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National Strategic Reference Framework

2007-2013

Unofficial translation of the NSRF

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1 Introduction

1.1 EU cohesion policy

At the European Council in Lisbon in March 2000 the EU Member States adopted a long-term policy according to which the EU will become the most dynamic and competitive economic area in the world by 2010. The analysis of the implementation of the adopted decision, performed after a few years, has shown that the results are far below the expectations. It was established that it is necessary to respond to bad economic results in the EU with decisive measures aimed at increasing economic growth and employment. If the EU wants to increase its competitiveness, boost economic growth and productivity and strengthen social cohesion, a significantly bigger stress will have to be put on knowledge, innovation and optimal use of human capital than it used to.

In February 2005, the Commission presented a strategic document titled *Partnership for growth and new jobs*, which was approved by the EU Council at its meeting in the month of March. One of the key conclusions of this Council was that for a new push of the Lisbon Strategy the EU has to “mobilise all the necessary funds on the national and the level of Community - including the Cohesion Policy”¹. As clearly indicated in the *Third Cohesion Report in February 2004* 2004², the EU Cohesion Policy has already contributed to the increase in economic growth and employment in those Community regions which are eligible for these funds. With the enlargement of the EU to 25 member states and dramatic increase in the development disparity between individual members, the interdependence of achieving both objectives, i.e. economic growth and cohesion on the EU level, has further increased. Thus the EU as a whole will not be able to achieve higher levels of economic growth than achieved now, if the new members will not continue achieving levels of economic growth, which will be considerably higher than the EU average. High economic growth in less developed parts of the EU is important for simultaneous achievement of both objectives, real convergence of less developed regions and increased economic growth in the EU as a whole. In this context it is logical that in the next medium term period 2007-2013 the EU should allocate the EU cohesion policy funds especially for the purposes which will enable sustainable economic growth, competitiveness of the economy and employment as foreseen in the revised Lisbon Strategy.

The formal EU content framework that places the cohesion policy in the implementation of the new Lisbon Strategy is contained in the communication from the Commission titled *Cohesion Policy in Support of Growth and Jobs - Community Strategic Guidelines, 2007-2013*³. The main objective of these guidelines is to define the Community priorities that will receive support from the Cohesion Policy - the two Structural Funds, the European Regional Development Fund (hereinafter ERDF) and European Social Fund (hereinafter ESF), and the Cohesion Fund (hereinafter CF)- with a view to ensuring that Community priorities are better integrated into the national and regional development programmes, as defined in the

¹ Presidency conclusions, 7619/1/05 REV1- http://ue.eu.int/ueDocs/cms_Data/docs/pressData/SL/ec/84352.pdf

² http://europa.eu.int/comm/regional_policy/sources/docoffic/official/reports/cohesion3/cohesion3_en.htm

³ Cohesion policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007–2013 Brussels, 5 July 2005, COM (2005) 0299.

Integrated Guidelines for Growth and New Jobs, and as assistance towards its realisation". The Community Strategic Guidelines are one of the strategic basis on which the Member States draw up their cohesion policy priorities, the programme basis for the utilisation of the cohesion policy resources.

1.2 Programme basis and development context

The legal basis for the efficient employment of funds is the Council Regulation laying down general provisions on the ERDF, the European Social Fund and the CF that is supplemented by more detailed regulations concerning individual funds:

- Regulation of the European Parliament and of the Council on the European Regional Development Fund
- Regulation of the European Parliament and of the Council on the European Social Fund
- Regulation of the European Parliament and of the Council on the establishment of a Cohesion Fund

In line with the regulation each member state needs to prepare programme documents at two hierarchical levels:

1. At the first level a **National Strategic Reference Framework** (Article 25) is prepared that defines the general strategy of a member state for achieving faster convergence.

Within this programme an analysis of the situation is prepared as well as the definition of the strategy and the determination of basic mechanisms for achieving the goals set. It also includes the determination of the number of operational programmes and basic financial arrangements. It is of key importance for each member state to demonstrate consistency with the Community Strategic Guidelines on the one hand and the National reform programme (the Lisbon Strategy) and the Joint report on social inclusion on the other hand.

Considering the importance and function of the National Strategic Reference Framework (hereinafter: NSRF), this document serves as a basis for the preparation of the National Development Programme 2007-2013 (hereinafter: NDP) that will be extended in the second half of 2006 after the NSRF has been co-ordinated with the European Commission. The NDP should cover all those development investment programmes and projects in Slovenia in the period 2007-2013 that will be financed and co-financed from the national budget and municipal budgets whereas the NSRF includes all those programmes and projects that will be co-financed with the funds from the European budget and will satisfy the criteria from the new EU regulations in the field of cohesion policy for the period 2007-2013.

In that respect NDP is the document for the implementation of the Slovenia's Development Strategy (hereinafter: SDS) in the field of development investment programmes and projects and NSRF is its subset where it is crucial to ensure a strategic approach with clear and consistent programmes and instruments. In June 2005 SDS⁴ was adopted by the government and it defines the vision and goals of the development of Slovenia at the broadest level. SDS

⁴ Government of RS; 30000-2/2005/2004, 23 June 2005

determines a response of the government to completely amend institutional and development framework that Slovenia became a part of after the accession to the EU. At the forefront of the Slovenia's Development Strategy is the overall welfare of each individual. Therefore, the strategy does not focus solely on economic development but also involves social, environmental, political, legal and cultural issues. With such determination of objectives, it represents Slovenia's sustainable development strategy and at the same time this means the transposition of the Lisbon Strategy goals into the national environment.

2. At the second level, the level of NSRF, **operational programmes** (Chapter III) are prepared.

Operational programmes for the period will have the same function as the Single Programming Document for the period 2004-2006 (hereinafter SPD) and legally they represent the legal basis for the employment of funds since they are approved by the Commission with a decision.

Operational programmes through a harmonised set of development priorities determine the development strategy and development goals that the state wants to attain in individual fields with the assistance of the European funds.

1.3 Principle of partnership and ex-ante evaluation

Principle of partnership

Aware of the European⁵ and national basis concerning the role of partnership, during the preparation of NSRF a lot of attention was paid to the establishment of a range of networks for designing close cooperation among partners – the state and the Commission on the one hand – and other bodies on the other (competent regional, local and other public bodies, economic and social partners and other adequate bodies representing civil society, environmental partners, nongovernmental organisations and bodies responsible for the promotion of gender equality, ...).

The partnership does not cover only the preparation but also builds further partnership in the implementation, monitoring and evaluation of NSRF. In the light of the principles of European governance⁶ employed in the preparation of cooperation networks (openness, participation, accountability, effectiveness and coherence) successful implementation of the preparation of NSRF is granted and in the continuation also successful translation of the document. The implementation of partnership is necessarily connected with subsidiarity and proportionality. Everything mentioned so far has been built on the experience gathered and the knowledge acquired in programming and implementing national development and the EU cohesion policy in past and future periods (pre-accession and current as well as the future time of Slovenia's full membership of the EU).

⁵ Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund (Article 10).

⁶ European governance, White Book; European Commission, Brussels, 25 July 2001, COM(2001) 428 final.

The preparation procedure of NSRF was announced in the »Plan of the Preparation of the Development Programme of the Republic of Slovenia 2007-2013« that the government adopted in the middle of 2004 and supplemented in the middle of 2005. The plan of the NDP preparation envisages that this document will serve as a professional basis for the preparation of the NSRF that represents in-depth NDP in the specific field of the EU cohesion policy. From the announcement of the NSRF preparation to the publication of the draft active networks of the cooperation among partners started to be established.

In the continuation the key activities concerning the provision of information and communication with partners in two periods before and after the preparation of the draft NSRF that was published on 31 May 2006 are presented. The subchapter concludes with the presentation of key contents exposed with the principle of partnership.

Cooperation of partners before the presentation of the draft NSRF

In the beginning of the cooperation with the broadest cycle of partners one of the milestones was the third session of the Sustainable Development Council (21 June 2005), the governmental central consultancy body, intended for the dialogue with civil society and social partners concerning all basic issues of sustainable development. At the before mentioned session the minister competent for local self-government and regional policy informed the partners of the state of advance of the preparatory work of the NSRF. Already in this part the partners could list the contents they had anticipated to be included in the NSRF: The need to ensure balanced regional development, potential inclusion of the contents connected with the support to national minorities and economic growth based on sustainable development. This event was immediately followed by a public presentation in Center Evropa (Ljubljana, 22 June 2005) titled »Programming development and CFs in Slovenia for the period 2007-2013« where representatives from GORP among other things also presented programming documents where Slovenia will define the contents that will be allocated EU development funds up to 2013. These two events were followed by a political agreement on the EU New Financial Perspective.

On the basis of known global distribution of funds for the period 2007-2013, a public presentation of basis for the NSRF preparation was given (at the end of 2005). In the cycle of cooperation with partners there was a more focused implementation of the partnership principle. There were also specific meetings organised with the representatives of non-governmental organisations (e.g. Ljubljana, 13 February 2006) that were critical but also sated some concrete suggestions to include certain contents into the NSRF (systemic inclusion of the non-governmental sector in the implementation of development projects, co-financing activities of non-governmental sector). On this basis a special letter was sent by the non-governmental side that drew the attention of a wider cycle of partners to the position the non-governmental side had in the NSRF preparation. Further activities identified the possibilities for better integration of the non-governmental sector into further NSRF preparation. To reach more concrete agreements, a working meeting was held with the representatives of non-governmental organisations that served as an overview of what had already been achieved in the preparation of common cooperation strategies for the future (before the actual presentation of the working material). After the presentation, opinions were expressed during the course of a broad public discussion.

The implementation of the principle of partnership with the representatives of regional and local bodies (regional development agencies, municipalities) was carried out at the common level and separately. The implementation of the principle started with some workshops where different aspects of the preparation of the NSRF were discussed (e.g. the workshop in Logarska dolina, 21 January 2005,). An event took place to present the then known basis for the preparation of the NSRF and in particular the EU New Financial Perspective was explained to partners. More detailed instructions concerning the involvement of partners into further preparation. Meetings were usually arranged upon the initiative of both sides. These meetings offered a presentation of the NSRF preparation and a discussion was the second part. Particular emphasis was on the inclusion of regional development programmes as possible basis for the implementation of the European cohesion policy in the period 2007-2013 (e.g. Celje, 19 May 2005).

In the framework of the preparation of the NSRF and primary operational programmes based on NSRF an official website (<http://www.svlsrcp.gov.si/>) was established where all stakeholders are offered information on the events and contents involved in the NSRF preparation and these information are also available on the website of the EU funds (<http://www.gov.si/euskladi/>). To provide information, press conferences were organised where the Minister of local self-government and regional policy presented the NSRF. On the websites there were two e-mail addresses for submitting proposals, remarks or questions. In the preparation phase of the working material and the draft several contributions were submitted that can be summarised in the following emphasis (it is important to note that the draft document was not presented yet and it was mainly about the identification of potential indicative areas):

- economic development;
- renewable energy sources and efficient energy use;
- environmental and spatial development and raising public awareness;
- activities of non-governmental sector and the implementation of projects by non-governmental sector;
- including contents at the local/regional development level;
- sustainable development as the basis for complex sustainable development;
- sports infrastructure;
- reducing administrative barriers that hinder the operations of economy;
- mental health;
- including the contents of rural development in NSRF;
- development potential identification.

At this point it is in particular worth noting that a dialogue was initiated with the representatives of the European Commission and several meetings were already held where the representatives of those preparing the NSRF presented their views and contextual basis for the NSRF preparation (for example 31 March 2006). In this dialogue the representatives of the European Commission provided their findings and proposed the improvements and corrections of the NSRF contents (e.g. possibilities for financing some additional contents, imbalance between the analytical and strategic parts, relationship between the NDP and the NSRF).

After the government took a decision to initiate activities for the preparation of NDP (and also NSRF) a special inter-sectoral group was formed. A series of co-ordination meetings with the representatives of the governmental bodies followed among which one was organised at Brdo pri Kranju on 27 June 2005. Thus governmental bodies were informed of the basis for the preparation of NDP / NSRF and they were called upon to actively participate in further preparation. In addition to bilateral meetings with the representatives of governmental bodies there were two conferences organised (at Brdo pri Kranju, 6 October 2005 and 17 January 2006) before working material was published. In the preparation of the NSRF the activities of partners need to be mentioned. They indirectly present and run discussions concerning the contents related to NSRF (e.g. activities of special bodies of the Government Office for European Affairs. The National Assembly of Republic of Slovenia,...) Key governmental bodies identified to participate in the preparation of the NSRF were: the Ministry of Economy, the Ministry of the Environment and Spatial Planning, the Ministry of Education and Sports, Science and Technology, the Ministry of Culture, the Ministry of Agriculture, Forestry and Food, the Ministry of Labour, Family and Social Affairs, the Ministry of Public Administration, the Ministry of Health, the Ministry of Finance, the Ministry of Justice, the Office of the Government of Republic of Slovenia for Macroeconomic Policy and Development, the Government Office for Development, the Government Office for European Affairs, Office of the Prime Minister of Republic of Slovenia. These bodies contributed content basis for the preparation of NSRF.

Cooperation of the partners after the presentation of the draft NSRF

Within the implementation of the partnership principle after the presentation of the draft NSRF there was a session of the Sustainable Development Council (Ljubljana, 22 June 2006 and 28 September 2006), the governmental central consultancy body intended for the dialogue with civil society and social partners concerning all basic issues of sustainable development. At the first meeting partners were informed of the prepared NSRF immediately after its publication and they concluded it was a suitable response to the challenges of sustainable development but also emphasised that the principle of sustainable development should also be ensured in the implementation of the document. Key contents from the discussion touched upon the following areas: the inclusion of environmental dimension in rural development, the inclusion of development activities to ensure quality public transport, the inclusion of promotion of non-governmental sector, the inclusion of human resources development to implement development activities, the involvement of national minorities in development activities, the inclusion of demographic problem solving and more concrete inclusion of contents of life-long learning. The conclusion of the meeting summarised the finding that all three components of sustainable development have to be equally integrated into the NSRF draft. At the second meeting the partners got acquainted with the further NSRF preparation and established that adequate consideration of the messages provided by the Strategic impact assessment should be ensured. This proposal was adopted.

Within cooperation networks of partners there were several consultations among which the following two need to be mentioned: a consultation with the representatives of the broadest cycle of non-governmental organisations with the assistance of the Centre of non-governmental organisations of Slovenia and the representatives of economy and research spheres as well as in the cooperation with the Chamber of Industry and Commerce. The first event generated a lively discussion that focused on the inclusion of the sustainable development principles with a special emphasis on the field of sustainable development.

Satisfaction was expressed with the willingness to include these contents and at the same time the opinion was put forward that environment protection has to be translated from NSRF into other adequate documents (also through adequate part of financial resources). It was stressed that in the definition and implementation of environmental protection the Government Office for Regional Development should in particular cooperate with the representatives of adequate non-governmental organisations. The cooperation with non-governmental organisations as such was considered good if compared with the practice of previous preparation of development documents but still insufficient and not in line with the expectations. Consultations with business representatives and research sphere pointed out the need to concentrate development funds and to promote the preparation of quality projects to be implemented within the NSRF as well as to stress the importance of transparent decision making process at the implementation level (e.g. when determining priority areas/sectors in research and development). The efficient energy use and the use of renewable energy sources were mentioned as the two fields that within the NSRF deserve special consideration. Further exchange of opinions and the presentation of proposals among several representatives of various non-governmental organisations and the Government Office for Local Development were enabled in the continuation (e.g.: Ljubljana, Information Centre of the Council of Europe, 21 September 2006). A key conclusion was that within the promotion of entrepreneurship also the promotion of social entrepreneurship is expected. In the continuation this should be integrated into operational programs. The problems of administrative capacity in the non-governmental sector and the provision of liquidity funds were exposed. Hopes for strong institutional support of the Government and the need to significantly increase the resources available for this sector were also expressed.

Partnership with the representatives of regional and local bodies (regional development agencies, municipalities) is an important element of cooperation. Among public events involving partners there was a conference chaired by the minister responsible for local self-government and regional policy (Celje, 21 July 2006). Special attention was drawn to the development of regions that according to the opinion of regional and local bodies should ensure the implementation of development initiatives following the “bottom up” principle and should cover the widest scope of activities possible (without excessive limitations of the state). At the bilateral partnership level special meetings were held and meetings of individual representatives of regional or local bodies and the representatives of the GOLD (visits to regions in July 2005 or meetings in the premises of GOLD such as the visit of the representatives of BSC Kranj, 4 July 2006). In these cases the compliance of the potential NSRF contents with regional development programmes was most frequently examined as well as possible inclusion of local development needs into this framework. A common finding of these meetings was that such development policies should be integrated that best reflect regional and local development needs. The events involving various partners with the representatives of the government bodies were organised at intervals until the middle of January 2007 (e.g. RRA Koroška, Dravograd, 12 January 2007). Meetings organised in the final phase of the preparation of the NSRF and other programming documents mostly offered very concrete contents of the future implementation of the operational programs included into the NSRF (e.g.: implementation structure, the involvement of the regional development bodies into the implementation,) as well as proposals for the future preparation of implementation documents. At certain levels proposals were very concrete and touched upon the programming level and were taken into consideration in the preparation of the operational programs (e.g. incorporation of indicative projects – water drainage and purification in the

upper Sava river area). Together with the representatives of local and regional bodies different consultations and workshops were organised where among other topics the content of the NSRF was discussed (e.g. “Importance of partner cooperation for the implementation of human resource development projects in Gorenjska in the period 2007-2013”, Kranj, 22 November 2006; “Together into the future: Partnership yesterday, today and tomorrow”, Žalec, 12 December 2006).

To share and present information, press conferences of the minister responsible for local self-government and regional policy were organised. There was one specific press conference where among other topics the NSRF was presented as the basis for the preparation of the documents for the employment of the European cohesion policy funds in the period 2007-2013 (Ljubljana, 11 July 2006). There were other specific events where the representatives of the Government Office presented the NSRF and run a discussion (e.g. the opening of the Slovene-European Research Centre of Natural Sciences, Maribor, 15 December 2006); experts’ meeting on the day of folk high schools of Slovenia 2006, 4 and 5 December 2006). These events enabled discussions that most frequently focused on the promotion of life-long learning and the connections between research institutions and industry, which was one of the key elements of the NSRF content preparation. Through the websites and electronic addresses where proposals, comments and questions could be forwarded after the presentation of the draft of the NSRF, there were quite some contributions sent by different partners from different fields of activities: regional development centres and agencies, professional educational organisations such as the Slovene Adult Education Centre, different non-governmental organisations (e.g. Umanotera, REC Slovenia), the Labour Fund, Office for Equal Opportunities). In this context, the most frequently exposed contents mainly related to environmental protection and nature preservation and the fields of human resources and social inclusion should be exposed:

- For the improvement of sustainable environmental development government and non-governmental and civil society institutions that generate methods, initiatives and innovations are of great importance and at the same time public administration needs to be trained to ensure open decision making processes and to run the social dialogue;
- Nature protection is one of key contents that have to be kept in the NSRF;
- Potential incorporation of energy-related issues in relation to the contents of sustainable energy;
- More emphasis on sustainable energy utilisation;
- Protection of unique eco-systems and their inclusion as sustainable development strategy of the country;
- Environmentally acceptable industry;
- Priority emphasis on sustainable transport policy;
- The importance of the protection of the best agricultural land;
- More visible inclusion of activities for migrants, refugees and other vulnerable groups;
- Additional proposals concerning gender mainstreaming;
- Support to the inclusion of the contents of life-long learning, adequate grant schemes and life-long career orientation and consultancy;
- Adequate emphasis should be placed on the importance of social entrepreneurship and its legal definition as an additional instrument in the labour market and thus modern social state would be strengthened

- The attribution of significance to social entrepreneurship and its legal determination as an additional instrument on the labour market and a way to ensure a modern social state.

In the second half of 2006, partnership with all the stakeholders, which was established with the use of electronic communications, focused on the issues of the future implementation of the EU cohesion policy in Slovenia. The open issues mainly concerned eligible contents and the way of their selection for potential co-financing at the programming level (e.g. co-financing the purchase of rail transport means, bio fuel production). In each case the Government Office answered the questions that were raised. At the same time all the ambiguities pointed out by representatives of the general public were used to additionally explain the NSRF contents.

Partnership events with the representatives of the government bodies that were implemented during the first phase of the NSRF preparation were not only specific bilateral events but also those focusing on the areas of the NSRF development priorities. In this case the government bodies submitted the proposals of the amendments and corrections of the materials forwarded for the NSRF preparation. These numerous proposals were prepared on the basis of the contacts with professional and other publics. One of the most significant events of this part was the operational meeting with all the areas involved in the implementation of the EU cohesion policy in Slovenia where the last NSRF draft was presented as well as the operational programs arising from it and the guidelines for their implementation (Ljubljana, 11 December 2006). Since in the Government Office we believed that the principle of partnership needs to be continually implemented also in the phase of the NSRF implementation, these activities were started already in the beginning of 2007 when bilateral meetings were held with all the ministries that will be involved in the future implementation of the NSRF. Then the last remaining ambiguities concerning the NSRF were removed and the guidelines for the preparation of implementing documents were given. Within bilateral meetings that dealt with specific contents a meeting with the representatives with the Government Office for Growth where the harmonisation and delimitation between the Resolution on National Development Projects for 2007-2013, the NSRF and other strategic documents on the implementation of the EU cohesion policy in Slovenia. The presentation of the NSRF and the programs for the implementation of the EU cohesion policy in Slovenia was also provided to the competent committee of the National Assembly (Ljubljana, 15 December 2006). The competent committee gave a favourable assessment of the proposed draft documents. Before this meeting a parliamentary group GLOBE Slovenia discussed the National Development Programme (NDP) and the NSRF (Ljubljana, 14 November 2006). The key content of the discussion was based on sustainable development (in particular the area of agriculture, environment management) The Council for Environmental Protection of the Republic of Slovenia was established by the National Assembly of the RS. Its tasks are: to monitor environment quality and protection and work in connection with the phenomena and activities globally. The Council should inform the public on the assessment of the environmental situation, the strategy of national environmental protection and the harmonisation of development priorities, the policy of environment protection, normative arrangements and everything else typical for this field. The members of the Council for Environmental Protection are experts in different fields and researchers and this enables overall assessment of phenomena and conditions in the environment from the point of view of

natural wealth and its balanced sustainable management. All opinions connected with the content of the OP for regional development were taken into consideration.

Evaluation of the National Development Programme / NSRF

Basic purpose of the further development of Slovenia is to ensure sustainable development. For this reason, the preparation of NDP that represents the strategic/implementing base includes, in line with best practice in the formation of programmes, plans and strategies, also the procedure of the preparation of the strategic impact assessment on sustainable development (hereinafter: SIA). The plan of the NDP preparation adopted by the government states that the SIA preparation is run parallel to the NDP preparation. The task of the SIA is to ensure horizontal representation of the sustainable development contents and the assessment of the potential impacts of the NDP upon them in Slovenia.

The activities of SIA/NSRF have been classified into the following key areas (phases):

- Preparation of the analytical basis concerning sustainable development,
- Participation in the draft preparation,
- Evaluation,
- Public discussion and conclusion.

On the basis of the key areas of the SIA the activities of the first, second and third phase were completed. A whole series of activities have been carried out:

- First two inter-sectoral conferences were organised at Brdo pri Kranju (27 June 2005 and 6 October 2005) that involved the contents of the NSRF preparation – where also the methodology of the strategic assessment and interim project results were presented;
- Documents were published on the Internet;
- The second way of public participation has been planned through public debates. There were two of them concentrating on the strategic assessment. The first was held on 1 December 2005 and focused on scoping that is the joint determination of the sustainable development criteria and the key issues of sustainable development to which the answers should be provided by the NSRF. In this part the most active participants of this event should be mentioned such as Fokus, a non-governmental organisation; the Chamber of Industry and Commerce; National Institute of Chemistry, Trade Union Confederation 90 of Slovenia. Within this context special thematic workshops where participants took part in determining content were organised.

On the basis of the debates and the NDP working draft evaluation was started that was completed with the consideration of the recommendations for the preparation of the NDP and consequently the NSRF. Thus in the fourth phase second public debate will be organised and the final report on the implementation of the ex-ante evaluation and strategic assessment of the sustainable development impact will be prepared.

The evaluation of the NDP offers the following key findings:

- Based on the goals it was established that i) the sustainable development concept is closely intertwined with the NDP programmes, ii) numerous goals in different documents hinder their implementation, iii) Slovene development goals are

harmonised and supplement the European ones, non-compliance can only appear in individual areas;

- After the first debate, a conference was organised with different sectors at Brdo pri Kranju on 17 January 2006, and a meeting with the representatives of the regions in Kranj on 19 January 2006. At the first event the then findings relevant for the work of sectors concerning the preparation of programming documents were presented. The meeting with the representatives of the regions dealt with the identification of regional projects that could be included among the NDP/NSRF priorities and programmes. At the meeting and afterwards the representatives of regional development agencies presented a number of programmes and projects that could be placed into the NDP/NSRF structure and could serve as the elements of the programme preparation;
- while examining the NSRF draft it was established that the goals and activities of the priorities listed also overlap and due to this the effects of the programme would be more dispersed and consequently they would be less efficient. In order to avoid these deficiencies, the proposals for the improvement of the NSRF contents were formed.

In the fourth phase there was the second public debate and a final report on the implementation of ex-ante evaluation and strategic assessment of impacts on sustainable development were prepared in the continuation. The second public discussion on NDP/NSRF (Ljubljana, 27 October 2006) was devoted to the presentation of the second draft of NDP/NSRF and the conclusions of the evaluation project. The draft largely contained the comments that the representatives of publics had submitted. In order to obtain concrete proposals there was a public discussion with the representatives of non-governmental organisations. Otherwise, the second NDP draft did not contain any significantly changed structure of the operational programmes as well as there were no major changes of the allocation of funds. At the final public discussion the preparatory committee presented the conclusions and recommendation of the programming document assessment as well as responded to comments that had been submitted in the process of evaluation. Participants of the public discussion (e.g. non-governmental organisation Fokus, Umanotera, the Institute for Sustainable Development) had a possibility to express their opinion and comments concerning the process of the document preparation as well as to expose their concerns related to the document content. A final report was elaborated at the end of all activities.

On the basis of the analysis of the existing sustainable development objectives a framework of measures was prepared that summarises and sharpens the focus on the most significant objectives of sustainable development in Slovenia. The purpose of these measures was to integrate the sustainable development objectives into the NDP/NSRF and to assess their impacts. Thus it was established whether an individual objective of the NDP/NSRF was in line with the criteria and whether individual programs contributed to the implementation of individual criteria. Through these measures it was possible to independently assess the impact of the NDP/NSRF on sustainable development and to assess individual components and the whole program and prepare recommendations and proposals for the program improvement. Within the meaning of integrated environmental impact assessment these measures correspond to environmental objectives as laid down in the Regulation on IEIA. Based on the criteria the assessment of the NDP/NSRF activities was also performed and their impact on sustainable development. The compliance of priorities and measures/activities with the criteria was established on the basis of impact assessment. In the assessment of impacts on sustainable development the main focus was on the negative assessments since they reduce

sustainable impacts of individual activities. In the evaluation positive and negative impacts can nullify within individual sub-criteria but the total impact on sustainable development needs to be positive. For all negative parts recommendations were given how to make individual activities more sustainable.

1.4. Document structure

The NSRF consists of seven chapters. The *Introductory Chapter* is followed by *Chapter Two* with the analysis of the development level achieved so far in different fields. The chapter contains a static as well as dynamic analysis of factors due to which Slovenia is still lagging behind in its development if it is compared with the average EU development. It provides with the analysis of the development differences between the two cohesion regions and presents the spatial problems in Slovenia and its cooperation with regions in the neighbouring and some other nearby countries. In *Chapter Three* the past experience in the implementation of the cohesion policy are presented while in *Chapter Four* the placement of NSRF into a wider development context of the Republic of Slovenia and the EU is indicated. These are content solutions planned in the Strategy of Development of Slovenia and in the Lisbon Strategy and defined in a more operational form in the National Development Plan, the Central Development Projects and the Programme of Reforms for the Implementation of the Lisbon Strategy in Slovenia. *Chapter Five* is intended to define the strategy and aims of the NSRF, therefore the strategy of the part of programmes that will be co-financed by the EU cohesion resources, including the criteria to achieve a higher added value of the selected programmes, the arguments of the framework allocation of the resources available to individual operational programmes and priorities that are to be financed with the EU resources. In Chapter Six the content is presented and the goals of individual operational programmes whereas the last chapter refers to the financial plan and the principle of additionality.

2 Analysis of the socio-economic situation

The chapter »Analysis of the level of development achieved« comprises general presentation of the country and in the continuation the analysis of efficiency follows. Due to significant stress put on the internal disparities in Slovenia and the territorial cooperation of the state there are two sub-chapters depicting the situation in these areas.

2.1 General presentation of the country

Slovenia covers 20,256 square kilometres (of which 60 percent is in Eastern Slovenia cohesion region and 40% in Western Slovenia cohesion region)⁷. It borders with Austria in the North (the length of border is 324 km), with Italy in the west (235 km), Hungary in the northeast (102 km) and Croatia in the south and southeast (546 km, this is also the external EU border). Slovenia's coastline on the Adriatic Sea in the southwest is 47 km long.

In spite of its geographically small size, Slovenia is a convergence point of a range of different landscapes – Alpine and Mediterranean, Pannonian and Dinaric, each of which has its own characteristics and unique features as well as this area has always been the juncture of various cultural impacts. With its position between the Alps and the northernmost gulf in the Mediterranean, Slovenia represents one of the most important passages from the south-eastern Europe to the west.

The country's topography is very diverse. Slovenia is rich with its man-made environment, architecture and the heritage of settlements and extensive natural systems. This can be illustrated by the fact that 35% of the territory of Slovenia is regarded as NATURA 2000. Approximately 90 per cent of the country lies more than 300 m above sea level, forests cover more than half of its territory (56.7%) and about 85 per cent of the other half is agricultural land. This is all reflected in the number of natural regions, naturally formed borders, a variety of relief, the diversity of land great biodiversity, long borders, minorities, richness of surface and underground waters, wealth of landscape and nature as well as extensive woodlands. The consequence is that some areas are hard to pass and thus unfavourable conditions have been created for the organisation of economic activities.

Slovenia's geographical position is favoured by the proximity of propulsive, fast developing European regions playing the role of development generators. Thanks to its geographical position and good understanding of the Balkan region, Slovenia has good chances of actively participating in the process of political democratisation and economic restructuring of this region. Owing to its central location, Slovenia has always been a crossroads of trans-

⁷ The two cohesion regions, Eastern Slovenia and Western Slovenia, were introduced based on the Promotion of Balanced Regional Development Act and determined with the resolution of the Government of RS (83rd regular session of the Government of RS, 54910-3/2005/12, 7th November 2005). The Government filed a motion to the Commission on their notification as statistical territorial units NUTS-2. Eastern Slovenia includes development regions (NUTS-3 territorial units): Pomurska, Podravska, Koroška, Savinjska, Spodnjeposavska, Zasavska, Southeastern Slovenia and Notranjsko-kraška. Western Slovenia includes development regions: Central Slovenia, Gorenjska, Goriška and Coastal-Karst. The map is in Appendix 1.

European routes (Slovenia is the crossroads of the 5th and 10th Trans-European corridor). To exploit this competitive advantage by strengthening its links with European regions, Slovenia will need to invest efforts in upgrading its transport infrastructure.

2.2 Slovene development potentials⁸

The analysis of the development levels and trends has been prepared on the basis of key development spheres as defined in the Slovene Development Strategy. This year Slovenia started with their implementation and according to the development priorities the progress made will be monitored.

(a) Competitive economy and faster economic growth

In 2004, after three years of relatively moderate economic growth, the economic growth accelerated again (4.2%), the economic growth then was the highest in last five years and slightly exceeded the average of the whole period from 1996 to 2005 amounting to 3.9%. Such growth was also achieved in 2005 and amounted to 3.9%. Thus Slovenia has achieved 79% of gross domestic product per capita in purchasing power according to the EU average. The comparison with other member states is presented in the table below.

Table 1: Gross Domestic Product per capita in purchasing power and in standards of purchasing power, the volume indices, EU-25 = 100

	1995	2000	2001	2002	2003	2004
EU-15	110	110	109	109	109	109
EU-10	n.p.	50	51	52	53	55
Austria	126	126	122	120	121	123
Belgium	120	117	117	118	118	118
Cyprus	81	81	83	82	80	83
Czech Republic	68	64	65	66	68	70
Denmark	123	126	125	122	121	122
Estonia	33	41	42	45	48	51
Finland	104	113	113	112	111	112
France	114	114	114	112	111	109
Greece	70	71	73	77	81	82
Ireland	98	126	129	133	134	137
Italy	115	112	109	107	108	106
Latvia	29	35	37	38	41	43
Lithuania	33	38	40	42	45	48
Luxemburg	174	216	210	209	234	239
Hungary	49	53	56	58	59	60
Malta	n.p.	76	72	72	73	69
Germany	119	112	110	109	108	109
Netherlands	117	120	127	125	125	124
Poland	40	47	46	46	47	49
Portugal	75	81	80	79	73	72
Slovakia	44	47	48	50	51	52
Slovenia	68	73	74	75	76	79
Spain	87	92	93	95	97	98
Sweden	116	119	115	114	116	117
United Kingdom	108	113	113	116	116	116

Source: Eurostat, New Cronos, 31 January 2006 in the Report on Development 2006, IMAD.

⁸ Source: Report on development 2006, IMAR and the contributions of competent ministries in the preparation of the NSRF and operational programmes.

Since Slovenia entered the ERM2 exchange rate mechanism in June 2004, the combination of economic policies has been ensuring stable macroeconomic environment and enabling the satisfaction of the Maastricht Criteria to adopt the Euro in the beginning of 2007 including the criterion of price stability that Slovenia met in November 2005. Despite satisfying nominal fiscal criteria to adopt the Euro, the structure of public expenditure and the challenges of fiscal criteria in the period after the Euro adoption indicate the need for further restructuring and increased adaptability. The growth of salaries after 2001 when it last exceeded the productivity growth is within the limits.

Competitiveness of Slovenia's economy has been increasing but without structural reforms faster convergence with the EU is not possible. Key competition indicators reflect the continuation of gradual improvements in labour productivity and market shares and the oscillations in cost-competitiveness where negative impact can be attributed to other incomes and the terms of trade.

After relatively high growth (4.8 percent real average annual rate) in the second half of the nineties, labour productivity growth has gradually been stabilizing (3.1% in the period 2000-2005) but Slovenia's lag has reduced compared to the EU average on the account of rather lower labour productivity growth in the majority of more developed EU member states. After the fall in the period 1996-2000, the aggregate market share of Slovenia in its main trading partners started to rise in 2000 and has been on the increase since then. This gives an indication that the export competitiveness of Slovene industry has increased. In 2001-2004 the average annual growth of Slovenia's market share was higher than in most of the member states of the Euro area but was still lagging behind the growth in some new EU member states.

To increase competitiveness, entrepreneurship is extremely important because Slovenia has remained ranked low in various international comparisons of the rates of entrepreneurial activities and the access to the sources of financing despite the progress made last year. In 1999 – 2004 the number of enterprises in the corporate sector went up by only 2.6 % and the rate of early-stage entrepreneurial activity dropped from 4.6% (2002) to 2.6% (2004) whereas in 2005 the rate increased to 4.4 %, which is still the fourth lowest rate among the EU member states. At the same time relatively high mortality index among newly emerging enterprises is significant for Slovenia. The mortality index even rose from 2.1 in 2002 to 2.7 in 2004 but a year later it returned to the rate from 2002.

Internationalisation of Slovene economy is still ongoing mainly through foreign trade flows and less through foreign direct investments (FDI). In particular, modest entry FDIs indicate low competitiveness of Slovenia as an investment location and unutilised development possibilities offered by inward FDI. The share of inward FDIs in GDP in the period 1995-2004 increased from 9.5% to 21.2% (EUR 5,556.7 million) whereas the share of the outward FDIs in GDP rose from 2.6% to 8.5% (EUR 2,230.8 million). However, Slovenia remains among the countries exhibiting the lowest share of inward of inward FDIs in GDP. In 2000–2004 the share of FDIs in GDP was constantly lagging behind the EU-25 average by more than 10 percent points with the inward FDIs and by more than 30 percent points with outward FDIs.

Services started to developed more intensively only in recent years and this contributes to the reduction of the gap to the EU structures in the service sector in added value and employment and in particular the share of knowledge-based services that have a significant impact on increased productivity and competitiveness of economy. In 2004 the service sector created 62.3% added value in Slovene economy and employed 53.8% of all the employed, which is substantially lower than the EU-25 average. In ten years (1995–2004) their share in added value only went up by 1.8 and in employment by 7.9 structural points. On the other hand, in 1995–2004 the importance of agriculture in the structure of gross added value reduced by 1.7 structural points to 2.5% whereas the share of industry (29.5% in 2004) insignificantly reduced (by 0.4 structural points) so that the structural gap to the European average in this field even increased. Weak competitiveness of Slovene services in external markets and insufficient innovations of service enterprises remain the most problematic issues. Despite continuous progress Slovenia lags far behind in the development of financial services. In particular, insufficient role played by the financial sector in providing support to the growth of entrepreneurial sector, which is indicated by a low share of bank loans granted to companies and undeveloped primary capital market, is a burning issue.

Economic development was spontaneously followed by the transport policy with priority investments into motorway construction and delays in financing the renovation and construction of regional and local traffic connections and railway infrastructure. Due to intensive urbanisation process (of the Central Slovenia, Gorenjska and the costal area), the construction of the motorway network, the growth of personal vehicles and the transit traffic within the Trans-European corridors as well as due to the construction of urban structure that is adapted to a car, which additionally enhances the growth of traffic, there are delays in ensuring mobility and thus economic competitiveness and service competitiveness have reduced.

In the field of roads the key deficiencies are bad connections between peripheral regions and the central part of Slovenia and poor connections of these roads with international long distance roads (the TEN network), insufficiently arranged crossing of different traffic routes and thus poor safety and insufficient capacities of the existing roads towards future motorways. If the motorway network is not completed, the situation in traffic in the next planned twenty-year period will be critical. 43% of the national roads are in bad or extremely bad condition and this is a factor restricting balanced regional development of areas that are not located along the motorway network. These areas are becoming less and less competitive sites although other factors necessary for further development are present. From one year to the next, the situation in railway infrastructure deteriorates due to insufficient resources for its development and modernisation. Only 25% of the National Programme of Slovene Railway Infrastructure Development has been implemented. Bad situation is apparent from numerous damages and faults occurring on rails, catenaries, safety-signalling devices, points and enforced slow driving on specific sections. Obsolete railway network neither supports suitable transport services nor ensures sufficient capacities for future transport needs (interoperability). In some directions of the main lines wagons are already loaded by 15% less compared to their capacities since tracks are heavily worn out (the length of more than 90km) as well as the catenaries (the length of more than 40km).

In the field of maritime transport the volume of freight trans-shipment in the Port of Koper significantly increases every year and this is of great relevance for Slovenia since the Port of

Koper is an important entry – exit point for the countries of the central part of the Union between the motorways of the Adriatic and Ionian Sea and the transport routes of the intermodal Corridor V within the TEN-T network.

Due to increased air transport and the satisfaction of the EU regulations and the Schengen Agreement provisions there was a need to modernise, upgrade and extend the existing airport infrastructures. It can be expected that air transport in Slovenia in ten years will quantitatively reach the current Community level meaning that the number of passengers will rise four times and the aircraft capacities in the EU by 2015 will double. The occurrence of low-cost carriers and the fall in prices of air transport as well as significant increase of air charter services that will substantially contribute to increased number of passengers are anticipated.

In motorized passenger transport the use of personal vehicles is prevailing since 76% of daily travel is performed by personal vehicles (693 million journeys) and the rest 24% (220 million of journeys annually) are performed by public transport of which 75 million journeys are performed by long-distance and suburban bus transport, 130 million journeys by urban traffic and 15 million in railway passenger transport. This unfavourable ratio in the selection of transport can only be changed on the basis of long-term goals planned. The decision of a passenger on the use of public means of transport has to be influenced by a suitable offer of quality services and information (timetable, ticket price) and thus a passenger can prepare for a journey in a quality manner. Timetables of different means of transport need to be harmonised and their punctuality needs to be granted.

(b)Efficient use of knowledge for economic development and quality jobs

Slovenia continues strengthening of knowledge based society factors, the progress made with individual factors being different. The educational structure of the population has been improving and the share of population with tertiary education has slowly been approaching the EU average. Total expenditure on education is high but according to the expenditure per a participant in tertiary education Slovenia is still lagging behind the EU average. The number of students in tertiary education more than doubled in last ten years ($I_{2005/1995} = 240$) but on the other hand tertiary education is faced with high drop-out rate and the duration of studies is too long (the average duration of studies is 6.9 years at the university level and 5.4 for high professional programmes). Monitoring and quality promotion should be paid special attention, the enrolment in the programmes of natural sciences and technical study courses has to be increased and higher education infrastructure has to be improved. Despite gradual modernisation the higher education system in Slovenia is at the same time still based on classical educational forms with the insufficient share of functional knowledge. Furthermore, it has traditionally been self-sufficient, meaning that it has not been connected with the needs of the (local) environment and particularly of the economy. Its opening to the environment is one of the priorities in the further development of this field. Some detailed data are presented in the table below.

Table 2: Selected indicators from the field of education and training

	Slovenia	EU-25	EU-15
Share of tertiary educated population (25-64 years old) in % (2nd quarter of 2005)	20.0	22.8	24.0
Public expenditure on education as % of GDP (2002)	5.98	5.22	5.22
Share of private expenditure on educational institutions at the tertiary level in % (2002)	23.3	17.2	12.8
Annual expenditure on educational institutions per student involved in tertiary education in EUR PPP(2002)	6,138	7,946	8,562
Number of students per 1000 inhabitants (2003)	50.9	37.0	35.6
Number of graduates per 1000 inhabitants aged 20-29 (2003)	46.6	52.9	51.2

Sources: SORS, Eurostat, OECD, calculated by IMAR. Note: Indicators, sources and notes are presented in detail in the Annex.

As far as research and development are considered, in public research and higher education institutions Slovenia develops quality and in some fields even excellent basic science (in computer science, for example, citation impact was measured and Slovenia ranked the third in the world right after the USA and Israel; and according to the volume of publications in nanotechnology per a million of population Slovenia was ranked the fifteenth globally)⁹. In terms of the number of researchers per 1,000 labour force (SI: 5; the EU-25: 5,4)¹⁰ and the number of scientific publications per a million of population (SI: 827; EU-25: 639)¹¹ Slovenia is in the upper half of the EU-25 member states and among the new member states it has been ranked first. According to the number of female researchers Slovenia is at the bottom among the new member states but still above the EU average. In 2004, the share in Slovenia amounted to 33%, the EU25 28% and Bulgaria (having the best result) 46%. In all sectors the share of female researchers stagnated in last decade. This is something we cannot be satisfied with and even worse is the situation concerning the share of women in R&D in the corporate sector that in 2004 in Slovenia equalled 25%, in the EU25 18% and for example in Bulgaria 45%¹². The total share of R&D in the corporate sector is still too insignificant (share of researchers in the corporate sector is 36% and the EU-25 average amounts to 49%)¹³ and in particular the transfer of research results from the research sphere into economy is too weak. In addition the situation needs to be improved in the infrastructure of national research institutions since in many areas the research equipment is obsolete; premises and their layout are unsuitable. The same goes with higher education institutions. With the investments into research and development measured in % of GDP in last five-year period, Slovenia experienced fluctuations without any positive trends. Thus in 2004 in Slovenia the share amounted to 1.45% of GDP, which was the same as in 2000 (1.43%). The share of the state sector in the structure of resources intended for financing research-development activities in 2004 amounted to 29.3% and the share of the corporate sector 59.5 %, which is in accordance with the ratio 1: 2 from the Barcelona goal, yet still three times less then the target values of 1% of GDP for R&D from public resources and 2 % of GDP for R&D from the corporate sector. So far the growth has not been sufficient for Slovenia as an EU-25 member state to reach the Barcelona goal by 2010.

In the area of innovations and patent applications Slovenia has made slight progress during the recent years. In the structure of the export of goods the share of medium and high technologically intensive products has increased in recent years, therefore Slovenia with its

share of such products at the level of 55.9% has come close to the European average. In this connection it should be emphasized that the majority of medium and high-technologically intensive products is represented by medium technologically intensive products whereas the share of high technologically intensive products only slowly increases and is relatively modest. According to the number of patent applications submitted to the European Patent Office (EPO) per a million of population in 2003 Slovenia (provisional data) had 50.4 patent applications and in the EU-25 it was 136.7. The average annual growth of patent applications in the EU-25 member states in the period 1996-2002 amounted to 6.1% whereas in Slovenia it was 15.4 % so that with regard to a relatively modest indicator value Slovenia is still ranked above all new member states as well as above Spain, Greece and Portugal. Although in recent years the state strengthened the efforts to improve the instruments that reinforce innovation capacities of economy, too slow changes in the institutional arrangement of research and development activities did not supply additional push to more rapid progress. The problem remains particularly due to weak (i) cooperation between the corporate sector and public research institutions and (ii) insufficient financial support to small and medium-sized enterprises to increase innovation and (iii) the absence of systematic evaluation of the impacts of the used instruments.

To improve the efficiency of the incentives for the technological development and innovations in the public domain, Slovenia already defined priority technological areas⁸, namely energy and environment (generation, production, storage, distribution and use of energy particularly in the light of renewable and alternative energy sources, energy efficiency and environmental impact), information communication technology (hardware and software, e-services, e-content, telecommunications, networks) and advanced new materials and nanotechnology (ceramics and composites, polymers, special fluids, multimaterial systems, materials with special characteristics, foams, vaporisation and nanotechnologies). In addition to already listed areas there are also biotechnology, pharmacy, process technologies, chemical technologies, processing technologies, technologies in the field of medicine, complex systems, kibernetics, innovative technologies of process management, electric equipment (without ICT) and industrial design and logistics as special horizontal segments.

On the other hand the Resolution on National Research and Development Program (RNRDP) adopted in the National Assembly in December 2005 determines the priority areas of research and development that to a great extent are in compliance with the priority technological areas. Among the areas are:

- information and communication technologies (ICT) (also including computer science and informatics),
- advanced (new) synthetic metal and non-metal materials and nanotechnologies,
- complex systems and innovative technologies (including the technology of process management),
- technologies for sustainable economy (energy and environmental protection technologies, technologies for rational energy use, for the utilisation of new and renewable energy sources, for safe and healthy environment, for sustainable construction, for ensuring and controlling the quality of environment (soil, forest, water, air), food, health and products,
- health and life sciences (interdisciplinary research in the field of natural-scientific, technical and biotechnical, pharmaceutical and medical sciences that are related with the requirements of the European directives from the area of life quality).

With the use of the Internet certain positive trends can be observed since the number of its users in the first quarter of 2006 amounted to 54%. The increase is significant compared to 2003 when this share equalled 37%. Thus Slovenia exceeded the EU-25 average where the share amounts to 51%. Unfortunately, there is a gap between the sexes since male users prevail as the Internet users (57%) and female users lag further behind by 6 percentage points. Despite positive shifts in the use of the Internet Slovenia is regressing in the investments into ICT since the investments in 2004 only totalled 2,1% of GDP whereas in the EU it equalled 3.0% of GDP.⁹

The total indicator of investments into knowledge (investments into tertiary education, research-development activities and software)¹⁰ shows Slovenia's lag compared to the EU-15 average (in 2002 the share of investments into knowledge in Slovenia amounted to 3.0 %, and in the EU-15 3.8 % of GDP). This lag is even more significant when Slovenia is compared with the Scandinavian states. However, the situation in Slovenia is more favourable when compared with the Mediterranean EU member states and the majority of the new member states.

(c.) Efficient and less costly state

The expenditure of the state compared to FDB only reduced in last two years partly also through the reduction of the expenditure intended for investments. In comparison to GDP, the expenditure in 2004 and 2005 together reduced by 0.8 percent point and in 2005 amounted to 47.3% of GDP, which is only slightly above the EU-25 average – 47.1% in 2004. The reduction of the expenditure share was achieved with

The reduction of the share of expenditure was partly achieved by the rationalisation of the state (lower share of intermediate consumption and the payment of property income) and with the pension scheme reform (slight drop of the share of expenditure in GDP) and partly with a shrunken share of expenditure on investments. In 2004, the share of the so called »productive expenditure« of the state¹¹ in GDP that contributes to economic growth in Slovenia equalled 16.1 %, which is less than in the EU-15 in the year of 2003 when it amounted to 16.8 %. With high expenditure on education and health (in Slovenia the expenditure of the state on education is 5.8% and in the EU-25 it is 5.4% whereas the expenditure on health in Slovenia equals 6.6% and in the EU-25 6.4%) the reasons for Slovenia's lag are particularly in a low level of expenditure on housing and communal activities and the reduction of the expenditure on economic activities. And in the latter there is the majority of the state aid provided to economy. Above this level is the share of the so called “state support” tasks and social protection, and shortfalls are significant for the share of expenditure in economic affairs and housing and communal activities.

More than the structure of the state's expenditure it is the effective provision of public services that the development depends on. On the basis of the analysis of the state's efficiency such as the global scale of competitiveness rank Slovenia very low. Therefore, more attention

⁹ Data source: SORS, Eurostat (New Cronos)

¹⁰ Indicator of investments in knowledge shows that Slovenia is lagging behind the EU, mostly due to the relative share of investments into software in GDP.

¹¹ On the basis of several international analyses they include expenditure on education, economic activities, research and development, housing and spatial development and health.

will have to be paid to this field in the future. In this context, administrative and institutional arrangement that determines the corporate environment of companies as well as the institutional environment for individuals such as the provision of judicial protection should be mentioned. Recently functioning of health care has often been regarded as inefficient and similarly also the operations of social protection institutions have been exposed as problematic.

Institutional environment in Slovenia is among the least encouraging for economic development and competitiveness. The most important weaknesses are in the field of taxes, business environment and the burden of regulations, the liberalisation and regulation of network activities, privatisation, labour market and the rule of law. According to the assessment of EBRD¹² and the World Bank (BEEPS¹³) the institutional competitiveness of Slovenia in 2002-2005 even slightly worsened (the assessment is based on the opinion of Slovene companies). In 2005, Slovenia was ranked the twentieth among twenty two EU member states (without Luxembourg, Cyprus and Malta) according to the index of operation simplicity and the sixty-third among all the states included into the analysis (the World Bank). The most problematic is the average number of days necessary to start up a company since Slovenia with 60 days for 9 required procedures significantly exceeded the average of other European states (the EU average is 27.6 days for 7.5 procedures).

The promotion of *efficiency and effectiveness of the public administration* is currently aimed at users, efficient employee system and effective human resources management, quality and effective operations, and open and transparent functioning of the public administration. With a systematic approach to increase the efficiency of the public administration the government is striving to improve the electronic support to relationships between entities inside and outside the public administration also by using modern information communication technology.

In the EU member states the development of e-governance has been monitored ever since the eEurope 2002 Action plan was adopted. The states compared with each other according to the level of development of e-services for inhabitants (G2C) and business entities (G2B) and the level of using these services. The »eGovernment indicators for benchmarking eEurope« methodology was determined to be used to conduct measurements. Currently it is still being used but a new one is already being prepared. The basic data will be provided in the continuation. In the period from 2001 to 2006 Slovene public administration went through numerous organisational changes. In parallel and in compliance with them e-administration

¹²Since 1994, the European Bank for Reconstruction and Development has been assessing the progress of transitional reforms in 27 states, where it operates, with special transition indexes of transition. The transition index with 11 indicators covers 6 key areas of reforms (liberalisation, privatisation, companies, infrastructure, financial institutions and legal environment). Each individual indicator reflects a synthetic assessment of the progress established on the basis of different data, descriptive information on reforms and their analyses. The assessment is made by main EBRD experts.

¹³ EBRD and the World Bank implemented the Business Environment and Enterprise Performance Study - BEEPS in 1999, 2002 and 2005 for 26 »transition« countries and Turkey and the selected comparative states. BEEPS study is formed to monitor efficiency of the state concerning two basic issues important for the efficiency of companies: the issue on the regulation of companies (licensing, tax, customs duty and the regulation of labour market and trade and the issues on institutions and property rights (corruption, crime and legal system). On this basis, the BEEPS analyses n of seven basic areas of the state's efficiency: within which they identify the obstacles in the operations of companies with individual indexes.

was developing marked by strategic and programming documents such as: SEP-2004, The Strategy of Electronic business in local self-governance, the Strategy of Slovenia in information society and others.

Compared with other EU member states, Slovenia has, despite some critical assessments, made great progress in the field of administration. The last measurement was published by the European Commission in June 2006. The measurements were conducted in 25 EU states and Norway, Iceland and Switzerland. In e-administration measurements of 12 basic e-services for citizens and 8 basic e-services for economic entities were carried out. E-services monitored in this manner represented only a small but important part of e-services. The results of different states in the EU and outside can be compared. The results of the 28 states showed that Sweden has the best developed web services (89%) as well as Austria (87%) while Slovenia ranked the fifteenth but among the new member states only Estonia was higher. But compared with the EU-25, Slovenia is ranked the thirteenth and above the EU_25 average. Considering further development and growth trend in this field and applying the existing EU methodology we can expect that in one year Slovenia will be placed among the first ten EU member states. Despite this fact growth and progress are essential. Higher placement will be achieved with the G2B services where Slovenia is still lagging behind whereas with the G2C services we are already among the leading ones.

To establish the real situation in e-administration it is not enough to only monitor the number of e-services and their development. The use of these services needs to be studied, too. In the EU the measurements of use were conducted and these could be compared with the development rate of e-administration. Unfortunately, updated and comparable data are not available. In the continuation the data available on the development rate of e-administration for citizens (G2C) and the percentage of the households that use the Internet (regular users) in individual states (data on the first quarter of 2005) will be presented. Slovenia is classified in the right bottom square and still has a lot of possibilities. At the same time it can be concluded that according to the regular use of the Internet in households Slovenia has relatively suitable level of e-administration development. Only Finland and Austria with similar percentage of households that are regular Internet users are in front of Slovenia

Efficiency of the judiciary is of key importance in creating more encouraging environment and the essential problem of the judicial system in Slovenia are court backlogs. The most problematic are those that directly or indirectly cause economic disadvantages (blockade of investments). Backlogs in terms of statistical data are unresolved judicial documents before an individual judicial authority whose number exceeds half of annual number of cases from the Republic of Slovenia. According to the number of unresolved cases at the end of 2004, that is 566,588 files (this number does not cover the area of offences), this number should be halved by the end of 2010, that is 284,000 files. In 2005, the judicial authorities received 620,345 new cases but together with the unresolved cases from previous years there were 1,186,856 cases. 662,840 cases were resolved, which is 55.8% of all cases being dealt with. As of 31 December 2005, there were 524,016 unresolved cases, which is by 7.5% less than in the beginning of 2005. When taking into account only more relevant cases, the data show the reduction of backlogs by 4.2%. In 2005, the number of judges increased by 195 compared with the year of 2004. Therefore, in 2005 there were 969 judges. One of essential factors causing huge backlogs is unsuitable information system of judicial authorities. The main deficiencies of the existing information system are the outdated hardware and software that

neither supports modern services nor ensures data safety and inconsistency in the judicial system and outside it.

In the field of the *efficiency of labour market institutions* it is necessary to analyse the public employment institution first since more than half of employers occasionally or frequently cooperate with it. Based on a survey carried out every year by the Employment Service, in 2005 employers were recruiting through the Employment Service 60.1% of all jobs. The modernisation of the Employment Service as the central labour market institution will be extremely important. On the one hand there is a need of continuous adjustment of the content and organisation to activities and the adjustments of the management to the requirements of more and more dynamic labour market, and on the other hand it requires the adoption and introduction of new information communication technologies that are the precondition to increase the efficiency and quality of the service implementation.

For the Employment Service in order to efficiently provide services mainly in job mediation, the advisers to employment are essential because they are the ones who motivate and direct the unemployed and refer them to jobs and to active policy programmes. Employment advisers bear huge responsibility to the unemployed who they guide and to the implementation of the employment policy. The number of employment advisers, their qualification and the ratio between the number of the unemployed and the number of employment advisers is reflected in all aspects of the employment policy. One of the essential goals of the modernisation of the Employment Service is to increase the number of advisers and reduce the number of registered unemployed persons per one adviser. In March 2006 the average load was 273 of registered unemployed persons per an adviser ("Modernisation of the Employment Service, March 2006, materials for a workshop) and the target value is 150 of registered unemployed persons per one adviser. At the same time it is planned to increase the number of professionally qualified employees. The Employment Service started to introduce new doctrines of work with the unemployed and employers as well as the system of e-services on the website was upgraded. In connection with the modernisation of the Employment Service other institutions dealing with the labour market employment such as social work centres should also be modernised. Due to high dispersion of various transfers that make the allocation of support hard to track and insufficiently transparent, one single entry point at the social work centres will be set up. An important contribution to the reform of labour market institutions will be the provision of information support and connections between records, provision of e-services to clients in order to remove bureaucratic obstacles. In addition to the Employment Service of Slovenia, efficient functioning of the centres of social work and other labour market institutions as well as projects in the broadest sense is necessary (for example: ensuring one entry point to exercise the rights to social transfers, the development and modernisation of institutions to monitor the supply and demand in labour market).

In the field of *health* it can be established that in last twenty years the average life expectancy in Slovenia has been gradually increasing by one year every four years. Comparison with other states indicates that with the average life expectancy we are lagging behind the EU average by three years with men and by a bit less than a year with women. Cardiovascular diseases are similarly to other developed countries the main cause of death and are followed by cancer, injuries and poisoning. In addition, Slovene population is ageing. Demographic movements in the second half of the eighties and in the nineties marked a sharp drop in the number of births and consequently the number of the elderly increased. The continuation of these trends is leading to even more intensive population ageing, which will have numerous

negative impacts in health care sector and its burdening. In Slovenia there are big gaps in health between regions and between individual groups of population. This is why mechanisms are necessary that will contribute to the formation of policies and programs and measures for the improvement of health status of the population. In 2004, total expenditure on health increased in comparison with the previous year but not more than GDB increased. The nominal increase of the value of total expenditure in 2004 according to the previous year (by 5%) was lower than the increase of GDP (by 7.9%). The lagging behind of the nominal growth of expenditure on health with regard to the growth of GDP reflected in the reduction of the share of the total expenditure in GDP (from 8.7% in 2003 to 8.55% in 2004). One fourth of health expenditure is financed from private sources. Social security funds covered 73% of all health expenditure. They were followed by the funds from health insurance covering 14% and direct payments of households with 10%. A share of private expenditure on health in the total expenditure in 2004 was by 0.6 percentage point higher than in 2003. Despite the fact that on average 29,000 people are annually involved into the provision of health and social services, waiting lists for the admission into institutional care are somewhere still long and can take up to a year. The current estimation is that at present in Slovenia there are about 45,000 persons that are potential long-term care users but in only some years this number might increase to more than 60,000.

In order to ensure quality and accessible health care public services that will provide monitoring and evaluation of programs and measures as well as studies, statistical data and professional consultancy need to be reformed and trained. Important elements of the reform are the provision of good management, ensuring comprehensive quality of health care and the establishment of the information system to ensure relevant and timely information. To successfully face with these challenges good and efficient infrastructure is required in public health and the provision of adequate and quality data and the tools for their capture and exchange. In the health system one of the basic tools is information communication technology¹⁴. Together with organisational changes and the development of new skills, ICT contributes to development, higher efficiency and productivity, better accessibility and the promotion of improved quality. Information communication technology has to provide citizens with better and accessible health services and health experts with easier work and faster access to necessary information. In Slovene health care first steps of providing literacy were taken in the period 1992-2002 with basic computer technology equipment, the introduction of computer data exchange, the establishment of standards and databases, and the establishment of HIC – Health Insurance Card. The infrastructure was introduced for the entire health care; the applications were mainly developed for health insurance and partly for health statistics. With the HIC system a reliable identification of a patient and a health care professional was ensured at all points of health insurance and the procedures of enforcing health insurance were simplified with a network of self-service terminals into which the biggest locations of Slovene health care were connected. Thus broad recognition was achieved and our experience is used in other similar card projects in other countries. But despite early basic computerisation of health care organisations in Slovenia we still do not have a uniform or at least connectable health information system. Numerous health information systems have been developed in or for the needs of public health institutions and are mainly intended for satisfying their own needs but they are not sufficiently connectable.

¹⁴ In December 2005 the National strategy of the development of informatics in health care – e-health 2010 was adopted – it contains the overview of achievements and unresolved problems in the field of informatics and the need for strategic tasks in the period up to 2010.

While ensuring support to public institutions it is also necessary to ensure suitable support to *social partners, nongovernmental and non-profit organisations* and to the projects that will foster the development of capacities and new employment potentials of all partners at the national, regional and local levels. In Slovenia nongovernmental and non-profit organisations and their projects respectively do not make full use of all their potentials. The results of the study¹⁵ focusing on this topic establish that the existing environment is not encouraging. This is mirrored in a low level of administrative capacities of non governmental organisations. The comparison of data between 1996 and 2004 shows 39% growth of registered nongovernmental organisations (to more than 20,000) with more than 900,000 people involved on a voluntary basis. For that reason it might be concluded that the share of the employed did not change significantly despite increased number of organisations and only represents 0.74% of labour force, which ranks Slovenia at the bottom of the European scale. Irrespective of this situation, additional assistance from abroad (pre-accession EU programmes PHARE, NMCP, MATRA, UNDP, etc.) contributed to the development of nongovernmental organisations and strengthening of institutions at the governmental level and the implementation of individual projects. The development of non-profit and socially beneficial services that could involve higher numbers of vulnerable groups in labour market is poor. This also results in insufficiently developed service sector. According to the employment rate in service sector Slovenia is lagging behind the EU-25 average. In 2005, the EU-25 average amounted to 67.7% and in Slovenia it was 53.8%. The biggest lag can be observed in health care, social security, other public and private services and business services. Contrary to relatively undeveloped culture of social dialogue, the *social dialogue* itself is well developed. In Slovenia there are 7 representative trade union confederations and additionally 28 trade unions that are representative in individual industries and occupations. The membership in trade unions dropped in the nineties to 60% of all people in employment. In the second half of the nineties trade unions lost about a third of members. In 1998 the membership of trade unions dropped further to 42.8% and since then has been maintained at this level. Still it needs to be mentioned that the 40-percent rate membership of trade unions is the highest among the new EU member states and ranks above many old EU member states. Among employers' organisations there are 4 organisations that are the representatives of employers' interests and are involved into the process of collective bargaining at all levels: Association of Employers of Slovenia, the Chamber of Commerce and Industry of Slovenia, the Chamber of Crafts of Slovenia and the Association of Craft Activity Employers of Slovenia. Trade unions and the associations of employers obtain resources for the operation from membership fees and a smaller share from public funds as the implementers of projects at the national and European level. Social partners in Slovenia participate in the Social and Economic Council (ESC) that was established in 1994 and represents a framework within which democratic relations among social partners consolidated that represent one of necessary and essential elements of political democracy. ESC plays a consultancy role and takes decisions that are binding on all three partners unanimously. In the analysis¹⁶ dealing with the capacities of social partners the social partners (trade unions and employers) in particular

¹⁵ Z. Kolarič, A.Črnak-Meglič, L. Rihter, R. Boškič, T. Rakar: Size, scope and the role of private non-profit sector in Slovenia, FSS, 2006

¹⁶Barbara Lužar (2006): »Social Dialogue Capacity Building at the sectoral and local level Slovenia«, contribution at a workshop; organiser: European foundation for the Improvement of Living and Working Conditions, Ireland.

exposed insufficient number of those who could conduct negotiations and a lack of information.

(d) Modern social state and higher employment

Promotion of entrepreneurship and adaptability

Changes in economy and economic development are also reflected in the changes of the labour market. Transition into market economy significantly changed the situation in the labour market in Slovenia. The employment rate and labour activities of the population aged 15–64 in the period 1996–2005 went up by 4.3 percent points and is relatively high and was 65.9% in 2005, which is slightly above the EU average. In 2004, the employment rate among women exceeded 60%, which was the Lisbon goal set in 2000 and the member states are to achieve it by 2010. In different age groups the employment rate went down in the group of the youth (aged 15-24); in 2005 it amounted to 31.4%. The cause was that more young people were enrolled in education. The enrolment in 1998–2003 rose from 53.6% to 66.9% and is among the highest in the EU. The rates also increased with other age groups and alarmingly low employment rate can be observed among the elderly (55–64), which is the result of the discontinuation in the mass use of early retirement scheme of the early nineties and the establishment of pension scheme reform and relatively high non-flexibility in relation to employment security in labour legislation and too small scope of lifelong learning. Nevertheless, the unemployment rate among the elderly (55-64) is far below the EU average (the Lisbon goal is 50% to 2010 and is among the lowest in the EU). The difference is also reflected between the genders: men in this age group reach 42.5% whereas women only 20.1% employment rate.

Access to labour market and unemployment strongly depend on the educational structure of the population. The height and movements of employment rates according to education already attained most significantly increased with the high-educated (from 83.5% in 1996 to 86.5% in 2005) and a slight increase marked the rate among those with low level of education (from 39.6% in 1996 to 40.7% in 2005) whereas the rate of those with secondary education slightly decreased (from 71.3% in 1996 to 70.7% in 2005). The unemployment rate among persons with a low educational level is well below the EU average, which is to a great extent connected to the low employment rate of the elderly and insufficient development of the service sector. Young people decide to remain in the educational process also due to the situation in labour market since they often cannot find employment. And since more and more high-educated persons enter the labour market and the absorption capacity of economy is limited, the share of unemployed high-educated labour force has been increasing as well.

The structure of the demand in labour market only changes in longer periods. The share of demand for high-educated personnel amounts to 21.6% and after a long period the demand for those with completed level IV exceeded the demand for levels I-III. In 2005, it was the most difficult to employ individuals with levels IV and VII and more (mainly technical areas). A positive trend to increase the complexity of vacancies needs to be pointed out and consequently this is reflected in the requirements for higher levels of education and higher qualifications and more knowledge that job seekers are faced with. There are imbalances between the demand and supply particularly due to the difference between the knowledge and qualifications required for a vacancy and sectoral shifts in demand.

The imbalance is also caused by non-intensive human resources management in companies, which reflects in lack of interest to provide study grants and invest into training and education for those with low educational levels. Human resources management in Slovenia can be characterised by the fact that the employees not being a part of the management teams are only operators and these human resources are not utilised. There is an extremely low number of experts per 100 employees.

On the other hand the survey on literacy of the adults and their involvement into education conducted by the Adult Education Centre indicated that the share of the adults being in educational process increased from 31.9% of adult population in 1998 to 37% in 2004. According to the latest Eurostat survey on the involvement of adults in education and training based on the European pattern, Slovenia was ranked among the countries that achieved the Lisbon goal (12.5%) with 17% involvement of the adults in 2004. But it needs to be emphasized that the indicator is methodologically insufficient because the time when survey is performed can strongly impact the results and it does not cover the dimension concerning the type and quality of education. Despite its shortcomings, this indicator exposes an important problem of the adult education since Slovenia belongs to the countries where the difference between the involvement of low- and high-educated persons is extremely high and this confirms the problem of the access to education of those less educated. Lifelong education and the involvement of adults in education is extremely important for the unemployed who compared to the employed have worse education. The average years of schooling of persons in employment in Slovenia in the period 1995–2005 went up by 0.8 year (from 11.0 years to 11.8 years). Educational structure of the persons in employment has been improving since according to the data of SORS in 2005 21.9% of the employed had post-secondary or university education (increased by 6.6 percent points compared with 1995). However, the increase differed by gender. The average years of schooling of employed women rose from 11.04 years in 1995 to 11.95 years in 2005 while the corresponding figures for men were 10.94 and 11.31. The difference between men and women that totalled 0.1 year in 1995 had risen to 0.64 year. It appears that faster increase in women's higher average years of schooling was partly underpinned by the more rapid rise in the number of female compared to male graduates. Between 1995 and 2005 the number of full-time undergraduate students almost doubled and in 2005 in Slovenia there were 71,000 full-time students and the share of students in the population aged 19-23 exceeded 50 percent for the first time (in 1995 only 25%).

In Slovenia, labour market flexibility measured by the incidence of temporary and part-time increased from 1995 to 2005. A notable rise was observed particularly in fixed-time jobs, while the incidence of part time work remained relatively modest. This may be due to low compatibility of social security systems with flexible types of employment and the fact that part-time jobs are relatively expensive for employers. Higher flexibility mostly affects younger people (15-24 years) particularly young women. Part-time employment is a common way of entering or leaving the labour market in the counties of the EU-15. In Slovenia, this type of employment is rarely used as a way of exiting the market since the pension system currently does not allow people to retire in such a gradual way.

Promotion of the employability of job seekers and the inactive

The unemployment rate in 2005 equalled 6.5%, which is slightly less than the EU average. After 1997 the unemployment rate of women is higher than the unemployment rate of men. From 2000 to 2005 the unemployment rate of men dropped more and thus the difference has been increasing. Despite the reduction of the unemployment rate in Slovenia a burning issue of long-term unemployment remains. A share of the long-term unemployed in the period from 1999 to 2005 even increased from 41.8% of all the unemployed in the second quarter to 51.0% in the second quarter in 2005. The problem of long-term unemployment as a rule increases with age and this reflects bigger problems of the elderly in searching for employment. The data from the register indicate that long-term employment most often occur with a combination of age, poor education and increased employment obstacles (e.g. the disabled). Recently, the share of long-term unemployed first-time job seekers has increased. This is due to the fact that the share of the unemployed above 40 years of age increased from 34.1% in 1995 to 43.6 in 2005 (the biggest share was in 2001: 51.7%). And the share of first-time seekers was increasing from 1995 to 2004 when it totalled 25.2% whereas in 2005 it slightly dropped, namely to 24.3%. The unemployed with higher education indicate the trend of increase. The share of the unemployed with no education is still high and represents 40.8% in 2005 although it has been reducing. On the other hand, the share of the unemployed with secondary education rose from 48% to 1.6%. There are also regional disparities; the highest unemployment is significant for Pomurje, Podravje and Zasavje.

In Slovenia there is a significant difference between the so-called registered unemployment and ILO unemployment mainly reflected in (i) »strong passivity of a part of the unemployed who do not actively seek work, which is mostly linked to a high-share of the long-term unemployed who become passive and believe they cannot find work; (ii) the activity of registered unemployed persons either in the grey market or as unpaid family workers in family businesses (small business, enterprise, farm). Unfavourable ratio between the number of employment advisers and the number of the unemployed also contributes to this situation. This reduces the possibilities for efficient monitoring and employment consultancy on the one hand and the control of the activities of the unemployed on the other.

The main problems in the field of employment and unemployment that have been addressed with the envisaged measures of active employment policy can be exposed in the following:

- a high share of long-term unemployment that in last ten years even increased,
- poor educational structure of the unemployed – high share of the unemployed with low level of education,
- extremely low level of education of the elderly (aged 55-64), which is among the lowest in the EU,
- relatively high unemployment rate among the youth (aged 15-24),
- increasing number of the unemployed with tertiary education.

Human resources development and life-long learning

The aspect of human resources development and in particular the involvement in lifelong learning is stressed in the analysis of the area the Promotion of entrepreneurship and adaptability. Therefore, at this point the development of lifelong systems and a lack of education are stressed. Slovenia is among those member states that already allocate a rather

high share of GDB to education since in 2002 Slovenia allocated 6.02%¹⁷ and in 2003 the share slightly went up to 6.09%¹⁸ and this ranks Slovenia among the countries with the highest share of resources allocated to education. Still, there are insufficiently utilised private investments.

From the point of view of the educational system and related human capital, Slovene labour market is faced with the following main problems:

- According to the data from last census in 2002, the structure of population (aged 25-64) is rather unfavourable (around 52.7% of persons have finished a lower or secondary vocational school and 47.3% finished secondary or high professional school).
- Low level of functional literacy. The international (Source: OECD) survey of functional literacy of the population aged from 16 and 65, the population of Slovenia achieved results that can be compared with Poland, Portugal and Chile. With the majority of this population (70%) the functional literacy is at level 1 or 2, which is, according to the opinion of the OECD experts, insufficient in order to enable mobility, employability and individual's participation in social processes.
- A lower share of the adults with tertiary education compared to the EU average. In 2002, the share of population with education higher than secondary amounted to 18.4% (results of the survey on labour force in the fourth quarter of 2002) while the EU average was in 2001 21.6% (Source: Eurostat, 2002).
- Although the share of young persons (aged 20-24) involved in secondary education is high and their education is good, there is still a relatively high share of drop-outs and repetition of courses¹⁹. In Slovenia the drop-out rate at certain levels of schooling (mandatory primary, low vocational, three-year secondary vocational and four-year secondary in particularly vocational and tertiary) still high. There are no significant differences by gender. As a rule, the drop-out rate is lower among girls. The drop-out rate is the highest in the first year. 40 – 50% of drop-outs leave school after the first year, 30% after the second year and 20 % after the third year. In the fourth year there is almost no drop-out. The consequence of the drop-out is the increased percentage of labour force that is hard to employ in the labour market. Young people who leave school early are exposed to a higher risk of social marginalisation.

It should be noted that there is a lack of balance between the education and training provision and the demand of the economy, the labour market and individuals. Education and training infrastructure and system are not responsive enough to the needs of the economy, labour market and individuals. This applies to curriculum development, initial and in-service training of teachers, trainers and staff training, as well as to the arrangements for the on-the-job and in-company training. The deficiencies stated result in the lack of common (inter-sectoral, inter-ministerial) approach to human resources development on the national and regional/local level, identified on all levels of upper secondary, post secondary and tertiary education. The intensified involvement of the economic sector and employers to define their needs is

¹⁷ Commission Staff Working Paper, Progress Towards the Lisbon Objectives in Education and Training, Commission of the European Communities, Report 2005, SEC(2005)419; p. 61.

¹⁸ The Assessment of the Statistical Office of the RS, UOE methodology

¹⁹ Losses in educational process are measured with structural indicators of early school leaving. For Slovenia this indicator is not problematic since according to comparable data the share (7.5%) for 2001 was significantly lower than the EU-15 average (18.9 %) or the EU-25 average (17.3 %).

foreseen by the present process of VET reform, anticipating a more flexible curricula (openness of the 20 per cent of the programmes to the needs of the economic environment), innovative methods in training of teachers, trainers and staff, increasing the period of practical training in enterprises and craft, competence-based modular curricula, strengthening of training in enterprises and craft; the multimedia vocational career guidance reference points, the opening of introduction of learning relay points to wider community, the widening of access to ICT.

Referring to postgraduate studies a new system of budgetary co-financing was set up that facilitates the enrolment and stimulates the cooperation and networking among Slovene universities, higher-education institutions, research institutions and foreign educational institutions. However, post-graduate programmes are still too fragmented and insufficiently connected with economy. This in particular goes for the development of research potential – with students and employers – and for transfer of highly qualified researchers to the business sector and the transfer of new know how. There is a lack of both financial and organisational incentives from economy and the range of study courses is too limited, especially of post-graduate specialist training.

Gender equality

In Slovenia, the number of women in employment in 2003 (57.6%) was above the EU average (close to the Lisbon goal 60%) and the number of men in employment (67.4%) was below the EU²⁰. The difference between Slovenia (and other new EU member states) and the EU average is even more significant if the data on employment gender gap calculated as full-time equivalence are used. Since women in Slovenia mainly work full time, the gender gap is 10.6% if measured as full-time equivalence compared to the EU average being 21.9%. Both men (41.8 hours per week) and women (40.9 hours per week) on the average work more hours a week than the EU average and the volume of overtime work of both genders is below the EU average. With increased requirements of employers, numerical reduction of labour force, diversification of work process and the introduction of new technologies the possibilities for reconciliation of professional and family life decreased in Europe and in Slovenia.

Inequality between men and women in the labour market is reflected in differences in salary between men and women with the same educational level. The Act on Employment Relations introduces the principle of equal payment for work of equal value. As established in the analysis of the situation in February 2005 by the Office for Equal Opportunities women compared to men with the same professional qualifications on average earn by 10 percentage points less. The highest difference between the salaries of men and women are between qualified and highly qualified female and male workers as well as between female and male workers with a higher level of education. For example the average net salary of a highly qualified worker in 2002 amounted to SIT 194,811 (a qualified worker earned SIT 179,392) whereas a female worker with the same educational level earned SIT 155,847 (a qualified female worker on average earned SIT 136,703). The differences in salaries between those with higher educational level are even bigger. In 2002, on average men with this level of education earned SIT 512,888 and an average salary of a woman with the same education was

²⁰ Source: Final report, Survey: Parents between work and family

by SIT 100,000 lower and equalled SIT 411,936. The average salary of a woman is despite the same educational level in comparison with men by SIT 100,000 lower.

The reasons for this situation can be found in the importance of the positions that women have: In political sphere they are trying to increase the number of women by introducing the system of quota since in the cabinet of 16 ministers there is only one woman and among 90 members of parliament there are only 12 women. Also in economy the position of women is worse because they only rarely take the most important positions in companies although more of them have higher or university degree.

In 2004 in Slovenia 5.9 percent of people in employment had higher educational level – men 4.8% and women 7.2% and 12.7 a university degree – men 10.4 and women 15.6%. Gender gap disappears with specialist education after the university degree, master's or doctoral level – 1.5% of the Slovenes had one of the three titles, with no difference in shares of the two gender.

Despite a better background at least as far as the educational level is concerned the number of women having the highest positions in companies is extremely low. Although this number has increased in recent years, in 2003 among the presidents of the management board in biggest companies there were only 4% of women and among members there were 22%. In managerial positions there were 29% of women and among the presidents of Slovene hundred most successful companies there were only three women.

Promotion of social inclusion

The connection between the development priorities More Efficient and Less Costly State and Modern Social State and Higher Employment indicates a high level of interdependency of social protection, economic growth, employment and lifelong learning. Risk of poverty rate and income inequality have been reduced. According to the latest data (year 2003) the risk of poverty rate equals 10%. With the elderly the risk of poverty rate is above the average (18.5%), elderly women being in a worse position than men. The highest risk of poverty rate is significant for single elderly persons (39.9%). The access to the goods and services provided by public services has improved and the equality of access is sometimes heavily influenced by high tuition fees for part-time training (huge discrepancies among different providers), exclusion of a part of the population from health insurance and long waiting lists and poorly organised long-term care and its capacities. Life satisfaction and confidence are relatively low and have been decreasing. There are significant backlogs in court procedures in particular with the enforcement (54% of all).

The social situation of an individual is connected with the situation in employment, unemployment (the length of unemployment), the level of education and other factors influencing different age groups and other target groups. Hard-to-employ groups can be exposed (the long-term unemployed, the elderly and poorly educated) as well as vulnerable groups²¹ of the population. Those who are faced with a higher risk of social exclusion and poverty are:

²¹ National report on the strategies of social protection and social inclusion 2006 – 2008; Ministry of Labour, Family and Social Affairs; Ljubljana 2006

- People with very low income (risk of poverty) whose survival frequently depends on social transfers (the unemployed²², single-parent families, single elderly persons,
- The disabled (the disabled without status, with severe disability, unemployed²³, with unsuitable housing conditions),
- Other vulnerable groups such as young people, Roma, migrants.

After 2000, the number of persons and the share of persons being unemployed for less than two years has been increasing. From 2000 to 2005 the total number of the unemployed dropped by 14,000 and in the same period the number of those who were unemployed from 6 months to a year and from one to two years increased. On the other hand the number of those who were registered at the Employment Service for less than six months and those registered for more than two years reduced. Consequently, the shares of individual categories of the unemployed according to the duration of unemployment changed the share of those unemployed from six months to two years increased and the share of those unemployed less than six months also went up. On the other hand the share of those unemployed from three to five years and from five to eight years significantly decreased, the first from 16.4% in 2000 to 9.5% in September 2005, the latter from 10.3% to 3.9%

The average duration of unemployment in December 2000 was 2 years, 8 months and 19 days. By December 2004 it shortened by eleven months to 1 year, 9 months and 8 days. By September 2005 the average unemployment duration slightly increased again to 1 year, 10 months and 21 days.

The number of long-term unemployed persons has been reducing. At the end of December 2000 there were more than 64,000 and at the end of December 2004 there were 40,401 persons, which is by 24,000 less. In the first nine months 2005 the number rose again to 45,472 persons. In the period from December 2000 to September 2005 the share of long-term unemployed persons with the educational level I-II reduced whereas the shares of those with the educational level III-V and VI-VII increased. The age structure of the long-term unemployed also improved since due to the transfer of adequate persons into the register in accordance with other acts the share of the long-term unemployed (older than 40) and those above 40 and with no education decreased. The share of long-term unemployed first-time job seekers is on the increases, the share in 2000 was 14.0% and rose to 21.4% in September this year. The situation of women has worsened. In September this year there were 55.1% of women among the long-term unemployed.

One of important factors in successful search for job is education. The unemployed with high professional and higher education usually find it easier to get a job and with those with secondary education the employability often depends on the secondary school. With mass enrolment at high professional schools and higher education schools that has been increasing since the middle of the nineties a type of a study course of graduates is gaining in importance. Those who have finished courses in natural sciences have good possibilities to get a job.

²² Among the unemployed the ones in less favourable position are: the long-term unemployed (mainly the elderly and women with no or low education), unemployed young people in particular those with low level of education (drop-outs, first-time job seekers – due to lack of experience).

²³ In 2005, there were 9.9% of the unemployed disabled, which is still more than in 1995 when the number was 5.2% but it is less than in 2002 – 18.3%.

Workers without any education (older women are a dominant group) face less employment opportunities.

Most of young people whose share among the newly registered has been increasing have finished secondary school or the tertiary level of education, which is one of the main reasons of the increase of the number of the unemployed with educational level V and mainly level VII. From December 2000 to September 2005 their number doubled. On the other hand, the number of those with level I –II and level III-IV has been decreasing. From December 2000 to September 2006 the number of the first reduced by 12,000 and the latter by 5,000. Consequently, the shares of individual groups of the unemployed also changed. The share of the unemployed with level I –II reduced to 40.9 % and the share of those with educational level III – IV also dropped whereas the shares of the unemployed with completed level of education V, VI and VII has increased. The share of the latter went up from 2.2% in December 2000 to 5.3% in September 2005 (2005 Annual Report of the Employment Service).

If the educational structure of all the unemployed above the age of 50 is compared, a conclusion may be drawn that the educational of the elderly is slightly worse than the education of all the unemployed. But the differences are reducing. The differences mainly occur among the unemployed with educational levels I-II and V and VII. The biggest difference characterises the educational level VII; among all the unemployed there were 5.3% of such persons at the end of September this year and among the elderly this share amounted to 2.4%. Among the elderly unemployed there is significantly less persons with educational level V (17.0 % versus 26.1 %). The ratios change with the unemployed with the educational level I and II since among the elderly above the age of 50 there are 49.9% of such persons and among all the unemployed their share is 41.0 % (2005 Annual Report of the Employment Service).

Within the promotion of social inclusion the disabled should be exposed as a particularly vulnerable group. The analysis of the situation indicates that the position of the disabled in the labour market is less favourable than the disabled appear in the labour market to a lesser extent and that their unemployment rate is higher than the one significant for all the unemployed. Also the duration of the unemployment is longer with the disabled. The data show that the very first crucial step is to even get registered. In the labour market (the unemployed and employed disabled) only one fourth of the total population of the disabled can be found (of 170,000 only 43,000). In the past the process of transition granted their social security with the early retirement scheme. This now means that the retirement rate of this population is above the average – among the total 500,000 pension holders there are 100,000 of the disabled. One fifth of all pensions are the invalidity pensions, which is far above the average. Also the resources in the budget intended for the disabled are mainly (99%) allocated as compensations (passive measures) and not as the measures of training (1%). According to the OECD study in 2003 the share that the states (also the EU states) use for the disabled are mainly intended for passive measures (compensations, pensions) and mainly does not exceed 10% of the active resources. The share of active resources amounting to 10-15% is only characteristic for the Nordic countries while the Central European states all earmark less than 10% for active programmes. If the disabled register, their structure – age and education – do not assist them in their search for jobs. On the contrary, after 2000 the number of the disabled has stabilised (about 20,000 disabled persons out of 100,000 of all the unemployed). This

means that the share of the disabled equals 20%, one fifth of the unemployed. Only one out of seven disabled persons is included into active employment measures (including vocational rehabilitation). This leads us to a conclusion that the disabled are left on their own and to passive transfers.

The problems of the groups observed often overlap and are very complex. It is hard to classify an individual into one group only. Vulnerable groups are faced with a number of problems due to social exclusion. We should mention demographic trends that indicate ageing of the population and smaller shares of young population. Demographic changes in the structure of the population have affected the extension of the care provided so that in 2004 the capacities of institutional care increased by 4% while the capacities of home help were increasing more slowly. The exercise of the right to choose a family assistant was more frequent with those who require assistance with the majority or all vital functions.

(e) Integration of measures to achieve sustainable development

The **demographic characteristics** indicate the decline in the birth rate and the slowing down of the mortality rate. This is significant for other EU member states. Hence, the population that had risen throughout the post World War II period to two million by 1991 then according to the register data dropped to 1,982,000 in 1998. The birth rate that in the beginning of the nineties was lower than the level still ensuring the renewal of generations additionally reduced due to the impact of economic and political transition. On the other hand the mortality rate has been slowing down due to the transition and after the beginning of the economic growth in the second half of the last decade it started to accelerate and the average life expectancy is getting longer. In 2004, the average life expectancy of men was 73.5 years and of women 81.1 years. Therefore, the difference in the average life expectancy compared to the EU-25 reduced significantly. The average migration growth was lower than in the eighties mainly due to political changes and fewer employment opportunities and the high domestic unemployment. As a result of the falling number of births and slowing down of mortality in the second half of the nineties the number of births was already lower than the number of deaths. The natural growth that was decreasing after 1979 became negative. Despite all these facts the migration growth was positive since 1993 (with the exception of 1998), according to the population register the number of population was decreasing²⁴ until 1998 when it started to increase again. In 2005, the population again exceeded two million. By decreasing the number of births and slowing down the mortality rate the **age structure of the population** gradually changes. The share of children has decreased and the proportion of the working age and old population has widened. So far this process is still rather slow due to significant demographic losses during the two world wars and this is the reason why Slovenia with its share of the old population is still lagging behind the EU average. But already in the next decade and later when the numerous generations born after the Second World War enter the ranks of the old population it can become critical due to the drop of the birth rate after 1980. In accordance with the projections of Eurostat (Kraigher, 2005; Eurostat, 2005 Report on Development 2006) the ratio between the persons capable of work (aged 15-64) and old inhabitants (aged 65 and more) will shift from current 5 : 1 to 4 : 1 by 2013. After 2020 it will drop to less than 3 : 1 and after 2040 to less than 2 : 1.

²⁴ This also shows that the official statistics of population and the statistics of migration are not coordinated in their use of methodologies.

In the field of **spatial and real estate management** there are several indications of positive changes. But the fact remains that there are still significant obstacles in the offer of land suitable for construction as well as the obstacles to proper functioning of the real estate market that do not exist in more developed European states. In addition to the improvements of the offer of developed land the development of the land market is necessary since the barriers in this market impact the offer and price of land. Real estate register remain a problem inherited from the period of social ownership although the project of upgrading real estate records has been completed and has achieved certain improvements and results. Intensity and timeliness of the adoption of spatial acts has improved. Since the spatial acts and plans do not reflect what settlement and other strategic goals have actually been achieved on their basis, this area is mainly illustrated with construction permits that have been issued. They show that the development function of space has strengthened because the surface of buildings for which construction permits have been issued increases. The surface of housing and industrial capacities has been increasing whereas the surface of the facilities in trade and premises has been reducing. The majority of the rural space is intended for agriculture that has gone through significant changes in recent years. The same applies to rural areas in general. The number of farms has decreased (in the last five years by 2.2% annually²⁵) whereas their size is on the increase²⁶. Although the agricultural land of abandoned farms is cultivated by other agricultural holdings the total agricultural potential is still reducing (in 2000 in Slovenia there were 486,000 cultivated hectares and in 2005 485,000 ha of agricultural land was cultivated). There are two main reasons: (i) unplanned overgrowing of more remote and less favourable agricultural land is still on the increase (ii) and at the same time in particular in suburban municipalities we can observe intensive and often wasteful urbanisation that makes use of the best agricultural land (Cof, 2005, Perpar and Kovačič, 2005 Report on Development 2006). Although agriculture is still a typical economic sector in rural areas the countryside is becoming also the place to live and work for people who also perform other non-agricultural activities. (Babič, 2005, Report on Development 2006).

With the performance of activities, 1.7 million tons of **waste** is created annually or 873 kg of waste per capita. In Slovenia about 450 kg of municipal waste is produced per capita annually (in the EU-15: 500kg/per capita/year), but according to recent data these quantities have been increasing. The share of population included into the system of regular collection and removal of urban waste increased from 76% in 1995 to 95.5% in 2004. So far 70% of service providers have introduced separate waste collection. Shortage of collection centres and overburdened existing landfills are obvious. This dictates the construction of new modern regional centres for waste management. According to the official data provided by the Environmental Agency of the Republic of Slovenia at the end of 2005 in Slovenia there were 44 active landfills of non-hazardous waste and two landfills were under construction. It is expected that after 2006 only 40 of these non-hazardous waste will still be active. The data on the quantity of dumped waste that for the year of 2002 can be also compared with the data of the Statistical Office of the Republic of Slovenia indicate that the quantity of this waste in 2002 compared to 2000 reduced by about 14%. From the total quantity of non-hazardous waste the share of municipal waste in 2002 equalled 85% of which the majority share (81%) is allocated to mixed municipal waste and the rest are garden waste and separately collected

²⁵ In 2000, a census of agricultural holdings was conducted and in 2005 the census was carried out in a sample.

²⁶ The average sized agricultural holding in 2005 was cultivating 6.3 ha of agricultural land (in 2000 5.6 ha) and was rearing 6.6 livestock units (in 2000 6.2 units). It is favourable that the number of farms cultivating more than 10 hectares of agricultural land has been increasing.

fractions. The total share of other dumped waste from industry (construction waste, packaging waste, waste from treatment of waste plants, inorganic waste from thermal processes, waste from the production of wood and paper and other waste) that according to their characteristics are non-hazardous waste is 13%. The situation in waste management is not satisfactory, in particular as regards the quantities of dumped waste on landfills that are still too high, a low share of separately collected fractions due to collection centres that have not yet been constructed and lack of trust into new environmental technologies and useful utilisation of waste that includes waste recycling to be processed and used as raw materials and reuse of waste and the use of waste as fuel of a combustion installation or an industrial furnace, and the use of waste to produce fuel. A crucial problem of the Republic of Slovenia in the field of waste management is full landfills and no newly constructed regional landfills that with the infrastructure that would enable re-utilisation of a part of the waste as raw materials and separate collection of waste, their processing and dumping. Thus the environmental impact would be reduced and the number of jobs created this way would increase as well as the use of new waste management technologies.

In the field of water the **quality of water courses** in 1992-2000 considerably improved. The share of water courses in the second quality range (good condition) increased on account of those severely polluted. The construction of waste water treatment plant and sewage systems is in accordance with the program in this field. The intensity of Slovene agriculture in recent years has been slowing down, which is favourable from the point of view of environmental protection and food safety. In 2003 the use of macronutrients in fertilisers per a unit of land where fertiliser is applied reduced as well as the quantity of pesticides sold (after the increase in 2002) whereas the share of organically cultivated surfaces increased. With the establishment of the European agricultural policy that makes the granting of financial incentives conditional upon environmental standards it is expected that the use of fertilizers and pesticides in Slovenia will continue to drop whereas the scope of organic and integrated agricultural production will be enhanced. In the period 1997-2000 the groundwater pollution with pesticides and nitrates was critical. The use of plant protection products has been increasing again since 1997. According to the quantity of plant protection products used per a hectare of agricultural land (in 2000) Slovenia is ranked among the biggest consumers in Europe. The use of nitrates no longer increases but limit values in many cases already have been exceeded. The use of fertilisers gradually decreases but the contamination of groundwater with nutrient surplus from agriculture still remains problematic. Urban waste water collection and treatment has improved in recent years and the emissions of pollutants into water have been reduced by 450,000 PE on the account of the construction of several waste water treatment plants. Significant improvement can be identified in the construction of treatment plants. The situation is worse in constructing sewage systems since the construction is slowed down due to time consuming procedure of obtaining approvals that requires better cooperation of land owners. Since municipalities preferred to construct treatment plants only but not sewage systems, the preparation of investments financed with the environmental tax has been centralised with a view to changing this trend and fostering the construction of sewage system together with a treatment plant and sludge treatment. For this purpose, the financial aid of the state and the EU together with the centralised approach is essential to fulfil all the obligations arising from the Treaty of Accession concerning waste water collection and treatment by 2015. Centralised approach enables easier solution of problems in the acquisition of the approvals by different services.

In the database on the **drinking water supply systems** in 2004 there were 977 areas supplying potable water to 1,840,135 inhabitants, that is 92% of the population of Slovenia. In 2003, 187 million m³ of fresh water were pumped for public water distribution system. Most of this water was supplied from groundwater and it is therefore necessary to preserve sufficient quantities of quality groundwater. The losses of water due to outdated water distribution systems have been diminished. With the construction of new landfills and treatment plants municipalities stopped investing into potable water supply which is understandable because it is hard to eliminate such significant deficiencies in a short period of time. It was also established that many water distribution systems have no determination of reserve sources that are indispensable in case of any failure. To ensure more balanced development municipalities are in need of additional resources to construct new water distribution systems, reserve water sources and to ensure long-term decrease of the vulnerability of the Republic of Slovenia due to climatic changes.

Floods are natural phenomenon that can not be completely prevented but it is possible to prevent or limit potential material damage and victims. For this purpose various construction and non-construction measures that limit the damage need to be implemented. Certain implementing documents regulating the construction of flood protection facilities in the river basins of the Drava, Mura, Ljubljana, Savinja and Sava rivers have already been adopted.

Investments into potable water supply, programmes to reduce water damage and the activities of constructing the infrastructure for urban waste water collection and treatment represent a system of integrated water management that is in compliance with the WFD Directive.

The emissions of **greenhouse gasses** started to decrease after 1986 and reached their minimum in the period 1991 – 1992 and then they increased again and stabilized in the period 1998-2000. After the year of 2000 the emissions started to increase again especially in the energy sector that contributes one third of all emissions. The second problematic area is the rapidly increasing share of the road freight transport. Road transport increases much faster than the railway transport in Slovenia and elsewhere. In Slovenia its share in total trade in goods is a bit lower than the EU average. Last three years it remained at the same level (65.8%). The increase of the number of motor vehicles and increased mobility resulted in higher consumption of motor fuels and consequently the CO₂ emissions as the most important greenhouse gas also went up. After 1995 the emissions of lead from traffic started to go down because the new Act on the Quality of Liquid-Fuel entered into force then. By banning the sale of leaded petrol the emissions further decreased.

Slovenia belongs to the countries that in terms of energy are relatively inefficient because per a unit of GDP only seven countries in Eastern Europe use more energy than Slovenia. However, in all other EU member states the energy intensity is lower. In the period 1995-2004, Slovene energy efficiency dropped significantly, by 17%, but in the last years of this period the drop stopped. The deadlock in reducing energy efficiency in Slovenia can mainly be identified after 1999, whereas from 2001 to 2004 the energy use per a unit of GDP even increased. Relatively high energy intensity in Slovenia can partly be explained with a rather lower GDP per capita than the EU average and partly with a relatively high share of industry in economy. With respect to environmental pressures it is not only energy intensity that is relevant but also the structure of primary energy sources. The dominant share of fossil fuels

has remained unchanged but the structure changed and the share of liquid fossil fuels has increased whereas the share of solid fuels has dropped.

But it is encouraging that the share of renewable energy sources (RES) in Slovenia is twice higher than the EU average (2004: 11.7%), which is the consequence of a high share of hydro energy. In recent years this share has been reduced because of dry periods, however, the utilisation of biomass has increased.

A share of **“dirty” industries**, which are the industries with the highest shares of emissions having adverse impact on the environment per product, in the added value of processing activities has been increasing ever since 1999 and in particular it strengthened in 2003. Also the scope of production in these activities has been increasing faster than all the processing activities together. However, recently this gap has even deepened.

Slovenia is one of the pre-eminent European countries in terms of **biodiversity**. On 29 April 2004 the Government determined the areas of Natura 2000 in Slovenia with the Decree on special protection areas. 286 areas were included that cover 35.5% of the territory of Slovenia. The majority of areas are covered in forests and there is a big share without any vegetation, 9% of surface is above the forest limit; the share of grassland is relevant. Protected areas cover 25% of the surface included in Natura 2000 areas. The areas overlap because 60% of the areas proposed on the basis of the Directive on habitats are within proposed special protected areas based on the Directive on Birds. The overview of biotic diversity in Slovenia confirms European trends although they are less distinctive than in developed central and eastern European countries. 10% of all ferns and spermatophytae and 56% of invertebrate animals (mammals, birds, reptiles and amphibious and fish) are endangered whereas the most endangered habitats are underground, seashore and maritime habitats, standing and running waters, dry and wet grassland. Among authentic breeds of domestic animals there are at least nine breeds that are endangered. Compared to the European Union member states, Slovenia has even more areas with well preserved habitat types that have been the result of extensive agriculture and forestry.

Slovenia is one of the **most wooded** EU member states and the share of woods even increases due to overgrowing of agricultural land. The management of forests that represent one of rare natural sources in Slovenia has not been successful. Despite the increase in 2003, logging is still insufficient. In particular, the caring logging that is the most relevant for the development of forests. Compared with the EU, Slovenia is lagging behind in the production of forestry assortments. The health status of forests has not deteriorated because of atmospheric pollution.

Soil pollution. The maximum levels of hard metals have been exceeded in locations with industrial centres. According to recent findings, agriculture with the use of fertilizers (biological and mineral) does not increase the content of heavy metals in the soil. Furthermore, there are some areas in Slovenia that are heavily burdened with the loads from the past (PCB and waste oil). For this reason special attention will be put on dynamic removal of PCB in the period 2007-2010 when Slovenia is to fulfil its obligations in this field. The task will be implemented within the regulations depending on state aid with adequate operational program for the whole territory that is currently still in preparation. In addition remediation of polluted industrial areas with waste oil and pesticides will be performed.

In the field of **air**, the most significant phenomenon is the reduction of SO₂ emissions, which were reduced by 47% compared with 1990, mostly in the energy sector with the highest share of emissions. Because of the thinning of the ozone layer in stratosphere, the abandonment of chlorofluorocarbons started in 1995. Slovenia does not produce ozone-depleting substances and the use of ozone-depleting substances in 1989-2000 reduced by about 90%.

Noise in natural and living environment has been increasing and noise in urban environments generally exceeds the noise in rural areas because the number of residents in urban environment increases almost twice as fast as those in non-urban environment. The most relevant factor of noise in the environment is road traffic.

Analysis of the key strengths, weaknesses, opportunities and threats

STRENGTHS	WEAKNESSES
<p><i>Competitive economy and faster economic growth</i></p> <ul style="list-style-type: none"> • Relatively high and stable economic growth, • Stable macroeconomic environment, • Satisfaction of Maastricht criteria, • Price stability, • Growth of salaries in macroeconomic frameworks, • Competitiveness of economy and improved work productivity and increased market shares, • Structure of investments into machines and equipment and investments into market activities respectively, • More intensive service development , • Good geographical location and placement in Trans-European traffic corridors. 	<p><i>Competitive economy and faster economic growth</i></p> <ul style="list-style-type: none"> • Structural imbalances in the structure of value added, employment in export, with a high share of labour-intensive sectors and technological lag of companies, • Low level of entrepreneurial activities, • Access to sources of financing, • Low level of direct foreign investments, • Overburdened economy due to administrative obstacles, • Slow establishment of competition in most networking activities, • Unused potential in the field of business services, • Low share of innovative companies, • Insufficient role of the financial sector in supporting the entrepreneurial sector , • Inadequate traffic infrastructure.
<p><i>Efficient use of knowledge for economic development and quality jobs</i></p> <ul style="list-style-type: none"> • Gradual strengthening of the factors of knowledge based society, • High expenditure in education, • Improved educational structure of the population, • Relatively high share of the business sector in RD investments • Enlarged access to the Internet. • Capacity of NGO to be innovative and flexible in their response to the changing needs of the population. 	<p><i>Efficient use of knowledge for economic development and quality jobs</i></p> <ul style="list-style-type: none"> • Legging behind with the investments in knowledge, in particular RD and ICT, • Weak cooperation and insufficient transfer of knowledge between public research sector, higher education sector and economy. • Obsolete equipment, inadequate premises and unsuitable spatial arrangement of public research and higher education institutions, • Specific weaknesses of higher education: <ul style="list-style-type: none"> - relatively low expenditure per a student in tertiary education, - unfavourable ratio between the number of students and teaching staff, - high level of drop-outs and excessive length of study, - neglected functional knowledge, - insufficient matriculation in natural science and technical study courses, • Insufficient utilisation of innovation potentials to improve competitiveness of economy, consequently there is a low share of innovative companies.

<i>Efficient and less costly state</i>	<i>Efficient and less costly state</i>
<ul style="list-style-type: none"> • Reduced share of expenses of the state sector in GDP, • Reduced backlogs, • Systematic approach to increase the efficiency of public administration, • High percentage of employers who cooperate with the Employment Office • Programme of the modernisation of the Employment Office and a new labour doctrine with the unemployed and employers, • Introduced system of basic e-services through the website of the Employment Office. • Capacity of NGO's for inventive and flexible response for modified needs of inhabitants. 	<ul style="list-style-type: none"> • Excessive tax burden in certain areas, • Labour burden and consumption above the average, • Institutional environment is discouraging for economic development and competition, • Low efficiency of the state, • The state's big ownership share and direct ownership control in economy, • Critical area is the enforcement of court decisions • High number of the unemployed who are registered per a consultant in the Employment Office. • Bad connections between information systems and databases respectively managed by the institutions in the labour market and social work centres. • Weak qualification and inadequate inclusion NGO's in forming and implementing public policies. • Poor capacities and insufficient involvement of non governmental organisation into the preparation and implementation of policies.
<i>Modern social state and higher employment</i>	<i>Modern social state and higher employment</i>
<ul style="list-style-type: none"> • Favourable employment rate that is higher than the average of EU25 and EU15, • High employment rate among women, • Adaptability of labour market has been increasing, • Social systems are mainly adapted and do not present too big public-financial burden, • Proportionally small divergence between salaries of women and men compared to other EU member states, • Greater inclusion of young people in education, • Relatively high standard of living, • Access to the goods provided by public services has been improving. 	<ul style="list-style-type: none"> • Structural unemployment, particularly among the elderly and first-time job seekers, the disabled, other persons hard to employ and persons without vocational or professional education, • Low involvement of the disabled in work and training programmes, • Adverse educational structure of population according to the level of achieved education (with older workers, above the age of 40) that reduces the possibilities of employment and mobility, • Insufficient access to life-long learning , in particular when educational level is low, • Tuition for part-time study results in inequality, • Inequality of gross salaries in salaries of men and women are compared, • Relatively modest functional literacy.
<i>Integration of measures for sustainable development</i>	<i>Integration of measures for sustainable development</i>
<ul style="list-style-type: none"> • Prolonged life expectancy, • Creation of jobs following the principle of polycentric development, • High biotic diversity, • Abundance of water sources, • Slovenia is one of the most wooded EU member states, • Growing organic and integrated production, • Improved quality of water courses. 	<ul style="list-style-type: none"> • Negative natural growth, • Insufficient volume of developed land that can be used for construction, • Obstacles in functioning of the immovable property market, • Low energy efficiency, • Increasing energy efficiency, • Increasing emissions of greenhouse gases, • The share of road transport has been rising, • Increased share of "dirty" processing industries, • Endangered and polluted groundwater in certain areas, • Bad or not constructed water systems without

	reserve water sources, <ul style="list-style-type: none"> • Quantities of waste are increasing, • Shortage of modern public utility infrastructure in the field of waste management and waste water collection and treatment, • Further decrease in biotic diversity and variety.
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OPPORTUNITIES	THREATS
<i>Competitive economy and faster economic growth</i>	<i>Competitive economy and faster economic growth</i>
<ul style="list-style-type: none"> • Adoption of euro, • Improvement of investment climate, • Running investment policy of the state that will support the competitiveness of entrepreneurial sector , • Reform of regulatory framework that will contribute to more dynamic economy, • Improvement of the functioning of capital market and ensuring financial resources for entrepreneurs, • Accelerated internationalisation, • Reduced gap to the EU structures in the share of services in added value and employment, in particular in knowledge-based services, • Investments into knowledge, R&D, innovations and information technology. 	<ul style="list-style-type: none"> • Reduction of economic growth due to competition pressure, • Movement of economic activities to third countries, • Untimely restructuring and no increase in the adaptability of the state's expenditure structure, • Salaries increase more than productivity, • Cost incompetitiveness, • Increasing public debt, • Reducing resources for education, • Lack of the utilisation of the position of the state and transport potentials.
<i>Efficient use of knowledge for economic development and quality jobs</i>	<i>Efficient use of knowledge for economic development and quality jobs</i>
<ul style="list-style-type: none"> • Increasing innovation potential to increase the competitiveness of economy, • Increasing investments into knowledge and the increase of the efficiency of investments, Promotion of the cooperation between economic and research sphere with interventions and regulations, • Increased responsiveness of higher education to the needs of (local) environment and in particular economy, • Using the opportunities of international connections in particular in the field of research and development, • Increase of the quality and functionality of education and lifelong learning. • 	<ul style="list-style-type: none"> • Inefficient utilisation of the resources for research and development with less investment dynamics, • Further lagging in the field of expenditure on tertiary education, • Educational system is not adapted to the needs of economy, • Loss of essential functions, with high added value, in Slovene companies within international business networks.
<i>Efficient and less costly state</i>	<i>Efficient and less costly state</i>
<ul style="list-style-type: none"> • Introduction of new methods in the management of public sector, • Private principle and the involvement of private sphere to cooperate; more efficient functioning of the state, • Restructuring of public finances, • Enhanced utilisation of opportunities offered by ICT in all areas, • Simplification and uniformity of the procedures in implementing programmes and social transfers. 	<ul style="list-style-type: none"> • Stop of the reform of the regulatory framework to increase the efficiency of the public administration and judicial authorities, • Backlogs in judicial authorities are threats to the implementation of the principles of rule of law, • Reduction of the competitiveness of economy and services due to inefficient state, • Too rapid and too extensive reform can affect the quality and transparency of services provided by labour market institutions.

<i>Modern social state and higher employment</i>	<i>Modern social state and higher employment</i>
<ul style="list-style-type: none"> • Liberalisation of markets after the entry to the EU and related labour force mobility in the EU market (employment abroad, return with experience, • Creation of new quality jobs to increase the competitiveness of economy, • Increasing labour market flexibility by ensuring increased employability, • Higher adaptability of labour market achieved by investing more into human capital and establishing the concept of lifelong learning, • Employing in flexible forms of employment, • Transfer of knowledge and cooperation with other EU countries, • Wide social inclusion and fight against discrimination, • Introduction of systemic solutions to involve private providers and private resources, • Increased quality of educational system and training including the recognition of informal knowledge and competences, • Increasing of gross salaries as the source of income, • Creation of new jobs in the service sector. • 	<ul style="list-style-type: none"> • Loss of jobs because of lack of cost competitiveness of the companies and globalisation, • Growth with no job creation, • High risk of social exclusion of the long-term unemployed, • Continuation of structural disparities in the labour market due to low labour force mobility on the one hand and brain drain on the other, in particular highly qualified workers and experts, • Social / regional shocks in the labour market due to lack of competitiveness especially in labour intensive branches, • Differences in the dynamics of employing men and women, • Purchasing power is lower than the EU average, • Life satisfaction and confidence, • Reform of public services is too slow; the goal is to ensure better access, • Continuation of the crisis in the processing industry can have adverse impact on the position of women in labour market, • Inactivity of the disabled.
<i>Integration of measures for sustainable development</i>	<i>Integration of measures for sustainable development</i>
<ul style="list-style-type: none"> • NATURA 2000 as the basis to increase the welfare of the population, • Introduction of new technologies with high added value on the basis of adapting to ecological standards and „green” incentives, • Balanced development of economy and welfare on the basis of efficient spatial utilisation, • Integration of environmental policies into sectoral policies and consumption patterns, • Reduction of differences between the genders in the whole life cycle, • Ensuring better services for users, • Reduction of impacts on environment and the improvement of life quality, • Ensuring flood safety in urban areas, • Increasing the volume of jobs intended for highly educated staff in the field of environmental protection. 	<ul style="list-style-type: none"> • Worsened ratio between the ratio of older people to inhabitants capable of work is increasing (coefficient of dependence) and insufficient quality labour force, • Failure to satisfy internationally adopted environmental standards and obligations, • Endangering the health of population, • The possibility of the collapse of the system of supply, collection and cleaning, systems of waste management and potable water supply, • Lack of competitiveness of economy arising from non-sustainable and inefficient use of sources, • Failure to satisfy internationally adopted obligations in the field of efficient energy use and renewable energy sources, • Failure to satisfy internationally adopted obligations concerning environmental protection.

2.3 Internal development disparities

The concentration of economic activities and inhabitants in only some areas in the past caused heterogeneous conditions for life and work (significant differences in the spatial distribution of jobs, unemployment rate and education structure of inhabitants), poor transport connections between regions and unequal access to social infrastructure inside regions. The problems are especially distinctive in structurally underdeveloped areas with 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 3: Basic statistical data and socio-economic indicators for the cohesion regions and for the whole of Slovenia

INDICATORS	Western ¹⁾ Slovenia	Eastern ²⁾ Slovenia	Slovenia
Territory (in km ²)	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) ³ (in % of all employed in separate territorial unit) year 2005	61,1	46,8	53,5
Average number of years of schooling; year 2005 ⁴	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 st and 2 nd level ⁵ 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 % ⁶	60,4	41,0	49,9
Share of Natura 2000 areas; in %	38,4	33,6	35,5
Synthesized development indicator: development deficiency index ⁷	73,0	127,0	100,0

1) Western Slovenia: Gorenjska, Goriška, Coastal-Karst, Central Slovenia (all NUTS 3)

2) Eastern Slovenia: Pomurska, Podravska, Koroška, Savinjska, south-eastern Slovenia, Zasavska, Spodnjeposavska, Notranjsko-kraška (all NUTS 3)

3) NACE classification of activities, persons in employment

4) Source: SORS, the calculation is the assessment based on the Labour Force Survey and weights calculated on the basis of Census 2002.

5) Unfinished or finished primary school

6) Datum from the Census 2002

7) Development risk index is a synthesis indicator calculated from the indicators of economic development, labour market, population, education and environment for all 12 regions.

8) Sources:

- SORS

- All the data on labour market arise from the Labour Force Survey

- Eurostat, New Cronos for GDP (as of 19 October 2006).

Problems are concentrated in the Eastern Slovenia cohesion region, which according to the latest data available for 2003 only reached 62.6% of the average EU-25 development level, whereas they are less present in the Western Slovenia cohesion region that this year reached 91.7% of the average EU-25 development level.

In directing funds into less developed areas, the regional policy uses a synthetic indicator, development risk index (see Table 4), calculated for 12 development regions (NUTS III) and both cohesion regions.²⁷

Table 4: Development risk index

(NUTS-III) development regions and (NUTS-II)* cohesion regions	Index (Index, SLO = 100)
EAST SLOVENIA	127.0
of this	
POMURSKA	159.5
NOTRANJSKO-KRAŠKA	127.0
PODRAVSKA	116.8
SPODNJEPOSAVSKA	116.8
ZASAVSKA	113.9
KOROŠKA	103.9
SOUTHEAST SLOVENIA	101.7
SAVINJSKA	92.3
WEST SLOVENIA	73.0
of this	
GORIŠKA	93.8
GORENJSKA	83.1
OBALNO-KRAŠKA	82.4
CENTRAL SLOVENIA	8.7

Source: GORP

* the proposal sent by Slovenia to the European Commission for notification in November 2005

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. The ratio between the least developed Pomurje region and the most developed Central Slovenian region increased between 2000 and 2003 from 1:1.969 to 1:2.095. Regional development disparities in Slovenia are still increasing. Variation coefficient for 2002 calculated from the GDP data of 12 NUTS III development regions amounts to 24.5 and for it equalled 26.3.

In Slovenia in the past few years there has been a strong process of establishing links between local communities. After the adoption of the Promotion of Balanced Regional Development

²⁷ Development risk index is calculated by weighting the indicators of economic development (GDP per capita, gross basis for income tax per capita, a number of jobs according to persons in employment in the region and gross added value of companies per an employee), labour market (rate of registered employment and the registered employment rate), population (population ageing index), education (average years of schooling) and the environment (a share of population connected to public sewage systems, a share of the Natura 2000 areas and the indicator of settlement).

Act (1999) these communities concluded formal agreements on cooperation. They have established Regional Development Agencies and Programme Committees as implementing structure for development programming. In the past years regional development programmes were in fact prepared and adopted in all 12 NUTS III territorial units. With the new Promotion of Balanced Regional Development Act (2005) these developments obtained a new systemic framework. The formation of NUTS III development regions and NUTS II cohesion regions is actually an improvement and reorganisation of the regional development management model used so far in Slovenia.

Cities and urban areas are the driving force of the economic and social development. They are the main potential to generate economic growth and increase employment since most jobs, companies and higher education institutions and innovations are located there. Slovenia can be characterised by moderate urbanisation rate of about 65%. Slovene cities were formed mainly in the period of accelerated industrialisation process and de-agrarisation. Later on the settlement pattern was affected by the expansion of new family house construction. The consequence was the expansion of suburban areas. With the spread of city way of life and the development of non-agricultural activities the countryside changed to a great extent. In the last decade an important factor affecting the settlement trends was the motorway construction and the increasing density of population in the outskirts of big cities. Simultaneously city centres were emptying. Long-term trends of people migrating from the uplands to valleys, moving of young families to the outskirts of cities and the tendency to abandon agricultural activities have not reduced their intensity and will result in decreased biodiversity. The data show that the agricultural sector has not been successful in preserving the best agricultural land (process of overgrowing and construction). Population ageing and stagnation will remain structural weakness of the two thirds of Slovene territory also in the future. It is expected that the number of population in bigger cities and in their outskirts will continue to grow. In accordance with those more optimistic assessments the increase will amount even up to +0.5%, which will have negative impact on the rest of the territory where the number of population will reduce.

Wider city areas – city regions have been formed due to accelerated expansion of city and outskirts areas and the connections and divisions of functions. The territorial expansion of cities, supplementing functions in the network of settlements in the hinterland of the cities and extensive daily work migrations led to the formation of urban agglomerations formed around Ljubljana (mainly towards Domžale, Kamnik, Vrhnika, Škofja Loka and Kranj and Grosuplje), in the coastal area (Koper, Izola, Piran, Lucija), around Maribor, in Koroška: Ravne na Koroškem and Prevalje, in the Savinja Valley around Celjaj and Velenja and around Nova Gorica. Urban agglomerations are also emerging in the Drava area and the Krško-Brežice field. More than a half of all the jobs, services and the activities of care provision are concentrated in cities and bigger urban areas that stand for 2% of all settlements. Compared to urban centres Slovene cities are relatively small and much less competitive. On the other side the small size can be advantageous provided that they start to establish connections and develop quality living space.

Analysis of the key strengths, weaknesses, opportunities and threats

ADVANTAGES	WEAKNESSES
<ul style="list-style-type: none"> - People have a strong feeling of regional loyalty and are aware of the necessity to protect culture and language. - There are no extremely undeveloped areas - all have the possibilities or opportunities for development; - Long history of promoting polycentric development; - Links between the inhabitants are mainly regional (local), which enables synergies with coordinated operations; - Implementation of bottom-up regional development planning, which enables regions to include their programmes in the national framework; - Balanced inclusion in education in cohesion regions; - Diversity of rural areas, attractive countryside, diverse rural characteristics; - National consensus on the importance of rural development. 	<ul style="list-style-type: none"> - Concentration and centralisation of economic activities only in some parts of Slovenia; development gaps of the cohesion region Eastern Slovenia in particular according to social-economic indicators; - Inadequate transport links between regions and uneven access to social infrastructure inside the regions; - Undeveloped infrastructure and service sector in less developed and more peripheral regions; - Regional centres of peripheral regions do not have the critical mass for faster development; - Substantial differences between regions with regard to unemployment; - Business culture in Slovenia is generally underdeveloped. This is especially true for the less developed, peripheral regions, where the issue is linked with public dissatisfaction, opposition and unwillingness for further reform and the necessary adjustment to the new circumstances; - Low representation of students from less-developed regions in higher education; - Formation of local self-government has not been concluded, regions at the second level of self-government have not yet been formed and too many competences are centralised at the national level; - Cultural events, creativity and education are increasingly concentrated in urban areas;
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Specialisation of regions, as a good basis for the improvement of competitiveness in regions, formation of clusters and joint expansion to foreign markets; - The use of structural funds for promotion of regional development and internal development potential in regions; - Increased inflow of foreign investments, especially into less-developed areas; - Stronger economic and general cooperation with the neighbouring regions, both with the EU and Croatia; - Regional institutional structures, which are efficient and linked with their social and economic environment; - Polycentric development based on the concept of functional regions; - The development of metropolitan areas through joint development of complementary activities in urban areas and the countryside and the development of efficient regional system of public passenger transport. 	<ul style="list-style-type: none"> - Asymmetrical influence of accession to the EU (different competitive capacities and economic structures in regions) - Unfavourable population trends for the less-developed regions. - Excessive concentration of social and economic development in urban areas - threat for Slovene identity in remote areas - Operation of regional development institutions needs to be efficiently monitored - threat of "seeking connections"; - Low participation of the economic and public sector in regional planning; - Further fragmentation of municipalities could limit or even undo the effects of regional policy; - Abandonment of agricultural production leads to decrease of the number of rural population and poor appearance of man-made environment.

2.4 Territorial cooperation

Slovenia is a markedly border country as its share of border land (over 75% measured in the share of border areas in relation to the total surface area of the country) ranks it at the top of the EU. Due to this fact and since national borders are mainly newly established, the inhabitants are to a great extent attached to the neighbouring regions outside the national border, which is shown especially in weekly purchases, leisure activities or in direct cooperation between inhabitants living along the border. The border character of Slovenia is further confirmed by the external EU border with Croatia.

The differences in the level of the development of NUTS II countries and regions in the EU, measured in the GDP per capita are strongly pronounced in this area. To the north and west of Slovenia there are some of the most developed regions in the EU (≥ 125), such as some north-Italian regions, Bavarian regions, as well as Salzburg and Vienna. The neighbouring lands of Friuli-Julian, Kärnten and Steyermark are not as developed but they are still above the EU25 average development level (100-125). On the other hand, Slovenia, which has achieved around 75% of the EU-25 average development level, borders to the east and south to considerably less developed Hungarian and Croatian regions or West Balkans countries. A similar situation also prevails in the employment of the population and competitiveness of regions inside the mentioned area, whereas according to the mentioned indicators the situation of Slovenia is to a certain extent even more favourable.

Slovenia's geographical position is favoured by the proximity of propulsive, fast developing European regions playing the role of development generators. Thanks to its geographical position and good understanding of the Balkan region, Slovenia has good chances of actively participating in the process of political democratisation and economic restructuring of this region. Owing to its central location, Slovenia has always been a crossroads of trans-European routes (Slovenia is the crossroads of the 5th and 10th Trans-European corridor).

As far as cross-border cooperation is concerned, Slovenia has been cooperating intensively with the neighbouring countries for more than two decades. In 1978, Slovenia was one of the founding members of the Alps Adriatic Working Community that importantly contributed in cushioning the negative impacts of the division of Europe into the blocks. It is important to note that Slovenia's position is right in the centre of this working community that has Italian, Austrian and Hungarian regions, Bavaria and Slovenia as well as Croatia as a candidate country to enter the EU.

Slovenia started to cooperate with the neighbouring countries within the pre-accession instrument CBC Phare in 1994. Then it started to cooperate with Italy and in 1995 with Austria and Hungary. Through the years the level of cooperation between the cross-border partners and the development institutions along the border in Slovenia has increased, and the areas of cooperation have been extended. The latter encompass sustainable development, economic cooperation, and human resources development. The need for cooperation is particularly obvious in the area of tourism, natural resources, regional cooperation and in culture and human resources within small-scale projects. Slovenia implemented over 300 of such projects from 1994 to 2003, which shows high interest and the need for resolving common issues in border regions.

Cross-border cooperation

Cross-border areas between Slovenia and **Austria** are characterised by a considerable lag behind the development level of regions in Austrian Kärnten and Steyermark. The biggest disparity can be identified between the neighbouring regions Podravje and highly developed Graz, as well as between Gorenjska and Klagenfurt region. A similar situation can be found at the border with **Italy**, where Goriška and the Coastal Karst region border upon economically strong regions of Friuli Giulia and Veneto. Both border areas are also characterised by exceptional natural and cultural diversity, the position near transport hubs, educational centres and the Slovene community that represents a bridge in linking players in both countries.

The obstacle to even more efficient cross-border cooperation is the scope of the eligible area. In Austria the eligible area is twice the size of that in Slovenia. An even bigger difference is on the Italian side where the eligible area is three times as big and the population eightfold compared to that in Slovenia. These disparities will further increase in the next programming period, since partner states will continue to extend their eligible areas.

The external border with **Croatia** is the longest border of Slovenia and is 670km long. Eligible areas on both sides of the border are balanced as to their extent. Comparisons at the border show a higher development level of Slovene regions as compared to that of in Croatia. The most noticeable are the Coastal Karst, Savinjska and Southeast Slovenia. However, if we compare the development level of Slovene border regions with the Slovene average, they first lag behind. Border area with Croatia is characterised by exceptional diversity as regards their historical character, physical and geographical characteristics as well as social and geographical distinctive features. Even before the establishment of the national border, the border area was economically and socially similar and strongly mutually involved and interconnected. The establishment of border in 1991 therefore increased development and structural disparities between the Slovene and Croatian regions. The establishment of the Schengen border will further increase disparities and present an obstacle to cross-border cooperation.

The border with **Hungary** is the shortest border in Slovenia and is 102km long. The eligible area in Hungary encompasses 7,121 km², whereas that in Slovenia only covers 1,336km² which again causes imbalance. Comparisons of GDP per capita between Pomurje and Vas and Zala regions on the Hungarian side show that the development level of Pomurje is higher than that of both neighbouring regions. Both Hungarian regions are, compared with other districts in Hungary, in a favourable position, while Pomurje is the least developed region in Slovenia.

Table 5: Areas of cooperation in INTERREG IIIA programmes



Source: NARD

Trans-national Cooperation

Slovenia has actively participated in INTERREG III B Alpine Space and CADSES programme since the very beginning of the programme implementation, even though it only became eligible for receiving funds only on 1 January 2004. By 2006 93 Slovene partners have been included in 71 trans-national projects.

Alpine Space Programme includes hills, lowlands and coasts around the Alps. The eligible area thus includes parts of Austria, Slovenia, Switzerland, Lichtenstein as whole countries, and France, Germany and Italy with individual regions. CADSES covers the Central, Adriatic, Danube and Southeast European area. Priorities and measures of INTERREG III B programme follow priorities defined in guidelines for INTERREG III Community Initiative by adjusting them to characteristics, development trends and needs of an individual area. In general, the main priorities of both programmes are promotion of sustainable spatial development as well as social and economic cohesion, development of sustainable transport systems with a stress on intermodality, efficiency and improvement of accessibility, prudent management of resources and the prevention of natural disasters and technical assistance to joint structures²⁸.

Inter-regional cooperation and Interact, ESPON and Urbact network programmes

Interreg III C East programme area, where Slovenia participates as a full member, encompasses Slovenia, Slovak Republic, Austria, Hungary and Czech Republic as well as some German, Greek, Polish and Italian regions. Cooperation within this programme enables links with these regions and the transfer of best practise and knowledge in various areas. However, participation of Slovenia is not limited only to the eligible area in the East zone. Cooperation in West, North and South zones is also possible. Slovenia has participated in inter-regional programmes since 2002, and has been involved in 38 projects.

In network programmes, such as Interact, Slovenia can cooperate with the whole EU territory in exchanging experience, best practise and consequently this contributes towards decreasing disparities and strengthening competitiveness and innovation in various areas. ESPON programme is intended for achieving more coordinated spatial development decisions of the countries in Europe. Within this programme especially national institutions, working in the area of determining and researching spatial development trends and spatial effects, are taking part in the projects. Findings of their studies serve as a basis for proposals concerning the amendments to European policies in the light of decreasing development disparities inside and outside the EU-25 borders.

As a full member of the European Community Slovenia accepted in the period 2004-2006 the possibility to cooperate in the European Community initiative programme URBACT on equal rights basis. The programme is a part of the European Community Initiative - the URBAN II. URBACT programme links cities included in the URBAN project. Its purpose is an international exchange of experience between the cities, which participate in URBAN I and II programmes, the cities where Urban pilot projects are implemented and the cities of the

²⁸ The last priority is intended to implement the programme (establishment of programme structures, evaluation, information provision).

countries that became full EU members in May 2004. The following cities participate in some of the programme topics: Ljubljana, Maribor and Velenje.

Analysis of the key strengths, weaknesses, opportunities and threats

STRENGTHS	WEAKNESSES
<p><u>Content:</u></p> <ul style="list-style-type: none"> • Very attractive life environment, created by the variety of natural, cultural and historical resources. • Final fall of physical borders with the EU countries • A large share of the Slovene border area is protected and belongs to Natura 2000 network. • Cultural and language diversity; • Proximity of European centres and connections; • Existence of higher education centres within the border area; • Existence of support environment institutions; • Central location for the formation of a Euro-region; • Willingness and necessity for cross-border, inter-regional and trans-national cooperation; • Richness in thermal and mineral water, as well as other natural sources for the development of joint tourist destinations; • Potential for the development of alternative energy sources. <p><u>Administrative - managerial:</u></p> <ul style="list-style-type: none"> • Experience of Slovene partners in participation in territorial cooperation projects and experience in assuming the role of the “lead partner”; • Eligible area of cooperation in the trans-national and inter-regional cooperation programmes, as well as network programmes includes the whole territory of Slovenia; • Knowledge and experience of the present management structures; • The principle of joint management of programmes and one financial allocation of funds (already used in 2000-2006 period for trans-national and inter-regional cooperation programmes, as well as network programmes); 	<p><u>Content:</u></p> <ul style="list-style-type: none"> • Trends of migration to urban centres; • Ageing population; • Brain-drain to urban centres; • Inadequate accessibility in certain border areas of Slovenia (Pomurje, Gorenjska, Koroška); • Lack of a transport network link to the main EU corridors (local and secondary transport infrastructure is underdeveloped); • Insufficient cooperation between educational and development institutions and enterprises; • Natural barriers in Karst and mountainous areas; • Knowledge, innovation and entrepreneurship concentrated in a few urban centres in the border area (Kranj, Maribor, Murska Sobota, Nova gorica, Koper, Novo mesto...) <p><u>Administrative - managerial:</u></p> <ul style="list-style-type: none"> • Communication and legal obstacles (language, different legal frameworks); • Various administrative structures and procedural processes in the participating countries; • Imbalance of funds for cross-border cooperation on both sides of the border; • Insufficient funds for trans-national and inter-regional cooperation, as well as network programmes, when taking into account the demanding preparation of projects; • Insufficient inclusion of programme structure representatives and the responsible administrations in defining strategic guidelines and activities on the programme level; • Lack of clearly defined national interests of Slovenia within territorial cooperation; • No synergy between different programmes (cross-border, trans-national, inter-regional, research cooperation...)
OPPORTUNITIES	THREATS
<p><u>Content:</u></p> <ul style="list-style-type: none"> • Strategic geo-political status of Slovenia; • Cooperation between cities in border space or their association into urban networks on the trans-national level can strengthen their competitiveness and attractiveness in the region and in Europe; • Existence of potential for increasing diversification of marketing products (in tourism, culture, crafts, services and rural areas) in cross-border areas; • Existence of thermal and mineral water resources potential for the development of tourist destinations; • Richness of thermal and mineral water and other natural sources; • New business initiatives; 	<p><u>Content:</u></p> <ul style="list-style-type: none"> • Passivity and low competence for cooperation of our border towns can contribute to an increased influence of foreign centres in the cross-border space; • Natural barriers in Karst and mountainous areas; • Schengen border will make the transition to Croatia more difficult; • Cultural assimilation of national minorities. <p><u>Administrative - managerial:</u></p> <ul style="list-style-type: none"> • Low amount of funds of Slovenia for territorial cooperation hinder equal partnership; • Lack of coordination between relevant actors responsible for individual aspects of programme management;

<ul style="list-style-type: none"> • Joint membership of Slovenia and Croatia will bring new opportunities for cooperation; • Joint water resources - the Mura, Drava, Sava rivers; • Possibility of an in-depth analysis and treatment in different environments and various levels, harmonisation of approach, data and indicators, searching for new (innovative!) solutions... <p><u>Administrative - managerial:</u></p> <ul style="list-style-type: none"> • Principle of lead partner and one financial allocation in territorial programmes will enable equal partnership; • Adequate and efficient instrument for realisation of already adopted agreements in cooperation on the wider level (various conventions), within the framework of the EU directives or inter-regional institutional cooperation; 	<ul style="list-style-type: none"> • Lack of conditions necessary for preparing strategic projects irrespectively of administrative borders and cooperation level;
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3 Past experience in the implementation of cohesion policy

3.1 Structural funds

In the SPD, which represents the bases for the employment of structural funds resources in this period, Slovenia set the following goals:

- **Average annual growth of GDP** should be higher than that of the EU-15, which would reflect in the gradual closing of the gap in GDP per capita with the EU average
- **Employment growth:** economic growth should reflect in the creation of new jobs as well as safeguarding of existing ones. Overall estimation thus shows that in the 2004-2006 programming period Slovenia will create at least 4000 net new jobs.
- **Balanced regional development:** the objective will be pursuit through the spatial targeting approach, which should ensure that growth will also improve the welfare in disadvantaged, usually also more peripheral areas.

In order to achieve the goals set resources have been directed towards employment promotion and human resources, which reflected to the greatest extent possible the European Union's orientations adopted with the aim to achieve the Lisbon Strategy goals. Therefore, the SPD activities were directed to develop innovative environment, knowledge and finances for entrepreneurs. Particular attention was placed on tourism that was expected to contribute to a better recognition of Slovenia abroad, the creation of new jobs and to make regions more attractive for investments. The problems of the identified lack of available sites for the development of companies and unfavourable conditions for investments arising from administrative barriers and high costs were solved by ensuring competitive locations suitable for new investments and by providing the support of environmental, transport and telecommunications infrastructure.

The second set of activities referred to employment and human resources that should contribute to the development of a wider range of adaptable and special skills and knowledge in the labour market. With a dual approach the SPD activities foster preventive and active measures in the areas of lifelong learning, active labour market policies, the promotion of entrepreneurship and adaptability of human resources, the promotion of the labour market adaptability and social inclusion. Within this priority equal opportunities are promoted as well as labour market aspects touching upon the information society and the initiatives for local employment.

Despite a relatively low share of agriculture and related activities in the GDP structure and employment structure the third priority focuses on increasing competitiveness of agricultural and food processing sector and efficient use of resources in rural areas and is paid special attention. The reasons for taking such a decision are severe structural deficiencies of the sectors concerned and a special status originating in the integration of policy mechanisms within the EU.

After the beginning of the SPD implementation in 2004, Slovenia similarly to other states faced some initial difficulties in the implementation. Functioning of the cohesion policy system is rather complex and this inevitably requires certain learning period to start with the enforcement of all rules and procedures.

Irrespective of these problems the analyses show that the general orientation of the SPD was the right one and can be confirmed at the level of ministries and the implementation in practice because the absorption capacity exceeded the resources available. But it is also worth mentioning the warning of an independent evaluation stating that »due to sectoral way of planning the problem tree was not applied« and that too much attention was placed on the problems instead of the opportunities. This was most evident at the level of instruments where »measures and instruments were not sufficiently integrated at the project level«. This dimension, which is the synergy provision and is focusing on opportunities, will have to be attached additional weight in the implementing structure. This can be granted with more quality planning process and a more active role of the managing authority and a better planned involvement of external experts participating in the preparation, monitoring and evaluation of the implementation of instruments.

Improved quality of the allocation of resources can be noticed. The attainment of goals and the administrative absorption capacity were also enhanced. The Steering Committee confirmed some modifications to the SPD in 2005, which abolished one level of coordination – the intermediary authorities. This enabled more active management, better information exchange and easier problem resolution. The responsiveness, efficiency and transparency of the system gradually increased. It is believed this will also be reflected in the results. The experience will assist Slovenia in additional simplification of the procedures in the new financial perspective.

The experience gained in the implementation of the SPD can be the basis for the following conclusions. In the implementation of certain instruments the tender documentation in the initial phase was too complex. Later this was improved but caused costs and reluctance among the applicants. The content of some instruments was too ambitious (e.g. the innovation environment) but in line with the strategic goals this was adequate. In the development of

innovative environment and some other activities close and quality cooperation could be exposed between two or more ministries. The results were particularly good in tourism and the promotion of small- and medium-sized companies in the construction of business zones. In the new financial perspective the stress will be put on the preparation of quality tender documentation and in complex structures transparent and simple relationship between the beneficiaries and those allocating incentives will have to be established and maintained. The experience also indicates it is reasonable to join activities according to the goals concerning contents and not according to a type of investments or co-financing (state aid – public investments).

With the second priority measures significant dispersed structure of instruments could be noticed. The critical mass for ensuring the impacts and transparency was questionable in some cases. Independent evaluation exposed the programmes of in-service training for the unemployed; training of the employed and the necessity too adapt curricula to the needs of economy. A more open access to all providers should be secured in the future. It is also appropriate to strengthen complementarity between various priorities and programmes and at the same time strive to ensure the concentration of the instruments. Hence, administrative burden will be reduced and the transparency of the development policy will improve.

Within the third priority financing was limited to certain limited selection of activities because the resources were limited, too. It has proven to a certain extent that the SPD provisions were too detailed and therefore they prevented efficient adaptation of instruments to the needs in line with the experience gained. Some problems were related to the provision of co-financing in particular with fisheries measures. The aforementioned will be taken into consideration in the preparation of the operational programmes for the period from 2007 to 2013 where specific indications of the instruments have to be omitted in order to avoid unnecessary rigidity in the implementation phase.

3.2 Cohesion Fund

Within the CF already in the pre-accession period and ISPA instrument there were 11 environmental projects implemented and 5 projects in transport. The transition to the rules on the CF caused several problems however, they were successfully solved. After Slovenia became a full member of the EU 8 additional environmental projects and 3 transport projects were approved of (at the time of the preparation of this text the fourth was being approved of).

The applications were filed in accordance with the strategies in both areas. The decision was taken by the Government upon the proposal of the competent ministry. In line with the rules Slovenia ensured balance between the environment and transport. Slight problems occur in the award of contracts mainly arising from the Public Procurement Act. Particularly significant problems were caused by the applicants and their complaints stopped the public procurement procedure and caused additional complications. The implementation was smooth and there was no inconsistency. In the new financial perspective Slovenia will search for suitable solutions within the system of public procurement and in line with the EU legislation and more stress will be placed on the quality of tender documentation that exerts key impact on the success.

TRANSPORT projects (excluding 2006)
ISPA
Restoration of the cut Križni vrh with the rebuilt of the railway section Zidani most - Maribor
Modernisation of signalling and safety devices on the railway line Divača - Koper
Upgrading the railway line Ljubljana - Zidani most - Maribor
Upgrading signalling and safety devices and telecommunications system on the railway line Pragersko - Ormož
Technical assistance in the establishment of the systems: GSM-R, ERTMS/ETCS and fixed installations for remote control of the railway system
COHESION
Motorway Smednik - Krška vas
Modernisation of the railway line Pragersko - Ormož
Remote management of the system of electric drive of Slovene railway network
Vrba-Peračica motorway section
ENVIRONMENTAL projects (excluding 2006)
ISPA
Waste water treatment plant Celje
Sewage system and the central waste water treatment plant Lendava
Waste water treatment and upgrading potable water supply system in the Paka river basin
Water supply of Trnovsko-Banjiški plateau
Waste water treatment in the Mislinja river basin in Slovenj Gradec
Waste management centre Dolenjska - phase I
Waste water treatment in the Mislinja river basin
Waste water treatment in the lower stream of the Sava river in Brežice, Krško and Sevnica
Waste management centre in Puconci
Technical assistance in waste water treatment in the middle of the Sava basin
Technical assistance in in the preparation of the management plan in the Krka river basin
COHESION
Regional centre for waste management Celje (Bukovžlak)
Collection and waste water treatment in the coastal area (Koper, Izola, Piran)
Regional centre for waste management Celje – phase II
Collection and waste water treatment and potable water supply in the Tržič municipality
Comprehensive protection of groundwater resources in Ptujsko polje - Phase I
Sewage system and the waste water treatment plant in the middle part of the Sava river basin - Trbovlje, Hrastnik
Hydraulic improvements of the sewage system in Ljubljana

3.3 Territorial cooperation

The membership of Slovenia in the EU had a direct impact with regards to **cross-border cooperation**. The border with Austria, Italy and Hungary became the internal border of the EU whilst the border with Croatia became the external border of the EU. As Slovenia became an EU member state it became entitled to the funds of the Interreg III Community Initiative. Hence, Slovenia participates in Interreg programme IIIA Slovenia/Italy, Interreg IIIA Slovenia/Austria and in the neighbouring program Slovenia/Hungary/Croatia. Slovenia has secured financial incentive of the Community Initiative Interreg IIIA from European Regional Development Fund in the amount of EUR 18.9 billion.

For the period 2004-2006 it is typical that in spite of the single programming document and the Interreg III instrument the implementation of cross-border programmes runs independently in accordance with the national rules, which consequently means that the preparation of joint projects still has limitations. Due to the small financial allocation of Slovenia to the Community Initiative Interreg III compared to programme partners additionally leads to balanced connections among project partners. Consequently, the internal border cooperation is difficult due to different institutional frameworks and the structure in

participating countries. Regardless of the limited resources the cooperation among cross-border partners at the project as well as programme level has additionally improved.

With the shift to Interreg IIIA the programme between Slovenia and Italy had simultaneous invitation to tender that enabled the approval of 23 joint projects whose implementation covers the areas along the border in both countries. Joint projects are an important step to introduce the principle of lead partnership.

Significant progress can be observed with regards to the new neighbouring programme Slovenia-Hungary-Croatia following the principle of neighbourly programmes. The characteristics of these programmes are joint tenders for all collaborating partners, common selection criteria, common evaluation and selection of projects. Due to the external component (CARDS and later PHARE) the financial management and contracts are still separated. In spite of this equal conditions were applied to all applicants in all three countries from the invitation to tender to signing contracts.

The interest in cross-border programmes significantly exceeds the resources available so that a lack of projects is not the case. Cross-border programmes are an important influence on regional and local development in Slovenia.

On the internal borders between Italy and Austria the managing authorities and the paying authorities are located in Trieste and Vienna. The national organisation and the intermediate body is the GORP with its regional branches in Štanjel and Maribor. The managing authority and the paying authority of the three-year programme is Slovenia. The management and implementation of Interreg IIIA therefore runs smoothly with the all of the support services (personnel and technical resources) concentrated within a single organisation, which has proven to be very effective.

The biggest problem in current perspective is the financial management of INTERREG via the integral budget, which prolongs the procedures which with the INTERREG III programmes already are longer than usual. Administrative implementation intensity and small financial allocation generate an impression that the INTERREG III programmes are of insignificant strategic importance at the national level. On the contrary, the resources from cross-border programmes represent a big development opportunity to some local players and this results in supply that exceeds the demand a couple of times.

Also in the new financial perspective Slovenia will take part in cross-border operational programmes. In addition, it will be involved in the operational programme the “Adriatic Initiative”.

Trans-national cooperation. Although with low investments, Slovene partners were often included in trans-national partnerships even before Slovenia was entitled to the funds from ERDF: the main purpose of their inclusion was to gain experience in such projects (mainly municipalities, associations, private partners). With the possibility of employment of funds, Slovene partners are involved in projects from the very beginning when still forming projects ideas. The role of Slovene partners changed from »students« to active and equal partners at the trans-national level who can successfully represent their own interests and thus contribute

to competitiveness of Slovene regions and in some cases they even are the initiators of project preparation (adopting the role of the *lead partner*).

Slovenia has actively participated in Interreg III B Alpine Space and CADSES programme since the very beginning of programme implementation, even though it became eligible for receiving funds only on 1 January 2004. By 2006 93 Slovene partners have been included in 71 trans-national projects.

As concerns the utilisation of funds, the participation of Slovenia in the Interreg III B programmes has been very successful since Slovene project partners have already been approved co-financing from European Regional Development Fund. The situation is good also with the CADSES programme.

Also in the new financial perspective Slovenia will participate in trans-national operational programmes as well as in the Mediterranean operational programme.

Inter-regional cooperation and Interact, ESPON and Urbact network programmes. Slovene partners had the right to be involved into the partnership programmes for inter-regional cooperation since the very beginning; however, entitlement to ERDF funds was only valid from 1 January 2004 but it only became eligible when Slovenia became a fully unrestricted EU member state. The situation is very similar to the utilisation of funds in trans-national programmes since Slovenia invested €1.3 million Euro of the European fund for regional development into the programme of inter-regional cooperation Interreg IIIC – east. Slovene applicants have proven to be successful. They are cooperating in programmes – projects which according to the total value more than twice exceed the Slovenian investment into this programme.

In the new financial perspective Slovenia will also participate in inter-regional operational programmes.

4 Development context of the NSRF

4.1 Slovenia's development strategy (SDS)

Stimulated by the development challenges faced after becoming an EU member state Slovenia began with the preparation of SDS that represents a conceptual framework for the country's development in the period of the next EU financial perspective 2007-2013. On the basis of numerous experts from various fields involved and on the basis of a nearly two-year public discussion characterised by a high level of consensus concerning the vision and basic development goals of the country, the government adopted the SDS in June 2005.

The preparation of the SDS was based on a completely **renewed development vision of Slovenia**. If Slovenia wants to improve its position and qualify itself as one of the most developed EU member states, Slovenia must considerably improve its global competitiveness. This requires profound structural reforms that will deal with the fundamental development problems and overcome the resistance to faster social changes. Rather than the so far gradualist approach the country needs a fundamental u-turn that will ensure better competitive ability and sustainable development; however the current development model needs to be upgraded. The new political and economic vision of Slovenia is that of the social market economy that will encompass a more liberal market economy with a more economically effective and flexible but social state.

Current development model	Vision of the new social development model
<i>Regulation and bureaucratisation markets</i>	<i>Deregulation and liberalisation of markets</i>
<i>Restrictive business environment</i>	<i>Promoting the creation and growth of enterprises</i>
<i>Relatively closed financial markets</i>	<i>Open financial markets and competition</i>
<i>Insufficient flexibility of the labour market</i>	<i>More flexible labour market</i>
<i>Collective social security systems</i>	<i>Individual needs and responsibility</i>
<i>Corporatism of large social partners</i>	<i>Open and broad partner co-operation</i>
<i>Bureaucratic and hierarchical public administration</i>	<i>Decentralisation and public- private partnerships</i>
<i>Focus on macroeconomic and social balances</i>	<i>Focus on sustainable development based on structural reforms and a more dynamic society</i>

At the forefront of the SDS is the overall welfare of each individual. Therefore, the strategy does not focus solely on economic development but also involves social, environmental, political, legal and cultural issues. With such determination of objectives, it represents Slovenia's sustainable development strategy and at the same time this means the transposition of the objectives of the Lisbon Strategy into the national environment by taking into consideration specific development possibilities and lags of Slovenia.

Four basic goals of the SDS Slovenia should attain in the next programming period:

- *The economic development objective* is to exceed the average of the EU economic development level (measured by GDP per capita in purchasing power parity) in ten years time and to increase employment in line with the Lisbon Strategy goals.
- *The social development objective* is to improve the quality of living and the welfare of all individuals, measured by the indicators of human development, health, social risks and social cohesion, inclusion and trust.
- *The cross-generational and sustainable development objective* is to enforce the sustainability principle as the fundamental quality measure in all areas of development including the objective of sustainable population revival. According to the principle of sustainability, the needs of present-day generations must be fulfilled in such a way as not to limit the possibilities of future generations in fulfilling their needs to at least the same extent.
- *The development objective of Slovenia in the international environment* is to employ its distinct development pattern, cultural identity and active engagement in the international community so as to evolve into a recognisable and distinguished country around the world.

In order to achieve these ambitious objectives, Slovenia needs to prepare and implement radical structural reforms based on new development pattern. SDS defines **five development priorities of Slovenia**. They coherently combine measures from different ministries that can be implemented swiftly and can contribute the most to achieving the Strategy's overall objectives in the short run. Focusing on the common development priorities will enable a higher degree of the government's co-ordination needed to press ahead with the necessary structural shifts in development policy.

Competitive economy and faster economic growth; The proposed measures are intended to stimulate the economy's competitiveness and raise economic growth rates. By implementing the planned measures we primarily aim to promote faster development of entrepreneurship and small and medium-sized enterprises, create a more business-friendly environment, and increase the inflows of development-supporting domestic and foreign investment. Public utilities and network industries should be made more efficient through measures that will liberalise these services and enhance their competitiveness. These include better utilisation of the communication infrastructure of all utilities, the market-oriented restructuring of the energy sector and competitive end-user energy supply, and competitive transport and logistical services. At the same time, these reforms must take place in a stable macroeconomic environment that will enable the adoption of the euro in 2007.

Effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs. Through the proposed measures we wish to achieve the better application in Slovenia of domestic and foreign knowledge for the country's economic development. In this way we will encourage the formation of a more innovative and technologically advanced economy and the opening of better quality jobs to a better educated and trained workforce. The fundamental change that we wish to achieve in this sphere is the strengthening of cooperation between the research/academic sphere and the business sector. Joint work by experts and entrepreneurs in the development of new technological,

organisational, design, marketing and other business solutions is the best way to greater innovation and the more rapid technological progress of the economy.

An efficient and less costly state; The fundamental change we wish to achieve in this sphere is an increase in the efficiency of the state. This will be achieved by raising standards of professionalism and transparency in the public administration, improving the quality of its services and strengthening its consulting function. We plan to introduce a regulatory impact assessment system to screen regulations for their restrictive administrative and regulatory impact on competition and economic activity and take steps to remove these obstacles. We will reduce the gap between the state's investment needs and traditional available sources of funding by introducing public-private partnerships (PPP) to the provision, performing and financing of public services and investment in infrastructure. The activities will be aimed at increasing the investments into the development of institutional capacities mainly connected with the implementation of the ACQUIS communautaire.

A modern social state and higher employment; The purpose of the proposed measures is to enable and increase social inclusion of individuals and to create an environment in which citizens will be able to find employment more rapidly and more easily and at the same time enjoy the necessary level of social protection. The main change is aimed at motivating unemployed people and recipients of social transfers to actively seek employment, develop their skills, and accept occasional and temporary jobs. Special attention will be paid to motivating the long-term unemployed and vulnerable target groups including the elderly, disabled persons, the Roma people, women, persons with health problems, former addicts and convicts etc. In this respect, the state will assist them by amending the employment policy and introducing incentives for investment in education and training. At the same time, the changes made in the labour market will help employers adjust the extent of employment and thus encourage them to increase recruitment and introduce employment in more flexible forms of employment and work (shorter work time, homework, shared jobs, flexible work time). Based on a better use of human resources, the planned set of measures will ensure faster economic growth and employment, without undermining the foundations of the social state.

Integration of measures to achieve sustainable development; The development priority involves permanent population revitalisation, balanced regional development, ensured optimum conditions for health, the improvement of spatial management and real estate management, the implementation of environmental policies, the integration of environmental criteria into sectoral policies and consumers' patterns, the development of national identity and culture. This aim of this priority is to ensure that the measures adopted within the sectoral policies are not only directed to achieving their specific objectives but that they also contribute to Slovenia's sustainable development.

Development priorities defined in the SDS represent the framework for the programmes and measures of NDP and NSRF respectively that is not the only instrument for the implementation of SDS but it is of crucial importance in the field of development investments. Therefore, the development investment priorities of the NDP are the same as the five development priorities of the SDS whereas the structure of operational programmes and their priorities takes into consideration also the logic and priorities of the EU cohesion policy in general.

The alignment of the SDS with the renewed Lisbon Strategy

Since Slovenia has been facing development issues that are similar to the challenges of the EU, it is understandable that the goals set in the strategic documents of Slovenia, such as the SDS, and in the EU strategic documents, the Lisbon Strategy, are very similar, too. Both documents position the welfare of citizens as the basic strategic goal. Both strategies do not only focus on economic issues but also include social, environmental, cultural and other issues.

The alignment of the SDS with the renewed Lisbon Strategy at the level of their strategic goals - improve the welfare of the Slovene citizens – continues also in the fields of economic-development goals. Both documents define economic growth and employment as the key goals in this field. Whereas the renewed Lisbon Strategy is very explicit since economic growth and new jobs are exposed as its most relevant goals, the SDS states them more indirectly. The core economic development goal of the SDS is for Slovenia to exceed the EU average level of economic development (measured with GDP per capita in purchasing power parity) and increase employment in line with the Lisbon Strategy goals:

- *Economic growth*; to keep up with the EU average by 2013, a jump from our current economic figure of 3.7% to that of above 5% where the entire period should be divided into three sub-periods. In the first period up to 2007 when short-term measures will be undertaken (envisaged in the strategy) and which will include the readjustment of macroeconomic policies (mainly with reference to stabilisation) due to the compliance with the Maastricht convergence, moderate acceleration of economic growth and the reduction of inflation to the level of the Maastricht criteria are predicted. The growth of productivity in this period will not substantially deviate from the growth figures achieved in the past ten years and in the structure of gross domestic product there will be no significant changes. The breakthrough onto a higher level of development and the achievement of economic growth of above 5% will be possible in the year 2007 when the short-term measures incorporated in the strategy will first show results and will exert influence on faster economic growth and competitiveness of economy. The period of accelerated economic growth ending approximately in 2010 will be followed by a period of relative stagnation of growth at the level of 5 percent and this would represent a new level of potential growth together with the implementation of the SDS measures. The inflation would approach that of the European Union average
- *Employment*; Compared to the previous period, the encouragement of the unemployed and the recipients of social transfer to actively search for jobs and develop their abilities and to take temporary/seasonal work is the most fundamental change. The stress is also on increasing the individual's employability and raising awareness of everybody's responsibility for their career; the emphasis is also on increased adaptability of workers in companies. In Slovenia the employment rate is slightly above the EU average. What is problematic is the employment rate with older people that in 2004 amounted to only 29%. Although the unemployment is considerably lower than that of the EU, the unemployment among younger people raises concerns since it is very high. It is also high among people who have no formal education or incomplete primary education or with education that does not fit the demands of employers. One of vulnerable target groups in the labour market is the disabled. A share of the disabled among all the unemployed ranges between 20 and 25%

(about 22.5% in 2005) while the unemployed rate among the disabled in 2005 was 46%. The global development policy in the provision of the employment to the disabled is that the unemployment rate of the disabled does not exceed the unemployment rate of the whole active population. Amongst the unemployed the share of long-term unemployed is still relatively high and among the long-term unemployed the share of young first-time job seekers including first-time high-ranking job seekers has been increasing.

To attain the objective of higher employment in Slovenia, the individual most relevant objectives are: attainment of full employment (by 2008 the employment rate should be increased to 67%, to reduce the LFS unemployment rate to 5% by 2008, to preserve the employment of women by at least at 2-percent points above the EU-15 average and in two years to reach the average of the EU-15 at the employment level of men by 2008, to increase the employment of older men to 35% by 2008, to ensure opportunities for first-time employment with reference to young people holding seventh educational level or above (within six months after completing their education), improvement quality of workplaces, productivity of work and strengthening of social and territorial cohesion.

Due to practically identical goals of the SDS and the renewed Lisbon Strategy as well as almost identical viewpoints stating that the attainment of economic development goals means the precondition to secure fully sustainable development in a long run, it is understandable that the priorities that the economic policy should focus on in the years to come are in the two documents rather harmonised as far as the content is concerned. It needs to be pointed out that the priorities of the two documents cannot simply be compared because there is an important conceptual difference. The SDS is a national document and proposes priorities relevant for an individual state whereas the renewed Lisbon Strategy is the document of the entire EU. Hence, the latter focuses on tasks where the activities at the EU level will contribute to a higher rate of economic growth in the member states. The measures are aimed to ensure more efficient functioning of the European internal market (for example: the EU regulations and their implementation, TENs) and priorities where economic policy at the EU level represents important added value to national policies at the same level (for example: research and development, cohesion policy, etc.).

Table 6: The assessment of mutual coordination of development priorities of SDS and the development goals of the renewed Lisbon Strategy

Development priority of SDS / development goals of the renewed Lisbon Strategy	Competitive economy and faster growth	Effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs	Efficient and less costly state	Modern social state and higher employment	Integration of measures to attain sustainable development
<i>Economic development goals</i>					
- Economic growth	1	1	2	2	3
- Employment	2	1	2	1	3
<i>Other development goals</i>					
- Social cohesion	3	2	3	1	1
- Environmental sustainability	2	2	3	3	1

1 = development priority of SDS that *significantly contributes* to the implementation of the priority from the renewed Lisbon Strategy

2 = development priority of SDS that contributes to the implementation of the priority from the renewed Lisbon Strategy

3 = development priority of SDS that *marginally contributes* to the implementation of the priority from the renewed Lisbon Strategy

SDS identifies five development priorities whereas in the renewed Lisbon Strategy four basic development goals can be observed. Two of them – economic growth and employment are classified as economic development goals – and the other two – social cohesion and environmental sustainability - are classified as wider development goals that together with the attainment of economic goals enable the achievement of sustainable development.

The table 6 clearly shows that the priorities of SDS reflect the key development goals determined in the renewed Lisbon Strategy. Therefore, four out of five development priorities in SDS should contribute most to the achievement of both essential economic goals of the renewed Lisbon Strategy – higher economic growth and employment. Relative importance of individual priorities changes in accordance with the goal set.

4.2 National Development programme 2007-2013 (NDP)

NDP represents the **implementing document** of the SDS that concentrates on the investment development priorities to successfully implement SDS. Hence, NDP is the basis of the National Strategic Reference Framework. Thus the highest possible complementarity among the activities financed with the EU resources and those financed with other public resources will be ensured. It contains full development-investment policy of the state that is coordinated according to the content (goals, priorities) with the SDS, the Reform Programme and the Lisbon Strategy. As for financing it is coordinated with the national budget and realistic possibilities of financing from other sources. The goals of NDP and its priorities covering all strategic tasks (for example: the reform and the change of legislation) are narrower than the goals of SDS and focused on the national and regional projects that represent investments into development.

Objectives of the National Development Programme

By implementing the NDP the resources from the national budget and the EU budget, municipal budgets and other sources will be invested into the development of Slovenia at the level of the state, the EU and local communities. These investments will have to increase capital and its efficiency to secure long-term competitiveness and the survival in the market.

In this sense the “investments into the development of Slovenia in the next programming period” are represented by **two goals of the NDP**:

- 1. increase economic, social and environmental capital and*
- 2. increase efficiency and the competitiveness of economy, quality of life and sustainable use of natural sources.*

Arising from SDS, the investments in the implementation of NDP does not involve only financial or physical capital in economic sense but also social and environmental capital. And competitiveness is not only about economic competitiveness in the global market. It is about the quality of life and sustainable use of natural sources.

With development investments into different forms of capital such as knowledge, enterprises, organisational aspect, services, infrastructure, nature and natural sources conservation, culture, etc. efficiency in all areas should be increased and the competitiveness of Slovenia as a state, its regions, companies and people should be ensured. Thus the EU global competitiveness will be fostered. With the envisaged implementation of the Reform programme and the Lisbon Strategy, NDP will contribute to reaching the strategic goals of the development of Slovenia by 2013 – the increase of the welfare of the population and the establishment of the sustainable development principle.

In this way NDP determines and at the same time upgrades “investment efforts” of the state from the current programming period 2004-2006. The process of external and internal economic and social cohesion that were the essential goals of the Single Programming Document 2004-2006 is accompanied by the process of the development of Slovenia by creating its global competitiveness that will be based on its own development sources, which is the basic goal of the NDP.

Development-investment priorities of the NDP are structured the same way as the development priorities within the SDS:

- 1. competitive economy and faster economic growth,*
- 2. effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs*
- 3. efficient and less costly state,*
- 4. modern social state and higher employment and*
- 5. integration of measures to achieve sustainable development.*

The first development investment priority is competitive economy and faster economic growth and will contribute to the achievement of the economic goals of the Lisbon Strategy and thus the competitiveness of companies will improve. This priority aims at better connections between the economy and science and the promotion of entrepreneurship and investments into human resources in companies. Thus the competitiveness of companies and innovation will increase. In this context, the promotion of investments of foreign companies in Slovenia and investments of Slovene companies abroad shall be aimed at. The priority is also directed towards the development of rural areas – competitiveness of agro-food processing and forestry as well as the development of fisheries.

The goal of the first development investment priority is to foster entrepreneurial development and increase innovations, increase inflows of development- promoting domestic and foreign investments including human resources development and to support the economy's internationalisation to increase competitiveness.

To further the second development investment priority - effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs – will contribute to better connections between the economy and educational and research institutions and the promotion of tertiary knowledge development to attain better competitiveness of the economy mainly through the creation of jobs with high value added and increased productivity of the employees. This priority also involves ICT infrastructure and infrastructure for higher education and science.

The goal of the second development investment priority is to strengthen the support to tertiary education and research development activities and the needs of economy as well as the labour market in order to achieve global competitiveness of companies, products, services and people.

The third development investment priority - efficient and less costly state – involves efficient and effective public administration that will result in better quality of the services provided by the state and this also includes the establishment of public-private partnerships, the reform of labour market institutions, the encouragement of NGO's development and civil dialogue and integration within regional development institutions and improved spatial management and housing policy.

The goal of the third development investment priority is to raise the quality and efficiency of state services and reduce public expenditure by excluding those services that can be provided in the market from the budgets.

The fourth development investment priority – modern and social state and higher employment – refers to the development of the educational system, improved employability of individuals, prevention of social exclusion and strengthening of labour market active policies. Thus the employment opportunities of social groups at risk (the elderly, women, young people, the disabled and others) would be fostered and the employment in agricultural and fisheries sectors would be preserved. This priority also relates to the excess of structural imbalances in employment with occupational and geographic mobility, development of social entrepreneurship, improvement of social status of the population, reduction of housing

problems and promotion of sports for all generations and the reduction of the exclusion of vulnerable social groups.

The goal of the fourth development investment priority is to ensure a society of full employment and prevent poverty and consequently social exclusion by improving labour market flexibility and ensuring job security.

The fifth development investment priority – integration of measures to achieve sustainable development – is intended to encourage balanced regional development of both cohesion regions, improve life quality in urban and rural areas by promoting diversification in rural areas. The priority also includes better spatial and environmental management, the establishment of efficient transport and environmental infrastructure and the promotion of the development of culture and cultural heritage.

The goals of the fifth development investment priority is to provide high quality of life based on the development of culture and national identity, balanced regional development, safety, spatial management and sustainable mobility as well as the improved quality of environment and adequate public utility infrastructure.

As for the programme, the development-investment priorities are determined in the National Development Programme that is being prepared in parallel to the National Strategic Reference Framework, which will be one of the key contents after it has been coordinated with the European Commission.

4.3 Core development projects

Investment-development projects are prepared within a wider package of reform whose goal it is to introduce more dynamics into Slovene society to achieve more welfare. For this purpose the government adopted The Framework of economic and social reforms where the most weight for the next programming period is placed on the so called big core projects. Thus more ambitious and concentrated planning of investments with the impacts distributed in several sectors. From the point of view of the content, the core projects include services as well as infrastructural investments and their final form will be determined in a form of the **Resolution on National Development Projects for the Period 2007-2023** that the government adopted in October 2006. The determination of priorities at the level of individual projects will also importantly affect the ability of Slovenia to employ the resources of the cohesion policy. The projects listed will not be exclusively financed with the EU funds but the EU funds will be an important source.

The Resolution on national and development projects 2007-2023 Resolucij is the guideline and a tool for planning public finances on the one hand and programme and strategies on the other hand. It is a clear signal of the state to the regions and local communities and development partnerships about the contents the government will invest into in the next medium-term periods.

Key areas to which the core projects refer are:

- a) *Slovenia's development network,*
- b) *Integration of natural and cultural potentials,*
- c) *Efficient environmental management,*
- d) *Mobility to support economic development,*
- e) *Institutional and administrative capacities*

Table 7: Compliance with the SDS

Core development projects	Goals of the Slovenia's Development Strategy
(1) Development network of Slovenia	<ul style="list-style-type: none"> • To exceed the average EU rate of the economic development, • To improve the quality of life and welfare of all individuals, • To become a recognised state with its cultural identity, and activities in international community.
(2) Connecting natural and cultural potentials	<ul style="list-style-type: none"> • To exceed the average EU rate of economic growth of the EU, • To improve the quality of life and to ensure welfare to everybody, • To preserve cultural identity and development pattern, to actively participate in the international community and be recognised globally.
(3) Efficient environment management and sustainable energy	<ul style="list-style-type: none"> • To improve quality of living and the welfare of the whole population, • To establish the principle of sustainability as a quality criterion in all development areas, • To establish the principle of sustainability as a quality criterion in all development areas, • To preserve cultural identity and development pattern, to actively participate in the international community and be recognised globally.
(4) Mobility to support economy	<ul style="list-style-type: none"> • To exceed the average EU rate of the economic development in ten years, • To improve the quality of life and to ensure welfare to everybody, • To establish the principle of sustainability as a quality criterion in all development areas.
(5) Institutional in administrative capacities	<ul style="list-style-type: none"> • To establish the principle of sustainability as a quality criterion in all development areas, • To establish the principle of sustainability as a quality criterion in all development areas.

a.) Development network of Slovenia

Development network of Slovenia (hereinafter DNS) represents the first field of core projects. This is mainly a network of entrepreneurial incubators, a network of technological parks and a network of business zones that together and in connection with research-development activities in economy will be able to provide services that are most needed in certain phases – from the phase of the idea about a company up to the phase of the development of advanced technologies, new materials and services. In addition to the modernisation of development infrastructure in bigger centres and increased efficiency the development infrastructure in Slovenia needs to be decentralised and as such it is then concentrated in areas where the density of business events will enable fast beginning of a network operation and thus also fast effects. Within this core project the decentralisation of universities is proposed that will follow the development opportunities of Slovenia and its economy in regional development centres. Besides the decentralisation of projects a lot of attention will be placed on the development of those services in the field of life-long learning and labour market that will be intended for people so that they will be able to generate higher added value and appear in the

labour market. This is why the projects involve a set of measures to accelerate electronic business and motivate people to use ICT and the services of information society. Together with other projects in DNS this will contribute to the development of Slovenia to knowledge economy and knowledge society.

b.) Connecting natural and cultural potentials

Within the scope of connecting natural and cultural potentials Slovenia wants to make use of the diversity and density of natural and cultural riches. This wealth represents economic and social-developmental potential that has been unused. The establishment of a network of natural and cultural potentials for economic use and sustainable nature and cultural heritage protection is important for at least two reasons:

- Quality living environment is the condition for quality life in a certain country and thus also for the competitiveness of economy.
- Synergy effects should be ensured in the fields of culture and environmental protection, between the two fields and in connection with other development areas, which means that civil society and private capital need to be included and public-private partnership has to be developed. If culture and environment are regarded as the factors of development that horizontally and in a sustainable manner enter into the activities of other sectors, their development will also be reflected in other sectors, in particular in economy (through service activities in tourism and information technologies) and in social sector (by improving employment possibilities and investing into knowledge).

This core project is related to the operation of the DNS and represents one of the foundations of the functioning of a state as a whole. At the same time development dynamics is offered to the areas where fast technological development due to limitations in space, people and access to markets will not satisfy the requirements of quality living. This is the reason why several activities of the state are involved where by connecting protected areas of nature, cultural heritage and culture, new jobs could be created in rural areas and new paradigm could be offered to rural areas.

The project is composed of two central contents of which one connects natural and cultural heritage with modern cultural creations and entrepreneurial dimension (art residential centres – tourism – cultural events – sports and recreation) whereas with the second we wish to develop tourist infrastructure. In this context programmes that will be interesting for the market and will facilitate higher consumption of the visitors and the prolongation of stay will be prepared. Better recognition of Slovenia that will be more attractive to foreign and domestic investors will also be the result.

Through the project the work of ministries will be connected in areas of mutual interests and projects (for example the restoration of a cultural monument for further development of services such as a hotel, educational services, a research centre of excellence, etc.). The integration of the measures from the rural development programme and the measures from the environment and service development means that in addition to the restoration and infrastructure the measures of active development need to be offered.

c.) Efficient environment management and sustainable energy

Within this field a number of activities that will respond to some requirements and orientations of the EU rules will have to be carried out (e.g. the Convention on Biodiversity and the management of the NATURA 2000 areas, directives on energy efficiency and services, etc.). These activities will also respond to Kyoto Protocol and ensure quality and efficiency services. These are investments to increase energy efficiency and to decentralise energy supply on the basis of renewable energy sources and cogeneration and the protection of water and its management. In this respect special care will be devoted to manage the risks of accidents in the environment such as floods, earthquakes and similar. The activities related to waste management; water supply and waste water treatment are also proposed. Efficient environment management also contains the measures of the Rural Development Programme whose goals are closely related to environment protection. A part of this area is also the system of monitoring and connections between sectors (for example: with cultural heritage) that would allow for active management of environmental risks and the announcement of measures to reduce natural damages.

d.) Mobility to support economy

This area involves a number of investment activities of various sectors whose main purpose it is to provide Slovenia with efficient transport infrastructure. The majority of activities are directed to public passenger infrastructure and the other part into road infrastructure. A huge investment activity of Slovenia will be the third axis, which represent the transversal connection of Slovenia in the motorway network. A great deal of investments is connected with public passenger infrastructure and services in all sub-areas of transport. The activity should contribute to the construction of infrastructure and the improvement of the public transport quality.

Public transport represents a necessary development activity of the state in the years to come. The trend of emissions and the situation on roads is replacing public transport that is the only solution to improve the quality of life in cities, ensure better mobility and increase competitiveness. In addition we need to be aware that increased individual transport by cars cause extremely high external costs that are connected with the health status of the population in cities, the decay of buildings and cultural heritage and low quality of life among workers commuting to work. This leads to lower mobility of labour force and lower competitiveness.

For financing transport infrastructure much more financial resources are required than those that can be granted from public financial resources. This is why financing of the whole project "Mobility to support economic development" will have to be provided with the public private partnership.

e.) Institutional in administrative capacities

Activities will be directed to the efficiency of the public administration and the judiciary system in Slovenia. These are urgent investments into radical renewal and modernisation of processes (assessment of the impact of rules, Removal of administrative barriers, process optimisation, legislation simplification, standardisation of administrative and judiciary procedures) and the completion of the ICT infrastructure necessary for efficient functioning of

the public administration. Optimisation and modernisation of processes require suitable education and training. The programme therefore contains the activities to ensure efficient infrastructure in public administration (administration, judiciary, health) and to support the projects of modernising the judiciary, e-administration, e- health, e- social transfers, e-employment and the establishment and development of single entry points. These have to be added with the activities aiming at education and thus the establishment of cooperation between social partners and non-governmental institutions.

5 NSRF Strategy

5.1 The added value of the EU resources

Eligibility for financing

Eligibility is the precondition to select individual NDP activities to be co-financed with the EU resources. The resources of the cohesion policy can be utilised with all five development-investment priorities of the NDP that satisfy all the criteria to access the resources of at least one of the funds. The matrix below can lead us to two main findings. The level of interdependency between development-investment priorities of the NDP and the purposes of financing from the EU funds is very high.

Table 8: Matrix of development investment priorities of NDP and content priorities in ERDF, ESF and CF

Development / investment priority of NDP	»Entitlement« of the priority to access financing from different financial resources EU*		
	ERDF	ESF	CF
1. A competitive economy and faster growth	1	1	1
2. Effective generation, two-way flow and application of the knowledge needed for economic development and quality jobs	1	1	3
3. An efficient and less costly state	2	1	3
4. A modern social state and higher employment	2	1	3
5. Integration of measures to achieve sustainable development.	1	1	1

* »Entitlement« / priority to access financing from different EU sources is classified into the following three groups:

- 1 – high priority for financing,
- 2 – »entitlement« for financing,
- 3 – low priority for financing

European added value

Within the implementation of the policies at the EU level common content priorities are determined on the basis of which the Community attaches special weight to those aspects where complementarity between member states can be identified and those areas that stand

for the political priorities of the Union. Such guidelines represent the grounds (top-down) for the coordination between a member states and the European Commission on the partnership principle. The following should be exposed:

a.) Integrated Guidelines for Growth and Jobs for the period 2005-2008 (COM (2005) 141, 12.4.2005) and the Reform Programme for the implementation of the Lisbon Strategy in Slovenia

The European Council in March 2005 called on the European Commission, the Council and the EU Member States to provide a new impetus to the Lisbon Strategy by focusing on growth and employment in line with the proposals by the Commission. Thus the Commission adopted the first Integrated Guidelines for Growth and Employment for the period 2005-2008. The member states used this document as the basis for the preparation of national reform programmes. These programmes should be adapted to their needs and specialities and should take into consideration different circumstances and priorities of the policy at the national level.

To achieve the goals of the Lisbon Strategy, key structural reforms for strengthening competitiveness and increasing employment, in October 2005 the Republic of Slovenia prepared its Reform Program for achieving the Lisbon Strategy Goals in Slovenia. As for the objectives and measures, the latter is harmonised with Slovenia's Development Strategy and takes into account the proposals of the Reform Committee (working group of about 150 experts from universities, industry and state administration). The Reform Program for achieving the Lisbon Strategy Goals in Slovenia contains priorities and within these priorities specific measures. The priorities and measures that are presented in the continuation respond to the challenges by promoting restructuring and the continuation of economy liberalisation and by promoting economic growth and employment.

Measures aimed at achieving the Lisbon Strategy goals are divided according to the five development priorities defined in Slovenia's Development Strategy. They cover all Integrated Guidelines for growth and employment while they also respond to EU recommendations given to Slovenia so far.

1. The first development priority: competitive economy and faster economic growth

The proposed measures are intended to stimulate the economy's competitiveness and raise economic growth rates. By implementing the planned measures we primarily aim to promote faster development of entrepreneurship and small and medium-sized enterprises, create a more business-friendly environment, and increase the inflows of development-supporting domestic and foreign investment. Public utilities and network industries should be made more efficient through measures that will liberalise these services and enhance their competitiveness. These include better utilisation of the communication infrastructure of all utilities, the market-oriented restructuring of the energy sector and competitive end-user energy supply, and competitive transport and logistical services. At the same time, these reforms must take place in a stable macroeconomic environment.

2. The second development priority: effective generation, two-way flow and application of knowledge needed for economic development and quality jobs

Through the proposed measures we wish to achieve better application in Slovenia of domestic and foreign knowledge for the country's economic development. In this way we will

encourage the formation of more innovative and technologically advanced economy and the creation of better quality jobs for better educated and trained workforce. The fundamental change that we wish to achieve in this sphere is the strengthening of cooperation between the research/academic sphere and the business sector. Joint work by experts and entrepreneurs in the development of new technological, organisational, design, marketing and other business solutions is the best way to greater innovation and the more rapid technological progress of the economy.

3. The third development priority: efficient and less costly state

The fundamental change we wish to achieve in this sphere is an increase in the efficiency of the state. This will be achieved by raising standards of professionalism and transparency in the public administration, improving the quality of its services and strengthening its consultancy function. We plan to introduce a regulatory impact assessment system to screen regulations for their restrictive administrative and regulatory impact on competition and economic activity and take steps to remove these obstacles. We will reduce the gap between the state's investment needs and traditional available sources of funding by introducing public-private partnerships (PPP) to the provision, performing and financing of public services and investment in infrastructure.

4. The fourth development priority: a modern social state and higher employment

The purpose of the proposed measures is to create an environment in which citizens will be able to find employment more rapidly and more easily and at the same time enjoy the necessary level of social protection. The main change is aimed at motivating unemployed people and recipients of social transfers to actively seek employment, develop their skills, and accept occasional and temporary jobs. In this respect, the state will assist them by amending the employment policy and introducing incentives for investment in education and training. At the same time, the changes made in the labour market will help employers adjust the extent of employment and thus encourage them to increase recruitment. Based on a better use of human resources, the planned set of measures will ensure faster economic growth and employment, without undermining the foundations of the social state.

5. The fifth development priority: measures for sustainable development

This aim of this priority is to ensure that the measures adopted within the sectoral policies are not only directed to achieving their specific objectives but that they also contribute to Slovenia's sustainable development. Many measures in this area have a predominantly national character and are not directly linked to the implementation of the Lisbon Strategy. They will, however, by all means be aligned with Slovenia's Development Strategy. Among other things, they include measures to achieve sustainable population growth, improve the population's health and develop the national identity and culture. Culture significantly contributes both directly and indirectly to higher growth and employment, the two main objectives of the Lisbon Strategy. Contemporary cultural production and cultural heritage, including the cultural industries (e.g. the media, cultural tourism, publishing) is vital for the creation of new jobs and the maintenance of existing ones, keeping rural and degraded areas populated and reinforcing social cohesion. Moreover, culture also strongly contributes to the reputation of local and regional areas and the country as a whole, thereby making them more attractive for investment. Last but not least, the horizontal aspect must not be overlooked: culture generates synergetic effects with other areas.

The success of reforms cannot be guaranteed without appropriate financial backing. In realising the measures, the European cohesion policy (Structural and Cohesion Funds) will also play a significant role. Therefore, measures have been proposed to improve Slovenia's administrative and absorption capacity for EU funds.

Since the Reform Program for achieving the Lisbon Strategy Goals represents the base for the preparation of operational programmes, Chapter Six additionally explains the connection between development investment priorities in the operational programmes and the priorities in the National Reform Programme and the justification of the selection for financing on the basis of the cohesion policy.

b.) Cohesion policy to support growth and Jobs: Community Strategic Guidelines on Cohesion, 2007–2013

Strategic Guidelines of the Community for Cohesion (hereinafter SGCC) determine the EU priorities in order to achieve the cohesion policy goals that is balanced and sustainable development in the entire EU territory. The guidelines are confirmed by the European Council and are complementary to the Integrated Guidelines for Growth and Jobs

SGCC for the cohesion policy determine the following priorities with some more detailed orientations in the document:

Priority 1: Making Europe and its regions a more attractive place to invest and work:

- *Expand and improve transport infrastructures*
- *Improve the environmental contribution to growth and jobs*
- *Address Europe's intensive use of traditional energy sources*

Priority 2: Improving knowledge and innovation for growth:

- *Increase and improve investment in research and technological development (RTD)*
- *Facilitate innovation and promote entrepreneurship*
- *Promote the information society for all*
- *Improve access to finance*

Priority 3: More and better jobs:

- *Attract and retain more people in employment and modernise social protection systems*
- *Improve adaptability of workers and enterprises and the flexibility of the labour market*
- *Increase investment in human capital through better education and skills*
- *Institutional and administrative Capacity*
- *Health and the labour force*

Special attention is paid to **territorial cohesion** whose goal it is to assist in achieving more balanced development, to establish sustainable communities in urban and rural areas and to ensure better coordination with other sectoral policies that share spatial impacts. Special weight is attached to the contribution of *cities* to growth and jobs and the support to the diversification of rural areas. Cross-border, trans-national and inter-regional cooperation should supplement the three priorities above so that closer cooperation between the EU

regions would additionally promote economic development and contribute to sustainable development of regions.

Synergy between the envisaged activities

To achieve good effects of the activities co-financed with cohesion resources it is reasonable to ensure concentration of activities and project that supplement each other. The complementarity principle to achieve synergy was one of the guidelines in the preparation of the Single Programming Document but the evaluation confirmed that not all the possibilities have been utilised.

Complementarity among the activities that are co-financed needs to be granted at the programme level (selection of priorities and instruments), as well as at the project level. This is why the number of selected activities needs to be limited and all the support has to be provided.

Such an example is complementing economic infrastructure by ensuring adequate entrepreneurial services, improving the access to financial resources and ensuring qualified staff.

A related issue is that of the »cross financing« between the European Regional and the Social Fund as laid down in Article 34 of the General Regulation. This article enables an individual fund to finance the contents of another fund of not more than 10% of individual priority. Thus a more transparent and simple system can be provided to the beneficiary. Within the NSRF we will follow the guideline that within the activities of the ERDF education and training will be financed when the beneficiary is the same (e.g. the introduction of new technology in a company does not only require the purchase of the equipment but also training in the same company). When the recipient of training and education is not only the beneficiary, these activities are financed separately. Within the ESF cross financing will be used to satisfy the needs for investments into computer equipment (e.g. within the priority of administrative capacity).

Administrative burden

The costs have to be taken into consideration when selecting activities. These costs arise from the administrative requirements. Because of the involvement of additional trans-national levels the implementation of the cohesion policy requires additional control mechanisms in the widest meaning of the word. This is then reflected in reporting and monitoring requirements.

These costs occur in the public administration that is responsible for asset management and it also represents an important factor to the beneficiaries. When programming and planning such projects the acceptability of these costs has to be verified. This often requires critical mass of the projects (depending on the project type) as well as the concentration of co-financed activities.

Such an example is the system of voucher consultancy because this instrument will continue to exist (in the period 2004-2006 it was financed based on the Single Programming Document) but without the EU co-financing.

Partnership principle

With a public discussion attention is put on the identification of areas that are not only necessary as far as the programme is concerned but are also regarded as priority. This does not only affect the efficiency and success of co-financed activities but also represent a key factor to ensure absorption capacity since usually also the quality of projects is higher. Taking into account the length of the programming it is possible to ensure capacity where it is not ensured at the time of programming but this is not an optimal solution.

Availability of other financial resources

In addition to the resources from the national and municipal budgets and cohesion policy the development investment priorities can also be financed from other policies and institutions. Optimisation of priority areas according to the sources of financing enables a much intensive scope of development incentives, which is essential to reach the strategic goals.

Among other sources the ERDF should be exposed and the ESF, European Agricultural Fund for Rural Development (hereinafter EAFRD) European Fisheries Fund (hereinafter EFF) and European Investment Bank (EIB). As the names suggest the EAFRD is the key source for the promotion of the development of rural areas and the European Fisheries Fund promotes the fisheries sector. Chapter 6.4 presents the mechanisms for content coordination and supplementation of both policies. Slovenia plans to continue good cooperation with the EIB. An example of such cooperation at the national level is ensuring liquidity financing for the implementation of the SPD or ensuring the grant scheme within the Entrepreneurial Fund in Maribor. EIB also represents an important source of financing in the financial sector (to foster the development of small- and medium-sized companies).

5.2 The goal of the NSRF with expected macroeconomic effects

In the new EU financial perspective 2007-2013 (NFP) in Slovenia there will be EUR 4,205 million available in the field of cohesion policy, EUR 900 million for the programme of rural development and EUR 21.6 million for the fisheries development programme.

With the resources available, Slovenia will finance development investment priorities of the NDP and these resources will be used in the fields where the added value in the context of the whole development policy will be the highest.

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.**

The NSRF therefore defines welfare as its general objective, while at the same time also gives particular attention to growth promotion and job creation, the basic objectives of the Lisbon strategy, as well as to balanced regional development. At the same time all co-financed activities will be consistent with the principle of intergenerational and environmental sustainability, they will be consistent with the principle, that the needs of today's generations will not be satisfied at the expense and opportunities of the generations to come.

To "Lisbon expenditure" 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.

Specific thematic and territorial priorities that Slovenia will follow are thus as follows:

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

Particular weight will be attached to the improvement of institutional and administrative capacity, in particular in the public sector, representing the necessary condition to accelerate economic growth in Slovenia.

After the conclusion of the financial perspective in 2013 and after having used the investment funds, Slovenia will achieve objectives in the table below.

Table 9: NSRF Objectives

National strategic reference framework quantified targets		Baseline (last available data)	2013 target	Source
Output				
1	km of new and modernised roads		215	CIS
2	km of new and modernised railways			CIS
Result				
3	Share of innovative companies	21%	44%	SORS
4	Share of part-time employment among all employment	10,1%	15%	SORS
5	Number of renewed publicly approved education and training programmes		150	CIS/MSS/MHEST
6	Percentage of communally equipped agglomerations	50%	95%	MESP
Impact				
7	NSRF contribution to annual GDP growth (in percentage points relative to GDP growth without NSRF contribution - period average)		0,75 p.p.	Model
8	Number of net jobs created as a consequence of NSRF		27.500	Model
9	Number of gross jobs created		33.900	CIS
10	Employment rate growth as a consequence of NSRF	65,9%	+ 1,7 p.p.	Model
11	Decrease in unemployment rate as a consequence of NSRF	10,2%	- 2,2 p.p	Model
12	Decrease in unemployment gender gap	3,6 p.p.	- 10%	SORS/ESRS
13	Prevention of increasing regional disparities – coeff. of variation in “Development Risk Index”	34,2%		SORS/GOSP
<p>CIS: central information system; SORS: Statistical Office of the Republic of Slovenia; MES: Ministry of education and sports; MHEST: Ministry of higher education, science and technology; MESP: Ministry of the environment and spatial planning; Model: estimation of net impact on the basis of macroeconomic model of overall balance; ESRS: Employment service of Republic of Slovenija; GOSP: Government office for local self-government and regional policy</p>				

Slovenia will achieve the objectives of the NSRF with the implementation of the following operational programmes (hereinafter OP) (list of OPs in line with the Article 25.4.c of the General Regulation):

1. Operational programme for strengthening regional development potentials

OP for strengthening regional development potentials in particular focuses on the first and fifth NSRF objective aiming at »promoting entrepreneurship, innovations and technological development« and »balancing development of regions«. At the same time it is in close connection with the objective of improved quality of research-development activities and educational system, that is the second objective of the NSRF.

2. Operational programme for human resources development

OP for human resources development mainly deals with the second and third goal of NSRF which means to »improve the quality of educational system and research development activities« and to »improve the labour market flexibility by ensuring job safety through creation of jobs and the promotion of social inclusion«. The programme is closely related to the fifth objective aiming at the provision of balanced regional development and indirectly also with the first goal focusing on strengthening entrepreneurship, innovation and technological development.

3. Operational programme of the environmental and transport infrastructure development

OP of the environmental and transport infrastructure development entirely refers to the fourth goal of the NSRF and is aiming at ensuring conditions for growth by providing sustainable mobility, improving environment quality and relevant/appropriate infrastructure.

The following programmes will also contribute to the attainment of the goals listed:

4. Cross-border operational programmes:

- Slovenia - Austria,
- Slovenia - Italy,
- Slovenia - Hungary,
- Slovenia - Croatia,
- Adriatic Initiative.

5. Trans-national operational programmes:

- Alpine Space,
- South East,
- Central East,
- Mediterranean.

6. Inter-regional operational programme:

- Inter-regional Thematic programme;
- Inter-regional Interact programme,
- Inter-regional ESPON programme;
- Inter-regional URBACT programme.

Such structure of OPs represents a simple and transparent programme framework within which individual priorities, projects and activities will be implemented. Distribution of resources per OPs is demonstrated in the table below.

Table 10: Distribution of resources per OPs

#	Operational programmes	Fund	EU funds (€, current prices)	%	%	%
1	OP for strengthening regional development potentials	ERDF	1.709.749.522	40,7	41,7	63,6
2	OP for human resources development	ESF	755.699.370	18,0	18,4	28,1
3	OP for development of environmental and transport infrastructure	CF	1.411.569.858	33,6	34,4	
		ERDF	224.029.886	5,3	5,5	8,3
4	Cross-border programmes	ERDF	96.941.042	2,3		
5	Trans-national programmes	ERDF	7.315.278	0,2		
	<i>Total:</i>		4.205.304.956	100,0	100,0	100,0

Legend: ERDF – European Regional Development Fund; ESF– European Social Fund; CF – Cohesion Fund

One third of all cohesion policy resources (EUR 1,412 million) are intended for the programmes of the CF. The rest (EUR 2,689 million) will be allocated to the programmes of the ERDF and the ESF.

The CF resources will be subject to balanced distribution between the field of environment (including the field of energy) and transport. Thus the programmes of transport infrastructure will be allocated EUR 691 million of the CF resources (a part will also be intended for technical assistance) and the same amount will be intended for the programmes in the environment and energy field.

According to the analysis of the needs and as to the volume of investment needs, transport exceeds the field of environment; however, Slovenia decided to allocate balanced shares to both fields due to the importance of environmental dimension and sustainable development. It needs to be pointed out that also within the transport part of the operational programme special weight will be attached to those investments that have positive impacts on the environment.

Resources intended for the ESF programmes amount to EUR 756 million and thus the ratio between the ERDF programmes and the ESF programmes equals 72 : 28. The internationally comparable share of the ESF for the period of the current EU financial perspective is 21.5% for Greece, 23.5% for Portugal, 26.6% for Spain and 30.2% for Ireland. With a 28-percent share of the ESF, Slovenia can be placed among those countries that have the highest investments in the development of human resources. The efficient employment of the ESF resources in Slovenia depends on the reforms in the field of employment and education and with the establishment of capacities to implement new programmes. The problem of education and employment in Slovenia is primarily in the inefficiency of investments, which otherwise according to their volume reach internationally comparable levels. On an annual

basis, the proposed scope of investments into human resources in the period 2007-2013 represents 3.8 times of the current scope of resources in the SPD.

At the same time special account should be taken of the fact that within the OP for the strengthening regional development potentials also the investments into higher educational infrastructure and inter-entrepreneurial educational centres will be provided that directly contributes to the attainment of objectives in the field of human resources development. Taking into consideration all these resources it means the ESF contents will be allocated 32% of the resources from structural funds whereas additional resources for training will be available in the ERDF programmes where the recipients of resources for investments and equipment will conduct trainings on the basis of Article 34 of the General Regulation. In light of this, the share of the ESF contents will actually amount to one third of the structural funds. This indicates significantly strengthened efforts of Slovenia in the field of human resources development and in the attainment of the Lisbon goals. This scope substantially exceeds the scope of resources that other member states earmark to this field.

Considering a special package for the program of rural development amounting to EUR 900 million and EUR 21.6 million for the program of fisheries development, these two areas are not priorities within the Cohesion Policy operational programmes but the programs are in compliance with Chapter 6.4 and are directed towards the achievement of mutual synergy (e.g. in the area of connecting and promoting competitive capacities of food-processing industry, the improvement of life in rural areas and similar).

104 million EUR from the ERDF will be intended for the goal of European territorial cooperation derived from the conclusion of the European Summit. The resources available will finance a considerable number of programmes since Slovenia will participate in 5 cross-border and 4 trans-national and 4 inter-regional programmes. With the programmes of territorial cooperation the following fact needs to be taken into account that once the programme has been adopted by the European Commission, the national allocations from ERDF are mingled into a common allocation from the ERDF that is administered by the common management authority.

In the implementation of the operational programs Slovenia will, where relevant and justified, use the possibilities of complimentary financial sources and instruments that can contribute to the achievement of the NSRF objectives. Among them in addition to international financial institutions and in particular the European Investment Bank the Jeremie, Jessica and Jaspers initiatives should be exposed. Slovenia anticipates closer cooperation with the European Investment Fund and it also expects the support from the Jaspers program intended for the assistance – consultancy - provided to recipient countries in the preparation of projects.

Indicative scope of resources for the programmes that will be implemented on the basis of regional initiatives

The resources of domestic public co-financing for the implementation of the EU programmes in the next programming period will be provided from the national and municipal budgets: Approximately 77% of the so called “development expenditure” is in the national budget and 23% in municipal budgets. Based on this ratio the share of resources was calculated that will be implemented upon regional initiatives. Taking into consideration all resources of structural

funds (after the allocation of resources for the Territorial cooperation goal), the 23-percent share equals to EUR 619 million for the period of seven years and will be provided from the ERDF. These resources will support the implementation of regional development programmes 2007-2013.

The purpose of the regional development programmes is to promote local development initiative, express the dimension of sustainable development and implement the definition of balanced regional development. Programmes based on regional initiatives will be carried out through the mechanisms stipulated in the Act on the promotion of balanced regional development, with twelve development regions acting as partners.

When directing resources into less developed regions, the regional policy makes use of a synthesis indicator and Development Risk Index calculated for twelve developing regions (NUTS-III).²⁹ Together with the number of inhabitants this indicator was also used for indicative allocation of resources of the ERDF to development regions for the next programming period (Table 11).

Table 11: Indicative allocation of the ERDF resources 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)
EASTERN SLOVENIA	1.079.169	127	407,2	439
Pomurska	122.483	160	573,1	70
Notranjsko-kraška	51.132	127	456,2	23
Podravska	319.282	117	419,7	134
Spodnjeposavska	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
WESTERN SLOVENIA	921.945	73	158,8	146
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
SLOVENIA	2.001.114	100	292,8	586

²⁹ The Development Risk Index is calculated by weighing the indicators of economic development (GDP per capita, gross base for income tax per capita, the number of jobs to the employable population in the region and the gross added value per capita), employment market (the level of registered unemployment and the level of registered employment), population (ageing index), education (average years of schooling) and environment (the share of the population connected to the sewage system, the share of areas classified as Natura 2000 and the settlement index).

In 12 development regions regional development programmes are being prepared where priority purposes of the utilisation of resources will be determined. With these financial resources core regional development projects will be financed that will also be supplemented by the projects finance at the national level. When allocating resources to individual development regions (Table 10), the number of inhabitants and the Development Risk Index were taken into account.

6 Concept of operational programmes (OP)

This section explains the base or the concept of OPs. In so doing, the descriptions of planned activities and the envisaged allocation of resources to priorities represent indicative information that within the negotiations with the European Commission can still be changed. The purpose of this section is primarily to define the logic, objectives and framework distribution of development activities per operational programme.

In the field of **technical assistance** Slovenia did not decide to have a special operational program because funds will be provided from separate development priorities that each operational program involves. The purpose of technical assistance is to ensure efficient implementation of the operational programme, development priorities, policy reference, projects and activities. The activities carried out within technical assistance will entail better recognition of programs and their components, the quality of their implementation, their monitoring and the implementation control and greater coordination among partners. Within technical assistance the preparation of project proposals will be motivated, various studies and evaluations will be carried out and the provision of information and informing of the public that will ensure the support to project activities and suitable personnel for the performance of activities will take place. Here horizontal activities, therefore the activities referring to all operational programmes, can be financed from the technical assistance of any operational programme.

6.1 Operational programme for strengthening regional development potentials

The objective of the OP for strengthening regional development potentials is:

Innovative, dynamic and open Slovenia, with developed regions and competitive, knowledge-based economy.

OP for strengthening regional development potentials primarily aims to enhance competitiveness of Slovene economy in terms of attaining the Lisbon goals, foster entrepreneurship, innovation and technology development and facilitate job creation. Financing will be provided for the activities identified on the basis of excellence (national industry policy) as well as on the bottom-up approach, therefore on the basis of regional initiative and with the objective of reducing regional disparities. One of the key goals of the operational programme will be job creation particularly by increasing innovation and thus also competitiveness of companies and by utilising natural and cultural potentials and developing tourism that can foster job creation also in more remote areas of the RS. In the continuation four development priorities are shown where in addition to technical assistance also planned activities will be financed. The table also presents indicative allocation of resources.

Table 12: Structure of the development priorities within the OP for strengthening regional development potentials

OP strengthening regional development potentials	ERDF resources; euro	%
TOTAL	1.709.749.522	100
1. Competitiveness and research excellence	402.133.645	23,5
2. Economic-development infrastructure	396.934.393	23,2
3. Integration of natural and cultural resources	263.235.116	15,4
4. Development of regions	619.442.634	36,2
5. Technical assistance	28.003.734	1,6

6.1.1 Competitiveness and research excellence

The first priority »Competitiveness and research excellence« involves development and investment activities in economy directed towards key development areas and priority areas in research and technological development that were defined in national and sectoral development documents. In addition to research and development projects in companies and knowledge institutions for research results transfer, also the investments into modernisation of development-research equipment and modernisation of technological equipment in these organisations will be supported. It follows that the development priority will be carried out according to the principle of excellence. In doing so, according to added value arising from international cooperation with a part of resources material conditions in these organisations will be improved so that the cooperation in other EU programs and in particular in the seventh framework program will intensify.

Since according to innovation indicators Slovenia is lagging behind the EU average in all areas, this priority shall involve all companies irrespective of their size but particular attention will be paid to small and medium-sized enterprises (SMEs) as well as to fast growing and innovative enterprises.

It is important to keep up with key technological and scientific-research areas (defined in Chapter 2.2.(b)) home and abroad that directs the determination of priority technological areas and opens possibilities for research and innovation breakthrough of Slovene economy in priority areas with targeted investments into research, development and innovation.

Enhancement of knowledge transfer between knowledge institutions and enterprises as well as among enterprises will be achieved in particular by:

- Connecting knowledge institutions and economy and the involvement of the top personnel into projects;
- Connecting companies into joint projects;
- Interdisciplinarity of development and research projects;
- Developing centres of excellence.

Special attention is attached to more significant entrepreneurial activities and technological intensiveness that are a necessary condition not only for long-term existence of processing and related service activities in Slovenia but also for enhanced development and establishment of new activities in the field of high technologies. Both elements require highly qualified labour force that in global environment means maintenance of high added value and knowledge based development, research and innovations and connections among them. In a short run such measures in a company can also negatively result in employment but – taking into account multiple effects and the development of entrepreneurship in a broader sense and dynamic effects in medium and long term – they, however are significant achievements in new job creation. Moreover, they are of key importance for the preservation of top jobs. According to the established reasons for too low competitiveness of economy of Slovenia the cooperation between the academic sphere and economy is important in the generation and application of new knowledge with entrepreneurial goals. And in the implementation phase the interest of private sector will be crucial. Elements of public-private partnership represent an important leverage in connecting knowledge, research and innovations.

In addition to expected multiplier effect, the development priority will foster **entrepreneurship** in the broad sense of the term through providing financial resources. Thus the stress is on different forms of financing to support development and investments in small and medium-sized enterprises with equity resources such as funds of risk capital, debt sources and grants.

6.1.2 Economic development infrastructure

The second development priority »**Economic Development Infrastructure**« represents a set of key projects and the activities of national importance with explicit mutual supplementing. In this sense it represents the entirety that indicates the basic **cornerstones of the breakthrough of Slovenia** that will supplement and upgrade the content of other development priorities and OPs. In particular, it is closely connected with the first priority “Competitiveness of companies and research excellence”. Whereas the first development priority will support concrete development-research and entrepreneurial projects, the second development priority will ensure the support infrastructure that will additionally promote the development of enterprises.

Thus priority development centres in Slovenia will be set up that will provide the most advanced economic, research, educational, information and logistics infrastructure whereas the coordination of the content will be ensured through the determination of complementarity provisions in 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 together with adequate population concentration. These centres represent the core projects in its immediate and wider environment and also in regions. These projects have been regarded as the key national development projects and represent the constituent part of the Resolution on National Development Projects up to 2023.

Individual centres will specialise in accordance with comparative advantages of a wider area and their competitive advantages (can be outside Slovenia, too) and among other they will also include business-industrial-logistics areas (zones), technological parks and technological centres, regional entrepreneurial incubators, university pre-incubators with offices for technology transfer, higher education and research centres, inter-company educational centres and similar. According to the fact that central national economic centres are high-value-added oriented, it is appropriate to strengthen the development of business-industrial zones with support institutions such as the before mentioned technological parks and entrepreneurial incubators. Thus by taking into consideration the regional patterns of specialisation optimum synergy between the utilisation of the existing comparative advantages of companies and the creation of new knowledge and the attraction of new investors will be possible.

The condition to achieve international competitiveness in these centres and in particular to ensure multiplier effects in economy and among the population in more remote areas is topmost information connection. Consequently, the investments in this field are constituent parts of the development priority. The access to the Internet will be provided through broadband connections will all potential users in Slovenia and this will ensure more balanced territorial development of networks and electronic communications. In this context, the development of relevant e-contents and e-services, applications and systems 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 these will foster the development of economic activities, tourism and especially the industry of digital and other contents. In Slovenia this field is completely new and insufficiently developed and provided however 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 knowledge institutions in line with the needs of economy, technological and other priority developments in the country will also include the investments into public higher educational and research infrastructure of national importance, that is the infrastructure of organisations such as high educational 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 (for example: establishment of higher education, natural science institutions, a house of experiments). Another barrier preventing further development and stronger connections with economy is the fact that these institutions are dispersed and numerous sites are too small to expand their activities as well as they are not environmentally-suitable and accessibility is poor. With the investments into such concentrated locations adequate concentration of higher-education, research and development infrastructure in the centres of national importance will be achieved. This will reinforce the network of development institutions in Slovenia and their support to national development and in particular economy.

6.1.3 Integration of natural and cultural potentials

Slovenia is an extremely diverse country with its culture and nature and this is an important advantage compared to other countries not only in Europe but also elsewhere. Quality integration of natural and cultural potentials accompanied by the concern for preservation of the environment is important for at least two reasons:

- Quality living environment is the condition for quality housing and competitive economy;
- Efficient connecting of factors in the environment enables development of new business opportunities in tourism, culture, sports and other related activities.

The development priority is therefore **aimed to use comparative advantages of Slovenia in the fields of tourism, nature, culture and sports in order to increase competitive capacity of economy and to attain the development goals, especially job creation.** In this sense it represents one of the foundations of the country's development since the development dynamism is also offered to those areas where fast technological development due to spatial limitations, the lack of human resources and insufficient accessibility to markets would otherwise not satisfy the needs. In other words, **sustainable** use of natural and social sources means one of the best ways to enhance the development of small and medium-sized enterprises and to create new jobs **also in more remote parts.**

By implementing a series of activities with which protected areas, cultural heritage and other public infrastructure, cultural and sports contents would be connected and thus a new development paradigm could be offered to rural as well as urban areas. Integrated approach to the development of rural and urban areas ensures conformity at the level of the organisation, investments and other development activities by individual players in a given area where otherwise it is not possible to reach critical mass. It would be reasonable that all the activities are carried out in harmony with private sector and with stronger connections between public and non-governmental sector and private sector, which is of particular importance in tourism and tourism-related services (e.g. creative industry). Complementing public sector with private sector creates higher added value on the basis of synergies.

With the development priority co-financing of projects for the public and private sector is envisaged, mainly into the infrastructure in tourism (for example: utilisation of thermal and medicative water for tourism development, cableway installations, artificial snowing, congress halls), the infrastructure that supports nature preservation and natural and cultural heritage (parks with info-centres, thematic paths and castles), sports, tourist, cultural and other public infrastructure important for the development of tourism and tourism-related activities (for examples art residential centres, city revivals, youth centres). Public infrastructure will be supported in order to remove the obstacles and to achieve clear multiple impacts on the development of tourism and tourist destinations where there is a direct connection with tourism development. According to the shortage of accommodation capacities, Slovenia will keep co-financing accommodation capacities and a special stress will be put on co-financing projects of small and medium-sized enterprises. Due to still present problem of poor recognition of Slovenia, the development of management structures in individual regions will have to be fostered as well as promotional and marketing activities of the Slovenia brand name and its destinations.

Within this development priority close cooperation between competent ministries will be established in order to achieve synergy at the level of projects (for example: the renovation of a cultural monument for future development of a hotel or a research centre of excellence, etc.).

6.1.4 Development of regions

Whereas other development priorities are directed towards development centres and projects of national importance the **priority of regional development ensures complimentary infrastructural conditions that are based on the bottom up initiative and provide the development and functioning of regions as efficient and functional units**. According to their character, 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 mainly refer to development priorities 1 to 3. On the other hand, the development priority of region development is directed towards bottom-up initiatives but also the projects with regional characteristics, which means that the basic framework for selecting projects within the fourth 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. The implementation of key regional projects will round up the development network in Slovenia and its natural and social potentials will be connected. It is a development priority that with the concentration of activities on key regional projects, yet dispersed in space, will contribute to a development consensus in development regions and consequently in the country as a whole.

This development priority will be implemented through mechanisms laid down in the Act on the Promotion of Balanced Regional Development where the principle of partnership is crucial. After the adoption of regional development programmes regional development councils, partner bodies to municipalities, economy and non-governmental sector, will prepare implementing plans containing regional priority projects. Given that municipalities will provide the resources of domestic public co-financing, the regional development programmes implementing plans will be approved by the councils of development regions as political representative bodies of the development regions. Then the regional development programmes implementing plans will be submitted to the institution competent for the regional development at the national level for approval. This institution will verify the compliance of the projects proposed with the strategic goals in the operational programme and their formal suitability and will issue the decision on co-financing harmonised projects. Formal compliance of the projects will be established with detailed implementing provisions defined at the national level where precise delimitation among other development priorities and operational programmes will be determined. In principle within other development priorities bigger projects of national importance are financed whereas within the development of regions complementary regional projects are financed.

Operations determined in the regional development programmes falling within the competence of local communities and for whose success alignment with regional preferences is crucial, will be implemented within the framework of following intervention areas, e.g. areas where the most significant development weaknesses and opportunities in regional development have been identified:

1.a.) Economic and education infrastructure: business zones, technology parks and development centres of regional importance, higher education regional centres and other measures for promotion of entrepreneurship and for creation of jobs at regional level, financed within the framework of the first two development priorities.

1.b.) Transport infrastructure: In the area of transport infrastructure justified investments will be investments into local roads and ports of regional importance, including public maritime passenger transport. 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.

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. 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. In the framework of implementing provisions detailed demarcation with other activities, financed within the framework of the OP for environment and transport infrastructure development will be defined.

2.b.) Development projects in areas with special protective regimes and in tourist areas: preparation of management plans and the implementation of projects within the Natura 2000 areas, including projects related to promotion of biodiversity⁴⁴ and the construction of public tourist infrastructure and projects of local-regional importance.

3.a.) Urban development: co-financing projects of balanced development of social and economic infrastructure in urban areas including the provision of clean transport systems and public transport, setting up of land registers for economic public infrastructure, complete renovation of old city cores and historic towns and degraded and abandoned urban areas.

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. In the fields where

critical mass at the regional or even national level (e.g. technological parks or university-level centres) is important, cost-benefit analysis will be required as well as the approval of competent national institution assuring compliance with the concept of development in individual area.

The mentioned indicative financial ratios ensure that the resources will be allocated in a balanced manner between rural and urban areas. Special emphasis will be placed on the development of the areas along the border with Croatia. These are the least developed areas in Slovenia and mostly these are small and financially weak self-governed local communities (in 7 statistical regions). Due to the introduction of the EU external border, new barriers have been created preventing management and settlement in the areas along the border. In the future, the concentration of economic problems can be expected in the areas close to the southern border as well as great needs to create new jobs due to the restructuring process of textile companies, paper and pulp industry, drop in local traffic and decrease of operations in developed trade sector, etc.

6.1.4 The Operational Programme for strengthening regional development potentials directly supports the following guideline from Integrated Guidelines for Growth and Jobs and the priority measures of the Reform Programme for the implementation of the Lisbon Strategy in Slovenia:

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

The increase of resources for research and development by approximately 0,1 % of GDP annually, gradual change in the structure of public investments in research and development so that additional public resources will be allocated to technology and knowledge at a ratio of 80 to 20 and that there in the existing public resources the share of resources allocated to special applied and development research in terms of supporting technological development and innovations will be gradually increased, changes in the tax 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« companies and the employment of researchers in economy. Priority activities within the OPs: the increase of resources for research and development also through the structural funds, gradual change in the structure of public investments in research and development for the benefit of applied and development research and technological development, strengthening the cooperation between the research sphere and economy by building suitable infrastructure, upgrading the centres of excellence, development of knowledge mediators and the encouragement of joint projects with the participants of public research sphere and economy.

- 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” companies and employment of researchers in economy; the establishment of legislative and financial environment in that will promote the foundation and growth of high-technology and other innovative companies in particular small and medium-sized enterprises (for example: to strengthen financing with equity and debt sources); complex modernisation 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 OPs: the construction of economic-development-logistics centres (infrastructure of national importance) connected with technological centres, centres of excellence and high-education innovation centres; upgrading of high educational and research infrastructure of national importance, the construction of educational and research infrastructure in regions (regional high-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 companies.

- 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; involvement of as many inhabitants as possible to use ICT and information society services; and the provision of e-contents in Slovene language. Within the OP for strengthening regional development potentials the construction of broadband network will be financed in areas where there is no economic interest disclosed; e-contents and e-services will be developed within the operational programmes of both funds. Priority activities of the OP 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-services – digitalisation.

- 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 with the stress on the National Nature Protection Programme 2005-2014. Priority activities within the OPs for strengthening regional development potentials will aim at the construction of infrastructure in the natural protected areas and protected zones.

- Guideline No13: Ensure open and competitive markets:

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

- Guideline No 15: Promote a more entrepreneurial culture and create a supportive environment for SMEs:

Improvement of the access to start-up and risk capital and the simplification of banking procedures to grant loans; better cooperation of companies with research and development institutions and the promotion of staff mobility.

The contents of the first development priority are mainly directed towards the centres having the biggest potentials and being the most propulsive whereas the second priority focuses on added value and job creation particularly in the most prospective service activities based on non-utilised natural and cultural potentials in Slovenia. The third development priority, the development of regions, in addition means the decentralisation of decision making process

since regional structures will directly cooperate in decisions concerning the projects, which is in compliance with the principles of subsidiarity and partnership. Hence, better adaptability to regional needs and a higher level of innovations are anticipated and consequently this will result in more positive effects.

As the »Lisbon« programmes (earmarking) as laid down in article 9.3 of the General Regulation the following was considered:

- The entire development priority »Competitiveness of companies 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, 05, 09, 14, 15, 28, 29, 30, 52)

6.2 Operational programme for human resources development

The goal of the OP for human resources development is therefore:

to invest in people,
whose capital will secure
higher level of innovation, employability and economic growth,
which is the best way to ensure
high employment, social inclusion, the reduction of regional differences and
high standard of living.

The programme is directed to strengthen human capital, create jobs, encourage employment and employability, strengthen innovations and thus the competitiveness of economy by investing into the development of adequate research and other staff, life-long learning, ensure social inclusion and promote equal opportunities. Special emphasis is placed on more efficient functioning of the public sector. To pursue the attainment of these goals, particular attention will be paid to ensure instruments and interventions adapted to local and regional needs. The implementing structure will follow this trend as well. The nature of activities included in the OP for human resources development indicates that resources will be allocated to the areas most needed, in particular the areas with high unemployment rate. This means the OP for human resources development will directly contribute to the reduction of regional differences. It should not be disregarded that certain stress should be given to preserve the use of the opportunities in the areas, target groups and types of instruments that encourage competitiveness among those more successful and those with high potentials.

In the OP of human resources development particular weight will be attached to the field of equal opportunities by defining horizontal topics as well as by determining special programmes aiming at equal opportunities. This means that with co-financed activities the principle of non-discrimination will be fully observed and when reasonable or possible the activity will be granted preferential treatment. Within the principle of non-discrimination particular attention will be given to gender equality. There have also been some special measures that are targeted to diminish differences and ensure equal opportunities. These measures are covered by the fourth development priority.

The table below presents the development priorities in this field together with the indicative allocation of funds.

Table 13: Structure of development priorities and priority orientation of the OP of human resources development

OP human resources	ESS resources; euro	%
SKUPAJ	755.699.370	100,0
1. Promoting entrepreneurship and adaptability	262.114.965	34,7
2. Promoting employability of job-seekers and inactive	140.018.678	18,5
3. Human resource development and life-long learning	164.661.965	21,8
4. Equal opportunities and Reinforcing social inclusion	63.848.517	8,4
5. Institutional and administrative capacity	97.051.506	12,8
6. Technical assistance	28.003.739	3,7

6.2.1 Promoting entrepreneurship and adaptability

The goal of the development priority is

establishment of adaptable and competitive economy

by investing into human resources development to acquire knowledge and skills,

by training, educating and providing study grants and by connecting economic, educational, research, development and employment spheres.

With the activities of the first development priority better connection between the research sphere and economy should be obtained and the share of educated, professional and development personnel in economy should be increased by involving them into education, training and other forms of life-long learning. This way better employability and mobility would be ensured and this will contribute to greater competitiveness of economy and will promote various forms of entrepreneurship, new employment options and flexible

employment forms. Together with preventive activities with adequate scholarship policy structural imbalance in the labour market will be reduced.

Within the first priority there are programmes of investments into human resources directed toward strengthening capacities, adaptability of the employed and their employability and as a result innovations and competitiveness of companies, entrepreneurship and competitiveness of companies will improve. Thus these programmes are closely connected with those programmes financed from the ERDF. Their goal is to train human resources whose knowledge and competences will meet the needs of contemporary economy in conditions of global competition. These staff will develop and contribute to innovations, flexibility and productivity of companies and will be able to establish new successful companies. Some sets of activities within this development priority will strengthen internal capacities of companies for intensive and knowledge based development together with training of researchers according to the needs of economy and for the development of advanced products and services in the priority fields of research and technological development. Other sets of measures will focus on better employability of individuals and their training so that they can more easily adapt to the requirements of flexible labour market.

The goal of measures is to strengthen internal capacities of companies for intensive and knowledge based development particularly in the field of technologies and services and thus Slovene economy and especially small and medium-sized companies will be able to manage ever faster technological progress as the main source to raise competitiveness in the global environment. The measures are aimed at strengthening adequate human resources in line with the needs of economy by strengthening the knowledge of the staff in economy, stimulating an increased share of topmost educated staff in economy, developing knowledge in natural-technical and management sciences, promoting (international) mobility of suitable staff as well as by promoting the mobility of development staff from institutions to economy and from big companies to small- and medium-sized companies. The programmes of investments into human resources are intended to improve the employability of individuals in particular of those who are most likely to lose their jobs due to economic changes, establish a more flexible labour market with the development and introduction of different training schemes and with the promotion and introduction of flexible forms of employment. These are intensive processes of economy restructuring within which such programmes need to be envisaged that will train human resources and soften the consequences of economic changes. With the establishment of grant schemes connections between employers and students will be set up at an early stage and thus the transition of young people from the educational system to the labour market and employment will be facilitated. These are key guidelines of the “Youth Pact” that add to the implementation of the life-long learning guidelines, creation of new career paths for young people and their rapid and successful integration in the labour market.

Special programmes designed within the measures of active ageing policy will be intended for older employees to promote the transfer of knowledge to younger generations and gradual retiring.

Within the development of new services and jobs the activities will be carried out to promote entrepreneurship (self-employment) and other projects related to the needs of the labour market, particularly the regional one, such as innovative programmes of creating jobs with

simultaneous promotion of training of employees particularly by transferring knowledge and work experience to acquire the necessary skills and competences.

6.2.2 Promoting employability of job-seekers and inactive

The goal of the development priority is

the improvement of conditions for entry into labour market and employment.

With the measures of this development priority we wish to reach practically every unemployed person and provide him or her with one measure or a combination of several different measures of active employment policy, from providing information, motivating through life-long learning, career orientation, various schemes of training and education – all with the purpose to increase the possibilities of an individual to find employment. Consequently, structural unemployment will be reduced and a higher employment level will be ensured. Special attention will be attached to the reduction of employment gaps between individual regions.

The basis for the development of the priority are crucial critical points in Slovene labour market, that is the structural gap between the demand of employers and the supply in labour market that results in a hard core of structural unemployment, insufficient flexibility of employees as well as employers, problems of young people who find it difficult to enter labour market, the need to invest more in human capital and participation of job-seekers and in-active in life-long learning.

Priority fields are in particular the development and strengthening of active labour market policies by encouraging and supporting the unemployed and inactive to get actively involved in searching for solution of their own unemployment, to enter and/or remain in employment, and by strengthening the effectiveness of the measures of labour market active policies through evaluations, studies and other analyses of the labour market as well as by implementing actions of raising public awareness in connection with the performance of other activities within active labour market policies.

Within the development priority activities will be carried out that will ensure effective functioning of labour market. An important set of activities will be intended to provide information, consultancy, motivation and career orientation, adapted to individual target groups. Career orientation as the key orientation of professional development for children and adults from primary school to the University of the Third Age will become the key foundation and base of employment counselling for job seekers. In addition special attention will be paid to activities to diminish the imbalance between the supply and demand in labour market that is the consequence of low educational level of job seekers and their qualifications that do not match the demand of employers in labour market. In connection with the first development priority but with other target groups the policy of active ageing will be implemented, in line with the guidelines of the European “Youth Pact” great emphasis will be placed on the programs of integrating young job-seekers on the labour market in particular on first-time job seekers facing problems when moving from educational system to employment and other key activities to increase employability of population in particular the unemployed and inactive. New employment opportunities will be identified and projects supporting innovative

approaches in labour market will be supported as well as international projects enabling exchange of experience, results and best practice.

6.2.3 Human resource development and life-long learning

The goal of the development priority is

**development of human resources for work and life in knowledge based society
by modernizing educational systems and training and promoting life-long learning.**

The activities within this development priority refer to the whole vertical system of education and all life periods of an individual. In particular better accessibility to various programmes and forms of life-long learning is to be provided to the broadest circle of users and thus better inclusion of the population into various forms of life-long learning will be attained. This will involve the most advanced ways of the information communication technology use and the simultaneous adaptation of educational systems to new findings and the requirements of time as well as the qualifications of teachers and educators.

Human resource development in a modern society is becoming progressively more based on not only formal but also other forms, ways and methods of education. This is why lifelong learning has become a must of the modern society. It enables quality integration of an individual in life and work throughout the life.

Elements of lifelong learning that ensure an individual better qualified for work and more quality integrated into modern society will be strengthened in different ways and in particular by integrating and recognising different forms of education and learning (formal, non-formal, occasional), ensuring mechanisms for the integration into education after obtaining vocational qualifications, by promoting adult education, encouraging different forms of literacy and providing the necessary infrastructure to support these goals.

Pursuance of the basic goals is related to the possibility of an individual to select the most suitable educational paths. This can be guaranteed with the development of different forms of education in public and private education, the introduction of various educational programmes, and the establishment of comprehensive system of life-long learning. Better qualifications of an individual can be achieved by improving the quality of educational programmes that are formed in closer cooperation with social partners, updating the existing educational methods and developing new ones and by creating conditions to connect schools with economy at the local and regional level. More quality programmes add to attractiveness of vocational and professional education.

Better qualifications of an individual will only be provided with more quality education at all levels and this is why in Slovenia mechanisms of education quality establishment and management will be ensured at the level of external and internal evaluation. Teachers and educators are an important factor that ensures quality educational work. Quality and systematic training of teachers and other educators to shift from classical teachers to

“searchers, researchers and talent developers” will represent one of important activities of the operational programme which will contribute to increased quality of educational work.

Significant differences have been established in the access and use of information communication technology in the field of life-long learning. The provision of ICT equipment and the access to e-contents and electronic services (e-Accessibility) is particularly important to persons with special needs, the elderly and other groups of population who are threatened that with fast progress of ICT in all areas of life and activities will remain neglected. In educational institutions suitable e-contents and organisational and personnel models will be developed. In higher education Slovenia will focus on projects that will support the formation of new higher-education institutions, internationally comparable system of quality assurance in higher education and will continue the development of quality programmes of higher education, and projects that will indicate opening of higher-education institutions into environment and strengthen the activities of higher-education institutions that respond to the needs of economy. Projects that will promote active forms of cooperation between economy and higher education in integrating experts into the triangle economy, higher education and science will also be of crucial importance.

6.2.4 Equal opportunities and reinforcing social inclusion

The goal of the development priority is:

to reach higher level of social inclusion, to diminish the risk of social exclusion for vulnerable groups and through fighting against all forms of discrimination also contributing to the concept of equal opportunities.

The promotion of social inclusion is in close connection with the orientation of the horizontal priority task of ensuring equal opportunities and the prevention of inequality and all kinds of discrimination on the basis of gender, race or ethnical origin, religion, age, sexual orientation disability, in different stages of the structural funds implementation on the one hand and ensuring gender equality on the other hand.

The purpose of this priority is to encourage measures that will lead to the implementation of the principle of equal opportunities and thus also to promote social inclusion of people: Hence, instruments and programmes will be implemented that will create an environment where people will be motivated and where it will be easier for them to find a job while at the same time they will enjoy the necessary level of social protection.

Within the development priority new forms of removing social exclusion will be promoted. Thus the programmes of temporary and occasional employment and the development of projects within the »in-work benefit« scheme and similar will be introduced.

With the aim of stimulating employment in service, non-profit and nongovernmental sectors for example the creation and implementation of non-market employment programmes will be promoted, in particular within new forms of social and social-care services and other projects

in the field of service activities (home help, long-term care, child care, care for the elderly, the disabled...) and within various projects in nongovernmental organisations.

The stress will be put on innovative measures and international and transnational projects in the field of strengthening social inclusion and combating discrimination. This is where also the programmes of ensuring equal opportunities belong together with the development and support of projects of the coordination of work and family life and of inequalities in demographic structure. The projects of new, coherent and inter-sectoral approaches in line with the goals drawn up in the “European Pact for Youth” will be furthered.

Particular emphasis will be placed on the promotion of social entrepreneurship and those programmes permitting the inclusion of the youth and the elderly (for example: longer staying in employment – compensation to employers, knowledge transfer, and employment in non-profit projects), the disabled, the Roma people, minorities, migrants, refugees and other vulnerable groups in the labour market through the involvement into training and work (flexible forms) and employment. This is a connection with the programmes specified in the first and second development priority but with special content focus and target groups in the labour market and society. Target groups are all those individuals who for different reasons found themselves on the edge of poverty or social exclusion and are in need of an in-depth treatment and a special approach. The development of social entrepreneurship and progressive expansion of social services through various non-market projects in local environment can have a positive impact on the whole society since in addition to new employment opportunities also the possibilities to make use of new, additional social services enriching local social and work life are opened up.

One important aspect that each development-oriented society should consider is also ensuring social inclusion, accessibility and equal opportunities provision in the educational system. The development of social competences in complex society and the society of risk is nowadays gaining in importance. At the same time school is an important factor that has a preponderant effect on further possibilities of successful integration of an individual into life and work respectively. Consequently, those elements of educational work and school as an institution need to be strengthened, that improve the accessibility and possibilities of the social inclusion of socially vulnerable groups. Mechanisms improving the inclusion of these groups into educational system and increasing the social competence of the youth to more successfully face more demanding situations in life and more successful cohabitation have to be strengthened.

This development priority will pay particular attention to the development of new instruments and the programmes of including individual hard-to-employ and vulnerable groups into the labour market, notably through activities in the cultural sector.

At the same time the activities of this priority will result in the achievement of another goal. The space for quality development of the non-governmental sector will be identified since many of the planned activities will promote the role of the non-governmental sector in the implementation of the contents.

6.2.5 Institutional and administrative capacity

Better institutional and administrative capacity represents the key element for structural adjustments, growth and jobs and economic development. It will contribute to increased productivity in economy via more efficient public services (faster procedures, improved services: e.g. consultancy), better creation and implementation of policies. Integrated approach to improve administrative and institutional capacity is arising from the Strategy of Economic Development, Reform programme for achieving the Lisbon Strategy goals and the Framework of economic and social reforms to increase the welfare in Slovenia within the priority development task: More efficient and less costly state and directly also in other development priorities where modernisation of structures and systems is an important element to attain the goals such as higher employability, qualifications and competitiveness.

Within the development priority there are development guidelines and projects whose goals are to promote:

development of appropriate institutional and administration capacity for efficient structural adaptation, growth, jobs and economic development

In labour market comprehensive institutional and administrative support to the implementation of employment programmes and the institutional support to life-long career orientation will be ensured.

Growth of efficiency and effectiveness of the public administration is of key importance to reach the strategic goals since without better functioning of the public administration system, the strategic goal of accelerated economic growth and job creation as well as the specific goals to reduce the number of employees in the public administration and to diminish the share of the public expenditure in GDP would be endangered. The development of the efficiency and effectiveness of the public sector and e-administration are general basic development areas directed towards the establishment of the environment and conditions for efficient (the lowest costs at the given scope of services) and successful (the best results for shareholders at the given scope of services) administration. This is conditioned by qualifications, knowledge and motivation of the employees in the public administration. The key role is played by the management that needs to be highly qualified and equipped with modern and quality managerial tools. Special attention needs to be drawn to the assessment of the impacts of regulations and the prevention of further administrative barriers. The second key to better efficiency represents e-administration that with the offer of electronic services, data and information strongly improves the access to services to citizens and companies. The third important part in the field of increased efficiency is the modernisation and links between official records as well as the data exchange with the EU. All these activities will be supported by modern ICT structure where the activities will be directed towards the objectives of the establishment and harmonisation of ICT services, standardisation and ICT equipment modernisation.

Modernisation of the *judiciary* will be carried out in several parallel areas. It concerns: radical modernisation of the procedures in the broadest sense at all levels, a more adapted system of remuneration that will take into account different levels of complexity and the quality and

quantity of the work performed and infrastructural support to efficient functioning of the judiciary. Each of the areas listed individually contributes to better efficiency of the judiciary whereas together they achieve sustained effect.

Within *the reform of the institutions in labour market* special weight will be attached to updating of the Employment Service of Slovenia as the central institution in labour market. The support will be provided to the new role of the Employment Service of Slovenia that requires on the one hand continuous adjustment of the content and organisation of its activities and the adjustments of the management to the requirements of more and more dynamic labour market, and on the other hand it requires the adoption and introduction of new information communication technologies that are the precondition to increase the efficiency and quality of the service implementation. In addition to the Employment Service of Slovenia, efficient functioning of the centres of social work and other labour market institutions as well as projects in the broadest sense is necessary (for example: ensuring one entry point to exercise the rights to social transfers, the development and modernisation of institutions to monitor the supply and demand in labour market).

In addition to the Employment Service the efficient functioning of labour market depends also on the centres of social work, Fund for Human Resource Development and other institutions in the labour market as well as the projects that add to transparency and efficiency of individual policies, for example one entry point to exercise the right to social transfers, the development and modernisation of institutions for monitoring the supply and demand in the labour market and timely predictions of the demand in the labour market as well as the impact on the whole educational system. The establishment of the central coordination career point is envisaged that will offer professional support and connect the educational and employment spheres.

Irrespective of the long tradition of establishing associations and self-organising of people going back to the time before the World War II the potential of *non-governmental sector* has not been utilised. To improve this situation the activities will endeavour to support social partnership and non-governmental sector aiming to increase their qualifications so that they can get involved in the preparation, monitoring and implementation of policies, programmes and projects particularly in those fields where the non-governmental sector can play a key mobilisation and development role. The activities will mainly be intended for strengthening the personnel in NGO with the programmes of target education, training and the creation of jobs. The projects for strengthening civil and social dialogue will be supported, which will contribute to better quality and efficiency of the public administration. Awareness raising dealing with the role and importance of the non-governmental sector and social dialogue in society and social development will also be attributed special attention.

Good *health status* of an individual as well as active population has an important impact on the competitiveness of economy and social development. Bad health status is connected with high costs of an individual and the state. In Slovenia there have been disparities among regions and individual groups of population. In the last decade the implementation of activities within the current network of public institutions did not follow the development of comparable institutions of the EU member states. The biggest deficit is in the provision of professional support to the providers of health care when they introduce the system of quality, establish information communication infrastructure and in their qualifications to respond to

new health threats. To improve the situation the stress within the operational programme will be given to ensuring good management, quality in health care and the establishment of the information system to provide relevant and timely information. Public services that that will ensure monitoring and the evaluation of the programmes and measures including studies, statistical data and professional consultancy will have to be reformed and trained. The activities in this field will contribute to a better coordination among different sectors, better cooperation between the state and non-governmental organisations and between the public and private sectors.

6.2.6 Operational Programme for Human Resources Development directly supports the following guidelines from Integrated Guidelines for Growth and Jobs and the priority measures of the Reform Programme for Achieving the Lisbon Strategy Goals in Slovenia

- Guideline 8: To facilitate all forms of innovation:

Establishment of methods for better cooperation between companies and educational and research-development institutions as well as the promotion of staff mobility, comprehensive reform of university by increasing the number of providers, better adaptability to the needs of economy, more quality and competition.

Priority activities within OPs: programmes of expert training courses as well as training of researchers for economy, promotion of mobility of topmost qualified staff between higher education, research and business sector, flexible interdisciplinary groups of experts for work on development projects for companies, incentives to students during study courses for establishing connections with companies in research fields, incentives to students to study deficiency naturalistic and technical study courses; connections between high-education organisations with the needs in economy; programmes for improving the quality and adjustments of educational programmes and development activities.

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

Involvement of population to use ICT and the information society services; By introducing services such as e-justice and e-health to the fifth development priority, these goals will also be achieved in this field. This is also connected with the reform of labour market institutions and the training in computer literacy provided to target groups.

- Guideline (10): To strengthen the competitive advantages of its industrial base:

The changes in fiscal and industrial policy and the system of financing research activities fostering cooperation between the research area and economy; foundation of “spin-off” companies and employment of researchers in economy; education and training in international business.

- Guideline (14): To create a more competitive business environment and encourage private initiative through better regulation:

Improvement of the design and implementation of development function of the state (economy, social security, environment); the introduction of mandatory preliminary assessments of the impacts of regulations, development of a methodology to be used in assessing the impacts on economy, the adoption and implementation of the Removal of Administrative Obstacles Programme, the introduction of a system of strategic planning and managerial tools in public administration, the introduction of the common assessment framework (CAF) and inclusion in EFQM; the establishment of standards of efficiency and effectiveness of the public administration, the analysis of business processes as a basis of the

optimisation, standardisation and computerisation of procedures, the establishment of central registers – for example uniform central records in the sphere of social transfers, a real estate register; greater efficiency of the judicial system.

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

Enhance co-operation between enterprises and education and research institutions, and promote labour mobility. With the first development priority there are programmes envisaged to promote connections between economic and educational and development-research spheres. Promotion of entrepreneurial mind-set and culture is planned in the second development priority as well (self-employment) and in the fourth development priority (social entrepreneurship, promotion of service activities).

- Guideline (17): Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion:

Programmes of increasing employability of both the employed and unemployed; discouraging early retirement; improvement of the adaptability of workers and enterprises by promoting the use of flexible forms of employment and life-long learning; the increase in investing into human capital; The operational programme envisages activities within the second and fifth priority – promotion of employment and employability by strengthening labour market active policies, the improvement of labour quality and productivity within the first development priority (such as job rotation scheme, central career orientation point, scholarship scheme, mentor and instructor schemes, active ageing policy...); third priority – promotion of life-long learning processes, the promotion of social inclusion – the fourth priority with the activities to strengthen social cohesion.

- Guideline (18): Promote a life-cycle approach to work:

Increase the employment of young people: reform of higher education (introduction of Bologna Declaration), reduce the average period of study and improve study performance, the integration of young people into the working environment and society - development priority 3,2; *Active ageing and measures to address the employment issues of older workers:* development of integrated programmes for employing older workers, promotion of active ageing and lifelong learning – development priority 1 (e.g. inter-generational instructors and mentorship schemes); Increase the retirement age in accordance with the pension reform already in place; *Equal opportunities of both genders:* implementation of special programmes encouraging the promotion of women, encouraging men and women to undertake training and employment in areas where one or the other are a minority (non-standard professions), ensure significant representation of women in active employment policy programmes and special programmes encouraging female employment – development priority 2 (measures of active employment policy) and the development priority 4, Promotion of social inclusion; *Reconciliation of work and private life:* introduction of new programmes and services for child and elderly care and dependent persons – development priority 4 – Promotion of social inclusion.

- Guideline (19): Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people, and the inactive:

Active and protective measures for the unemployed and inactive and new job creation: special programmes for hard-to-employ groups of individuals and more intensive work with them; investments into training of workers with low level of qualifications; the introduction and implementation of employment programmes in non-profit sector - development priority 2 (e.g. in-work benefit); employment in non-profit sector – development priorities 2 and 4;

discrimination in labour market: implementation of the Resolution on NAP for equal opportunities of men and women, the implementation of raising awareness activities to fight against discrimination in labour market; *the situation of the disabled in labour market*: increased employment possibilities by implementing the new Act on Employment Rehabilitation and the Employment of the Disabled – development priority 4 – fight against discrimination in labour market and bigger social inclusion.

- Guideline (20): Improve matching of labour market needs:

Labour market brokerage, functioning and modernisation of the ESF and other agencies in labour market: modernisation of the Employment Service of Slovenia, training and motivating employment counsellors, promotion of employment brokerage agencies as an element of labour market adaptability. It is one of the key contents of the development priority 5 (Modernisation and Reform of labour market institutions).

- Guideline (21): promote flexibility combined with employment security and reduce labour market segmentation, having due regard to the role of the social partners:

Responding to changes and promoting flexibility, adaptability and mobility in the labour market:

Promotion of friendly forms of flexible labour market and employment – development priority 1, promotion of new employment possibilities, development priority 2. – promotion of employment and employability; improve workers' skills to retain employment on a long term-basis through lifelong learning, and reduce structural imbalances according to labour market needs – development priority 1 (e.g. mentorship schemes, instructor scheme, study grant scheme, national vocational qualifications, vocational skeleton), development priority 3 – promotion of life-long learning activities; *Health and safety at work*: inform workers and employers about occupational health and risks.

- Guideline (23): Expand and improve investment in human capital:

Formulate an integrated and detailed strategy of lifelong learning – development priority 3; Reform higher education, post-secondary technical education and secondary technical and vocational education - development priority 3 – and guarantee opportunities for horizontal and vertical mobility at the national and international level (ECTS credits, European and national qualifications framework) – development priority 1), Complete the reform of the university sector by increasing the number of providers, greater adaptability to the needs of the economy, greater quality and competition, ensure education for sustainable development – development priority 3 – quality of educational system and connections between economic and educational spheres.

- Guideline (24): Adapt education and training systems in response to new competence requirements:

Improving the quality and attractiveness of vocational education, widening employment possibilities by evaluating and recognising informal and occasional learning and ensuring the transparency of all related procedures – development priority 1 (NPK), development priority 3, improving adequate financial incentives for employers and employees – development priority 1.

These »Lisbon« programmes as laid down in Article 9.3 of the General Regulation (earmarking) take into account the development priorities one to four and in the fifth development priority »Institutional and administrative capacities« only the part referring to code 65, that is »Modernising and strengthening of labour market institutions.

6.3 Operational programme of the environmental and transport infrastructure development

OP of the environmental and transport infrastructure development entirely refers to the fourth goal of the NSRF and is aiming at

**ensuring conditions for growth by providing
sustainable mobility,
improving environment quality and relevant/appropriate infrastructure.**

This at the same time represents the general goal of the operational programme.

This OP will be mainly financed through the CF and to a lesser extent from the ERDF. The goal of the operational programme is to ensure infrastructure in the field of environment and transport while at the same time this is related to promoting sustainable development and ensuring high quality of living to the inhabitants of the RS. In light of this, the programme also contains the actions on the sustainable use of energy. The table in the continuation shows development priorities together with indicative allocation of the resources at the level of development priorities and it also indicates the envisaged relative weight attached to specific areas within the transport and environmental infrastructure.

Table 14: Structure of development priorities and priority orientation of the OP of the environmental and transport infrastructure

OP environmental and transport infrastructure	ERDF resources; euro	CF resources; euro	Total; euro	%
TOTAL	224.029.886	1.411.569.858	1.635.599.744	100,0
1. Railway infrastructure - CF		449.567.581	449.567.581	27,5
2. Road and maritime infrastr. - CF		241.370.738	241.370.738	14,8
<i>Road sector</i>		206.840.911	206.840.911	
<i>Maritime sector</i>		34.529.827	34.529.827	
3. Transport infrastrucutre - ERDF	224.029.886		224.029.886	13,7
4. Municipal waste management		205.568.426	205.568.426	12,6
5. Environmental protection - water sector		325.483.339	325.483.339	19,9
<i>Collection and treatment of waste-water</i>		102.784.212	102.784.212	
<i>Drinking water supply</i>		148.466.085	148.466.085	
<i>Reduction of water damages</i>		74.233.042	74.233.042	
6. Sustainable use of energy		159.886.553	159.886.553	9,8
7. Technical assistance		29.693.221	29.693.221	1,8

Strategic objectives in **the field of transport and transport infrastructure** are set out in the transport policy of the Republic of Slovenia (Resolution on the Transport Policy of the Republic of Slovenia, Official Journal of RS 58/2006 dated 6 June 2006). The emphasis is given to the achievement of social optimum in labour referring to transport sector, the increase of transport safety, efficient energy use, the increase of the scope and quality of public passenger road and railway transport, harmonised functioning of the whole transport system, the establishment of intelligent transport system architecture by implementing regional, national and European specifics, directing these interests, ensuring the necessary transport infrastructure for land, sea and air transport that will follow the principles of sustainable and balanced regional development, ensuring reliable, safe and cost competitive and environment friendly transport in freight and passenger transport, optimum utilisation of the sources available, the establishment of the effects of market economy, the sale of shares owned by the state and deregulation where private bidders following the principle of market economy can ensure more competitive and quality services whereas the level of safety should be retained, precise directing of fiscal measures to provide those measures that can not be ensured on the basis of the market economy principle.

According to the principles of sustainable and balanced regional development arising from the Resolution, Slovenia will manage to support further development of intermodal connections with the necessary transport infrastructure for the land, maritime and air transport. Proposed projects will optimise the intermodality of freight transport because the investments into infrastructure will be such as to redirect freight transport from overburdened roads with optimum combinations of road – railway and road – maritime transport. The strategic document concerned also states that together with the provision of transport infrastructure the education of passengers is required in order to position intermodal passenger transport (e.g. bicycle-car-taxi-boat-bus-train-plane).

With the National Strategic Reference Framework for the period 2007 – 2013 those orientations from the Resolution on the Transport Policy of the Republic of Slovenia that will be granted the support of the cohesion policy will be determined in detail. Direct added value of the EU resources is in the early beginning of the implementation of the co-financed projects and with this related elimination of bottlenecks, particularly on internationally important corridors. The construction and renewal of transport infrastructure will provide higher level of transport safety, better mobility of the population to increase competitiveness at the regional level, the connections between remote areas and the central part of Slovenia and better supply of economy. At the local level this has been exposed as a need, but the initiatives of individual municipalities are insufficient to overcome the problems of the regional development, if the state does not prepare projects and at the national level that are based on the identified needs from regional development strategies. The state also needs to support these projects. The examples are the projects titled »3rd development axis« and other national roads and »A Single Ticket« where the priorities of the OP for strengthening regional development potentials are joined within the OP environmental and transport infrastructure development. Investments listed in the priority lists are essential to reach the goals because they contribute to the removal of the bottlenecks and ensuring sustainable mobility.

Allocation of the **Community grants on the Trans-European Transport Network (TEN-T) and the funds of the Cohesion Policy**: Slovenia is planning to use the resources available in the Cohesion Fund and EFRD for investment projects whereas within the TEN-T financial

instrument the appropriate studies (e.g. preparation of project documentation) will be suggested for financing. TEN-T facility can finance joint partner projects of more than one member states, which is not possible to be financed from Cohesion Funds. Slovenia will, together with other member states sharing the D Corridor, prepare an application to absorb the TEN-T funds to carry out a project “the Introduction of the ERTMS/ETCS system on Slovene Railway Network”.

Investments in the field of **environment** are based on the National Environment Protection Programme with the priority of improved supply of quality environment protection services by public utilities that are provided to the largest possible share of the population.

This is constantly reflected in improved living space, better economic development possibilities and the creation of new jobs. Sustainable use of natural sources requires good infrastructure in the whole territory of the country, which also prevents indirect environmental pollution. The environmental field is thus divided into two main directions. The first are activities in connection with the construction of the public infrastructure for communal waste water management. The field of water thus covers water collection and treatment, potable water supply and protection against water damages.

We followed the polluter-pays principle since the financial part of Slovene participation will represent not only integral budgetary resources but also earmarked funds from prescribed environmental fees in the field of communal waste water collection and treatment, waste collection and disposal and the price of water based on the legislation applicable.

Thus the state has the possibility to ensure suitable inflow of resources on the basis of economic-environmental instrument arising from the needs known in advance after the national legislation has been harmonised with the EU directives regulating waste and water management.

On the basis of the analysis of the priorities particular attention is given to full and sustainable management of important environmental elements, in particular of water, air, soil and nature and thus to areas identified in national operational programmes and complex plans of management in line with the goals laid down in the EC legislation. These fields are:

- Urban waste management
- Waste water collection and treatment
- Drinking water supply
- Reduction of water damages
- Sustainable energy.

With the development of new infrastructure and the construction of facilities intended for the treatment of waste, waste water and facilities for potable water distribution and state of the environment monitoring, as well as the facilities for the protection against floods the base will be provided for integrated water management in conformity with the WFD Directive. Financial aid of the state and the European Community is necessary in order to fulfil all the obligations in the field of waste water collection and treatment up to 2015 signed by Slovenia in the Treaty of Accession. In addition to this, appropriate consideration will be given to the activities to accelerate the removal of PCBs in the period 2007 - 2010, which is the deadline

to fulfil the obligations of Slovenia in this field. Moreover, the remediation of the most heavily polluted industrial areas due to waste oil and pesticides will be implemented.

Investments in the **field of energy** are based on the National Energy Programme (NEP) and will be implemented in industry, service and public sector, transport and households. The implementation of these investments will contribute an important share to satisfy the obligations of Slovenia to reduce the emissions of greenhouse gases in compliance with the Kyoto Protocol and to achieve the objectives arising from the EU directives and NEP.

6.3.1 Railway Infrastructure – Cohesion Fund

In the period of the transition of Slovenia to market economy and later in the pre-accession period there was a standstill in the enforcement of the polycentric development that Slovenia traditionally has been implementing through the spatial-development orientation. The most important regional centres could not follow the development pace in Ljubljana and there were significantly different conditions for economy and living within Slovene regions. The transport policy spontaneously followed such development with priority investment into the construction of the motorway network and Slovenia has been behind in financing the renovation and construction of regional and local road connections and railway infrastructure.

Insufficient maintenance and slow modernisation of the railway infrastructure together with increased burdening of railway lines due to intensifying volume of transport are reflected in a bigger number of decisions issued by the Transport Inspectorate of the Republic of Slovenia concerning speed limit and axle weight, which additionally affect the quality of transport services. This situation in public railway infrastructure also affects the situation in intermodal transport that in railway transport most often means combined transport (transport of containers, swap bodies, trailers, saddle-shaped semi-trailers, road transport vehicles). Quantities that are transported are limited with the allowed axle load.

Slovenia will regard the projects from the Decision of the Parliament and the Council No 884/2004/EC as the priority ones where for Slovenia there are two relevant projects:

- 6th priority project (railway connection Lyons–Trst–Divaja/Koper–Divaja–Ljubljana–Budapest–Ukrainian border) of the Trans-European transport network, and
- specific priority European project of the introduction of the ERTMS system. Representatives of the Republic of Slovenia are actively involved into a working group that deals with the introduction of the ERTMS system at the level of the European Commission. Through Slovenia the D corridor runs – Valencia – Lyon – Ljubljana that most probably will be extended to Budapest.

The renovation and additional construction of Slovene railway infrastructure are basic for the improvement of transport services and ensuring sufficient capacities of the network in line with future transport needs. With the introduction of new technologies the required level of technical standards will be ensured and this will contribute to harmonise and ensure the interoperability and competitiveness of railway freight traffic with other transport possibilities in the whole of TEN-T network. Thus the safety, punctuality and reliability of railway traffic will be improved. Thus the conditions will be established to gradually shift traffic to railway

infrastructure and to ensure greater mobility by making use of railway services. The planned priority projects in railway infrastructure are the »Modernisation of the existing railway line Divača-Koper«, the »Construction of a new railway connection Divača-Koper« and the »Reconstruction, electrification and upgrading the Pragersko-Hodoš line« and “Modernisation of level crossings and the construction of underpasses at stations, which all belong to the 6th priority axis, and the introduction of the ERTMS and GSM-R systems to Slovene Railway network.

It could be concluded from the above-mentioned that the 5th corridor is a priority in the field of railway. In the Annex III to the Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network the railway axis Lyon-Trieste-Divača/Koper-Divača-Ljubljana-Budapest-Ukrainian border also the sections “Venezia-Trieste/Koper-Divača” and “Ljubljana-Budapest” are defined as a part of the priority project No 6. Two studies are being prepared for the section Trst-Divača within the Interreg III A programme. They will serve as the base for the determination of the optimal laying out of the line, which is of great significance also due to the high estimated investment value. It is envisaged that TEN-T resources would be used for the construction of this section. On the other hand, the motorway section “Divača-Koper” has already been allocated EUR 5.47 million of technical assistance to prepare “Technical studies for the construction of the second track on the Divača-Koper line. The resources for the construction are envisaged within this operational program. Such approach has been harmonised with the Italian partners which is also reflected in the signature of the Declaration of intent on the construction of the railway connection of 28 February 2006 in line with the Decision No 884/2004/EC Trieste-Divača/Koper-Divača.

6.3.2 Road and maritime infrastructure – Cohesion Fund

In the period 2007-2013 the construction of the motorway network will be completed. Bottlenecks will be removed and the flow through and the safety of traffic will improve. The current form of financing, maintenance and management through DARS as a concessionaire has proven to be adequate. The EU resources that are available can be used to finance the programmes of accessibility, mobility and intermodality. The (de) concentration of the development network of Slovenia in the biggest urban centres and the programme of development activation of natural and cultural potentials that will be financed within the Operational Programme for strengthening of regional development potentials and the Programme of Rural Development will be complementary and will create conditions for a strengthening polycentric development model that has to be directly supported with the accompanying programmes of transport infrastructure.

Every year the Port of Koper experiences a significant increase of the volume of the freight trans-shipment which is of special importance since this is an important entry-exit point for the countries of the Central Europe between the sea motorways of the Adriatic and Ionian Sea and the transport routes of the intermodal V corridor within the TEN-T network. In this respect the construction of new operational wharfs in the Port of Koper that will, in compliance with the latest EU guidelines, ensure modern intermodal transport.

6.3.3 Transport infrastructure - ERDF

The development priority fully follows the basis of the development priority »transport infrastructure - CF« and has been excluded from financing provided by the ERDF. This is the only way to finance secondary road network where the situation is rather problematic. Of 5,884 km of national roads 43% are in a bad or extremely bad condition whereas the traffic on the national roads significantly increased in the period from 2001 to 2004, namely by 2.6% annually.

Taking into account limited financial resources of this priority axis, priority will be given to the so called development axes in particular to the “third development axis” and “the fourth development axis” that will enable the development and integration of resources in weaker and border regions of Koroška and South-eastern Slovenia (Bela Krajina and Dolenjska), Goriška (the Upper Soča Valley) with the areas in the central part of Slovenia. Thus adequate accessibility and connections with international flows will be ensured. The capacities and quality of Slovene national road network in the direction of the third development axis is unsuitable. The transport burden amounts to 3,000-20,000 vehicles daily, the heaviest burden posed to bigger economic centres such as Velenje, Celje, Novo mesto, Škofja Loka. These are short-distance transports in areas where due to dispersed settlements the transports can not be covered by any other alternative measure (e.g. the development of railway transport) or infrastructure (e.g. telecommunication infrastructure) that could reduce the demand for such transport of persons.

The construction of a new cross development traffic axis and the renovation of the existing ones at the same time means a connection with regional centres in Austria, Italy, Slovenia and Croatia and it also enables the link between freight and passenger road transport of all regions along this axis with the main European transport routes. The project is placed and justified in the Strategy of Spatial Development of Slovenia and has a very positive impact from the point of view of ensuring connections to the TEN network. It connects the north of Koroška and Savinjsko-Šaleška region with the V European Corridor, Goriška with the X European transport Corridor while in the south the connection of Bela krajina to the X European Corridor is of great importance. Similar facts and needs for new investments are identified along 4th traffic axis, which will connect Central Slovenia, along Gorenjska and Goriška region, with Italy. In this case, a suitable share of financial allocation will also be ensured.

Some small scale mobility projects are also envisaged to be financed within this development priority such as the preparation and generation of a single ticket that will enable the establishment of a complex and integrated public passenger transport in the whole territory of Slovenia. Successful shift from one to another means of transport depends on the simple access to all kinds of transport. The time lost in shifting is reduced with the development of intelligent traffic systems to notify passengers on the possibilities offered by transport services. Information support has to provide passengers with the necessary information to get ready for a trip as well as during the trip.

A project of combined train and bus ticket is the base for the promotion of public passenger transport and intermodality of the passenger transport at the national level and this is why its

realisation in this programming period is important. The purpose of a single ticket is to reduce the use of private cars (particularly in daily migration), improve the offer of public passenger transport and provide passengers with the possibility to freely select the means of transport, combine train and bus transport (optimum accessibility) and ensure acceptable prices.

In view of the increased air transport in Slovenia and in order to comply with the EU regulations and provisions of the Schengen Agreement, the existing airport infrastructure must be modernised and upgraded. The phased introduction of new technical air traffic control systems is planned to ensure the interoperability of the different regional air traffic control systems in Europe. Airport infrastructure is planned at the Maribor Airport.

6.3.4 Municipal waste management

The development priority in the **field of municipal waste management** arises from the Operational Programme of waste removal with the objective to reduce the quantity of biodegradable waste in the period to the end of 2008 that the Government of the RS adopted in 2004, and from the Operational programme of waste collection. To implement other operational programmes where costs do not burden the public sector but the producers (waste electric and electronic equipment, packaging, old vehicles, construction waste, tyres, textile) efficient waste collection and separation needs to be set up so that new products and technologies can be developed. The implementation of this programme is essential to create jobs, improve environmental situation, and ensure better access to support services, new product made of secondary raw materials and the use of new environmental technologies.

The key task of the development priority is the establishment of a network of infrastructural facilities and devices, namely:

- construction of regional landfills and collection centres,
- upgrading the existing regional centres with the devices for waste treatment,
- organising the treatment of sludge from treatment plants,
- arranging and upgrading the disposal site for hazardous waste.

Furthermore, the activities will be aimed at the rehabilitation of some areas polluted with waste oil and PCB and based on the European legislation gradual replacement of PCB with similar substances that are more environmentally friendly will take place. In this case the resources will be allocated in accordance with the rules on state aid.

6.3.5 Environmental protection – water sector

Water sector is one of the chapters that require complex solutions for the whole sector. This set deals with:

- drinking water supply
- collection and treatment of waste water
- reducing damaging effects of water.

In 2006, the government of the RS adopted the Operational programme of **Drinking Water Supply** whose main goals are the increase of the number of inhabitants connected to water

distribution systems to 100,000 and the reduction of the current number (600,000) of those who are currently exposed to chemical and microbiological contamination of water to 40,000 in 2015 and the reduction of the vulnerability of the population of the Republic of Slovenia due to climatic changes.

Key activities foreseen to be financed from the CF:

- connecting water distribution systems
- ensuring reserve water sources for systems covering more than 50,000 inhabitants (the value is indicative)
- rehabilitating insufficient sources in areas where drought is frequent by constructing high-water level embankments
- active protection of sources against contaminated waters.

Thus the problem of the risk caused by drought in areas where the level of groundwater due to climatic changes has significantly dropped will be reduced. This way additional water reserves will be provided and the exposure of the population to pesticides and nitrates in water will be reduced and good chemical status of water will be achieved. Given the consequences of dispersed pollution and its potential impact on the potable water supply covering more than 10,000 inhabitants, the measures of active groundwater protection will be taken. Complementary investments such as the reduction of water losses in water distribution systems, the provision of reserve water sources and rehabilitations of village water distribution systems will be financed from the OP for strengthening regional development potentials - development of regions.

The **waste water collection and treatment** is the basic area where Slovenia committed to be in compliance with the applicable EU legislation by 2015. Therefore, the government already in 2004 adopted the national Operational Programme of Waste Water Collection and Treatment. The programme lists all the areas that in line with the time schedule need to be equipped with public sewage system and waste water treatment plants. This programme addresses the elimination of differentials due to the entry into the EU and in line with the Treaty of Accession Slovenia needs to implement all the remaining investments by 2015. By 2015, 3260 agglomerations will be equipped in line with the directive regulating collecting systems and treatment of urban waste water. The implementation of the programme started in 2004 and will continue till 2015. At present the biggest obstacle is slow procedure of the acquisition of construction permits for communal networks since the construction of point facilities is simpler. By the provision of adequate equipment to all agglomerations the quality of living in Slovenia will improve as well as this will result the health status of the population and the environment. Thus Slovenia will be fully consistent with the directive regulating collecting systems and treatment of urban waste water.

Since the field of collecting systems and treatment of waste water within the CF envisages the construction only in areas where public sewage system is required, the “development of regions” priority in ERDF will finance complementary investments, which otherwise could not obtain the funds from the CF. The ERDF “development of regions” environmental investments in this field will be used to co-finance small-sized treatment plants. Thus more balanced regional development will be enhanced by providing additional funds for the construction of small-sized communal infrastructure.

Reduction of Water Damages programme is intended to reduce the threats posed by floods and the phenomenon of erosion in RS. Due to the density of settlement and intensive utilisation of space being the consequence of development together with climatic changes, in Slovenia the risk posed by floods and potential damages are relatively high. The reduction of water damages is therefore an important development step and a priority measure that will be implemented on the basis of the Detailed Plan of water management to reduce water damages in the water area of the Danube River where upgrading of the existing system of recording the areas with a high risk of floods and the related phenomenon of erosion is envisaged as well as a set of measures and the implementation of construction and non-construction measures such as the construction of retention basins and the regulation of riverbeds (re-establishment of flooding areas), the construction of high-water level embankments, the reconstruction of high-water level embankments and ensuring hydrological monitoring.

With the development of new and missing waste water infrastructure, water management and the construction of facilities for the distribution of potable water and additional measures from the programme of measures intended to achieve good water status and the protection against flood, foundations will be set up for integrated water management in accordance with the WFD Directive and the Action Plan on the protection against floods, which represent two pillars of the European policy focusing on integrated water management. All professional basis prepared on the basis of the WFD Directive will be integrated into the preparation of the programme already in designing and investment planning. When planning the necessary measures and necessary costs economic price of water use will be verified. In the phase of project planning various public presentations will be used in order too ensure public participation and the participation of various sectors in compliance with the procedures that are laid down in the Water Act and the Spatial Planning Act. Strategic environmental Impact Assessment will also be carried out for all investments.

6.3.6 Sustainable Use of Energy

The Sustainable Energy Programme is based on the Resolution on the National Energy Programme (NEP) adopted by the National Assembly in April 2004. In the field of sustainable energy, NEP lays down the following objectives:

- The first objective is **significant increase in the efficient use of the final energy**

In relation to the year of 2004, a 10% increase of the energy efficiency in industry and service sector is planned by 2010 as well as a 10% increase of the energy efficiency in buildings whereas the increase in public sector will be 15% due to demonstration effects. Furthermore, a share of the energy obtained from combined heat and electricity generation - cogeneration should double if the years 2000 and 2010 are compared.

- The second objective is the **increase in the share of renewable energy sources**

By 2010 the share of renewables in Slovenia, that according to the share of renewable energy sources is already ranked the fifth in the EU, will go up in primary energy balance from 8,8% in 2001 to 12%. This goal involves the increase of the share of renewable energy sources in heat supply from 22% in 2002 to 25% in 2010, the increase of the share of our own production of green electricity from 32.0% in 2002 to 33.6 % in 2010 and the provision of the share of bio fuels for transport will amount to 5.75% in 2010.

Within the development priority activities will be carried out as a response to the requirements and guidelines of the EU regulations and the Kyoto protocol and at the same time they will ensure quality and efficient services. The “sustainable development” development programme refers to:

- The increase of the efficient use of final energy, that is the use of energy in industry, service sector, transport; and
- Significant increase of environmentally friendly energy production from renewable energy sources (hereinafter: RES) and from the systems of combined (cogeneration) heat and electric energy production.

European funds will bring an important change in this field since Slovenia with its own resources only managed to attain a small portion of the goals from the National Energy Programme that represents the guidelines and measures of the Slovenia’s Development Strategy and is harmonised with the EU strategic documents from the field of energy, environmental protection and cohesion policy for growth and employment and with the requirements of the directives on energy efficiency and renewable energy sources.

Programs will be implemented that promote investments to increase energy efficiency and the use of renewable energy sources, in particular:

- energy restructuring and sustainable construction of buildings: energy efficient improvement of existing buildings in the public sector, the construction of low-energy and passive buildings in the public sector, the use of modern technologies for heating, ventilation and air-conditioning of buildings and environmentally friendly decentralised systems of energy supply with the stress on renewable energy sources and combined heat and power generation;
- efficient use of electric energy: implementation of measures in industry, public and service sector;
- innovative systems of local energy supply: bigger individual systems and district and common heating systems for the production of heat and electricity with the stress on the renewable energy sources and co-generation;
- demonstration and model projects and the programs of energy consultancy, information provision and training of energy users, potential investors, energy service providers and other target groups.

6.3.7 Operational programme of the environmental and transport infrastructure development directly supports the following guidelines from the Integrated Guidelines for Growth and New Jobs and the priority measures of the Programme of Reforms for the Implementation of the Lisbon Strategy in Slovenia:

- Guideline 11: To encourage the sustainable use of resources and strengthen the synergies between environmental protection and growth:

Implementation of the Operational Programme for the reduction of the greenhouse gas emissions and the Operational Programme for the Maintenance and Improvement of Ambient Air; the implementation of the national water management programme through adequate operational programmes; the enforcement of the 15 operational programmes in the area of waste by 2008; the implementation of the National Environment Protection Programme 2005-2008; the implementation of the Operational Programme of potable water supply; the

implementation of urban water collection and treatment and the Operational Programme of waste disposal with the goal to reduce the quantities of biodegradable waste in the period up to 2008, which inside the “Environment” development priority represents the biggest share will be the base for the use of new environmental technologies and this consequently leads to the development of new environmental technologies. Thus green public procurements in public sector will increase significantly.

- Guideline16: To expand, improve and link up European infrastructure and complete priority cross-border projects:

Railway structure: investment works on the TEN-T corridors, upgrading the existing lines and necessary equipment due to increased velocities and axle weight, the renovation of the existing lines and the construction of passenger centres; Road infrastructure: the completion of the railway network construction by 2010, the implementation of the National Programme of the Development and Maintenance of national roads; Maritime infrastructure: increase the capacities in the Port of Koper and its connection with the road and railway infrastructure; Infrastructure of air transport: the modernisation of international airports and the infrastructure for performing air traffic control at Ljubljana airport.

As “Lisbon” programmes, the way they are laid down in Article 9.3 of the General Regulation, they took into consideration the development priorities 1 “Railway infrastructure” (codes: 16, 17), 2 “Road and Maritime infrastructure – CF” (codes: 20, 21, 26-30) and 6 “Sustainable Energy Use” (codes: 40-43). Within the third development priority only the part referring to aviation was taken into consideration (code 29).

6.4 Ensuring coordinated and harmonised policies

Policy and institutional coordination

The principles of complementarity, consistency and conformity are laid down as the basic principles in Article 8 of the General Regulation on the European Regional Development Fund, the European Social Fund and the Cohesion Fund as well as in Article 5 of the Regulation on rural development (1698/2005).

A country receiving the resources of cohesion policy is obliged to strategically direct the resources to priority measures and at with due regard of the fact that co-financed activities:

- Shall be complementary to measures those carried out within wider development policy of the member state, regions and other institutions;
- Ensure compliance with the legislation, policy and priorities of the EU and in particular they support Strategic Guidelines of the Community for Cohesion and Integrated Guidelines for Growth and Employment;
- Achieve synergy within the cohesion policy and also the synergy of the cohesion policy with the rural development policy and fisheries policy, EIB financial instruments and other existing financial instruments.

Slovenia regards the above mentioned principles as the base for implementing and guiding instruments of the cohesion and wider policy since we expect the attainment of stronger impacts within co-financed activities. In the field of cohesion policy, the formulation of development policies, achievement of goals and mainly the monitoring and evaluation, it is in the interest of Slovenia to establish best practice in a wider context, that is at the level of the national policy. The system for monitoring cohesion policy has the concept that enables expansion to instruments outside the NSRF.

In various comparisons, Slovene decision to take a more centralised approach to the implementation of SPD has proven to be suitable. In the next financial perspective Slovenia will try to simplify the procedures within the EU rules but the so far established approach will be kept. This means that one body will be appointed as the management authority of all three operational programmes financed by Structural Funds and the CF and within the same institution the coordination of the objective 3, European Territorial Cooperation, is concentrated.

Thus the coordination of processes and contents among the before mentioned programmes will be ensured and close cooperation with ministries – the institutions of individual budget lines – as well as with other implementing institutions at lower levels is essential. Detailed implementing rules will be laid down in operational programmes but it can be already stated that the coordination will be carried out at the formal (e.g. through the Supervisory Board) and the informal level, which has proven to be an important element of administrative absorption capacity. In all cases where the instruments will be touching the competence of other ministries, their opinion will be obtained. In principle, Slovenia will tend to avoid the establishment of new bodies and the emphasis will rather be put on the content and coordination role of the management authority. The central role will be played by the ministries with their qualifications and responsiveness because they represent the main

initiators and implementors of development priorities in line with the programming documents and at the same time they are competent for individual development areas in compliance with Slovene legislation.

In addition to the so called internal coordination, the coordination with other development instruments will have to be insured. Such coordination will be provided at three levels:

1.) At the first level the mutual consistency between individual policies will be ensured by monitoring programmes being in the jurisdiction of the same management authority. Hence, the Government Office for Local Self-Government and Regional Policy will act as the managing authority for the whole area of cohesion policy.

2.) At the second level the coordination with all other national and EU programmes included into the NDP will be insured within the same institution. This means that the implementing provisions concerning the rural development programme and the cohesion policy or for example between national investments and transport infrastructure will be coordinated while monitoring the NDP and additionally in accordance with the usual governmental procedure all these documents are subject to prior coordination between the governmental bodies concerned.

3.) At the third level coordination will be carried out that refers to regulatory and institutional aspects that are monitored by the Government Office for Development. In addition to performing the coordination role, this office also coordinates a special project of reforms that directly impacts the development context of the NSRF. This includes the labour market reform, tax reform and similar. By mutually complementing intervention measures with the regulatory ones, the effects of allocated resources will strengthen additionally.

Demarcation with rural development

The National Strategy Plan for Rural Development (NSPRD) represents a reference framework for the drawing up of the Rural Development Programme 2007-2013. The NSPRD lays down the priorities of the rural development policy. The priorities have been set up in accordance with the Community priorities on the rural development policy. The NSPRD shall apply for the period 2007-2013 and shall be, if not defined otherwise by the priorities, implemented throughout the area of the Republic of Slovenia.

Within the framework of its priority tasks, the NSPRD is aimed at strengthening the multifunctional role of agriculture in Slovenia. Particularly emphasized are the needs for restructuring the agriculture and food-processing industry as well as for enhancing the competitiveness of the entire agricultural sector and agrofood chain. The NSPRD is founded on the principles of a sustainable management of renewable natural resources and pays special attention to the maintenance of cultural landscape and environmental protection as well as the maintenance of the settlement and rural identity in the countryside. It also reflects the multifunctional role of forests which give Slovenian landscape a unique mark and represent an important element of environment and a source of biodiversity. The NSPRD priorities shall also contribute towards the economic and social enhancement of the countryside and

introduce new approaches for increasing employment opportunities in rural areas with all agricultural activities.

The balance between the three main intervention areas - competitiveness, environment, and diversification of economic activities as well as the quality of life in the countryside - shall be achieved by a target-oriented and a well considered allocation of resources between the intervention areas. Slovenia's national priorities are based on the baseline analysis, potentials and specific needs which shall contribute towards an effective accomplishment of the overall Community objectives laid down in the Council Decision on Community strategic guidelines for rural development and the Lisbon and Göteborg objectives. Besides national priorities under the rural development strategy another priority is the preservation of forests which, however, shall be governed under the national policy instruments. Slovenian forestry is based on prevention activities providing sustainable forest exploitation and management, which shall considerably contribute towards the fulfilment of the EU forestry policy objectives.

Slovenia will implement rural development by applying measures according to 4 priority axes of NSPRD. In the continuation there is an indicative presentation of the four axes of the NSPRD with the demarcation of contents with cohesion policy whereby the Managing Authority of cohesion policy and the Ministry of Agriculture, Forestry and Food shall regularly discuss and co-ordinate detailed provisions of implementation documents, which shall prevent double financing:

Axis 1: Competitiveness of agrofood and forestry sector

The rural development policy shall primarily support the restructuring of agriculture, food-processing industry and forestry by implementing activities according to the following four priorities:

- a) modernization and restructuring of agriculture (activities in this field will mainly be directed towards technological adaptation of agriculture to Community standards, structural improvements required to raise the competitiveness in agriculture, and improvement of the income situation of the primary agricultural producers);
- b) raising added value and the quality in production and processing of agricultural, food and forestry products (activities in this field will aim at strengthening the effectiveness, innovation promotion, quality improvement and environmental protection in the production, processing and marketing of agricultural, food and forestry products – special attention shall be paid to networking alongside the food chain, recovery of raw materials for renewable energy sources from crops and wood, and participation in food quality schemes),
- c) economically more effective forest management (the priority also focuses on increasing economic effectiveness of forest management and economic forest value – the activities shall be aimed at supporting the investments in improving the economic value of private forests, improving the safety at work and accessibility of forests by considering the principles of sustainable forest management and business networking of private forest owners),

- d) raising competence and employment level in agriculture, food industry and forestry (the activities in this field will contribute to raising the vocational competence of farmers and private forest owners as well as employees in the production and processing of agricultural products and wood).

Potential overlapping could be identified with the priorities a) and d) but the division of tasks will in principle be carried out on the basis of different target groups. Within the OP for the development of regional potentials the agricultural sector and farmers are not among the beneficiaries. The exception can be the food processing industry that will be able to participate in those cases where relations with knowledge and research institutions are fostered to create intermediaries.

Axis 2: Preservation of cultural landscape and environmental protection

Under this set of contents the rural development policy shall support in particular:

- a) preservation of agriculture in less favoured areas (activities in this field will mainly be directed towards maintenance of agriculture in areas where due to natural adversity (mountainous, altitude, inclination, flooding, soil sliding, and strong winds) the use of generally acknowledged technologies is not possible - in these areas the production is extensive and the quantity of the produce is far lower than the production in the lowland areas; the production economy in these areas is significantly weaker; as a result of these restrictions additional costs arise to be compensated by these measures; indirectly, this priority is aimed at the maintenance of rural landscape and the settlement of the areas where agricultural activity is being abandoned,
- b) promotion of environment friendly agricultural practices (activities in this field will aim at preserving and improving natural resources: soil, water and air).

The measures of the axis 2. are carried out in a form of direct payments and do not overlap with the activities of cohesion policy. Indirectly they contribute to the achievement of the goals of sustainable agricultural land use and the protection and preservation of the environment.

Axis 3: Improving quality of life in rural areas and promotion of diversification

Rural development policy shall support the improvement of the quality of life in rural areas and diversification, primarily by the implementation of measures under the two priorities:

- a) improvement of employment opportunities in rural areas (the goal is to enhance business potentials in rural areas by diversification of agricultural holdings into non-agricultural activities as well as by promoting the creation and development of micro enterprises in the countryside – support shall be aimed at enterprise development based on innovative programmes of competitive strengths of the countryside (traditional knowledge, manpower, raw materials and working environment) in the form of investments, and operational and advisory actions; support for vocational training and information actions shall be targeted at economic actors and other inhabitants of rural areas operating in the areas covered by axis 3);
- b) improvement of the quality of life in rural areas (the goal being revival of village cores, renewal of multipurpose facilities, setting up and use of local ICT, tourism and other infrastructure, securing the possibilities for performing versatile activities, and

renewal of cultural and natural heritage - the priorities shall be targeted at the renewal and construction of common facilities to improve the social, cultural and other activities in villages; a special attention shall be paid to the renewal and construction of typically rural cultural monuments; for the purposes of the tourism promotion natural values shall be preserved, various thematic trails established and other infrastructure required; the services shall be aimed in particular to reduce the differences between urban and rural areas and to raise the quality of life in the countryside).

The complementarity of point a) with cohesion policy will be achieved by directing the promotion of entrepreneurship within the OP strengthening regional development potentials towards enterprises bigger than micro ones in cases of comparable incentives. In addition eligible areas will be precisely determined within rural development programme. In relation with point b) in the field of ICT development within OP strengthening regional development potentials the establishment of ICT systemic networks will be co-financed or the access will be provided to clearly defined users (educational, research and cultural organisations). But these will not overlap with the ones within rural development. Within rural development programme the incentives for ICT development will be directed towards the establishment of the ICT infrastructure directly at the funds recipients within other supported measures. This does not coincide with the ones within the OP strengthening regional development potentials. In the field of road infrastructure funds intended for rural development will be earmarked only for road infrastructure that ensures the connection with or the access to land and forests and is related to village renewal, which is not the purpose and the objective of the transport infrastructure construction within the cohesion policy. The same applies to the revitalisation projects of villages or the construction of multipurpose facilities that are of significant local character whereas the projects within regional development are regionally directed.

Axis 4: LEADER — building local capacities for employment and diversification

The axis 4 of the NSPRD is targeted at strengthening the subsidiarity principals in rural development. Under the LEADER axis rural development policy shall focus on the following priorities:

- a) skills acquisition and increase of the rural population self-initiative (the activities of this priority will focus on involvement of the civil society and interested public into planning of economic, social and environmental development at the local level to be carried out by organizations and individuals trained for this purpose– the activities shall be targeted at the ongoing training and encouraging of local population self-initiatives),
- b) establishment of local action groups (LAG) in rural areas (the activities of this priority will focus on provision of partnerships between public and private law entities by taking into consideration the bottom-up approach in drawing up and the implementation of the local development strategies),
- c) implementation of local development strategies (the activities of this priority will focus on independent decision-making within public-private partnerships in selecting projects and activities deriving from local development strategies).

In the case of the a) priority task the purpose is clear and specific and there is no risk of overlapping with the Human Resources Development OP.

Demarcation with fisheries development

Within the priorities of the European fisheries fund Slovenia will endeavour to achieve the following key goals and the Strategy of fisheries development in Slovenia:

- Ensure sustainable and competitive fisheries that will be kept in balance with available fishery resources and maritime environment,
- Achieve higher level of competitiveness of aquaculture on the domestic and European markets by encouraging the use of environmentally-friendly practices and the development of new species with good marketing possibilities,
- Promote competitiveness of processing industry with a more effective exploitation of market niches and innovative technology,
- Promote fishery products and raise awareness among people of positive health aspects connected with the consumption of fish and fishery products and of suitable ways of fish preparation,
- Provide adequate conditions for work and safety of fishers with the provision of suitable infrastructure, organisation of fishing ports,
- Encourage the development of coastal fishing areas and achieve long-term prosperity by diversifying activities and connecting fisheries with tourism, cultural heritage and tradition.

Slovenia will implement fisheries and fish farming development policy by applying measures with regard to 4 priority axes of the EFF:

- Priority axis 1: Adapting the fishing fleet to the Community,
- Priority axis 2: Aquaculture, processing and marketing,
- Priority axis 3: Common measures relating to fisheries,
- Priority axis 4: Development of coastal fishing areas.

Between the cohesion policy and the development of fisheries no special earmarking is necessary since as a rule this is a special target group (fishers, aquaculture and fish processing industry respectively) where there is no overlapping except in the context of establishing connections with knowledge and research institutions. The exception could be the organisation and modernisation of fishing ports and the solution to a problem of social exclusion and the promotion of long-term development and competitiveness of coastal fishing areas. In the first case the project envisaged to develop the Port of Koper (a project within the OP of environmental and transport infrastructure development) will not be financed from the fisheries and in the second case the instruments will be directed towards the target group of fishers who, except in the well founded and complimentary activities, will not take part in the implementation of the cohesion policy. For activities that will not directly refer to the target group of fishers there will be a clear division of eligible activities in implementing documents between the management authority for the Cohesion Policy and the management authority for fisheries policy and/or there will be the determination of a size of a project that can be financed from one or the other instrument. In any case the management authority and the Ministry of Agriculture, Forestry and Food will regularly and promptly coordinate the detailed provisions of implementing documents so that double financing will be prevented.

7 Financial plan and the »principle of additionality«

7.1 Financial plan

In compliance with the Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund, the NSRF must contain the breakdown of funds to operational programmes, funds and individual years. The financial table refers to the Cohesion Policy funds that will have to be added funds provided by the Republic of Slovenia. In doing so, Slovenia will where relevant and reasoned supplement the financing of the activities envisaged in the NSRF with the resources of international financial institutions in particular the European Investment Bank.

Indicative allocation to funds and programmes (in euro, current prices)

Operational programme	Fund	TOTAL 2007-2013	2.007	2.008	2.009	2.010	2.011	2.012	2.013
		EU contribution	EU contribution	EU contribution	EU contribution	EU contribution	EU contribution	EU contribution	EU contribution
EUROPEAN REGIONAL DEVELOPMENT FUND AND EUROPEAN COHESION FUND									
Operational programme of environmental and transport infrastructure development	Total CF + ERDF	1.635.599.744	103.527.527	143.278.281	187.175.675	230.200.555	278.875.683	323.547.894	368.994.129
	Cohesion fund	1.411.569.858	91.503.092	125.243.793	160.705.309	197.951.134	237.046.773	278.059.808	321.059.949
	European regional development fund	224.029.886	12.024.435	18.034.488	26.470.366	32.249.421	41.828.910	45.488.086	47.934.180
Operational programme for strengthening regional development potentials for the period 2007-2013	European regional development fund	1.709.749.522	310.932.694	291.050.765	267.765.747	246.120.881	219.618.201	197.936.405	176.324.829
Operational programme CBC Slovenia - Austria	European regional development fund	31.518.804	4.790.285	4.282.706	4.272.439	4.380.543	4.491.264	4.596.801	4.704.766
Operational programme CBC Slovenia - Italy	European regional development fund	23.776.768	3.613.637	3.230.735	3.222.990	3.304.540	3.388.063	3.467.680	3.549.123
Operational programme CBC Slovenia - Hungary	European regional development fund	14.633.728	2.224.060	1.988.399	1.983.631	2.033.824	2.085.229	2.134.229	2.184.356
Operational programme CBC Slovenia - Croatia	European regional development fund	21.351.751	1.718.156	2.935.469	3.208.685	3.272.859	3.338.316	3.405.082	3.473.184
Operational programme CBC Adriatic Initiative	European regional development fund	5.659.991	455.454	778.144	850.569	867.580	884.931	902.630	920.683
Operational programme Transnacional - Alpine Space	European regional development fund	1.097.292	166.768	149.098	148.740	152.504	156.358	160.033	163.791
Operational programme Transnacional - South East	European regional development fund	3.657.639	555.895	496.991	495.801	508.345	521.194	533.442	545.971
Operational programme Transnacional - Central East	European regional development fund	1.975.126	300.183	268.376	267.732	274.507	281.445	288.059	294.824
Operational programme Transnacional - Mediterranean	European regional development fund	585.221	88.943	79.519	79.328	81.335	83.391	85.350	87.355
EUROPEAN SOCIAL FUND									
Operational programme of human resources development	European social fund	755.699.370	126.208.034	120.787.061	114.984.183	108.784.002	102.170.608	95.127.569	87.637.913
TOTAL ALL FUNDS NSRF 2007-2013		4.205.304.956	554.581.636	569.325.544	584.455.520	599.981.475	615.894.683	632.185.174	648.880.924
TOTAL ERDF		2.038.035.728	336.870.510	323.294.690	308.766.028	293.246.339	276.677.302	258.997.797	240.183.062
TOTAL CF		1.411.569.858	91.503.092	125.243.793	160.705.309	197.951.134	237.046.773	278.059.808	321.059.949
TOTAL ESF		755.699.370	126.208.034	120.787.061	114.984.183	108.784.002	102.170.608	95.127.569	87.637.913
European agricultural fund for rural development		900.266.729	128.609.533	128.609.533	128.609.533	128.609.533	128.609.533	128.609.533	128.609.533
European fisheries fund*		21.640.283	3.677.840	3.497.335	3.308.139	3.109.976	2.902.563	2.685.611	2.458.819

7.2 Principle of Additionality

Additionality shall be verified three times: ex ante when drawing up the National Strategic Reference Framework (NSRF), mid-term verification shall be in the middle of the period in 2011, and additionality shall be verified ex post on 30 June 2016.

Ex-ante verification

In accordance with Article 15 of the Regulation 1083/2006 the Commission and the Member State shall determine the level of public or equivalent structural expenditure which the Member State shall maintain during the programming period 2007-2013 in order to implement the principle of additionality of the resources from the structural funds. The level of expenditure by a Member State is one of the items covered by the decision of the Commission on the National Strategic Reference Framework.

As shown in the table below, the services of the Commission and Slovene bodies have, based on the information provided by competent Slovene bodies, determined that the average annual structural expenditure in the period 2007 – 2013 for the Republic of Slovenia being classified as the region covered by the Convergence objective, will amount to EUR 689.9 million (according to prices in 2006). This is by 15.2% more than the average annual expenditure in the reference period. With the member states that joined the EU on 1 May 2004 the reference period are the years 2004 and 2005.

Slovenia will submit all the necessary information to verify additionality and will notify the Commission if there have been any changes that may threaten the achievement of the agreed structural expenditure level.

Mid-term verification

In the middle of the programming period in 2011, the Commission shall, in cooperation with each Member State, verify additionality for the Convergence objective. Additionality is achieved if the average annual structural expenditure in the period 2007 – 2010 equals the amount specified within the ex-ante verification of additionality or if structural expenditure is within the limits determined during ex-ante verification. In the latter case the average annual structural expenditure in the period 2007 – 2010 may also be lower than the average annual structural expenditure in the period 2007 – 2013.

For the needs of the mid-term verification the Republic of Slovenia shall submit to the Commission the information in accordance with the following time line:

- by 31 July 2011: submission of aggregated and annual tables with final data for the years between 2007 and 2009 and approximate data for 2010,
- by 31 October 2011: if necessary: methodological improvements introduced on the basis of the comments of the Commission,
- 31 December 2011: the deadline to submit any additional information.

After the mid-term verification and based on the results of the mid-term verification the Republic of Slovenia can, in agreement with the Commission, decide to modify the required

level of structural expenditure for the remaining part of the programming period if the economic situation has significantly changed and will result in significant changes of the macroeconomic indicators on which the forecasts of structural expenditure for the period 2007 – 2013 are built.

Ex-post verification

Verification will be carried out before 30 June 2016. Additionality is regarded as achieved if the average annual structural expenditure in the period 2007 – 2013 will at least reach the level of expenditure agreed in the ex-ante verification or the revised level of the mid-term verification. For the needs of the ex-post verification the Republic of Slovenia shall submit to the Commission the information in accordance with the following time line:

- by 31 January 2016: submission of aggregated and annual tables with final data for the years between 2007 and 201309,
- by 31 March 2016: if necessary: methodological improvements introduced on the basis of the comments of the Commission,
- 30 June 2016: the deadline to submit any additional information.

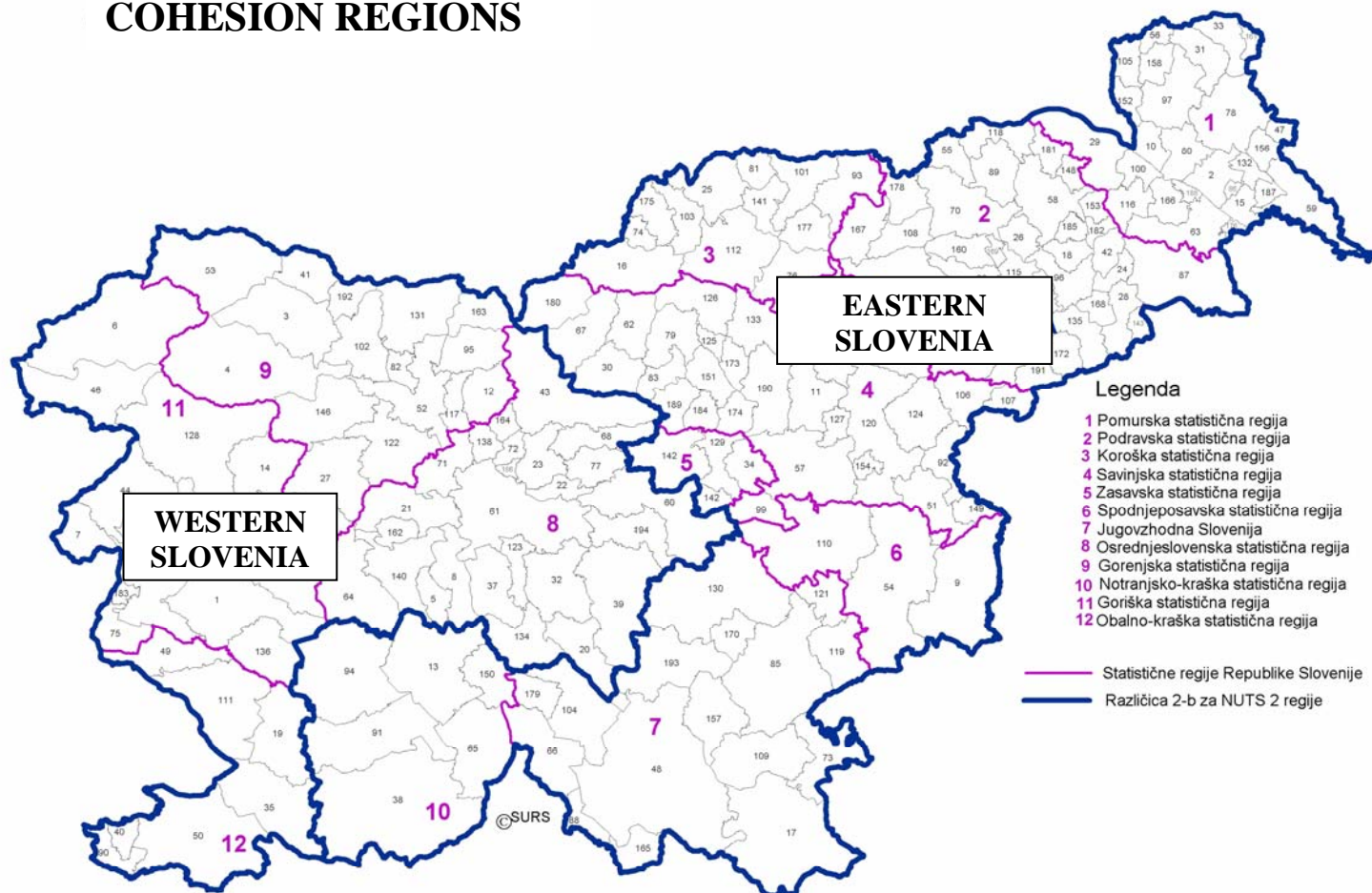
If the information shall not be submitted or shall be methodologically incomplete this will imply that the principle of additionality has not been satisfied.

Table 15: Table for ex-ante verification of the additionality of resources for NSRF 2007 – 2013 Aggregate financial table of public or other equivalent structural expenditure in Slovene regions within the Convergence objective (in EUR, according to 2006 prices)

	Annual average in 2007 - 2013 NSRF (ex ante)						Annual average 2004 - 2005					
	Total	Of which public companies	NSRF		Outside NSRF	Total	Total	Of which public companies	SPD		Outside SPD	Total
			Nat. + EU	Nat. + EU					EU	Nat.		
1	2	3	4	5	6	7=5+6=2-4	8	9	10	11	12	13=11+12=8-10
infrastructure	259.931.687	0	68.079.172	20.482.234	171.370.281	191.852.515	182.073.687	0	2.876.349	605.871	178.591.467	179.197.338
Transport	136.964.524	0	24.564.963	11.291.095	101.108.466	112.399.561	111.390.499	0	2.876.349	605.871	107.908.279	108.514.150
ns	21.363.257	0	12.332.180	2.176.266	6.854.811	9.031.077	9.518.655	0	0	0	9.518.655	9.518.655
Energy	6.854.811	0	0	0	6.854.811	6.854.811	5.074.477	0	0	0	5.074.477	5.074.477
water	75.820.028	0	29.913.329	6.491.534	39.415.165	45.906.699	35.746.005	0	0	0	35.746.005	35.746.005
Health	18.929.067	0	1.268.700	523.339	17.137.028	17.660.367	20.344.051	0	0	0	20.344.051	20.344.051
Human Resources	423.654.886	0	79.687.689	13.920.728	330.046.469	343.967.197	317.782.175	0	15.319.148	5.107.876	297.355.151	302.463.027
Education	132.698.970	0	37.059.242	6.527.181	89.112.547	95.639.728	85.187.660	0	4.441.911	1.579.385	79.166.364	80.745.749
Training	124.859.431	0	27.689.271	4.757.149	92.413.011	97.170.160	90.636.785	0	5.281.122	1.663.739	83.691.924	85.355.663
RTD	166.096.485	0	14.939.176	2.636.398	148.520.911	151.157.309	141.957.730	0	5.596.115	1.864.752	134.496.863	136.361.615
environment	281.984.350	0	127.885.051	20.811.302	133.287.997	154.099.299	142.186.419	0	25.055.461	6.940.173	110.190.785	117.130.958
Industry	149.972.377	0	69.798.214	13.530.164	66.643.999	80.174.163	76.775.470	0	16.908.786	4.224.615	55.642.069	59.866.684
Services	61.722.446	0	31.339.868	3.724.979	26.657.599	30.382.578	23.179.993	0	1.227.457	409.152	21.543.384	21.952.536
Tourism	70.289.527	0	26.746.969	3.556.159	39.986.399	43.542.558	42.230.956	0	6.919.218	2.306.406	33.005.332	35.311.738
Others	0	0	0	0	0	0	590.164	0	442.461	147.703	0	147.703
Total	965.570.923	0	275.651.912	55.214.264	634.704.747	689.919.011	642.632.445	0	43.693.419	12.801.623	586.137.403	598.939.026

Annex 1: Territorial breakdown of Slovenia to cohesion and development regions

COHESION REGIONS



Annex 2: Indicative categorisation by purpose

CODES FOR THE PRIORITY THEME DIMENSION		
Code	Priority theme	€
	Research and technological development (R&TD), innovation and entrepreneurship	
1	R&TD activities in research centres	78.410.460
2	R&TD infrastructure (including physical plant, instrumentation and high-speed computer networks linking research centres) and centres of competence in a specific technology	87.702.100
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.)	394.623.044
4	Assistance to R&TD, particularly in SMEs (including access to R&TD services in research centres)	0
5	Advanced support services for firms and groups of firms	0
6	Assistance to SMEs for the promotion of environmentally-friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production)	55.634.088
7	Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)	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
	Information society	
10	Telephone infrastructures (including broadband networks)	70.013.449
11	Information and communication technologies (access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)	10.000.000
12	Information and communication technologies (TEN-ICT)	0
13	Services and applications for citizens (e-health, e-government, e-learning, e-inclusion, etc.)	47.585.267
14	Services and applications for SMEs (e-commerce, education and training, networking, etc.)	19.291.640
15	Other measures for access to ICT by SMEs and efficient use of ICT by SME's	9.291.640
	Transport	
16	Railways	0
17	Railways (TEN-T)	398.189.019
18	Mobile rail assets	0
19	Mobile rail assets (TEN-T)	0
20	Motorways	0
21	Motorways (TEN-T)	236.770.911
22	National roads	198.529.886
23	Regional/local roads	43.360.984
24	Cycle tracks	5.500.000
25	Urban transport	0
26	Multimodal transport	10.000.000
27	Multimodal transport (TEN-T)	0
28	Intelligent transport systems	21.680.492
29	Airports	31.448.562
30	Ports	40.724.253
31	Inland waterways (regional and local)	0
32	Inland waterways (TEN-T)	0
	Energy	

33	Electricity	0
34	Electricity (TEN-E)	0
35	Natural gas	0
36	Natural gas (TEN-E)	0
37	Petroleum products	0
38	Petroleum products (TEN-E)	0
39	Renewable energy: wind	0
40	Renewable energy: solar	27.086.553
41	Renewable energy: biomass	21.300.000
42	Renewable energy: hydroelectric, geothermal and other	5.800.000
43	Energy efficiency, co-generation, energy management	105.700.000
	<i>Environmental protection and risk prevention</i>	
44	Management of household and industrial waste	205.568.426
45	Management and distribution of water (<i>drinking water</i>)	225.896.414
46	Water treatment (<i>waste water</i>)	156.985.442
47	Air quality	0
48	Integrated prevention and pollution control	0
49	Mitigation and adaptation to climate change	0
50	Rehabilitation of industrial sites and contaminated land	0
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>)	97.462.141
54	Other measures to preserve the environment and prevent risks	0
	<i>Tourism</i>	
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
	<i>Culture</i>	
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	0
	<i>Urban and rural regeneration</i>	
61	Integrated projects for urban and rural regeneration	61.944.263
	<i>Increasing the adaptability of workers and firms, enterprises and entrepreneurs</i>	
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	63.848.517
63	Design and dissemination of innovative and more productive ways of organising work	6.720.897
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	6.720.897
	<i>Improving access to employment and sustainability</i>	
65	Modernisation and strengthening labour market institutions	20.162.690
66	Implementing active and preventive measures on the labour market	119.015.876
67	Measures encouraging active ageing and prolonging working lives	21.002.802
68	Support for self-employment and business start-up	31.364.183

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	19.154.555
70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration	3.192.426
Improving the social inclusion of less-favoured persons		
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	41.501.536
Improving human capital		
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.	104.173.896
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	60.488.069
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	153.460.471
Investment in social infrastructure		
75	Education infrastructure	15.486.066
76	Health infrastructure	15.486.066
77	Childcare infrastructure	0
78	Housing infrastructure	0
79	Other social infrastructure	67.208.966
Mobilisation for reforms in the fields of employment and inclusion		
80	Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	13.441.793
Strengthening institutional capacity at national, regional and local level		
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	15.861.756
Reduction of additional costs hindering the outermost regions development		
82	Compensation of any additional costs due to accessibility deficit and territorial fragmentation	0
83	Specific action addressed to compensate additional costs due to size market factors	0
84	Support to compensate additional costs due to climate conditions and relief difficulties	0
Technical assistance		
85	Preparation, implementation, monitoring and inspection	64.275.520
86	Evaluation and studies; information and communication	21.425.174
Total		4.101.048.636

CODES FOR THE FORM OF FINANCE DIMENSION		
Code	Form of finance	€
1	Non-repayable aid	3.989.780.460
2	Aid (loan, interest subsidy, guarantees)	55.634.088
3	Venture capital (participation, venture-capital fund)	55.634.088
4	Other forms of finance	0
Total		4.101.048.636

CODES FOR THE TERRITORIAL DIMENSION		
<i>Code</i>	<i>Territory type</i>	€
1	Urban	2.090.146.554
2	Mountains	0
3	Islands	0
4	Sparsely and very sparsely populated	0
5	Rural areas (<i>other than mountains, islands or sparsely and very sparsely populated areas</i>)	2.010.902.082
6	Former external Border (after 30.04.2004)	0
7	Outermost region	0
8	Cross-border cooperation area	0
9	Transnational cooperation area	0
10	Inter-regional cooperation area	0
11	Not applicable	0
Total		4.101.048.636