (at least 24 months after the project completion at the end of financial year compared to the 31. december of the year of the project start)		8-10%	CIS
CIS: central information system; comparative data: *number of researchers in 2005; **average annual indicator value in Single Programming Document 2004-2006; ***Number of registered patents in 2006 in Slovenia; **** Innovation specified on the basis of SORS/OECD definition				

### ***Development context***

The development priority “Competitiveness and research excellence” is based on key national strategic documents, such as SDS, Reform Programme for Implementation of the Lisbon Strategy in Slovenia, The Framework of Economic and Social Reforms for Better Prosperity of Slovenia, National Research and Development Programme and other documents. The goals of development priority “Competitiveness and research excellence” are in accordance with widest goals of the SDS which are:

- Competitive economy and faster growth
- Effective accumulation, exchange and use of knowledge which enables economy development and creation of quality jobs
- Modern social state and higher employment

The aforementioned national documents comply with certain EU documents on development, among which we stress the following:

- Renewed Lisbon strategy,
- Strategy i2010 – European Information Society Providing Growth and Jobs
- Community Initiative Programme (2007 – 2013) (CIP),
- Industrial policy of the EU.

CIP includes various EU activities that deal with increasing of competitiveness and innovativeness and comprises three specific programmes: Entrepreneurship and Innovation Programme, ICT Policy Support Programme and Intelligent Energy-Europe Programme.

Development priority is especially linked with 7<sup>th</sup>, 8<sup>th</sup> and 15<sup>t</sup> guideline of integrated guidelines for growth and employment and correlated priority measures of Reform Programme for implementation of Lisbon Strategy in Slovenia:

- Guideline (7): Increase and improve investment in R&D:

The increase of means for research and development by approximately 0.1 % of GDP annually, gradual change in the structure of public investments in research and development in terms of more effective public expenditure on technology and science at a ratio of 80 to 20, with the share of means allocated to special applied and development research in terms of supporting technological development and innovations being gradually increased, changes in the fiscal and industrial policies as well as in the system of financing research activities that will support cooperation between the research sphere and economy, the foundation of »spin-off« enterprises and the employment of researchers in economy. Priority activities within the Development priority: the increase of means for research and development also via structural funds, strengthening the cooperation between the public research sphere and economy by joint R&S projects and provision of suitable infrastructure.

- Guideline (8): Facilitate all forms of innovations:

The changes in fiscal and industrial policy and in the system of financing public research activities fostering cooperation between the research area and economy; the foundation of “spin-off” enterprises and employment of researchers in economy; the establishment of legislative and financial environment that will promote the foundation and growth of high-tech and other innovation enterprises in particular small and medium-sized enterprises (for example: strengthen financing with equity and debt sources); complex modernization of the university with an increased number of providers, better adaptability to the needs of economy, higher quality and competitiveness. Priority activities within the development priority: operations in the framework of Encouraging competitive potential of enterprises and research excellence and Entrepreneurship promotion; the construction of economic-development-logistics centres (infrastructure of national importance) including or connected with technology centres, centres of excellence and higher education innovation centres; improvements in innovation support services and suitable premises, creation of mutual connections between national research institutes and higher education organizations and the knowledge transfer into economy; the upgrade of higher educational and research infrastructure of national importance; the construction of education and R&D infrastructure in regions (regional higher education innovation centres – HIC); the development of information systems and the information system-based e-services and e-business for residents and enterprises.



- Guideline (15): Promote a more entrepreneurial culture and create a supportive environment for SMEs:

Improvement of access to finance, access to start-up and venture capital, respectively, and the simplification of banking procedures to grant loans; better cooperation of enterprises with education, research and development institutions and the promotion of staff mobility.

The development priority “Competitiveness and research excellence” includes contents that are connected within the framework of two priority guidelines:

- Encouraging competitive potential of enterprises and research excellence,
- Encouraging entrepreneurship.

### ***3.5.1.1 Encouraging competitive potential of enterprises and research excellence***

#### ***Description and justification***

Inventiveness, innovativeness and development are key factors for competitiveness of modern economy, thus the endorsement of private as well as public investments into research, technological development and innovations are one of the key state priorities. International comparisons given in justification of the priority “Competitiveness and research excellence” show that Slovenia is lagging behind in the area of private and public investments into R&D and in the effective use of these investments, especially in the area of transferring the knowledge from research and university institutions into companies and on the market. This is reflected in low export of high technologically intensive products where Slovenia is lagging behind the European average as well as in a lack of highly technological knowledge in economy.

The priority orientation is thus focused on increasing inventiveness and innovativeness and the increased competitiveness of Slovene economy by:

- promoting inventive and innovative research-development projects in economy started on the basis of an initiative of economy that provide missing highly professional knowledge for the needs of even more complex and faster development through the cooperation of economy with development-research institutions including technological centres and by promoting development and technological investments arising from the developmental needs of economy concerning research, development and introduction of new highly technological products and related complex services;
- promoting the inclusion of Slovene companies in global supply chains and consortiums that will enable companies the access to and operations in the most topical market niches where higher return can be expected as well as higher value added per employee;
- developing research centres of excellence included in European research and development excellence networks, partnership between knowledge institutions and companies in priority areas of research and technological development with mandatory co-financing of the business sector.

In order to achieve critical mass, we will promote the integration of research and development potentials in the framework of intermediaries of knowledge transfer, from technology platforms and technology networks to technology centres, centres of excellence and other intermediaries, especially in priority areas of research and technology development, whereby private sector interest will play a major role in increasing the effectiveness of results.

Due to deficient use of research results for the purposes of economy Slovenia has in recent years (also in the framework of investments from the ERDF) devoted its efforts towards implementation of systematic measures that would help to overcome this deficiency. For this purposes the infrastructure and initiation of numerous intermediaries of knowledge have been ensured and research projects involving experts from enterprises and research institutions have been co-financed. An especially interesting part of the new innovative environment are centres of excellence, involving high quality multidisciplinary groups of researchers both from academic sphere and business spheres, combining critical mass of knowledge and adequate research infrastructure for potential breakthrough of these centres onto the top of world science or into the international networks of excellence. Thus far ten centres of excellence in priority areas of research and technology development have been founded. Other intermediaries of knowledge, such as technology centres, technology networks and platforms, have also proven to be successful, thus the priority measures are continuously going in this direction.

Positive effects of the priority orientation will be seen in new highly technological products and related complex services with which Slovene economy can compete on the global market, in better and more efficient knowledge transfer between economy and research development institutions and strengthened development potential of all companies and in particular in SMEs. This leads to better innovation and competitiveness of economy.

The content of the development priority and the way it is implemented ensure synergy with the 7<sup>th</sup> Framework Programme and complementarity with the activities in the CIP programme (Competitiveness and Innovation Framework Programme).

### ***Planned activities***

The quality of content and the level of inventiveness and innovativeness of business ideas or projects and research development and investment activities will impact the selection of priorities. This means that this development priority will follow the principle of excellence.

Since economy lacks new highly professional knowledge the emphasis will be placed on mechanisms that will additionally increase the efficiency of transfer of various highly professional knowledge into industry. Promotion of knowledge exchange between educational institutions and enterprises will be achieved by:

- Connecting companies into joint projects,
- Connecting economy, institutions of knowledge and the involvement of top experts in projects,
- Interdisciplinarity of research-development projects,
- Connecting companies with partners from abroad and joint activities in research development fields that are of strategic importance for a company and its further competitiveness on the global market.

Taking into consideration the finding that the share of innovative active companies among small and medium-sized companies (SMEs) is lower, the activities will be intended for individual SMEs as well as fast growing and innovative companies.

In principle, the implementation will use one of the approaches:

1. projects whose holders are companies and are implemented according to the horizontal principle
2. key strategic projects that are also implemented on the basis of clearly expressed interest of economy whereas the holders are public institutions. The key role is assigned to clearly defined priority areas of research and technological development.

In view of the importance of taking into account the ecological aspects of development, both approaches will stress environmentally friendly products and technologies as well as new ecological products and environmental technologies the way dictated by the horizontal priority of the operational programme.

The instruments of the first group will mainly be intended to promote **research development activities in companies** that have significant business ideas and quality projects: it is important that the initiative comes from companies or a group of partners that due to the development of ideas and projects will cooperate with other research development institutions and other companies home and abroad. In cases where companies cooperate with knowledge institutions the latter act as external implementors and the research development support environment respectively. This implies that co-financing of research development activities is granted to companies that take the responsibility for successful implementation of research development activities and projects respectively. The activity will be closely related to the promotion of development and technological investments that companies need in the research, development and introduction of high technological products and related complex services. These investments will be directed towards the purchase and modernisation of research development equipment and the purchase and modernisation of technological equipment.

In the second set there are key strategic projects following the priority areas of research and technological development as determined in chapters 2.1 and 2.2 (during the operational programme implementation they can be adjusted in accordance with amended national strategic documents). These guidelines will help form more targeted investments in research and development, which will additionally increase the efficiency of private and public investments. In this context the research development projects as well as development of research infrastructure are supported. These are the areas that integrate critical mass of knowledge and suitable research infrastructure for a potential breakthrough into top science or the inclusion into global excellence networks. This means that these are areas where, taking into account the development level of Slovene economy, the economy of scale requires a strategic approach without which the companies and in particular small and medium-sized would not manage even in medium term. Irrespective of the strategic approach co-financing by industry will still be necessary because thus coordinated and directed development will be ensured and its final outcome will be applicable innovations that contribute to economic growth.

In their implementation activities will be complimentary to similar programmes at the EU level, particularly at the level of technological platforms, initiatives in line with Article 169 and joint technological initiatives in the 7th Framework programme of the EU research and development. These programmes have clearly determined goals and purposes of financing and the funds of the Cohesion policy can ensure additional mechanisms to encourage entities by providing material conditions for intensive cooperation within the before mentioned programmes. As a rule, only the strongest companies and institutions are capable of participating in strong European consortiums on equal basis. This is why additional support

before this phase is justified. The Regions of Knowledge programme within the 7th Framework programme similarly presents mechanisms for the promotion of capacities needed to cooperate. This is mainly directed towards soft measures and the Cohesion policy can supplement them with incentives for the necessary investments of a slightly bigger scale.

### ***Beneficiaries or target groups***

Enterprises, groups of enterprises and research organizations, linked with enterprises and other subjects of innovation environment into research centres of excellence and other forms of connections (taking into account priority research and technology areas). Other institutions can take part in the implementation of the priority orientation – the institutions which contribute to achievement of set goals – such institutions are non-profit organizations, non-governmental organizations, public and private institutes, education/research institutions and such.

### ***3.5.1.2 Promotion of entrepreneurship***

#### ***Description and justification***

The needs of entrepreneurial environment indicate the demand for indirect financing sources (guarantees, favourable loans for enterprises) and direct incentives for founding, start up and growth of enterprises. In the Green paper (Green paper - Entrepreneurship in Europe) from 2003, the European Commission establishes that about 20% of small enterprises in the EU still complain about the problems with obtaining long-term financial means. They suggest that in the EU states the public financing institutions should act as catalysts for private investors, so that the supply of guarantees for SMEs would increase and various instruments of support would be developed – from micro loans to risk capital<sup>45</sup>.

According to the data of Global Entrepreneurship Monitor 2005, in Slovenia there is a lack of financial sources for financing the founding and growth of enterprises. The reasons for this are underdeveloped capital market, lack of venture capital funds, too few direct foreign investments, banking instruments not being adapted to financing founding and growth of enterprises, lack of state subsidies.<sup>46</sup>

#### ***Planned activities***

In forming the products trends will be observed which arise from macroeconomic environment and market needs.

In the framework of the priority orientation »Encouraging entrepreneurship« different forms of financing to support investments of SMEs will be implemented:

- Support for fast growing and innovation SMEs with equity resources (venture capital funds),
- Support for SMEs with debt sources,
- Guaranteeing support for SMEs,
- Start-up grants for growth of new, innovation enterprises,
- Grants for technological investments of SME.

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<sup>45</sup> Green paper-Entrepreneurship in Europe, 2003

<sup>46</sup> Source: Global Entrepreneurship Monitor 2005, Entrepreneurship: between wishes and reality

The measures for the promotion of entrepreneurship will mainly be implemented by the Slovene Entrepreneurial Fund by ensuring financial instruments (equity and debt sources and direct financial incentives). The Slovene Entrepreneurial Fund will work in cooperation with European financial institutions (European Investment Fund, European Investment Bank,...) within the EU programmes and initiatives in order to attain as significant financial leverage of available resources as possible. The possibility of cooperation within JEREMIE initiative will be utilised. The Slovene Entrepreneurial Fund will also be connected with Slovene banks and other potential investors.

The measures planned ensure complementarity with the CIP programme (Competitiveness and Innovation Framework Programme) and in particular within the following schemes of financial instruments: ensuring incentives for rapidly growing and innovative SMEs and providing guarantees for SMEs – the European investment Fund does all these activities on behalf of the EC.

#### ***Beneficiaries and target groups***

Beneficiaries are micro<sup>47</sup>, small and medium-sized enterprises, especially newly founded enterprises, innovation enterprises and those with potentials to grow and develop.

### **3.5.2 Economic development infrastructure**

#### ***Description and justification***

The development priority “Economic development infrastructure” encompasses setting up of key development centres in Slovenia which will ensure integral and top-level economic, research, education, information and logistics infrastructures and their connectedness, being a set of key projects and the activities of national importance with explicit mutual supplementing. It is focused on the existing urban centres and strengthening of new urban centres with high development potentials. As such it represents one of the basic cornerstones of the breakthrough of Slovenia that will supplement and upgrade the content of other development priorities and OP. In particular, it is closely connected with the first priority “Competitiveness and research excellence”. While in the framework of the first development priority concrete R&D and entrepreneurial projects will be supported, in the framework of the second priority supportive infrastructure will be provided which will additionally promote development of enterprises. Coordination of contents will be, among other, ensured through defining complementary provisions in the implementing documents.

The key activity of the development priority is the establishment of networks of economic-development-logistics centres in areas where sufficient critical mass of knowledge is ensured as well as sufficient concentration of economic activities and development potentials. Where possible, investments will be directed towards brownfield areas and consequently the revitalisation of degraded areas.

The projects have been regarded as the key projects within regions; due to their importance they are defined as key national development projects. In this sense they were defined as development projects by the state – therefore top-bottom - and represent the constituent part of the Resolution on National Development Projects up to 2023. At the same time they complement each other with key activities of the regions and their development potential,

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<sup>47</sup> By taking into account the demarcations in Chapter 4.

therefore bottom-up, with a comprehensive approach being ensured as well as ultimate impact on increase of competitiveness.

Individual centres will develop in accordance with comparative advantages of a wider area and their current and future competences. With regard to their recognized competences and development possibilities they will, among other, be able to include business-industrial areas, logistics areas (zones), technology parks and technology centres, regional business incubators, university pre-incubators with offices for technology transfer, higher education and research centres, inter-enterprise education centres and similar. The content of an individual centre will be defined in detail on the basis of performed cost-benefit analysis from the aspect of the entire economy. In this respect, the soundness of investments will be verified. They have to prove the critical mass achievement (e.g. access to inhabitants, number of companies in the gravitation area) that prevents dispersion of this kind of infrastructure. Reasonably also other criteria will be used such as the criterion of the minimal size of an entity and logistic possibilities in the area (vicinity of a motorway, railway, airport).

The condition to achieve international competitiveness in these centres is information connectedness, therefore the investments in this field are constituent parts of the development priority. The access to the Internet will be provided through broadband connections for all potential users in Slovenia and this will ensure more balanced territorial development of networks and electronic communications. In addition to the investment into broadband connections in the framework of development priority the development of relevant e-contents and e-services, applications and systems in the area of e-business and cultural heritage (including digitalization), including the provision of suitable IT support systems and their connections will be ensured (interoperability). With increased requirements for better and faster communication, equipment and services, the latter will foster the development of economic activities, tourism and ICT industry. In Slovenia this field is completely new and insufficiently developed and provided that the situation is favourable, it will be flourishing and will create numerous jobs and significantly increase the competitiveness of the whole economy and information society.

Strengthening of institutions of knowledge in line with needs of economy, technology and other priority developments in the state will also include the investments into public higher education and research infrastructure of national importance, i.e. in the infrastructure of organizations such as higher education institutions, public research institutions, institutions for the promotion of science and other public institutions acting in the fields that are connected with the needs of economy and other priority development areas. Although these institutions are of national importance, they are frequently very poorly equipped and lack adequate spatial distribution, and this represents an obstacle for their quality operation and effective support for the economy. Where inclusion into technically quality infrastructure of the state is concerned, promotion of development of research infrastructure will contribute to higher quality of Slovenian products and services and as a result to competitiveness of the business sector and to successful implementation of other sectoral policies and related quality of life of the citizens of Slovenia.

The development priority represents a required condition for achieving multiplication in the sense of innovation breakthrough for other development priorities.

The development priority “Economic development infrastructure” encompasses issues which will enable, through a network of development centres, Slovenian economy to use highly trained labour force, they will enable more intensive investment into research and development, closer cooperation between public sector and education sector, effective functioning of support institutions and intermediaries, adequate ICT infrastructure and last but

not least, enhanced innovativeness. Only by establishing all mentioned segments will Slovenia be able to become a state based on knowledge and innovation.

### Goals

Key goals of the priority “Economic development infrastructure” arise from the SDS, are integrated with the goals of structural reforms and mean observing the goals of Lisbon Strategy in the domain of research and development:

### *Concentration of knowledge and development infrastructure for increased competitiveness of economy*

**Table 12: Indicators at the level of second development priority of the OP SRDP**

2. DP Economic development infrastructure quantified targets		Baseline (last available data)	2013 target	Source
<b>Output</b>				
1	Number of operational business support institutions	12	36	CIS
2	Number of new broadband connections	253.000	increase by 10.000	PECA
3	Number of projects in the field of e-services and e-content		30	CIS
4	Number of renovated faculties in the field of natural science and technics moved to new premises		6 (31% of all)	CIS
	Number of research organisations in the field of natural science and technics moved to new premises		1 (10% of all)	CIS
5	Newly established business zones (in ha)	359*	900	CIS
<b>Result</b>				
6	Number of additional population covered by broadband access as a consequence of co-financed activities	600.000	increase by 30.000	PECA
	Global broadband population coverage (transmission speed over 256 kbit/s) as a consequence also of non-cofinanced activities	92%	100%	PECA
7	Number of newly established enterprises in the context of business support institutions		300	CIS
8	Share of students enrolled in natural science higher education programmes in the whole population	6,8%	9%	MHEST
9	Share of higher education students enrolled in technical higher education programmes in the whole population	13,5%	20%	MHEST
10	Number of gross jobs created		3.800	CIS
CIS: central information system; PECA: Post and Electronic Communication Agency of RS; MHEST: Ministry of Higher Education, Science and Technology; * Business zones' area as a consequence of Single Programming Document 2004-2006 implementation				

### ***Development context***

Development priority “Economic development infrastructure” follows key national strategic documents. These are SDS, Reform Programme for implementation of the Lisbon Strategy in Slovenia, Framework of economic and social reforms to increase the prosperity in Slovenia, National research and development programme and other documents. The goals of the development priority »Economic development infrastructure« are in accordance with broadest goals of the SDS, such as:

- Competitive economy and faster growth,
- Effective generation, two-way flow and use of knowledge for economic development and quality jobs,
- Modern social state and higher employment rate.

The development priority is in accordance with the goals of the Strategy for Spatial Development of Slovenia:<sup>48</sup>

- rational and effective spatial development, with a sub-goal: directing the spatial activities in a way which makes them generate best positive effects for spatially balanced and economically effective development, social integration and quality of natural living environment.
- Greater competitiveness of Slovenian towns in the European space, with sub-goal: Development of regional development zones for production and service activities.

The aforementioned national documents observe corresponding EU development documents, among which the following need mentioning:

- Revised Lisbon Strategy,
- Strategy i2010 – European Information Society for Growth and Jobs
- Community Initiative Programme (2007 – 2013) (CIP),
- Industrial policy of the EU.

The CIP encompasses different activities of the EU to support competitiveness and innovations and includes three specific programmes: Programme for Entrepreneurship and Innovation, Programme for Promotion of Policy in the Area of Information-Communication Technologies and the Intelligent Energy Programme.

The development priority is especially related to the 8th, 9th and 13th guidelines laid down in the Integrated Guidelines for Growth and Jobs and related priority measures of the Reform Programme of Implementation of the Lisbon Strategy in Slovenia:

- Guideline 8 – Facilitate all forms of innovations:

The changes in fiscal and industrial policy and the system of financing public research activities fostering cooperation between the research area and economy; foundation of “spin-off” enterprises and employment of researchers in economy; the establishment of legislative and financial environment that will promote the foundation and growth of high-tech enterprises and other innovation enterprises in particular small and medium-sized enterprises (for example: to strengthen financing with equity and debt sources); complex modernization of the university with the increase in the number of providers, better adaptability to the needs of economy, higher quality and competition. Priority activities within the DP: the construction of economic-development-logistics centres (infrastructure of national importance) connected

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<sup>48</sup> Strategy of spatial development of Slovenia, adopted by NA of the RS on June 18, 2004 (O.G. of RS No. 76/2004)



with technology centres, centres of excellence and higher education innovation centres; improvement in innovation support services and suitable premises, creation of mutual connections between national research institutes and higher education organizations and the knowledge transfer into economy; upgraded higher educational and research infrastructure of national importance; the construction of educational and research infrastructure in regions (regional higher education innovation centres – HIC); financial measures to support the investments in SMEs; the development of information systems and the information system-based e-services and e-business for residents and enterprises.

- Guideline (9): Facilitate the spread and effective use of ICT and build a fully inclusive information society:

Increased access to ICT by enhancing the development of broadband networks; investments into passive infrastructure; encourage the widespread use of ICT and services of information society in public services, SMEs and households, and the availability of e-contents in the Slovenian language. Within the OP framework for strengthening regional development potentials the construction of broadband network will be financed in areas where there is no economic interest shown; e-contents and e-services will be developed within the operational programmes of both structural funds. Priority activities of the DP for strengthening regional development potentials: promotion of the development and use of the Internet and the construction of broadband networks; accelerated introduction of e-business; the establishment of the national interoperability framework; provision of innovative environment and the encouragement of the development of advanced products, applications and services that will promote the use of ICT and information society services by inhabitants; promotion of the development of e-contents – digitalization.

- Guideline (13): Ensure open and competitive markets:

Improvement of the offer of industry zones, building of broadband electronic networks and ensured transparent and competitive supply of existing leased lines.

The content of the development priority “Economic development infrastructure” is integrated within the framework of three priority guidelines, which are:

- Economic-development-logistics centres (infrastructural platforms),
- Information society,
- Development of higher education as well as research infrastructure of national importance.

### ***3.5.2.1 Economic-development-logistics centres***

#### ***Description and justification***

In order to increase competitiveness of economy the process of founding and growth of new enterprises is crucial. In the period from 1999 to 2004 the number of enterprises in the business sector increased only by 2.6%, while the rate of early entrepreneurial activity fell from 4.6% (2002) to 2.6% (2004), and rose again in 2005 to 4.4%, which is still the fourth lowest rate among the EU member states. At the same time, high mortality rate of rising enterprises is characteristic for Slovenia. The mortality index has even increased from 2.1 in the year 2002 to 2.7 in the year 2004; in the year 2005 it returned again to the 2002 level.

In the process of creation and growth of new enterprises supportive environment plays an important role; this environment consists of different subjects, both, at national and regional

level. In order to increase the share of newly founded enterprises it is necessary to set up adequate infrastructural supportive environment, consisting of subjects such as university pre-incubators, technology parks, business incubators. The goal to be pursued is founding and functioning of new high-tech and innovation enterprises. Adequate critical mass of knowledge and quality human resources with competences necessary for technological development and innovativeness are ensured by education and research institutions.

Modest entry FDIs indicate low competitiveness of Slovenia as an investment location and unexploited development possibilities offered by inward FDIs. The share of inward FDIs in GDP in the period 1995-2005 increased from 9.5% to 21.9%. However, Slovenia remains among the countries exhibiting the lowest share of inward FDIs in GDP. The reason for this is, among other, lack of suitably developed lands.

The priority orientation with its measures aims at establishing adequate infrastructure in geographical areas of Slovenia where there is critical mass of knowledge, institutions of knowledge, economic development and concentration of industry and population.

- Business zones – different forms of spatial concentration of business activities of larger number of enterprises and other organizations, which enable a quick and planned organizing of operation (according to the structure of enterprises in the zone or their activity we distinguish industrial zones, trade zones, logistic zones etc.);
- Technology parks – they represent an infrastructure which offers to high-tech enterprises adequate spatial capacities with all the necessary infrastructure and connections with institutions of knowledge
- University pre-incubator – a form of an incubator at universities which enables realization of entrepreneurial initiatives within universities or other higher education institutions, takes over entrepreneurial initiatives from pre-incubator activities and makes it possible for them to develop in a fertile environment:
- Business incubators – they enable effective founding and development of new enterprises, under advantageous conditions, with which the rate of enterprise founding increases as well as specialization towards development of enterprises with strong technological base (technological incubators or innovation centres);
- Inter-entrepreneurial educational centres – and higher-education centres - providing trained and quality labour force.

The implementation of the priority orientation will be based on Resolution on National Development Projects 2007-2023, which already identifies an indicative set of priority projects, namely the construction of the following economic centres: Economic Centre (EC) of the South-eastern Slovenia, the EC PHOENIX, EC Gorenjska, EC PERSPECTIVE, EC INPRIME, EC OKO, EC OREH, EC NOORDUNG and EC TEHNOPOLIS. The economic-development-logistics centres in the form of infrastructure encompass a broad spectre of different subjects, which are interlinked within a specific geographical area, which generates additional positive synergy effects. With regard to the orientation of main national economic centres within the activities with high added value it is sensible to strengthen the development of business-industry zones with parallel institutions such as technology parks and business incubators. In this way it will be possible – taking into account specialization patterns – to achieve optimum synergy between the use of existing comparative advantages of enterprises and creation of new knowledge and attracting new investors.

Within economic-development centres there will be technological centres and centres of excellence whose development is otherwise promoted within other priority orientations and development priorities respectively.

### ***Planned activities***

The activities are intended for establishment of economic-development-logistic centres as infrastructure of national importance; they mainly encompass the following:

- business-industrial-logistic and development areas of national importance,
- technology parks,
- business incubators,
- university (higher education) pre-incubators and offices for transfer of technologies,
- inter-entrepreneurial education centres (IEEC),
- high-educational centres.

The basis for co-financing individual investments will be cost-benefit analysis at the level of the whole project, therefore at the level of the entire economic-development-logistic centre. In this respect not only the achievement of achieving critical mass for the implementation of individual activities but also mutual relationships will be determined between individual entities within the economic centre with the purpose to optimise operations and achieve the economy of scale and synergy.

The demarcation criterion between this priority orientation and the priority orientation “Regional Development Programmes” in case of business zones is their size, bigger business zones of national importance will be financed within this priority. In case of entrepreneurial and university incubators the demarcation criterion will be the purpose of an investment. Within economic-development-logistic centres entrepreneurial incubators will be financed whose holders are companies and are therefore focused on a certain branch and the promotion of spin-off companies and ensuring complimentary activities close to the investor. The purpose of the development of entrepreneurial incubators within the regional development programmes is to ensure favourable conditions for the promotion of entrepreneurship at the horizontal base for the public good.

### ***Beneficiaries or target groups***

- Areas of the regions or communities with distinctive economic growth potential - such as position with regard to transport hubs (for instance important road and railway hubs, vicinity of airports), concentration or vicinity of institutions of knowledge (higher education institutions, R&D institutions, other institutions of knowledge), critical mass of population or adequately educated labour force – representing, from the aspect of national importance, an important economic-development-logistic area.
- Communities lagging behind in development or areas where the existing infrastructure does not permit local economic development.
- Different institutions (enterprises, institutes, higher education and other educational institutions, research institutions and such), linking with similar subjects to form a whole within a certain area.
- In case of the IEEC also association of employers and Chambers.

### **3.5.2.2 Information society**

#### ***Description and justification***

Development of information society on the basis of increased development and broad use of information and communication technologies (ICT) in public administration, in small and medium-sized enterprises and in households or among individuals is of great importance for development of society and economy. Here we need to emphasize that innovativeness and development in the field of information society services are the cases of innovativeness in technologically-developmental, organizational and business sense. Differences in economic effectiveness of industrial countries arise with the level of investments into ICT, scope of investment into research, use of the research results and with competitiveness of information society and media industry. In the period 1995-2000, when the industry of ICT generated 8% of GDP of the member states, 40% of productivity growth (0.7 of 1.4 % GDP) was generated by ICT.

For a more rapid development of information society the possibility to access broadband networks and services they provide is of essential importance. In urban settlements with high concentration of users and in the vicinity of the main telecommunication hubs of the providers, it is possible to choose providers of different broadband accesses. Outside urban settlements the situation is different, for the offer is much more limited or nonexistent due to poor infrastructure and absence of commercial interest. Quality telecommunication infrastructure is therefore available only where the concentration of users is such that the providers profit from it or where the enterprises, in cooperation with local authorities, have invested into their own telecommunication infrastructure. A special problem represents providing rapid connections with education institutions and other public institutions creating e-contents (museums, libraries), and connectedness of these institutions with other end-users, for these connections enable access to different contemporary educational contents and decrease the digital divide.

The extent of success in information society development will be measured by the extent of telecommunication infrastructure provided and by availability of various e-contents and e-services based on suitable IT backing systems. With increasing demand for better and quicker communication and equipment, e-contents and e-services significantly promote development of economic activities and tourism, as well as ICT industry, especially industry of digital and other contents (content industry, creative industry)<sup>49</sup>. Digital information is not limited just to Slovenia, it is competitive also on global market. Therefore digital contents, digital services and public accessibility in the domain of culture, cultural heritage, nature and science are important not only for marketing but also for increasing recognizability and competitiveness of Slovenia and its economy. In Slovenia this area is new and not yet sufficiently active; but, with favourable economic conditions, it will blossom and create new jobs, not only for the IT experts, but also for people with sociological, classical and artistic education. E-contents and e-services significantly promote also non-economic activities. Access to e-contents and e-services (e-accessibility) will have to be ensured also for people with special needs, elders and other groups of people for whom there is risk that they will, due to rapid progress of ICT in all areas of life, become discriminated. In order to ensure access and inclusion of broadest possible circle of population in the information society, we have to produce and set up technologies, solutions, services and applications which can be used by broadest circle of users and which will ensure higher quality of living.

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<sup>49</sup> Creative industries are economic entities which, on the basis of cultural contents and with the help of modern technologies create new products and services which they offer on new markets

In accordance with European strategy i2010 it is also sensible to promote development and use of technologies and products of e-business. Integration of development potentials, which can include also small innovation enterprises, will enable development of new e-services, applications and products, which will be competitive on global market and will, at the same time, rise the level of development of the information society in Slovenia. The effectiveness of cultural sector and related creative industry will be thus enabled and promoted, which also represents one of the important areas of strategy i2010.

### ***Planned activities***

In order to ensure broadband connections we will implement alternative solution of constructing open networks, in accordance with Guidelines for Criteria and Manners of Exploitation of Structural Funds for Support of Electronic Communications (SEC (2003)895). These networks will be financed as public-private partnerships and based on different technologies, such as: optics, ADSL, fixed wireless access (FWS), wireless technologies. In the first step we plan to ensure access to broadband services with sufficient speed for users throughout Slovenia. In the following steps access to greater speeds will be enabled, the final goal being connectedness of most population to high-speed network (possibly optic). The project will be implemented on the entire territory of the state, with the emphasis on accelerated construction of broadband networks in less developed regions, especially in rural areas. We will also provide high-speed connections (optic fibres) for organizations involved in education, research and culture.

On the other hand, providers of programmes and projects planned to attain planned goals in the field of priority orientation will develop and establish information systems and e-services, based on these systems, intended for general public as well as for enterprises. Thus the cooperation between companies, research and other public institutions and users will be enhanced, which will enable successful development, setting up and use of e-contents and innovative e-services in technological-developmental, organisational and business context. Support will in particular be provided to projects of publicly accessible digital databases of e-contents (mainly e-contents in Slovene), projects of the development and establishment of systems, applications and services in the field of culture, science, education, assistance to consumers, health, inclusion and e-business for small and medium-sized companies. Special attention will be placed on the establishment of a national interoperability framework with which conditions for a more rapid growth of creative industries will be provided.

### ***Beneficiaries and target groups***

When setting-up broadband connections is concerned, private users and economy (also in the sense of providers of local loop unbundling) represent the target group. Where setting up high-speed connections for educational, research and cultural institutions is concerned, the end-users will be schools, libraries, higher education institutions and other relevant institutions.

In order for the ICT to be designed so that they will be available to broadest possible circle of users, the target group for separate e-services, applications and e-contents should encompass all enterprises, public and private institutes, scientific research institutions and others; special attention has to be given to elders, to people with special needs (movement impaired, blind and visually impaired, deaf and partially deaf) and to population living in rural areas. E-contents, created in the framework of the programme, will be available to expert and broader public, in accordance with the existing legislation.

### ***3.5.2.3 Educational-research infrastructure***

#### ***Description and justification***

The domain of priority orientation “Development of education-research infrastructure” belongs, in its broader sense of the word, among measures, oriented towards strengthening of institutions of knowledge in accordance with the needs of the economy, with technological and other priority development in the state. In the narrower sense it involves investments into public higher education and research infrastructure of national importance, that is into infrastructure of organizations such as higher education institutions, public research institutions, infrastructural centres, Metrology Institute of the Republic of Slovenia (MIRS), institutions for promotion and popularization of science and other public institutions operating in the areas related to economic needs and other priority areas of development.

Despite the fact that these are institutions of national importance they are still insufficiently equipped (examples: higher education institutions involved in natural sciences and technology fields, house of experiments). A growing obstacle for their further development and strong linking with economy is the fact that these institutions are usually dispersed, their premises are often spatially limited and do not allow expansion of activities, they are environmentally inadequate and inaccessible by transportation. Due to these circumstances expensive equipment in possession of some of the public research institutions is insufficiently utilized, when at the same time there is a lack of such equipment in similar institutions or higher education institutions, which results in poor and systematically unorganized research component in these institutions. Due to these conditions the interest of the economy to cooperate with the research sphere is lesser than it would be if the conditions were different. On the other hand, concentration of related institutions at one location enables their functional linking and rational operation; it improves the conditions for research work, it enables more successful training of the staff, more intensive international exchange of professors and researchers, it facilitates functioning of centres of excellence and – due to sufficient spatial capacities – it enables direct spatial and functional connections with centres of excellence, technology centres, business incubators, technology parks and other infrastructure for transfer of knowledge into economy. By investing into such common locations we will obtain adequate concentration of higher education, research and development infrastructure in the centres of national importance, which will, in connection with technological networks and platforms, significantly strengthen the network of development institutions in Slovenia and their support of national development, especially its economy. Such concentration will enhance the quality of scientific research work and reinforce investments by public and private sector.

An important condition for quality R&D and pedagogical work is contemporary and rationally functioning network of infrastructural centres and collections. Therefore, within the framework of the priority orientation investments into development of this network will be co-financed; this network includes infrastructural units within separate higher education and research institutions and separate infrastructural institutions, such as infrastructural centre of the National University Library Jože Plečnik (NUL JP), together with the Central Technical Library. Its importance for R&D activities and the support of economy is based on the fact that this is a central information-library centre covering the field of natural and technical sciences. In Slovenia the study programmes of national science are less popular. Thus the enrolment in study programmes under ISCED (Unesco, November 1997, issue No 7 – Natural sciences, mathematics and computer science) was only 7.7% whereas the EU average is 10%. “Houses of experiment” are institutions where children and adults can observe interesting and

astonishing experiments that increase the interest in natural phenomena and at the same time allay the fears of exact science of many pupils and students. Investments into the promotion and attractiveness of science are then mirrored in increased number of students in the field of science.

The national metrological system enables traceability of internationally agreed units of the SI system. Its further development is necessitated due to the requirements of the management in newly established fields<sup>50</sup> as well as due to the already established metrological support in the most fast developing areas in Europe<sup>51</sup>. Both aspects are in full compliance with the needs of Slovene industry and service sector as well as with the priority areas in the strategy of the European metrology development and the conditions in Slovene metrology as the regional centre for South-eastern Europe in certain fields.

#### ***Planned activities***

In the framework of priority orientation, investments into unprofitable infrastructure are planned, therefore into construction of new and renovation of old premises and into equipping higher education and research institutions of national importance as well as investments into infrastructure which will be jointly used by these institutions of knowledge and their intermediaries. Where it is sensible, round-up complexes of functionally related institutions will be built in spatially connected locations.

#### ***Beneficiaries and target groups***

Beneficiaries in projects from the priority orientation will be mostly higher education institutions, research institutions, national institutions and institutions for promotion and popularization of science – those among the listed whose activities are of national importance, belong within priority areas of development defined in the national strategic documents and will contribute to achieving goals of the OP.

### **3.5.3 Integration of natural and cultural potentials**

#### ***Description and justification***

Slovenia has plenty of natural, cultural and other potentials which can be used for more rapid development of services in the area of tourism, education, entrepreneurship (for instance creative industry), trade and cultural revitalization of towns. In Slovenia there are 1,314 protected areas registered, occupying 216,507 hectares of land (1 national park, 3 regional parks, 41 landscape parks, 52 natural reservations, 1,217 natural sites); there are about 21,500

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<sup>50</sup> Establishment of national standards in the fields where they are still not developed (newly emerging fields in metrology such as chemistry, biochemistry, nanotechnology). These standards represent support to food and chemical industry and they are also important to ensure suitable implementation of technical legislation in the field of life quality (e.g. health, environment protection, food quality and safety). In the field of the SI system units the emphasis is on reference materials (amount of substance).

<sup>51</sup> It is about the development and/or expansion of metrological support at the secondary and primary level in the fields where by taking into consideration the international recommendations this is economically justified and important according to the needs of Slovene industry and service sector. In the fields of the SI system units and the development of physical quantities the thermo-dynamic temperature necessitates shift from closed to open cells (primary level) and the realisation of mini fixed points for the use in industry, time and frequency require a new frequency standard and an absolute time scale (primary level), dimensional metrology requires primary realisation of units of length due to increasing calibration needs whereas electric metrology is in need of investments into the measurement of alternating voltage and power (secondary level) to support the increasing demands of Slovene fully export-oriented electric industry.

units of immovable cultural heritage, of these 7,800 cultural monuments, 188 public cultural institutes (of these 9 national and 29 community museums, 2 national and 9 community galleries, 2 opera/ballet theatres, 2 national and 10 community theatres, 41 cultural centres). There are more than 40 public sports institutions, of these 2 national and 38 at the community level. The latter are mostly in charge of management and maintenance of public sports infrastructure (data for the year 2005 say that it consists of 2005 630,560 m<sup>2</sup> covered and 6,205.823 m<sup>2</sup> open areas). In most cases these sports facilities are not suitable for generation of new tourist offer products - implementation of healthy life promotion programmes within sports recreation - since this offer requires well regulated environment and adequate buildings. The reasons for this situation can be found in insufficient investments into these potentials in the past and in insufficient initiative shown by various involved parties resulting in outdatedness of certain infrastructure (for instance, the average age of cableways in the Slovenian ski resorts is 21,4 years) and in insufficient tourist offer (for instance, only 15 adrenalin parks, 15 water parks and 1 water town, in the field of sports/tourist offer the state of existing infrastructure does not permit its inclusion into integral tourist offer). We encounter similar problems – especially from the aspect of providing adequate quality of services – in the area of accommodation facilities and other catering facilities. The situation is also not good where youth centres are concerned. In Slovenia, within the framework of the development programme for acquiring premises for youth in local environments, multiple youth centres have been established in the past 10 years (situation in 2006: 47). Youth centres are extremely important for informal and occasional learning and social cohesion of youth in local and regional environment, but they do not have sufficiently developed infrastructure for carrying into effect more adequate appraisal of natural, cultural and social conditions in broader, international space. With relatively good regional coverage the deficiency of youth centres is shown in insufficient spatial capacities and especially in inadequate quality of standards for more effective multifunctional utilization of existing facilities. In Slovenia there are only three youth centres which have sufficient accommodation facilities to enable a longer stay; this provides them with option of being carriers of youth (seminar) tourism and of mobility of youth within the scope of long-term strategy of development of the RS.

The development priority "Integration of natural and cultural potentials" encompasses three priority orientations; their synergy will have distinctly positive impact on further development of Slovenian tourism and other services as well as on reviving and preservation of cultural heritage and preservation and marketing of biodiversity. The development priority is mostly oriented towards investing into projects of national importance, into tourist industry, cultural monuments and cultural heritage buildings as well as sports and recreational-sports facilities. The effects will show in expansion, variegation and higher quality of tourist offer at tourist destinations, in the possibility to create integral cultural and natural products and in development of other services in different areas as well as in creation of new jobs and increased number of tourists and other visitors. There will also be positive impacts on recognizability of Slovenia in the world, since the latter is at the moment on a very low level.

In the framework of the second development priority Slovenia will, in the period 2007-2013, strive to achieve the following goal:

***Preservation and integration of natural and cultural potentials for development of tourism and recreation***



**Table 13: Indicators at the level of the Axis 3 development priority of the OP SRDP**

3. DP Integration of natural and cultural potentials quantified targets		Baseline (last available data)	2013 target	Source
<b>Output</b>				
1	Number of supported projects in the field of tourism	12*	125	CIS
	Of which number of supported SME (projects)	8*	80	CIS
2	Number of renovated cultural heritage and public cultural heritage infrastructure facilities	2*	23	CIS
3	New and renovated sporting and recreational areas (in m2)		250.000	CIS
<b>Result</b>				
4	Number of tourist overnight stays (in millions)	7,6	8,4	SORS
5	Investment induced (mio €)		373	CIS
6	Increase in number of visitors in renovated cultural heritage and public cultural heritage infrastructure facilities		110.000	SORS
7	Number of gross jobs created		946	CIS
<b>Impact</b>				
8	Increase in value added per employee in companies receiving financial support (at least 24 months after the project completion at the end of financial year compared to the 31. december of the year of the project start)		5%	CIS
CIS: central information system; SORS: Statistical Office of the Republic of Slovenia; Comparative data: * Average annual indicator value in Single Programming Document 2004-2006				

Apart from 1000 gross jobs created, thus the jobs created directly and only with the OP beneficiaries, the results of co-financed activities will primarily reflect itself in the multiplication effects on the development of broader areas and destinations, including in job creation. It is therefore necessary to take into account, that net employment effect is actually noticeably bigger than the gross jobs effect presented in the quantified targets table.

### ***Development context***

On the basis of current level of development of Slovenian tourism and on the basis of existing development potential (including natural and cultural conditions and advantages and development trends in this sector), in the years to come the tourism will become one of the leading fields of Slovenian economy, which will significantly affect the achievement of development goals of Slovenia, arising from the Strategy of Development of Slovenia 2007-2013; a special emphasis has to be put on contribution to achievement of economic goals (competitiveness, growth of GDP, new jobs/employment growth), and to achievement of other goals, such as rise of education level of those employed in tourism, increase of

employment possibilities, introduction of sustainable development principles, balanced regional development, improved lifestyle quality, enhanced welfare of population and healthy way of life, strengthened cultural identity, cultural revitalization of towns and rural areas, increased recognizability of Slovenia in the international space. The mentioned goals are in accordance with the Lisbon Strategy. The content of the priority orientations, activities and goals of this development priority is also in accordance with the Development Plan and with the orientations of development of Slovenian tourism 2007-2011 as well as with the development orientations of the EU in the fields of tourism<sup>52</sup>, sport<sup>53</sup> and preservation of cultural and natural heritage. The development priority is related to Guideline (15) in the Integrated Guidelines for Growth and Jobs and related priority measures of the Reform Programme for Implementation of the Lisbon Strategy in Slovenia:

- Guideline (15): Promote a more entrepreneurial culture and create a supportive environment for SMEs:

Improvement of the access to finance, to start-up and venture capital respectively, and the simplification of banking procedures to grant loans; better cooperation of enterprises with education, research and development institutions and the promotion of staff mobility. Within the framework of development priority entrepreneurial initiative will be supported in the area of services which significantly affect job creation – especially in the area of tourism, creative industry, marketing etc., which will bring favourable impact on entrepreneurship, especially within the segment of small and medium-sized enterprises.

### ***3.5.3.1. Increasing of tourism competitiveness***

#### ***Description and justification***

The greatest deficiency of Slovenian tourism is still a lack of adequate tourist infrastructure (quantity and quality-wise), poor recognizability of Slovenia as a tourist destination, unconnected and dispersed tourist offer, insufficient quality of tourist products and services, lack of tourist offer in the field of experiencing nature and getting to know natural and cultural characteristics of Slovenia, insufficient investments into youth infrastructure capacities and non-utilization of potentials that SMEs can provide in this field. The reasons for the mentioned situation are to be found in insufficiently stimulative financial environment for investments into tourist infrastructure, poor organizing of joint promotion and marketing of tourist offer at the level of tourist destinations (integral tourist products) and poor training of tourist staff at different levels.

Within the framework of the strategic document in the domain of tourism – “Development Plan and Policies of the Slovenian Tourism in the period 2007-2011”, six strategic goals are defined: increase of the range of tourism, increase of tourist consumption, improvement of recognizability, decentralization, deseasonalization and promotion of changes.

So the goal of the priority orientation is to increase competitiveness and quality of Slovenian tourism and to promote development of tourist destinations, especially by:

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<sup>52</sup> Council Resolution on the future of European tourism, Working together for the future of the European tourism.

<sup>53</sup> In case of development possibilities of sports the planned goals coincide with the measures of the Reform Programme for Implementation of Lisbon Strategy in Slovenia in the fourth development priority “Modern Social State and Higher Employment” – responding to changes and promotion of adaptability and mobility on the labour market”, within the framework of guideline (17), especially the measure »Programmes for increase of employability of the unemployed and the employed«

- promoting investments project into tourist infrastructure which will positively impact further development of tourism, especially in the areas of tourist offer where there is considerable lack of infrastructure or where the quality of existing tourist offer is poor.
- promoting development of organization structures, with emphasis on improvement of quality and extension of the scope of promotion of separate tourist destinations.

In the area of public tourist infrastructure major projects of national/regional importance will be co-financed; in the implementing documents, which are approved by the Managing Authority, a detailed demarcation with the development priority “Development of Regions” will be defined, and within its scope smaller projects of local/regional importance will be co-financed. The public infrastructure will be supported with the purpose of eliminating obstacles or achievement of clear multiplication effects for development of tourism and tourist destinations, therefore where it is the case of indirect connection with development of tourism.

Positive effects of the priority orientation will show in more rapid development of tourism (more diverse offer, better quality, better recognizability, integral tourist products), as well as in creation of new jobs, larger GDP, strengthening of SMEs, more rapid regional development and higher level of education of youth.

#### ***Planned activities***

The objectives of planned activities are building, restoration and modernization of tourist infrastructure for which it is possible to say that it is of key importance for further development of tourism and is in accordance with natural, cultural and landscape characteristics of a certain area (for instance accommodation facilities, use of thermal water, entertainment and recreational facilities, experience centres, ski facilities – cableways, congress centres, youth centres and other youth infrastructure). The investment cycle will be intended for both, public and private sectors, where the projects of SMEs will play a special role. Particular consideration will be given to the projects achieving high level of energy efficiency, the use of modern technology in the field of environment and additional contribution to sustainable development. Due to problems relating to the recognizability of Slovenia, development of management structures in separate areas and destinations will have to be strengthened (including support institutions in complementary areas, such as info points of natural parks); activities in the area of promotion and marketing, trademark of Slovenia and its destinations will also have to be strengthened.

#### ***Beneficiaries and target groups***

Beneficiaries and target groups are mostly independent entrepreneurs, individuals, enterprises, communities, institutions and non-governmental organizations, societies and associations, public economic institutes and other public institutes and, in the area of youth activities-youth centres.

### ***3.5.3.2 Networking of cultural potentials***

#### ***Description and justification***

As described in the analysis of the current situation, natural and cultural heritage represent an outstanding development potential - due to their diversity and their state of preservation. National and local policy follow new attitude towards heritage by increasing investments into its restoration, regular maintenance of monuments and especially their functional revitalization and inclusion into broader context of given areas. One of more permanent solutions lies in linking with economy, especially with tourism and creative industries, since there are more factors that enable preservation and revitalization of heritage and thus its active inclusion into sustainable development of regions and urban centres and, consequently, creation of new jobs. Cultural heritage with its diversity and quality represents an important social, economic, pedagogic and identification potential, which can be used for achievement of regionally and spatially balanced development. Investments into public cultural infrastructure are also in accordance with the provisions of Exercising of the Public Interest in Culture Act, which envisages protection of dedicated use of public-owned cultural premises and for maintenance of public cultural infrastructure and enhancing of spatial conditions for cultural and artistic activities. Also in the National Programme for Culture for the Period 2004-2007, one of the key goals is ensuring accessibility of cultural properties and conditions for creativity; among other measures for achievement of the goals are ensuring optimal functioning of public cultural infrastructure and its development and ensuring accessibility of public cultural infrastructure to broadest circle of users. Provision of adequate conditions for creativity will enable better accessibility to cultural goods and at the same time the interest of domestic and foreign visitors in cultural events will rise. Thus also the consumption of cultural goods and creation of jobs will be enhanced. The new integration of culture is also favoured by the new Act on the promotion of public private partnership.

With enhanced inclusion of cultural heritage and public cultural infrastructure into development and spatial planning we wish to contribute to better recognizability of Slovenia in the European and global space and to upgrade the possibility of exploiting different, more sustainability-oriented economic potential. We wish to utilize development advantages and opportunities, so that cultural heritage and public cultural infrastructure get integrated into tourist and economic use in more quality way and thus contribute to enhancement of employment potential - especially in the services sector - and to better recognizability of Slovenia; this will be done via:

- investment into modernization, restoration, revitalization of cultural heritage and building of public cultural infrastructure for improvement of public access to culture and its economic use,
- development of new services in culture for development of creative sector,
- new methods of interpretation, presentation and promotion of heritage in digital or virtual form, with new contents for increasing marketing potentials of various industries and especially the potential of Slovenia as a tourist destination,
- development of new public/private partnership forms in investments in the field of cultural heritage, where we want to achieve sustainable preservation of heritage through its use,
- development of supportive mechanisms for changing of existing preservation paradigm into a more development-oriented one,
- support to comprehensive renovation, revitalization and modernization of areas and improving accessibility.

The projects will thus be oriented towards revitalization of cultural heritage and the supplementation of the public cultural infrastructure network to create new possibilities for sustainable development of rural areas (regions) and urban (city) centres. The projects will contribute to creation of new jobs related to the development of economy/tourism and stress cultural revitalization of towns, rural areas and protected areas or on culture as a basis for urban and rural development. The goal of this orientation is to ensure access to suitable public cultural infrastructure, which will enable the exploitation of economic potential of towns and at the same time influence the development of tourist destinations, the development of complimentary service activities and creation of new jobs (both, in the area of culture and tourism). Within the framework of the priority orientation development of public-private partnership will be promoted.

Within the priority orientation the funds of ERDF are primarily intended for investments in the revitalisation of facilities to enable economic-tourist-cultural development whereas in the OP ESS separate training programmes are planned to improve the quality of cultural-tourist products, human resources development and management of cultural tourism.

### ***Planned activities***

- reconstruction and renovation, comprehensive revitalization and modernization of cultural monuments and public cultural infrastructure owned by the RS and communities and of cultural monuments owned by individuals, for the purpose of economic, tourist and services sectors in the supportive environments and for public use (for purposes of education, the development of cultural products and services, training, research and development - building of education centres, incubators, labs, development centres etc.).
- support for implementation of integrated strategies and programmes in the area of culture as an area development factor – for instance, European Capital of Culture, Lipica as protected area, setting-up of chain of historic hotels, network of artistic residential centres, network of youth hostels and such.
- counselling and expert help for private owners of monuments, for more quality restoration and better exploitation of cultural heritage.

Demarcation criteria between this development priority and the priority orientation “Regional Development programmes” need to be determined only in cases where the investor is a municipality. In such cases the demarcation criteria will be defined on the basis of the project value. Bigger projects of national importance will be financed from this priority whereas the projects of regional importance will be financed within regional development (cultural heritage renovation). The other base can be multipurpose. This priority will provide financing for projects including cultural activities (cultural infrastructure) whereas within the development of regions projects will be financed that apart for cultural activities are also intended for other activities (education, tourism and similar).

### ***Beneficiaries and target groups***

The Republic of Slovenia (Ministry of State-Owned Monuments), Public Institute for Protection of Cultural Heritage, communities, non-governmental organizations (associations, institutes, institutions), private investors and owners from economy sector, public institutes and such.

### ***3.5.3.3 Sports-recreational infrastructure***

#### ***Description and justification***

Awareness of the importance of a healthy life style of foreign and domestic guests is on the increase, thus the demand for more sophisticated services is growing - and this, in turn, calls for adequate infrastructure. So the area of sports/recreational offer is becoming more and more important; it is of key importance that these products and the infrastructure are consistently and comprehensively integrated in the offer of broader areas or destinations. Natural conditions make it possible for guests of all categories to be offered a quality stay and quality exercising; at the same time they enable organization of different events, which can bring additional multiplication impacts on development of broader areas. So with public sports/recreational infrastructure it is possible to encourage development of tourist destinations with new dimension or quality, that is, with sports/recreational tourism.

As an activity, sport has an important impact on healthy way of living, and this in turn means that it is necessary to provide conditions which will encourage as many people as possible to take up sports. Expanding the offer and the quality of sports/recreational infrastructure of public type can significantly contribute to health of people and, consequently, to their productivity and creativity. It has been established that as many as 15% of adult citizens of Slovenia participate in sports activities (recreation and recreational sports) at least 2-3-times per week, one third of population once a week, while more than half of the population - 45% of adult population – do not participate in any sports activity whatsoever. Sports activities are one of the bases of healthy lifestyle – so an adequate offer of programmes in sports facilities and resorts can significantly contribute to people deciding on healthy living by doing sports.

Unfortunately, in most cases the state of sports infrastructure does not permit comprehensive inclusion of this area into services and tourist offer – at least not to a sufficient extent. So in 2005 the situation in the area of sports infrastructure was the following: available indoor space 630,560 m<sup>2</sup>, or 0.32 m<sup>2</sup> per inhabitant; outdoor space 6,205,823 m<sup>2</sup> or 3.16 m<sup>2</sup> per inhabitant. This means a significant lagging behind with regard to mid-term and long-term goal of the Slovenia's national programme of sports, which is 0.5m<sup>2</sup> of indoor and 3m<sup>2</sup> of outdoor sports space per inhabitant. This means that there is insufficient space for all desired activities – the activities are therefore going on in the early hours of the morning and late at night. The entire Slovenian sports infrastructure is outdated; it does not meet sports norms and contemporary trends of sports and sports recreation development. The facilities are poorly equipped, uneconomic in the sense of their management; they are energy-consuming and therefore not very environment-friendly. More than 60% of buildings are more than 25 years old, more than half of these need restoration. In general, there is a lack of bigger facilities, where events for a bigger number of people could be organized.

In the framework of the OP, the projects will be co-financed related to public sports/recreational infrastructure which will, within tourist destinations, offer possibility for generation of new tourist offer products, especially for carrying out of programmes for healthy living in the area of sports recreation; this calls for well-regulated environment and adequate buildings. Constructions of national and regional importance will be co-financed which have a direct impact on development of tourism. The facilities will be suitable for all categories of users – for programmes of sports recreation, for children and youth sports programmes, for quality professional sport, as well as for organizing different events which attract large number of visitors. With construction of sports/recreational tourist infrastructure we expect attractiveness of tourist destinations to increase, additional offer of new tourist products, better structure of guests, increase in number of day visitors as well as guests with longer stays, rapid development of hotel business, catering, trade; positive impacts can also be

expected in the field of development of rural areas – by facilitating development of farm tourism.

***Planned activities:***

Public sports/recreational infrastructure for support of tourist and other economic activities, which directly contributes to more rapid regional growth and development and to achieving of goals of the OP.

***Beneficiaries and target groups:***

Public sports/recreational infrastructure will be co-financed, therefore infrastructure owned by the state and local communities, taking into consideration the principles of multi-functionality and utilization of possibilities offered by forms of public-private partnerships.

### **3.5.4 Development of regions**

***Description and justification***

Whereas other development priorities are directed towards development centres and projects of national importance, the priority of regional development ensures complementary infrastructural conditions that are based on the bottom-up initiative and provide the development and functioning of regions as effective and functional units. The projects of national importance are determined from top to bottom and include key development projects. They are defined in the Resolution on National Development Projects up to 2023 that the Government of the Republic of Slovenia adopted in October 2006 and are especially related to development priorities one, two and three. On the other hand the development priority Development of Regions is oriented not only towards bottom-up initiatives, but also towards projects which are, in their nature, of regional importance, which means that the basic framework for selecting projects within the third development priority is clear.

To assure strategically sound selection of projects, it is crucial that the regions prepare regional development programmes that are based on the analysis of development potentials and opportunities in individual regions and thus consistent and complex development approach at the regional level is provided with the determination of regionally specific priorities and activities. In their strategic platforms the regional programmes respect strategic development documents which the Republic of Slovenia adopted as a basis for directing development processes in the period 2007-2013. On the basis of analyses performed and on the basis of observing development potential they define specific priority areas on which further development is built. The implementation of key regional projects will round up the development network in Slovenia in the sense of territory, and its natural and social potentials will be connected. It is a development priority that will with the concentration of activities on key regional projects, yet dispersed in space, contribute to a comprehensive, internal mobilization in development regions and consequently in the country as a whole.

Supporting regional development programmes represents an important development challenge for regions with ambitious and innovative development programmes, with which they can contribute to a more rapid achievement of reform goals. At the same time the implementation of this development priority means contribution to increased development competitiveness and opportunity for closer, more equal linking with neighbouring regions, with the goal of enhanced spatial, economic and social integration.

### Goals

Vision of the regional development of Slovenia is a balanced development, with balanced economic, social and environmental aspects in all Slovenian regions; this will enable higher standard of living, health and quality of living environment for all inhabitants of Slovenia. The vision is focused on sustainable development in its broadest sense of the word, on development that uses all regional potentials to a full extent, but does not reduce sources and the possibility of development of future generations..

In order to fulfil this vision, Slovenia will, in the period 2007-2013, in the framework of the fourth development priority, pursue the following goal:

### *Balanced development of regions*

**Table 14: Indicator of the Axis 4 development priority of the OP SRDP**

4.DP: Development of regions quantified targets		Baseline (last available data)	2013 target	Source
<b>Output</b>				
1	Renewed and restored brownfields for economic development (ha)	359*	550	CIS
2	Newly communally equipped land for economic development (ha)		650	CIS
3	Number of new reserve water resources for smaller water supply systems		10	
4	Number of communally equipped agglomerations with less than 2000 PU	10	40	
5	Number of projects in NATURA 2000 areas		100	CIS
6	Number of "major" urban settlement development, renovation and restoration projects (project value over 2 mio €)		20	CIS
<b>Result</b>				
7	Number of population connected to sewage system in agglomerations with less than 2000 PU	61.000	increase by 60.000	MESP
8	Number of population with better and safer water supply system	1.400.700	increase by 70.000	MH, State monitoring of drinking water
9	Increase in number of trips with public transport (in mio)	220	increase by 5%	SORS
10	Number of gross jobs created		3.700	CIS
CIS: central information system; * Business zones' area as a consequence of Single Programming Document 2004-2006 implementation				



### ***Development context***

The development priority »Development of Regions« follows key strategic documents. These are SDS, Reform Programme for Implementation of the Lisbon Strategy in Slovenia, Framework of Economic and Social Reforms for Enhancing Prosperity in Slovenia and other documents. The goals of the development priority »Development of Regions« are in accordance with the fifth development priority of the SDS «Integration of Measures for Achievement of Sustainable Development»; they are also in accordance with the development priorities of the SDS:

- competitiveness of economy and more rapid growth,
- effective generation, two-way flow and use of knowledge for economic development and quality jobs,
- modern social state and greater employment.

The development priority »Development of Regions« is in accordance with the goals of the Strategy of Spatial Development of Slovenia<sup>54</sup> which is evidenced through concrete placing of the development programmes of the state and self-governing local communities into space, with which concordance with the spatial planning documents is ensured and verified.

The mentioned national documents observe suitable development documents of the EU, of which the revised Lisbon Strategy has to be pointed out. The development priority is especially linked with 11th and 13th guidelines laid down in the Integrated Guidelines for Growth and Jobs and with related priority measures of the Reform Programme for Implementation of the Lisbon Strategy in Slovenia:

- Guideline (11): Encourage sustainable use of resources and strengthen the synergies between environmental protection and growth:

The implementation of the Resolution on the National Environment Protection Programme stresses the National Nature Protection Programme 2005-2014. Priority activities within the development priority for strengthening regional development potentials will aim at the construction of infrastructure in the natural protected areas and protected zones, rehabilitation of existing illegal landfills and old burdens, construction of water treatment plants, collection of urban waste water and drainage water, reducing water loss within existing water distribution systems, construction of reserve water sources for smaller water distribution systems and such.

- Guideline (13): Ensure open and competitive markets:

Reduction of start-up costs for initial investment matched by high/medium technology transfer and creation of quality jobs, improvement of the supply of building land for economic purposes, improvement of the industrial zones offer, building of broadband electronic networks and ensuring a transparent and competitive supply of existing leased lines capabilities.

In preparation of this development priority recommendations of the European Commission regarding introduction of regional innovative system into cohesion policy 2007-2013 were observed (Innovative strategies and actions: Results from 15 Years of Regional Experimentation; EC, DG Regional Policy, Innovative Actions,; [http://europa.eu.int/comm/regional\\_policy/index\\_en.htm](http://europa.eu.int/comm/regional_policy/index_en.htm)).

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<sup>54</sup> Strategy of Spatial Development of Slovenia, adopted by NA of the RS, June 18, 2004 (O.G. RS, No. 76/2004)

The development priority is in accordance with goals of the policy of regional development promotion which has a long tradition in Slovenia<sup>55</sup>; thus a concrete forming and implementation of regional policy by the state and self-governing local communities is ensured. In this way links and consistency with normative platforms are ensured – at the national and European level, which, in this framework, ensures achievement of the following goals:

- reduce the differences in economic development and life opportunities of the population in different regions of the state,
- prevent forming of new areas with bigger development problems,
- promote polycentric development of settlement and polycentric economic development,
- development and increase in competitiveness of economy in all development regions, with taking into account their characteristics and their internal development differences,
- decrease of the level of unemployment in the development regions or increase employment and eliminate structural discrepancies on the labour market,
- increase the welfare of people in the development regions, with observing the principles of sustainable development and their characteristics,
- strengthen social capital and innovative capabilities in the development regions,
- preserve and develop cultural identity by creating conditions for cultural creativity and diversity, sustainable development of cultural heritage and by providing access to cultural properties in the development regions,
- promote life-long learning which supports augmentation of education level of population and greater access to education and training for all,
- introduce comprehensive approach in development of rural areas,
- reduce differences in the quality of living and in the economic and social prosperity, with observing environment protection, protection against natural or other disasters, and to reduce differences in health,
- introduce integrated regional strategies of the information society,
- development of areas of both autochthonous national minorities and the settlements of the Roma people in the Republic of Slovenia.

The contents of the development priority “Development of Regions” are integrated within the framework of the following priority orientations:

- Regional development programmes,
- Development of border areas with Croatia.

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<sup>55</sup> Act on Promotion of Balanced Regional Development (Off. Journal of the RS, 93/05), Regional Development Strategy of the RS by 2013

### ***3.5.4.1 Regional development programmes***

#### ***Description and justification***

The priority orientation »Regional development programmes« will include and link 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. The content areas where the biggest development weaknesses and unutilized opportunities in regional development were found and which the regional development programmes list as priorities, are the following:

- Economic and educational infrastructure

This is the key and priority area for regional and urban development, within which networks of regional incubators, technological park network, and network of business zones represent especially important contents for regional development; these networks together with knowledge and development can provide economy with the services most needed in separate development phases. Within this scope belong also the regional higher education-innovation centres, which, in one place, join higher education institutions, research institutions, technology centres and other providers of knowledge; they functionally link with the regional or local environment and its economy.

- Transport infrastructure

Transport infrastructure must be provided and planned strategically and comprehensively, while minimizing its negative environmental impacts; for the functioning of functional regions at the local-regional level transport connectedness is important, providing people and economy with mobility or the access to services, jobs and public functions, which enables best possible exploitation of spatial potentials within separate regions. Intelligent transport systems and more attractive public transport with good inter-modal (airports-railway-bus) connections should also form the crucial part of sustainable future oriented development of the Slovene poly-centric urban system.

- Environmental infrastructure

Development of all sorts of public local-regional utility infrastructure and environmental infrastructure represents necessary basis for creation of conditions for jobs and development of enterprises; it creates positive social impacts such as access to jobs, health care, schooling and other working and living activities. In any case, the contribution of this infrastructure to the environmental dimension of sustainable development is of key importance. Coordinated implementation of dedicated environmental programmes (such as air quality plans) in concordance with targeted regional measures in different sectors should be applied to achieve most effective synergies in the regions with new investments to pursue and comply with environmental legislation. Examples of such an approach include projects facilitating faster penetration of bio-fuels for which sustainability aspects are properly taken into account. There are strong economic (rural development, job creation), spatial (maintenance of rural/agricultural landscape), political (security of supply and strong political support through EU legislation and strategies), environmental (curbing of CO<sub>2</sub> emissions, energy efficiency and sustainable transport solutions), agricultural (farming revenues through use of biomass) as well as public and demographic (favourable public perception and stabilization of rural population) reasons for promoting biomass and bio-fuels solutions through environment infrastructure. Also their sustainable production-usage cycle is well adapted to the specifics of the Slovene polycentric development and rural/agricultural practices and could bring important competitive advantages.

- Development of urban areas

Urban areas need to be strengthened to implement polycentric development in Slovenia and to enable better cross-border cooperation. Comprehensive programmes for renovation of towns and degraded urban centres, with which the development regions will strengthen the increase of effectiveness and competitiveness of towns and urban areas – including access to those areas – are an important content of the regional development programmes. The case is not merely physical renovation of separate buildings or infrastructure, but also reviving or restructuring of activities in these areas. For certain areas comprehensive concrete renovation programmes are planned which will be adapted to specific economic, social, environmental and spatial characteristics of separate areas. Development of regions, which will be based on effective and quality internal development of settlements, supported by comprehensive renovation of towns, other settlements and degraded urban areas (so called “brownfield” investments), will enable provision of social inclusion, prevent degradation of environment and thus ensure higher competitiveness of these areas. Special weight is attributed to ensuring complex transport systems (clean and intelligent transport systems) that will solve the problems of accessibility of gravitation hinterland of urban centres that cannot cope with the burden of daily migrations. Integrated approach to transport systems and plans for clean urban mobility should be an integral part of the Sustainable Urban Transport Plans (SUTP) under which further options (such as low emission and low noise environmental zones, speed restrictions, “cleaning” of public transport fleet and retrofitting, cleaner alternative modes of transport, innovative urban transport and traffic policies including parking policy, etc.) should be explored and developed to minimize the environmental impact of urban transport and to contribute to reaching the objectives of the Thematic Strategy on Urban Environment. Such measures, together with improved environmental performance and energy efficiency of urban industry (including SMEs) need to be introduced in particular to address current excessive exposure of Slovene population to air pollution in most urban centres.

- Public infrastructure in areas with special environment protection regimes and in tourist areas

A great opportunity for regional development lies in development activation of natural and cultural heritage, which are often considered development obstacles of society. In the area of environment protection the Republic of Slovenia defined as one of the key goals preservation of high level of biodiversity and stopping decrease in biodiversity by the year 2010. With regard to the high share of Natura 2000 areas in Slovenia, an important task of this programme is directed towards establishing a comprehensive management of the Natura 2000 areas, supporting concrete development projects in these areas - with emphasis on public investments which will support and enable promotion of local entrepreneurship. In this framework and taking into account the principle of sustainable development, also opportunities given by the tourism development in broader context should be exploited.

- Social infrastructure

Health, social security and other institutions of regional importance represent an important element of the regional development programmes which only partly overlap with the goals of the operational programme. In defining justifiable activities within this segment a restrictive approach will be used, therefore an approach which will permit investments in this area only in well-justified cases.

The development of Regions envisages support for the regional development programmes in the amount of 585,838.000 EUR. In case of allocation of resources into less developed areas

the policy of the Republic of Slovenia uses a synthesis indicator, development risk index<sup>56</sup>. Together with the number of inhabitants this indicator was used also for indicative allocation of funds of the ERDF for the next programme period to the development regions (synoptic table 13).

**Table3: Indicative allocation of ERDF funds to regions**

Region	Number of inhabitants	Development Risk Index	ERDF resources per capita (EUR, current prices)	ERDF resources 2007-2013 (in mio EUR, current prices)
<b>EASTERN SLOVENIA</b>	<b>1.079.169</b>	<b>127</b>	<b>407,2</b>	<b>439</b>
Pomurska	122.483	160	573,1	70
Notranjsko-kraška	51.132	127	456,2	23
Podravska	319.282	117	419,7	134
Spodnje-posavska	69.940	117	419,7	29
Zasavska	45.468	114	409	19
Koroška	73.905	104	373,4	28
Jugovzhodna Slovenija	139.434	102	365,3	51
Savinjska	257.525	92	331,6	85
<b>WESTERN SLOVENIA</b>	<b>921.945</b>	<b>73</b>	<b>158,8</b>	<b>146</b>
Goriška	119.541	94	337	40
Gorenjska	198.713	83	298,5	59
Obalno-kraška	105.313	82	296,1	31
Osrednjeslovenska	498.378	9	31,4	16
<b>SLOVENIA</b>	<b>2.001.114</b>	<b>100</b>	<b>292,8</b>	<b>586</b>

This priority orientation will be implemented through mechanisms, defined by the Promotion of Balanced Regional Development Act, in which the principle of partnership plays a key role. After the adoption of the regional development programmes (hereinafter RDPs), the regional development councils, which are partner bodies of communities, economy and non-governmental sector, will prepare implementation plans, which will include priority regional projects. In this framework due account will be taken of the provisions as set out in article 8 of the Regulation No. 1080/2006 on the European Regional Development Fund, which foresees participative, integrated and sustainable approach to urban actions on the basis of development plans and spatial planning acts. In the view of the fact that, as a rule, the communities will provide funds of domestic public co-financing, the implementation plans for RDPs will be approved by the development region councils as political representative bodies of the development regions. The RDP implementation plans will be submitted for approval at authorized institution for regional development at national level. This institution will examine compliance of the proposed projects with strategic goals of the OP and formal adequacy and

<sup>56</sup> Development risk index is calculated by weighing indicators of economic development (GDP per capita, gross basis for income tax per inhabitant, number of jobs per economically active population in the region and companies gross added value per employee), labour market (rate of registered unemployment and rate of registered employment), inhabitants (dependency ratio), education (average number of schooling years) and environment (share of population connected to public sewage system, share of territory of Natura 2000 areas and settlement indicator).

will issue a decision on co-financing of compliant projects. The formal compliance of programmes will be assessed with regard to more detailed determination of demarcation criterion implementing provisions, which will be defined at national level and within whose framework demarcation with other development priorities and operational programmes will be defined. 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 will be financed.

### ***Planned activities***

The operations foreseen are based on the goals of the OP on the one hand and on priority areas, arising from regional development programmes, on the other. In principle, the following activities are foreseen:

**1.a.) Economic and education infrastructure:** business zones, with the emphasis on the establishment of condition for the so called “brownfield investments” in degraded areas, regional incubators and other higher education regional centres and other measures for the promotion of entrepreneurship and for creation of jobs at regional level, financed within the framework of the first two development priorities.

In case of business zones the demarcation criterion of this part of the priority orientation with the priority orientation “Economic-development logistic centres” will be the size of this business zone. Smaller zones of regional importance will be financed. In case of regional incubators and other development centres of regional importance the demarcation criterion with the priority orientation “Economic-developmental logistic centres” will be the purpose of the investment. The purpose of regional incubators is the so called “general incubating in a region”, which is different from specialised “spin-off” incubators in companies that are financed within the priority orientation “Economic-developmental logistic centres”.

With the activities within the “Economic and educational infrastructure” the possibility of supplementing financing in line with Article 34 of the Council Regulation (EC) No 1083/2006 is planned.

**1.b.) Transport infrastructure:** In the area of transport infrastructure investments into local roads and ports for the needs of local passenger transport will be eligible. Because the definition of a local road is known and because the motorways and regional roads are financed in the framework of the OP for development of environment and transport infrastructure, and while forest roads and private roads are financed within the Rural Development Programme, the financing demarcation is clear. Different from investments in the priority orientation of regional development programmes where the stress is placed on transport infrastructure that directly contributes to the development of economy and tourism, the priority orientation “Development of areas that border Croatia” will also enable financing of transport infrastructure that provides general accessibility of the inhabitants.

**2.a) Environmental infrastructure** which is not financed from the CF and is not included in the Operational Programme of the Environmental and Transport Infrastructure Development. In the area of waste water collection and treatment the construction of smaller waste water treatment plants will be justified in areas with low population density as well as draining of urban and precipitation waters.

Potable water supply and the reduction of losses from the existing water supply systems, the construction of multi-purpose facilities for water collection, active protection of water collectors will also be covered as well as construction of reserve water sources for smaller

water supply systems and development of new environment technologies in the area of waste management and collection and treatment of urban waste water.

The demarcation of this part of the priority orientation with the OP ETID will be the threshold capacity of constructed environmental infrastructure. With the construction of public waste water treatment plant the indicative value will be lower than 2000 PE. In providing potable water supply the indicative value for ensuring reserve water sources for smaller water supply systems will be 49,000 inhabitants. The implementation of pilot projects for developing new environmental technologies used in waste water treatment will be eligible when they complete with at least one operating technological unit in an area where in line with the operational programme for urban waste water collection and treatment the construction of a public sewage system is not necessary. The applicant must ensure the implementation of a pilot project with all the necessary permits under the condition that a project has not so far been implemented in the field but only in a laboratory and that this project will contribute to the creation of new jobs. Indicative threshold values of demarcation criteria of the OP SRDP can be changed during the programming period 2007-2013 and this also impacts the OP ETID.

**2.b) Development projects in areas with special protective regimes and in tourist areas:** the implementation of projects within the Natura 2000 areas, marketing projects and development of products and services that contribute to the preservation of biotic diversity, the renovation of cultural heritage, cultural infrastructure and cultural programmes related to the development of tourism and the promotion of a region, the construction of public tourist infrastructure and tourist development projects of local-regional importance.

The demarcation criterion of this part of the priority orientation with the development priority “Integration of natural and cultural potentials” will be the project threshold value. In case of facilities with mixed activities projects of cultural infrastructure with the majority share of cultural contents will be financed.

**3.a) Urban area development:** co-financing projects of balanced development of social and economic infrastructure in urban areas by providing professional basis for spatial planning documents and planning of efficient public passenger within broader gravitation areas including the provision of clean transport systems and public passenger transport (infrastructure satisfying the needs of non-motor transport, in urban areas, construction of parking places to meet the need to develop “park&ride systems) , setting up of land registers for economic public infrastructure, complete renovation of old city cores and historic towns to improve the attractiveness of buildings, streets and squares and complex renovation of degraded and abandoned urban areas. In this part the expenditure in residential buildings are only eligible when paragraph two in Article 7 of the Council Regulation (EC) 1080/2006 is observed.

The foreseen urban mobility and urban planning practices will strive to combine in an integrated way different activities that shall contribute to the sustainability objectives and can also include:

- High quality and innovative energy-efficient public passenger transport services, including intermodal integration with other sustainable transport modes (trains) and promotion of alternative fuels usage as well as promotion of clean and energy efficient vehicles usage;
- Influencing travel behaviour and modal choice through mobility management plans and implementation of demand management strategies (including zoning and spatial planning);

- Developing safe and secure road-infrastructure and means of travel for all users;
- Introducing mobility services that promote new forms of more energy-efficient vehicle use and/or ownership and a less car-dependent lifestyle;
- Promoting energy-efficient freight logistics services and new concepts for goods distribution.

**3.b.) Social infrastructure:** co-financing investments into cultural, health, social-protection and other infrastructures of regional importance provided that the investments are envisaged in the RDP and that the shortage of such infrastructure represents an important obstacle for faster regional growth and new job creation. Sports infrastructure does not belong into the framework of social infrastructure.

Given different development problems in regions individual operations will be adapted to regional needs and in the allocation of financial resources the development risk index as well as the number of inhabitants will be taken into consideration. At the aggregate level the first and second intervention areas will be allocated an indicative allocation of between 35% and 45%, whereas not more than 25% will be allocation for the third set.

The aforementioned indicative financial ratios ensure that the resources will be allocated in a balanced manner between rural and urban areas. In view of different development problems in different regions the actual range of allocated resources to separate regions will depend on the needs of each separate region.

#### ***Beneficiaries and target groups***

Beneficiaries and target groups are, as a rule, self-government local communities, while the Regional Councils have the opportunity – observing legal provisions – to determine as beneficiaries also local public services, public institutes, concessionaires, subjects promoting development at regional level, non-profit organizations active in the area of social activities and such.

### ***3.5.4.2 Development of border areas with Croatia***

#### ***Description and justification***

The policy of promotion of regional development pursues the goal aiming at stopping growth of regional development differences by promoting development in target areas which encounter the biggest development problems. The border areas with Croatia are defined as priority areas of regional policy. 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 wishes to attract initial investments of enterprises and to improve accessibility to public functions and services for population living in close proximity of checkpoints on border with Croatia – since we estimate that with inclusion of Slovenia into the Schengen regime the concentration of problems in areas of southern border will further intensify. In this relation future programmes for comprehensive regulation of road-transport infrastructure in the border areas with Croatia play an important part, as does accessibility to all the corners of this area. Together with rising the quality of infrastructural supply of the population in bordering areas we wish to improve general supply and appearance of settlements in bordering regions, for in future they will reflect not only the appearance of the settlement along the border but also of the “Southern EU border”.



### ***Planned activities***

Transport, environmental and economic infrastructure along the national border with Croatia will be financed. As priorities projects that will contribute to solving problems of access through Slovenian territory to homes and production facilities will be co-financed.

The demarcation criteria of this priority orientation and the priority orientation “Regional Development programmes” is the orientation of the priority orientation “the Development of border areas with Croatia” and the retention of habitation. This will be reflected in less restricted conditions of financing such as the provision of public participation from the national budget, allowed lower project value, co-financing of transport infrastructure that enables better access to the population: Thus habitation of these areas is ensured as well as financing of smaller business and craft zones that create jobs.

Demarcation criteria with the Operational Programme of cross-order cooperation with Croatia” will be the content of projects that in case of financing needs to display cross-border impact.

### ***Beneficiaries and target groups***

Beneficiaries and target groups local self-government communities.

## **3.5.5. Technical assistance**

### ***Description and justification***

The purpose of technical assistance is to ensure effective implementation of the operative programme, development priorities, priority orientations and operations and activities. The activities that will be implemented within the framework of technical assistance will promote recognizability of the programme and its integral parts, the quality of implementation of the project, its monitoring and control over its implementation; it will ensure coordination between the partners. Within the framework of technical assistance preparation of project proposals will be promoted, different evaluation studies will be carried out, public will be kept informed in order to support the projects.

### ***Goals***

The main goals of technical assistance are the following:

- ensure smooth and good implementation and monitoring of the programme, with preparation and choosing the projects, implementation of studies and evaluations, expert assessments and reports and adequate administrative competences of the beneficiaries;
- ensure recognizability and coordination of the programme/development priorities/priority orientations/operations between the partners, general and expert public;
- ensure information-supported management and monitoring of the programme and reporting on it.

### ***Development context***

The technical assistance activities support the development priorities, defined in the NSRF and the development priorities/priority orientations and operations defined in the OP SRDP.

### ***Planned activities***

The technical support programmes will include the following activities:

- activities for preparation and choosing of operations;
- studies for the implementation of development priorities/priority orientations/projects;
- evaluations / reports / expert assessments;
- measures intended for partners, beneficiaries, general and expert public, informing activities, coordination activities and promotion of partner cooperation activities;
- activities for setting up, upgrading and linking of the information systems for management, monitoring, evaluation, reporting and controlling the implementation of projects/priority orientations/development priorities;
- support activities for implementation of the operational programme and activities to improve administrative competence of the beneficiaries (additional employment, training, exchange of experience, work of monitoring committee).

In addition to the above mentioned activities within the technical assistance of the OP SRDP also the activities of horizontal nature referring to common contents of the OP ESS and the OP SRDP are included:

- support activities in the implementation of both operational programmes and activities aiming at the increase in administrative capacities of intermediate bodies and the beneficiaries respectively in both, the OP SRDP and the OP ESS (additional employment, training experience exchange, etc.);
- provision of information to the public;
- studies and evaluations.

Apart from the contents of the OP SRDP and horizontal contents in the OP SRDP and OP ESS also contents related to the activities of completing the SPD will be financed.

### ***Beneficiaries or target groups***

Beneficiaries for the project of technical assistance within the framework of OP SRDP are the following:

- public law entities involved in the implementation of the OP (example: ministries, government offices, public agencies, public institutes, public funds, bodies promoting regional development, communities, chambers, universities),
- private law entities, beneficiaries of the programme (example: non-government organizations, sheltered workshops, companies involved in educational activities, organizations promoting regional development, associations of small and medium-size enterprises) whose technical assistance projects were chosen through a public tender.

In the implementation of all technical assistance activities within the OP SRDP the restrictions set out in Article 46 of the Council Regulation No 1083/2006/EC will be observed.

### ***3.6 Horizontal themes***

Horizontal themes are those two aspects of the development policy management that have to be considered with the implementation of all instruments. For this purpose the implementing chapter 6.2 clearly defines the orientation of the monitoring committee and the managing authority. Special attention will be paid to these two areas also in the implementation phase, in the “determination of concrete activities and monitoring and evaluation”. This implies that supported activities will need to be in line with the above mentioned principles and in doing so those operations will be identified that are of utmost importance for each individual dimension. In such cases the consent of competent ministries will have to be gained. Not only the EU and national strategic guidelines will be taken into account but also the recommendations from the comprehensive environmental impact assessment.

#### **3.6.1. Sustainable development with the emphasis on environmental dimension**

Sustainable development represents the basic platform of all the strategic and implementing documents of the Republic of Slovenia (SDS), while the environmental dimension is more precisely defined in the National Environmental Action Programme. Together these documents strive to ensure development, which will provide equilibrium between economic, social and environmental aspects.

Beside the activities which, in the OP SRDP, directly relate to the environmental dimension, the environmental dimension of sustainable development is included in the document also horizontally, that is through a set of high environmental criteria for assessment of projects and giving priority to those projects that will have positive environmental impact. The purpose of the horizontal theme is therefore integration of environmental questions into planned programmes and later into implementing programmes, which is a binding orientation of the Managing Authority.

All chosen activities will fully observe basic principles of long-term sustainable development. For this purpose the Ministry of Environment and Spatial Planning will prepare special recommendations or orientations how to optimally include environmental principles and criteria into assessment and implementation of projects. The criteria will be designed in such a way that priority will be allocated to those projects which will develop or use environmental technologies that are more environment-friendly and less polluting; the technologies which ensure sustainable use of natural sources, enable better recycling of waste and products and treat other waste in more environment-friendly way and technologies which replace them. Environmental technologies decrease the costs and increase the competitiveness of the economy by reducing the use of energy and other natural resources; from the aspect of environment they are important because they reduce emissions and generate less waste. Among the environmental criteria, the preservation of the landscape identity and cultural and natural heritage, the reduction of damage to infrastructure and soil quality, the optimisation of sustainable use of natural sources, the preservation and management of water regime and the mitigation of climate changes are considered in the selection process. The promotion of use of environmental technologies through the OP SRDP will result in reduced environmental impacts, while at the same time it will promote competitive advantage of the approved projects. Special emphasis will be put on activation of development potential of biodiversity, which will also contribute to sustainable development of regions. In line with the integrated approach to environmental management, climate change goals will be pursued jointly with

other objectives of significant environmental concern in Slovenia with which strong synergies can be explored, in particular improvement of air quality. Economic criteria are: compliance with norms and standards and the costs per a unit of effect, the impact of the price on the service after the construction of public infrastructure and similar. Whereas socio-economic criteria are: increased employment, contribution to balanced regional development, increased quality of public service operations and supply and improved life quality in general.

### **3.6.2 Equal opportunities**

#### ***Description and justification***

Integration of the principle of equal means (re)organization, progress, development and evaluation of political processes in the manner that the actors, who usually deal with adopting political decisions, integrate the aspect of equality into all policies at all levels and in all phases. Integration of equal opportunities in planning and in documents of structural funds therefore encompasses all phases in the process of action – programming, implementation, monitoring and evaluation.

Despite the adopted legal provisions and institutional regulations differences still exist in ensuring equal opportunities – these differences reflect in the rates of employment, rate of employment of women compared to the rate of employment of men, segregation of sexes, rate of employment of disabled persons, the Roma people, migrants, former prisoners, former addicts and other vulnerable groups. There is growing need for ensuring adequate programmes and measures for ensuring equal opportunities for elder and youth. Due to all this additional efforts should be made on labour market in the form of systematic activities, with the approach supporting integration of equality into all aspects of social life.

Basic goal of ensuring equal opportunities - which means equal accessibility, recognizability, power and involvement in all areas of public and private life; especially important being the principle of equal opportunities for:

- gender equality,
- disabled persons,
- the Roma people,
- migrants,
- former prisoners,
- former addicts,
- elders,
- youth,
- other vulnerable groups.

In order to ensure equal opportunities it is necessary to introduce and enforce instruments and programmes for creation of environment which will enable equal opportunities for access and social involvement of all; as a consequence this will enhance welfare for all. The model of disability insurance traverses from medical into bio-psycho-social model or a model, which is based on human rights, that is on prohibited discrimination and ensuring of equal opportunities and equal treatment. So disability is no longer defined as a problem (medical) of an individual, but as a complex set of circumstances – personal and social – which contribute to the exclusion and inability of the disabled to assert his/her basic human rights. Together with the individual approach social activity and responsibility is called for so that adequate conditions can be created for full and equal participation of the disabled in life and society.

The strategy of integration of the equality principle consists of operational elements and will be implemented together with parallel measures for elimination of obstacles which prevent the members of vulnerable groups to equally participate in public and private sector. Ensuring gender equality will be implemented in the OP SRDP as a horizontal measure wherever it is applicable or necessary. Women represent one of the target groups in relation to which the success of the programme is monitored and evaluated. In the framework of the OP SRDP special stress will be put on ensuring access (especially to the disabled and other impaired persons) to the built environment, information and communications.

## **4 COMPLEMENTARITY OF ACTIONS**

### ***4.1 Complementarity with the Operational Programme of Human Resources Development***

Coordination of the OP SRDP and the OP ESF is of utmost importance since without mutual complementing of activities of both operational programmes it will not be possible to achieve the set goals in either the first or the second operational programme. The OP ESF ensures investments into human resources and educational systems without which predominantly material investments within the OP SRDP can not function or at least cannot function effectively and efficiently. This is why the competent services and particularly the managing authority need to ensure mutual complementarity of the implementation of both operational programmes.

This is of particular importance in some specific areas (1) In the field of entrepreneurship and the establishment of economic-development-logistic centres the OP ESF needs to provide an adapted system of education and training that will promote entrepreneurial thinking and provide the necessary knowledge and competences. (2) The same applies to the field of scholarships that need to be allocated in line with the needs of economy and these needs are formed based on development opportunities and projects that are also implemented with the assistance of the OP SRDP. These activities have to be coordinated and directed towards the achievement of the same strategic goals at the entrepreneurial level since otherwise a problem of dispersed limited resources can be encountered. This is in particular obvious at the regional level and this is why a clear connection of contents needs to be established between the development priority of regional development and regional scholarship schemes. (3) In particular small and medium-sized companies need direct incentives to be invested into human resources since thus adaptability and competitiveness of companies are improved. (4) Companies are in need of simple, adaptable and efficient provision of public services and this in particular applies to the field of e-administration for legal entities. Goals like ensuring a common entry point for legal entities, enabled performance of procedures related to the registration of a company and insurance via the Internet, enabled communication of legal entities with the state will significantly ease the creation of companies and attraction of companies to Slovenia. Thus also the procedure of the development project implementation within the OP SRDP will shorten. (5) Close connection between the OPs is also in training the unemployed, for example on the job training. This can represent mutually supplementing support mechanism on the one hand for the start up of economic centres and this on the other hand implies more certainty of employment in a medium and long term. (6) The importance of the complementarity of contents should be emphasized between the development priority

“Integration of natural and cultural potentials” and ensuring adequately trained labour force. Without strong support of investments in people by the OP ESF it will not be possible to successfully develop and market tourist, cultural and other facilities since direct contact is crucial to achieve the satisfaction of guests. It is not only knowledge connected with marketing and offer but also knowledge in the management and development of services, project management and similar. (7) Finally, the OP SRDP will also provide funds to construct educational-research infrastructure and this has to be coordinated on the one hand with the development of educational system in Slovenia and on the other hand it needs to be supported with necessary investments in the quality of programmes that will be implemented within supported projects: from the development of programmes to investments in teachers and similar.

In addition to the coordination of contents within the OP SRDP there will be a possibility to co-finance contents that are otherwise financed by the European Social Fund as stipulated in Article 34 of the General Regulation. The possibility of the so called **complementary financing** will only be possible in cases where there is direct connection with the project content and where financing represents a condition for a successful implementation of the project. At the general level general orientations will be followed so that within the activities of the European Regional Development Fund also training and education will be financed where the beneficiary is the same (for example the introduction of new technology in a company does not only require a purchase of equipment but also training in the same company). In cases where training and education are necessary outside this scope, these activities will be financed separately within the OP ESF. At the concrete level according to individual development priorities this mainly means:

- development priority “Competitiveness of companies and research excellence”: financing of training and education provided to the recipients of development incentives from the ERDF when the support is intended to strengthen competitive capacities usually within the same technological process or innovation and in case of small and medium-sized companies also for training to acquire key competencies;
- development priority “Economic-development infrastructure: a possibility of financing education and training within economic centres in order to ensure more efficient management of these centres and to provide efficient services within these centres (e.g. the services of entrepreneurial incubators);
- development priority “Connecting natural and cultural potentials: capacities are extremely important for the development of tourism (e.g. with the projects of developing organisational structures) and the revitalisation of cultural heritage. Particularly in this case supplementary financing can be applied in line with a general approach when there is a need to provide training to the same beneficiary like in the case of an incentive from the ERDF;
- development priority “the Development of regions”: supplementary financing is potentially relevant in providing entrepreneurial infrastructure and services for companies. In these complementary financing could be applied for example for the promotion of the realisation of entrepreneurial ideas of students and similar.

One of the basic purposes of the technical assistance is to ensure funds to train the participants in the implementation of the Cohesion policy. This is why the area needs to be mentioned in the presentation of complementary financing.

## ***4.2. Demarcation with rural development***

The National Strategic Plan of the Rural Development (NSPRD) represents a reference framework or the base for the drawing up of the Rural Development Programme 2007-2013 (hereinafter: the RDP). The NSPRD lays down the policy of rural development, the activities and priorities that have been set up in accordance with the Community priorities of the rural development policy and are defined in the NSP. The balance between the key areas where measures are implemented at the national level is in line with the most significant European guidelines in this field. This implies the balance between the competitiveness of agriculture, food processing industry, environmental protection, the preservation of landscape, the improvement of quality life in rural areas by diversification promotion.

Priorities of the NSP are designed in accordance with the Community guidelines on rural development<sup>57</sup>, the Lisbon Strategy and the main principles of the Common Agricultural Policy determined in 2001 by the European Council in Göteborg. In addition to the Community strategic guidelines the base for the preparation of national priorities in the RDP is the Lisbon Strategy adopted in 2000 and its revised version that stresses two key tasks – the creation of new and better jobs and stronger and more sustainable economic growth.

In line with the Community strategic guidelines the rural development policy needs to assist rural areas to achieve higher level of competitiveness, creation of jobs and innovativeness. The focus needs to be the investments in human resources, knowledge and experience, capital in agriculture and forestry sector, new ways of the implementation of environmental services and the creation of more and better jobs in rural areas.

The rural development policy assists rural areas to make use of their potentials as places attractive for investments, work and life. With the activities adapted to the situation in nature and environment sustainable development is supported. Rural development contributes to increased competitiveness of agricultural and food-processing sectors and particular attention should be paid to innovations and information communication technologies. Local initiatives (e.g. LEADER) that contribute to the creation of jobs, increased income and equal opportunities promotion in rural areas are important for the promotion of innovations and entrepreneurship. Support to expand the activities is also crucial. Environment related activities offer a significant income source in rural areas. In addition to the rural development policy there are others important for rural development, for example the Structural Funds measures.

The RDP implementation will be based on four priority axes. In the continuation indicative presentation of the four axes is given together with the demarcation of contents with the cohesion policy, whereby the Managing Authority of the Cohesion Policy and the Ministry of Agriculture, Forestry and Food (hereinafter: the MAFF) will regularly discuss and coordinate detailed provisions in implementing documents that will prevent double financing.

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<sup>57</sup> [http://www.mkgp.gov.si/fileadmin/mkgp.gov.si/pageuploads/Leon/doc/5966\\_06\\_slo.doc](http://www.mkgp.gov.si/fileadmin/mkgp.gov.si/pageuploads/Leon/doc/5966_06_slo.doc).

The Axis 1 activities: Improved competitiveness of agricultural and forestry sector – will contribute to increased productivity and thus also the competitiveness of agricultural and forestry sector. These activities will also directly and indirectly contribute to nature preservation and improved life quality in rural areas. The determination of measures enabling the modernisation of the existing and the introduction of new technologies encompasses the environmental requirements concerning the use of renewable energy sources. The Axis 1 activities will directly contribute to a more favourable nutrient balance of soil and better water and air quality (Axis 2). The multiplicative activities providing the support to the modernization and restructuring of agriculture and raising added value in agriculture, food processing industry and forestry will offer better employment opportunities and improved life quality in rural areas and these are the basic goals of the Axis 3 policy. Extremely synergetic effects can also be reflected by quality schemes that at the same time enable income diversification (Axis 3) and to the establishment of environmentally friendly production practices.

Where the Axis 1 activities in the RDP could potentially overlap with the activities of the OP SRDP are mainly those activities aiming at processing and marketing agricultural products and are of the investment character (also the purchase of equipment, licences, patents...) whereas within the OP SRDP (development priority Competitiveness of companies and research excellence) activities mainly support projects with research and development (whose result, among others, can be a patent application and approval for the beneficiary). OP SRDP will therefore support activities, which are not subject of aid in the RDP, since the demarcation between the two is clear.

In the field of road infrastructure the funds within the rural development will mainly be used for forest roads and private roads, namely for infrastructure on private land that within the ERDF is not financed. With the OP SRDP only local transport infrastructure can be financed and the determination and demarcation of this infrastructure is set out in the national legislation.

**The activities of the Axis 2 – the improvement of the environment and rural areas - together lead to the cultivation of rural areas and the use of environmentally friendly technologies in agriculture and forestry.** They also contribute to environmental protection, preservation of natural sources and production potentials in agriculture. The habitation of rural areas and active population are crucial to ensure sustainable development of rural areas. The established way of forest management and the promotion of sustainable farming will to a great extent ensure favourable situation of biotic diversity and the preservation of habitats in the Natura 2000 areas. The Axis 2 activities are mainly supplemented with the activities of the axes 1 and 3. They help agricultural holdings and rural population to use more innovative practice that are related to the preservation of rural areas and environment preservation and they are more interesting as far as the revenue is concerned. The Axis 2 activities are directed towards the achievement of goals determined in the community strategic guideline in the field of the improved environment and rural areas. The implementation of measures in Axis 2 include the goal of the preservation of the Natura 2000 areas, the stop of decreasing biodiversity (Goteborg commitment) and water quality retention in line with the Directive 2000/60/EC of the European Parliament and of the Council establishing a framework for the Community action in the field of water policy and the mitigation of climate changes from the Kyoto Protocol. All the measures planned will add to a more efficient implementation of the NSP that in its strategies envisages the same measures for achieving the environment protection goals. The Axis 2 measures take into consideration the opinions and



recommendations of the ex-ante evaluation and are in accordance with the guidelines provided.

The Axis 2 measures are implemented in a form of direct payments (it is about the payments per an eligible unit – surface, animal,... - as compensation of higher costs) and therefore they do not overlap with the Cohesion Policy activities where such activities are not eligible.

**The Axis 3 activities - quality of life in rural areas and the diversification of rural economy** – promote entrepreneurship and increase life quality in rural areas. They enable better employability and have a positive impact on the economic development of rural areas and the preservation of natural and cultural heritage. The utilisation of other potentials in rural areas enables the diversification of economic activities there. The Axis 3 activities upgrade, supplement and enrich the effects of the first two axes. New employment possibilities release considerable pressure on jobs in agriculture and forestry and at the same time they can lead to increased value added of the economic chain.

The Axis 3 activities of the RDP that refer to the allocation of subsidies with the purpose to establish and develop micro companies are indicatively divided from the activities of the OP SRDP by using a criterion based on the size of a beneficiary (micro companies) and their location (main office and operations outside cities) and additionally this division is based on the project threshold value (particularly with the entities investing into renewable energy sources). The promotion of entrepreneurship by allocating subsidies within the OP SRDP will mainly be directed towards micro companies with the main office and operations in settlements with the status of a city and in small- and medium-sized companies irrespective of the location of their company.

In the field of ICT where potential overlapping of the activities within the RDP and the activities of the OP SRDP has been identified the OP SRDP will co-finance the establishment of broad-band networks (systems of networks) and the access will be provided to certain users (educational, research and cultural organisations). Within the OP SRDP there are activities of eligible purchase and use of ICT technologies in micro companies that are entitled to assistance within the activities of establishing micro companies in rural areas (individual investments).

The demarcation of the village revival and the measures within the development priority “Integration of natural and cultural Potentials” and “the development of regions” is based on the project threshold value, whose indicative value at the time of writing is €600.000 and could be change during the course of OP implementation.

Where project threshold values are stated as a criterion for the demarcation of the RDP and the OP SRDP activities, these values will be prescribed in implementing documents and will be subject to the coordination of the managing authorities (MAFF and the Government office for Local Self-government and Regional Policy). In principle, within the Cohesion Policy bigger projects will be financed and within rural development smaller projects of local character.

The purpose of the Axis 4 – LEADER initiative is to promote decision making on rural development through local action groups (LAG) following the bottom up approach. Local population needs to be able to decide on environment development and also be able to implement their own ideas. For the LAG to be successfully formed and for the local

population to be engaged in the creation and implementation of development programmes (local development strategies) education and acquisition of suitable professional knowledge has to be promoted. Priorities that will contribute to the achievement of the Axis 4 goals need to assist the attainment of the Axes 1, 2 and 3 goals.

In case of the Axis 4 the support is intended to set up LAGs and their functioning exclusively under the conditions of the RDP (projects of local importance, investment support only in settlements with less than 10,000 inhabitants, LEADER principles in project selection) and refers to smaller projects. Similarly to other axes, in the implementation of the Axis 4 a demarcation based on the project threshold value will be applied.

### ***4.3 Demarcation with the Programme of Fisheries Development***

The situation in the field of fisheries dictates the activities of the Operational Programme for the Development of Fisheries in the Republic of Slovenia 2007-2013 (hereinafter: FDP) also defined in the National Strategic Plan on the Development of Fisheries in the Republic of Slovenia that lead to sustainable development of fisheries in Slovenia. The implementation of the fisheries and aquaculture development in Slovenia will be performed with the measures within 4 priority axes. The activities selected are based on the analysis of the situation in fisheries, the results of the survey on socio-economic data on vessels and the data on aquaculture as well as the goals and priorities of the common fisheries policy and the national strategy that will contribute to the achievement of common goals and the EU principles, the Lisbon Strategy Goals and Göteborg.

In the new financial perspective Slovenia will be implementing 9 measures on 4 priority axes of the European Fisheries Fund (EFF) and a technical assistance measure. Thus balance of areas where key measures are implemented will be granted. The national priorities determined on the basis of the analysis of the situation, potentials and specific needs of fishermen and aquaculture producers will deliver efficient implementation of the common EU goals and guiding principles of FDP set out in Article 19 of the basic regulation, the Lisbon Strategy Goals and Göteborg.

The priorities of the fisheries development in the programming period 2007-2013 in the Republic of Slovenia will contribute to the modernisation of Slovene fishing fleet and better selectivity, namely:

**Within the Priority Axis 1** of the Operational Programme of the Fisheries Development the EFF funds will be intended for permanent cessation of vessels' fishing activities (including scrapping of vessels and their re-allocation to activities that are not fishing), investments in fishing vessels' below and above the board (replacement of existing engines with more ecological, energy efficient ones but without increasing fishing effort) and equipment replacement.

With the Priority Axis 1 of the OP of the Fisheries Development support is granted to specific activities only according to the conditions of the OP. The activities of the Priority Axis 1 have a specific purpose of the OP of the Fisheries Development. Therefore, there is no overlapping with the OP SRDP.

**Within the Priority Axis 2** of the Operational Programme of the Fisheries Development the EFF funds will mainly be intended for the modernisation and construction of aquaculture and processing facilities while observing the goals set out in Article 35 of the basic regulation of fisheries development<sup>58</sup>.

Similar area within the OP SRDP is the promotion of entrepreneurship but according to the purpose the division is clear. Within the OP of the Fisheries Development companies dealing with fish breeding and/or fish processing will be supported whereas within the OP SRDP these activities are not eligible.

**Within the Priority Axis 3** of the Operational Programme of the Fisheries Development the EFF funds will mainly be intended to improve work conditions for sea-faring fishermen (common measures) and in the existing fishing ports, to regulate the fish market and increase the consumption of fish and fishery products per capita.

The activities of the Axis 3 of the Operational Programme of the Fisheries Development in the field of investments in ports are similar to the eligible activities within the OP SRDP but in the latter case the eligible investments are restricted to ports in relation to the needs of local passenger transport and therefore these do not overlap with the FDP.

**Within the Priority Axis 4** of the Operational Programme of the Fisheries Development, the EFF funds will mainly be intended to supplement the other axes in line with the basic regulation. Since according to the number of vessels the sea fishing zone is small, the diversification of activities in tourism is planned. The selected coastal area is mainly limited to three local communities: Piran, Koper and Izola. Future activities within Axis 4 mainly refer to the connection of the three local communities, the creation of local action groups and the acquisition of expertise and the encouragement of the inhabitants in this area.

The activities of the Axis 4 of the Operational Programme of the Fisheries Development the purpose is specific but there might be some potential overlapping with the OP SRDP and the implementation of local strategies. The demarcation criterion is determined with the project threshold value that will be subject to the agreement between the Managing authorities (Ministry of Agriculture, Forestry and Food and the Government Office for local Self-government and Regional Policy) and can be further changed during the programming period provided that an agreement has been reached.

#### ***4.4 European Territorial Cooperation***

The foreseen contents of the OP SRDP are supplemented by the third objective of the Cohesion policy, which is European territorial cooperation. In this field Slovenia participates in three sets of programmes:

**a) Cross-border operational programmes:**

- cross-border cooperation with Austria,
- cross-border cooperation with Italy,
- cross-border cooperation with Hungary,
- cross-border cooperation with Croatia,
- cross-border cooperation within the Adriatic Initiative.

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<sup>58</sup> Council Regulation 1198/2006 of 27 July 2006 on the European Fisheries Fund.

**b) Transnational operational programmes:**

- Alpine space,
- South-Eastern Europe,
- Central and Eastern Europe,
- Mediterranean area

**c) Interregional operational programmes:**

- Interregional thematic programme;
- Interregional Interact programme,
- Interregional ESPON programme;
- Interregional URBACT programme.

From the first group, the cross-border cooperation, the most relevant for OP SRDP are those project, that refer to the utilisation of cross-border economic connections in order to ensure friendly and open entrepreneurial environment as well as to provide well functioning infrastructural conditions. The field of special importance is also tourism where the development of destinations in Slovenia can not be imagined without proper integration into broader tourist product of the area. Cross-border programmes thus provide suitable planning and the implementation of investments of cross-border character. Such an example is also the field of environment where missing environmental infrastructure can have severe negative cross-border effects and therefore represents one of the priorities of these programmes. In cross-border cooperation the exchange of experience and good practice is also very useful, for example in the field of efficient energy use or the use of renewable energy sources.

Transnational programmes refer to joint challenges and the utilisation of opportunities in wider macro regions. The fields of tourism and the preservation of natural and cultural heritage are of significant relevance. The latter is in particular important for Slovenia taking into consideration its varied and well-preserved nature and biotic diversity that could be threatened by unsuitable economic development. Holistic solutions and innovative approaches as well as spatially integrated solutions provided by the projects of transnational cooperation therefore represent an important basis and complementary activities for the implementation of the OP SRDP.

The initiative “Regions for economic change” that was adopted within the objective “European territorial cooperation” will also contribute to quality implementation of the operational programme. The purpose is to identify best practices in modernisation of industry in connection with projects that clearly contribute to the EU Agenda for jobs and growth and to the expansion to all regions in order to promote their regional growth and reduce disparities. The initiative will have an important role in achieving cohesion goals in the member states by stressing the significance of common development guidelines at the national, regional and local levels and networking that promotes the transfer of ideas and best practice that can also be used in the implementation of the operational programme. The same applies to other programmes of best practice and experience exchange within inter-regional cooperation (e.g. Interact, Urbact and similar) that contribute important ideas and new conceptual solutions for challenges.

## 5 FINANCIAL PLAN

The financial table relates to funds of cohesion policy, for which sufficient co-financing will have to be provided by the Republic of Slovenia; Slovenia will, where this is relevant and justified, supplement the financing of the activities of the NSRF with resources obtained from international institutions, especially from the European Investment Bank.

### 5.1 Financial plan of commitments by years

Reference number of the operational programme (CCI number): CCI 2007SI161PO001

**Table 16: Commitments by years with regard to the financing source (in EUR, current prices )**

	Structural Funding (ERDF or ESF) (1)	Cohesion Fund (2)	Total (3) = (1) + (2)
<b>2007</b>			
In Regions without transitional support	310.932.694		310.932.694
In Regions with transitional support			0
Total 2007	310.932.694	0	310.932.694
<b>2008</b>			
In Regions without transitional support	291.050.765		291.050.765
In Regions with transitional support			0
Total 2008	291.050.765	0	291.050.765
<b>2009</b>			
In Regions without transitional support	267.765.747		267.765.747
In Regions with transitional support			0
Total 2009	267.765.747	0	267.765.747
<b>2010</b>			
In Regions without transitional support	246.120.881		246.120.881
In Regions with transitional support			0
Total 2010	246.120.881	0	246.120.881
<b>2011</b>			
In Regions without transitional support	219.618.201		219.618.201
In Regions with transitional support			0
Total 2011	219.618.201	0	219.618.201
<b>2012</b>			
In Regions without transitional support	197.936.405		197.936.405
In Regions with transitional support			0
Total 2012	197.936.405	0	197.936.405
<b>2013</b>			
In Regions without transitional support	176.324.829		176.324.829
In Regions with transitional support			0
Total 2013	176.324.829	0	176.324.829
<b>Total in Regions without transitional support (2007-2013)</b>	1.709.749.522		1.709.749.522
<b>Total in Regions with transitional support (2007-2013)</b>	0		0
<b>Grand total 2007-2013</b>	<b>1.709.749.522</b>	<b>0</b>	<b>1.709.749.522</b>

## 5.2 Sources of financing by development priorities

Reference number of the OP:

**Table 17: Sources of financing by development priorities (in EUR, current prices)**

	Community Funding (a)	National counterpart (b) (= (c) + (d))	Indicative breakdown of the national		Total funding (e) = (a) + (b)	Co-financing rate (f) = (a) / (e)	For information	
			National Public funding (c)	National private funding (d)			EIB contri- butions	Other funding
1. Competitiveness and research excellence (ERDF -public)	402.133.645	70.964.762	70.964.762	0	473.098.407	0,85	0	0
2. Economic/development infrastructure (ERDF - public)	396.934.393	70.047.246	70.047.246	0	466.981.639	0,85	0	0
3. Integration of natural and cultural potenciales (ERDF - public)	263.235.116	46.453.259	46.453.259	0	309.688.375	0,85	0	0
4. Developmnet of regions (ERDF - public)	619.442.634	109.313.408	109.313.408	0	728.756.042	0,85	0	0
5. Technical assistance (ERDF - public)	28.003.734	4.941.836	4.941.836	0	32.945.570	0,85	0	0
<b>TOTAL</b>	<b>1.709.749.522</b>	<b>301.720.511</b>	<b>301.720.511</b>	<b>0</b>	<b>2.011.470.033</b>	<b>0,85</b>	<b>0</b>	<b>0</b>

## 6 IMPLEMENTING PROVISIONS

### *6.1 Definition of the implementation structure and competent institutions*

#### *Experiences from the period 2004-2006*

The period 2004–2006 was for Slovenia the first programming period of full inclusion in the cohesion policy. On the basis of experiences obtained through the implementation of pre-accession instruments the Republic of Slovenia decided to maintain centralized institutional set-up for managing structural funds and the Cohesion fund. This means that Slovenia had one managing authority - GORP, which coordinated the preparation of the SPD, and one paying authority within the Ministry of Finance.

The Managing Authority of the structural and the cohesion funds was set up by Decision of the Government of the Republic of Slovenia (Official Gazette of the RS, No. 115/02) in December 2002 within the framework of the Government Office for Structural Policy and Regional Development (hereinafter GORD); it defined legal platform and the obligations of GORD within the Government of the RS. The basic responsibilities of GORD were comprehensive management of the structural funds and the cohesion fund and coordination of activities for successful regional development.

In accordance with the government decision the area of structural policy in GORP was responsible for the preparation of programming documents for the EU cohesion policy and acted as managing authority for the structural funds and the cohesion fund. The government office was headed by a minister without portfolio who exercised rights and duties of the director of the office. Appointment of the minister without portfolio gave a political emphasis to economic development and structural policy, since the minister is directly accountable to the Prime Minister.

With the **Ordinance on the establishment and fields of work of the Government Office for Local Self-government and Regional Policy** (O.G. of the RS, No. 7/05) the GORP was set up. On the day of entering into force of the ordinance all the powers and tasks of the Government Office for Structural Policy and Regional Development, laid down in the Promotion of Balanced Regional Development Act (O.G. of the RS No. 60/99 and 56/03), statutory regulations, adopted on the basis of this Act and the decisions of the European Commission referring to cohesion policy, were transferred to the newly set up Government Office for Local Self-government and Regional Policy.

In the field of the European cohesion policy for 2004-2006 the Managing Authority:

- Heads preparation and coordination of programming documents with the EU; on the basis of these documents Slovenia can obtain the CFs from the EU budget.
- Performs general management tasks for the purposes of European structural funds and the cohesion fund, arising from the EU legislation referring to cohesion policy.
- Coordinates, defines, monitors and evaluates operation of the ministries and government offices and other bodies and offices involved in the implementation of the cohesion policy, reports to the governments and performs other tasks related to the European cohesion policy.
- Ensures conditions for establishing, maintenance and functioning of the information system for monitoring and evaluation of the national development programme and the Single programming Document (SPD).

At the implementation of SPD and the Reference framework for the CF it became clear that the existing system, which was based on a central coordination body on the one hand and the strong role of the ministries, responsible for particular domains, on the other, were an effective and adequate approach.

Where the structural funds are concerned, in the beginning of the period a two-level coordination was planned, based on the Managing Authority function and the function of three intermediate bodies. The experiences showed that this system was not as effective as it was expected, for it decreased transparency and caused excess scope of coordination. At the Government session which took place on December 22, 2005 the amendments to the SPD were adopted, they were approved by the Monitoring Committee of the SPD on December 16, 2005 for the programming period 2004-2006, with which the platforms for the integration of the intermediate bodies of the ERDF and the ESF into the Managing Authority were adopted.

On the basis of positive experiences with this change of system The Republic of Slovenia in the new programming period maintains the centralized system of management; the RS also introduces additional simplifications of the system. Certain adjustments of the current management and control system to the Council of EU implementing provisions applying for the period 2007-2013 are needed. On the other hand some other experience gained so far should be considered. The first is the importance of clear and timely instructions, which is the precondition for all the operations to be carried out in accordance with the Operational Programme and the prescribed rules. The procedures, tasks and competences of each individual authority, its organisational units and employees need to be clearly defined as well. In further development of implementing systems additional attention should also be paid to the information system for monitoring.

### ***Implementing structure for both structural funds and the Cohesion Fund – period 2007-2013***

In defining the authorisation and obligations of the stakeholders involved in the implementation, the EU regulations and the legislation of the Republic of Slovenia are taken into full consideration. Among the most important regulations of the Republic of Slovenia are the act on implementing the budget, the act defining the fundamental rules on managing and controlling public finance that is also applicable to EU funds, the act regulating state administration, the act regulating the Government activities and the act regulating state aid control.

### ***Implementing provisions***

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 EU Cohesion Fund, a clear demarcation of tasks is needed as well as the definition of relationship between the involved institutions, as described in the continuation:

- 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 GOSP)
- Certifying Authority: Ministry of Finance, National Fund
- Audit Authority: Ministry of Finance – Budget Supervision Office



In the definition and use of the implementing system in Slovenia the provisions in Articles 58 to 62 of the Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999 (official Journal, No 210 of 31 July 2006, page 25) (hereinafter referred to as: the General Regulation).

The powers and the relationships between the institutions involved in the utilization of the means of the structural funds and the cohesion fund, the purpose of which is ensuring optimal use of the European Cohesion Policy funds in the Republic of Slovenia, will be defined in more detail in a special regulation. Thereby principles will be observed defined in Article 58 of the General Regulation, especially the principle of dividing duties among and within individual bodies. Even in case that the Managing Authority, intermediate bodies, the Certifying Authority or the Audit Authority act as a beneficiary or represent any other incompatible function, a suitable demarcation of means is ensured.

### ***Managing Authority for the EU Structural Funds and the Cohesion Fund***

In accordance with the first paragraph of Article 59 of the General Regulation, the function of the Managing Authority for both structural funds and the Cohesion Fund is performed by the GOSP. The head of this body is the director of the government office or a person authorized by the head of the office; within the framework of the office internal organization units operate which perform the function of the Managing Authority. The role of the Managing Authority and other roles of the GOSP should be kept clearly separate and a definition of the relationship between the two as well as their relationships, tasks, competences and responsibilities is determined in the internal act of the Office.

In accordance with Article 60 of the General Regulation the Managing Authority is responsible for effective and proper management and implementation of operational programmes and is, in this framework, obliged to establish a system of implementation as defined in the provisions of the General Regulation and of the implementing ordinance. Within this framework the Managing Authority or the intermediate body into which the authority was vested is particularly responsible for the following:

1. Compliance of co-financed activities with the provisions of the operational programme and other EU and Slovenian regulations;
2. Setting up a system of administrative control and on-site control along with the reporting on irregularities;
3. Setting up a system for monitoring and evaluation and giving all necessary information to other institutions involved in the implementation, especially to the Certifying and Audit Authorities;
4. Setting up a system of information and publicity, as laid down in Article 69 of the General Regulation;
5. Setting up and managing Monitoring committee, which can be involved with more than one operational programme and providing administrative and technical support for it;
6. ensuring to the certifying authority that the control system has been set up and functions, that the expenditure declared has actually been incurred, that the products and services have been delivered in line with the approval decision that the applications for reimbursement from the part of the beneficiary are correct and that the operations and expenditure are consistent with the EU and national regulations.

In line with Article 13 of the Regulation 1828/2006/EC control is performed by either the Managing Authority or intermediate body when the Managing Authority transfers these controls to this body.

The intermediate body performs the tasks transferred to it by the Managing Authority that issued a decision. Among the tasks that the Managing Authority can transfer to the intermediate body the following should be mentioned:

- performance of administrative controls and the preparation of applications for reimbursement;
- implementation of selection procedures and approval of operations;
- with direct certification of operations it performs verification of administrative, technical and financial suitability of operations as well as the adequacy of the content;
- regular monitoring of operations and reporting to the Managing Authority to confirm their execution.

A more detailed description of the tasks of the MA and the transfer of the powers or tasks shall be defined in a special regulation. Especially defined in this framework will be the procedures for implementation of principle of cross-over financing (flexibility rule), which will be implemented at the level of individual development priority. The mentioned financing possibility will be enabled in cases of direct connectedness with the content of the project and when this financing will be essential for the implementation of the project. MA will also be in charge of coordination, implementation and monitoring of this provision.

### ***Certifying Authority***

In accordance with Item b of the first paragraph of Article 69 of General Regulation, the body appointed as the Certifying Authority (CA) for the ERDF the ESF and the CF shall be the Ministry of Finance, National Fund.

In accordance with Article 61 of the Council Regulation (EC) No 1083/2006 the Certifying Authority is responsible in particular for:

- receiving payments under the title of the Community contribution from the European Commission and keeping an interest subaccount for each fund and keeping records of the transactions
- certifying that the declaration of expenditure and applications for payment are accurate and submitting them to the European Commission
- making reimbursements from the title of the Community contribution based on individual application for reimbursement into the national budget
- ensuring for the purposes of certification that it has received adequate information from the managing authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure
- performance of administrative verification on the basis of each application for reimbursement in the state budget before executing payments in the abovementioned indent
- performance of on-the-spot checks at the managing authority or intermediate body, and if necessary, at the beneficiary

- taking account of the results of all audits carried out by or under the responsibility of the audit authority
- maintaining accounting records in computerised form of expenditure declared to the Commission
- issuing applications for reimbursement to all line ministries
- keeping an account of claimed and executed reimbursements, as well as preparing annual declaration on reimbursements claimed submitted to the audit authority
- taking due account of the reimbursements made when certifying expenditure and preparing applications for reimbursement
- drawing up and submission of forecasts of likely applications for payment of the cohesion policy funds for the current and the subsequent financial year.

### ***Audit authority***

In accordance with point c of the first paragraph of Article 59 of the General Regulation the body appointed as the Audit Authority for the ERDF, the ESF and the CF will be the Budget Supervision Office (BSO). The BSO is a body within the Ministry of Finance which performs the task of coordinating internal control over the public finances (system of ICPF) and the tasks of independent control of all EU funds; it is authorized to coordinate counter-fraud activities (performing the AFCOS function).

The tasks of the AA defined in Article 62 of the Council Regulation (EC) No 1083/2006 the Audit Authority is responsible in particular for:

- ensuring that audits are carried out to verify the effective functioning of the management and control system;
- ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- preparation and submission of an audit strategy within nine months of the approval of the operational programme;
- submission of the Annual control report to the European Commission;
- issuing an opinion, on the basis of the controls and audits of the effectiveness of the management and control system functions;
- reporting the information concerning all the important findings about the management system and the system of internal control provided by all the participants in the procedures of implementing the cohesion policy to the Managing Authority, the Certifying Authority and participants subject to audit;
- preparation and submission of a closure declaration and when necessary, also a declaration of a partial closure.

Audits will be carried out on the basis of the International Auditing Standards.

The audit authority is responsible for drawing up a report and giving an opinion on the compliance of the systems of management and control set up the way it is determined in paragraph two, three and four of Article 71 of the Regulation (EC) 1083/2006.

A more detailed breakdown of tasks of the AA will be defined with a special provision.

## **Separation of functions**

When delegating tasks the principle of the separation of functions between and within such bodies needs to be taken into account and this is particularly important to separate the function of control and implementation.

The principle of the separation of functions will be taken into account when defining tasks and mutual relationships among the participants being involved in the implementation of the cohesion policy. When a participant has several roles, the separation is ensured by dividing into several internal organisational units or the division of tasks among individual participants.

Separation of functions of the certifying authority and the audit authority is ensured by the fact that although the bodies belong to the same ministry, organisationally they are separate as well as they are competent for different tasks that they perform independently. The internal organisation and the determination of the tasks of the Ministry of Finance as well as its constituent bodies is in detail determined in the Act on internal organisation and post classification. The audit body, that is the Budget Supervision Office, acts as an independent body within the Ministry of Finance. In accordance with the national legislation such bodies within ministries are a part of the internal organisation of a ministry in the broader sense but they are characterised by elements of independence. Such bodies are established to perform specialised professional tasks and inspections as well as other controls whenever a higher level of professional independence in the implementation of tasks needs to be ensured.

## ***6.2 Monitoring and evaluation***

### ***Monitoring Committee and the principle of partnership***

A single monitoring committee established by the Government of the Republic of Slovenia will be responsible for directing and controlling the implementation of the Operational Programme of the Environmental and Transport Infrastructure Development and the operational Programme for Strengthening Regional Development Potential. The members of the monitoring committee will be proposed by the participants and partners and will be nominated by the Government of the Republic of Slovenia and will be chaired by the representative of the Managing Authority. The monitoring committee monitors the efficiency and effectiveness of the operational programme implementation and adopts guidelines for its implementation. In detail, competences are regulated by a special act.

The composition of the monitoring committee is in line with the principle of partnership. In the monitoring committee there are representatives of social partners, regions and non-governmental organisations but there might as well be representatives of key development stakeholders who the operational programme refers to. At its own initiative or at the request of the monitoring committee, a representative of the Commission can participate in the work of the monitoring committee in an advisory capacity. In the composition and the operations of the monitoring committee special emphasis is put on gender equality, non-discrimination and sustainable development and protection of environment. Special attention will be paid to these areas also in the implementation phase, which means the determination of concrete activities, and in the phase of monitoring and evaluation. This implies that supported activities will need to be in accordance with the above mentioned principles and will be identified separately for each dimension. In this case the consent of the competent ministries will be obtained. In

addition to the EU and national guidelines, also the recommendations of the environmental impact assessment will be considered.

The principle of partnership will be observed in the phases of implementation, monitoring and evaluation. Within the activities of the monitoring committee the Managing Authority and social partners agree upon concrete ways and forms of cooperation respectively that will enable social partners to give initiatives, perform monitoring and be provided with information. However, this does not mean that implementation procedures will be prolonged.

### ***Monitoring***

An operational programme is the basis for allocation of funds; such programme must be in accordance with Article 9 of the General Regulation, must be consistent with the national Strategic Reference Framework (NSRF), and coordinated with other funds (EAFRD, EFF), with the European Investment Bank funds and other existing financial instruments. Monitoring means actual comparing of the planned – which is usually defined at higher levels of the operational programmes (OP, NSRF) – with the achieved which is usually recorded at lower levels (project). It is important that already in the phase of preparation of the project the monitoring system is planned, so that the processes of the implementation of the programmes will ensure gathering and storing of data which can be, in aggregated form, at higher levels compared to the planned, which ensures successful monitoring of the OP and the NSRF.

Monitoring and reporting as laid down in Article 66 of the General Regulation and by considering the provisions of Articles 58 and 60, will be implemented within the central information system managed by the managing authority which will, connected with the accounting system of the Ministry of Finance, provide current data on payments made from the budget and will be likewise connected with the control information system of the certifying authority. In order to ensure clear organisation and functioning of the information system (IS), the managing authority will issue guidelines for the purpose of monitoring that will base on the following. Elaboration, coordination, guidelines and training for the functioning of the IS are provided by the managing authority. The latter closely cooperates with the intermediate bodies or authorised organisations thereby in the manner so as to ensure as simple process aspect as possible of providing data, while data are also provided at the content level. Data entry takes place immediately or as soon as possible at the intermediate body or authorised organisations thereby. Electronic connection will be ensured for the agents that keep a separate IS for the implementation of the programmes with the central IS. In order to safeguard effective functioning of the connected systems, clear reciprocal data and process connection is identified. The process of connections that is set by the managing authority will allow entry of data and modification thereof only in the source system, i.e. the system that is responsible for the data.

This involves a centralised IS that functions on the premises of the managing authority. The access of users is managed directly (internet, terminal server) and indirectly via separate ISs of certain agents with the following underlying principles:

- direct access will base on the entry of all data that refer to the planning of the project and will be carried out by the intermediate bodies, and on the entry of data on reporting in the form of an application for payment (payments, invoices, performed tasks etc.) by the beneficiaries. The process of certification of the applications for payment will take place directly with the involvement of different responsible persons of the intermediate body (contract trustee, financial service, control unit or department of payments). The existing connection with the IS of the Ministry of Finance will

provide direct data transfer for the printout of the payment order from the budget. Unknown users will be able to access the IS in the phase of the submission of tender application, whereas known users will be awarded certificates for the selected projects (special module intended for the project selection).

- indirect access to central IS will be possible at those agents that already implement programmes via their ISs. Special standards will be elaborated to connect the central IS with the ISs of individual agents. The latter will provide the preparation of adequate data structures for the transfer into the central IS to all interested parties.

In addition to constant financial monitoring the central information system also enables continuous physical monitoring based on the experience gained in the programming period 2004-2006 since the Guidelines of the Managing Authority for monitoring the implementation of the Single Programming Document (2004-2006) at the project level contain a special form for entering physical objectives. The information system will therefore enable monitoring of objectives and indicators at the level of an operational programme and development priorities and as such it will enable quantitative as well as qualitative monitoring of the progress made within the operational programme. The base is a set of existing indicators in the central information system that already in the period before the implementation phase enables supplementing and harmonisation with the quantified objectives that had been set up. The data collected will be used to regularly report to the monitoring committee and it will represent a key tool for the Managing authority and other institutions involved in the operational programme implementation to monitor the progress made. With the information system the principle of equal opportunities as well as the impact on sustainable development with a stress on the environmental dimension will be observed.

The development and functioning of the information system will be financed from technical assistance.

### ***Evaluation***

Evaluation of co-financed activities is a mandatory element stipulated by Articles 47 – 49 of the General Regulation. Evaluations aim to improve the quality, effectiveness and consistency of the programmes with regard to the environment where these activities are conducted and with regard to the framework of sustainable development. The operational programme will be subject to ex-ante, current and final evaluations. Whereas the final evaluation which will be conducted by December 31, 2015, is the responsibility of the European Commission, the ex-ante and the current evaluations are the responsibility of each member state.

To ensure transparency and simplicity, the organisation and structure of responsibilities in the field of evaluations will be based on a simple hierarchic logic. The organisation is presented from the top downwards, from the monitoring committee to the ministries.

The monitoring committee represents a body that in line with its monitoring function is responsible for the quality of performed evaluations on the basis of which potential decisions concerning adjustments of the programmes will be taken. For this reason, the monitoring committee will regularly be provided with information on envisaged activities and it will provide guidelines as far as the content is concerned, therefore priority areas, when its members consider the base for taking a decision is insufficient.

The responsibility for the implementation and coordination of evaluation rests on the Managing Authority that is also responsible for the establishment of an interdisciplinary steering group consisting of the representatives of the MA, the ministries and other bodies of the state administration who monitor the achievement of the Lisbon process objectives at the national level. The role of MA in its dialogue with this group is mainly to ensure administrative-technical (the establishment of the administrative framework, quality assurance and the submission of findings to the monitoring committee and the EC), data (submission of financial and physical data on the implementation of NSRF and OPs from the monitoring information system) and financial (ensuring funds for the implementation from the Technical Assistance) support in order to grant as effective evaluation system as possible.

The ministries and other participants will carry out more specialised evaluations whereas in order to ensure the synergy effects of findings at the national and European levels the representatives will be included in the monitoring committee. With the purpose of providing good coordination in the area of evaluations MA prepares an evaluation plan where the authorized bodies are defined and their responsibilities. The evaluation plan will be common for both OP ETID and OP SRDP.

The implementation of the operational programme will be subject to on-going evaluations mainly of the activities that will significantly deviate from the planned goals. If necessary, other evaluations of the content will be performed with the purpose of establishing soundness, effectiveness and successfulness as well as the impacts of the implementation of the programme, the evaluation of the implementation and management systems, evaluation of horizontal goals achievement and evaluation of information and publicity. These evaluations will contribute recommendations for more effective implementation of programmes. Within this framework special emphasis will be placed on the following areas:

- a) implementation of the horizontal theme “Sustainable development with the emphasis on the environmental dimension” and
- b) the establishment of net effects in achieving the objective of job creation taking into consideration the methodology of the document “Working document No 6: Measuring Structural Funds on Employment Effect”.

The performance of evaluations will be financed with the funds allocated to technical assistance.

### ***6.3 Financial flows***

The contribution from the funds at the level of the OP will be defined with regard to eligible public expenditures. The authorized ministries will ensure that the beneficiaries will receive the full amount of public contribution as rapidly as possible.

Direct and indirect users of state or/and municipal budgets are obliged to present justified public expenditures. The authorized sector ministries, in cooperation with MA, on the basis of eligible public expenditures prepare the claim for reimbursement of assets from structural funds or the CF and submit it to the CA, which performs reimbursement of individual structural or the cohesion fund in the state budget.

CA, on the basis of confirmed claims for a reimbursement of funds of Structural or Cohesion Fund, prepares and certifies a statement on the expenditure and payment claims Documents concerned are d forwarded to the Commission.

CA is authorized to receive payments of the Commission, as provided in Articles 76 and 77 of the Council Regulation 1083/2006/EC. For this purpose the CA keeps – for the assets from individual structural funds and the Cohesion Fund – within the framework of single treasury accounts with the Bank of Slovenia – sub-accounts for each programme and for each fund separately. In addition to transfers from the European Commission also the interest and potential return of payments are added to this account.

The Ministry of Finance – National Fund has opened a separate subaccount within the framework of the treasury single account of the state at the Bank of Slovenia for the OP SRDP 2007-2013 funds, IBAN no. SI56011006000020975.

### ***Use of Euro***

As of January 1, 2007, Euro is a national currency in the Republic of Slovenia.

## ***6.4 Information and publicity***

The MA is responsible for the preparation of the communication plan which will be the same for all the three operational programmes financed by the cohesion policy funds. In continuation the platforms are described which will serve as a basis for preparation of the operational programme.

### ***Strategy of information and publicity***

The goals of informing and publicity are the following:

- presentation of the operational programmes to all participants in their implementation – from the aspect of their contribution to important social and economic benefits they bring to the state,
- definition of informing and publicity measures with regard to different levels within the OP,
- promotion of inclusion of potential beneficiaries,
- strengthening of partnership at national, regional and local level,
- informing general public on contribution of the EU.

In order to achieve the set objectives/guidelines of informing public, an integrated approach applied with the help of the following orientations:

#### **1. Identification of different levels within the operational programmes**

Specific communication means for different levels within the operational programmes will be used for informing the public, which will make the operational programmes credible and the communication with partners easier.

#### **2. Uniform, clear and simple approach**

In order to make the operational programmes recognizable, a uniform identity will be developed with clear and recognizable slogan. Creating a suitable slogan is an important factor of introducing the operational programmes; it will serve as a basis for all further



informing and publicizing activities. Along with the slogan a complex visual image will be designed which will give the impression of wholeness. All the information and publicizing activities must be consistent and user-friendly.

### **3. Informing on EU funds**

The positive image of the structural funds and the CF is built by emphasizing the advantages they offer to Slovenia, with encouraging target groups to support the vision of these funds. In this way it is possible to raise the awareness of the people about how European means can be obtained and inform individuals and enterprises about each fund. In order to train target groups, workshops, seminars and promotion activities will be organized.

### **4. Promoting of participation**

All target groups and partners will be encouraged to participate – they will be informed on the possibilities of co-financing done via structural and the CFs. The target groups will be presented with the examples of good practices of informing which will promote the planning of projects for utilization of the EU means.

### **5. Transparency**

In the framework of this measure we will strive to make available to the public the information related to the structural funds and the CF. Via media the public will be regularly informed on the progress of the operational programmes. At least once a year a press conference will be held where the achievements and projects within the OPs will be presented. Every year we will also publish the list of beneficiaries, together with projects and the amounts of public funds used for all the operational programmes.

#### ***Implementation and monitoring of the communication plan***

The Managing Authority reports to the Monitoring Committee on the communication plan and on the progress in the implementation of the plan, on the implemented measures of informing and publishing and on the used communication means - on the basis of examples. The annual reports will include the examples of measures of informing and publicizing related to the operational programmes and carried out at the implementation of the communication plan, as well as any changes of the communication plan. Along with information concerning implementation of the communication plan the evaluation of informing and publishing measures will also be included in the annual and the final reports for 2010.

#### ***6.5 Procedures on electronic data exchange***

For the programming period 2007 – 2013 the European Commission has set up a new information system (SFC2007) for collecting data on the implementation of programmes in the member states. Each state can access the system via internet. It supports electronic exchange of data between the Commission and the member state on programmes financed through the structural and the cohesion fund, and manual entering of data through a web application. The new system therefore aims at achieving non-paper exchange of data between the European Commission and the member state - on the basis of the regulations applying for the period 2007 – 2013 – within the information system that is common for each fund. In the

first phase, Slovenia will still use the opportunity to enter structured as well as non-structured (documents) data via the internet application of the information system SFC2007.

For assuring correctness of the data, data and process controls are set up in the reference system which will be appropriately upgraded during the implementation of the OP.

The exchange of data between the European Commission and the member state will encompass the following content sets:

- Implementation of NSRF,
- Programming,
- Annual and final reporting,
- Payment applications and payment forecasts,
- Audit,
- Evaluation.

An access to SFC database will be determined in accordance with the competent individual institutions in accordance with the provisions of a special regulation and the coordination will be implemented by the Management Authority.

## ***6.6. Compliance with competition and public procurement rules***

Slovenia undertakes to ensure that the funds of the operational programme will be allocated in accordance with the procedural and substantive rules applying to state aids and valid at the time when funds are allocated. The compliance of individual measures within the operational programme with the rules on state aid and their relation to a concrete scheme of state aid will be defined in implementing documents.

In the implementation of the operational programme the rules regulating the internal market and in particular the rules of public procurement also determined in the Directives 2004/18/EC and 2004/17/EC as well as relevant provisions of the EU Treaty will be taken into consideration.

## ANNEXES

### ***1 BREAKDOWN OF CONTRIBUTION OF THE COMMUNITY BY CODES IN OP SRDP***

Committee reference No.: CCI 2007SI161PO001

Programme name: OP Strengthening Regional Development Potentials for the Period 2007-2013

<b>CODES FOR THE PRIORITY THEME DIMENSION</b>		
<i>Code</i>	<i>Priority theme</i>	<b>€</b>
	<b><i>Research and technological development (R&amp;TD), innovation and entrepreneurship</i></b>	
1	R&TD activities in research centres	18.818.511
2	R&TD infrastructure ( <i>including physical plant, instrumentation and high-speed computer networks linking research centres</i> ) and centres of competence in a specific technology	84.565.681
3	Technology transfer and improvements to cooperation networks linking small businesses (SMEs), businesses and with universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological parks (scientific and technological parks, technopoles, etc.)	316.212.584
4	Assistance to R&TD, particularly in SMEs ( <i>including access to R&amp;TD services in research centres</i> )	141.138.828
5	Advanced support services for firms and groups of firms	
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes ( <i>introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production</i> )	55.634.088
7	Investment in firms directly linked to research and innovation ( <i>innovative technologies, establishment of new firms by universities, existing R&amp;TD centres and firms, etc.</i> )	55.634.088
8	Other investment in firms	120.042.680
9	Other measures to stimulate research and innovation and entrepreneurship in SME's	148.666.232
	<b><i>Information society</i></b>	
10	Telephone infrastructures ( <i>including broadband networks</i> )	70.013.449
11	Information and communication technologies ( <i>access, security, interoperability, risk-prevention, research, innovation, e-content, etc.</i> )	10.000.000
12	Information and communication technologies (TEN-ICT)	
13	Services and applications for citizens ( <i>e-health, e-government, e-learning, e-inclusion, etc.</i> )	
14	Services and applications for SMEs ( <i>e-commerce, education and training, networking, etc.</i> )	19.291.640
15	Other measures for access to ICT by SMEs and efficient use of ICT by SME's	9.291.640
	<b><i>Transport</i></b>	
16	Railways	
17	Railways (TEN-T)	
18	Mobile rail assets	
19	Mobile rail assets (TEN-T)	
20	Motorways	
21	Motorways (TEN-T)	
22	National roads	
23	Regional/local roads	43.360.984
24	Cycle tracks	
25	Urban transport	
26	Multimodal transport	

27	Multimodal transport (TEN-T)	
28	Intelligent transport systems	21.680.492
29	Airports	
30	Ports	6.194.426
31	Inland waterways ( <i>regional and local</i> )	
32	Inland waterways (TEN-T)	
	<b>Energy</b>	
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	
41	Renewable energy: biomass	
42	Renewable energy: hydroelectric, geothermal and other	
43	Energy efficiency, co-generation, energy management	
	<b>Environmental protection and risk prevention</b>	
44	Management of household and industrial waste	
45	Management and distribution of water ( <i>drinking water</i> )	77.430.329
46	Water treatment ( <i>waste water</i> )	54.201.230
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 ( <i>including Natura 2000</i> )	49.555.411
52	Promotion of clean urban transport	34.069.345
53	Risk prevention ( <i>including the drafting and implementation of plans and measures to prevent and manage natural and technological risks</i> )	23.229.099
54	Other measures to preserve the environment and prevent risks	
	<b>Tourism</b>	
55	Promotion of natural assets	39.947.329
56	Protection and development of natural heritage	7.743.033
57	Assistance to improve tourist services	32.204.296
	<b>Culture</b>	
58	Protection and preservation of the cultural heritage	41.347.516
59	Development of cultural infrastructure	41.347.516
60	Assistance to improve cultural services	
	<b>Urban and rural regeneration</b>	
61	Integrated projects for urban and rural regeneration	61.944.263
	<b>Increasing the adaptability of workers and firms, enterprises and entrepreneurs</b>	
62	Development of life-long learning systems and strategies in firms; training and services for employees workers and administrators to step up their adaptability to change; promoting entrepreneurship and innovation	
63	Design and dissemination of innovative and more productive ways of organising work	
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	
	<b>Improving access to employment and sustainability</b>	
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	
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	
70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration	
	<b>Improving the social inclusion of less-favoured persons</b>	
71	Pathways to integration and re-entry into employment for disadvantaged people, ; ; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace	
	<b>Improving human capital</b>	
72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy.	
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training	
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	
	<b>Investment in social infrastructure</b>	
75	Education infrastructure	15.486.066
76	Health infrastructure	15.486.066
77	Childcare infrastructure	
78	Housing infrastructure	
79	Other social infrastructure	67.208.966
	<b>Mobilisation for reforms in the fields of employment and inclusion</b>	
80	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	
	<b>Strengthening institutional capacity at national, regional and local level</b>	
81	Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes	
	<b>Reduction of additional costs hindering the outermost regions development</b>	
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	
84	Support to compensate additional costs due to climate conditions and relief difficulties	
	<b>Technical assistance</b>	
85	Preparation, implementation, monitoring and inspection	21.002.800
86	Evaluation and studies; information and communication	7.000.934
<b>Total</b>		<b>1.709.749.522</b>

<b>CODES FOR THE FORM OF FINANCE DIMENSION</b>		
<i>Code</i>	<i>Form of finance</i>	<i>€</i>
1	Non-repayable aid	1.598.481.346
2	Aid ( <i>loan, interest subsidy, guarantees</i> )	55.634.088
3	Venture capital ( <i>participation, venture-capital fund</i> )	55.634.088
4	Other forms of finance	
<b>Total</b>		<b>1.709.749.522</b>

CODES FOR THE TERRITORIAL DIMENSION		
<i>Code</i>	<i>Territory type</i>	€
1	Urban	1.079.286.377
2	Mountains	
3	Islands	
4	Sparsely and very sparsely populated	
5	Rural areas ( <i>other than mountains, islands or sparsely and very sparsely populated areas</i> )	630.463.145
6	Former external Border (after 30.04.2004)	
7	Outermost region	
8	Cross-border cooperation area	
9	Transnational cooperation area	
10	Inter-regional cooperation area	
11	Not applicable	
<b>Total</b>		<b>1.709.749.522</b>