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The Absorption of Cohesion Policy Funds in Slovenia from 2007 to 2011

Working Paper 6/2012, Vol. XXI

Summary

This working paper analyses the current situation and movements in the area of the absorption of European cohesion funds in Slovenia in the frame of the three operational programs (OP), namely the OP for strengthening regional development potentials, the OP for developing environmental and transport infrastructure and the OP for human resource development. The timing refers to the period from 1 January 2007 to 31 December 2011. The analysis is based on data from the Government Office for Local Government and Regional Policy (SVLR, the current Ministry of Economic Development and Technology), the Ministry of Finance (MF) and the European Commission's (EC) annual reports on the EU budget. In the introductory section we examine the cohesion policy of the European Union (EU), its basic principles, objectives and financial performance in the current financial perspective. In the central part of the publication we analyze the annual budget transfers between the Republic of Slovenia and the EU (together with the cohesion policy, they cover the common agricultural and fisheries policy and other EU policies), the dynamics of EU funds absorption with regard to the defined timing, and Slovenia's ranking among other EU countries in terms of the dynamics of the absorption of EU funds and the share of the net income from EU cohesion funds in gross national income (GNI).

By joining the EU in 2004, Slovenia became a beneficiary of EU funds. Throughout this period – with the exception of 2007 and 2008, when payments to the EU budget exceeded revenue from the EU budget (MF data) – Slovenia was a net recipient of EU funds, although the share of the net income from EU funds in Slovenia's GNI is rather low compared with other net recipients of EU funds (EC Budget, 2010 Financial Report). Regarding the dynamics of the European cohesion funds absorption in the defined timing, Slovenia ranked in the top half of the 27 Member States, namely the high seventh place in terms of the rights to absorb from 2007 to 2011, and the ninth position in terms of the rights to absorb from 2007 to 2013 (State of execution of Interim Payments and approval of Major Projects for ERDF, ESF and CF, 1 December 2011).

There are different opinions about how successful Slovenia is in drawing European funds, especially cohesion policy funds. Critics highlight the ineffectiveness of the institutions responsible for preparing and processing data (a problem with the absorption from the Cohesion Fund), while the supporters of Slovenian achievements in implementing the cohesion policy take into account the effects of the economic crisis, saying that the mere inclusion of Slovenia among the top 27 EU member states means that it is successfully overcoming the current problems with the absorption of cohesion funds.

Based on our analysis, we estimate that Slovenia's high ranking among the EU countries is primarily due to the absorption from the European Regional Development Fund, which predominantly supports projects of the OP for Strengthening Regional Development Potentials. The funds for implementing the OP for Human Resources Development are drawn at a slower pace, although we estimate that there are real opportunities to accelerate the pace of withdrawals and that two-thirds of the funds assigned to that OP could be absorbed by the end of 2015.

In addition to better cooperation between the ministries and beneficiaries of the cohesion funds, timely measures to shift resources within the OP itself (from priorities that are less likely to be realized in the current programming period to those where the possibilities for realization are higher) are needed to accelerate the disbursement of cohesion funds for OP for human resource development projects.

We conclude that the funds for supporting transport and environmental infrastructure are not drawn according to the expected dynamics and that their absorption is the lowest. As this is mainly about large projects that require greater contributions from contractors and more extensive investment documentation (land acquisition, approvals and permits), we believe that in times of economic crisis it is unrealistic to expect that all funds for this OP could be absorbed by the end of 2015. We also believe that for better absorption of cohesion funds for this OP it is necessary to improve the coordination between the ministries and recipients, in terms of better monitoring of all preparatory stages for the acquisition and preparation of investment documentation, assessing the feasibility of projects, ensuring faster appeal procedures and substitute operators when current ones have liquidity problems.

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